08

ANNUAL REPORT

METRO Group, focus on values

What **really** matters.

METRO Group

The Spirit of Commerce

METRO GROUP IN FIGURES[1]

€ million	2008	2007	2006[2]
Key financial figures			
Sales (net)	67,956	64,210[3]	58,279
Metro Cash & Carry	33,143	31,698	29,907
Real	11,636	11,003	8,775
Media Markt and Saturn	18,993	17,444[3]	15,156
Galeria Kaufhof	3,516	3,556	3,609
Other companies	668	509[3]	832
EBITDA	3,543[4]	3,343[3]	3,162[4]
EBIT	2,225[4]	2,078[3]	1,928[4]
Metro Cash & Carry	1,328	1,243	1,111
Real	21[4]	-16	19[4]
Media Markt and Saturn	603	610[3]	587
Galeria Kaufhof	113	107	82
Other companies/consolidation	160[4]	134	129[4]
Financial result	-573	-517[3]	-444
Earnings before taxes	1,652[4]	1,561	1,564
Net profit for the period[5]	725[6]	1,051[6]	1,196
thereof from continuing operations	1,154[6]	1,065[6]	1,079
thereof attributable to shareholders of METRO AG[5]	403	825	1,059
Investments	2,480	2,154	3,011
Total assets[5]	33,825	33,872	32,190
Equity	6,074	6,509	6,050
Equity ratio (%)	18.0	19.2	18.8
Return on equity after taxes (%)	11.9[6]	16.1[6]	19.8
Earnings per share[5, 7] (€)	1.23	2.52	3.24
thereof from continuing operations (€)	2.54	2.58	2.88
thereof from discontinued operations (€)	-1.31	-0.06	0.36
Earnings per share from continuing operations before special items[7, 8] (€)	3.05	2.77	2.72
Dividend per ordinary share (€)	1.18[9]	1.18	1.12
Dividend per preference share (€)	1.298[9]	1.298	1.232
Market capitalisation as of 31 December (€ billion)	9.3	18.7	15.8
Operating data			
Employees (annual average by headcount)	290,940	275,520	253,117
Locations (number)	2,195	2,097	2,119
Selling space (1,000 sqm)	12,350	11,779	11,481

[1] Continuing operations only (discontinued operations: Praktiker and Extra in 2006, Extra and Adler in 2007 and 2008)
[2] Adjustment of previous year's figures due to preliminary accounting for business combinations in 2006
[3] Adjustment of previous year's figures due to the changed sales definition (see notes to the Group accounting principles and methods in the notes to the consolidated financial statements)
[4] In 2008 adjusted for the costs of the trimming of Real's store network: €203 million was adjusted in EBITDA, of which Real accounted for €223 million and other companies/consolidation for €20 million; €237 million was adjusted in EBIT, of which Real accounted for €224 million and other companies/consolidation for €13 million; in 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/consolidation for €29 million
[5] Including discontinued operations
[6] In 2008 adjusted for the after-tax costs for the trimming of Real's store network; in 2007 adjusted for special tax effects
[7] After minority interests
[8] In 2008 adjusted for the costs of trimming Real's store network (after taxes); in 2007 adjusted for special tax effects; in 2006 adjusted for the effects from the repositioning of Real, including the acquisition of the Wal-Mart Germany group and the Polish Géant business
[9] Subject to approval by the Annual General Meeting

THE COMPANY

METRO Group is one of the world's largest and most international retailing companies. More than 290,000 employees[1] from more than 150 nations work at about 2,200 locations in 32 countries. Our sales brands Metro and Makro Cash & Carry, Media Markt and Saturn command leading market positions in their respective segments. Real is one of the leading hypermarket operators, Galeria Kaufhof is the concept and system leader in its market. The sales brands prove their trading skills and performance strength every single day.

655 locations

110,268 employees[2]

€ 33.1 billion in sales

29 countries

Metro Cash & Carry is the world's market leader in the cash & carry trade. Operating under the brands of Metro and Makro, it is our biggest and most international sales division. Its assortment is aimed exclusively at commercial and wholesale customers.

439 locations

57,530 employees[2]

€ 11.6 billion in sales

3.1 million square metres in total selling space

Real is one of the leading hypermarket operators in Germany and Poland. With stores in Germany, Poland, Romania, Russia and Turkey, Real represents the large-format hypermarket concept.


768 locations

54,718 employees[2]

€ 19.0 billion in sales

16 countries

Europe's No. 1 in consumer electronics retailing: 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.

141 locations

18,907 employees[2]

€ 3.5 billion in sales

1.5 million square metres in total selling space

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 centres with a high-quality assortment – emotionally presented in product worlds.

[1] Annual average by headcount
[2] Annual average of full-time equivalents

08 GOALS	RESULTS	09 GOALS
→ **SALES** In the context of our strategy of profitable growth, we projected sales growth of more than 6 percent for METRO Group in the financial year 2008 as well as over the medium term.	→ METRO Group raised its Group sales by 5.8 percent to €68.0 billion. Adjusted for on balance negative exchange rate effects, sales rose by 6.1 percent. Our Group reached its sales target in currency-adjusted terms despite an increasingly challenging market environment during the course of the year.	→ In view of the global economic downturn, the lower number of new store openings and negative currency effects, we expect sales growth to remain markedly below the medium-term goal of more than 6 percent.
→ **EBIT** We expected EBIT before special items to increase disproportionately to sales.	→ METRO Group's EBIT before special items met the forecast with an increase by 7.1 percent to €2,225 million.	→ The high level of uncertainty resulting from current global economic challenges makes a meaningful forecast for the financial year 2009 impossible at this point. However, we expect the likely weakening of sales growth to also impact our earnings. The cost-cutting measures and investment cutbacks that have already been implemented are designed to mitigate any such impact on EBIT before special items as far as possible.
→ **INVESTMENTS** Our investments were scheduled to exceed the previous year's level of €2.2 billion. They were supposed to be focused primarily on our continued international expansion	→ Investments in existing concepts and organic growth rose by €0.3 billion to a total of €2.5 billion.	→ We will invest a maximum of €1.6 billion. As a result, the number of new store openings will remain markedly below our medium-term expansion goals.
→ **NEW STORE OPENINGS** We gave the following medium-term outlook on the number of average annual new store openings in 2008: 40 new store openings at Metro Cash & Carry, 15 at Real and more than 70 at Media Markt and Saturn.	→ In 2008, the sales divisions of METRO Group opened 124 new stores, including 40 Metro Cash & Carry stores, 14 Real hypermarkets and 70 Media Markt and Saturn consumer electronics stores.	→ We plan to open about 20 Metro Cash & Carry stores, about 10 Real hypermarkets and about 50 Media Markt and Saturn consumer electronics stores.

Retail is our world. That's why our customers are at the centre of everything that we do as a company. Every day, we successfully bring together people and products – millions of them, in all corners of the globe. It's just one way in which we create added value. Not only for our customers, but also for our shareholders, employees and society as a whole.

And that's what really matters!

METRO Group
The Spirit of Commerce

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Globalisation is leading to an increasing worldwide convergence of consumer needs. Yet at the same time, individual expectations are becoming more diverse. To cope with this ever-changing world, people are turning more and more to reliable structures and values.

METRO Group's central aim is to be a dependable partner capable of consistently generating added value. Every day our sales divisions Metro Cash & Carry, Real, Media Markt and Saturn, and Galeria Kaufhof provide the proof that our made-to-measure concepts are living up to these increasingly sophisticated consumer expectations – to the benefit not only of our shareholders and employees, but also of society as a whole.

The following pages provide a fascinating look at the multifaceted world of retail and show you just how important the perennial values of service, quality and transparency are to us. They make it possible for us to continue growing profitably – even during these changing times – and ensure that shares in Metro are always a great investment. And these long-standing values also contribute to METRO Group's positive image as an employer, a responsible corporate citizen, and also – we are proud to say – as the number one choice for our customers all around the world.

04 Customers

At the METRO Group sales divisions the customer always comes first.

14 Investors

Dialogue with shareholders and analysts is an important part of our value-oriented strategy.

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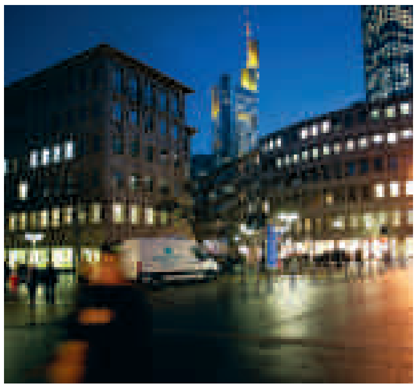
METRO Group offers employees and applicants various development opportunities.

24 Society

METRO Group is committed to fulfilling its corporate social responsibility by contributing towards society.



01

PROFESSIONALS IN ACTION

For us, satisfied customers are both our motivation and a measure of our success. Regardless of whether the customer is a celebrity chef in Russia or a small-scale retailer in India. We know our customers' needs. And, even more importantly, what their customers or guests expect.

01
Freshness and quality are a top priority when buying supplies.

01
Top chef Nico Giovanoli, head of the exclusive Restaurant Baltschug at the Hotel Baltschug Kempinski Moscow, knows he can trust products from Metro Cash & Carry. And every day more than 1,200 satisfied guests agree with him.

02
The wide range of products inspires our customers to experiment.

Mushrooms tend to absorb water and become unsightly when washed. That is something that every professional cook knows. And therefore they prefer other methods for efficiently removing sand and dirt. Pre-cleaned using the so-called "airstream" technique, the ready-to-cook mushrooms offered by Metro Cash & Carry are something that every chef can appreciate. Like Nico Giovanoli, executive chef at the exclusive Hotel Baltschug Kempinski in Moscow.

"I use several kilograms of mushrooms every day. To clean them in such a way that every single grain of sand is removed would be a lot of work for my team here in the kitchen. That's why I go for the immaculately clean mushrooms from Metro Cash & Carry. My staff don't need to clean them, and that saves time and reduces costs.

Every day, gourmets from all over the world come to dine here in the restaurant. To cater to the taste of each and every one of them, supreme variety and sophistication are essential. Metro Cash & Carry offers the wide product range and freshness we need, something I can always be 100 percent sure of. In fact, every morning I enjoy being inspired by the enormous variety and freshness of the product mix. The availability of fresh goods, the quality, prices and service – it's great! Metro Cash & Carry certainly knows what we professionals need."

"Metro Cash & Carry is a supplier I can be 100 percent sure of."

Metro Cash & Carry customers live in a world where the pace of life is constantly increasing. Consumers are ever more demanding, expecting better quality and greater flexibility. Our well thought-out product mix, together with our extensive range of services, is specifically conceived to help our customers meet increasing consumer expectations by enabling them to focus fully on the job at hand.

Bespoke services for working chefs

Chefs all over the world opt for Metro Cash & Carry's range of products and services, which also include ready-to-cook products.

NICO GIOVANOLI

Nico Giovanoli has been executive chef in the Restaurant Baltschug at Hotel Baltschug Kempinski Moscow since May 2007. Born in Berlin, Nico previously worked in Berlin, Rotenburg an der Fulda and Lucerne.

1973	Born in Berlin
1990–1993	Trains as chef in Restaurant Moskau, Berlin
1994–1999	Commis de cuisine in various restaurants in Berlin and Eschwege
2000–2001	Chef de partie in Käfer's Kurhaus, Wiesbaden, and in Meirotels Rodenberg, Rotenburg an der Fulda
2001–2002	Junior sous-chef in Meirotels Rodenberg
2002–2003	Chef de partie in Hotel Adlon, Berlin
2003–2004	Chef saucier in Hotel Palace Luzern, Lucerne
2004–2006	Sous-chef in Restaurant Jasper, Hotel Palace Luzern, Lucerne
2007	Executive sous-chef in Restaurant Baltschug at Hotel Baltschug Kempinski Moscow, Moscow
Since May 2007	Executive chef

Our top-quality fillet and entrecôte steaks, for example, come from South America. They are individually packed, so each steak can be removed and prepared separately. This is a real help for busy chefs and makes it much easier for them to keep an eye on stock.

Exotic fish varieties such as pangasius or tilapia have become highly popular, and not just in gourmet circles. To ensure these delicacies from all around the world are delivered quickly and at the peak of freshness to exactly where they are needed, efficient and ultra-modern logistics are essential. Apart from guaranteeing that the cold chain is never interrupted, we ensure continuous product controls at all reloading points, from the small fishing boats to one of the more than 650 Metro Cash & Carry wholesale stores in 29 countries. The result: supreme quality at all times.

Metro Cash & Carry locations

Total	**655**
Germany	126
Western Europe (excluding Germany)	262
Eastern Europe	202
Asia/Africa	65

ONE STORE, YOU WON'T NEED MORE[1]

Top quality, competitive prices and a comprehensive range of own-brand products. What more could discerning consumers desire?

Isabel Gerwing spends decidedly less time shopping every week than her friends, as she discovered at a recent coffee get-together. In fact, almost two hours less, despite the fact that she has two children aged three and five. The children keep her so busy that every minute counts, and without efficient planning things would never get done in time. Thankfully, a friend recommended Real – a tip that has made Isabel's day-to-day life much easier.

"When I go shopping, I always compare prices and product quality. Shopping used to be time-consuming, because I would buy fresh fruit and vegetables at the market or an organic food shop, whereas for most other foods, household products and bargains I would drive to a nearby discount store. But ever since our local Real hypermarket has been modernised, I do virtually all of my shopping there. It has plenty of parking, the fresh food range is enormous, and they also stock lots of other things, such as household products and children's clothing. I'm especially impressed by the competitive prices and top quality of the store's increasing number of own-brand products."

[1] Real claim in Germany: Einmal hin. Alles drin.

01

"The good thing is that the prices compare well with discounter prices, but the choice and feel of things are much better. At Real I can buy vegetables, even organically grown, that are just as fresh as those from the market. I can buy all the other food products I need, but also things like children's clothing, such as leggings for my daughter: they have everything under one roof. There's no denying the benefits – it's a real time-saver!"

With offers that are specially tailored to ever-growing customer expectations, Real has established an unmistakable retail brand identity. Its strong own brands TiP, Real Quality, Real Bio and Real Selection are designed for specific target group needs and enjoy high levels of consumer trust. Always easy to reach, the comprehensive range of products available at Real hypermarkets includes everyday goods and much more.

01
Isabel Gerwing (39) prefers to do her weekly family shopping at Real.

02
Satisfied customers of all ages appreciate the great service at our fresh food counters.

SOMETHING FOR EVERYONE – OWN-BRAND PRODUCTS FROM REAL

Premium quality, premium lifestyle
Real Selection – because everyone deserves something special. Created for discerning consumers who want the refinement of supreme-quality specialities, but at pleasantly palatable prices, Real Selection offers genuine premium quality, at prices well below comparable premium brands.

Approved organic quality, affordable prices
Real Bio – naturally well priced. With our Real Bio brand, food awareness truly comes into its own. Real Bio stands for top-quality, 100-percent organically grown products that meet the strict EU directives. No unnecessary preservatives, no flavour enhancers. For our customers, Real Bio is the affordable alternative to organic products from other suppliers.

Genuine brand quality, consistently cheaper
Real Quality – a new brand for Germany. Products whose quality is every bit as convincing as that of established brands, but decidedly lower priced. The Real Quality brand comprises food and household, as well as toiletry products. More than 600 products are already available under this label, with new ones being added every day.

Everything for everyday needs
TiP – low price, great value. For customers who are both cost- and quality-conscious. More than 800 products for everyday needs are available in the TiP range at Real.

01

TECHNOLOGY TRENDSETTER

Great bargain, but what then? People who buy flat-screen TVs, washing machines and other appliances can rely on excellent after-sales service from Media Markt and Saturn.

The washing machine is running, drowned out by feel-good music from the CD player. Just another quarter of an hour, and then it is time to get comfortable on the sofa and watch a crime thriller on TV. It is a typical Sunday evening in Germany, and, like many other Germans, Julia Sosnizka from Neuss near Düsseldorf appreciates the benefits of technical progress.

"I often pop into the Saturn store on Königsallee on my way home to check out what's new on the music scene. Sometimes I merely browse, but often enough I end up buying a new CD. At Saturn, both the choice and the prices are unbeatable. And if I'm looking for a new release, the staff always seem to know exactly where to look or when it will be available.

Wide choice, always at low prices.

Recently our TV gave up the ghost. That was a great excuse to check out the Media Markt in Neuss. I was really impressed by the store's vast range of innovative appliances and the fact that you can look, touch, and even try them out. My mother went with me, and was pleasantly surprised by the sheer number of low-priced brand products that the well-informed sales assistant showed her. And when he said they could deliver a new flat-screen TV at short notice, as well as setting it up and disposing of our old one at no extra cost, my mum was over the moon. I think it's fantastic to have such a wide range of affordable products so close by."

01
Our well-assorted audio departments have CDs and DVDs to suit everyone's taste.

02
Our staff are always on hand to provide expert advice.

03
Our reliable delivery teams ensure that customers receive their purchases quickly.

04
We not only deliver, but install and set up appliances like flat-screen TVs, ensuring customers are "in the picture" from day one.

Consumer electronics specialist

The spacious store layout of Media Markt and Saturn makes it possible to have all products constantly on display and available for demonstration. This considerably facilitates the customer's decision to buy. Of course, professional sales advice and comprehensive service, not to mention finance packages, extended guarantees, delivery and installations, are all part of the deal at Media Markt and Saturn.

Creative advertising

Media Markt and Saturn regularly manage to translate their successful specialty store concepts into catchy slogans and eye-catching ads. Their attention-grabbing, emotive campaigns rank as the best-known adverts in the sector.

JULIA SOSNIZKA, NEUSS

A 25-year-old student of media sciences, Julia Sosnizka is crazy about music, never leaving the house without her MP3 player. She also enjoys discussing the latest songs and bands with her friends. When looking for new CDs, she loves to browse through the well-assorted music department at Saturn in Düsseldorf and is always grateful for tips from the store's staff.

COMPETENCE MEETS LIFESTYLE

Every day some two million customers visit the department stores of Galeria Kaufhof, attracted by a whole range of fascinating product worlds, international flair and novel service concepts.

Clothes shopping with the wife? For businessman Martin Baumann from Cologne, it is always fun. Whether it is a tie for him or a new outfit for her, at Galeria Kaufhof they always find just the clothes that match their taste. And the department store's wonderfully relaxed atmosphere ensures that shopping there is always a thoroughly pleasant experience.

"When we go out shopping together, our favourite destination is Galeria Kaufhof. I can get comfortable in an armchair while my wife tries on a selection of new outfits in the dressing room – no stress, no pressure. Of course, I also enjoy finding things for myself. Last Saturday, for instance, I wanted to buy a new tie. Luckily, I didn't have to wait long before a friendly sales assistant was there to help me choose from the broad selection on offer. In no time at all, we'd picked out two ties that were just my style. My wife, who had been waiting for me at the cash register, liked them too. Afterwards, we celebrated our purchase with a pleasant glass of sparkling wine in the gourmet corner. Now that's shopping fun!"

Competent sales staff and high-tech innovations make shopping a truly fascinating experience.

01

Urban lifestyle worlds

With its large selection of the latest top international ranges, Galeria Kaufhof caters to even the most sophisticated consumers. Shopping here is an experience: well-lit product worlds and clear store layouts make browsing or wandering around a real pleasure. The new generation of Galeria Kaufhof department stores sets a new standard in city centre retailing.

New technologies, more convenience

Galeria Kaufhof has revolutionised payment with a new checkout system. More customer-friendly and more efficient than ever, the new system makes it easier to defer and recall receipts, and also features a trouble-free, automated system for customer returns. Another innovation is the rechargeable gift card.

Sports enthusiasts will also find some innovative services at Galeria Kaufhof. At selected stores an electronic golf simulator, for example, lets customers venture onto a virtual green to get a near real-life feel for garments and equipment. Another practical innovation, the motionQube, targets runners. By analysing foot and leg positions, the machine is able to recommend the ideal running shoe, taking into account weight, age and flexibility.

Help for customers with impairments

To ensure that blind and vision-impaired customers can enjoy unrestricted shopping, Galeria Kaufhof provides helpers who accompany them in all its stores. This free Galeria Kaufhof service helps vision-impaired people retain their independence, and is a good example of how to translate corporate social responsibility into effective action.


02

01
Galeria Kaufhof – modern department stores with a tasteful and pleasantly lit ambience.

02
Sales and service staff are friendly and competent, ensuring the perfect shopping experience.

SUCCESS THROUGH VALUE FOCUS

As a player on the world markets, we appreciate only too well the importance of open communication and relations built on trust.

01
METRO Group actively communicates with analysts and investors in all major finance markets in Europe and the USA.

“In many of the world’s markets we acquired properties at a very early stage and at attractive prices. The value enhancement potential is therefore significant.”

Thomas Unger

Development of METRO Group EVA
€ million

Development of real estate portfolio
(Book values “land and buildings” as stated in the balance sheet)
€ million

Ongoing dialogue with all members of the financial community has a high priority for us, and is handled at the highest level. Thus, the METRO Group Management Board hosts regular briefings for investors, analysts and journalists. Our active and transparent approach to communication is documented by numerous road shows and conferences. At all of these, four underlying principles apply: topicality, continuity, credibility and equality.

39 days of road shows, 12 conferences.

Sustainable and profit-driven growth

Our intensive investor relations activities are geared to maintaining ongoing dialogue on METRO Group’s value-oriented strategy with institutional and private investors as well as analysts. To ensure continuity and transparency in the depiction of our corporate success, a binding and widely accepted set of criteria is imperative. This is why, for many years now, we have been using the internationally proven control and management system EVA (Economic Value Added) as a key measure of our economic success. Driven by our aim to achieve a sustainable increase in the company’s value, Group strategy is based primarily on continuing internationalisation and a strong customer focus. Moreover, investors and shareholders benefit directly from the company’s increasing value. This can be seen from our dividends policy, which for years has allowed us to pay out stable or even increasing dividends offering a good return on investment. Consequently, we consider ourselves to be in a solid financial position even during these difficult economic times.

Active real estate management – a driver of value enhancement

METRO Group policy is to ensure that its real estate portfolio also actively generates value by financing Group growth and securing yields for our shareholders. Market requirements and the balance between opportunity and risk in the real estate sector are very different from those in the retail business itself. The Group has therefore created a structure specifically to handle its real estate business. This pooling of expertise enables us not only to acquire, develop, utilise and commercially exploit properties within the company, but also to collaborate closely with other major retail companies in our shopping centres. The presence and systematic establishment of specialised stores in the immediate vicinity of Metro sales brand outlets help to increase customer traffic and thus raise property values. METRO Group’s modern planning and utilisation concepts have made us a driving force in the industry.

ACTIVE REAL ESTATE MANAGEMENT

Interview with Thomas Unger, Chief Financial Officer

Mr Unger, you assumed responsibility for the Group's real estate portfolio early in 2008, and intend to focus even more strongly than in the past on value-based management. How do you plan to tackle this challenge?

More than anything else, it's an exciting project. The bottom line is to systematically increase the value of the Group's real estate portfolio while ensuring sustainability. At present our real estate, which is spread over some 30 countries, has a book value of 9.8 billion euros. The value enhancement potential is significant, since in many of the world's markets we acquired properties at a very early stage and at attractive prices. Even allowing for today's marked downward trend in world markets, we believe that values will rise in the long term, especially in growth regions where METRO Group continues to pursue its international expansion strategy.

In future, you expect to make more use of real estate sales as a financing instrument. Isn't that tantamount to selling the "family silver"?

It is absolutely correct that the properties are extremely valuable and that in future we shall be selling some of them to finance a significant part of our growth. However, we will also continue to buy new properties and secure land rights. Overall, our real estate portfolio will continue to grow. In other words, it's not so much a matter of 'selling the silver' as of realising liquidity for reinvestment in specific projects; in short, active real estate management.

How exactly will that work?

Active real estate management only works when you continually build up new assets. In the saturated markets of Western Europe, it is not essential for us to be the long-term owner of all the properties housing our locations. Here, we can sell attractive sites and buildings, especially those no longer used by a METRO Group company, or those likely to sell at particularly high prices. The money thus freed up can then be used to fund expansion in Eastern Europe and Asia, strengthening our position there more quickly. So in these growth markets we are accumulating real estate, which will help ensure an attractive long-term return. It's a form, if you like, of real estate recycling, by which we move from saturated into growth markets.

Is it possible to quantify the contribution of the real estate business to Group results?

We are currently in the process of doing just that in a clearly structured process involving comprehensive stocktaking of the whole portfolio. This stage is virtually over, and we intend to introduce a uniform evaluation system. As of 2009 and with a view to improving transparency, our real estate activities will feature as a separate segment in our reporting. Investors will then be able to accurately quantify the contribution of real estate to results.

01

01
A window on retailing: our series of "Meeting Metro" events offers students of all faculties an insight into the world of retail by means of one-to-one conversations with our staff and managers.

GROWING TOGETHER

Strong personalities help retail to flourish. We rely on well-qualified and highly efficient staff to fulfil the wide-ranging needs of our customers around the world.

01

Ever since business management student Thomas Kistner found out about the wide-ranging career opportunities METRO Group offers at the "Meeting Metro" recruitment event, he has seen the retail industry in a whole new light. "I only went because a friend asked me to go with him, but then I ended up talking to one of the METRO employees there. I never realised that retail works on such an international scale and offers so many interesting challenges, especially for career starters. Not long after the event, I sent off my job application to METRO Group."

"Meeting Metro" shows that METRO Group offers talented young people attractive prospects and opportunities to develop beyond the individual sales divisions and work on an international stage. In return, we expect hard work and a high level of personal commitment to our company's success. Right from the start, our junior staff members are expected to take on responsibility for a wide variety of tasks. All suitable candidates are given a chance, regardless of what they have studied at university. The crucial selection criterion for us is the kind of practical intelligence that can help shape the future of retail. And once they have completed their trainee period, our junior staff have a good chance of promotion. We have already filled 75 percent of all our managerial positions with staff from within the Group.

Fast-tracking with the Corporate University

We offer potential leaders excellent development opportunities at our Corporate University. More than 300 managers and junior managers from throughout METRO Group attend the institution every year to qualify for top management positions. There are seven programmes covering key subjects such as global leadership, change management skills and intercultural management. All members of the METRO AG Management Board are involved as mentors and instructors. Our Corporate University also maintains partnerships with a number of prestigious European faculties.


02


03

01
METRO Group offers a wide range of entry and development opportunities tailored to the individual needs of our staff.

02
Happy, motivated staff are the basis of our success.

03
Multiculturalism is nothing new at METRO Group. All around the world, our staff deliver friendly and competent service.

Drawing on cultural diversity

As METRO Group grows on an international scale, so too does our need for dedicated staff of different nationalities. Retaining and fostering well-qualified personnel in emerging regions is one of our key strategic challenges. METRO Group has positioned itself on the job market as an equal opportunities employer that offers all applicants and employees the same professional entry and development opportunities. Globally, METRO Group employs people from more than 150 countries. Because we are keen to make the most of the valuable opportunities presented by multicultural differences, we provide development opportunities for our staff in line with their individual achievements and skills with our "Advantage through diversity" initiative. METRO Group has also established an integration programme especially for new employees: the "NewIn" scheme pairs newcomers with an experienced mentor, making it easier for them – especially those arriving from abroad – to find their feet in a new job and a new country. This partnership programme helps METRO Group employees to identify more strongly with the company, boosts motivation and increases each individual's contribution towards value added as their skills and talents can be used more quickly.

METRO Group helps employees maintain high levels of performance.

An efficient workforce spanning a range of ages and ethnicities is a key success factor for the future development of METRO Group. As we do not want to leave our future viability and competitiveness to chance, we are confronting global demographic changes with forward-looking human resources concepts. These are based on the growth cycles of the international markets.

Permanently maintaining employability is one of the cornerstones of METRO Group's human resources policy. By launching the health drive "GO" in 2005, METRO Group has built up a sustainable, preventive health management system. The "GO" programme includes components such as training sessions for managers, dietary advice, courses on giving up smoking, sports, and the Employee Assistance Programme. The health initiative received the German Companies Award for Health in 2008.

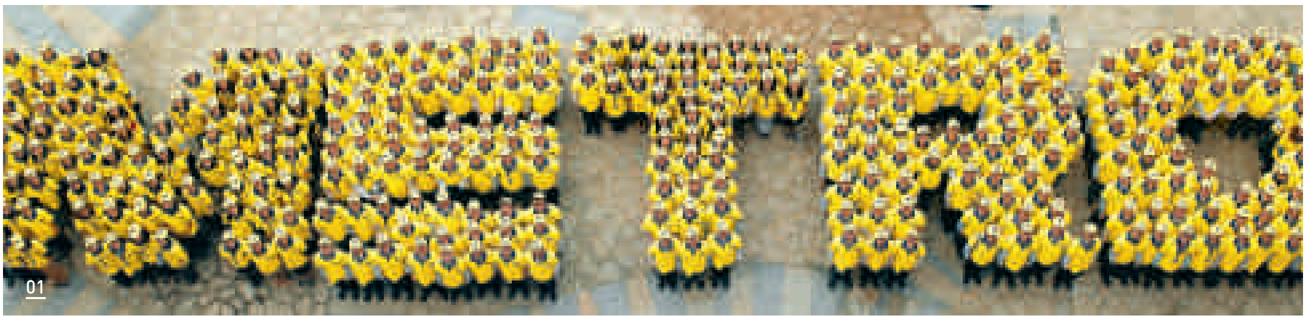
We also appreciate the importance of continuing professional development and training, which we provide for all staff regardless of their age. In a decentralised company such as METRO Group, practicable e-learning concepts are another strategic method of fostering professional development. All of our training and CPD courses serve to increase our employees' long-term company loyalty, keep them at peak performance and produce suitable new staff. METRO Group currently employs a total of 8,689 trainees – a huge 8.7 percent of its workforce – showing a greater commitment to training than practically any other DAX-listed company. Its comprehensive training programme also gives METRO Group a competitive edge in the "war for talent".

Career prospects for Eastern European students

One of the focal points of our international expansion strategy is Eastern Europe. To strengthen communication with potential future employees in this region, we developed the "Metro Education" programme. "Metro Education" supports sandwich courses at local vocational colleges and arranges work experience programmes for students at our local sales brands. The project aims to internationalise and standardise vocational training in the retail sector, prepare students from emerging regions to meet the requirements of a modern retail company and offer them real prospects for employment. "Metro Education" was launched in Poland in 2000 and has since been expanded to Russia, Romania, the Czech Republic and Slovakia.

Europe-wide network

We are involved in the European Commission's Leonardo da Vinci training programme, which promotes the Europe-wide cooperation of vocational training organisations specialising in retail. This scheme provides trainees with cross-border skills relating to practical workflows. The issues



01

01 + 02
Our tailored development opportunities boost our attractiveness as an employer and help safeguard our future viability and competitiveness.

03
METRO Group supports students in Eastern Europe with its "Metro Education" programme.

02

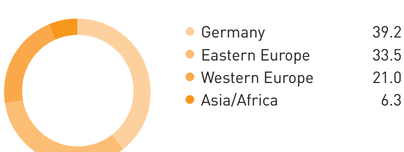
03

covered by the "European Commerce Competence" (EuCoCo) programme include merchandise management, retail marketing and the service sector. EuCoCo aims to create a system of international certification for the dual education system.

Employees as brand ambassadors – value appreciation to create value added

The success of METRO Group depends heavily on its employees' level of training and commitment. They are the ones at the customer interface, whose day-to-day performance sets us apart from our competitors. That is why we encourage staff involvement, for example by asking them for ideas on how to gain and retain specific groups of customers in the competition "Together – retail connects". In 2007, the competition focused on cultural diversity and gathered ideas from METRO Group employees in Berlin. Their suggestions included recruiting ethnic customer advisers and adding national flags indicating language skills to employees' name badges. It was also suggested that the company could participate in multicultural events. In 2008, the competition focused on the over 50-s. Proposals by staff from the Rhine-Ruhr region included barrier-free shopping and special staff training. The ideas that prove successful in testing will be developed for wide-scale use and implemented.

METRO Group employees
by region in %



04
Our customers can always expect excellent advice twinned with extensive experience.


FRANKFURTER TAFEL E.V.
U
01

ACTING RESPONSIBLY

As a retailer, METRO Group is part of daily life for millions of people around the world. We believe that this direct contact with our staff, suppliers and customers gives our company a very special kind of responsibility

01
For us, corporate social responsibility (CSR) means acting responsibly in our dealings with both people and the environment – throughout the supply chain and in our own stores and companies.

Recommended links

www.metrogroup.de/sustainability
Find out more about METRO Group's sustainability activities

www.globalgap.org
Information about the international quality standard GLOBALGAP

www.msc.org
Information about sustainable fishing

www.fsc.org
Information about responsible forestry

www.tafel.de
All about the food bank network Bundesverband Deutsche Tafel e.V. (in German only)

Sustainable agriculture with GLOBALGAP

Pesticides are commonly used by farmers to ensure high crop yields. To maintain soil quality and protect both employees' and consumers' health, we ensure that pesticides are used sparingly. Our fruit and vegetable suppliers around the world are urged to meet the international quality standard GLOBALGAP.

Partnership for better-quality food

In Morocco, we are working with the German Technical Cooperation (GTZ) and local institutions to develop quality standards for meat, fruit and vegetables. In the future, food controls will monitor all the critical phases of the food supply chain, from production to sales. This will also make it easier to export goods to the EU. Special training programmes will also improve food hygiene practices of suppliers and customers like small-scale retailers, hotels or restaurants.

Fish from sustainable sources

In 2002, to enable our customers to buy responsibly sourced fish, we became the first retailing company in Germany to launch own-brand products featuring the blue logo of the Marine Stewardship Council (MSC). This quality seal indicates that a product comes from a sustainably managed fishery and does not contribute towards overfishing. In Germany, we also regularly inform our customers about our commitment to sustainable fishing via our promotional material and the Internet.

METRO Group's carbon footprint

Producing, retailing and using food and other consumer goods all have an effect on the environment. METRO Group is part of this supply chain and makes a great effort to ensure that its activities make sparing and efficient use of resources. We believe in making the success of our climate protection activities quantifiable. Consequently, we were the first German retail company to publish its carbon footprint in 2008. We also pledged to reduce our carbon dioxide emissions per square metre of selling space by 15 percent until 2015.

01
Generating alternative energy in Düsseldorf: unveiling the LED display board that shows how much electricity is produced by a pilot photovoltaic plant (left to right: Prof. Michael Cesarz, METRO Group Asset Management, Oliver Wittke, former Minister for Construction and Transport in North Rhine-Westphalia, and Rainer Grünewald, Metro Cash & Carry International).

CO_2 equivalents, 2006
in % of the total volume (4.15 million tonnes)

Energy	59.7
Logistics	21.2
Refrigerants	9.2
Paper	8.5
Business trips	1.5

Paper from responsibly managed forests

Wherever possible, we buy paper products that fulfil the criteria of the Forest Stewardship Council (FSC) for responsible forestry. For example, the almost 26 million Real brochures produced in the run-up to Christmas 2008 were printed exclusively on FSC paper. The FSC seal guarantees forest management free of human rights violations or uncontrolled felling and that the environmental impact is kept to a minimum. In September 2008, MGA METRO Group Advertising was successfully certified in line with the FSC standard, which will make it easier to expand our eco-friendly paper procurement activities in future.

Fostering trust and long-term acceptance by making a contribution to society

Our economic success is linked to an intact social environment. METRO Group's objective is to strengthen the attractiveness and performance of its locations and foster stakeholders' trust. That is why we are actively involved in many social projects and initiatives.

Food donations for the needy

As a major food retailer, METRO Group can help to ensure that even people in need regularly receive healthy food. To ensure that this aid is provided professionally, we support the 'Tafel' network of food banks in Germany as well as food banks at international level. The aim of these organisations is to distribute food that cannot be sold anymore to those who need it. "This food enables us to offer impoverished people a hot meal. Although it is such a simple idea, it is not something we can take for granted. I think it is great that METRO Group is aware of its corporate social responsibility and makes an active contribution towards providing basic nutrition for the whole population," says Dieter Freitag, Director of Frankfurter Tafel e. V.


03

02
We train our customers and suppliers in newly industrialised countries. This enables us to maintain uniform quality standards and give employees a responsible task and a secure job.

03
Every day, food bank staff collect food donations from our stores and make sure they are distributed to people in need.

THE YEAR IN REVIEW

2008 was characterised by many critical events for METRO Group. Key strategic developments include the reorganisation of responsibilities within the Management Board and the sale of the Extra stores.

Q1

23-01-2008

The Supervisory Board of METRO AG reassigns responsibilities within the Management Board. In future, Frans Muller will be a member of the Management Board of METRO AG as well as CEO of Metro Cash & Carry, Thomas Unger will also assume responsibility for the real estate portfolio of METRO Group, and the procurement and logistics functions will be added to Zygmunt Mierdorf's responsibilities.

18-03-2008

METRO Group presents its overview of a successful year 2007. Sales and EBIT increased markedly. This success creates a strong foundation for the Group's future value-oriented growth strategy. The Group has forcefully advanced the development and internationalisation of Metro Cash & Carry, its key growth driver. Real managed to stabilise its sales development and is working hard on achieving the turnaround. Media Markt and Saturn continue their international growth strategy. Galeria Kaufhof is a successful business that, however, is no longer of strategic importance from the Group's perspective.

Q2

08-04-2008

Joël Saveuse, CEO of Real Germany and Real International, joins the METRO AG Management Board as its 5th member.

24-04-2008

Real introduces itself with the slogan "Einmal hin. Alles drin." ("Real: one store, you won't need more!") in a Germany-wide advertising campaign. The advertising offensive is part of the company's new strategy. The campaign underscores Real's greatest asset: the fact that all customers will find just what they need in Real stores.

02-05-2008

Standard & Poor's raises METRO AG's long-term credit rating from "BBB" to "BBB+" – based on the Group's positive business development and stable financial ratios.

28-05-2008

METRO Group opens the retail store of the future. At the Real Future Store in Tönisvorst, the retail group tests modern technologies and innovative concepts for the future of retail.

04-06-2008

METRO AG becomes Germany's first retail group to publish its carbon footprint and commits itself to reducing its greenhouse gas emissions by 15 percent per square metre of selling space by 2015.

Q3

01-07-2008

METRO Group sells its 245 Extra supermarkets to the Rewe Group and thus concentrates on the large-format Real hypermarkets.

Publication of the sustainability report 2007: METRO Group presents future-oriented solutions and specific objectives related to social and environmental challenges like climate change and the shortage of qualified workers.

25-07-2008

METRO Group reinforces its efforts to divest the Adler fashion stores.

Aside from sharpening its brand profile, Real's restructuring focuses on the optimisation of the sales division's store network. Real will give up loss-making locations by the beginning of 2010.

29-09-2008

In future, Real will sell products under its own name. The own brands Real Quality, Real Bio and Real Selection are designed to sharpen Real's profile and strengthen customer loyalty to the sales division's hypermarkets.

Q4

15-10-2008

METRO Group employs 3,089 new apprentices to secure its performance and competitive strength and assume responsibility for the occupational training of young people.

14-11-2008

The market environment causes rating agency Moody's to revise the outlook on the long-term and short-term rating from "stable" to "negative".

26-11-2008

The Media-Saturn group of companies opens its 750th consumer electronics store worldwide in Reims, France, reaching another milestone in its corporate history. It is the 29th store location that the Saturn sales brand has opened in France since entering that market in 1999.

INTERVIEW WITH THE CHAIRMAN OF THE MANAGEMENT BOARD

Dr Eckhard Cordes looks back on his first full financial year as Chairman of the Management Board of METRO AG. In his view, an uncompromising focus on the customer, speed, flexibility and lean processes are critical success factors in competition and for the long-term growth of enterprise value. In this interview he describes what matters most to him.

"Dr Cordes, you have been head of METRO Group for more than a year now. From your perspective, what have been the key experiences so far?"

Cordes "Of course, I got to know METRO Group quite well already during my time as Chairman of the Supervisory Board. Insofar, I knew what to expect. The active support of my colleagues on the Management Board made the transition to my new operational role much easier as well. I am fascinated by the dynamism of the retail business. There is no other sector where you will get such immediate feedback from your customers. You need to impress them anew every day. And any mistakes you make will show when you count your cash in the evening."

"The year 2008 was an eventful year for METRO Group. How do you rate the past year's developments?"

Cordes "Despite the turmoil on global markets, the year 2008 was a successful one for METRO Group. Our sales set a record, and we continued our positive earnings growth. We opened 124 stores and continued to strengthen our market positions. By the end of the year, we operated 2,195 stores in 32 countries. No other retail group has a similarly international profile. I believe that this broadly based business foundation gives METRO Group a distinct competitive edge, particularly in difficult times. With regard to our different sales divisions, I would like to stress, in particular, the significant untapped potential of our Real hypermarkets. When I assumed the chairmanship, I demanded a significant improvement within

two years from Real's management. Initial positive results can now be reported. Despite a difficult market environment, Real has boosted its sales and, even more importantly, has won back customers in Germany for the first time in a long while. The Real stores have clearly become appealing to our customers again. We have continued to sharpen our profile with the introduction of new own-brand products under the labels of Real Quality, Real Bio and Real Selection. We can now see that the measures we have taken are beginning to pay off and that our customers appreciate our employees' efforts. I am very pleased by this."

"The Metro Cash & Carry sales division posted another strong result in 2008. What is the secret behind the success of this concept?"

Cordes "Metro Cash & Carry is really a success story. With its clear focus on international expansion and professional customers, Metro Cash & Carry generated sales of €33.1 billion in 29 countries. This makes us the leader in the global cash & carry business and one of the most international retailing groups. Our Metro Cash & Carry stores offer professional customers all they need for their daily business at very favourable prices. Based on its motto 'Professionals serving professionals' and its rigorous customer orientation, Metro Cash & Carry has become one of the most successful wholesale concepts. We are currently preparing our market entry in Kazakhstan and Egypt. I am certain that Metro Cash & Carry will continue on its successful path."

"Momentum has slowed at Media Markt and Saturn most recently. Has this sales division peaked?"

Cordes "No, definitely not. Media Markt and Saturn are the undisputed European concept and market leaders in consumer electronics retailing. The sales division raised its sales by 8.9 percent to €19.0 billion last year, an impressive performance given the challenging economic environment in many parts of Europe. It is true that, as purely nonfood businesses, Media Markt and Saturn are more sensitive to cyclical swings and resulting changes in consumer sentiment. However, about 300 million customers shopped in one of our 768 consumer electronics stores last year. And we opened 70 new stores. No, we have not yet reached our peak. We continue to work on advancing our business model and are steadily gaining new market share. In 2009, we will focus, in particular, on improving our performance with regard to multichannel distribution and service. This means that we will expand our Internet-based service range to complement our bricks-and-mortar business, and profit from an intelligent linkage of the two distribution channels."

About Dr Eckhard Cordes

Eckhard Cordes was born in Neumünster, Germany, in 1950. He is married and has four sons.

After completing a degree and a PhD in business administration, he joined Daimler-Benz AG (today Daimler AG) in 1976. He worked in numerous operational and strategic management functions in Germany and internationally.

From 1996 to 2005, he was a member of the Management Board at DaimlerChrysler AG with varying areas of responsibility (inter alia, head of the commercial vehicle division and Mercedes Car Group).

Effective 1 January 2006, he took over as Chairman of the Management Board of Franz Haniel & Cie. GmbH.

In February 2006, he was also appointed Chairman of the Supervisory Board of METRO AG.

Dr Eckhard Cordes has been Chairman of the Management Board of METRO AG since 1 November 2007.

"For the 4th consecutive year, Galeria Kaufhof improved its results. Why is such a successful business no longer considered to have a strategic fit with METRO Group?"

Cordes "Earlier than our competitors, we pursued a clear trading-up strategy and invested in our department stores. We can now reap the rewards of these efforts. Galeria Kaufhof is concept and system leader in the German market. We have to look at things realistically, though, and from an overall portfolio perspective. Galeria Kaufhof only contributes 5 percent to METRO Group sales. I am certain that Galeria Kaufhof would be even better positioned to tap its full potential in a different setting than within the METRO Group network. We are under no pressure to sell, though, and are carefully preparing our approach. In the meantime, we will continue to invest in this business and enjoy its favourable development."

"In your last annual report, you talked about 'rigorously tackling the weaknesses without any taboos or thought restrictions'. Have you made much progress here?"

Cordes "The determination with which we are pushing the restructuring of Real is a good example of our progress. One only needs to look at Real's German store network to realise that not all stores are suited to serve as modern, customer-oriented hypermarkets. Unlike in the past, we have energetically introduced this way of thinking in close cooperation with Real's management. Granted, the liquidation programme required a significant financial effort, but it also represented an indispensable step on Real's journey to a successful future. All in all, METRO Group will have to become even more customer-orientated than in the past. Our customers and their needs must remain the linchpin of our efforts. And our structures and processes must do justice to this desire."

"What role does the 'Shape 2012' programme play?"

Cordes "Under the name of 'Shape 2012', METRO Group announced a comprehensive efficiency- and value-enhancing programme that optimally fulfils these requirements. The structures of METRO Group will be simplified in order to accomplish maximum growth momentum and customer orientation. With 'Shape 2012', we want to make METRO Group more transparent and customer-conscious, less complex and more efficiently managed. We intend to lower costs significantly and aspire to an earnings improvement potential of about €1.5 billion through 2012. 'Shape 2012' aims to secure METRO Group's profitable growth over the long term."

“A company’s enterprise value does not depend on size alone, but also on its velocity and flexibility.”

Dr Eckhard Cordes

“How satisfied are you with the performance of the Metro shares?”

Cordes “Not satisfied at all. In the reporting year, our operating earnings (EBIT) before special items rose by 7.1 percent to a new record of €2,225 million. Earnings per share from continuing operations adjusted for special items increased by nearly 10 percent to €3.05. Therewith we reached our sales and earnings targets again, reaffirming the reliability and stability of METRO Group. We will propose a stable dividend of €1.18 per ordinary share to our shareholders at our Annual General Meeting. My Management Board colleagues and I strongly believe that we will continue on our profitable growth course, and we are determined to openly address this in our capital market communications. Sooner or later, our successes will be reflected in a positive share price performance again.”

“Let’s look into the future. What kinds of developments do you expect in the new financial year? Has the ‘thick wall of fog’ that you cited at the end of 2008 dissipated a bit yet?”

Cordes “Visibility remains limited. The impact of the financial crisis on lending conditions and thus companies’ investment leeway is only beginning to emerge. One should, however, note in this context that METRO Group has access to sufficient liquid funds at market conditions at all times, thanks to a broad mix of financing instruments. In addition, the sales and labour market environment remains highly uncertain. I can only say one thing with certainty: the year 2009 will be a challenging year for METRO Group. We have clearly stated our goals: we want to serve our customers even better this year and strengthen our market position.”

“Thank you very much.”

MANAGEMENT BOARD

With the restructuring of the Management Board, we have laid the foundation for continued value-oriented growth at METRO Group. Member of the Management Board Frans Muller has become CEO of Metro Cash & Carry. Chief Financial Officer Thomas Unger has also assumed responsibility for the real estate portfolio of METRO Group, and Zygmunt Mierdorf has taken on additional responsibility for procurement and logistics. Joël Saveuse is in charge of Real Germany and Real International.

01 Dr Eckhard Cordes
Chairman and CEO

Born 1950 in Neumünster (Germany),
PhD in Business Administration
Since 1 November 2007 Chairman of the Management Board of METRO AG, appointed through 31 October 2012, and Chairman of the Management Board of Franz Haniel & Cie. GmbH, previously member of the Management Board at DaimlerChrysler AG (today Daimler AG)
Responsibilities: Investor Relations, Corporate Communications, Audit, Group Corporate Strategy, Personnel Development/Executives, Legal & Corporate Affairs, Corporate Relations

02 Zygmunt Mierdorf
Executive Vice-President Human Resources

Born 1952 in Frankfurt am Main (Germany),
degree in Business Administration
Since 1999 member of the Management Board of METRO AG, appointed through 31 December 2013, previously senior management positions at Betrix Cosmetic GmbH & Co., LRE Inc. Group and Black & Decker GmbH
Responsibilities: CEO MGB METRO Group Buying International, Corporate Human Resources, Compensation & Benefits, Buying/Import, Logistics, Information Technology, E-Business, Environment

03 Frans W. H. Muller

Born 1961 in Nieuwer-Amstel (Netherlands),
Master of Business Economics
Since August 2006 member of the Management Board of METRO AG, appointed through 31 July 2011, previously other senior management positions at METRO Group and at KLM Cargo
Responsibilities: CEO Metro Cash & Carry International, Advertising, Catering/Restaurants

04 Joël Saveuse

Born 1953 in Tours-en-Vimeu (France),
Master of Business Administration
Since April 2008 member of the Management Board of METRO AG, appointed through 7 April 2011, since September 2007 CEO Real Germany and Real International, previously member of the Management Board/General Director Europe Carrefour and Chairman of the Management Board of La Redoute
Responsibilities: CEO Real Germany and Real International

05 Thomas Unger
Chief Financial Officer

Born 1960 in Creglingen (Germany),
degree in Engineering
Since August 2002 member of the Management Board of METRO AG, appointed through 31 July 2012, previously CFO of VAW Aluminium AG and senior management positions at VIAG AG
Responsibilities: Finance, Corporate Accounting, Planning and Controlling, Taxes, Insurance, Del Credere/Collection, Real Estate


03
04
01
05
02

REPORT OF THE SUPERVISORY BOARD

→ Possible impact of the financial market crisis on METRO Group discussed timely
→ Constructive and trustful cooperation between the Supervisory Board and the Management Board
→ Current business developments, short-, medium- and long-term strategy were main topics in the financial year 2008

Dear Shareholders,

A highly eventful financial year came to an end on 31 December 2008. METRO Group[1] expanded its presence in international markets and is now represented in 32 countries. Its store network comprised 2,195 locations at the end of the reporting year.

I am pleased to note that successful growth was possible even in an economic environment that became markedly more difficult, not only in individual regions, but in nearly all markets covered by METRO Group. As a result, discussions of business developments represented a key focus of our Supervisory Board meetings in 2008. In the process, the good cooperation between the Management Board and the Supervisory Board proved particularly valuable as it ensured timely discussions of the possible impact of the financial market crisis on METRO Group and allowed for the necessary decisions to be taken. In 2009, the Management Board and the Supervisory Board will continue their intensive dialogue on appropriate responses to the extraordinary developments of the financial year 2008. We would like to use this opportunity to thank all METRO Group employees for their outstanding commitment.

Supervision of executives and cooperation with the Management Board

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 thoroughly advised the Management Board on the management of METRO AG and METRO Group and constantly supervised the management. The Supervisory Board was involved in all decisions that were of material importance to METRO AG or METRO Group.

[1] METRO Group including METRO AG

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 provided 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. 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 the sale of the Extra supermarkets, investment projects of the Metro Cash & Carry division in the context of its market entry into Egypt and Kazakhstan as well as changes in the organisational structures of the Management Board. The Supervisory Board also endorsed the Group's annual budget for the financial year 2009 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 Chairman of the Supervisory Board was in regular contact with the Chairman of the Management Board. The Chairman of the Supervisory Board was kept abreast of important business developments and pending decisions by the Chairman of the Management Board 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.

Conflicts of interest

No conflicts of interest among members of the Management and Supervisory Board that must be disclosed to the Supervisory Board arose in the financial year 2008. As a precautionary measure, the Presidential and Personnel Committees of the Supervisory Board addressed potential future conflicts of interest in order to be able to make early decisions on preventing or dealing with conflict situations.

Meetings and resolutions of the Supervisory Board

In the financial year 2008, the Supervisory Board met eight times. One resolution of the Supervisory Board was made in a written procedure.

The German Corporate Governance Code recommends a note in this report if a member of the Supervisory Board attended fewer than half of all Supervisory Board meetings in any one financial year. In the financial year 2008, substantial changes in appointments to the Supervisory Board of METRO AG were carried out. As they did not have a seat on the Supervisory Board for the entire financial year, five members of the Supervisory Board did not attend at least half of all meetings.

About Franz Markus Haniel

Franz Markus Haniel, Chairman of the Supervisory Board

Born 1955 in Oberhausen studied mechanical engineering, received a degree in engineering, MBA at INSEAD

1982
Consultant at Booz Allen & Hamilton

1986
Entry into the private equity companies of the Quandt-family

2000
Change-over as CEO to Giesecke & Devrient

Since 2003
Chairman of the Supervisory Board of Franz Haniel & Cie. GmbH

Since 2007
Chairman of the Supervisory Board of METRO AG.

During each regular meeting – with the exception of the constituent meeting – the Supervisory Board thoroughly discussed METRO Group's current business developments. 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 2008 included business developments as well as short-, medium- and long-term strategic planning. The Supervisory Board has coordinated the planned strategic reorientation of METRO Group with the Management Board and assisted in its implementation through two personnel decisions: Mr Joël Saveuse, who has had operative responsibility for the Real sales division since 2007, was appointed to the Management Board of METRO AG in April 2008. A redistribution of responsibilities made it possible for Mr Frans W. H. Muller, a member of the Management Board since 2006, to also assume responsibility for the management of the management companies of Metro Cash & Carry. Both personnel decisions ensure that the operative business is integrated more closely into METRO AG as a strategic management holding company. From the perspective of the Supervisory Board, this is a key precondition of future growth and sustained increases in METRO Group's profitability.

Key issues covered by Supervisory Board meetings and resolutions in 2008 at a glance:

January 2008 – In an extraordinary meeting, the Supervisory Board approves the sale of the Extra supermarkets. Other topics covered include METRO Group management structures and changes in the organisational structures of the Management Board. In addition, it was decided to extend the appointment of Mr Zygmunt Mierdorf, a member of the METRO AG Management Board since 1999, to the Management Board for another five years starting on 1 January 2009.

March 2008 – The Supervisory Board's audit meeting focused on the annual and consolidated financial results for the financial year 2007, the management report of METRO AG for 2007, the Group management report for 2007, the Management Board's proposal for the appropriation of the balance sheet profit at the Annual General Meeting as well as the Management Board's report about relations with associated companies in 2007. The auditors attended this meeting and gave a report about the key findings of their review. Other items on the agenda of this meeting were preparations for the Annual General Meeting 2008, including the Supervisory Board's report to the Annual General Meeting, and the Corporate Governance Report. Subject to the election of the auditors by the Annual General Meeting in 2008, the audit assignments for the annual and consolidated financial statements for 2008 and the consolidated half-year financial statements 2008 were also adopted. In addition, the Supervisory Board approved investment projects at Metro Cash & Carry in the context of market entry in Egypt and Kazakhstan and passed by-laws for the Accounting and Audit Committee of the Supervisory Board.

In an extraordinary meeting that was also held in March 2008, the Supervisory Board discussed strategic issues and an extension of the Management Board of METRO AG. In addition, it agreed its recommendations for the election of Supervisory Board members by the Annual General Meeting 2008.

April 2008 – Based on the deliberations of the extraordinary March meeting, the Supervisory Board decided to appoint Mr Joël Saveuse to the Management Board of METRO AG. His appointment became effective on 8 April 2008 with a term of three years. In the same context, the Supervisory Board decided to also revise the Management Board's organisational structures.

"Effective corporate governance is our goal. It is the standard by which we are measured."

Franz M. Haniel

May 2008 – Two Supervisory Board meetings were held in this month. The first meeting focused primarily on the report of the Management Board on business developments. The second meeting was held directly after the end of the Annual General Meeting, which also marked the end of the term of office of 19 of the 20 members of the Supervisory Board. The following/re-elected members of the Supervisory Board elected Mr Franz M. Haniel as Chairman from their midst and Mr Klaus Bruns as Vice-Chairman of the Supervisory Board. In addition, the Supervisory Board decided on committee membership, and the members of the Accounting and Audit Committee elected their Committee Chairman and his deputy.

July 2008 – The Management Board thoroughly informed the Supervisory Board of business developments, explaining, in particular, the dissatisfying development at Adler and the resulting negative effects. The subsequent discussion also extended to macroeconomic developments and strategic issues. The Chairman of the Accounting and Audit Committee gave a report about the committee´s discussion of the half-year financial statements.

October 2008 – The October meeting also focused on a report by the Management Board on business developments. Particular emphasis was placed on the potential impact of the financial market crisis on sales markets as well as Group financing. In accordance with its schedule, the Supervisory Board also addressed risk management and the annual risk report in this meeting.

December 2008 – The Supervisory Board adopted the annual Group budget for the financial year 2009 presented by the Management Board. It includes the company's sales, earnings, investment and financial planning. Given the imponderable impact of the financial market crisis on future sales and earnings trends at METRO Group, the planned measures to cut costs, reduce the investment budget and strengthen customer orientation were accorded special importance. Other focal topics of the December meeting included resolutions on the declaration of compliance with the recommendations of the German Corporate Governance Code pursuant to § 161 of the German Stock Corporation Act and the remuneration system for members of the Management Board pursuant to subsection 4.2.2 of the German Corporate Governance Code.

Meetings and resolutions of the Supervisory Board committees

In the financial year 2008, the Supervisory Board of METRO AG had five committees: the Presidential Committee, the Personnel Committee, the Accounting and Audit Committee, the Nominations Committee as well as the Mediation Committee pursuant to § 27 Section 3 of the German Co-determination Act.

Accounting and Audit Committee – The Accounting and Audit Committee primarily handles accounting and auditing issues as well as risk management and compliance. In the financial year 2008, the committee met six times. Regular meetings were held in March, April, July and October, whereby the Accounting and Audit Committee met together with the Presidential Committee on one occasion. The committee also held extraordinary meetings in June and October 2008, each of which was also conducted together with the Presidential Committee.

The March 2008 meeting (held together with the Presidential Committee) essentially served to prepare the Supervisory Board's balance sheet meeting. The Accounting and Audit Committee reviewed the annual and consolidated financial statements for 2007, the management reports as well as the report of the Management Board on relations with associated companies. The results of the audit were discussed in the presence of the auditors. The Accounting and Audit Committee made concrete recommendations on the Supervisory Board's resolutions in the audit meeting. These included the recommendation that the Supervisory Board approve the Management Board's proposal on the appropriation of the balance sheet profit. In addition, the Accounting and Audit Committee prepared the assignment of the auditing mandates for the annual and Group financial statements 2008 as well as for the Group's half-year report 2008 by the Supervisory Board.

The other meetings of the Accounting and Audit Committee focused on the quarterly reports and the half-year report of METRO AG prior to their publication. Extraordinary negative effects and special effects, for example in connection with the Adler fashion stores, were discussed in great depth. Other significant subjects of discussion during the reporting period included METRO Group's risk management, internal monitoring systems, compliance and corporate governance, dependency issues, Group tax planning and structural measures as well as the draft of by-laws for the Accounting and Audit Committee. In an extraordinary meeting in October 2008 – together with the Presidential Committee – the committee discussed the international financial market crisis and its impact on METRO Group.

Personnel Committee – The Personnel Committee deals primarily with personnel issues concerning the Management Board. In the financial year 2008, four committee meetings were held: two scheduled meetings in March and October and two extraordinary meetings in January and December. In October, the Personnel Committee met together with the Presidential Committee. One resolution in September was made in a written procedure.

The work of the Personnel Committee was dominated by preparations for the resolutions of the Supervisory Board regarding the planned changes in the Management Board. In addition, the committee discussed the remuneration and remuneration system for members of the Management Board. The committee determined a new type of share-based payment that will be granted from the financial year 2009. The committee also addressed relevant changes in the German Corporate Governance Code and outside jobs of members of the Management Board.

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 submitted to it by the Supervisory Board.

During the reporting year, the Presidential Committee met three times, including two joint meetings with the Accounting and Audit Committee (in March and October 2008) and one joint meeting with the Personnel Committee (October 2008).

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. In the financial year 2008, the committee met once (March 2008). The meeting focused on election recommendations for nine candidates who were elected to the Supervisory Board of METRO AG by the Annual General Meeting on 16 May 2008 upon recommendation of the Supervisory Board.

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 2008.

Corporate governance

The Management Board and the Supervisory Board report on METRO Group's corporate governance in the Corporate Governance Report for 2008.

In December 2008, 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 shareholders on the Internet site www.metrogroup.de. The full declaration of compliance appears in the Corporate Governance Report.

Before the Supervisory Board's meeting in March 2008, the auditor issued a declaration of autonomy, required under subsection 7.2.1 of the German Corporate Governance Code. The requirements of subsection 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 2008, report on relations with associated companies 2008

The annual financial statements of METRO AG, in consideration of accounting, for the financial year 2008 that were submitted by the Management Board pursuant to regulations laid down in the German Commercial Code, the METRO AG management report for 2008, the consolidated financial statements 2008 compiled by METRO AG according to International Financial Reporting Standards (IFRS) and the Group's management report 2008 were reviewed by KPMG AG 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 2008, the management report of METRO AG and the Group's management report for the financial year 2008 as well as the Management Board's proposal to the Annual General Meeting 2009 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 2009. 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 even without the presence of the Management Board. 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 2008 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 2008. 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,
3. no circumstances related to the measures listed in the report required an assessment deviating materially from that of the Management Board."

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 2009. 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, even in the absence of the Management Board. 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 2008 annual and consolidated financial statements, the 2008 management reports, the proposed appropriation of the balance sheet profit, and the Management Board's 2008 report about relations with associated companies were prepared during a joint meeting by the Presidential Committee and the Accounting and Audit Committee in March 2009. 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

Dr Manfred Schneider resigned from his position on the Supervisory Board effective 3 April 2008. By resolution of the District Court of Düsseldorf, Mr Jürgen Fitschen succeeded him as a member of the Supervisory Board on 4 April 2008.

In the reporting year, 19 of the 20 members of the Supervisory Board of METRO AG had to be newly appointed. The employee representatives on the Supervisory Board were elected by the delegation meeting on 14 March 2008; the shareholder representatives were elected by the Annual General Meeting on 16 May 2008.

The following members of the Supervisory Board were re-elected: Franz M. Haniel, Klaus Bruns, Dr Wulf H. Bernotat, Ulrich Dalibor, Hubert Frieling, Prof. Dr Dr h.c. mult. Erich Greipl, Werner Klockhaus, Rainer Kuschewski, Dr Klaus Mangold, Dr-Ing. e.h. Bernd Pischetsrieder, Dr jur. Hans-Jürgen Schinzler, Peter Stieger as well as Ms Sylvia Raddatz. Ms Marie-Christine Lombard, Ms Angelika Will and Ms Angelika Zinner as well as Mr M.P.M. (Theo) de Raad, Mr Jürgen Fitschen and Mr Xaver Schiller were appointed to the Supervisory Board for the first time.

Ms Sylvia Raddatz' mandate as a member of the Supervisory Board of METRO AG ended on 30 June 2008. By resolution of the District Court of Düsseldorf, she was succeeded by Mr Andreas Herwarth on 4 July 2008.

In connection with the sale of the Adler fashion stores, Ms Angelika Zinner left the Supervisory Board on 6 March 2009. The Management Board of METRO AG will apply to the Düsseldorf district court to appoint a successor.

Düsseldorf, March 2009

The Supervisory Board

Franz Haniel

Franz M. Haniel
Chairman

STRATEGY

METRO Group is pursuing a strategy of profitable growth, based primarily on customer-centricity and internationalisation. The four sales divisions Metro Cash & Carry, Real, Media Markt and Saturn, as well as Galeria Kaufhof, show how the Group implements this strategy in day-to-day business.

METRO Group

METRO Group is the world's fourth-largest trade and retail group. Decentralised management, the aim to be the first to enter new markets, internationality, innovative business models and a global workforce that thinks and acts self-responsibly and entrepreneurially have made METRO Group what it is today. Our goal is to provide for a sustained appreciation of METRO Group's value through profitable growth and efficient structures. This will benefit our customers as much as our shareholders, employees and society. As a successful company, we consistently live up to our social responsibility – for only a profitable company can be a socially conscious company as well.

Customer orientation

We focus on our customers' needs in everything that we do. We have to respond quickly and flexibly to customer desires. Our strong customer orientation builds on and extends METRO Group's traditional strengths. Our greatest challenge remains addressing a wide range of very specific customer desires with the right formats and concepts. These concepts must be aligned with and leverage the living and buying habits of our customers, our customers' customers as well as the respective markets' degree of maturity.

Position and expansion

With its four sales divisions, METRO Group is well positioned for international success. Particularly in difficult times, the multi-faceted nature of our sales divisions and their broad international position act as a reinsurance policy that enables us to weather economic downturns relatively better than other companies. We focus on large-scale trade and retail formats. Metro Cash & Carry, Real, Media Markt and Saturn successfully operate in 32 countries in Europe, Asia and Africa and are set to continue on their expansion course, particularly through organic growth. Sensible acquisitions may support and accelerate this development.

Early recognition of and a fast response to global megatrends as well as regional developments are key success factors in our efforts to expand into new markets. We have the experienced employees and necessary business structures to do this. Factors like favourable population trends combined with anticipated economic growth and stable political parameters play a key role in our expansion decisions. Irrespective of the challenging current macroeconomic environment, these growth markets remain at the core of our long-term expansion efforts.

Our international exposure means that we simultaneously operate in markets characterised by highly different degrees of market maturity. While our sales divisions follow the same fundamental concept in all countries, our traditional closeness to local markets enables us to implement country-specific adaptations in a fast, pragmatic manner and thus foster customer loyalty and expansion through appropriate changes of format.

Increasing efficiency

The growing complexity resulting from METRO Group's fast growth has prompted us to adopt the maxim "as decentrally as possible, as centrally as necessary". The degree of centrality is determined on the basis of clear, integrated or constitutive structures and centrally defined return targets. The sales divisions fulfil these requirements with a high degree of entrepreneurial freedom and strong market and customer centricity. Simplification and improved structures form the foundation of a sustained increase in efficiency and continued penetration of existing and new markets.

The "Shape 2012" programme, which provides a comprehensive catalogue of efficiency- and value-enhancing measures, will steer METRO Group's business activities in coming years. A detailed outline of this programme can be found on pages 120 and 121.

Group structure

METRO AG acts as the strategic management holding company of METRO Group. Based on a clearly defined strategic planning and budgeting process, METRO AG actively manages the sales divisions' strategic decisions and the centralised allocation of capital and resources to the sales divisions. In future, trade and real estate will be separated to account for the distinct differences between these asset classes.

Clear management structures and centrally defined strategic goals and return requirements, a consistent controlling and compliance structure, the sales divisions' high degree of entrepreneurial freedom and their innovative and expansive strength form the foundation of METRO Group's future success.

Metro Cash & Carry

An international leader in the cash & carry market

Customer-orientated, innovative, international – Metro Cash & Carry is one of the key growth drivers of METRO Group. Building on the unique profile of its Metro and Makro brands, the sales division has been the undisputed market leader in the cash & carry trade for more than four decades.

From Marrakesh to Tokyo, from St Petersburg to Bangalore – every day, our roughly 110,000 employees provide excellent service to commercial customers, including hotels, restaurants, catering firms, small and medium-sized retailers as well as hospitals and other institutions. The company provides customised assortments, services and all-round solutions addressing the particular requirements of these target groups. In providing these services, Metro Cash & Carry helps its customers to strengthen their competitiveness and grow their own business.

Metro Cash & Carry is a reliable partner for professional customers in 29 countries

The range offered at Metro and Makro Cash & Carry wholesale stores comprises up to 20,000 food and 30,000 nonfood items – including local specialities, attractive own brands and international brands. Efficient logistics and comprehensive quality assurance guarantee that a broad selection of fresh produce is available at all times. The C+C Schaper brand complements the offering on the German market.

Sales concept with strong formats

Metro Cash & Carry applies a flexible sales concept to optimally serve regional customers and consumer habits. This concept is based on three store formats (Classic, Junior, Eco) with varying amounts of selling space and assortment depths: Metro Cash & Carry's largest stores are located primarily in Western Europe. They offer a selection of up to 50,000 food and nonfood products on selling space of 10,000 to 16,000 square metres. The mid-range format, with selling space of 7,000 to 9,000 square metres, has proven itself primarily in Eastern Europe and Asia. The 3rd category is widely used in France, but is also gaining popularity in Southern Europe and Japan. Offering selling space of 2,500 to 4,000 square metres, this store type focuses on food, particularly fresh produce.

Number of locations rises again

At Metro Cash & Carry, internationalisation and expansion are the crucial factors behind value-adding profitable growth. In 2008, the focus of these efforts remained on Asian and Eastern European markets. In addition, Metro Cash & Carry announced plans for market entry in Egypt and Kazakhstan: the first stores are scheduled to open in Cairo and Astana in 2009.

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

Aside from expansion, the integration of local suppliers is another key component of Metro Cash & Carry's international success story. Up to 90 percent of the product range is sourced locally. This strategic decision strengthens the local economy and helps to avoid unnecessary logistics expenses.

Customer focus sharpened again

Seeking to align its entire business even more closely to the needs of its core target groups, Metro Cash & Carry continued to optimise its service offering and initiated its transformation from a pure product retailer into a provider of all-round solutions: for example, the company assists kiosks and small food retailers with the planning of their store layout and the composition of their assortments. In addition, Metro Cash & Carry has tested a delivery service in Germany, which was introduced across Germany in February 2009. The aim is to attract customers who have little time to go shopping or no access to a suitable means of transport.

International application of innovations to the merchandising concept

Considering the design of its wholesale stores, Metro Cash & Carry focuses on customer-orientated innovations. Varying payment systems speed up shopping. The walk-in wine humidor with its comprehensive supply of high-quality wines and spirits is another innovation that has met with a positive international response.

High goals for quality standards

The use of a modern control system ensures that the cold chain is maintained on the way to the store and in the store itself – because quality and freshness are the top priority at Metro Cash & Carry. Quality managers ensure that only excellent products go into customers' trolleys. In order to comply with the European HACCP regulations (Hazard Analysis and Critical Control Point), the stores provide cooling units for the transport of fresh and frozen produce as well as coolers where loaded shopping trolleys can be left.

→ For more information, see chapter VII. on environmental and sustainability management in the Group Management Report

Real

Large-scale hypermarkets with a unique profile

Real stands for a multifaceted range of food products offering a great price-performance ratio, and a large share of fresh produce, complemented by an attractive nonfood assortment. The selling space of the Real stores ranges from 5,000 to 15,000 square metres. Store assortments include up to 80,000 items, along the lines of "Einmal hin. Alles drin." ("Real: one store, you won't need more!"). Customers can easily navigate the store and find any everyday item – from food products through electronic equipment to clothes. Building on this unique profile, Real operates 343 hypermarkets in Germany and 96 stores in Poland, Romania, Russia and Turkey.

Strategic reorientation: initial successes

At the start of 2008, Real adopted a new strategy based on three key components sharpening the profile of the Real brand, optimising its market presence and distribution network, and adjusting costs and structures. The strategic reorientation has already produced initial successes. Despite the difficult market environment, Real was able to maintain its good market position in 2008, adding more than 3 million customer visits over the course of the year. Due to continually changing customer expectations, economic parameters and the competitive situation in Germany, the distribution network must be regularly scrutinised and, if necessary, modified. In the process, 33 locations that cannot operate profitably over the long term or do not fit into the portfolio on account of their size will be given up by the end of 2009. Meanwhile, Real will open about 15 new hypermarkets a year in Eastern Europe over the medium term and exploits targeted growth opportunities in Germany. In addition, Real continued to forge ahead with the conceptual relaunch of its existing locations in 2008. This also helped the sales division to strengthen its market position in Germany and internationally.

Real maintained its market position in 2008

Focus on the customer

A substantial strengthening of customer orientation represents a key component of the new strategy. For this reason the company has conducted a thorough customer satisfaction analysis, which has produced 10 key customer groups including "young families", "best agers", "young and fast cooking", "smart budget family" and "traditional hoarder". Based on these insights, Real can now address all customers with a more compelling and targeted approach. Real is committed to ensuring that its customers find exactly what they require for their personal needs when they shop in a Real hypermarket. In addition, Real has lowered the prices of its key customer groups' preferred products.

Strengthening the brand

"Einmal hin. Alles drin." ("Real: one store, you won't need more!") is the motto of the new advertising campaign launched at the end of April 2008, which succinctly sums up Real's unique profile. The reinforced advertising campaign included TV commercials on all major television stations and – as a special kick-off event – the placement of huge shopping bags or product packages at prominent inner-city locations.

New own-brand products sharpen the profile of the Real family brand

For the first time, Real has been selling products under its own name since autumn 2008. The introduction of the new products is another key part of the efforts to sharpen the profile of the Real family brand: Real Quality, Real Bio and Real Selection have successively been introduced at Real hypermarkets. The existing own brand TiP, which is well known across Germany, will remain the budget-priced label. A key focus will be on the Real Quality brand, which comprises products that are comparable to the leading brands of well-known manufacturers. While offering the same quality, they are noticeably less expensive. These articles are available in German hypermarkets as well as in Poland, Russia, Romania and Turkey. Step by step, the number of Real Quality products will be raised to more than 2,000 articles. In addition, the complete assortment of the own brand "Grünes Land" (Green Land) will be renamed Real Bio. The Real Selection brand is a synonym for products with special quality features and extraordinary taste, characterised by exquisite ingredients and a packaging design that is just as appealing as that of well-known premium brands.

Conceptual optimisation: Strengthening of individual hypermarkets

An appealing product presentation and well-structured store design play a particularly important role in targeted customer approaches. A good example of this approach is the "Meistermetzger" (Master Butcher) concept: since summer 2008, this concept has been merging tradition and modernity to create an authentic butcher's shop atmosphere. This has made Real the pioneer of a new service and quality concept in the fresh produce area of hypermarkets. Another measure is the thematic extension of the assortment of stores with selling space of more than 9,500 square metres.

The Real Future Store in Tönisvorst near Düsseldorf, the testing ground for the future of the retail trade, opened its doors at the end of May 2008. It serves as a workshop where cutting-edge technologies and new departmental concepts can be tested in various areas. Proven innovations are subsequently introduced incrementally in other Real hypermarkets. Real's new departmental design in the food and nonfood areas is a direct reaction to the great change in customer requirements over the past years.

Real continues to use the Payback programme to foster customer loyalty. The programme offers customers preferred buying conditions at numerous German Payback partner companies as well, including retailers, online platforms and insurance providers. Since the start of the programme in March 2000, Real has won 9.3 million of the total roughly 44.8 million Payback card holders. The Payback card is used in half of all check-out processes. In addition, Payback customers' receipts are on average more than twice as high as those of non-members.

Media Markt and Saturn

Top position in European consumer electronics retailing

Customer-orientated sales concepts, attention-grabbing marketing, attractive assortments and services with a top price-performance ratio are the keys to the success of Media Markt and Saturn. The two sales brands have secured a top position in European consumer electronics retailing and continue to extend their market leadership.

In keeping with its dynamic expansion strategy, the group of companies is rigorously expanding its sales network. By now, Media Markt and Saturn have a successful network of international locations at their disposal.

Attractive assortment and store layout as success factors

The consumer electronics stores of the Media-Saturn Group offer a large variety of branded products from all leading manufacturers in the areas of consumer electronics, household appliances, new media, telecommunications, computers and photography. The range is rounded off by all new products launched in this market segment, which is marked by rapid technological change. The stores of the Media-Saturn Group are characterised by a modern, customer-orientated store layout, numerous shop-in-shop solutions and separate theme worlds.

Competitive advantages through decentralised management

Both sales formats meet changing customer requirements by an extended range of services and personal assistance provided by knowledgeable employees. In addition, the stores can respond quickly and flexibly to local customer expectations or competitor campaigns.

As co-partners, the store managers of the consumer electronics stores are responsible for their stores' business success. They make their own decisions about the range of goods offered, pricing, staffing and marketing activities. Employees undergo continuous training to guarantee high service and assistance standards. The services range from repairs to the delivery and installation of large equipment.

The decentralised management structure benefits each individual store as well as the sales brand as a whole – and, above all, the customer.

Compelling advertising campaigns shape profile

Media Markt and Saturn's unconventional, emotional advertising campaigns ensure a high level of brand awareness. Both formats succeed in sharpening their public images and strengthening their positions as unmistakable retail brands. The ad campaigns of both sales brands have been revised to reflect the fact that customers not only are price-conscious, but also set increasing value on innovation, quality and service.

Galeria Kaufhof

Modern lifestyle provider in city centre retailing

With its lifestyle- and event-orientated Galeria concept, Galeria Kaufhof has established itself as an innovation leader in the German department store business that successfully combines traditional values and innovative ideas. The sales division stands for high-quality products, international brands, harmonious product presentation and employees dedicated to excellent service.

With its captivating retail brand strategy under the motto "Ich freu' mich drauf!" ("I can't wait!"), Galeria Kaufhof has transformed itself into a modern multi-specialist with impressive international assortments that are organised in clearly laid-out product worlds with numerous brand stores. Customers have come to expect real added value from this store concept focused on offering a board, up-to-the-minute choice of products, trendy styles and great shopping convenience.

Continuous optimisation of sales concept and service

In order to meet its core target groups' demands for added value and timeliness, Galeria Kaufhof is rigorously expanding its product range by "trading up" to match the expectations that relevant target groups have of international brands and exclusive Galeria brands in mid- to high-price segments. Numerous new lifestyle brands complement Galeria Kaufhof's product assortment. To ensure optimal presentation, a new generation of mannequins was developed exclusively for Galeria Kaufhof in line with the particular features of its core target group.

The implementation of the lifestyle strategy is also reflected in the new generation of completely or partly modernised Galeria Kaufhof department stores. These stores are located predominantly in city centres – usually in excellent locations. "World Class Shopping" is the claim of the new Galeria generation, exemplified by its prototype, the store at Berlin Alexanderplatz, which reopened in 2006. A flagship store in the retail landscape, it has received several awards, including the title of "Store of the Year 2007". Four locations have now been successfully redesigned in line with the "World Class Shopping" concept (Bonn, Frankfurt, Hamburg, Hannover).

So as to live up to rising lifestyle demands, Galeria Kaufhof also provides a range of additional services: aside from delivery, alteration, wedding and gift services, many stores also offer their customers colour and image consulting or provide a personal shopping adviser upon request. In all Galeria Kaufhof department stores, blind customers and customers with impaired vision may be accompanied by skilled employees if desired. In shopping metropolises, customers can also be assisted by multilingual employees. In a pioneering response to demographic developments, Galeria Kaufhof has been setting standards with its "Galeria of Generations" concept. Broader aisles, adequate seating and clear orientation guides make shopping as effortless as possible for the elderly.

Better customer service through modern technologies

Galeria Kaufhof uses modern technologies as a basis for both improved customer service and optimisation of the process chain. The introduction of a new checkout system has made store processes even more customer-friendly, efficient and cheaper: for example, it allows for effortless deferring and recalling of till receipts. As part of this transformation, a new system for safe-linkage was developed and time-stamping stocktaking was introduced. The checkout system generally provides greater flexibility, a more modern user interface and makes intuitive operation possible.

Payback – an effective customer retention tool

The bonus programme is used as an intelligent tool for a holistic customer retention strategy. Extending beyond personal contact in the stores, the programme allows for personalised communications with existing and potential customers and the establishment of long-term customer relationships.

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 stock 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

The Management Board of METRO AG has five members: Dr Eckhard Cordes (Chairman), Zygmunt Mierdorf, Frans W. H. Muller, Joël Saveuse and Thomas Unger. Information on each member of the Management Board including their respective responsibilities and terms of office are available on the Internet at www.metrogroup.de in the section Company – The Boards – Management Board.

The Management Board is responsible for running METRO AG and the Group. The establishment and development of effective organisational structures, planning and controlling systems are key components of its management duties. The Management Board also sets METRO Group's strategic direction, coordinates this with the Supervisory Board and ensures its implementation.

The Supervisory Board

Pursuant to the German Co-determination Act, METRO AG's Supervisory Board is composed of 10 shareholder representatives and 10 employee representatives.

Shareholder representatives
Franz M. Haniel, Chairman
Dr Wulf H. Bernotat
Jürgen Fitschen
Prof. Dr Dr h.c. mult. Erich Greipl
Peter Küpfer
Marie-Christine Lombard
Dr Klaus Mangold
Dr-Ing. e.h. Bernd Pischetsrieder
M.P.M. (Theo) de Raad
Dr jur. Hans-Jürgen Schinzler

Employee representatives
Klaus Bruns, Vice-Chairman
Ulrich Dalibor
Hubert Frieling
Andreas Herwarth
Werner Klockhaus
Rainer Kuschewski
Xaver Schiller
Peter Stieger
Angelika Will
N.N.

Status: 18 March 2009

The Management Board regularly provides the Supervisory Board with timely and detailed information on all matters of fundamental importance for the company concerning planning, business development, risk management and compliance.

→ For further information on the members of the Management Board see chapter "Management Board"

The Supervisory Board of METRO AG advises the Management Board and monitors its corporate management including in terms of achieving long-term corporate and Group objectives. The Supervisory Board is brought into the planning of the development of METRO Group by the Management Board 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.

The Supervisory Board's report provides details about the working relationship between METRO AG's Management Board and Supervisory Board in the financial year 2008.

Supervisory Board committees

Five committees support the Supervisory Board in its work, contributing greatly to the board's overall efficiency.

Supervisory Board Presidential Committee

When necessary, the Presidential Committee is called upon 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
- → special issues the Supervisory Board assigns to the Presidential Committee via resolution.

Members of the Supervisory Board's Presidential Committee:

Franz M. Haniel (Chairman)

Klaus Bruns (Vice-Chairman)

Dr Wulf H. Bernotat

Werner Klockhaus

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

Members of the Personnel Committee:

Franz M. Haniel (Chairman)

Klaus Bruns (Vice-Chairman)

Dr Wulf H. Bernotat

Werner Klockhaus

The duties of the Personnel Committee include personnel matters of the members of the Management Board, 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 members of the Management Board.

METRO AG's Supervisory Board by-laws also call for the chairman of the Supervisory Board to chair the Personnel Committee.

Accounting and Audit Committee

Members of the Accounting and Audit Committee:

Dr jur. Hans-Jürgen Schinzler (Chairman)

Klaus Bruns (Vice-Chairman)

Prof. Dr Dr h. c. mult. Erich Greipl

Franz M. Haniel

Xaver Schiller

Peter Stieger

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 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. The personal requirements tied to this office are laid down in the committee's by-laws: the chairman must be impartial and possess professional knowledge in the areas of accounting and auditing as well as internal control measures ("financial expert"). In accordance with the by-laws, 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 looks 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 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 Co-determination Act (MitbestG 1976) prescribes the establishment of a mediation committee. The Mediation Committee submits personnel proposals to the Supervisory Board when the two-thirds majority required for appointing and removing members of the Management Board has not been achieved.

Implementation and application of the principles of corporate governance

METRO AG's Management and Supervisory Boards discuss at least once a year – most recently at the Supervisory Board meeting in December 2008 – the corporate governance practised within METRO Group. The starting point of these discussions is the implementation of the recommendations of the German Corporate Governance Code. Only one deviation from these recommendations was found in the financial year 2008. It concerned the recommendations on the agreement of payment limitations (so-called severance caps) in Management Board members' employment contracts, which became effective in summer 2008. These recommendations were introduced into the German Corporate Governance Code as suggestions in 2007 and were discussed in detail by the Personnel Committee of the Supervisory Board (see also Corporate Governance Report 2007). The discussion about the implementation of this recommendation continued in 2008 and yielded a result that is explained in the declaration of compliance for 2008:

Declaration of compliance with the German Corporate Governance Code

The Management and Supervisory Board of METRO AG made the following declaration of compliance in December 2008 pursuant to § 161 of the German Stock Corporation Act. This can be accessed permanently by shareholders on the website www.metrogroup.de:

"The Management Board and the Supervisory Board hereby declare that METRO AG fully complies with the recommendations of the Commission of the German Corporate Governance Code in its version of 6 June 2008 published by the Federal Ministry of Justice in the official part of the electronic Federal Bulletin.

Members of the Nominations Committee:

Franz M. Haniel (Chairman)

Dr-Ing. e. h. Bernd Pischetsrieder

Dr jur. Hans-Jürgen Schinzler

Members of the Mediation Committee:

Franz M. Haniel

Klaus Bruns

Prof. Dr Dr h. c. mult. Erich Greipl

Werner Klockhaus

Furthermore, the Management Board and the Supervisory Board declare that METRO AG has complied with the applicable recommendations of the commission since the last declaration of compliance in December 2007 with one exception:

In August 2008, new code recommendations regarding the agreement of severance payment caps in Management Board contracts came into effect (subsection 4.2.3 para. 4 German Corporate Governance Code as of 6 June, 2008). The new recommendations intend to cap contractual agreed benefits in case of premature termination of employment to a maximum of two years' compensation.

While negotiating a new Management Board contract end of September 2008, the Personnel Committee of the Supervisory Board, responsible for Management Board contracts, did not yet follow these recommendations. One of the reasons was – not least – the short contract period. In consideration of the short contract period additional agreements in order to avoid inadequate severance payments were not required.

For the future, the Personnel Committee intends to realise the recommendations of subsection 4.2.3 para. 4 German Corporate Governance Code as a general rule. However, in individual cases METRO AG's concerns may request agreements deviant from the code."

The continued development of METRO AG's corporate governance practice will remain a focal point of the Management and Supervisory Boards' activities in the financial year 2009.

Suggestions of the German Corporate Governance Code

The declaration of compliance issued by METRO AG's Management Board and Supervisory Board, in accordance with the law, is directed only at 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 suggestions laid down in the German Corporate Governance Code. In the financial year 2008, there were only two points that were 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 broadcast only the speech by the Chairman of the Management Board in the financial year 2008. Further proceedings from the Annual General Meeting were not broadcast over the Internet. This practice will be continued in the financial year 2009.

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 METRO AG's Supervisory Board hold joint preparatory meetings. However, this is done as needed and not before every Supervisory Board meeting.

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 the financial reports and ad hoc announcements of METRO AG as well as other publications pursuant to the German Securities Trading Act. Dates for the most important regular publications and events (trading statements, annual reports as well as quarterly and half-year reports, the annual business press conference, analysts' meetings and the Annual General Meeting) appear on the website in a financial calendar at regular intervals in a timely manner. 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 the website of METRO Group. This information includes, in particular, the latest annual report and the agenda of the Annual General Meeting.

The registration and legitimisation procedure for METRO AG's Annual General Meetings is in line with German Stock Corporation Law and international standards. Each shareholder who would like to participate in an Annual General Meeting of METRO AG 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 7th day before the Annual General Meeting. Concrete registration and participation conditions are made public in the invitation for each Annual General Meeting.

Shareholders who are unable to or do not wish to attend the Annual General Meeting in person may exercise their voting rights through a proxy. The necessary voting right authorisation must be provided in writing or by fax. To the benefit of shareholders, eased formal stipulations apply in certain cases. These are described in the invitation to the Annual General Meeting, for example, for voting right authorisations to banks or shareholder associations.

→
Shareholders can find comprehensive information about METRO Group on our website at www.metrogroup.de

Details on proxy voting are explained in the invitation to each Annual General Meeting and published with reference to the day-definite deadlines

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 written form. 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 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.

Directors' dealings, share ownership by members of the Management Board and Supervisory Board

Pursuant to § 15a of the German Securities Trading Act (WpHG), members of the Management and Supervisory Boards of METRO AG must inform METRO AG of any transactions involving own Metro shares or related financial instruments, in particular derivatives. This obligation also applies to persons who are in close relationship with members of these two corporate bodies. No disclosure requirement applies as long as the transactions conducted by a board member and the person who is in close relationship with the board member do not reach a total amount of €5,000 by the end of the calendar year.

METRO AG is obliged by law to disclose all notifications of so-called directors' dealings that it has received. In the financial year 2008, METRO AG received a notification pursuant to § 15a of the German Securities Trading Act that it disseminated on its home page, among other places. The notification related to the purchase of 10,000 ordinary shares of METRO AG by Zygmunt Mierdorf, a member of the Management Board, on 20 November 2008. Further information on this transaction can be obtained at www.metrogroup.de – Investor Relations – Publications – Directors' Dealings.

Beyond the legal obligation to promptly disclose transactions involving the company's shares, ownership of METRO AG shares or related financial instruments by members of the Management or Supervisory Board is disclosed when it directly or indirectly exceeds 1 percent of the shares issued by METRO AG, in line with the recommendations of the German Corporate Governance Code. 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 2008.

Risk management

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 and 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 continued 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. The Management and Supervisory Boards regard the Group-wide compliance programme of METRO Group as a key element of the company's management and supervisory structure.

The management of the Group companies has primary responsibility for ensuring employees' compliance with legal stipulations affecting their area of responsibility and provides regular written reports on the compliance programme to the Management Board of METRO AG.

The compliance programme focuses on conflicts of interest, 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, including, in particular, guidelines on data protection. 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. METRO Group employees can anonymously turn to an ombudsman in cases of doubt. In addition, they can contact the compliance officers who were appointed in nearly all METRO Group holding and country companies during the course of the financial year 2008. The compliance officers provide on-site advice regarding compliance issues and in 2008 advanced the implementation of METRO Group's business principles in their organisational units. Infringements of compliance regulations are investigated by the internal audit departments of METRO AG and the Group companies.

In line with the recommendations of the German Corporate Governance Code, continued development and working results of the compliance organisation are also monitored by the Supervisory Board's Accounting and Audit Committee.

→ The remuneration report can be found in chapter VIII. of the Group management report

Accounts audit

At the Annual General Meeting of METRO AG on 16 May 2008, KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft[1] (KPMG) was elected to be the auditor for the financial year 2008. 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 recommendations 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 Board's statement of compliance with the German Corporate Governance Code.

[1] Since 1 October 2008: KPMG AG Wirtschaftsprüfungsgesellschaft

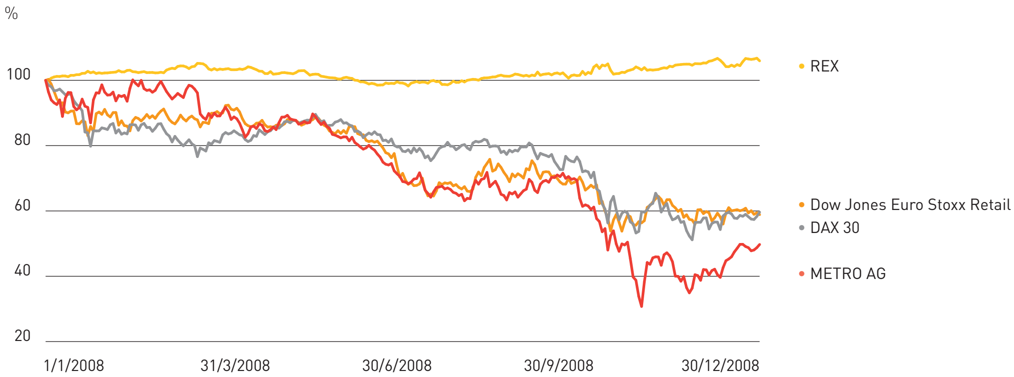
Remuneration report 2008

The remuneration report for 2008 that the Management and Supervisory Boards are required to issue as part of the Corporate Governance Report can be found in chapter VIII 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.

Following the recommendation of its Personnel Committee, the Supervisory Board of METRO AG approved a revision of the remuneration system for the Management Board starting in the financial year 2009.

Δ 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".

Market trend of Metro shares



METRO SHARES

As part of our targeted, ongoing and transparent communication policy, we regularly inform institutional and private investors and analysts on the value-based development of our company. The following pages will give you a summary overview of our capital market activities during the preceding financial year.

International stock markets suffered a significant downturn in 2008. Around the world, the global financial crisis and its reverberations unsettled investors. The 6-year growth trend was not only interrupted, but also corrected downward. The lion's share of past years' stock market gains vanished in a short period of time during the 2nd half of 2008. Many shares returned to the lows recorded during the last bear market in 2003.

After Germany's DAX stock index closed the year of 2007 near its historic high of more than 8,000 points, continually rising commodity prices – particularly the sharp increase in oil prices – weighed on investors' minds during the 1st half of 2008. Oil prices trended towards US$150 per barrel. Although the weak dollar dampened inflation outside the dollar area, inflation rates in many parts of the world rose to above-average levels. Gold once again proved its role as a hedge against inflation. The gold price peaked at more than US$1,000 per fine ounce. In this environment, the DAX fell by about 20 percent during the 1st half of 2008.

Market sentiment deteriorated drastically from summer as the impact of the financial crisis became clearer. In autumn, no day passed without bad news from the financial sector. The painful climax was reached with the insolvency of Lehman Brothers, the tradition-steeped investment bank, on 15 September 2008. In the wake of the bank's collapse, share prices crashed around the world, at times the fear of a systemic meltdown in the financial sector arose. Joint interventions by the major developed nations helped counter the threatening collapse. While central banks drastically lowered benchmark interest rates, governments issued comprehensive guarantees or took direct stakes in financial institutions. Stock markets fell to multi-year lows during this period, and volatility reached unprecedented dimensions.

The progressing financial crisis pulled down the global real economy as well, and concerns over an imminent recession moved to the forefront. Against the backdrop of a looming recession, many companies markedly revised downward their sales and

Performance comparison of Metro ordinary share in 2008

vs. DJ Euro Stoxx Retail vs. DAX 30 vs. REX

METRO Group	DAX 30	Dow Jones Euro Stoxx Retail	REX
–50.3 %	–40.4 %	–41.1 %	5.9 %

Source: Bloomberg

Three major shareholders hold 65.87 percent of METRO AG's share capital

earnings forecasts. The labour market outlook and prospects for wage developments also deteriorated markedly. Such an environment poses particular problems for trade and retail groups as the public mood and public expectations directly impact consumption. After recovering slightly towards the end of the year, the DAX closed the year at 4,810.20 points – leaving a negative yearly balance of 40.4 percent, the 2nd-highest annual decline in its history.

Price of the Metro share fell significantly

METRO AG's ordinary share initially outperformed in 2008 before being pulled into the same downward spiral as the DAX. During the year, the share price fell by 50.3 percent, ending 2008 at €28.57. The Dow Jones Euro Stoxx Retail dropped by 41.1 percent during the same period. Due to its higher proportion of nonfood business, the Metro share underperformed this retail index, which mainly weights pure food retailers. Meanwhile, government bond holders experienced a positive development. The German bond index REX, a representative cross section of the German sovereign bond market with fixed-interest rates and remaining terms of 0.5 to 10.5 years, gained 5.9 percent during the year.

A person who invested €10,000 in Metro shares when they were first listed in 1996 would have held securities worth €13,590 – including dividend reinvestment – by the end of 2008. This amounts to an annual average return of 2.76 percent.

Market capitalisation and index inclusion

The principal shareholders Haniel, Schmidt-Ruthenbeck and Beisheim are the major shareholders of METRO AG. According to the information available to METRO AG, they hold 65.87 percent of the voting rights in METRO AG. The company's free float share is held by a multitude of international and national investors, with German investors accounting for the largest single share, followed by British and North American investors.

At the end of December 2008, METRO AG's market capitalisation stood at €9.3 billion, making it one of Germany's largest companies and a member of the German DAX blue-chip index. Qualification for index inclusion is determined by free-float-weighted market capitalisation. METRO AG ranked 29th in terms of DAX-relevant market capitalisation and 28th in terms of trading turnover. A year earlier, the company was ranked 28th in terms of market capitalisation and 21st in terms of trading turnover. On an average trading day, 1.6 million ordinary shares of METRO AG were traded compared with 1.7 million a year earlier.

Apart from its DAX inclusion, METRO Group is also represented in other important international indices, including the Dow Jones Euro Stoxx, the respective sector index Dow Jones Euro Stoxx Retail as well as the Morgan Stanley Capital International (MSCI). Moreover, METRO Group is one of the shares listed in the Dow Jones Sustainability World Index and the DAXglobal Sarasin Sustainability Germany.

Information about the Metro shares

	Ordinary share	Preference share
Code number	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	MEO GR	MEO3 GR
Number of shares	324,109,563	2,677,966

Dividend

At the Annual General Meeting on 13 May 2009, the Management Board will, as in the previous year, propose a dividend of €1.18 per ordinary share and €1.298 per preference share for the financial year 2008. This would amount to a dividend yield of 4.1 percent on the closing share price for 2008 for the Metro share. Based on earnings per share from continued operations before non-recurring effects of €3.05, the dividend yield would amount to 38.7 percent.

Investor relations

We place a very high priority on 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 equal treatment. Our capital market communications activities have a long-term outlook and form a key component of our value-focused Group strategy. Particularly in a difficult financial market environment, we regard in-depth, transparent capital market communications as extraordinarily important and indispensable.

We gave a detailed account of developments during the financial year 2007 at the annual analysts' meeting in Düsseldorf, which was also broadcast on the Internet. In addition to issuing topical press releases, we held telephone conferences on our quarterly reports during the course of the year. Interested parties were also able to watch these meetings on the Internet.

METRO Group held presentations for investors and analysts in every important financial centre in Europe and the United States in 2008. We addressed 235 participants at 12 conferences. To round off our direct dialogue with the capital markets, we conducted 39 road show days in 16 countries, and held a large number of talks and guided store visits at our Düsseldorf location. In June 2008, we invited analysts and investors to St Petersburg to offer them comprehensive information about the Eastern European market, a key market for METRO Group, and the potential of the Eastern European and, in particular, the Russian market for the company.

Metro shares 2006–2008

€		2008	2007	2006
Annual closing price	Ordinary share	28.57	57.44	48.31
	Preference share	29.00	44.20	47.44
Annual high	Ordinary share	57.51	66.70	49.36
	Preference share	46.00	60.00	61.00
Annual low	Ordinary share	17.67	49.34	39.21
	Preference share	19.00	40.00	45.50
Cash dividend	Ordinary share	1.18[1]	1.18	1.12
	Preference share	1.298[1]	1.298	1.232
Dividend yield based on closing price for the year (%)	Ordinary share	4.1[1]	2.1	2.3
	Preference share	4.5[1]	2.9	2.6
Market capitalisation (€ billion)		9.3	18.7	15.8

Data based on XETRA closing prices
[1] Subject to approval by the Annual General Meeting

Investor hotline (Germany): 01802-725750

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

Currently about 40 analysts from all reputable national and international banks track METRO Group. They comment on business developments and regularly issue investment recommendations that we publish on our Investor Relations pages on the Internet. At the end of 2008, 43 percent of analysts recommended the Metro share as a "buy". 33 percent rated it "hold", and 24 percent gave it a "sell" rating. The median value of share price targets amounted to €29.50.

Maintaining intense relationships with institutional investors and an ongoing dialogue with private investors are very important to METRO Group. Apart from institutional investors, an estimated 60,000 private individuals are shareholders of METRO AG. Our investor hotline (+49-(0)1802-725750) will answer, in particular, private investors' questions about METRO Group and the Metro share. On 15 November 2008, we took part in the stock exchange fair in Köln. About 2,500 participants attended the event titled "Financial crisis? – Even more reason to be well informed!" Many visitors already knew much about METRO Group and asked detailed questions on its strategy, developments in Eastern Europe and portfolio positioning. The Group's sustainability initiatives as well as the carbon footprint report – which METRO Group pioneered among German retailers – were equally well received.

In addition, we provide an extensive range of information on the Internet. Increasing numbers of page views for our website demonstrate the growing importance of this medium and the growing interest in METRO Group. Our website scores highly in the rankings of external institutions as a result of its extensive and detailed information. We also command top positions in rankings assessing overall investor relations work. For example, METRO Group ranked 2nd in the "Capital Investor Relations Prize" in the DAX category, improving its position again compared to the previous year. For the fifth year in a row, METRO Group won an award for the best investor relations work among European trade and retail companies presented by the international business magazine "Institutional Investor". In May, the investor relations team won the German Investor Relations Prize in the category "Best IR Manager DAX 30 Company".

GROUP MANAGEMENT REPORT

Overview of the financial year 2008 and forecast

Adjusted for currency effects, METRO Group sales increased by 6.1 percent. In contrast to the previous year, METRO Group recorded negative currency effects. Sales growth measured in euros was capped at 5.8 percent. As expected, METRO Group's EBIT adjusted for special items rose disproportionately to sales growth by 7.1 percent. This means that the company reached its targets for 2008.

Earnings position

→ In 2008, METRO Group raised its sales by 5.8 percent to €68.0 billion, or currency-adjusted by 6.1 percent
→ International Group sales increased by 8.4 percent to €41.3 billion
→ Group EBIT adjusted for special items reached €2.2 billion, exceeding the previous year's figure by 7.1 percent
→ Net profit for the period declined from €983 million in the previous year to €560 million and included losses from discontinued operations (€-429 million) as well as the costs of trimming Real's store network (€-165 million)
→ Earnings per share from continuing operations adjusted for special items rose by 9.9 percent year-to-year

Financial and asset position

→ Investments rose by €0.3 billion to €2.5 billion
→ Balance sheet net debt increased by €0.3 billion to €4.6 billion
→ Standard & Poor's: long-term rating was upgraded to BBB+
→ Moody's: short- and long-term outlook changed from "stable" to "negative"
→ At €2.6 billion, cash flow from continuing operations was €0.6 billion below the previous year's figure
→ Total assets declined slightly to €33.8 billion. Negative currency effects caused equity to decline by €0.4 billion to €6.1 billion. The equity ratio dropped to 18 percent

Forecast

Sales

We continue to expect METRO Group to generate annual growth rates of more than 6 percent over the medium term. In consideration of the global economic downturn, the lower number of new store openings and negative currency effects, we expect our growth rate to fall significantly short of our medium-term goal of more than 6 percent in the current financial year.

Earnings

Our strategy aims for long-term profitable growth, or disproportionately higher earnings than sales growth. Our goal is to achieve growth of more than 8 percent per year in EBIT before special items. Our efficiency- and value-enhancing programme "Shape 2012" aims to protect this level of growth over the long term. "Shape 2012" will unleash its positive impact on earnings from 2010 and become fully effective from 2012.

The high level of uncertainty caused by recent difficult economic developments makes a precise profit-and-loss forecast for the financial year 2009 impossible at this point. Although we expect the anticipated weaker sales growth to also impact our earnings, the cost-cutting measures and investment cutbacks introduced so far are aimed at minimising the impact on EBIT before special items.

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 in the market with specific concepts and, in some cases, several sales brands.

The Extra sales brand was sold to the Rewe Group on 17 January 2008 with effect from 1 July 2008. By contractual agreement of 13 February 2009, the Adler fashion stores were sold to the restructuring fund BluO beta equity Limited. The agreement is subject to the approval of the cartel authorities. Extra and Adler are shown as discontinued operations in the annual report for 2008. The 2008 financial results of METRO Group have been adjusted for the results of the Extra sales brand and the Adler fashion stores. The previous year's figures – with the exception of the balance sheet – have been adjusted for Adler. Extra was already shown as a discontinued operation in the financial year 2007.

Detailed information on discontinued operations is provided in the notes in no. 43

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.

The efficiency- and value-enhancing programme "Shape 2012" will simplify METRO Group's organisational structures to achieve the highest possible growth momentum and customer orientation. Additional information on "Shape 2012" can be found in the supplementary and forecast report.

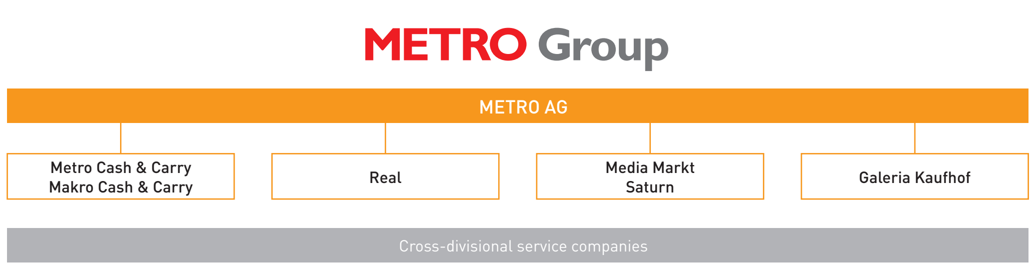
Our sales brands

Metro Cash & Carry is the global market leader in the cash & carry sector. 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 one of the leading hypermarket operators in Germany and Poland. With locations in Germany, Poland, Romania and Turkey, Real represents the large-format hypermarket concept.

Europe's No. 1 in consumer electronics retailing: the **Media Markt and Saturn** sales brands compel with their innovative and powerful sales and marketing concepts with large-scale consumer electronics stores. Both have been posting strong growth for many years. They are represented in 16 countries and are rigorously expanding their 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 areas and city centres with their sophisticated, high-quality assortment presented in event-orientated product worlds.



Portfolio of locations per country and sales division

	Metro Cash & Carry		Real		Media Markt and Saturn		Galeria Kaufhof		Other companies		METRO Group	
Country	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007[1]	2008	2007
Germany	**126**	**122**	**343**	**349**	**367**	**353**	**126**	**126**	**190**	**202**	**1,152**	**1,152**
Austria	12	12			33	31			2	3	47	46
Belgium	11	10			15	14	15	15			41	39
Denmark	5	5									5	5
France	91	89			29	25					120	114
Italy	48	48			92	88					140	136
Luxembourg					1						1	
Netherlands	17	16			30	27					47	43
Portugal	11	10			9	7					20	17
Sweden					14	8					14	8
Switzerland					18	18					18	18
Spain	34	34			57	48					91	82
United Kingdom	33	33									33	33
Western Europe excl. Germany	**262**	**257**			**298**	**266**	**15**	**15**	**2**	**3**	**577**	**541**
Bulgaria	11	8									11	8
Croatia	6	6									6	6
Czech Republic	13	12									13	12
Greece	9	8			9	7					18	15
Hungary	13	13			22	20					35	33
Moldova	3	3									3	3
Poland	29	26	53	50	50	42					132	118
Romania	24	23	20	14							44	37
Russia	48	39	12	10	14	11					74	60
Serbia	5	5									5	5
Slovakia	5	5									5	5
Turkey	13	11	11	11	8	3					32	25
Ukraine	23	18									23	18
Eastern Europe	**202**	**177**	**96**	**85**	**103**	**83**					**401**	**345**
China	38	37									38	37
India	5	3									5	3
Japan	4	3									4	3
Morocco	8	7									8	7
Pakistan	2	1									2	1
Vietnam	8	8									8	8
Asia/Africa	**65**	**59**									**65**	**59**
International	**529**	**493**	**96**	**85**	**401**	**349**	**15**	**15**	**2**	**3**	**1,043**	**945**
METRO Group	**655**	**615**	**439**	**434**	**768**	**702**	**141**	**141**	**192**	**205**	**2,195**	**2,097**

[1] Adjustment of previous year's figures due to discontinued operations

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 and operates more than 70 shopping centres. Its facility management activities for about 1,700 retail, administrative and warehousing locations currently cover 16 countries. METRO Group Asset Management focuses on the continuous development of METRO Group properties, the creation of sustained value added and active portfolio management. 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 towards society and the environment. For example, METRO Group is making continual advances in increasing the energy efficiency of its properties as well as using renewable energies around the world. In 2008, METRO Group Asset Management was awarded the highest honours in the European real estate sector for the innovative and sustainable concept for its M1 Meydan shopping centre in Istanbul. The centre operates one of Europe's largest geothermal plants and has a green roof with a space of 30,000 square metres. METRO Group Asset Management sets standards for future-orientated retail real estate.

II. Economic parameters

Worldwide economic trends

Economic growth loses momentum

After six months of solid growth in the 1st half of 2008, global economic momentum slowed drastically during the 2nd half of the year. The real estate and financial market crisis that originated in the United States already in 2007 has hit the global economy even harder than expected and affected nearly all global economies during the course of 2008.

Around the world, energy and food prices continued to rise during the 1st half of 2008. High inflation rates reduced purchasing power and dampened the mood among consumers. During the 2nd half of the year, retreating global demand pushed down raw material prices. As a result, consumer prices also declined markedly towards the end of the year.

Amid the deepening financial crisis, banks sharply reduced granting credits to companies and consumers during the 2nd half of the year, with correspondingly negative effects on investments and consumption. The US and Western European governments, in particular, along with governments in Eastern Europe and Asia, issued massive guarantees and implemented stimulus programmes of unprecedented dimensions to help stabilise the banking system and support the economy. In some countries, IMF's (International Monetary Fund) financial aid prevented a negative impact on the respective financial systems.

All in all, global economic growth in 2008 was considerably weaker than in the previous years. After growing by a real 3.7 percent in 2007, the global economy slowed to 2.0 percent in 2008. While growth momentum remained strong during the 1st half, particularly in the emerging markets, growth rates weakened across the globe during the 2nd half of the year.

Development of Gross Domestic Product
in key global regions and Germany
Real percentage change year-to-year

	2008	2007
Global economy	2.0	3.7
Western Europe	0.8	2.7
Eastern Europe	4.9	7.0
Asia	3.2	5.8
United States	1.3	2.0
Germany	1.3	2.5

Source: FERI

Western Europe – economy slips into recession

The financial crisis and its real economic impact accelerated the incipient economic downswing in Western Europe in 2008, with additional negative economic factors such as the real estate market crises in Spain and the United Kingdom adding to the woes. Following a generally solid start in the 1st quarter of 2008, growth weakened drastically in the Western European economies during the following quarters. By the end of 2008, several countries had slipped into a recession.

In 2008, real economic growth in Western Europe slowed to just 0.8 percent (previous year: 2.7 percent). Weakness prevailed in Denmark, Italy, Portugal, France and the United Kingdom. Spain suffered the most severe year-to-year slowdown. Full-year growth rates remained solid in the Netherlands, Austria, Belgium and Switzerland. Greece's Gross Domestic Product posted the strongest growth as the country's growth potential remains higher than that of the other Western European countries.

Eastern Europe – strong growth, but weakening momentum

The Eastern European economy remained on its dynamic growth course during the 1st half of 2008. High inflation rates, which in many Eastern European countries reached double-digit figures during the 1st half of the year, weighed on private consumption. Strong domestic demand, however, fuelled another strong increase in price-adjusted consumption over the year as a whole.

The shock consequences of the financial crisis also reached Eastern Europe during the 2nd half of the year. Financial systems were hit by massive capital outflows. In the process, some of the Eastern European currencies depreciated heavily against the euro. Due partly to declining export demand in Western Europe, the economy weakened substantially during the 2nd half of the year. Nonetheless, Eastern Europe posted another strong full-year growth rate for 2008. After growing by a real 7.0 percent in 2007, the Eastern European economy expanded by 4.9 percent in 2008. Russia, Romania and Slovakia recorded the highest growth rates.

Asia – also hit by global downswing

Except for Japan, economic developments in Asia were favourable during the 1st half of 2008. Growth slowed noticeably, however, during the 2nd half of the year. The Asian economies posted an overall economic growth rate of 3.2 percent for the financial year 2008 (previous year: 5.8 percent). Due to its high export dependency, China's fast-growing economy felt the effect of declining global demand particularly strongly during the 2nd half of the year. For the first time in five years, the Chinese economy achieved only a single-digit growth rate. Japan was hit hardest among the Asian countries, with its economy being nearly stagnant in 2008.

Against a backdrop of globally rising energy and food prices, inflation reached above-average levels in individual countries, with the rate rising as high as 20 percent in some cases. Buoyant domestic demand continued to fuel private consumption in Asia's developing nations, although real growth rates failed to reach prior-year levels.

Development of Gross Domestic Product of METRO Group countries in 2008
Real percentage change year-to-year

	2008	2007
China	9.0	13.0
Romania	7.3	6.0
India	7.2	9.0
Egypt[1]	6.8	7.1
Slovakia	6.7	10.4
Vietnam	6.2	8.5
Russia	6.1	8.1
Pakistan	6.0	6.0
Serbia	5.9	7.1
Bulgaria	5.5	6.2
Morocco[2]	5.3	2.1
Poland	4.9	6.7
Moldova[2]	4.7	6.9
Czech Republic	4.1	6.0
Kazakhstan[1, 2]	3.4	8.5
Greece	3.0	4.0
Croatia	3.0	5.6
Luxembourg[2]	2.5	4.5
Ukraine	2.1	8.0
Netherlands	2.0	3.5
Switzerland	1.9	3.3
Turkey	1.8	4.6
Austria	1.6	3.1
Belgium	1.4	2.6
Germany	1.3	2.5
Spain	1.2	3.7
Hungary	1.0	1.1
Sweden	0.8	2.5
United Kingdom	0.7	3.0
France	0.4	2.1
Portugal	0.3	1.9
Denmark	(0.7)	1.6
Japan	(0.7)	2.4
Italy	(0.9)	1.4

Source: FERI
[1] Market entry planned
[2] Business Monitor

Global consumer goods trade continued to grow

Across the globe, consumer goods trade has developed very dynamically over the past few years. During the last five years alone, global retail sales rose by more than 22 percent to over €9,600 billion in nominal terms (2003 about €7,850 billion). With a share of more than 40 percent of total industry sales, food retailing was the largest segment in the global retail trade.

Although there are numerous globally active retail groups, the competitive landscape in different regions and countries is characterised by varying actors and industry structures. The continued internationalisation of large, globally active retail groups impressively reflects the growth potential still available in this industry, a potential that METRO Group utilises for its systematic expansion in the Eastern European and Asian growth regions.

Retail trade growth slows down

Two factors were largely responsible for retail trends in 2008: the steep rise in energy and food prices and the global economic downturn. Nominal retail sales growth remained slightly below the prior-year level in Western Europe, Eastern Europe and Asia. Adjusted for inflation, however, growth slowed substantially in most countries. The Eastern European economies continued to record the highest growth rates.

Western Europe and Germany

Retail sales growth weakened substantially in Western Europe. The sales increases achieved during the 1st half of the year were largely attributable to price factors. In a number of countries, the real economic weakening induced by domestic real estate market crises also caused retail sales to retreat. In most other Western European countries, however, the real economic effects of the financial market crisis left the retail trade relatively unscathed compared with other sectors as another increase in employment and higher wages and salaries boosted disposable incomes. By the end of the year, however, growth rates began to slow here as well.

In nominal terms, retail sales in Germany grew faster in 2008 than a year earlier. In 2007, the increase in the country's value-added tax dampened the retail business. In 2008, the sector was able to participate in rising disposable incomes, but high inflation dampened purchasing power and the consumer mood during the 1st half of the year. All in all, the German retail trade posted another negative real growth rate in 2008.

Germany records stronger nominal retail sales growth in 2008 than a year earlier

Eastern Europe

Retail sales growth remained dynamic in Eastern Europe, although part of this growth was due to high consumer price increases during the 1st half of the year. However, in most Eastern European countries, retail sales growth was strong even in price-adjusted terms, but slowed during the 2nd half of the year. Retailers in Russia and Romania again achieved double-digit sales increases.

Retail sales trends remain dynamic in Eastern Europe in 2008

Asia

Retail sales developments diverged markedly in Asia. In nominal terms, retail sales rose at double-digit rates in all METRO Group countries – except for Japan. Adjusted for price, however, only Chinese retail sales growth still exceeded 10 percent, with all other countries posting increases of less than 5 percent. In a number of countries, inflation dampened the retail business substantially. In Japan, meanwhile, weak economic developments were also reflected in retail sales, which shrank in both nominal and real terms in 2008.

Retail sales growth in Asia driven largely by price developments

Metro Cash & Carry: development of the cash & carry business

The Metro Cash & Carry sales brand remains the global leader in the cash & carry segment. In 2008, the sales brand continued to strengthen its leading market position through targeted expansion in Eastern European and Asian growth markets, in particular.

Sales in the German and Western European cash & carry business only grew slightly compared with the previous year, with Metro Cash & Carry successfully defending its market share.

Positive development of Metro Cash & Carry in Germany and Western Europe

Growth momentum remained strong in all Eastern European countries, with positive sector developments continuing into the 2nd half of the year despite the distinct weakening of the overall economy. With its continued expansion, Metro Cash & Carry once again contributed markedly to the region's dynamic development in 2008.

Dynamic development in Eastern Europe in 2008

Strong growth potential for Metro Cash & Carry in Asia

The cash & carry business continued to develop dynamically in the Asian markets. From the perspective of Metro Cash & Carry, the low level of market concentration and the heterogeneous structure of the retail trade in many Asian countries harbour continually strong growth potential. In this region, too, growth of the cash & carry business is driven decisively by Metro Cash & Carry's activities.

Real: development of the food retail business

The rigorous continuation of Real's successful repositioning process decisively contributed to the positive like-for-like and price-adjusted sales development of the Real sales brand in Germany in 2008. Real recorded particularly strong sales growth in Eastern Europe. The sales brand's selective expansion contributes decisively to the strengthening of its market position in the relevant Eastern European countries.

Positive development in German food retailing

Food retail sales in Germany rose faster than a year earlier. Rising food prices, particularly during the 1st half of the year, played a key role in this. Like small superstores and discounters, large-format superstores with selling space of more than 2,500 square metres grew faster than the German food retail as a whole.

Continually strong sales growth in Eastern Europe

The modern large-format stores in Real's Eastern European countries profited disproportionately from the generally positive development of the food retail market. The unaltered strong demand for hypermarkets in these countries is confirmed by their growing market share.

Media Markt and Saturn: developments in the consumer electronics retail

Building on its progressive international expansion, the Media Markt and Saturn group of companies continued to expand its market leadership in the German and European consumer electronics retail trade in 2008.

Continued sales growth in German consumer electronics retailing

In a dynamic market environment, sales developments in the German consumer electronics retail business remained favourable. Attractive and innovative technologies as well as highly publicised sports events like the European football championships and the Olympic Games fuelled entertainment electronics sales. Sales of IT equipment also rose disproportionately. In contrast, sales declined in the telecommunications and photography segments.

In 2008, consumer electronics sales in Western Europe fell short of year-earlier developments. This was due mostly to developments in Spain where the economy slowed sharply. The group of companies continued to add market share in Western Europe as a whole.

Persistent pent-up demand for classic consumer electronics products fuelled strong sales growth in Eastern Europe, particularly in Poland and Russia. Media Markt and Saturn also expanded their market share in this region.

Galeria Kaufhof: developments in the department store business

Building on the rigorous implementation of its trading-up strategy, the Galeria Kaufhof sales brand expanded its concept and system leadership in the German department store business in 2008.

As in past years, business developments in the German department store business lagged overall retail trade developments. Intensified competition, due in particular to the declining textile market, accelerated the consolidation process taking place in the department store and clothing sector. Its distinct market positioning enabled Galeria Kaufhof to profit from this development and gain market share.

In Belgium, Galeria Inno continued its past years' successful course.

III. Earnings position

Overview of Group business developments

METRO Group can look back on a positive business development in 2008. The company continued to strengthen its position as one of the most important and largest international retail groups in terms of sales strength. Group sales excluding sales of Adler and Extra reached €68.0 billion, with the German and international business growing by 2.0 percent and 8.4 percent, respectively. The international share of Group sales climbed to 60.8 percent. Our continued international expansion again made the key contribution to the business success of METRO Group. At €1,988 million, Group EBIT was €90 million lower than the previous year's figure. Adjusted for the special effect from the streamlining of the Real store network, Group EBIT amounted to €2,225 million, an increase of €147 million or 7.1 percent compared to the previous year.

Sales and earnings developments

In the financial year 2008, METRO Group raised Group sales by 5.8 percent to €68.0 billion (previous year: €64.2 billion). Adjusted for on balance negative currency effects, Group sales rose by 6.1 percent compared to the previous year. Adjusted for currency effects, the Group's sales growth thus met the forecast of more than 6 percent issued at the start of 2008, despite the fact that market conditions became increasingly challenging during the course of the year.

In Germany, METRO Group posted a 2.0 percent increase in sales to €26.7 billion for 2008 (previous year: €26.1 billion). Outside of Germany, Group sales rose by 8.4 percent to €41.3 billion (previous year: €38.1 billion). At 60.8 percent, the international share of sales reached a new all-time high. Negative currency effects reduced international sales growth by 0.3 percentage points. Group sales in Western Europe rose by 2.2 percent to €21.0 billion (previous year: €20.5 billion). Growth momentum remained dynamic in Eastern Europe where sales grew by 15.3 percent to €18.1 billion (previous year: €15.7 billion). METRO Group recorded 18.6 percent higher sales of €2.2 billion (previous year: €1.9 billion) in Asia/Africa.

Discontinued operations

The Extra supermarkets and the Adler fashion stores are included in these annual financial statements as discontinued operations. The business data have been adjusted accordingly and the previous year's figures – with the exception of the balance sheet – have been adjusted for Adler. Extra was already shown under discontinued operations in 2007.

The 245 Extra stores that were sold to the Rewe Group with effect from 1 July 2008 had generated sales of €0.7 billion up to this date. By contractual agreement of 13 February 2009, the Adler fashion stores were sold to the restructuring fund BluO beta equity Limited. The agreement is subject to the approval of cartel authorities. The 120 Adler stores accounted for sales of €0.5 billion in 2008.

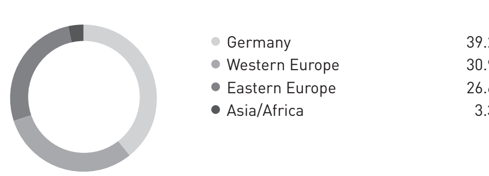
Development of Group sales by sales divisions and regions

			Change	
€ million	2008	2007[1]	€ million	%
Metro Cash & Carry	33,143	31,698	1,445	4.6
Real	11,636	11,003	633	5.8
Media Markt and Saturn	18,993	17,444	1,549	8.9
Galeria Kaufhof	3,516	3,556	(40)	(1.1)
Other companies	668	509	159	31.5
METRO Group	**67,956**	**64,210**	**3,746**	**5.8**
of which Germany	26,666	26,133	533	2.0
of which international	41,290	38,077	3,213	8.4
Western Europe	20,993	20,532	461	2.2
Eastern Europe	18,084	15,680	2,404	15.3
Asia/Africa	2,213	1,865	348	18.6

[1] Adjustment of previous year's figures due to discontinued operations and changed disclosure regulations (see notes to the Group accounting principles and methods in the notes to the consolidated financial statements)

Group sales of METRO Group 2008 by regions

%



METRO Group's **EBIT** declined by €90 million or 4.3 percent to €1,988 million. This amount includes negative non-recurring effects from the streamlining of Real's German store network in the amount of €237 million. EBIT before special items rose by €147 million or 7.1 percent to €2,225 million. The increase thus fell within the 6 to 8 percent range forecast at the start of 2008.

EBIT in Germany declined by €177 million to €393 million. Adjusted for the above-mentioned non-recurring effect, EBIT exceeded the previous year's figure by €60 million, reaching €630 million. With earnings growth of €97 million, the international business remained a key growth driver of METRO Group. The weak nonfood business in Spain and Italy dampened earnings developments in Western Europe. EBIT in this region dropped by 17.7 percent. At the same time, EBIT in Eastern Europe rose markedly by 27.7 percent to €1,028 million.

Group **EBITDA** fell slightly short of the previous year's figure in the reporting year. EBITDA before non-recurring effects rose by 6.0 percent to €3,543 million from €3,343 million. EBITDA in Germany reached €1,094 million including negative effects from the streamlining of the Real store network. Excluding non-recurring items, EBITDA in Germany amounted to €1,297 million after €1,231 million a year earlier.

Development of Group and divisional EBIT/EBITDA[1]

	EBITDA		EBIT	
€ million	2008	2007	2008	2007
Metro Cash & Carry	1,728	1,631	1,328	1,243
Real	212[2]	160	21[3]	(16)
Media Markt and Saturn	839	818[4]	603	610[4]
Galeria Kaufhof	217	211	113	107
Other companies/ consolidation	547[2]	523	160[3]	134
METRO Group	**3,543**[2]	**3,343**[4]	**2,225**[3]	**2,078**[4]

[1] Adjustment of previous year's figures due to discontinued operations
[2] Adjusted for negative effects from the streamlining of the Real store network in the amount of €203 million, with Real accounting for €223 million and other companies/consolidation for €-20 million
[3] Adjusted for negative effects from the streamlining of the Real store network in the amount of €237 million, with Real accounting for €224 million and other companies/consolidation for €13 million
[4] Adjustment of previous year's figure due to changed disclosure regulations (see notes to the Group accounting principles and methods in the notes to the consolidated financial statements)

Divisional sales and earnings developments

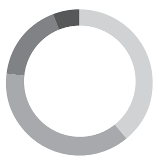
Metro Cash & Carry

Due mostly to the determined continuation of its international expansion, Metro Cash & Carry once again generated substantial growth of sales and earnings and thus contributed strongly to METRO Group's growth: the sales division raised its **sales** by 4.6 percent to €33.1 billion from €31.7 billion. The increase amounted to 5.4 percent adjusted for currency effects, with a 1.6 percent increase in like-for-like sales denominated in euros.

In Germany, sales of Metro Cash & Carry rose slightly by 0.1 percent to €5.7 billion compared with the previous year; like-for-like sales in Germany fell by 1.2 percent. The sales division raised its international sales by 5.5 percent to €27.5 billion from €26.0 billion a year earlier. Adjusted for currency effects, international sales increased by 6.6 percent. In terms of sales growth, the division's Eastern European markets outperformed its Western European business (excluding Germany) for the first time. Metro Cash & Carry recorded particularly strong growth in Russia, where sales were up 19.9 percent to €3.1 billion, as well as in Ukraine, where the continued extension of the store network led to sales growth of 24.3 percent to €1.0 billion. Like-for-like sales also showed strong growth of 5.4 percent in Eastern Europe. The large international portion of sales increased again from 82.1 percent to 82.9 percent.

In 2008, Metro Cash & Carry strengthened its global market leadership in the cash & carry segment through the continued extension of its international network of locations. During the course of the year, Metro Cash & Carry opened 40 stores, including 4 in Germany. Its international expansion efforts were focused on Eastern Europe, where 25 new locations were added. 9 stores were opened in Russia alone and 5 in Ukraine. Metro Cash & Carry added 5 and 6 locations in Western Europe and Asia, respectively. As the most international sales division within METRO Group, Metro Cash & Carry operated 655 stores in 29 countries at the end of 2008; its total selling space amounted to 5.2 million square metres.

Sales of Metro Cash & Carry 2008
by region
%



Eastern Europe	39.1
Western Europe	38.0
Germany	17.1
Asia/Africa	5.8

Based on favourable like-for-like sales developments in growth markets, **EBIT** of Metro Cash & Carry rose by 6.8 percent to €1,328 million (previous year: €1,243 million) and thus more strongly than sales. As a result, the EBIT margin was improved again. These positive earnings trends underscore the high earnings strength of our wholesale stores.

Key figures Metro Cash & Carry 2008
in year-to-year comparison

			Change in %	
€ million	2008	2007	Total	Like-for-like
Sales	33,143	31,698	4.6	1.6
Germany	5,677	5,671	0.1	(1.2)
Western Europe	12,585	12,682	(0.8)	(1.4)
Eastern Europe	12,968	11,702	10.8	5.4
Asia/Africa	1,913	1,643	16.5	8.3
EBITDA	1,728	1,631	6.0	–
EBIT	1,328	1,243	6.8	–
EBIT margin (%)	4.0	3.9	–	–
Locations (number)	655	615	–	–
Selling space (1,000 sqm)	5,176	4,875	6.2	–

Real

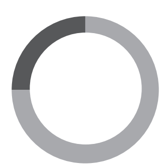
Real posted 5.8 percent higher **sales** of €11.6 billion (previous year: €11.0 billion) in 2008. The increase resulted from positive developments in Germany as well as the division's continued expansion in Eastern Europe. Adjusted for currency effects, sales rose by 5.3 percent.

Despite the liquidation or closure of 10 stores, sales in Germany grew by 0.5 percent to €8.8 billion (previous year: €8.7 billion). Real continued the upward trend started in the fourth quarter of 2007 with like-for-like sales growth of 3.6 percent. The advertising campaign under the motto of "Einmal hin. Alles drin." (Real: one store, you won't need more!), which Real kicked off in April, and the successful introduction of a comprehensive new own-brand assortment allowed Real to also markedly increase customer numbers.

Building on double-digit growth in all regional markets, sales in Eastern Europe rose by 25.7 percent to €2.9 billion. Like-for-like sales in the region increased substantially by 9.3 percent. In addition, Real successfully continued its selective expansion with the extension of its Eastern Europe store network by 11 hypermarkets. Real's expansion efforts focused on Romania, with 6 new stores, while 3 new stores were opened in Poland and 2 in Russia.

At the end of 2008, Real's store network comprised 439 hypermarkets (previous year: 434). A total of 343 stores were operated in Germany at year's end. Aside from 3 new openings and 10 liquidations, one store from the divested Extra supermarket network was taken over at METRO AG's Düsseldorf headquarters as a "Food" supermarket. The Eastern European store network has grown to 96 stores from 85 stores in the previous year.

Sales of Real 2008 by region
%



Germany	75.2
Eastern Europe	24.8

EBIT before special items rose by €37 million to €21 million. Special items to be adjusted concerned negative effects from the streamlining of the Real store network in Germany in the amount of €224 million. This earnings improvement reflects the initial success of the repositioning programme in Germany. The EBIT increase results from a substantial sales-induced increase in gross profit and cost cuts in Germany. In addition, EBIT also increased markedly in Eastern Europe, thanks mostly to positive operative developments, particularly in Poland.

Key figures Real 2008
in year-to-year comparison

			Change in %	
€ million	2008	2007	Total	Like-for-like
Sales	11,636	11,003	5.8	5.0
Germany	8,751	8,707	0.5	3.6
Eastern Europe	2,885	2,296	25.7	9.3
EBITDA	212[1]	160	33.0	–
EBIT	21[2]	(16)	–	–
EBIT margin (%)	0.2	(0.2)	–	–
Locations (number)	439	434	–	–
Selling space (1,000 sqm)	3,148	3,103	1.4	–

[1] Adjusted for negative effects from the streamlining of the Real store network in the amount of €223 million
[2] Adjusted for negative effects from the streamlining of the Real store network in the amount of €224 million

Media Markt and Saturn

During the past financial year, the consumer electronics stores of the Media Markt and Saturn group raised their **sales** by 8.9 percent to €19.0 billion from €17.4 billion. Media Markt and Saturn thus continued to bolster their leading position in the European consumer electronics market. Due to increasingly difficult economic parameters in several Western European markets during the course of the year, like-for-like sales declined by 1.7 percent.

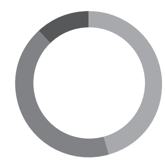
In a relatively robust market environment, Media Markt and Saturn raised sales in Germany by 5.3 percent to €8.7 billion from €8.2 billion and gained additional market share. Despite the continued expansion of the store network, like-for-like sales grew by 1.3 percent.

Media Markt and Saturn continued their buoyant international growth momentum with another strong sales increase. Sales rose by 12.0 percent to €10.3 billion from €9.2 billion. Sales growth in Western and Eastern Europe amounted to 7.4 percent and 32.8 percent, respectively. Like-for-like sales in Western Europe shrank by 6.2 percent, due mostly to steep declines in Spain and Italy. In Eastern Europe, like-for-like sales rose by 4.0 percent. The international share of sales reached 54.3 percent after 52.8 percent a year earlier.

The sales division continued the rigorous expansion of its German and international sales network in 2008. At the end of October, the division entered the Luxembourg market with the opening of the first Saturn consumer electronics store. All in all, 70 new stores were opened, including 16 in Germany and 54 outside of Germany. Media Markt and Saturn accounted for 6 and 10 of new store openings in Germany and 37 and 17 international locations, respectively. Divisional expansion efforts focused on Western Europe, where 34 new stores were opened in 2008. In the course of optimisation efforts and store relocations, 2 stores each were given up in Germany and Italy. Following its market entry in Luxembourg, the division is now represented in 16 countries with a total selling space of 2.4 million square metres. At year's end 2008, the distribution network of Media Markt and Saturn comprised 768 locations, including 367 in Germany, 298 in Western Europe and 103 in Eastern Europe.

Sales of Media Markt and Saturn 2008 by region

%



Germany	45.7
Western Europe	42.6
Eastern Europe	11.7

Media Markt and Saturn posted nearly unchanged earnings in the past financial year. **EBIT** stood at €603 million after €610 million in the previous year. High outlays for the division's expansion efforts and declining earnings in Western Europe – particularly in Spain – were all but offset by earnings improvements in Germany and Eastern Europe.

Key figures Media Markt and Saturn 2008 in year-to-year comparison

			Change in %	
€ million	2008	2007[1]	Total	Like-for-like
Sales	18,993	17,444	8.9	(1.7)
Germany	8,670	8,231	5.3	1.3
Western Europe	8,091	7,532	7.4	(6.2)
Eastern Europe	2,232	1,681	32.8	4.0
EBITDA	839	818	2.5	–
EBIT	603	610	(1.2)	–
EBIT margin (%)	3.2	3.5	–	–
Locations (number)	768	702	–	–
Selling space (1,000 sqm)	2,439	2,213	10.2	–

[1] Adjustment of previous year's figures due to changed disclosure regulations (see notes to the Group accounting principles and methods in the notes to the consolidated financial statements)

Galeria Kaufhof

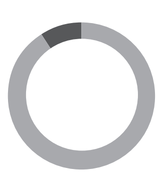
In the financial year 2008, Galeria Kaufhof once again underscored its position as concept and system leader in the German department store market. In an extremely difficult market environment, particularly in the textiles segment, Galeria Kaufhof recorded 1.1 percent lower **sales** of €3.5 billion compared to the previous year. Like-for-like sales declined by 1.4 percent. However, Galeria Kaufhof outperformed the market in the strategically important textiles segment.

The Belgian Galeria Inno department stores raised their sales by 0.2 percent (like-for-like growth of 0.9 percent) to €316 million.

Galeria Kaufhof rigorously implemented its retail brand strategy. As a result, the focus in 2008 remained on sharpening the Galeria Kaufhof profile as a unique and successful lifestyle brand. The assortment was developed further in response to customer expectations regarding style, modernity and quality, with further improvements in service and shopping comfort.

The department stores Frankfurt Zeil, Hamburg Mönckebergstraße and Kassel were thoroughly redesigned under the Galeria concept and developed favourably. At the end of 2008, Galeria Kaufhof operated a total of 141 department stores.

Sales of Galeria Kaufhof by region
%



Germany	91.0
Western Europe	9.0

EBIT of Galeria Kaufhof rose to €113 million in the reporting year, up 5.8 percent compared with the previous year. The EBIT margin rose for the 4th consecutive year to 3.2 percent. The earnings growth was based on a sustained improvement in value added in the merchandise business and more efficient resource management.

Key figures of Galeria Kaufhof 2008
in year-to-year comparison

€ million	2008	2007	Change in % Total	Change in % Like-for-like
Sales	3,516	3,556	(1.1)	(1.4)
Germany	3,200	3,240	(1.3)	(1.6)
Western Europe	316	316	0.2	0.9
EBITDA	217	211	2.9	–
EBIT	113	107	5.8	–
EBIT margin (%)	3.2	3.0	–	–
Locations (number)	141	141	–	–
Selling space (1,000 sqm)	1,490	1,486	0.2	–

Other companies/consolidation

In addition to the consolidation, the segment "other companies/consolidation" comprises METRO AG, the cross-divisional service companies and our restaurant group Dinea. **Sales** in the reporting year amounted to €668 million, exceeding the previous year's figure by €159 million. This increase was due mostly to the business with Asian imports for third parties as well as temporary supplies to the divested Extra supermarkets by the logistics structures of METRO Group. At €160 million, **EBIT** before special items was €26 million higher than in the previous year, a result that was primarily attributable to cost reductions.

Financial result and taxes

€ million	2008	2007[1]
Earnings before interest and taxes (EBIT)	1,988[2]	2,078
Result from associated companies	0	0
Other investment results	14	11
Interest income/expenses (net result)	(486)	(491)
Other financial results	(101)	(37)
Net financial income	**(573)**	**(517)**
Earnings before taxes EBT	1,415[2]	1,561
Income taxes	**(426)**	**(560)**
Income from continuing operations	989[3]	1,001[4]
Income from discontinued operations after taxes	(429)	(18[4])
Net profit for the period	560[3]	983[4]

[1] Adjustment of previous year's figures due to discontinued operations and changed disclosure regulations (see notes to the Group accounting principles and methods in the notes to the consolidated financial statements)
[2] Includes negative effects from the streamlining of the Real store network in the amount of €237 million
[3] Includes negative effects from the streamlining of the Real store network in the amount of €165 million (after taxes)
[4] Includes special tax effects for continuing operations in the amount of €-64 million and for discontinued operations in the amount of €-4 million

Financial result

The financial result comprises above all the net interest result of €-486 million (previous year: €-491 million) and other financial results of €-101 million (previous year: €-37 million). The decline in other financial results stems primarily from €63 million lower results from hedging transactions and exchange rate effects and concerns above all the translation of monetary items in foreign currency of individual national subsidiaries in Eastern Europe. The translation of these items is effected at the respective exchange rate on the closing date; the measurement loss reflects the depreciation of the respective local currency versus the foreign currency.

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

Taxes

€ million	2008	2007[1]
Taxes paid or due	552	576
thereof Germany	(154)	(158)
thereof international	(398)	(418)
Deferred taxes	(126)	(16)
thereof Germany	[(127)]	(23)
thereof international	(1)	[(39)]
Income taxes	**426**	**560**

[1] Adjustment of previous year's figures due to discontinued operations

Deferred tax liabilities for 2007 in Germany comprised special tax items of €-64 million. Adjusted for these special effects, deferred tax assets of €41 million were recorded in Germany in 2007. The change of €86 million remaining after consideration of these eliminated special effects is based primarily on the capitalisation of deferred taxes on loss carry-forwards.

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

Group net profit and earnings per share

In 2008, net profit for the period (Group net profit) totalled €560 million, 43.0 percent lower than the previous year. Net of minority interests, the Group's net profit attributable to the shareholders of METRO AG amounted to €403 million.

Net profit for the period comprises the results of the discontinued Adler and Extra operations as well as negative effects from the streamlining of the Real store network. On balance, these earnings components reduce net profit for the period by €594 million. Net profit for the period adjusted for these items thus amounted to €1,154 million and was 8.4 percent higher than the comparable result for 2007 adjusted for discontinued operations and special tax effects.

In the financial year 2008, METRO Group generated earnings per share of €1.23. As in the previous year, the calculation was based on a weighted number of 326,787,529 shares. Group net profit attributable to the shareholders of METRO AG of €403 million was distributed according to this number of shares. There was no dilution in the reporting year or in the previous year.

Earnings per share from continuing operations before special items, that is adjusted for expenses related to the streamlining of the Real store network, amounted to €3.05. This corresponds to an increase of 9.9 percent compared to the comparable previous year's figure of €2.77 adjusted for special tax effects.

			Change	
€ million	2008	2007[1]	Absolute	%
Income from continuing operations	989	1,001	(12)	(1.2)
Income from discontinued operations	(429)	(18)	(411)	-
Net profit for the period[2]	560	983	(423)	(43.0)
thereof attributable to minority interests[2]	157	158	(1)	(0.4)
thereof attributable to shareholders of METRO AG[2]	403	825	(422)	(51.2)
Earnings per share[2,3,4] (€)	1.23	2.52	(1.29)	(51.2)
Earnings per share from continuing operations before special items[4,5] (€)	3.05	2.77	0.28	9.9

[1] Adjustment of previous year's figures due to discontinued operations
[2] 2008 includes negative effects from the streamlining of the Real store network in the amount of €165 million, 2007 including special tax effects in the amount of €-68 million
[3] Including discontinued operations
[4] After minority interests
[5] In 2008 adjusted for the negative effects from the streamlining of the Real store network, 2007 adjusted for special tax effects

Development of Economic Value Added (EVA)

Value-creating management forms the foundation for sustainable profitable growth

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.

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 2008, the cost of capital rate of METRO Group remained unchanged from the previous year at 6.5 percent.

Development of EVA

In 2008, METRO Group once again achieved positive EVA and thus made successful use of its capital employed. METRO Group's EVA reached €613 million, compared with €538 million in the previous year. Metro Cash & Carry and Real posted a significant increase in EVA compared with the previous year's total. Media Markt and Saturn suffered a decline in EVA compared to the previous year. Galeria Kaufhof again earned its cost of capital and nearly doubled its EVA compared to the previous year.

At 9.3 percent, the RoCE (Return on Capital Employed) exceeded the previous year's result.

The cost of capital rose by €41 million to €1,434 million; NOPAT increased by €116 million to €2,047 million, due mostly to the increase in divisional EBIT.

Calculation of Weighted Average Cost of Capital (WACC)

EQUITY COST OF CAPITAL	
Risk-free rate of return	4.1 %
+	
Market risk premium x Beta factor (specific risk premium for METRO Group)	5.0 % 1.0
=	**9.1 %**
Weighting at market rates	50 %

DEBT COST OF CAPITAL	
Risk-free rate of return	4.1 %
+	
Average, long-term risk premium	1.5 %
=	5.6 %
- Tax effect	-1.7 %
=	**3.9 %**
Weighting at market rates	50 %

6.5 % Group WACC

€ million	NOPAT	Capital employed	EVA	RoCE %	Delta EVA
Metro Cash & Carry	1,076	7,393	596	14.6	39
Real	168	5,916	(217)	2.8	74
Media Markt and Saturn	469	2,814	286	16.7	(28)
Galeria Kaufhof	80	1,060	11	7.5	5
Other companies/consolidation	254	4,879	(63)	–	(15)
METRO Group	**2,047**	**22,062**	**613**	**9.3**	**75**

Balance sheet profit of METRO AG and profit appropriation

Dividend distribution is based on METRO AG's annual financial statements prepared under German commercial law. The balance sheet and income statement of METRO AG prepared in accordance with the German Commercial Code (HGB) are as follows:

Balance sheet as of 31 December 2008 according to the German Commercial Code (HGB)

ASSETS

€ million	31 Dec 2008	31 Dec 2007
Fixed assets		
Intangible assets	1.9	2.5
Tangible assets	4.7	6.2
Financial assets	7,975.6	8,000.0
	7,982.2	**8,008.7**
Current assets		
Receivables and other assets	2,120.4	3,462.2
Cash on hand, bank deposits and cheques	1,255.0	794.1
	3,375.4	**4,256.3**
Prepaid expenses and deferred charges	**10.1**	**1.6**
	11,367.7	**12,266.6**

LIABILITIES

€ million	31 Dec 2008	31 Dec 2007
Equity		
Share capital	835.4	835.4
Ordinary shares	828.6	828.6
Preference shares	6.8	6.8
[Contingent capital]	[127.8]	[142.1]
Capital reserve	2,558.0	2,558.0
Revenue reserve	1,524.0	1,324.0
Balance sheet profit	395.6	395.1
	5,313.0	**5,112.5**
Provisions	**303.3**	**380.3**
Liabilities	**5,751.3**	**6,773.2**
Deferred income	**0.1**	**0.6**
	11,367.7	**12,266.6**

Income statement for the financial year from 1 January to 31 December 2008 prepared under the German Commercial Code (HGB)

€ million	2008	2007
Investment income	1,061.2	696.6
Financial result	(409.5)	(64.4)
Other operating income	137.1	167.5
Personnel expenses	(53.9)	(82.6)
Depreciation/amortisation on intangible and tangible assets	(2.6)	(3.4)
Other operating expenses	(157.1)	(178.5)
NOPAT	**575.2**	**535.2**
Income tax	10.7	31.2
Other taxes	0.5	(0.4)
Net income	**586.4**	**566.0**
Profit carried forward from the previous year	9.2	69.1
Additions to revenue reserves	(200.0)	(240.0)
Balance sheet profit	**395.6**	**395.1**

Balance sheet profit of METRO AG and profit appropriation

For the financial year 2008, METRO AG posted income of €1,061.2 million compared with €696.6 million in the previous year. In consideration of other income, expenses and taxes as well as the transfer of €200.0 million to revenue reserves, the company reported a balance sheet profit of €395.6 million compared with €395.1 million in 2007.

The Management Board of METRO AG will propose to the Annual General Meeting that, from the reported balance sheet profit of €395.6 million, a dividend of €385.9 million be paid and that the balance of €9.7 million be carried forward to the new account. The balance sheet profit of €395.6 million includes retained earnings of €9.2 million. The dividend proposed by the Management Board amounts to

→ €1.180 per ordinary share and
→ €1.298 per preference share.

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 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 financial budget for the Group, which covers all relevant companies and is updated monthly. In addition, METRO AG provides 14-day liquidity plans.

Loan placement and collateralisation 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 leeway

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

Centralised risk management

METRO Group's financial transactions either serve to cover 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, for example the conclusion of financial transactions without an underlying business activity, may be held exclusively after accordant approval by the Management Board of METRO AG.

Planning, management and settlement handled by 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 continuously.

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 after METRO AG has given its approval.

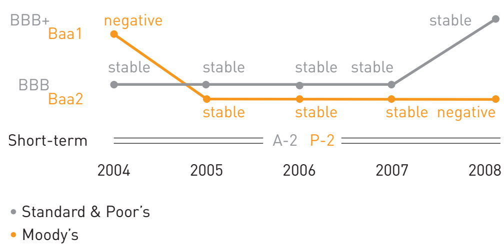
Audit security

The two-signature principle applies within METRO Group. All processes and responsibilities are laid down in Group-wide guidelines. The conclusion of financial transactions is separated from settlement and controlling in 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. Ratings thus communicate METRO Group's credit rating to potential debt capital investors. In May of the reporting year, rating agency Standard & Poor's upgraded METRO Group's long-term credit rating to "BBB+". In November 2008, Moody's revised its outlook on METRO Group's long-term and short-term rating from "stable" to "negative". The following table illustrates the development of long- and short-term ratings over the past five years:

Rating development and outlook



The current ratings by the two international rating agencies are as follows:

Category	2008 Moody's	2008 Standard & Poor's
Long-term	Baa2	BBB+
Short-term	P-2	A-2
Outlook	negative	stable

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

Financing measures

The "Debt Issuance Programme" serves as a source of long-term financing. In 2008, we conducted the following transactions in the context of this programme:

In addition, METRO Group issued a 4-year promissory note bond with a variable (3-month EURIBOR plus 0.8 percent p.a.) and fixed (4.74 percent p.a.) interest rate to the amount of €500 million in March of the reporting period.

For short- and medium-term financing, METRO Group uses ongoing capital market issuance programmes, among others. These include the "Euro Commercial Paper Program" and another "Commercial Paper Program" geared especially to French investors. The average amount utilised from both programmes in 2008 was €2,525 million. In addition, METRO Group used bilateral bank facilities and syndicated credit lines totalling €1,533 million as per the balance sheet date.

∆ For further information on financing programmes and credit lines, see the notes to the consolidated financial statements in no. 37 ("Financial liabilities")

In addition to the above-mentioned capital market transactions and despite the turmoil on international financial markets, METRO Group managed to refinance a €975 million syndicated loan due in November 2008 before maturity with a 5-year term in March 2008. Aside from the established issuance programmes – which METRO Group was able to use even in difficult market periods – METRO Group had access to sufficient liquidity via comprehensive, generally multi-year credit lines at all times. Increased risk premiums have led to markedly higher funding costs in a difficult financial market environment.

Type of transaction	Issue date	Term	Maturity	Nominal volume	Coupon
Redemption	February 2003	5 years	February 2008	€1,000 million	5.13 %
New issue	November 2008	5 years	November 2013	€500 million	9.375 % fix

Credit facilities of METRO Group

€ million	31 Dec 2008 Total	31 Dec 2008 Up to 1 year	31 Dec 2008 Over 1 year	31 Dec 2007 Total	31 Dec 2007 Up to 1 year	31 Dec 2007 Over 1 year
Bilateral lines of credit	**2,292**	1,066	1,226	**2,501**	1,475	1,026
Utilisation	**(1,283)**	(825)	(458)	**(1,647)**	(792)	(855)
Unutilised bilateral lines of credit	**1,009**	241	768	**854**	683	171
Syndicated lines of credit	**2,975**	0	2,975	**2,975**	0	2,975
Utilisation	**(250)**	0	(250)	**0**	0	0
Unutilised syndicated lines of credit	**2,725**	0	2,725	**2,975**	0	2,975
Total lines of credit	**5,267**	**1,066**	**4,201**	**5,476**	**1,475**	**4,001**
Total utilisation	**(1,533)**	**(825)**	**(708)**	**(1,647)**	**(792)**	**(855)**
Total unutilised lines of credit	**3,734**	**241**	**3,493**	**3,829**	**683**	**3,146**

Investments/divestments

In the financial year 2008, METRO Group invested €2.5 billion, an increase of €0.3 billion compared with the previous year's figure of €2.2 billion. During the reporting year, investments in the continued international expansion of the Metro Cash & Carry, Real as well as Media Markt and Saturn divisions accounted for the largest share of investments.

€ million	2008	2007[1]	Change Absolute	Change %
Metro Cash & Carry	979	859	120	13.9
Real	415	345	70	20.3
Media Markt and Saturn	411	463	(52)	(11.4)
Galeria Kaufhof	124	107	17	15.7
Other companies	551	380	171	45.2
METRO Group	**2,480**	**2,154**	**326**	**15.1**

[1] Adjustment of previous year's figures due to discontinued operations

At €1.0 billion, investments of Metro Cash & Carry were higher in 2008 than a year earlier. All in all, Metro Cash & Carry opened 40 new locations around the world, focusing above all on the growth region of Eastern Europe. In Russia, the existing store network was expanded by 9 stores, in Ukraine by 5 and in Poland and Bulgaria by 3 each. Metro Cash & Carry also continued to densify its store networks in Western Europe and Asia/Africa and modernised several stores in Western Europe.

Investments at Real rose by €0.1 billion to €0.4 billion in the reporting year. A total of €0.3 billion was invested in the sales brand's expansion in the financial year 2008. Real added 14 locations to its store network: 6 in Romania, 2 in Russia, 3 in Germany and 3 in Poland.

At €0.4 billion, investments at Media Markt and Saturn were slightly lower in 2008 than a year earlier. These funds were primarily used to open 70 new stores and finance market entry in Luxembourg. In addition, consumer electronics stores across Europe were remodelled and modernised, focusing primarily on Germany.

Investments at Galeria Kaufhof amounted to €0.1 billion in the financial year 2008, a slight increase from the previous year's figure. During the reporting year, investing activities focused on numerous modernisations based on the Galeria concept in Germany and Belgium as well as the "World Class Shopping" conversions in Frankfurt and Hamburg.

The investment volume of other companies totalled €0.6 billion in the reporting year, an increase of €0.2 billion compared to the previous year's figure. The investments were largely attributable 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.

Information on investment obligations, which amounted to a total of €0.2 billion, is included in the notes to the consolidated financial statements in no. 20 ("Other intangible assets"), no. 21 ("Tangible assets") and no. 22 ("Investment properties").

From divestments, METRO Group received cash and cash equivalents of €0.8 billion, which resulted primarily from the sale of Extra and real estate. Additional information on divestments is included in the consolidated financial statements ("Cash flow statement") as well as in the notes to the consolidated financial statements in no. 41 ("Notes to the consolidated cash flow statement").

Consolidated cash flow statement[1]

The cash flow statement serves to identify and display the cash flows that 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

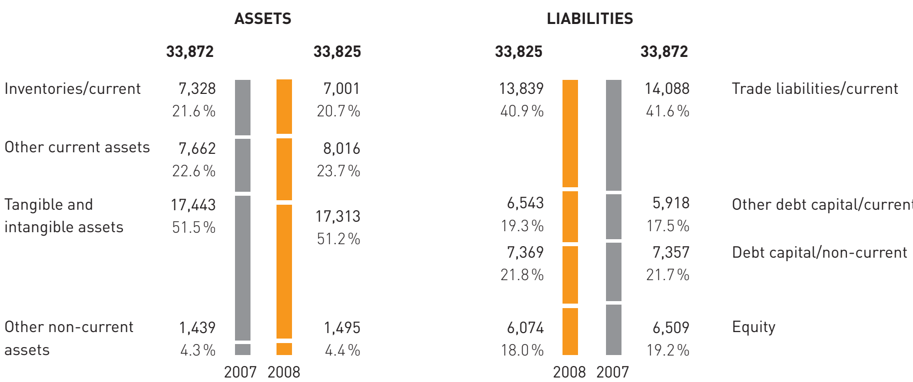
€ million	2008	2007[2]
Cash flow from operating activities of continuing operations	2,637	3,158
Cash flow from operating activities of discontinued operations	14	30
Cash flow from operating activities (total)	**2,651**	**3,188**
Cash flow from investing activities of continuing operations	(1,728)	(1,219)
Cash flow from investing activities of discontinued operations	(12)	(48)
Cash flow from investing activities (total)	**(1,740)**	**(1,267)**
Cash flow from financing activities of continuing operations	(395)	(1,233)
Cash flow from financing activities of discontinued operations	(9)	22
Cash flow from financing activities (total)	**(404)**	**(1,211)**
Total cash flows	**507**	**710**
Currency effects on cash and cash equivalents	(51)	1
Change in cash and cash equivalents (total)	**456**	**711**

[1] Abridged version. The complete version is shown in the consolidated financial statements and the notes to the consolidated financial statements in no. 41 ("Notes to the consolidated cash flow statement")
[2] Adjustment of previous year's figures due to discontinued operations

During the reporting year, total cash flow of €2,637 million (previous year: €3,158 million) was generated from current operating activities of continuing operations. Investment activities of continuing operations led to cash outflows of €1,728 million (previous year: €1,219 million). Cash flow from financing activities of continuing operations showed outflows of €395 million (previous year: €1,233 million).

Capital structure of METRO Group

€ million



At the end of 2008, METRO Group's balance sheet showed equity of €6,074 million compared with €6,509 million in the previous year. Revenue reserves declined by €435 million. Taking the dividend payment for 2007 (€386 million) and the contribution of period income attributable to shareholders of METRO AG (€403 million) into consideration, this decline essentially derived from negative currency effects, particularly in the Eastern European countries and the United Kingdom. The equity ratio declined by 1.2 percentage points to 18.0 percent. The share of revenue reserves in equity totalled 40.2 percent compared to 44.2 percent in the previous year.

€ million	Note no.	31 Dec 2008	31 Dec 2007
Equity	32	6,074	6,509
Subscribed capital		835	835
Capital reserves		2,544	2,544
Reserves retained from earnings		2,441	2,876
Minority interests in equity		254	254

Net financial debt after netting of cash and cash equivalents according to the balance sheet as well as monetary investments with financial debts, including finance leases, totalled €4,600 million compared with €4,300 million in 2007. Non-current financial liabilities were nearly unchanged at €5,031 million, current financial liabilities increased by €740 million to €3,448 million. In the financial year 2008, cash and cash equivalents rose by €441 million to €3,874 million.

€ million	31 Dec 2008	31 Dec 2007
Cash and cash equivalents according to the balance sheet	3,874	3,433
Monetary investments[1]	5	5
Financial liabilities (incl. finance leases)	8,479	7,738
Net financial debt	**4,600**	**4,300**

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

The debt capital ratio rose by 1.2 percentage points to 82.0 percent. Current liabilities account for a share of 73.4 percent of total debt after 73.1 percent in the previous year. Trade liabilities declined by €249 million to €13,839 million in 2008. The decline was primarily attributable to exchange rate effects in Eastern European markets, which more than offset the expansion-related increase in the Metro Cash & Carry, Real as well as Media Markt and Saturn sales divisions. The increase in liabilities connected to non-current assets held for sale by €116 million is due mostly to the reclassification of the relevant liabilities items of the Adler fashion stores resulting from their classification under discontinued operations.

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 in no. 37 ("Financial liabilities").

€ million	Note no.	31 Dec 2008	31 Dec 2007
Non-current liabilities		**7,369**	**7,357**
Provisions for pensions and similar commitments	33	964	973
Other provisions	34	533	524
Financial liabilities	35, 37	5,031	5,030
Other liabilities	35, 38	620	647
Deferred tax liabilities	25	221	183
Current liabilities		**20,382**	**20,006**
Trade payables	35, 36	13,839	14,088
Provisions	34	522	576
Financial liabilities	35, 37	3,448	2,708
Other liabilities	35, 38	2,161	2,267
Income tax liabilities	35	266	337
Liabilities connected to assets held for sale	31, 43	146	30

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

Asset position

In the financial year 2008, total assets declined slightly by €47 million to €33,825 million. Non-current assets decreased by €74 million to €18,808 million in the financial year 2008, while current assets increased by €27 million to €15,017 million.

Non-current assets

€ million	Note no.	31 Dec 2008	31 Dec 2007
Non-current assets		**18,808**	**18,882**
Goodwill	18, 19	3,960	4,328
Other intangible assets	18, 20	552	515
Tangible assets	18, 21	12,524	12,332
Investment properties	18, 22	133	116
Financial assets	18, 23	144	152
Other receivables and assets	24	450	490
Deferred tax assets	25	1,045	949

The decline in goodwill in the amount of €368 million is primarily attributable to the non-scheduled write-down on the goodwill of the Adler fashion stores (€312 million). The increase in tangible assets of €192 million is primarily expansion-related, whereby negative currency effects in the amount of €383 million were recorded in the Eastern European countries and the United Kingdom. Deferred tax assets rose by €96 million. Before netting with deferred tax liabilities, they remained nearly constant. Adjustments between companies resulted in lower netting and thus higher deferred tax assets.

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

Current assets

€ million	Note no.	31 Dec 2008	31 Dec 2007
Current assets		**15,017**	**14,990**
Inventories	26	7,001	7,328
Trade receivables	27	446	508
Financial assets		8	28
Other receivables and assets	24	3,132	3,076
Income tax refund entitlements		326	275
Cash and cash equivalents	30	3,874	3,433
Non-current assets held for sale	31, 43	230	342

Inventories decreased by €327 million to €7,001 million. The decline was primarily attributable to currency effects in Eastern European markets as well as stock optimisation efforts at all sales divisions. The increase in cash and cash equivalents by €441 million to €3,874 million is due mostly to a €500 million bond issue launched in November 2008. In the financial year 2007, the item "non-current assets held for sale" essentially included the assets of the Extra sales division (€322 million). The Extra sales division was sold to the Rewe Group on 17 January 2008 with effect from 1 July 2008. In 2008, €113 million in assets in connection with the classification of the Adler fashion stores were shown as discontinued operations in this item. In addition, various real estate locations with a book value of €117 million were classified as "Investment properties".

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

V. Employees

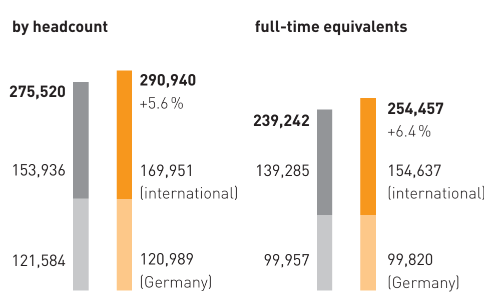
Employee numbers reflect international growth

From people for people – a company's success in the trade and retail sector depends particularly on the skills and customer orientation of its employees. Around the world, committed employees stand for the success of METRO Group. In the financial year 2008, the Group employed an average 290,940 employees. The total number of employees (full-time equivalents) rose by 15,215, or 6.4 percent, to 254,457.

With more than 290,000 employees worldwide, METRO Group ranks among the largest employers in the trade and retail sector

Our continually expanding international activities are fuelling the growth of our workforce abroad. Over the year, the number of employees outside Germany (full-time equivalents) increased by an average 15,352 to 154,637. Their share in the total group workforce climbed from 58.2 percent to 60.8 percent. About 9 out of 10 international employees worked in European countries – including 53,297 in Western Europe and 85,280 in Eastern Europe. At a growth rate of 15.2 percent, our workforce increased particularly strongly in the Eastern European growth regions.

Workforce of METRO Group[1]
in year-to-year comparison



[1] Yearly average
[2] Adjustment of previous year's figures due to discontinued operations

Employees by region
full-time equivalents, in %

Germany	39.2
Eastern Europe	33.5
Western Europe (excl. Germany)	21.0
Asia/Africa	6.3

Employees by sales division
full-time equivalents, in %

Metro Cash & Carry	43.3
Real	22.6
Media Markt and Saturn	21.5
Galeria Kaufhof	7.5
Other companies	5.1

Lower share of part-time workers

In contrast to sector trends, the share of part-time workers declined to 31.3 percent at the Group level (previous year: 33.3 percent) and 45.9 percent in Germany (previous year: 46.8 percent). Employees' average age rose slightly from 35.5 to 35.7 years, the average tenure remained at 7.4 years.

Far-sighted personnel policy helps to shape the sustainable growth course of METRO Group

Health management supports active working life

Demographic factors such as increasing longevity and declining birth rates are 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 based on structural analyses and forecasting tools. Key measures include in-house training and education, active diversity management and health management. In the knowledge economy, companies will be able to operate successfully over the long term only if they can offer their employees a sound work environment. Physical and psychological health is the foundation for the performance strength and commitment of our employees. If this foundation were undermined, the organisation's performance strength would deteriorate substantially. With its guidelines on corporate health promotion, the Management Board of METRO AG highlighted the importance of this topic as early as 2004, kicking off the health drive "GO". We currently use this strategic platform, which received the 2008 German Business Prize Health, to test structures for corporate health management at select locations. Structures like the "Health Circle" are scheduled to be introduced in as many stores and companies of METRO Group as possible during the next few years. Health management comprises early diagnosis and prevention as well as rehabilitation. The services range from recommendations for a healthy diet and ergonomic workplace design to exercises designed to strengthen employees' physical and mental fitness as well as other measures. At the start of 2007, for example, our health promotion initiatives took shape in the opening of a health centre – the so-called "Metro Activity Centre" (MAC) – for about 5,000 employees in Düsseldorf. Group-wide health promotion efforts boost our employees' vitality and create the foundation for a longer working life.

As a result of the increasing shortage of qualified workers, work-life balance issues continue to gain importance. METRO Group was among the first companies to pick up on this trend. Since 2007, the audit berufundfamilie® (work and family) has been conducted at the Campus Düsseldorf. The certification of all companies at our administrative headquarters in 2008 testifies to the family-friendly human resources policy of all sales divisions and cross-divisional service companies at this location and strengthens our position as an attractive employer.

Attractive vocational training in the retail trade

Training schemes for performance-oriented young people represent a key contribution to society and a sustainable investment in the company's long-term business success. Each year, thousands of young people learn one of around 25 professions in our sales divisions and companies – from retail merchant to information electronics specialist. Across Germany, 3,089 school-leavers began their training at METRO Group in the financial year 2008 – 2.6 percent more than a year earlier. On a yearly average, the total number of apprentices in Germany increased to 8,689. At 8.7 percent, the share of apprentices places METRO Group among the major providers of vocational training in Germany. At the same time, it testifies to our significant contribution to fulfilling Germany's training pact.

METRO Group also offers attractive training opportunities for disabled people, for example through its VAmB project ("Verzahnte Ausbildung mit Berufsbildungswerken" or "integrated training with vocational education centres"). The programme offers young people with learning disabilities practical training in the stores and locations of METRO Group in combination with theoretical training in vocational education centres.

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 faith.

A diverse workforce creates extraordinary opportunities. To tap the special expertise generated by this diversity even better, METRO Group has initiated various concepts, including an employee competition focusing on demographic shifts, particularly in Germany. This competition, called "Together", focused on the ageing society and was geared primarily at employees over 50. Employees were asked to work out business ideas to recruit and retain customers from the growing over 50-s age group. The best concepts, such as initiatives for barrier-free shopping or special employee training, were tested and, if found to be successful, will be rolled out further. During the phase of idea generation, the diversity of our workforce proved to be an advantage. The diverse knowledge, experience and skills of our employees were bundled and produced practicable concepts.

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

In the reporting year, we employed 4,349 people with recognised severe disabilities in Germany, including 48 apprentices. Added to this must be 1,069 employees who are equivalent to persons with severe disabilities. A total of 26.4 percent of our 120,989 domestic employees belong to the over 50-s age group. In 2008, 752 employees older than 50 were hired in Germany and 1,738 outside Germany.

Lifelong learning – continued training and education

Lifelong learning is a key prerequisite of sustained professional performance strength. METRO Group regularly offers its employees the opportunity to participate in training and further education measures. These offers are guided by employees' education and training needs and range from e-learning through "blended learning" – a combination of classroom teaching and e-learning – to classroom training.

At the Real sales brand alone, the new e-learning programme, "Klick Dich klug" ("Click yourself clever"), was used over 46,000 times by more than 24,000 users. During the reporting year, the Real sales brand received the European eLearning Award for this practice-oriented instrument.

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 to 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.

Constructive social partnership

METRO Group fosters the Group-wide social dialogue. It forms the basis of a trusting working relationship between management and employees. Given its strong growth momentum and intense activities in Eastern Europe and Asia, in particular, METRO Group places great emphasis on an international social exchange. METRO Group is a respected partner in dialogue worldwide and one of few retailing groups to have a European works council. The Group also regularly participates in the European social dialogue moderated by the European Commission and proactively supports technological progress in the retail trade. The International Labour Organization (ILO) frequently turns to METRO Group as a respected expert on the impact of new technologies on the working environment in the retail trade.

As a multinational company, METRO Group attaches great value to defining global minimum standards in dealings with its employees. This is why the Management Board has approved the guidelines on social partnership that were enacted in 2004 and revised in 2006. With these guidelines, METRO Group has adopted the fundamental principles of the ILO in all its stores. They include the acknowledgement of the freedom of association, the effective acceptance of the right to conduct collective negotiations, the abolition of all forms of forced or compulsory labour, the elimination of child labour and an end to discrimination in the workplace.

It is part of the social dialogue to argue on particular factual issues with the social partner. In view of new laws on shop opening hours that have been enacted in nearly all German states, the collective bargaining agreements for the retail sector were terminated by employers. The aim of this termination was to adapt the previous regulations on late opening and Saturday supplements to the new legal situation. The Verdi union also terminated the wage and salary agreements as per their respective expiry date. No significant progress was made in the 2007/2008 round of collective bargaining talks until after the conclusion of a pilot agreement in Baden-Württemberg in July of that financial year. By the end of 2008, 14 out of a total of 16 tariff zones had reached agreements.

Development of employee numbers by country and sales division

average full-time equivalents[1]

	Metro Cash & Carry		Real		Media Markt and Saturn		Galeria Kaufhof		Other companies		METRO Group	
Country	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007[2]	2008	2007
Germany	**15,787**	**15,338**	**33,233**	**35,332**	**22,633**	**21,395**	**17,647**	**17,555**	**10,520**	**10,337**	**99,820**	**99,957**
Austria	1,893	1,923			2,011	1,949			26	31	3,930	3,903
Belgium	2,916	2,842			1,158	999	1,260	1,265			5,334	5,106
Denmark	570	539									570	539
France	8,383	8,411			1,725	1,537			7	7	10,115	9,955
Italy	4,173	4,230			5,783	5,555			35	13	9,990	9,798
Luxembourg					17				2	2	19	2
Netherlands	3,049	3,088			2,204	1,853			7	7	5,260	4,948
Portugal	1,604	1,757			802	578					2,406	2,335
Spain	3,298	3,248			5,986	5,420			13	13	9,296	8,680
Sweden					979	511					979	511
Switzerland					1,086	1,141			85	84	1,171	1,225
United Kingdom	4,226	4,292									4,226	4,292
Total Western Europe excl. Germany	**30,113**	**30,330**			**21,749**	**19,542**	**1,260**	**1,265**	**175**	**157**	**53,297**	**51,293**
Bulgaria	2,590	2,243							7	9	2,597	2,252
Croatia	1,463	1,407									1,463	1,407
Czech Republic	3,469	3,371									3,469	3,371
Greece	1,197	1,123			842	655			8	11	2,047	1,789
Hungary	3,221	3,248			1,719	1,625			61	51	5,000	4,923
Moldova	772	759									772	759
Poland	7,165	6,624	11,055	10,526	5,301	4,462			585	535	24,105	22,147
Romania	6,390	6,263	7,568	4,514					317	211	14,276	10,987
Russia	10,537	9,242	3,606	2,898	1,815	1,203			366	167	16,324	13,510
Serbia	1,294	1,223									1,294	1,223
Slovakia	1,326	1,281									1,326	1,281
Turkey	2,687	2,326	1,926	1,842	661	164			315	270	5,588	4,601
Ukraine	6,857	5,739	141	23					21	7	7,019	5,769
Total Eastern Europe	**48,967**	**44,849**	**24,297**	**19,802**	**10,336**	**8,109**			**1,680**	**1,260**	**85,280**	**74,021**
China	8,309	7,816							659	573	8,968	8,389
Egypt	8										8	
India	1,772	1,135									1,772	1,135
Japan	437	373									437	373
Morocco	1,306	1,140									1,306	1,140
Pakistan	1,078	419									1,078	419
Vietnam	2,493	2,516									2,493	2,516
Total Asia/Africa	**15,401**	**13,398**							**659**	**573**	**16,060**	**13,971**
International	**94,481**	**88,577**	**24,297**	**19,802**	**32,085**	**27,651**	**1,260**	**1,265**	**2,514**	**1,990**	**154,637**	**139,285**
METRO Group	**110,268**	**103,915**	**57,530**	**55,134**	**54,718**	**49,046**	**18,907**	**18,820**	**13,034**	**12,327**	**254,457**	**239,242**

[1] Including possible rounding differences
[2] Adjustments of previous year's figures due to discontinued operations

Personnel development as a strategic success factor

Our personnel development activities contribute decisively to the future shape of METRO Group: they attract, select and develop qualified and highly motivated management recruits and employees, and promote individual career developments.

Finding and retaining talented people

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

The progressive internationalisation of METRO Group, the resulting complexity of the fast and dynamic world of trade as well as growing demands on management in times of increasingly scarce resources make the recruitment, selection and promotion of talented management recruits and employees a key strategic success factor. Within METRO Group, the personnel development department oversees strategic management planning and development worldwide through systematic talent management based on continuous potential assessments, succession planning and the management development programmes of the Corporate University. At the same time, the internationally oriented personnel development department promotes individual career development and professional goals as well as provides executives with access to career options in all 32 countries covered by METRO Group. Personnel development at METRO Group contributes decisively to maintaining our leading position in international competition.

International personnel development opens up promising prospectives

Systematic feedback

The annual assessments of potential ensure that all executives are systematically rated in accordance with comparable criteria and receive timely feedback. These are based on the seven Metro core competencies, with executive development focusing particularly on strategy, global leadership, change capacity and intercultural skills.

Metro Corporate University pushes global leadership

Each year, more than 300 managers and management recruits attend the Metro Corporate University, the central institution for the qualification of our executives. It offers seven programmes covering such key topics as global leadership, change capacity and intercultural management. 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. All members of the METRO AG Management Board are involved as mentors and lecturers. Beyond topics of strategic importance, the Corporate University promotes the exchange of experiences and team-based cooperation.

Securing employees' long-term loyalty

METRO Group uses sustained personnel retention concepts to tap existing skills and investments in training and further education over the long term. Since 2003, we have been conducting annual employee surveys to gain insights into the emotional commitment of executives and employees to METRO Group. A standardised survey format ensures internal as well as external comparability and allows for the development of appropriate courses of action. Together with their teams, executives work out concrete measures to optimise the working relationship and individual performance.

Women in management positions

Equal treatment and equal opportunities are key principles of METRO Group's corporate philosophy and 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. A special campaign in this area is the "Women in management positions" initiative, which was launched in 2004 and acts as a growing network of female managers. The share of women in management positions currently totals 17.2 percent.

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 longevity of knowledge, lifelong learning is just as much a crucial factor in our further education strategy as the empowerment of our employees to help to shape this process in a self-reliant manner.

New learning models

Modern forms of IT-assisted learning combined with classic seminar 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.

Metro Education promotes vocational training in Eastern Europe

For the past eight years, METRO Group has been conducting the dual training programme Metro Education with the aim of internationalising and standardising vocational training in the retail trade. Metro Education offers educational assistance at local trade schools as well as internships and apprenticeships in METRO Group sales divisions. By actively supporting vocational training in Eastern Europe – currently in Poland, Russia, Romania, the Czech Republic and Slovakia – we fulfil our social responsibility while at the same time securing our future local personnel.

Winning over the managers of tomorrow with college marketing

Demand for university graduates is growing continually across all sectors of industry. We have made timely preparations 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 close cooperation with select universities and technical colleges, the cooperation with student organisations and intensive assistance to interns. Since 2002, we have talked to teachers and students in Germany at our annual Meeting Metro event. As in the previous year, more than 1,500 participants used this opportunity in 2008 to get to know METRO Group with its sales divisions and cross-divisional service companies and find out about the diverse entry-level and career options. In addition, the Group successfully organised the 2nd Meeting Metro event in Moscow.

Training programme enhances the qualification of young job starters

VI. Advanced Retailing – (corresponds to research and development)

Our research and development activities are bundled in the Advanced Retailing unit. METRO Group sees itself as a driving force in the modernisation process in the international trade and retail industry. The Advanced Retailing strategy, which encompasses our most important future-oriented projects, was developed to strengthen our leading position in the market. In the context of this Group-wide initiative, we systematically tackle important strategic issues that serve to boost our earnings and enterprise value.

All Advanced Retailing initiatives are designed to make our customers' shopping experience even more pleasant, eventful and informative and to work more efficiently with our suppliers. Aside from the development of customer-oriented service concepts, our Advanced Retailing initiatives focus on innovative technologies that are used to conserve resources, facilitate our business processes and, as a result, reduce our employees' workload in order to allow them to dedicate more time to their core tasks: professional service and assistance to our customers. METRO Group's Advanced Retailing initiatives systematically tap the potential for Group-wide synergies. In future-oriented projects, the teams of the cross-divisional service companies (MGI METRO Group Information Technology, MGS METRO Group Solutions) work closely with the sales divisions' specialists. This allows for the needs-based development of innovative products and solutions and helps create a critical knowledge and qualification base within METRO Group.

At METRO Group, the introduction of conceptional and 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 develop our Advanced Retailing projects in 2008. Our goal remains to test new concepts in practice and to expand the use of future-oriented technologies in our stores and warehouses as well as in our cooperation with suppliers and business partners. Radio Frequency Identification (RFID) technology and the new Future Store form the core of these initiatives.

Overview of exemplary future-oriented projects

The METRO Group Future Store Initiative reaffirms our pioneering role in the international trade and retail industry

Within the context of the METRO Group Future Store Initiative, the company assumes a leading role in shaping the future face of the trade and retail industry in cooperation with partners from academia as well as the consumer goods, services and IT sectors. One focus is on developing, testing and using innovative technologies that produce substantial benefits both for our customers and METRO Group itself. On the other hand, 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 new Real Future Store in Tönisvorst, North Rhine-Westphalia, is another key element of the METRO Group Future Store Initiative. This "hypermarket of the future" is used to test new ways of addressing the customer as well as new approaches to the design of stores and assortments. We are determined to optimally align our assortments and service to our customers' individual needs. Together with our partners, we also test the practicality of various new technologies with the aim of introducing them in more Real hypermarkets and other METRO Group stores in 2009.

RFID sets new standards – European roll-out under way

RFID technology will fundamentally alter the supply chain in the consumer goods industry. The heart of this technology is the Smart Chip, a small computer chip equipped with an antenna. An Electronic Product Code (EPC) is stored on the Smart Chip and can be read without direct contact or any visual connection by an RFID reader. In the merchandise management system, such information as the best before date or the manufacturer of a product can be assigned to the EPC.

Since the end of October 2007, we have been rolling out RFID technology in the European trade and retail sector. The innovative technology now improves daily incoming goods processes at 400 locations, including the German stores of the Metro Cash & Carry and Real sales brands as well as the central warehouses of MGL METRO Group Logistics. Since autumn 2008, RFID has also been used at the French stores of Metro Cash & Carry. This benefits not only METRO Group, but also our suppliers and logistics partners. The first countrywide use of RFID in France was achieved with the help of our logistics partner DHL. Pilot projects such as those in the Essen store of Galeria Kaufhof, in the Real Future Store and in other areas of application testify to the far-reaching benefits of RFID technology. They include inventory checks in the textiles area or quality controls of meat products from the company's own production.

In 2008, we took the initiative to help promote the use of the RFID technology along the entire supply chain and in warehousing management by becoming the first retailing group to equip not only the incoming goods portal but also forklifts and shelves in one MGL METRO Group Logistics warehouse with RFID. This helps speed up business processes and render them more efficient.

Harmonised platforms promote the exchange of information

With the help of METRO Group Networking, the work and information platform for all employees, we develop concepts to manage and improve internal administrative processes based on innovative IT systems – and improve business processes within the Group at the same time.

Metro Link is the platform for METRO Group suppliers. The portal offers comprehensive information as well as programmes for an exchange of data. Metro Link helps to intensify the cooperation with suppliers and optimise processes. Since 2008, suppliers who work with METRO Group in the application of RFID have been able to track the precise status of their shipments.

VII. Environmental and sustainability management

METRO Group is committed to the principles of sustainable management in its activities across all supply chains. This means that environmental and social requirements are factored into our business decisions and processes at an early stage. Our environmental and sustainability management comprises the protection of the environment as well as responsible and fair treatment of our employees, customers and business partners. Our overarching goal is to protect the foundations of our future business while securing potential competitive advantages. At the same time, we want to contribute to sustainable societal developments. We identify the key sustainability challenges relevant to METRO Group and develop specific programmes and goals that help us to exploit opportunities and minimise risks.

Increased climate and resource-conserving efforts

In the financial year 2008, the prices of some raw materials increased markedly. Driven by the unrelenting demand in developed and developing nations for crude oil, electricity, gas and petrol, prices rose to all-time highs at mid-year before plummeting to record lows amidst the financial crisis at the end of the year. We expect the prices for raw materials and energy to rise over the medium term. At METRO Group, rising energy prices also added to the cost of procurement, transportation and product sales in 2008. Aside from global climate change, we regard the growing shortage of non-renewable resources as one of the major challenges in the area of sustainability. In 2008, we reinforced our efforts in the area of energy- and resource-efficient business management to counter rising operating costs and product prices and guarantee consistent goods supplies to our customers.

With the publication of our carbon footprint at the beginning of June 2008, we pledged to reduce our greenhouse gas emissions per square metre of selling space by 15 percent by 2015. Professional energy management at our locations will play an important role in helping us to achieve this goal. Our motivated employees and the use of innovative technologies enable us to continually lower electricity and heat consumption in our stores. Lighting systems at nine Galeria Kaufhof department stores, including the one at Berlin's Alexanderplatz, are equipped with highly efficient energy-saving technology. In addition, Galeria Kaufhof has been using energy-efficient LED lamps in a number of parking garages and warehouses since 2008. Real computers are equipped with so-called Wake-on-LAN technology that automatically shuts down computers after closing hours and keeps them switched off until the next morning.

Our efforts to ensure economical and efficient use of energy are complemented by the use of new energy supplies. Since the end of 2007, Metro Cash & Carry has been using innovative solar thermal energy technology – so-called solar chilling – in Italy (Rome) and Turkey (Antalya). The plants heat or cool the respective stores with the help of solar collectors and absorption cooling equipment.

In the area of merchandise logistics, we continually implement new processes to improve our resource efficiency, reduce our carbon footprint and lower our operating costs. We use sea freight transportation as a sensible alternative to conventional trucks and cargo planes for large shipments travelling over long distances. Galeria Kaufhof has successfully shipped non-perishable goods like textiles by sea for some time now. We also plan to convert our own fleet of trucks to vehicles with Euro 5, currently the highest emission standard, until the end of 2009. We had replaced 86 vehicles, or about 40 percent of the fleet, by the end of 2008.

∆ You will find additional information about METRO Group's carbon footprint in our brochure "Climate Action". The brochure can be downloaded at www.metrogroup.de/sustainability.

Communicating the advantages of sustainable business management to suppliers

We also communicate the advantages of environmentally and socially sustainable business management to our suppliers. In many Asian countries, Metro Cash & Carry is a local buyer of agricultural products like fruit, vegetables and poultry. The sales division promotes sustainable farming in these regions to ensure the availability and sale of these products in its wholesale stores. In Hefei, the capital of the Chinese province of Anhui, we organise proprietary training programmes to inform local producers of all key aspects of modern farming. In Sharaqpur, Pakistan, Metro Cash & Carry has installed the country's only sales platform for fruit and vegetables. In the course of our preparations for market entry in Pakistan, we helped local farmers to successfully organise fresh fruit and vegetable deliveries to wholesale stores. This partnership led to a significant improvement in product quality.

An environmentally friendly and healthy product range for our customers

We also promote sustainable farming through our steadily growing range of organic foods. The expansion of this product line also reflects the growing health consciousness among consumers. In mid-2008, more than 900 articles at Real wore the "Bio" seal denoting organic products. In the stores, special booths have been set up to provide information about organic products and sharpen consumers' awareness of the benefits of organic farming. In the course of 2009, the new brand Real Bio will replace the old product line Grünes Land (Green Land) in the hypermarkets.

Rising energy prices are driving up the cost of using electronic devices. This is why our consumer electronics stores Media Markt and Saturn have increased the share of especially energy-efficient equipment in their assortments. In sales talks, brochures and on the Internet, we inform our customers about the long-term advantages of buying energy-efficient and climate-friendly electronic devices.

Δ Please refer to our sustainability report for further information on our supply chain and products, customers, the enviroment, staff and corporate social responsibility, inlcuding concrete figures and examples of projects. This information is regularly updated and extended online at www.metrogroup.de/sustainability.

Promoting a healthy lifestyle

Aware of the importance of a balanced diet and physical exercise for a healthy lifestyle, Real does not only offer its customers health-oriented merchandise, but also sponsors numerous sports projects. For the 9th year, Real was the main sponsor of the Real Berlin Marathon in 2008. Next to New York City, London and Chicago, this high-profile sports event is one of the world's largest marathons: in 2008, 40,827 runners from 107 nations took part in the race.

For the 5th consecutive year, METRO Group has also been the main sponsor of the METRO Group Marathon Düsseldorf – which has become the fastest marathon in the German state of North Rhine-Westphalia. Each year, more than 500 employees of METRO Group take part in this marathon. The relay team members and marathon runners go through a special training programme to optimally prepare for this major event.

VIII. Remuneration report[1]

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)

No rights from the stock option programme were outstanding in the financial year 2008.

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 was granted in 2008.

The size of the bonus initially depends on the ratio of basis price and share price.

The basis 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 last 20 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 basis 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 bonus
2004	July 2007	€37.14	€42.71	Paid
2005	July 2008	€41.60	€47.84	Expired
2006	July 2009	€43.15	€49.62	22,745,000
2007	July 2010	€61.61	€70.85	17,760,000
2008	July 2011	€41.92	€48.21	19,900,000

The target bonus values are based on the condition that the target prices are attained. The value of the share bonus paid in 2008 was €32.2 million at the time of payment and was calculated by independent experts using recognised financial-mathematical methods (Monte Carlo simulation).

[1] Also part of the Corporate Governance Report 2008

Compensation of members of the Management Board

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 2008, the weighted average cost of capital of METRO Group remained unchanged from the previous year at 6.5 percent.

The EVA-based remuneration system is based on a comparison of delta EVA, the difference between current EVA and prior-year 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).

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 a 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 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-orientated remuneration and the concrete EVA calculations were verified by the consultancy Stern Stewart & Co. The Personnel Committee monitors the systematic application to Management Board remuneration.

Share-based compensation with long-term incentives

A share bonus programme forms another variable component of Management 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 fulfilment of all set preconditions.

The share bonus 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 share bonus 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 resolution of the Personnel Committee.

Remuneration in the financial year 2008

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

€1,000	Fixed salary	Performance-based entitlements	Share bonuses 2008	Other remuneration	Total
Dr Eckhard Cordes	1,000	1,939	633	24	3,596
Zygmunt Mierdorf	800	1,293	522	21	2,636
Frans W. H. Muller	800	1,293	522	103	2,718
Joël Saveuse[2] (since 8 April 2008)	585	945	522	17	2,069
Thomas Unger	800	1,293	522	88	2,703
Total	**3,985**	**6,763**	**2,721**	**253**	**13,722**

[1] The target bonuses for the share bonus tranches existing during the financial year amounted to: €330,000 each from the 2005, 2006, 2007 and 2008 tranches for Mr Mierdorf and Mr Unger; €330,000 each from the 2006, 2007 and 2008 tranches for Mr Muller; €400,000 for Dr Cordes and €330,000 for Mr Saveuse from the 2008 tranche. The company's pro rata expenses (+)/income (-) from share-based remuneration with maturities in the financial year 2008 or later can be shown as follows: €15,000 for Dr Cordes; €-1,300,000 for Mr Mierdorf; €-527,000 for Mr Muller; €12,000 for Mr Saveuse and €-1,300,000 for Mr Unger

[2] Aside from his employment as a member of the Management Board of METRO AG, Mr Saveuse also received a fixed salary of €146,000 as well as performance-based components of €468,000 from his appointment as managing director of subsidiaries

The amount of the performance-based remuneration for the financial year 2008 results from EVA-based compensation entitlements and thus from the company's performance during the current financial year.

Entitlements with long-term incentives (share bonuses) that were granted in the financial year 2008 are posted at their fair value at the time of granting (see above table).

Due to the granting of a monetary target bonus, a number of subscription rights in accordance with §§ 285 Sentence 1 No. 9 a, 314 Section 1 No. 6 a of the German Commercial Code cannot be released.

The payment of the bonuses depends on the previously described conditions of the share bonus plan.

Other remuneration consists of non-cash benefits and expense allowances.

Services after the end of employment

In the financial year 2008, a total of €0.6 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 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 last 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-time 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. Mr Mierdorf waived this provision upon the extension of his employment contract as per 1 January 2009.

Total compensation of former members of the Management Board

Former members of the Management Board of METRO AG and the companies that were merged into METRO AG as well as their surviving dependents received €3.8 million. The cash value of commitments for current pensions and pension entitlements made for this group totalled €48.8 million.

Compensation of 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 minority interests (EBT) in the METRO AG financial statements. Each member of the Supervisory Board receives €600 per €25 million in EBT exceeding an EBT of €100 million for the average of the financial year 2008 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 METRO AG's Articles of Association.

The individual size of fixed and performance-based Supervisory Board remuneration takes into account the duties and responsibilities of the individual members of the Supervisory Board 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 member of the Supervisory Board who holds several offices receives compensation for only one office; in the case of different levels of remuneration for the most highly paid office (§ 13 Section 3 Sentence 3 of the Articles of Association).

Remuneration factor	
Chairman of the Supervisory Board	●●●
Vice-chairman of the Supervisory Board	●●
Committee chairmen	●●
Committee members	●◖
Members of the Supervisory Board	●

The total compensation of all members of the Supervisory Board amounted to €1.86 million in the financial year 2008. The fixed and performance-based component accounted for €0.95 million and €0.91 million, respectively. The performance-based compensation will be payable after METRO AG's Annual General Meeting on 13 May 2009.

The following individual totals applied in the financial year 2008:

€	Fixed compensation	Performance-based compensation
Franz M. Haniel, Chairman	105,000	101,461
Klaus Bruns, Vice-Chairman	70,000	67,641
Dr Wulf H. Bernotat	46,667	45,094
Prof. Dr Dr h.c. Klaus Brockhoff (until May 2008)	14,583	14,092
Ulrich Dalibor	42,292	40,866
Jürgen Fitschen (since April 2008)	26,250	25,365
Hubert Frieling	35,000	33,820
Prof. Dr Dr h.c. mult. Erich Greipl	52,500	50,731
Jürgen Hennig (until May 2008)	14,583	14,092
Andreas Herwarth (since July 2008)	17,500	16,910
Werner Klockhaus	52,500	50,731
Peter Küpfer	35,000	33,820
Rainer Kuschewski	35,000	33,820
Marie-Christine Lombard (since May 2008)	23,333	22,547
Dr Klaus Mangold	35,000	33,820
Marianne Meister (until May 2008)	14,583	14,092
Dr rer. pol. Klaus von Menges (until May 2008)	14,583	14,092
Dr-Ing. e.h. Bernd Pischetsrieder	35,000	33,820
M.P.M. (Theo) de Raad (since May 2008)	23,333	22,547
Sylvia Raddatz (until June 2008)	17,500	16,910
Renate Rohde-Werner (until May 2008)	14,583	14,092
Xaver Schiller (since May 2008)	35,000	33,820
Dr jur. Hans-Jürgen Schinzler	70,000	67,641
Dr Manfred Schneider (until April 2008)	17,500	16,910
Peter Stieger	52,500	50,731
Angelika Will (since May 2008)	23,333	22,547
Angelika Zinner (since May 2008)	23,333	22,547
Total	**946,456**	**914,559**

No remuneration applied to membership of the Supervisory Board's Nominations Committee, with one member waiving payment for the committee work. The other members of the Nominations Committee hold other Supervisory Board offices so that additional compensation is precluded in accordance with § 13 Section 3 Sentence 3 of the Articles of Association.

In the financial year 2008, the members of the Supervisory Board of METRO AG received €0.17 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 5.4.6 of the German Corporate Governance Code.

Other intragroup compensation

€	
Klaus Bruns	37,350
Ulrich Dalibor	15,067
Prof. Dr Dr h.c. mult. Erich Greipl	49,800
Rainer Kuschewski	6,136
Marianne Meister	9,000
Sylvia Raddatz	2,459
Renate Rohde-Werner	24,900
Xaver Schiller	6,000
Peter Stieger	9,203
Angelika Will	6,000
Angelika Zinner	7,800
Total	**173,715**

The above amounts do not include the remuneration entitlements of one member of the Supervisory Board from intragroup Supervisory Board mandates of which the member of the Supervisory Board waived the payment. The sales tax payable on compensation is reimbursed to the members of the Supervisory Board.

IX. Notes pursuant to § 315 Section 4 German Commercial Code and explanatory report of the Management Board

Composition of capital (§ 315 Section 4 No. 1 German Commercial Code)

On 31 December 2008, the share capital 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 share capital is broken down into the following types of shares:

Ordinary shares		
Shares	324,109,563	
Proportional value of the share capital (€)	828,572,941	(yields 99.18 %)
Preference shares		
Shares	2,677,966	
Proportional value of the share capital (€)	6,846,111	(yields 0.82 %)
Total share capital		
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 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 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 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 equally share in any additional profit distribution in the proportion of their shares in the share capital."

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 Act), the right to information (§ 131 Stock Corporation Act) and the right to file a legal challenge or a complaint for nullity (§§ 245 No. 1–3, 246, 249 of the Stock Corporation Act). In addition to the previously mentioned right to receive dividends, shareholders have a subscription right when the share capital is increased (§ 186 Section 1 of the Stock Corporation Act), a claim to liquidation proceeds after the closure of the company (§ 271 of the Stock Corporation Act) 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 Act.

Limitations relevant to voting rights (§ 315 Section 4 No. 2 German Commercial Code)

An agreement exists among Otto Beisheim Betriebs GmbH (previously O.B. Betriebs GmbH), Otto Beisheim Holding GmbH (previously 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.

In addition, an agreement exists between BVG Beteiligungs- und Vermögensverwaltungs GmbH, Franz Haniel & Cie. GmbH, Haniel Finance Deutschland GmbH and Haniel Finance B.V. to coordinate the joint exercise of interests from the METRO AG shares economically attributable to the shareholder groups Haniel and Schmidt-Ruthenbeck. This agreement dating back to 2007 took effect on 9 October 2008.

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

Capital interests (§ 315 Section 4 No. 3 German Commercial Code)

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
Otto Beisheim Betriebs GmbH (previously O.B. Betriebs GmbH), München	Indirect
Otto Beisheim Group GmbH Co. KG (previously O.B.V. Vermögensverwaltungs GmbH & Co. KG), Düsseldorf	Indirect
Otto Beisheim Verwaltungs GmbH (previously O.B.V. Vermögensverwaltungs GmbH), Düsseldorf	Indirect
Otto Beisheim Holding GmbH (previously 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, Zürich/Switzerland	Indirect

The above information is based, in particular, 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.

Owners of shares with special rights and type of voting rights control where capital interests are held by employees (§ 315 Section 4 No. 4 and 5 German Commercial Code)

The company has not issued any shares with special rights pursuant to § 315 Section 4 No. 4 German Commercial Code. No capital interests are held by employees pursuant to § 315 Section 4 No. 5 German Commercial Code.

Regulations governing the appointment and removal of members of the Management Board, and changes to the Articles of Association (§ 315 Section 4 No. 6 German Commercial Code)

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, for example §§ 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 (§ 315 Section 4 No. 7 German Commercial Code)

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 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 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 Sentence 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.

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 16 May 2008:

"a) The Company is hereby authorised to acquire company shares of any share class on or before 15 November 2009. 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 5 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 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 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 or on the basis of an earlier authorisation 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. The issue price of these shares 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;

   (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. The retirement may be effected without a capital reduction by adjusting the pro-rata share of the remaining no-par-value shares in the company's share capital. In this case, the Management Board is authorised to adjust the number of no-par-value shares in the Articles of Association;

(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, insofar 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, inasmuch 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.

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 are 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 inasmuch 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 inasmuch 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 ordinary shares. 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 an ordinary share of the company. 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 ordinary share 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, ordinary share 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 ordinary share 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 an ordinary share must amount to at least 80 percent of the volume-weighted average of the price of METRO AG's ordinary share 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 shares 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 an ordinary share of the company that is at least 80 percent of the volume weighted average of the price of METRO AG's shares 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 an ordinary share (subject to the special regulation covering cases of option or conversion obligation or the transmittal of shares 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 ordinary shares 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 anti-dilution 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 3rd 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 shares of METRO AG 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 (§ 315 Section 4 No. 8 German Commercial Code)

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 and as a result of the takeover 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 a resulting drop in the credit rating occur cumulatively. In 2008, the average amount used from the syndicated loan agreements was €301 million. The hedging of syndicated loans in the manner described above is standard market practice and serves the purpose of creditor protection.

Compensation agreements in case of a takeover (§ 315 Section 4 No. 9 German Commercial Code)

In the event that a takeover leads to a significant change in strategy, Management Board member Mr Mierdorf was until 31 December 2008 authorised to resign from his board positions at the end of the 3rd 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 would have retained the remuneration entitlements arising from his contract. Mr Mierdorf waived this provision upon the extension of his employment contract as per 1 January 2009.

X. Risk Report

Risk management at METRO Group is an integral part of value-creating business management. It helps the company's management to exploit opportunities and limit risk, and is based on a systematic process of risk identification, assessment and control for the entire Group. Unfavourable developments are recognised at an early stage, and the necessary countermeasures are put into place. Opportunities are identified, assessed and seized in a systematic manner.

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. The most critical responsibilities of central risk management include ensuring the Group-wide exchange of information on risk-relevant issues and developing 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. The Supervisory Board and its Accounting and Audit Committee work intensely on risk management.

Economic Value Added (EVA) as a risk assessment criterion

Effective risk management secures existing and future potential for success

The crucial Group-wide benchmark for corporate success is Economic Value Added (EVA). The degree of readiness to assume risk also focuses on this key metric and thus follows the principle of sustainably increasing enterprise value. In particular, EVA is an important criterion for investment decisions. As a matter of principle, we take entrepreneurial risks only if they are manageable and if the opportunities involved promise reasonable value added.

Strict risks policy principles

Risks incurred in conjunction with the core processes of wholesale and retail trading are borne by METRO Group. The core processes include the development and implementation of business models, decisions on store locations, the procurement and sale 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

Guidelines and early warning systems ensure the highest levels of transparency at all times

The coordinated application of risk-management tools is assured by the compilation of all relevant facts in guidelines. These include the Articles of Association and by-laws of Group companies, internal Group procedures and the risk management manual of METRO AG that provides information on how the risk management system works, offers a comprehensive overview of potential risk areas, assigns responsibility for monitoring and provides instructions on how to act. Risks, as well as opportunities, are identified in a bottom-up process that extends through all management levels. An early warning system assesses business risks in terms of scope for a planning period fixed at three-years.

Group reporting promotes internal risk communication

Group reporting is the central 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. Areas of risk are monitored on the basis of specified indicators. Fundamental risks that suddenly appear are immediately reported to the responsible decision-making bodies. An emergency notification system has been created specifically for this purpose.

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 early detection system to a periodic review. The results of this review are presented to the Management Board and Supervisory Board.

Opportunity management

The timely recognition and exploitation of opportunities is a critical entrepreneurial duty and secures long-term success. At METRO Group, we view risk and opportunity management as two distinct responsibilities. Ascertaining and communicating opportunities is an integral part of the management and controlling systems between the consolidated subsidiaries and the holding company. It is the responsibility of the management of the sales divisions, cross-divisional service companies and the central holding units to identify, analyse and exploit operative opportunities. The individual management groups examine detailed market and competition analyses, market scenarios, the relevant cost drivers and critical success factors, including those in the company's political environment.

In the supplementary and forecast report, we describe the opportunities that we expect to have in future years.

Presentation of the risk situation

METRO Group primarily faces the internal and external risks that are described in the following section.

Business and sector risks

During the reporting period, business parameters changed as a result of the general deterioration of the economic environment in the METRO Group regions and capital market developments. The overall risks concerning short- to medium-term developments in the retail trade and thus METRO Group are therefore likely to have increased. Although the effects of the global financial crisis on sales, procurement, currency and refinancing markets are difficult to gauge, we are determined to continue to strengthen our position as a leading international retailing group.

Retail business

The particularly intense competition in the German and Western European retail trade creates conditions that could influence business developments and represent natural business risks. A fundamental business risk is consumers' fluctuating propensity to consume, a factor that depends on numerous political, social and economic parameters and represents a markedly higher risk in the current crisis environment. Consumers are likely to cut back their spending in anticipation of more difficult economic times. This applies both to consumer staples and to larger purchases such as household appliances and consumer electronics products. On the one hand, the international positioning of METRO Group requires it to consider possible economic, legal and political risks. On the other hand, the continuing internationalisation of METRO Group offers the opportunity to offset fluctuating demand in individual countries.

Constantly shifting consumer behaviour and customer expectations pose a risk and an opportunity, and 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 selected external sources – including Nielsen, GfK, Planet Retail and Ifo Institute. Our Group's own market research uses quantitative methods such as time series analyses and market trend forecasts based on the analysis of internal sale 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 examine the practicability and acceptance of innovative concept modules in test stores before introducing them systematically and swiftly in other stores. Continuous fund allocation allows for the optimisation of merchandising concepts and the modernisation of stores. These measures help all sales brands to secure and expand our competitive strength.

Strategic company risks

Locations

We consider the setting-up and expansion of our presence in the major growth regions of Eastern Europe and Asia as critical investments in the future of our business Group. By entering these markets, we are using our entrepreneurial opportunity to profit from the rising purchasing power of millions of consumers. We identify the location risks associated with expansion into these economic regions, including changing fundamental conditions, by doing such things as conducting feasibility studies that carefully analyse the fundamentals and opportunities of an investment. Essentially, our growth aspirations remain intact in spite of current global economic developments. However, there is a risk that our growth rates will lag behind the targets included in our current planning over the next few years. This may be due to a lower number of new store openings or to weaker developments at existing locations.

Portfolio changes

In past years, the portfolio of METRO Group has continuously been optimised. All portfolio changes and the strategic and investment decisions related to them focus on value creation for our Group. As a result, risks associated with changes in the portfolio are minimised.

Proprietary market research for flexible, dynamic merchandising concepts

Risks related to business performance

Suppliers

As a retailing company, METRO Group depends on external providers for the supply of goods and services. In the current difficult economic environment, suppliers must protect their own liquidity. There is a higher risk of insolvencies among suppliers and thus of an at least temporary disruption to supplies of individual goods or groups of merchandise. To prevent disruptions in the supply of goods, we work with a variety of suppliers. We ensure that we do not become dependent on individual companies. Our suppliers are continuously monitored and have to adhere to the procurement policy standards of METRO Group. In particular, these standards include those tested by the Global Food Safety Initiative like the International Food Safety Standard and the GLOBALGAP certification for agricultural products. These standards are binding for all our suppliers in every product group. They help to ensure the safety of foods on all cultivation, production and sales 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 disruptions in the supply chain, for example in the supply of goods, could lead to business interruptions. METRO Group minimises these risks by using internal backup systems and specific contingency plans. In addition, it reduces its dependency on individual suppliers and service providers by expanding the group of business partners and follows 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 achieve our strategic goals, we depend on highly qualified experts and managers. It is an ongoing challenge to recruit and retain such valuable employees for the Group, in particular in the face of intense competition for the best people. The demand for good personnel is high, particularly in markets where METRO Group is expanding. To foster the requisite entrepreneurial skills among our employees, we optimise training and professional development programmes for employees on all levels. Training courses and systematic measures that help employees to grow in professional terms promote entrepreneurial thinking and actions among employees. Variable pay components linked to business performance levels serve as an incentive. Direct participation in business success increases employees' identification with METRO Group and enhances their awareness of risks and opportunities in all entrepreneurial decisions.

Legal risks, tax risks

Legal risks arise primarily from labour and civil law cases. Tax risks are mainly connected to external tax audits. To address both types of risk, we take adequate precautions by forming provisions.

Financial risks

The global financial crisis is having an impact on corporate refinancing. Raising new funds has become more difficult and entails higher spreads. Financial risks include liquidity risks, price risks, creditworthiness risks and risks arising from cash flow fluctuations.

Δ These risks and their management are described in the notes to the consolidated financial statements in no. 44

Summary of the risk situation at METRO Group

To evaluate the present risk situation, we have not only examined risks in isolation, but also analysed the interrelationships of risks and rated their probability. The assessment has shown that there are no potentially ruinous risks for the company and no risks can be identified that could endanger the company's future existence.

XI. Supplementary and forecast report

Events after the balance sheet date

On 19 January 2009, METRO Group announced a comprehensive efficiency- and value-enhancing programme to secure the company's long-term profitable growth. In this context, the Group aspires to an earnings improvement potential of €1.5 billion through 2012 and beyond.

Δ The programme is presented under "Planned changes in business policy"

By contractual agreement of 13 February 2009, the Adler fashion stores were sold to the restructuring fund BluO beta equity Limited. The agreement is subject to the approval of the cartel authorities.

In February 2009, METRO Group issued a €1,000 million euro bond with a term of 6 years and an interest rate of 7.625 percent p. a. as well as a €156 million promissory note bond with a term of 5 years.

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 2 March 2009 (date of release of the accounts for presentation to and approval by the Supervisory Board).

Economic outlook

The global economy's downward trend during the 2nd half of 2008 continued in the 1st quarter of 2009. The financial crisis that has spread from the United States is now having a real economic impact in all global regions. The global credit squeeze, drastically lower incoming orders and shrinking export demand are weighing heavily on the manufacturing industry. Observers are speaking of the worst economic crisis since the Great Depression of the 1930s. The International Monetary Fund believes that 2009 will be the most challenging year for the global economy in more than 60 years. Even the growth markets of Eastern Europe and Asia have not been able to resist the steep economic downturn. The general consensus among economic institutes remains that a gradual economic recovery will not begin until the 2nd half of 2009 at the earliest and that the downturn is likely to last longer than this. Critical observers think that the real economic impact of the financial crisis will continue to weigh on the global economy beyond 2010.

All in all, the likely duration and depth of the global economic downturn are difficult to predict. The interplay of a multitude of factors impacting economic developments far exceeds typical phenomena during a cyclical downturn. The economic downturn could deepen even more if additional banks and companies were to come under pressure and the emerging markets were hit harder than is currently expected by investment outflows and declining global trade.

However, there are a number of bright spots in this otherwise gloomy picture: for one thing, lower inflation levels due above all to declining energy prices are bolstering consumers' purchasing power – and this phase of low price increases is likely to continue in 2009. In addition, governments in most European countries have issued comprehensive state guarantees to stabilise their banking systems, and nearly all economies are supported by stimulus programmes and tax relief. Finally, global central banks are providing economic investment incentives in the shape of massive interest rate cuts.

Overall, we expect, at best, stagnant global economic output in 2009 after growth of 2.0 percent last year. This would translate into a recession in most industrial nations. After several years of strong growth, most emerging markets will only achieve low real economic growth. Economic engines are unlikely to really start running again until 2010.

Global economy will slip further

The economic downturn affects all Metro regions. In Western Europe, the recession that started in the 2nd half of 2008 will continue in 2009. We project negative economic performance for most Western European countries in full year 2009. The stimulus and stabilisation programmes will moderate this development at best. Global developments also will not bypass Germany. While German companies are well positioned in international markets and have continued to improve their competitiveness in the European market, global economic developments severely impact the German economy with its high export share in Gross Domestic Product. We therefore project a substantial decline in German economic output in 2009.

In Eastern Europe, economic growth will slow markedly after the past years' dynamic developments. The severe deterioration in financial markets substantially heightens economic risks. These affect all Eastern European countries, although growth differences will be larger than in Western Europe, with some countries in the region posting moderate growth and others slipping into a recession.

We also expect the Asian economies to slow down in 2009. After an extended growth phase, the emerging markets of China and India, in particular, are coming under increased pressure. Just like the Western European countries, Japan will remain in recession in 2009.

Despite deteriorating prospects for 2009 and in parts 2010, Eastern Europe and the emerging markets of Asia will remain the world's key growth regions with high catch-up potential over the medium term.

Forecast of sector trends and developments at METRO Group

Consumer goods trade will not be immune to the global economic downswing, even though declining unemployment and wage increases boosted disposable incomes in many countries in 2008, while declining inflation rates strengthened consumers' purchasing power. Unemployment will climb again in the course of the economic downswing. For private households in many countries, the real estate and bank crisis has also made access to loans more difficult. Both factors have a negative impact on the retail and wholesale trade. Compared with this, the impact of global stimulus programmes, which are also designed to bolster consumers' purchasing power, is difficult to gauge. This is why high uncertainties are attached to all forecasts on retail trade developments in general and trends in individual market segments. However, we expect different retail segments to feel the economic downswing to different degrees.

Metro Cash & Carry

The economic downswing will impact developments in the cash & carry segment. Compared with the traditional wholesale business, the cash & carry business model offers its key customer groups – independent retailers and restaurant operators – special advantages that become critically important in times of economic crisis. Unlike traditional wholesaling, no minimum order or purchasing volumes apply. As this allows cash & carry customers to flexibly respond to demand fluctuations, we expect the economic downswing to hit the cash & carry segment less hard.

Trends in the cash & carry segment should resemble those in the food retail business. In the cash & carry segment, food assortments are the key product group with a disproportionate share of sales. We expect, at best, stagnant market volumes in Western Europe and Germany in 2009. Meanwhile, market growth will continue in Eastern Europe and Asia. However, at least in 2009, but most likely also in 2010, growth rates in these regions will be lower than in recent years.

Thanks to its expansion in past years, Metro Cash & Carry can now build on a well-diversified international network of locations. Eastern Europe and Asia already account for a significant share of sales and will remain at the core of Metro Cash & Carry's expansive efforts over the next two years.

Real

Despite the projected economic downturn, the food retail business is unlikely to suffer any significant lull in demand over the next two years. The key reason behind this development is consumers' limited willingness to restrain their use of consumer staples, in particular food, even in times of economic crisis. Accordingly, demand in Germany is likely to roughly match the level of 2008. The Eastern European food retail business, in turn, will experience continuously rising demand in 2009 and 2010.

Consumer behaviour is likely to change with respect to the choice of products and stores. Even more than before, the decision about whether to buy food products or not is likely to be determined by the price-performance ratio. Experience shows that retailers who can offer a multifaceted assortment of private labels and regular special offers tend to profit from this development. In Eastern Europe, attachment to brand goods will remain high.

With its successful restructuring efforts of the past few years, Real has created the necessary foundation for continued positive development in Germany and Eastern Europe even in a more challenging economic environment. Real will continue its selective expansion in Eastern Europe to tap the market's strong potential. In this region, which remains characterised by a low level of market concentration, Real competes with many independent companies that are less able to generate economies of scale in procurement and, therefore, suffer distinct competitive disadvantages.

Media Markt and Saturn

Consumer electronics retailing will be characterised by diverse regional developments over the next two years. Based on current economic forecasts, we expect the largely positive market development of the past few years to subside at least in 2009. Sector developments will largely depend on the impact of the economic crisis on consumers' shopping mood.

The past years' trend towards a substitution of classic technologies by more innovative technologies will continue in Germany and Western Europe in 2009 and 2010 – a trend that will primarily affect products such as flat-screen televisions, mobile computers and energy-efficient electronic equipment. Modern consumer electronics and information technology continue to offer high market potential. Market penetration of flat-screen televisions among German private households, for example, is still well below 50 percent. As before, purchases of basic electrical and electronic equipment will continue to dominate demand in Eastern Europe.

The expected decline in the price of innovative technologies will also produce positive demand momentum. Due to existing overcapacities, this will primarily affect the middle and lower price segments. Price trends are making innovative products in the areas of consumer electronics and information technology affordable for additional, broad customer groups.

The positive momentum will probably not be able to fully offset the expected decline in demand. Competition will intensify in markets characterised by adverse sector developments and be carried out increasingly over the price. Media Markt and Saturn will profit from this development. In contrast to smaller and independent retailers, Media Markt and Saturn can build on their intensive marketing as clear price leaders in the eyes of the customer. We expect Media Markt and Saturn to continue to expand their market share over the next two years, supported by their expansion in Western and Eastern Europe.

Galeria Kaufhof

The department store and clothing sector is likely to underperform retailing as a whole again in 2009 and 2010. Consumers remain reluctant to spend money on clothes and textiles, the core of the department store assortment.

We expect market consolidation to gain speed, and additional competitors in the department store and clothing segment to drop out of this market. This development will primarily affect retailers without a clear market position and with flawed core process designs.

Over the past few years, Galeria Kaufhof has created the necessary conditions to successfully maintain and expand its market share in this difficult market environment. In the process of its trading-up strategy, the department store chain has clearly positioned itself in the market and now boasts processes that are optimally aligned with the concepts and systems of Galeria Kaufhof.

Overall statement on the economic situation: management's assessment of the economic situation

Operating in a global market environment, METRO Group cannot fully separate itself from the economic situation in its respective markets. However, we can use our strong positions to continue to expand our market share. The global economic downturn is likely to deepen in 2009. The strong linkages between different economies in the course of advancing globalisation have meant that the economic downswing has hit nearly all markets simultaneously. We have responded appropriately and have revised downward our investment budget for 2009 and introduced cost-cutting measures early on. We expect the global economy to recover from 2010.

Planned changes in business policy

We will continue to rigorously pursue our successful business policy. The further development and adaptation of our sales formats and our assortments to regional particularities are continuous processes. The degree of development of the countries in which we operate differs substantially. At Metro Cash & Carry, we will continue to roll out delivery services in more mature markets to tap existing potential among our core customers from the gastronomy and retail sectors even better. In the case of our consumer electronics stores Media Markt and Saturn, we are working to dovetail our bricks-and-mortar locations with an innovative Internet presentation. We will expand the service component and offer additional services aside from delivery.

Efficiency- and value-enhancing programme "Shape 2012"

In January 2009, METRO Group launched a comprehensive efficiency- and value-enhancing programme called "Shape 2012". The aim of this programme is to secure the Group's long-term profitable growth. METRO Group's structures will be simplified to provide for a maximum of growth momentum and customer orientation. At the same time, costs will be cut substantially. The planned profit improvement potential through 2012 and beyond amounts to €1.5 billion, with cost cuts accounting for about half of the total. Productivity improvements and other profit-enhancing measures are to contribute the other half. The resulting profit improvement depends on macroeconomic developments in our sales markets.

The guiding principle of this change process is: as decentrally as possible, as centrally as necessary. The new structure will give employees more freedom to conduct operational business and will enable the sales divisions to address the ever-changing needs of their customers in a flexible, fast and autonomous way. At the same time, the areas that are critical to managing and controlling the Group will be increasingly centralised.

The "Shape 2012" programme has five pillars:

1. New management structure promotes market and customer centricity

In view of advanced internationalisation, operational decision-making authorities will become more decentralised. To this end, the country companies will be accorded greater responsibilities to enable them to fulfil their respective customers' requirements even better. To enhance its closeness to the market, Metro Cash & Carry will manage its operative activities largely out of the three regions of Western Europe, Eastern Europe and Asia.

2. Undivided responsibility for the sales divisions in the operational business

Metro Cash & Carry, Real, Media Markt and Saturn as well as Galeria Kaufhof will manage the entire supply chain from the supplier to the end customer. In the process, all sales divisions will be fully responsible for their operative business. Previously overarching functions such as procurement and logistics will be assigned to the sales divisions' sphere of responsibility.

3. Streamlined organisational structure for finance and compliance – strengthened human resources focus

The finance, controlling, audit and compliance areas will be centralised and managed directly by Group headquarters in Düsseldorf. METRO Group thus ensures a tight organisational structure that facilitates the Group's financial management and makes for more effective compliance and risk management across all corporate units. Human resources on the Management Board level will be strengthened to account for the continuously growing importance of manager selection and development.

4. Real estate portfolio as a profit centre

In future, the entire real estate property of METRO Group will be managed centrally as a profit centre by METRO Group Asset Management and from 2009 will be shown separately in segment reporting. Harmonised Group-wide asset management is supposed to ensure a proprietary contribution to the company's value creation. All sales divisions rent their locations at market conditions.

5. Strict management through central return targets

The tightened new management structures allow for an even greater focus on cost management and efficiency increases, particularly in overhead areas. Operative units that miss the return targets will be rigorously restructured or given up.

"Shape 2012" is designed to make METRO Group more transparent, even more customer-orientated, less complex and thus easier to manage efficiently. To this end, the two optimisation programmes that the sales divisions have already launched will be integrated into "Shape 2012".

Non-financial targets

Aside from financial targets, we also pursue non-financial, so-called "soft" targets. These include our customers' and employees' satisfaction, which we regularly measure in scientifically based surveys. We have defined numerous non-financial goals in the area of sustainability and published them in our sustainability report. They concern the areas of supply chain/products, environment, employees as well as society and social affairs.

Future sales markets

METRO Group currently operates in 32 countries in Europe, Asia and Africa. We want to continue to grow through additional locations in these markets. In addition, we are conducting feasibility studies to examine entry opportunities for METRO Group sales divisions in other countries. In general, the first segment in which we enter new markets is Metro Cash & Carry. Once this sales division has successfully established itself in the new market, synergies can be exploited for potential market entry by Real or Media Markt and Saturn. Whether Media Markt and Saturn will enter a new market depends on the market's maturity and potential rather than an automatic process. Metro Cash & Carry is currently preparing its market entry in Kazakhstan and Egypt.

Future use of new technologies and processes/future products and services

As a retailing group, we do not engage in proprietary research and development, but work closely with leading technology companies. In the area of RFID (Radio Frequency Identification), we are a development partner of industry and a key driver of the establishment of industry standards.

We offer cutting-edge technological developments and innovations in the context of our assortment. Our customers expect and reward our active and fast updating of our merchandise. Analyses of customer expectations allow us to respond to current developments in a timely manner and adapt our service offer to our customers' expectations.

Expected earnings situation: outlook for the sales divisions of METRO Group

Metro Cash & Carry

METRO Group's most international sales division will continue on its profitable growth course and plans to open about 40 more stores over the medium term. In particular, the sales division plans to accelerate its expansion in Asia. In view of persistently uncertain macroeconomic parameters and the reduced investment budget, about 20 new openings are foreseen for 2009. Accordingly and due to negative exchange rate effects, the growth rate will probably be lower than the past years' average of about 6 percent. Moreover, it can be assumed that declining positive price effects will dampen growth further compared to the financial year 2008.

Metro Cash & Carry operates stores on three continents under very diverse conditions. While the Western European markets are highly mature, the development cycle in Eastern Europe and Asia/Africa, in particular, is still in its early stages. We approach the challenges in our different markets with a new organisational structure. In the context of "Shape 2012", the country operations will be accorded greater responsibility to respond even better to the respective requirements of our professional customers by offering them regionally aligned concepts. To enhance its market centricity, Metro Cash & Carry will manage its operating activities primarily from the three regions of Western Europe, Eastern Europe and Asia. This allows us to establish long-term partnerships that will help Metro Cash & Carry bolster its long-term growth. In addition, our comprehensive cost-cutting measures and efficiency increases in the context of "Shape 2012" offer operational freedom at a solid profit level.

Real

Real made important progress in its turnaround programme in Germany in 2008. The restructuring will be continued under the "Shape 2012" initiative in the current financial year. The sharpening of the Real brand is a key component of the productivity enhancement programme. By raising the share of private labels from the current 12 percent to 20 percent to 25 percent over the medium term, the brand is to be anchored even more firmly in customers' minds. Expenses for the planned closure or divestment of loss-making locations in Germany in 2009 have already been included in the annual accounts for 2008, which leads us to expect noticeable positive earnings effects from these measures from 2010. We expect this planned closure or disposal of stores to dampen sales growth.

The targeted expansion of the hypermarket concept in Eastern Europe will continue. About 10 stores are scheduled to be opened here in the financial year 2009.

Media Markt and Saturn

Media Markt and Saturn are striving to strengthen their leading European market position. In the process of its expansion strategy, the sales division plans to open about 70 large-format stores a year. The difficult market environment has led us to cap the number of planned store openings in the current financial year at about 50 locations. Media Markt and Saturn will expand the range of services offered to strengthen customer loyalty through such offers as delivery and installation of electronic equipment and online offers to complement the bricks-and-mortar business.

Due to the lower number of new store openings and the particularly challenging economic environment in key markets for Media Markt and Saturn such as Spain and Italy, sales growth in 2009 will fall short of the previous years' level of more than 10 percent. However, the sales division still expects to grow markedly faster than its market.

Galeria Kaufhof

Building on a clear trading-up strategy, Galeria Kaufhof has made significant strides in its operating business over the past few years. Efforts to sharpen Galeria Kaufhof's market profile, in particular in textiles, through an expansion of its offer of internationally known brands and the promotion of proprietary, high-margin premium brands have been a key component of this strategy. In light of the deteriorating economic environment, we expect sales to decline slightly in 2009.

METRO Group

Sales

We maintain our medium-term forecast of over 6 percent sales growth per year at METRO Group level. Under consideration of the global economic downswing, the lower number of store openings and negative currency effects, we expect sales growth to fall significantly short of the medium-term target of more than 6 percent in the current financial year.

Earnings

Our strategy aims for long-term profitable growth, that is, disproportionately higher growth of earnings than sales. Our medium-term growth target for EBIT before special effects is more than 8 percent. The goal of our efficiency- and value-enhancing programme "Shape 2012" is to protect this growth over the long term. "Shape 2012" will unleash its positive earnings impact from 2010 and become fully effective from 2012.

The high level of uncertainty caused by recent difficult economic developments makes a precise profit-and-loss forecast for the financial year 2009 impossible at this point. Although we expect the anticipated weaker sales growth to also impact our earnings, the cost-cutting measures and investment cutbacks introduced so far are aimed at minimising the impact on EBIT before special items.

"Shape 2012" is likely to cause non-recurring expenses in 2009, which, however, cannot be quantified at this point.

Development of key items of the income statement

The structure of the income statement in 2009 will not deviate significantly from that of 2008. We expect "Shape 2012" to result in disproportionately low increases in expense items over the next few years. In addition, declining energy prices should provide substantial relief on the energy cost side in 2009. In particular, the "Shape 2012" measures will generate savings in selling expenses, general administrative expenses and other operating expenses.

Dividend

Ever since its establishment, METRO AG has disbursed an annual dividend. In the context of a dynamic dividend policy, the size of dividend payouts principally depends on the development of earnings per share before special items. METRO Group intends to continue to pay a competitive and attractive dividend in future.

Financial position

Financing measures

We have generated additional flexibility in the currently difficult capital market environment by issuing a 5-year €500 million bond in November 2008, a 6-year €1,000 million bond as well as a 5-year €156 million promissory note bond in February 2009. In combination with investment cutbacks in the financial year 2009, this means that, from today's vantage point, we have no long-term refinancing requirements until 2011. The redemption of a €750 million bond maturing in October 2009 is considered in current financial planning.

Investments

Our medium-term plans comprise annual investments of more than €2.2 billion for the modernisation of our network of locations and our international expansion. We will invest a maximum €1.6 billion in the financial year 2009. The number of new store openings in 2009 will fall markedly short of our medium-term expansion targets, which foresee about 40 new locations per year at the Metro Cash & Carry sales division, about 15 new stores at Real and about 70 at Media Markt and Saturn.

Cash development

Debt and liquidity developments at retailing companies are characterised by a high share of 4th-quarter sales in total annual sales. At the end of the year, we have above-average liquidity as well as higher trade liabilities. During the 1st quarter, both debt and liquidity return to a more normal level. The cost-cutting measures and investment cutbacks already introduced are designed to strengthen the Group's liquidity and reduce its net debt.

EVA

Value creation through profitable growth represents a key component of our strategy. We project another positive EVA result in 2009. However, compared with previous years, we expect the current economic developments to result in a lower increase in so-called delta EVA, the change of EVA between two periods.

Employees

With an average of more than 290,000 employees around the world, METRO Group is one of the world's major employers. Each year, METRO Group increases its workforce on average by 8,000 to 10,000 people. "Shape 2012" requires an adaptation of global personnel structures. In the process, METRO Group aims to realise any personnel reductions through natural turnover as far as possible.

We expect to continue to increase our workforce on balance over the next few years. METRO Group will maintain its recruitment and training approach and offer apprenticeships to more young people than we actually need.

Sustainability

Our sustainability report describes our objectives for improvement in the areas of supply chain/products, environment, employees as well as society and social affairs. We pursue the long-term goal of reducing our specific CO_2 emissions by 15 percent by 2015 from 406 kilogrammes per square metre of selling space in 2006. We will also continue to forge ahead with our global energy savings measures. An interim progress report will be published in May 2009.

Opportunities from changed parameters

Strategic business opportunities

Even a difficult environment harbours opportunities for METRO Group. Difficult parameters, in particular, enable us, as in the past, to exploit competitors' weaknesses and expand our market share. In addition, we expect further competitors to drop out of the market or reduce their business volume. We will examine to what extent specific cases offer us an opportunity to acquire businesses or individual locations.

Performance-related opportunities

Our increased customer orientation – partly through our "Shape 2012" programme – offers us an opportunity to markedly improve METRO Group business developments. The aim is to achieve €1.5 billion in earnings improvements by 2012 and beyond.

Opportunities through qualified employees and managers

Employee development produces opportunities. It will become increasingly difficult over the next few years to recruit qualified employees and managers. This is why we are intensifying our dialogue with universities and are introducing internship programmes, among other things, that comprise work in operating departments as well as overarching training events. Our managers receive training and further education at the "Metro Academy". In future, we will monitor the development of our key global management recruits on a centralised basis, with the Management Board deciding on their promotion. Building on these measures, we strive to retain qualified and motivated employees at METRO Group over the long term and tap the related potential.

Tax opportunities

Tax cuts have been passed in Germany and other European countries such as Spain and Italy. This trend will persist – particularly given the current economic environment – and can reduce METRO Group's tax burden.

Opportunities from stimulus programmes

Many governments have agreed on comprehensive stimulus programmes to revive their economies. Some of these measures aim to bolster personal incomes and could thus have a direct positive effect on consumption. Infrastructure projects, too, will indirectly benefit the retail trade as they improve the employment situation and thus consumers' disposable income. This means that, on the whole, the retail trade will suffer less from the recession than other sectors.

Overall statement on the expected course of METRO Group

We will continue on our profitable growth course and thus continue to expand our position as one of the leading international retailing groups. The impact of the global financial crisis on sales, procurement and refinancing markets is difficult to gauge. However, we must reckon with lower sales and earnings growth at METRO Group in 2009. Nonetheless, we feel well prepared for a deteriorating market environment with our price-aggressive sales brands Metro Cash & Carry and Media Markt and Saturn and with our new own-brand strategy at Real, which we believe will allow us to gain additional market share and lay the foundation for future earnings potential. In addition, with "Shape 2012", we have initiated a programme that markedly expands our sales divisions' operational freedom.

Overview

	2008	2009	Medium term
Investments (€ billion)	2.5	max. 1.6	>2.2
New openings			
Metro Cash & Carry	40	~20	~40
Real	14	~10	~15
Media Markt and Saturn	70	~50	~70
Sales growth (%)	5.8	Substantially below medium-term forecast	>6
Earnings growth (EBIT before special items) (%)	7.1	See statement p. 122	>8
Employees (average annual headcount)	290,940	→	↗

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Income statement for the financial year from 1 January to 31 December 2008

€ million	Note no.	2008	2007[1]
Net sales	1	**67,956**	**64,210**
Cost of sales		(53,636)	(50,810)
Gross profit on sales		**14,320**	**13,400**
Other operating income	2	1,518	1,554
Selling expenses	3	(12,332)	(11,443)
General administrative expenses	4	(1,426)	(1,352)
Other operating expenses	5	(92)	(81)
Earnings before interest and taxes (EBIT)		**1,988**	**2,078**
Result from associated companies	6	0	0
Other investment result	7	14	11
Interest income	8	196	185
Interest expenses	8	(682)	(676)
Other financial result	9	(101)	(37)
Net financial result		**(573)**	**(517)**
Earnings before taxes (EBT)		**1,415**	**1,561**
Income taxes	11	(426)	(560)
Income from continuing operations		**989**	**1,001**
Income from discontinued operations after taxes	43	(429)	(18)
Net profit for the period		**560**	**983**
Profit attributable to minority interests	12	157	158
from continuing operations		[157]	[158]
from discontinued operations		[0]	[0]
Profit attributable to shareholders of METRO AG		403	825
from continuing operations		[832]	[843]
from discontinued operations		[(429)]	[(18)]
Earnings per share in €	13	**1.23**	**2.52**
from continuing operations		[2.54]	[2.58]
from discontinued operations		[(1.31)]	[(0.06)]

[1] Adjustment of previous year's figures due to discontinued operations as well as changed sales definitions (see notes to the Group accounting principles and methods in the notes to the consolidated financial statements)

Balance sheet
as of 31 December 2008

ASSETS € million	Note no.	As of 31 Dec 2008	As of 31 Dec 2007
Non-current assets		**18,808**	**18,882**
Goodwill	18, 19	3,960	4,328
Other intangible assets	18, 20	552	515
Tangible assets	18, 21	12,524	12,332
Investment properties	18, 22	133	116
Financial assets	18, 23	144	152
Other receivables and assets	24	450	490
Deferred tax assets	25	1,045	949
Current assets		**15,017**	**14,990**
Inventories	26	7,001	7,328
Trade receivables	27	446	508
Financial assets		8	28
Other receivables and assets	24	3,132	3,076
Entitlements to income tax refunds		326	275
Cash and cash equivalents	30	3,874	3,433
Assets held for sale	31, 43	230	342
		33,825	**33,872**

LIABILITIES € million	Note no.	As of 31 Dec 2008	As of 31 Dec 2007
Equity	32	**6,074**	**6,509**
Share capital		835	835
Capital reserve		2,544	2,544
Reserves retained from earnings		2,441	2,876
Minority interests		254	254
Non-current liabilities		**7,369**	**7,357**
Provisions for pensions and similar commitments	33	964	973
Other provisions	34	533	524
Financial liabilities	35, 37	5,031	5,030
Other liabilities	35, 38	620	647
Deferred tax liabilities	25	221	183
Current liabilities		**20,382**	**20,006**
Trade liabilities	35, 36	13,839	14,088
Provisions	34	522	576
Financial liabilities	35, 37	3,448	2,708
Other liabilities	35, 38	2,161	2,267
Income tax liabilities	35	266	337
Liabilities related to assets held for sale	31, 43	146	30
		33,825	**33,872**

Statement of changes in equity[1]

€ million	Share capital	Capital reserve	Reserves retained from earnings	Total	Minority interests	Total equity
1 Jan 2007	**835**	**2,544**	**2,454**	**5,833**	**217**	**6,050**
Net profit for the period	0	0	825	825	158	983
Profit distribution	0	0	(366)	(366)	(128)	(494)
Remeasurement IAS 39	0	0	9	9	0	9
Currency translation	0	0	(46)	(46)	(1)	(47)
Other	0	0	0	0	8	8
31 Dec 2007/1 Jan 2008	**835**	**2,544**	**2,876**	**6,255**	**254**	**6,509**
Net profit for the period	0	0	403	403	157	560
Profit distribution	0	0	(386)	(386)	(144)	(530)
Remeasurement IAS 39	0	0	(31)	(31)	0	(31)
Currency translation	0	0	(421)	(421)	(13)	(434)
Other	0	0	0	0	0	0
31 Dec 2008	**835**	**2,544**	**2,441**	**5,820**	**254**	**6,074**

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

Cash flow statement[1]

€ million	2008	2007[2]
EBIT	1,988	2,078
Depreciation of tangible and other intangible assets	1,352	1,265
Change in provisions for pensions and other provisions	87	(157)
Change in net working capital	294	854
Income taxes paid	(640)	(523)
Other	(444)	(359)
Cash flow from operating activities of continuing operations	**2,637**	**3,158**
Cash flow from operating activities of discontinued operations	14	30
Total cash flow from operating activities	**2,651**	**3,188**
First-time consolidation of Wal-Mart	0	186
Company acquisitions	(7)	0
Investments in tangible assets (excl. finance leases)	(2,281)	(1,821)
Other investments	(246)	(288)
Divestment of Extra	467	17
Disposal of fixed assets	339	687
Cash flow from investing activities of continuing operations	**(1,728)**	**(1,219)**
Cash flow from investing activities of discontinued operations	(12)	(48)
Total cash flow from investing activities	**(1,740)**	**(1,267)**
Profit distribution		
to METRO AG shareholders	(386)	(366)
to other shareholders	(144)	(128)
Raising of financial liabilities	2,891	1,482
Redemption/repayment of financial liabilities	(2,128)	(1,727)
Interest paid	(655)	(651)
Interest received	207	175
Profit and loss transfers and other financing activities	(140)	(18)
Cash outflow from financing of discontinued operations	(40)	0
Cash flow from financing activities of continuing operations	**(395)**	**(1,233)**
Cash flow from financing activities of discontinued operations	(9)	22
Total cash flow from financing activities	**(404)**	**(1,211)**
Total cash flows	**507**	**710**
Exchange rate effects on cash and cash equivalents	(51)	1
Total change in cash and cash equivalents	**456**	**711**
Total cash and cash equivalents on 1 January	3,443	2,732
Total cash and cash equivalents on 31 December	3,899	3,443
Less cash and cash equivalents from discontinued operations as at 31 December	25	35
Cash and cash equivalents from continuing operations as at 31 December	**3,874**	**3,408**

[1] The cash flow statement is explained in the notes in no. 41
[2] Adjustment of previous year's figures due to discontinued operations as well as changed sales definitions (see notes to the Group accounting principles and methods in the notes to the consolidated financial statements)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Segment reporting[1, 2]

Primary segments (divisions)

	Metro Cash & Carry		Real		Media Markt and Saturn	
€ million	2008	2007	2008	2007	2008	2007
External sales (net)	33,143	31,698	11,636	11,003	18,993	17,444
Internal sales (net)	6	4	1	1	2	11
Total sales (net)	33,149	31,702	11,637	11,004	18,995	17,455
EBITDA	1,728	1,631	(11)	160	839	818
Depreciation/amortisation	400	388	192	176	236	208
EBIT	1,328	1,243	(203)	(16)	603	610
Investments	979	859	415	345	411	463
Segment assets	13,156	13,273	5,247	4,957	6,893	6,893
Segment liabilities	6,661	6,809	2,760	2,301	6,399	6,262
Employees at closing date (full-time equivalents)	113,414	109,437	58,856	55,509	57,158	53,928
Selling space (in 1,000 sqm)	5,176	4,875	3,148	3,103	2,439	2,213
Locations (number)	655	615	439	434	768	702

Secondary segments (regions)

	Germany		Western Europe excl. Germany		Eastern Europe	
€ million	2008	2007	2008	2007	2008	2007
External sales (net)	26,666	26,133	20,993	20,532	18,084	15,680
Internal sales (net)	15	9	4	2	1	0
Total sales (net)	26,681	26,142	20,997	20,534	18,085	15,680
EBITDA	1,094	1,231	912	1,042	1,345	1,073
Depreciation/amortisation	701	661	304	303	317	268
EBIT	393	570	608	739	1,028	805
Investments	791	696	424	493	1,090	859
Segment assets	13,024	13,099	11,058	10,653	8,078	7,932
Segment liabilities	8,183	8,022	5,626	5,943	4,059	4,132
Employees at closing date (full-time equivalents)	104,049	101,028	55,083	54,577	90,491	80,870
Selling space (in 1,000 sqm)	6,093	6,051	2,914	2,794	2,876	2,503
Locations (number)	1,152	1,152	577	541	401	345

[1] The segment reporting is explained in no. 42
[2] Adjustment of previous year's figures due to discontinued operations as well as changed sales definitions (see notes to the Group accounting principles and methods in the notes to the consolidated financial statements)

				Continuing operations			
Galeria Kaufhof		Other companies/ consolidation		METRO Group		Discontinued operations	
2008	2007	2008	2007	2008	2007	2008	2007
3,516	3,556	668	509	67,956	64,210	1,196	2,069
6	14	(15)	(30)	0	0	0	0
3,522	3,570	653	479	67,956	64,210	1,196	2,069
217	211	567	523	3,340	3,343	(16)	17
104	104	420	389	1,352	1,265	325	35
113	107	147	134	1,988	2,078	(341)	(18)
124	107	551	380	2,480	2,154	15	40
1,629	1,586	826	918	27,751	27,627	82	818
1,283	1,280	751	1,475	17,854	18,127	80	97
19,875	19,838	16,671	12,679	265,974	251,391	3,366	9,985
1,490	1,486	97	102	12,350	11,779	293	738
141	141	192	205	2,195	2,097	120	372

				Continuing operations			
Asia/Africa		Consolidation		METRO Group		Discontinued operations	
2008	2007	2008	2007	2008	2007	2008	2007
2,213	1,865	0	0	67,956	64,210	1,196	2,069
774	728	(794)	(739)	0	0	0	0
2,987	2,593	(794)	(739)	67,956	64,210	1,196	2,069
(3)	(5)	(8)	2	3,340	3,343	(16)	17
30	33	0	0	1,352	1,265	325	35
(33)	(38)	(8)	2	1,988	2,078	(341)	(18)
175	106	0	0	2,480	2,154	15	40
1,256	1,009	(5,665)	(5,066)	27,751	27,627	82	818
616	502	(630)	(472)	17,854	18,127	80	97
16,351	14,916	0	0	265,974	251,391	3,366	9,985
467	431	0	0	12,350	11,779	293	738
65	59	0	0	2,195	2,097	120	372

Notes to the Group accounting principles and methods

Accounting principles

METRO AG's consolidated financial statements as of 31 December 2008 were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London. They comply with all mandatorily applicable accounting standards and interpretations adopted by the European Union as of this date. Compliance with these standards and interpretations ensures a true and fair view of the asset, financial and earnings situation of METRO AG.

The consolidated financial statements in their present form comply with the stipulations of § 315a 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 form the legal basis for group accounting according to international standards in Germany.

These financial statements are based on the historical cost principle except for financial instruments recognised at fair value and assets and liabilities that are recognised at fair value as hedged items within a fair value hedge. Furthermore, non-current assets held for sale and disposal groups are recognised at fair value minus disposal costs as long as this value is lower than the carrying amount. In addition, liabilities from cash-settled share-based remuneration are recognised at fair value.

The income statement has been prepared using the cost of sales method.

Certain items in the income statement and the balance sheet have been combined to increase transparency and informative value. These items are listed separately and described in detail in the notes.

The consolidated financial statements have been prepared in euros. All amounts are stated in millions of euros (€ million) unless otherwise indicated. Amounts below €0.5 million are rounded and reported as 0.

The following accounting methods were used in the preparation of the consolidated financial statements.

Application of new accounting methods

Revised and new accounting regulations

The revised and supplemented accounting standards and interpretations as well as those newly issued by the IASB, the application of which was mandatory for METRO AG in the financial year 2008, were applied for the first time to the present consolidated financial statements:

IAS 39 (Financial Instruments: Recognition and Measurement) and IFRS 7 (Financial Instruments: Disclosures): Amendments: Reclassification of Financial Assets

In exceptional cases, certain non-derivative financial instruments classified as "held for trading" within the "fair value through profit or loss" category may be reclassified from the "fair value through profit or loss" category to another IAS 39 measurement category. In addition, financial instruments that meet the definition of "loans and receivables" but have been classified as "held for trading" or "available for sale" may be reclassified to the category "loans and receivables". The financial instrument is recognised at its fair value at the time of reclassification. In addition, IFRS 7 requires comprehensive information on the reasons for reclassification and the fair value at the time of reclassification.

The application of the revised IAS 39 and IFRS 7 had no effect on the consolidated financial statements of METRO AG.

IFRIC 11 (IFRS 2 – Group and Treasury Share Transactions)

IFRIC 11 provides guidance on applying IFRS 2 (Share-based Payment) in three cases:

Share-based payments in which a company receives goods or services as consideration for its own equity instruments must be treated by the company as equity-settled share-based payment transactions. This applies regardless of whether the company chooses to or is required to settle the share-based payment obligation through purchase of its own equity instruments. The same accounting treatment applies regardless of whether the company itself or the shareholder granted the rights to the company's treasury shares, and regardless of which of the named parties meets the share-based payment obligations.

If a parent company grants rights to its own equity instruments to employees of a subsidiary, the subsidiary is required to apply the regulations of IFRS 2 governing equity-settled share-based payment transactions assuming that these are already applied in the consolidated financial statements. The subsidiary must recognise the resulting increase in equity as a contribution from the parent.

On the other hand, if a subsidiary grants rights to its parent company's own equity instruments to its employees, the subsidiary is required to recognise the transaction as a cash-settled share-based payment transaction in accordance with IFRS 2, regardless of how the equity instruments to fulfil the subsidiary's obligations towards its employees were obtained.

The application of IFRIC 11 had no effect on the consolidated financial statements of METRO AG.

IFRIC 14 (IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction)
IFRIC 14 provides general guidelines for determining the upper limit of the surplus amount of a pension fund which can be recognised as an asset in accordance with IAS 19 (Employee Benefits). The interpretation also explains how the valuation of assets or liabilities of defined-benefit plans may be affected when there is a statutory or contractual minimum funding requirement.

The application of IFRIC 14 had no effect on the consolidated financial statements of METRO AG.

A number of other accounting standards and interpretations were newly adopted or revised by the IASB that will be binding from 1 January 2009 at the earliest, insofar as they are approved by the EU Commission and relevant to METRO AG:

Standard/ Interpretation	Title	Application at METRO AG from	Approved by EU[1]
IFRS 1	First-time Adoption of International Financial Reporting Standards (Revised)	1 Jan 2009	No
IFRS 1	First-time Adoption of International Financial Reporting Standards (Amendments: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate)	1 Jan 2009	No
IFRS 2	Share-based Payment (Amendment: Vesting Conditions and Cancellations)	1 Jan 2009	Yes
IFRS 3	Business Combinations (Revised)	1 Jan 2010	No
IFRS 8	Operating Segments	1 Jan 2009	Yes
IAS 1	Presentation of Financial Statements (Amendments: A Revised Presentation)	1 Jan 2009	Yes
IAS 1	Presentation of Financial Statements (Amendments: Puttable Financial Instruments and Obligations Arising on Liquidation)	1 Jan 2009	No
IAS 23	Borrowing Costs (Amendment)	1 Jan 2009	Yes
IAS 27	Consolidated and Separate Financial Statements (Amendments: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate)	1 Jan 2009	No
IAS 27	Consolidated and Separate Financial Statements (Amendments)	1 Jan 2010	No
IAS 32	Financial Instruments: Presentation (Amendments: Puttable Financial Instruments and Obligations Arising on Liquidation)	1 Jan 2009	No
IAS 39	Financial Instruments: Recognition and Measurement (Amendment: Eligible Hedged Items)	1 Jan 2010	No
IFRIC 12	Service Concession Arrangements	1 Jan 2009[2]	No
IFRIC 13	Customer Loyalty Programmes	1 Jan 2009	Yes
IFRIC 15	Agreements for the Construction of Real Estate	1 Jan 2009	No
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 Jan 2009	No
IFRIC 17	Distributions of Non-cash Assets to Owners	1 Jan 2010	No

[1] As of 31 December 2008
[2] No application in 2008 as not yet endorsed by EU

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.

As a result of the application of IFRS 8 from 1 January 2009, all real estate assets of METRO Group are reported as a separate segment. A large share of the real estate assets of METRO Group is rented out within the Group at market conditions. Real estate assets were previously reported both in the operating segments and under other companies/consolidation. Aside from disclosure of a separate real estate segment, the first-time application of IFRS 8 will have no material impact on segment reporting.

Changed disclosures

Starting in the financial year 2008, provisions and similar revenues resulting from customer transactions are recognised in sales. These revenues have been retroactively reclassified and reported with no effect on net profit. For 2007, the adjustment of the previous year's figures affects €331 million in Group sales, including primarily €322 million in segment sales at Media Markt and Saturn.

Furthermore, the redefinition of functional areas in the income statement resulted in a reclassification of administrative expenses as cost of sales and selling expenses. To ensure comparability, the previous year's figures have been adjusted. As a result, administrative expenses declined by €20 million, while the cost of sales and selling expenses rose by €9 million and €11 million respectively.

Additional reclassifications were undertaken within individual items on the balance sheet and the income statement. Those with a material effect are explained separately in the notes.

Consolidation group

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 Articles of Association, company contract or contractual agreement. These include 669 German (previous year: 674) and 558 international (previous year: 524) subsidiaries controlled by METRO AG in accordance with IAS 27 (Consolidated and Separate Financial Statements) in conjuction with SIC 12 (Consolidation – Special Purpose Entities).

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

As of 1 January 2008	1,199
Changes in financial year 2008:	
Companies merged with other consolidated subsidiaries	(38)
Disposal of shareholdings	(1)
Other disposals	(7)
Newly founded companies	73
Other first-time consolidations	2
As of 31 December 2008	**1,228**

Additions from newly founded companies (73 companies) are due mainly to the expansion of Media Markt and Saturn.

Inasmuch as they are of particular significance, effects from changes in the consolidation group are explained in detail in the respective balance sheet items.

3 associated companies (previous year: 3) and 4 joint ventures (previous year: 3) were valued according to the equity method. A total of 11 companies (previous year: 10) in which METRO AG holds between 20 and 50 percent of the voting rights were valued at cost because they did not qualify as associated companies or because materiality considerations made the use of the equity method unnecessary.

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 in no. 56.

Consolidation principles

The financial statements of German and foreign subsidiaries included in the consolidated accounts are prepared using uniform accounting and valuation 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 accomplished using the purchase method. For business combinations that took place prior to 1 January 2004, pursuant to IAS 22 (Business Combinations), capital consolidation was effected by offsetting the carrying amounts of the investments against the revalued pro rata equity of the subsidiaries as of their acquisition dates. 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 from 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 written down to the lower recoverable amount if applicable . 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 review during the period in which the business combination took place are amortised to income. As a rule, retroactive purchase price adjustments implemented after the first-time consolidation are reported as equity with no effect on the net profit.

Investments accounted for under the equity method are treated in accordance with the principles applying to full consolidation, with existing 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 write-ups or write-downs to shares in consolidated subsidiaries carried in the individual financial statements have been reversed.

Intragroup profits and losses are eliminated. Sales revenues, expenses and income as well as receivables and liabilities and/or provisions existing among consolidated subsidiaries are consolidated. Interim results in fixed assets or inventories resulting from intragroup transactions are 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 valued at the rate prevailing on the transaction date. Exchange rate fluctuations up to the closing date are taken into account in the valuation of receivables and payables in foreign currency. The resulting gains and losses are recognised in income. Currency translation differences from receivables and payables in foreign currency, which must be regarded as a net investment in a foreign business operation, are reported as reserves retained from earnings with no effect on net profit.

The annual 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 converted 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 2008, no functional currency of a consolidated company was classified as hyperinflationary as defined by IAS 29 (Financial Reporting in Hyperinflationary Economies).

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 €	
		2008	2007	31 Dec 2008	31 Dec 2007
Bosnian mark	BAM	1.95583	1.95583	1.95583	1.95583
Bulgarian lev	BGN	1.95583	1.95583	1.95583	1.95583
Chinese renminbi	CNY	10.22478	10.41774	9.49560	10.75240
Croatian kuna	HRK	7.22507	7.33773	7.35550	7.33080
Czech koruna	CZK	24.97028	27.75563	26.87500	26.62800
Danish krone	DKK	7.45596	7.45076	7.45060	7.45830
Egyptian pound	EGP	7.99790	7.73539	7.66556	8.08020
Hong Kong dollar	HKD	11.45292	10.69197	10.78580	11.48000
Hungarian forint	HUF	251.81423	251.31537	266.70000	253.73000
Indian rupee	INR	63.54301	56.38424	67.76650	57.53550
Japanese yen	JPY	152.29292	161.26271	126.14000	164.93000
Kazakh tenge	KZT	176.92040	167.80759	170.89000	176.26500
Moldovan leu	MDL	15.22707	16.58439	14.74080	16.25590
Moroccan dirham	MAD	11.34761	11.22101	11.26080	11.35420
Pakistani rupee	PKR	103.63797	83.21676	111.46560	91.20820
Polish zloty	PLN	3.51616	3.78268	4.15350	3.59350
Pound sterling	GBP	0.79671	0.68472	0.95250	0.73335
New Romanian leu	RON	3.68428	3.33687	4.02250	3.60770
Russian rouble	RUB	36.43811	35.01712	41.28300	35.98600
Serbian dinar	RSD	81.43360	79.97668	88.60100	79.23620
Singapore dollar	SGD	2.07626	2.06317	2.00400	2.11630
Slovak koruna	SKK	31.27759	33.77387	30.12600	33.58300
Swedish krona	SEK	9.62255	9.25072	10.87000	9.44150
Swiss franc	CHF	1.58681	1.64275	1.48500	1.65470
New Turkish lira	TRY	1.90775	1.78636	2.14880	1.71700
Ukrainian hryvnia	UAH	7.71252	6.91900	10.85546	7.41946
US dollar	USD	1.47062	1.37065	1.39170	1.47210
Vietnamese dong	VND	24,040.01000	22,043.14000	23,905.31000	23,142.93000

Income statement

Recognition of income and expenses

In accordance with IAS 18 (Revenue), **net sales** and **other operating income** are reported immediately upon rendering of the service or delivery of the goods or merchandise and hence upon transfer of the risk to the customer. Net sales are shown after deduction of rebates and discounts.

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 income or expenses on an accrual basis using the effective interest method where applicable.

Income taxes

Income taxes concern direct taxes on income and deferred taxes.

Balance sheet

Intangible assets

In accordance with IFRS 3, **goodwill** will be capitalised and tested for impairment regularly once a year, or more frequently if changes in circumstances indicate a possible impairment. If applicable, it will be written down on an unscheduled basis. 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). In accordance with IAS 36 (Impairment of Assets), a CGU is defined as the smallest identifiable group of assets that generates cash inflows largely independently from the cash inflows of other assets or other groups of assets. For METRO Group, this applies to the organisation unit "sales division per country". To determine a possible impairment, the recoverable amount of a CGU is compared to the respective carrying amount of the CGU. An impairment of the goodwill allocated to a CGU applies only if the recoverable amount is lower than the carrying amount.

Purchased other intangible assets are recognised at cost of purchase. **Internally generated intangible assets** are capitalised at cost of manufacture for their development if the capitalisation criteria of IAS 38 (Intangible Assets) are met. The cost of manufacture includes all expenditure directly attributed to the manufacture process. These may include the following costs:

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

No external capital costs are included in the determination of manufacturing costs. Research costs are not capitalised, but immediately recognised as expenses. Capitalised internally generated software – in line with purchased software – is amortised on a straight-line basis over a period of 3 to 5 years based on its **limited economically useful life**; licences are amortised over the terms of the respective agreements. The above-mentioned intangible assets are examined for indications of impairment at each closing date. Irrespective of any indications of impairment, software that is not yet ready to use is tested for impairment once a year. Non-scheduled amortisation is effected 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 optional new measurement method under IAS 16 (Property, Plant and Equipment) is not applied. The manufacturing cost of internally generated assets includes both direct costs and appropriate portions of attributable overhead. Financing costs are not capitalised as an element of purchase or manufacturing costs. **Investment allowances** received and non-earmarked investment grants are offset against the purchase or manufacturing cost of the corresponding asset. **Reinstatement obligations** are included in the cost at the discounted settlement value. 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

The assets will be written down using a non-scheduled depreciation if there are any indications of impairment and if the recoverable amount is below the amortised cost. The assets are written back if the reasons for non-scheduled depreciation have ceased to exist.

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 attributable to METRO Group companies, the leased asset is capitalised at fair value or at the lower present value of the minimum 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 the latter is shorter. However, if it is sufficiently certain that ownership of the leased asset will be transferred to the lessee when the term of the lease ends, the asset is depreciated over its useful life. Payment obligations resulting from the future lease payments are carried as liabilities.

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. Measurement at fair value through profit or loss does not apply. Scheduled depreciation of investment properties is effected over a useful life of 15 to 33 years. Furthermore, 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 (Investments in Associates) or joint ventures under IAS 31 (Interests in Joint Ventures) are recognised in accordance with IAS 39 (Financial Instruments: Recognition and Measurement). 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 reporting period. If the fair value of these financial assets can be reliably determined in subsequent periods, they are recognised at fair value. 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 to maturity", "available for sale" and "fair value through profit or loss". The category "fair value through profit or loss" comprises all financial assets classified as "held for trading" as the value option of IAS 39 is not applied within METRO Group. This is underscored by the fact that the entire category is described as "held for trading" in the notes to the consolidated financial statements. **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 at fair value through profit or loss.

Fluctuations in the value of "available-for-sale financial assets" are recognised in equity without being reported as a profit or loss – taking account of deferred taxes where applicable. The amounts recognised without being reported as a profit or loss 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

In accordance with IAS 2 (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 method. 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 out 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 net of transaction costs, for the first recognition period. Where the fair values of these financial instruments can 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 also 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 reporting year as well as prior years. They are determined in compliance with the tax laws of the respective business country.

Cash and cash equivalents
Cash and cash equivalents comprise cheques, cash on hand as well as bank deposits with a term of up to 3 months 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 obligations determined and the actual net present value are, based on the exercise of a measurement option, recognised only if they fall outside of a range of 10 percent of the obligation (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 corridor method accounts for the fact that actuarial gains and losses may offset each other over the long term. As an alternative to the described corridor method, IAS 19 permits any systematic method that results in faster amortisation of actuarial gains and losses. It is also possible to opt for immediate disclosure with or without reporting as a profit or loss. As a result, actuarial gains and losses would fully impact provisions and the income statement as well as equity and thus entail a high degree of volatility. The interest element of the transfer to the provision contained in the expenditure for pensions is shown as interest paid under the financial result. **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 exist that are based on past business transactions or events and will probably result in an outflow of financial funds that can be reliably determined. The probability of occurrence must exceed 50 percent. The provisions 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 probability 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.

Provisions for guarantees are formed based on past capitalised guarantees and sales during the financial year.

Long-term provisions, for example 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 as the fair value option is not applied within METRO Group. 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 minimum 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 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 (Provisions, Contingent Liabilities and Contingent Assets), 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 fair value 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 measurement methods. 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 without being reported as a profit or loss 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 and immediately reported as a profit or loss.

Accounting for share-based remuneration

The share bonuses granted under the **share-based remuneration system** are classified as cash-settled share-based remuneration. Proportionate provisions measured at the fair value of the obligations entered are formed for these payments. The proportionate formation of the provisions is pro-rated 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 fair value 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 without being reported as a profit or loss.

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

In accordance with IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations), a **non-current asset** is classified as "held for sale" if the respective carrying amount is to be realised above all through a sale rather than through continued utilisation. A sale must be planned and realisable within the subsequent 12 months. 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.

Summary of chosen measurement methods

Item	Measurement method
ASSETS	
Goodwill	At cost (subsequent measurement: impairment test)
Other intangible assets	
Acquired other intangible assets	At (amortised) cost
Internally generated intangible assets	At cost of development (direct costs and overheads)
Tangible assets	At (amortised) cost
Investment properties	At (amortised) cost
Financial assets	
"Loans and receivables"	At (amortised) cost
"held to maturity"	At (amortised) cost
"held for trading"	At fair value through profit or loss
"available for sale"	At fair value without being reported as a profit or loss
Inventories	Lower of cost and net realisable value
Trade receivables	At (amortised) cost
Cash and cash equivalents	At nominal value
Assets held for sale	Lower of carrying amount and fair value less cost to sell
LIABILITIES	
Provisions	
Pension provisions	Projected unit credit method
Other provisions	At settlement value (highest probability of occurrence)
Financial liabilities	At (amortised) cost
Other liabilities	At settlement value
Trade liabilities	At (amortised) cost

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 (for example, for restructurings, pensions or location risks) and the feasibility of future tax savings, in particular from loss carry-forwards. In addition, assumptions and estimates concern above all 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). 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 the METRO Group rating can be found in the Group management report in the "Financial management" section.

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

Equity amounted to €6,074 million (previous year: €6,509 million), while debt capital reached €27,751 million (previous year: €27,363 million). Net balance sheet debt rose to €4,600 million from €4,300 million a year earlier.

€ million	31 Dec 2008	31 Dec 2007
Equity	**6,074**	**6,509**
Debt capital	**27,751**	**27,363**
Net debt	**4,600**	**4,300**
Financial liabilities (incl. finance leases)	8,479	7,738
Cash and cash equivalents	3,874	3,433
Term deposits › 3 months ‹ 1 year	5	5

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 and a fixed equity ratio.

Notes on business combinations

No material business combinations requiring disclosure in the meaning of IFRS 3.66 et seqq. were implemented during the past financial year. Additional details on the development of METRO Group's consolidation group are included in the explanations on accounting principles and methods.

Notes to the consolidated income statement

1. Sales

Breakdown of (net) sales:

€ million	2008	2007
Metro Cash & Carry	33,143	31,698
Real	11,636	11,003
Media Markt and Saturn	18,993	17,444
Galeria Kaufhof	3,516	3,556
Other companies[1]	668	509
	67,956	**64,210**

[1] The sales listed under other companies were mainly generated by the Dinea group at €203 million (previous year: €212 million), MGB METRO Group Buying at €299 million (previous year: €222 million) and MGL METRO Group Logistics Warehousing at €158 million (previous year: €65 million including METRO Fruit & Vegetable)

A total of €41.3 billion (previous year: €38.1 billion) in sales 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	2008	2007
Rents	513	504
Services/cost refunds	344	337
Services rendered to suppliers	225	177
Gains from the disposal of fixed assets and from write-ups	117	241
Central A/P clearing for sales divisions	61	60
Income from construction services	37	18
Income from damages and indemnities	15	19
Income from sale-and-lease-back transactions	9	5
Commissions	4	5
Other	193	188
	1,518	**1,554**

The decrease in other operating income is primarily attributable to significantly lower income from the disposal of fixed assets, which was not fully offset by higher income from rents, services/cost refunds, services and construction services.

As a large share of the Wal-Mart properties was used to finance the restructuring of the Wal-Mart Germany group, which had been acquired in 2006, the previous year's gains from the disposal of fixed assets were disproportionately high.

Other operating income comprises, among other items, income from canteen revenues, income from the derecognition of statute-barred liabilities, revenues from recycling, public aid, other reimbursements and a multitude of additional items.

3. Selling expenses

€ million	2008	2007
Personnel expenses	5,819	5,440
Cost of materials	6,513	6,003
	12,332	**11,443**

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 one-time effects related to the streamlining of the Real store network as agreed in 2008.

The cost of materials primarily consists of expense for advertising, rent, depreciation and building costs (energy, maintenance, etc.).

4. General administrative expenses

€ million	2008	2007
Personnel expenses	733	741
Cost of materials	693	611
	1,426	**1,352**

The reduction in personnel expenses results mostly from the decline in bonus payments compared to a year earlier.

Aside from higher depreciation due to investments made, the increase in the cost of materials is attributable to higher IT, licence, leasing, consulting, insurance and other tax expenses, among other things.

5. Other operating expenses

€ million	2008	2007
Expenses for construction activities	33	15
Losses from the disposal of fixed assets	26	25
Other	33	41
	92	**81**

Higher expenses for construction services are offset by higher income from construction services (€37 million, previous year: €18 million).

Losses from the disposal of fixed assets apply to the Metro Cash & Carry, Media Markt and Saturn, Real and real estate areas.

The other operating expenses comprise €12 million for the transfer of freight rates and advertising services to former subsidiaries and a multitude of individual circumstances.

6. Result from associated companies

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

7. Other investment result

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

8. Interest income/interest expenses

Net interest income can be broken down as follows:

€ million	2008	2007
Interest income	196	185
thereof finance leases	[2]	[0]
thereof pension provisions	[46]	[52]
thereof financial instruments of the IAS 39 measurement categories:		
loans and receivables including cash and cash equivalents	116	102
held to maturity	[0]	[0]
held for trading incl. derivatives within hedges in accordance with IAS 39	[9]	[0]
available for sale	[0]	[0]
Interest expenses	(682)	(676)
thereof finance leases	[(108)]	[(125)]
thereof pension provisions	[(97)]	[(96)]
thereof financial instruments of the IAS 39 measurement categories:		
held for trading incl. derivatives within hedges in accordance with IAS 39	[(17)]	[(10)]
other financial liabilities	[(399)]	[(384)]
	(486)	**(491)**

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	2008	2007
Other financial income	656	186
thereof currency effects	[445]	[163]
thereof hedging transactions	[202]	[20]
Other financial expenses	(757)	(223)
thereof currency effects	[(619)]	[(170)]
thereof hedging transactions	[(113)]	[(35)]
Other financial result	**(101)**	**(37)**
thereof financial instruments of IAS 39 measurement categories:		
loans and receivables including cash and cash equivalents	[(89)]	[(19)]
held to maturity	[0]	[0]
held for trading	[88]	[(14)]
available for sale	[0]	[0]
other financial liabilities	[(89)]	[(2)]
thereof fair value hedges:		
underlying transactions	[(19)]	[(6)]
hedging transactions	[19]	[6]
thereof cash flow hedges:		
ineffectiveness	[2]	[(1)]

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 €-85 million (previous year: €-22 million) and stems mostly from foreign currency financing in Poland, Romania, Ukraine and Russia. Because of weaker currencies, this was reassessed at the end of the year. In 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 categories

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

2008 € million	Investments	Interest	Fair value measurements	Currency translation	Disposals	Impairment	Other	Net result 2008
Loans and receivables including cash and cash equivalents	0	116	0	(91)	6	(63)	1	(31)
Held to maturity	0	0	0	0	0	0	0	0
Held for trading including derivatives within hedges in accordance with IAS 39	0	(8)	90	0	0	0	0	82
Available for sale	14	0	0	0	0	0	0	14
Other financial liabilities	0	(399)	0	(83)	6	0	(5)	(481)
	14	**(291)**	**90**	**(174)**	**12**	**(63)**	**(4)**	**(416)**

2007 € million	Investments	Interest	Fair value measurements	Currency translation	Disposals	Impairment	Other	Net result 2007
Loans and receivables including cash and cash equivalents	0	102	0	(18)	(1)	(58)	0	25
Held to maturity	0	0	0	0	0	0	0	0
Held for trading including derivatives within hedges in accordance with IAS 39	0	(10)	(15)	0	0	0	0	(25)
Available for sale	11	0	0	0	0	0	0	11
Other financial liabilities	0	(384)	0	11	5	0	(14)	(382)
	11	**(292)**	**(15)**	**(7)**	**4**	**(58)**	**(14)**	**(371)**

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 investment 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 "Impairments 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. As a result of the reform of corporate taxation in Germany, the German companies of METRO Group have since 2008 been subject to an average tax rate of 14.70 percent of business income. The corporate income tax amounts to 15.00 percent, plus a 5.50 percent solidarity surcharge on corporate income tax. The aggregate tax rate is 30.53 percent (previous year: 39.15 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	2008	2007
Taxes paid or due	552	576
thereof in Germany	(154)	(158)
thereof international	(398)	(418)
Deferred taxes	(126)	(16)
thereof in Germany	((127))	(23)
thereof international	(1)	((39))
	426	**560**

Deferred taxes in Germany are impacted by deferred tax assets resulting from the first-time capitalisation of loss carry-forwards at METRO AG (€66 million) and the capitalisation of deferred taxes on temporary differences in the measurement of financial instruments (€38 million). Due partly to restructuring measures at Real and planned cost-cutting programmes, positive earnings developments are projected for the future. As a result, deferred tax assets on loss carry-forwards within the METRO AG group of companies for 2008 are partially considered recoverable.

Included in paid or due taxes is €20 million in tax income (previous year: €8 million) that is attributable to earlier periods.

Deferred tax assets with an effect on income from the creation and dissolution of temporary differences amount to €53 million (previous year: €112 million without effects from changes in tax rates).

Deferred tax assets for the financial year include €12 million in tax expenses from changes in tax rates. In the previous year, expenses from tax rate changes amounted to €123 million, including €121 million from the reduction of tax rates under the German corporate tax reform.

Income taxes in the amount of €24 million raised equity without an effect on income (previous year: lowering of equity by €4 million). The increase in the reporting year is largely attributable to deferred tax assets on currency translation differences from net investment in an international entity.

In 2008, deferred tax liabilities in the amount of €92 million were reclassified to discontinued activities.

Tax expenses are fully allocated to the result from ordinary operations.

At €426 million (previous year: €560 million), income tax expenses are €6 million lower (previous year: €51 million) than the expected tax expenses of €432 million (previous year: €611 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	2008	2007
Group earnings before taxes	1,415	1,561
Expected income tax expenses (30.53%; previous year: 39.15%)	432	611
Effects of differing national tax rates	(93)	(48)
Tax expenses and income relating to other periods	(20)	(8)
Non-deductible business expenses	105	71
Other deviations	2	(66)
	426	**560**

The decrease in the item "effects of differing national tax rates" is largely attributable to the previous year's high one-time effect from the restatement of deferred tax assets and liabilities.

12. Profit attributable to minority interests

Of profit attributable to minority interests, profit shares accounted for €195 million (previous year: €187 million) and loss shares for €38 million (previous year: €29 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 2007, holders of preference shares of METRO AG were entitled to a dividend of €1.298 that was €0.118 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 2008 or the year before from so-called potential shares.

	2008	2007
Weighted number of no-par-value shares outstanding	326,787,529	326,787,529
Income attributable to METRO AG shareholders (€ million)	403	825
Earnings per share (€)	1.23	2.52

Earnings per share of preference shares amount to €1.35 (previous year: €2.64) in the financial year 2008 and thus exceed earnings per share by the amount of the additional dividend of €0.118.

Earnings per share from continuing operations total €2.54 (previous year: €2.58).

14. Depreciation/amortisation

€ million	2008	2007
Scheduled depreciation on tangible and intangible assets and investment properties	1,302	1,227
Non-scheduled write-downs on tangible assets, intangible assets (including goodwill) and investment properties	50	38
Non-scheduled write-downs on non-current financial assets	0	0
	1,352	**1,265**

Non-scheduled write-downs were fully included in selling expenses (previous year: €38 million), with real estate accounting for €45 million (previous year: €26 million) of non-scheduled write-downs.

No non-scheduled write-downs on investment properties (previous year: €6 million) and no write-downs on investments (previous year: €0 million) were carried out in the financial year 2008.

Real accounts for €3 million (previous year: €5 million) of non-scheduled write-downs; other companies account for €47 million (previous year: €33 million).

In accordance with IFRS 5, depreciation/amortisation of the Adler fashion stores in the amount of €325 million (previous year: €18 million), including €312 million on goodwill, is recognised in current income from continuing operations. In the previous year, depreciation/amortisation of the Extra supermarkets in the amount of €18 million was reclassified to current income from continuing operations.

15. Cost of materials

The cost of sales includes the following cost of materials:

€ million	2008	2007
Cost of raw materials, supplies and goods purchased	53,548	50,677
Cost of services purchased	71	54
	53,619	**50,731**

16. Personnel expenses

Personnel expenses can be broken down as follows:

€ million	2008	2007
Wages and salaries	5,857	5,564
Social security payments, expenses for pensions and related employee benefits	1,218	1,146
thereof pension expenses	(66)	(67)
	7,075	**6,710**

Personnel expenses also include prorated expenses for share-based payments totalling €9 million (previous year: €24 million).

Annual average number of Group employees:

Number of employees	2008	2007
Blue collar/white collar	290,940	275,520
Apprentices/trainees	10,522	10,133
	301,462	**285,653**

The above figure includes an absolute number of 91,008 (previous year: 91,802) part-time employees. The percentage of employees working outside Germany (full-time equivalents) rose to 60.8 percent from 58.2 percent the year before.

17. Other taxes

Other taxes (for example, tax on land and buildings, motor vehicle tax, excise tax and transaction tax) of €134 million (previous year: €117 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 2007	4,395	995	19,403	296	163	25,252
Currency translation	13	(1)	(89)	0	0	(77)
Additions to consolidation group	0	0	5	0	0	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 2007/1 Jan 2008	4,328	1,153	20,060	292	178	26,011
Currency translation	(32)	(10)	(594)	0	1	(635)
Additions to consolidation group	0	0	12	0	0	12
Additions	1	213	2,230	0	24	2,468
Disposals	(337)	(27)	(920)	(57)	(33)	(1,374)
Transfers	0	0	(91)	91	0	0
At 31 Dec 2008	3,960	1,329	20,697	326	170	26,482
Depreciation/amortisation						
At 1 Jan 2007	0	522	7,308	160	24	8,014
Currency translation	0	0	(25)	0	1	(24)
Additions, scheduled	0	139	1,116	6	0	1,261
Additions, non-scheduled	0	12	21	6	1	40
Disposals	0	(35)	(646)	(9)	(10)	(700)
Write-ups	0	0	(13)	0	0	(13)
Transfers	0	0	(33)	13	10	(10)
At 31 Dec 2007/1 Jan 2008	0	638	7,728	176	26	8,568
Currency translation	0	(8)	(211)	0	0	(219)
Additions, scheduled	0	158	1,149	8	0	1,315
Additions, non-scheduled	312	4	46	0	0	362
Disposals	(312)	(15)	(498)	(30)	0	(855)
Write-ups	0	0	(3)	0	0	(3)
Transfers	0	0	(38)	39	0	1
At 31 Dec 2008	0	777	8,173	193	26	9,169
Book value at 1 Jan 2007	4,395	473	12,095	136	139	17,238
Book value at 31 Dec 2007	4,328	515	12,332	116	152	17,443
Book value at 31 Dec 2008	**3,960**	**552**	**12,524**	**133**	**144**	**17,313**

Assets of the discontinued Adler fashion stores activities, with a book value totalling €90 million, are included in disposals for the current financial year.

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

19. Goodwill

Of goodwill in the amount of €3,960 million (previous year: €4,328 million) as of 31 December 2008, €3,640 million (previous year: €3,979 million) concerns differences resulting from the capital consolidation, and €320 million (previous year: €349 million) concerns goodwill taken from individual financial statements.

As a result of the recognition of put options, the resulting goodwill of Media Markt and Saturn declined by €23 million in 2008 (previous year: increase of €29 million).

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

€ million	31 Dec 2008	31 Dec 2007
Real Germany	1,083	1,083
Metro Cash & Carry France	398	398
Metro Cash & Carry Netherlands	351	351
Metro Cash & Carry Poland	258	265
Metro Cash & Carry Hungary	239	239
Metro Cash & Carry Germany	223	223
Media Markt and Saturn Germany	216	227
Metro Cash & Carry Italy	171	171
Metro Cash & Carry Belgium	145	145
Real Poland	142	164
Metro Cash & Carry Portugal	91	91
Media Markt and Saturn Italy	77	79
Kaufhof department stores Belgium	57	57
Media Markt and Saturn Spain	52	54
Metro Cash & Carry Spain	51	51
Metro Cash & Carry Greece	45	45
Metro Cash & Carry United Kingdom	37	37
Metro Cash & Carry Austria	27	27
Media Markt and Saturn Netherlands	22	24
Real Russia	17	21
Media Markt and Saturn Poland	17	20
Media Markt and Saturn Austria	17	19
Media Markt and Saturn Switzerland	17	18
Metro Cash & Carry China	17	17
Metro Cash & Carry Denmark	16	16
Adler fashion stores Germany	0	218
Adler fashion stores Austria	0	78
Adler fashion stores Luxembourg	0	16
Other companies	174	174
	3,960	**4,328**

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 third-party sources. 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 generally 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 8.0 and 10.9 percent.

In a generally difficult textile market environment, performance of the Adler fashion stores was weak during the 1st half of 2008. As of 30 June 2008, this development was regarded as an indicator of an impairment of the goodwill of the Adler fashion stores, which meant that an impairment test was carried out during the period. Due to the changed planning, the impairment test during the period resulted in a €312 million goodwill write-down for the Adler fashion stores, which is included in income from discontinued operations. The recoverable amount was determined on the basis of the fair value net of divestment expenses. No impairment test for the goodwill of the Adler fashion stores was required as of 31 Dec 2008 as no goodwill was capitalised by this date. A reversion of goodwill write-downs is not permitted under IAS 36.

In addition, the prescribed annual impairment test confirmed the recoverability of all capitalised goodwill. Additional non-scheduled write-downs were therefore not required.

20. Other intangible assets

€ million	Concession franchises, trademark and similar rights, licences and other such rights	[thereof internally generated intangible assets]	Prepayments	Total
Acquisition or production costs				
At 1 Jan 2007	995	[435]	0	995
Currency translation	(1)	[0]	0	(1)
Additions to consolidation group	0	[0]	0	0
Additions	203	[130]	0	203
Disposals	(47)	[(23)]	0	(47)
Transfers	3	[2]	0	3
At 31 Dec 2007/1 Jan 2008	1,153	[544]	0	1,153
Currency translation	(10)	[(3)]	0	(10)
Additions to consolidation group	0	[0]	0	0
Additions	213	[134]	0	213
Disposals	(27)	[(7)]	0	(27)
Transfers	0	[(3)]	0	0
At 31 Dec 2008	1,329	[665]	0	1,329
Depreciation/amortisation				
At 1 Jan 2007	522	[192]	0	522
Currency translation	0	[0]	0	0
Additions, scheduled	139	[99]	0	139
Additions, non-scheduled	12	[0]	0	12
Disposals	(35)	[(13)]	0	(35)
Write-ups	0	[0]	0	0
Transfers	0	[0]	0	0
At 31 Dec 2007/1 Jan 2008	638	[278]	0	638
Currency translation	(8)	[(1)]	0	(8)
Additions, scheduled	158	[95]	0	158
Additions, non-scheduled	4	[0]	0	4
Disposals	(15)	[(1)]	0	(15)
Write-ups	0	[0]	0	0
Transfers	0	[(1)]	0	0
At 31 Dec 2008	777	[370]	0	777
Book value on 1 Jan 2007	473	[243]	0	473
Book value on 31 Dec 2007	515	[266]	0	515
Book value on 31 Dec 2008	**552**	**[295]**	**0**	**552**

The other intangible assets have a finite useful life and are therefore amortised as scheduled. The non-scheduled write-downs concern lease rights and licences at €2 million (previous year: €12 million) as well as concessions/rights/licences at €2 million (previous year: €0 million).

The additions to amortisations on other intangible assets are shown in cost of sales at an amount of €0 million (previous year: €4 million), in selling expenses at an amount of €66 million (previous year: €76 million) and in administrative expenses at an amount of €95 million (previous year: €68 million). An additional €1 million (previous year: €3 million) is attributable to income from discontinued operations.

As in the previous year, there are no material limits to the title of or right to dispose of intangible assets. Purchasing obligations amounting to €4 million (previous year: €4 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 2007	13,538	13	5,526	326	19,403
Currency translation	(56)	0	(26)	(7)	(89)
Additions to consolidation group	5	0	0	0	5
Additions	492	1	686	724	1,903
Disposals	(619)	0	(479)	(8)	(1,106)
Transfers	517	0	171	(744)	(56)
At 31 Dec 2007/1 Jan 2008	13,877	14	5,878	291	20,060
Currency translation	(364)	(1)	(207)	(22)	(594)
Additions to consolidation group	12	0	0	0	12
Additions	617	2	654	957	2,230
Disposals	(474)	0	(429)	(17)	(920)
Transfers	540	0	209	(840)	(91)
At 31 Dec 2008	14,208	15	6,105	369	20,697
Depreciation/amortisation					
At 1 Jan 2007	3,731	10	3,562	5	7,308
Currency translation	(8)	0	(17)	0	(25)
Additions, scheduled	588	1	527	0	1,116
Additions, non-scheduled	20	0	1	0	21
Disposals	(262)	0	(384)	0	(646)
Write-ups	(5)	0	(8)	0	(13)
Transfers	(41)	0	8	0	(33)
At 31 Dec 2007/1 Jan 2008	4,023	11	3,689	5	7,728
Currency translation	(72)	(1)	(138)	0	(211)
Additions, scheduled	599	1	549	0	1,149
Additions, non-scheduled	45	0	1	0	46
Disposals	(158)	0	(340)	0	(498)
Write-ups	(3)	0	0	0	(3)
Transfers	(37)	0	(1)	0	(38)
At 31 Dec 2008	4,397	11	3,760	5	8,173
Book value on 1 Jan 2007	9,807	3	1,964	321	12,095
Book value on 31 Dec 2007	9,854	3	2,189	286	12,332
Book value on 31 Dec 2008	**9,811**	**4**	**2,345**	**364**	**12,524**

Additions to tangible assets resulted mainly from the opening of new stores at Metro Cash & Carry, Real and Media Markt and Saturn.

While the increase in tangible assets at Metro Cash & Carry and Real was largely due to expansion in Eastern Europe, the increase at Media Markt and Saturn primarily resulted from new openings in Germany and Western Europe.

Effects of currency translation reduced tangible assets by €383 million (previous year: €64 million). These stemmed largely from exchange rate developments in Russia, Poland, Ukraine, the United Kingdom and Romania.

Disposals from tangible assets resulted from the sale of real estate in the amount of €126 million and, with €178 million, the reclassification of assets to "assets held for sale", including €85 million from the discontinued Adler fashion stores activities.

Limitations to the disposal of assets in the form of liens and encumbrances amounted to €552 million (previous year: €646 million).

Purchasing obligations for tangible assets in the amount of €231 million (previous year: €260 million) were made.

Assets used by the Group under the terms of finance lease agreements were valued at €1,257 million (previous year: €1,415 million). The assets involved are mainly leased buildings.

Finance leases generally have initial terms of 15 and 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 percent and 18.0 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)	243	863	1,608
Discounts	(19)	(173)	(652)
Present value	224	690	956
Operating leases			
Future lease payments due (nominal)	1,341	4,257	4,091

The cash values of obligations from finance leases comprise future payments from the rental of Adler properties in the amount of €51 million.

The nominal values of obligations from operating leases include future payments from the rental of Adler properties in the amount of €247 million.

Payments due on finance leases contain payments amounting to €137 million (previous year: €160 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 €451 million (previous year: €401 million).

The nominal value of future lease payments to METRO Group resulting from the subleasing of assets held under operating leases amounts to €1,082 million (previous year: €1,125 million).

The consolidated net profit for the period contains payments made under leasing agreements amounting to €1,396 million (previous year: €1,311 million) and payments received under subleasing agreements amounting to €431 million (previous year: €426 million).

Contingent lease payments from finance leases recognised as expenses during the period amount to €12 million (previous year: €10 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)	4	16	12
Discounts	0	(3)	(7)
Present value	4	13	5
Operating leases			
Future lease payments due (nominal)	25	71	103

From the perspective of the lessor, the non-guaranteed residual value must be added to the nominal minimum lease payments of €32 million (previous year: €20 million) in existing finance leases. The non-guaranteed residual value amounts to €7 million for the financial year (previous year: €8 million). The resulting gross investment amount is thus €39 million (previous year: €28 million). In addition, there is an unrealised amount from finance leases of €10 million (previous year: €5 million).

22. Investment properties

Real estate held as investment properties is recognised at amortised cost. As of 31 December 2008, this amounted to €133 million (previous year: €116 million). The fair value of these properties is determined by means of a proprietary evaluation using recognised measurement methods. It totals €194 million (previous year: €150 million). Rental income from the properties amounts to €15 million (previous year: €9 million). The related expenses amount to €11 million (previous year: €7 million). Expenses of €1 million (previous year: €1 million) resulted from properties without rental income.

Limitations to the disposal of assets in the form of liens and encumbrances amounted to €66 million (previous year: €17 million). Purchasing obligations for "investment properties" in the amount of €1 million (previous year: €1 million) were made.

23. Financial assets

€ million	Shares in Group companies	Loans	Investments	Securities	Total
Acquisition or production costs					
At 1 Jan 2007	0	123	38	2	163
Currency translation	0	0	0	0	0
Additions to consolidation group	0	0	0	0	0
Additions	0	53	0	0	53
Disposals	0	(62)	0	0	(62)
Transfers	0	22	2	0	24
At 31 Dec 2007/1 Jan 2008	0	136	40	2	178
Currency translation	0	1	0	0	1
Additions to consolidation group	0	0	0	0	0
Additions	0	23	0	1	24
Disposals	0	(30)	(1)	(2)	(33)
Transfers	0	0	0	0	0
At 31 Dec 2008	0	130	39	1	170
Depreciation/amortisation					
At 1 Jan 2007	0	11	13	0	24
Currency translation	0	0	1	0	1
Additions, scheduled	0	0	0	0	0
Additions, non-scheduled	0	1	0	0	1
Disposals	0	(10)	0	0	(10)
Write-ups	0	0	0	0	0
Transfers	0	8	2	0	10
At 31 Dec 2007/1 Jan 2008	0	10	16	0	26
Currency translation	0	0	0	0	0
Additions, scheduled	0	0	0	0	0
Additions, non-scheduled	0	0	0	0	0
Disposals	0	0	0	0	0
Write-ups	0	0	0	0	0
Transfers	0	0	0	0	0
At 31 Dec 2008	0	10	16	0	26
Book value on 1 Jan 2007	0	112	25	2	139
Book value on 31 Dec 2007	0	126	24	2	152
Book value on 31 Dec 2008	**0**	**120**	**23**	**1**	**144**

The carrying amounts of investments contain €1 million (previous year: €2 million) in investments in 3 associated companies (previous year: 3 associated companies), which are recognised at equity.

24. Other receivables and assets

€ million	31 Dec 2008			31 Dec 2007		
		Remaining term			Remaining term	
	Total	Up to 1 year	Over 1 year	Total	Up to 1 year	Over 1 year
Due from suppliers	1,780	1,780	0	1,759	1,759	0
Other tax receivables	417	417	0	402	402	0
Prepaid expenses and deferred charges	347	99	248	323	76	247
Other assets	1,038	836	202	1,082	839	243
	3,582	**3,132**	**450**	**3,566**	**3,076**	**490**

Receivables due from suppliers comprise future compensation for suppliers (for example, bonuses, advertising). The expansion-related increase at the Media Markt and Saturn as well as Metro Cash & Carry sales divisions, in particular, was largely offset by countervailing currency effects, particularly in the Eastern European countries.

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

The other assets item comprises primarily receivables/other assets in the real estate area, receivables from credit card transactions and receivables from other financial transactions.

25. Deferred taxes

Deferred tax assets on loss carry-forwards and temporary differences amount to €1,045 million, an increase of €96 million compared with the previous year. The carrying amount of deferred tax liabilities increased to €221 million, €38 million higher than the previous year's level.

The amount of deferred taxes on temporary differences prior to offset has remained almost constant. The dissolution of deferred taxes on temporary differences was offset by the formation of deferred taxes on loss carry-forwards in Germany and internationally. The capitalisation of deferred taxes on loss carry-forwards primarily concerns the expansion countries of the Media Markt and Saturn sales division.

Deferred taxes recognised concern the following balance sheet items:

€ million	31 Dec 2008		31 Dec 2007	
	Asset	Liability	Asset	Liability
Goodwill	328	158	431	148
Other intangible assets	179	39	221	42
Tangible assets and investment properties	128	677	113	747
Financial assets	10	4	19	9
Inventories	91	29	70	21
Other receivables and assets	115	73	79	99
Provisions for pensions and similar commitments	107	10	108	8
Other provisions	104	36	103	31
Financial liabilities	510	3	585	3
Other liabilities	111	40	103	56
Outside basis differences	0	6	0	13
Loss carry-forwards	216	0	111	0
Total	1,899	1,075	1,943	1,177
Offset	(854)	(854)	(994)	(994)
Book value of deferred taxes	**1,045**	**221**	**949**	**183**

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 deferred taxes were recognised for retained earnings of subsidiaries as these earnings will be reinvested over an indefinite period of time or are not subject to relevant taxation.

No deferred tax assets were created from corporate income tax losses of €6,310 million (previous year: €6,465 million), business tax losses of €6,901 million (previous year: €7,320 million) and temporary differences of €73 million (previous year: €50 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 2008	31 Dec 2007
Food merchandise	2,026	2,009
Nonfood merchandise	4,975	5,319
	7,001	**7,328**

Inventories can be broken down by sales division as follows:

€ million	31 Dec 2008	31 Dec 2007
Metro Cash & Carry	2,477	2,523
Real	960	993
Media Markt and Saturn	2,724	2,900
Galeria Kaufhof	533	545
Other companies	307	367
	7,001	**7,328**

The decrease in inventories is largely attributable to exchange rate effects in the Eastern European markets and stock optimisation measures in all sales divisions.

Adjusted for these effects, inventories would have increased as a result of – above all international – business expansion at the Metro Cash & Carry, Media Markt and Saturn and Real sales divisions.

At €65 million, the decrease in other companies is largely due to the reclassification of the Adler fashion stores to the item "assets held for sale".

During the reporting year, write-downs of €353 million were carried out (previous year: €343 million).

27. Trade receivables

Trade receivables amounted to €446 million (previous year: €508 million). Of that total, €4 million (previous year: €6 million) is due in over one year.

Despite an expansion-induced increase in receivables, improved receivables management as well as altered average payment terms at year-end caused trade receivables to decline by €62 million.

28. Impairments 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"
At 1 Jan 2007	**143**	**0**
Currency translation	0	0
Change in consolidation group	0	0
Additions	85	0
Disposals	(26)	0
Utilisation	(35)	0
Transfer	1	0
At 31 Dec 2007/ 1 Jan 2008	**168**	**0**
Currency translation	(4)	0
Change in consolidation group	0	0
Additions	105	0
Disposals	(40)	0
Utilisation	(31)	0
Transfer	12	0
At 31 Dec 2008	**210**	**0**

Negative earnings effects from impairment in the amount of €63 million (previous year: €58 million) existed in the "loans and receivables" category. This also includes earnings from the receipt of cash and cash equivalents from receivables of €2 million (previous year: €1 million) released due to expected irrecoverability. As in the previous year, no earnings effects existed in the category "held to maturity".

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 2008	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"	3,023	377	52	8	3	15
in the category "held to maturity"	0	0	0	0	0	0
in the category "held for trading"	79	0	0	0	0	0
in the category "available for sale"	24	0	0	0	0	0
	3,126	**377**	**52**	**8**	**3**	**15**

€ 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	0	0	0	0	0
in the category "held for trading"	7	0	0	0	0	0
in the category "available for sale"	35	0	0	0	0	0
	3,126	**514**	**29**	**11**	**8**	**34**

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 2008	31 Dec 2007
Cheques and cash on hand	153	114
Bank balances	3,721	3,319
	3,874	**3,433**

The increase in cash and cash equivalents resulted primarily from the issue of a bond in the amount of €500 million in November 2008.

31. Assets held for sale/liabilities related to assets held for sale

In 2007, METRO Group decided to divest of the Extra supermarkets. All assets and liabilities held for sale of these Extra supermarkets were treated as assets held for disposal according to IFRS 5 and accounted for in the balance sheet 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 disposal was shown in the consolidated financial statements of METRO Group with effect from 1 July 2008.

On 31 December 2007, METRO Group purchased a property that was scheduled to be resold over the short term. With a book value of about €20 million, this property was likewise reported under the item "assets held for sale" in accordance with IFRS 5. Since it was determined during the course of the financial year that it would be more advantageous to retain ownership of this property over the medium term, it was reclassified to non-current assets in December 2008. The scheduled depreciation that had been omitted to meet the requirements of IFRS 5 was retroactively effected for the financial year.

In mid-September 2008, METRO Group decided to accelerate the process of divesting the Adler fashion stores. As a result, all assets (€113 million) and liabilities (€146 million) related to the Adler fashion stores were treated as operations held for disposal in accordance with IFRS 5 and thus included in the item "assets held for sale" or "liabilities related to assets held for sale" (see no. 43 "Discontinued operations"). Non-scheduled depreciation totalling €83 million was carried out to adjust the assets and liabilities held for sale of the Adler fashion stores to the fair value less costs to sell.

By contractual agreement dated 13 February 2009, METRO Group sold the Adler fashion stores to the restructuring fund BluO beta equity Limited. The purchase agreement is still subject to approval by the cartel authorities.

During the course of 2008, several real estate locations with a combined book value of €117 million were also included in the item "assets held for sale". METRO Group assumes that these properties will be sold during the course of 2009. Non-scheduled depreciation of these properties to their fair value less costs to sell was not required. They are shown in the segment reporting item "segment assets" in the amount of €20 million in the Real segment and in the amount of €97 million in the segment "other companies/consolidation".

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 2007 and totals €835,419,052.27. It is divided as follows:

No-par-value bearer shares, accounting par value approx. €2.56		31 Dec 2008	31 Dec 2007
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 share capital	Shares	326,787,529	326,787,529
	€	835,419,052	835,419,052

Each ordinary share of METRO AG grants one 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 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 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 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 equally share in any additional profit distribution in the proportion of their shares in the share capital."

Contingent capital I and II

On 4 June 2004, a contingent increase in share capital 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 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.

The Annual General Meeting on 16 May 2008 resolved to annul the contingent capital increase by up to €14,316,173 through issuance of up to 5,600,000 ordinary shares (contingent capital II) resolved by the Annual General Meeting of 6 July 1999.

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 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 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 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 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 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 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 Sentence 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.

Share buyback

Pursuant to § 71 Section 1 Subsection. 8 of the German Stock Corporation Act, the Annual General Meeting on 16 May 2008 authorised the company to acquire treasury stock up to the equivalent of 10 percent of the share capital on or before 15 November 2009.

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.

Capital reserve

Capital reserve amounts to €2,544 million (previous year: €2,544 million).

Reserves retained from earnings

€ million	31 Dec 2008	31 Dec 2007
Valuation reserve pursuant to IAS 39 (incl. deferred taxes)	28	59
Reserve for currency translation	(335)	86
Other reserves	2,748	2,731
	2,441	**2,876**

Reserves retained from earnings include, among other things, measurement effects with no effect on net income pursuant to IAS 39 plus deferred taxes thereon. In the financial year under review, a total of €-31 million (previous year: €9 million) was reported in equity in relation to derivative financial instruments within cash flow hedges. This change includes the write-off of €10 million (previous year: €6 million) as well as the initial and subsequent measurement of €-14 million (previous year: €3 million). Of the total, €12 million (previous year: €7 million) is allotted to inventories and €-2 million (previous year: €-1 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 that is not reported as a profit or loss resulted in a decrease of equity by €-34 million (previous year: increase in equity of €4 million).

These measurement effects create an overall offset against an opposite tax effect of €7 million (previous year: €-4 million).

In addition, a reduction in equity due to currency translation differences of €421 million (previous year: €46 million) is primarily attributable to Russia, Ukraine, Poland, the United Kingdom and Romania, while increases in equity due to currency translation differences stem mostly from Slovakia, Japan and Switzerland.

Under consideration of the dividend payout for 2007 (€386 million), the remaining increase in revenue reserves to €2,748 million resulted mainly from the transfer of the period income due to shareholders of METRO AG for 2008 (€403 million).

Minority interests

Minority interests are the shares held by third parties in the share capital of the consolidated subsidiaries. At year-end, minority interests amounted to €254 million (previous year: €254 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 16 May 2008, a dividend of €1.180 per ordinary share and €1.298 per preference share, for a total of €385.9 million, was paid in the financial year 2008 from the reported net income of €395.1 million for 2007. The remaining amount of €9.2 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 €395.6 million for 2008 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 €9.7 million forward to the new account. The net income of €395.6 million for 2008 includes profit carried forward of €9.2 million.

33. Provisions for pensions and similar commitments

€ million	31 Dec 2008	31 Dec 2007
Pension provisions (employer's commitments)	579	584
Provisions for indirect commitments	222	205
Provisions for severance benefits	86	89
Provisions for company pension upgrades	4	5
Provisions for company pension plans	891	883
Other provisions for commitments similar to pensions	73	90
	964	**973**

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 international pension funds) 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 after the enforcement date 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 5.85 percent (previous year: 5.60 percent), average wage and salary increases of 2.25 percent in Germany (previous year: 2.00 percent) and 2.69 percent abroad (previous year: 2.50 percent) as well as average pension increases of 1.94 percent (previous year: 1.68 percent). The anticipated average return from plan assets amounts to 5.05 percent (previous year: 5.11 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 3.00 percent (previous year: 6.90 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 Prof. Dr Klaus Heubeck.

Breakdown of plan assets by asset category:

%	31 Dec 2008	31 Dec 2007
Fixed-interest securities	39	32
Shares, funds	15	20
Real estate	14	12
Money market investments and cash	26	30
Other assets	6	6
	100	**100**

The expected average rate of interest is 4.6 percent (previous year: 4.5 percent), 7.9 percent for shares and funds (previous year: 7.9 percent), 5.9 percent for real estate (previous year: 6.2 percent) and 2.6 percent for money market investments and cash (previous year: 4.2 percent). 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 actual loss from plan assets amounted to €35 million in 2008 (previous year: income of €44 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 2008	31 Dec 2007	31 Dec 2006	31 Dec 2005	31 Dec 2004
Net present value	1,827	1,861	2,034	2,199	1,928
Plan assets	(845)	(936)	(907)	(844)	(744)
Financing status	982	925	1,127	1,355	1,184

In the financial year 2009, payments to external pension providers are expected to amount to €41 million.

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

€ million	2008	2007
Net present value (DBO)		
At 1 Jan	1,861	2,034
Interest expenses	100	91
Service cost	31	43
Transfer of assets	(1)	4
Past service cost	1	2
Curtailment/compensation	0	(6)
Plan costs	(1)	(1)
Pension payments	(125)	(131)
Actuarial gains (-)/losses (+)	(12)	(162)
Change in consolidation group	4	0
Currency translation	(26)	(13)
Reclassification of Adler to "assets held for sale"	(5)	0
At 31 Dec	**1,827**	**1,861**
Changes in plan assets		
At 1 Jan	936	907
Expected income on plan assets	47	54
Plan costs	(1)	(1)
Transfers	0	3
Pension payments	(76)	(69)
Employer contributions	34	57
Contributions from plan participants	7	7
Actuarial gains (+)/losses (-)	(82)	(10)
Currency translation	(19)	(12)
Reclassification of Adler to "assets held for sale"	(1)	0
At 31 Dec	**845**	**936**
Financing status		
Net present value (DBO), not fund-financed	694	690
Net present value (DBO), wholly or partly fund-financed	1,133	1,171
Subtotal	1,827	1,861
Market value of plan assets	(845)	(936)
At 31 Dec	982	925
Actuarial gains (+)/losses (-) not yet considered	(156)	(91)
Past service cost	(9)	(10)
Amount not shown as an asset due to definition of IAS 19.58 (b)	3	1
Net liabilities on 31 Dec	**820**	**825**

In addition, liabilities of €2 million (previous year: €5 million) were measured in line with local criteria.

Provisions for company pension plans in the amount of €891 million (previous year: €883 million) are netted against assets for indirect pension plans, particularly in the United Kingdom and the Netherlands, of €69 million (previous year: €53 million). That leaves a net liability of €822 million (previous year: €830 million).

The increase in actuarial losses essentially results from the difference between the expected return on plan assets of €47 million and actual expenses on plan assets of €35 million.

Plan assets include real estate utilised by METRO Group in the amount of €100 million (previous year: €103 million).

The pension expenses of the direct and indirect company pension plans can be broken down as follows:

€ million	2008	2007
Interest expense on net present value (DBO)	100	91
Expected return on plan assets	(47)	(54)
Recognised actuarial gains (-)/losses (+)	(2)	7
= effective interest rate expense	51	44
Service cost[1]	24	36
Curtailment	0	(6)
Asset limitation	1	1
Past service cost	2	1
	78	**76**

[1] Netted against employees' contributions

Service costs were considered in sales expenses in the amount of €2 million (previous year: €3 million), in selling expenses in the amount of €14 million (previous year: €17 million) and in administrative expenses in the amount of €10 million (previous year: €12 million). In addition, expenses of €1 million (previous year: €1 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
At 1 Jan 2008	283	161	139	184	333	1,100
Currency translation	(2)	(1)	0	0	(9)	(12)
Addition	70	109	282	41	95	597
Disposal	(84)	(5)	(27)	(22)	(160)	(298)
Utilisation	(56)	(92)	(67)	(46)	(48)	(309)
Change in consolidation group	4	0	0	0	0	4
Interest portion in addition/ change in interest rate	6	2	4	0	0	12
Transfers	(3)	(13)	(15)	0	(8)	(39)
At 31 Dec 2008	**218**	**161**	**316**	**157**	**203**	**1,055**
Non-current	158	34	143	133	65	533
Current	60	127	173	24	138	522
At 31 Dec 2008	**218**	**161**	**316**	**157**	**203**	**1,055**

Provisions for real-estate-related obligations essentially concern uncovered rental commitments in the amount of €62 million (previous year: €67 million), location risks in the amount of €56 million (previous year: €100 million), rental commitments in the amount of €30 million (previous year: €29 million) as well as reinstatement obligations in the amount of €24 million (previous year: €28 million). Other real estate obligations of €43 million (previous year: €55 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 €86 million (previous year: €82 million) as well as provisions for guarantee services in the amount of €49 million (previous year: €48 million).

The measures agreed in 2008 to streamline the Real store network were responsible for the major part of the addition to restructuring provisions.

The other provisions item contains mainly litigation costs/risks in the amount of €35 million (previous year: €77 million), gratuity commitments of €14 million (previous year: €11 million) as well as surety and guarantee risks of €5 million (previous year: €6 million). Provisions for share-based remuneration amount to €1 million (previous year: €90 million). Supplementary explanations on share-based remuneration are provided in no. 51.

In the context of reclassifications required by IFRS 5, provisions of the Adler fashion stores in the amount of €29 million were reclassified to the item "liabilities related to assets held for sale". The reclassification is shown as a transfer.

35. Liabilities

€ million	31 Dec 2008 total	Remaining term: Up to 1 year	1 to 5 years	Over 5 years	31 Dec 2007 total
Trade payables	**13,839**	**13,839**	**0**	**0**	**14,088**
Bonds	3,836	1,892	1,944	0	3,315
Due to banks	1,533	825	288	420	1,647
Promissory note loans	707	9	698	0	204
Bills of exchange	584	584	0	0	572
Liabilities from finance leases	1,819	138	526	1,155	2,000
Financial liabilities	**8,479**	**3,448**	**3,456**	**1,575**	**7,738**
Other tax liabilities	585	585	0	0	628
Prepayments received on orders	32	32	0	0	31
Payroll	862	832	30	0	907
Liabilities from other financial transactions	38	38	0	0	71
Deferred liabilities	311	80	155	76	296
Miscellaneous liabilities	953	594	349	10	981
Other liabilities	**2,781**	**2,161**	**534**	**86**	**2,914**
Income tax liabilities	**266**	**266**	**0**	**0**	**337**
	25,365	**19,714**	**3,990**	**1,661**	**25,077**

36. Trade liabilities

The expansion-induced increase in trade payables at the Metro Cash & Carry, Real as well as Media Markt and Saturn sales divisions was more than offset by exchange rate effects – in particular in the Eastern European markets.

37. Financial liabilities

A "Debt Issuance Programme" provides **long-term financing.** The following transactions were carried out under this programme in 2008:

Type of transaction	Date of issue	Maturity	Maturity date	Nominal volume	Coupon
Redemption	February 2003	5 years	February 2008	€1,000 million	5.13% fixed
New issue	November 2008	5 years	November 2013	€500 million	9.375% fixed

In addition, a 4-year promissory note loan in the amount of €500 million was issued during the reporting period, including a €387 million variable-interest tranche (3-month EURIBOR plus 0.8 percent p.a.) and a €113 million fixed-interest tranche with a coupon of 4.74 percent p.a.

For **short- and medium-term financing**, METRO Group uses ongoing capital market issuance programmes such as a "Euro Commercial Paper Program" with an authorised volume of up to €2.0 billion. Another Commercial Paper Program with a volume of €3.0 billion is aimed, in particular, at investor groups on the French capital market. The average amount utilised by the two programmes was €2.5 billion in 2008 (previous year: €1.7 billion).

In addition, METRO Group has access to syndicated lines of credit totalling €2,975 million (previous year: €2,975 million) with terms ending between December 2010 and March 2013. 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 2008 was €301 million (previous year: €125 million), the average amount drawn as of the closing date was €250 million (previous year: €0 million).

The contract terms for the syndicated lines of credit provide for a decrease of 2.5 bps in the spread if METRO Group's credit rating is raised one step. If the rating is lowered by one step, the spread would increase by 5 bps to 7.5 bps.

Additional bilateral bank lines of credit totalling €2,292 million (previous year: €2,501 million) were available to METRO Group as of 31 December 2008. Of this amount, €1,066 million (previous year: €1,475 million) had a remaining term of up to one year. On the closing date, €1,283 million (previous year: €1,647 million) of the bilateral lines of credit had been utilised. Of this amount, €825 million (previous year: €792 million) has a remaining term of up to one year.

Unutilised lines of credit of METRO Group:

	31 Dec 2008			31 Dec 2007		
€ million	Total	Up to 1 year	Over 1 year	Total	Up to 1 year	Over 1 year
Bilateral lines of credit	2,292	1,066	1,226	2,501	1,475	1,026
Utilisation	(1,283)	(825)	(458)	(1,647)	(792)	(855)
Unutilised bilateral lines of credit	1,009	241	768	854	683	171
Syndicated lines of credit	2,975	0	2,975	2,975	0	2,975
Utilisation	(250)	0	(250)	0	0	0
Unutilised syndicated lines of credit	2,725	0	2,725	2,975	0	2,975
Total lines of credit	**5,267**	**1,066**	**4,201**	**5,476**	**1,475**	**4,001**
Total utilisation	**(1,533)**	**(825)**	**(708)**	**(1,647)**	**(792)**	**(855)**
Total unutilised lines of credit	**3,734**	**241**	**3,493**	**3,829**	**683**	**3,146**

In addition, bills of exchange in the amount of €584 million (previous year: €572 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 €609 million (previous year: €630 million) was provided for the financial liabilities of these companies as of 31 December 2008.

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	Curreny	Total amount issued in million currency	Remaining term	Par values 31 Dec 2008 in € million	Book values 31 Dec 2008 in € million	Fair values 31 Dec 2008 in € million
Bonds	EUR	1,850	up to 1 year	1,850	1,892	1,897
		1,950	1 to 5 years	1,950	1,944	2,149
		0	over 5 years	0	0	0
Liabilities to banks (excl. open account)	EUR	517	up to 1 year	517	517	557
		172	1 to 5 years	172	172	173
		408	over 5 years	408	408	409
	CNY	888	up to 1 year	94	94	94
		546	1 to 5 years	58	58	58
		0	over 5 years	0	0	0
	JPY	3,300	up to 1 year	27	27	27
		3,828	1 to 5 years	30	30	38
		0	over 5 years	0	0	0
	Other	0	up to 1 year	113	111	111
		0	1 to 5 years	28	28	28
		0	over 5 years	12	12	12
Promissory note loans	EUR	0	up to 1 year	0	9	9
		700	1 to 5 years	700	698	720
		0	over 5 years	0	0	0

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 includes the book value. The difference between the book value and the fair value of the entire loan is shown in maturities under year.

The following table depicts the interest rate structure of the financial liabilities:

Funding	Interest terms	Currency	Remaining term	Weighted effective rate of interest when issued (%)	Total amount issued in € million
Bonds	Fixed interest	EUR	up to 1 year	4.04	1,100
			1 to 5 years	6.02	1,750
			over 5 years	–	0
	Variable interest	EUR	up to 1 year	5.73	750
			1 to 5 years	3.93	200
			–	–	0
Liabilities to banks (excl. open account)	Fixed interest	EUR	up to 1 year	5.89	267
			1 to 5 years	5.48	165
			over 5 years	5.35	405
		CNY	up to 1 year	5.64	94
			1 to 5 years	6.69	58
			over 5 years	–	0
		Other	up to 1 year	9.08	113
			1 to 5 years	–	0
			over 5 years	–	0
	Variable interest	EUR	up to 1 year	3.71	250
			1 to 5 years	4.39	7
			over 5 years	4.39	3
		JPY	up to 1 year	1.25	27
			1 to 5 years	7.88	30
			over 5 years	–	0
		Other	up to 1 year	–	0
			1 to 5 years	7.09	28
			over 5 years	4.47	12
Promissory note loans	Fixed interest	EUR	up to 1 year	–	0
			1 to 5 years	4.32	213
			over 5 years	–	0
	Variable interest	EUR	up to 1 year	–	0
			1 to 5 years	4.40	487
			over 5 years	–	0

The fixed interest rate for short- and medium-term financial liabilities and the repricing dates of all fixed-interest 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 the equity of METRO Group are described in detail in the chapter "Management of financial risks" (see no. 44).

38. Other liabilities

	31 Dec 2008			31 Dec 2007		
		Remaining term			Remaining term	
€ million	Total	Up to 1 year	Over 1 year	Total	Up to 1 year	Over 1 year
Other tax liabilities	585	585	0	628	628	0
Payroll	862	832	30	907	878	29
Deferred income	311	80	231	296	65	231
Miscellaneous liabilities	1,023	664	359	1,083	696	387
	2,781	**2,161**	**620**	**2,914**	**2,267**	**647**

The decline in other tax liabilities is mainly attributable to lower 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.

39. Undiscounted cash flows of financial liabilities

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

€ million	Book value 31 Dec 2008	Cash flows 2009 Interest	Cash flows 2009 Redemption	Cash flows 2010–2013 Interest	Cash flows 2010–2013 Redemption	Cash flows after 2013 Interest	Cash flows after 2013 Redemption
Financial liabilities							
Bonds	3,836	143	1,892	334	1,944	0	0
Liabilities to banks	1,533	62	825	111	288	19	420
Promissory note loans	707	29	9	75	698	0	0
Bills of exchange	584	0	584	0	0	0	0
Liabilities from finance leases	1,819	18	214	165	659	645	946
Trade payables	13,839	0	13,839	0	0	0	0
Fixed-interest derivatives carried as liabilities	8	8	0	0	0	0	0
Currency derivatives carried as liabilities	27	0	27	0	0	0	0

€ million	Book value 31 Dec 2007	Cash flows 2008 Interest	Cash flows 2008 Redemption	Cash flows 2009–2012 Interest	Cash flows 2009–2012 Redemption	Cash flows after 2012 Interest	Cash flows after 2012 Redemption
Financial liabilities							
Bonds	3,315	133	1,120	251	2,195	0	0
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	0	572	0	0	0	0
Liabilities from finance leases	2,000	13	220	174	774	813	1,006
Trade payables	14,088	0	14,088	0	0	0	0
Fixed-interest derivatives carried as liabilities	0	0	0	0	0	0	0
Currency derivatives carried as liabilities	65	0	50	0	15	0	0

40. Book values and fair values according to measurement category

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

	31 Dec 2008				
		Balance sheet valuation			
€ million	Book value	(Amortised) cost	Fair value affecting income	Fair value not affecting income	Fair value
ASSETS	**33,825**	**n/a**	**n/a**	**n/a**	**n/a**
Loans and receivables	**3,023**	**3,023**	**0**	**0**	**3,011**
Loans and advance credit granted	128	128	0	0	120
Receivables due from suppliers	1,780	1,780	0	0	1,780
Trade receivables	446	446	0	0	446
Other financial assets	669	669	0	0	665
Held to maturity	**0**	**0**	**0**	**0**	**0**
Held for trading	**79**	**0**	**79**	**0**	**79**
Derivative financial instruments not part of a hedge under IAS 39	76	0	76	0	76
Securities	3	0	3	0	3
Available for sale	**24**	**0**	**0**	**24**	**24**
Investments	22	0	0	22	22
Securities	2	0	0	2	2
Derivative financial instruments within hedges under IAS 39	**25**	**0**	**0**	**25**	**25**
Cash and cash equivalents	**3,874**	**3,874**	**0**	**0**	**3,874**
Assets not classified under IFRS 7	**26,800**	**n/a**	**n/a**	**n/a**	**n/a**
LIABILITIES	**33,825**	**n/a**	**n/a**	**n/a**	**n/a**
Held for trading	**46**	**0**	**46**	**0**	**46**
Derivative financial instruments not part of a hedge under IAS 39	28	0	28	0	28
Other financial liabilities	18	0	18	0	18
Miscellaneous financial liabilities	**22,268**	**22,268**	**0**	**0**	**22,549**
Financial liabilities excl. finance leases (including underlying hedging transactions under IAS 39)	6,660	6,660	0	0	6,942
Trade payables	13,839	13,839	0	0	13,839
Other financial liabilities	1,769	1,769	0	0	1,768
Derivative financial instruments within hedges under IAS 39	**7**	**0**	**0**	**7**	**7**
Liabilities not classified under IFRS 7	**11,504**	**n/a**	**n/a**	**n/a**	**n/a**
Unrealised profit (+)/loss (-) from total difference between fair value and book value					**(293)**

€ million	Book value	(Amortised) cost	Fair value affecting income	Fair value not affecting income	Fair value
	31 Dec 2007				
		Balance sheet valuation			
ASSETS	**33,872**	**n/a**	**n/a**	**n/a**	**n/a**
Loans and receivables	**3,084**	**3,084**	**0**	**0**	**3,090**
Loans and advance credit granted	154	154	0	0	153
Receivables due from suppliers	1,759	1,759	0	0	1,759
Trade receivables	508	508	0	0	508
Other financial assets	663	663	0	0	670
Held to maturity	**0**	**0**	**0**	**0**	**0**
Securities	0	0	0	0	0
Other financial assets	0	0	0	0	0
Held for trading	**7**	**0**	**7**	**0**	**7**
Derivative financial instruments not part of a hedge under IAS 39	4	0	4	0	4
Securities	3	0	3	0	3
Available for sale	**35**	**0**	**0**	**35**	**35**
Investments	22	0	0	22	22
Securities	13	0	0	13	13
Derivative financial instruments within hedges under IAS 39	**140**	**0**	**16**	**124**	**140**
Cash and cash equivalents	**3,433**	**3,433**	**0**	**0**	**3,433**
Assets not classified under IFRS 7	**27,173**	**n/a**	**n/a**	**n/a**	**n/a**
LIABILITIES	**33,872**	**n/a**	**n/a**	**n/a**	**n/a**
Held for trading	**39**	**0**	**39**	**0**	**39**
Derivative financial instruments not part of a hedge under IAS 39	32	0	32	0	32
Other financial liabilities	7	0	7	0	7
Miscellaneous financial liabilities	**21,644**	**20,726**	**918**	**0**	**21,685**
Financial liabilities excl. finance leases (including underlying hedging transactions under IAS 39)	5,738	4,820	918	0	5,782
Trade payables	14,088	14,088	0	0	14,088
Other financial liabilities	1,818	1,818	0	0	1,815
Derivative financial instruments within hedges under IAS 39	**33**	**0**	**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)**

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

The measurement of the fair value of bonds, promissory note loans and bank loans is based on the market interest rate curve following the zero coupon method without consideration of credit spreads. The amounts comprise the interest pro-rated to the closing date. The forward rate agreements are valued by banks, options are valued based on the Black & Scholes model.

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 yield curves as of the closing date.

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 cash flow statement distinguishes between changes in cash levels from operating, investing and financing activities. Following the divestment of the Extra supermarkets (see no. 31) and the planned divestment of the Adler fashion stores, the cash flows of these discontinued operations will be listed separately.

The item cash and cash equivalents includes cheques 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 €2,637 million (previous year: €3,158 million).

In the financial year 2008, the Group recorded cash outflows of €1,728 million (previous year: outflows of €1,219 million) from investment activities of continued operations. The divestment of Extra resulted in cash inflows of €467 million (previous year: €17 million) during the reporting year. The acquisition of the Wal-Mart Germany group had generated cash inflows of €186 million in the financial year 2007.

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 currency effects as well as additions from finance leases.

Financing activities of continuing operations generated cash outflows of €395 million (previous year: cash outflows of €1,233 million) during the year under review.

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 as well as the Adler fashion stores. In the financial year 2007, the latter were included in the segment "other companies/consolidation".

43. Discontinued operations

In December 2007, METRO Group decided to discontinue the supermarket sales format. As a result of this decision, all assets and liabilities held for sale of the Extra supermarkets were accounted for as operations held for disposal in accordance with IFRS 5. By contractual agreement of 17 January 2008, the Extra supermarkets were sold to the Rewe Group. The sale became effective on 1 July 2008. As a result, the current income of the Extra supermarkets until 30 June 2008 was included in the consolidated income statement as current income from discontinued operations. The divestment proceeds of €47 million were reported under gains on the disposal of discontinued operations after taxes.

In September 2008, METRO Group decided to accelerate the process of divesting of the Adler fashion stores. As a result, all assets and liabilities of the Adler fashion stores were classified as operations held for disposal in accordance with IFRS 5 and therefore reported in the balance sheet items "assets held for sale" and "liabilities related to assets held for sale". Accordingly, current income of the Adler fashion stores was transferred to current income from discontinued operations in the consolidated income statement. The measurement adjustments to align the net assets of the Adler fashion stores to the agreed sale price as well as the costs incurred in connection with the divestment process are reported in the measurement/divestment result from discontinued operations.

The results of discontinued operations comprise the following components:

€ million	2008	2007[1]
Income Extra	766	1,611
Income Adler	484	546
Total income	1,250	2,157
Expenses Extra	(774)	(1,639)
Expenses Adler	(844)	(528)
Total expenses	(1,618)	(2,167)
Current income from discontinued operations after taxes	(368)	(10)
Income tax on current income of Extra	0	0
Income tax on current income of Adler	(10)	(8)
Total income tax on current income	(10)	(8)
Current income from discontinued operations after taxes	**(378)**	**(18)**
Profit/loss from measurement/divestment of Extra	123	0
Profit/loss from measurement/divestment of Adler	(98)	0
Measurement/divestment income from discontinued operations before taxes	25	0
Taxes on measurement/divestment income from Extra	(76)	0
Taxes on measurement/divestment income from Adler	0	0
Total income tax from measurement/divestment income	(76)	0
Measurement/divestment income from discontinued operations after taxes	**(51)**	**0**
Profit/loss from discontinued operations	**(429)**	**(18)**

[1] Adjustment of previous year's figures due to discontinued operations

The balance of assets and liabilities held for sale of the Adler fashion stores as an operation held for disposal includes the following individual balance sheet items:

€ million	31 Dec 2008
Current assets	**113**
Inventories	65
Other receivables and assets	23
Cash and cash equivalents	25
Non-current liabilities	**(74)**
Provisions for pensions and similar commitments	(5)
Financial liabilities	(44)
Other liabilities	(25)
Current liabilities	**(72)**
Provisions	(29)
Financial liabilities	(7)
Other liabilities	(36)
Balance of assets and liabilities held for sale of the Adler fashion stores	**(33)**

By contractual agreement of 13 February 2009, the Adler fashion stores were sold to the restructuring fund BluO beta equity Limited. The sales contract is still subject to approval by the cartel 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 rises.

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 fair value is recognised in reserves retained from earnings without being reported as a profit or loss.

Interest rate derivatives that are not part of a qualified hedging transaction under IAS 39 are recognised at fair value in other financial results and, through resulting interest flows, in interest income.

At 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 €1,852 million (previous year: €1,726 million).

Given this total balance, a higher interest rate of 100 basis points would result in €19 million (previous year: €17 million) higher earnings in interest income per year. A lower interest rate of 100 basis points would have a corresponding opposite effect in the amount of €-19 million (previous year: €-10 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 would result in an increase in equity in the amount of €2 million (previous year: €29 million) as well as an increase in other financial results of €7 million (previous year: €3 million). A correspondingly lower interest rate would have a corresponding opposite effect.

METRO Group faces **currency risks** in its international procurement of merchandise and because of costs and financings 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 and options as well as interest rate swaps and currency swaps are used in these cases to limit currency risk. 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 without being reported as a profit or loss.

Foreign currency futures/options and interest rate 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 rate 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 without being reported as a profit or loss.

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 no part of the sensitivity analysis.

As of the closing date, the remaining currency risk of METRO Group was as follows:

€ million Currency pair	Impact of the appreciation/devaluation of the euro by 10% 31 Dec 2008	 31 Dec 2007
Net profit for the period		
CHF / EUR	-/+0	-/+1
CNY / EUR	+/-1	+/-0
CZK / EUR	+/-1	+/-0
GBP / EUR	-/+1	-/+0
HRK / EUR	-/+1	-/+0
HUF / EUR	+/-1	+/-0
MDL / EUR	+/-5	+/-5
PLN / EUR	+/-6	+/-8
RON / EUR	+/-20	+/-9
RSD / EUR	+/-1	+/-0
RUB / EUR	+/-2	+/-39
SEK / EUR	+/-5	+/-0
SKK / EUR	+/-2	+/-0
TRY / EUR	+/-7	+/-1
VND / EUR	+/-1	+/-2
UAH / EUR	+/-4	+/-0
USD / EUR	+/-0	+/-2
	+/-54	**+/-65**
Equity		
GBP / EUR	-/+1	-/+2
JPY / EUR	+/-7	+/-0
PLN / EUR	+/-9	+/-0
RUB / EUR	+/- 40	+/-0
UAH / EUR	+/-16	+/-9
USD / EUR	+/-30	+/-31
	+/-101	**+/-38**
	+/-155	**+/-103**

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 share. Share options on METRO AG ordinary shares are used to cap this risk.

Interest rate 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/ number (millions)	31 Dec 2008, fair values Financial assets	31 Dec 2008, fair values Financial liabilities	Nominal volume/ number (millions)	31 Dec 2007, fair values Financial assets	31 Dec 2007, fair values Financial liabilities
Interest rate transactions						
Interest rate swaps	0	0	0	1,350	31	0
within fair value hedges	[0]	[0]	[0]	[850]	[16]	[0]
within cash flow hedges	[0]	[0]	[0]	[500]	[15]	[0]
not part of a hedge	[0]	[0]	[0]	[0]	[0]	[0]
Forward rate agreements	3,000	0	8	0	0	0
within fair value hedges	[0]	[0]	[0]	[0]	[0]	[0]
within cash flow hedges	[0]	[0]	[0]	[0]	[0]	[0]
not part of a hedge	[3,000]	[0]	[8]	[0]	[0]	[0]
Interest limitation agreements	750	6	0	750	11	0
within fair value hedges	[0]	[0]	[0]	[0]	[0]	[0]
within cash flow hedges	[750]	[6]	[0]	[750]	[11]	[0]
not part of a hedge	[0]	[0]	[0]	[0]	[0]	[0]
	3,750	6	8	2,100	42	0
Currency transactions						
Forex futures/options	466	70	18	830	5	23
within fair value hedges	[0]	[0]	[0]	[0]	[0]	[0]
within cash flow hedges	[335]	[12]	[7]	[256]	[1]	[15]
not part of a hedge	[131]	[58]	[11]	[574]	[4]	[8]
Interest rate/currency swaps	173	18	9	334	0	42
within fair value hedges	[0]	[0]	[0]	[30]	[0]	[18]
within cash flow hedges	[0]	[0]	[0]	[8]	[0]	[0]
not part of a hedge	[173]	[18]	[9]	[296]	[0]	[24]
	639	88	27	1,164	5	65
Share price related transactions						
Hedging of share bonus programmes	8	7	0	5	97	0
within fair value hedges	[0]	[0]	[0]	[0]	[0]	[0]
within cash flow hedges	[8]	[7]	[0]	[5]	[97]	[0]
not part of a hedge	[0]	[0]	[0]	[0]	[0]	[0]
	8	7	0	5	97	0
	n/a	**101**	**35**	**n/a**	**144**	**65**

The nominal volume of forex futures/options and interest limitation agreements results from the net position of the buying and selling values in foreign currency underlying the individual transactions translated at the relevant exchange rate on the closing date. The gross nominal volume of interest rate swaps or interest rate/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 and Czech koruna, Polish złoty, Japanese yen, Swiss franc, Hungarian forint, Russian rouble, new Romanian leu, Turkish lira as well as US dollar.

The derivative financial instruments have the following maturities:

	Fair values Maturities		
€ million	Up to 1 year	1 to 5 years	Over 5 years
Interest rate transactions			
Forward rate agreements	(8)	0	0
within fair value hedges	[0]	[0]	[0]
within cash flow hedges	[0]	[0]	[0]
not part of a hedge	[(8)]	[0]	[0]
Interest limitation agreements	6	0	0
within fair value hedges	[0]	[0]	[0]
within cash flow hedges	[6]	[0]	[0]
not part of a hedge	[0]	[0]	[0]
Currency transactions			
Forex futures/options	52	0	0
within fair value hedges	[0]	[0]	[0]
within cash flow hedges	[5]	[0]	[0]
not part of a hedge	[47]	[0]	[0]
Interest rate/currency swaps	0	9	0
within fair value hedges	[0]	[0]	[0]
within cash flow hedges	[0]	[0]	[0]
not part of a hedge	[0]	[9]	[0]
Share price related transactions			
Hedging of share bonus programmes	1	6	0
within fair value hedges	[0]	[0]	[0]
within cash flow hedges	[1]	[6]	[0]
not part of a hedge	[0]	[0]	[0]
	51	**15**	**0**

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 a potential loss is 10 days and is subject to the assumption 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 papers, promissory note loans and bonds sold as part of ongoing issue programmes) as well as bilateral and syndicated 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 items.

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 financial resources of METRO Group are optimally employed in Germany and internationally, 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 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 €7,025 million (previous year: €6,699 million). Further details on the size of the respective book values are listed in the notes to the consolidated financial statements in no. 40 ("Book values and fair values according to measurement category"). Cash in hand considered in cash and totalling €149 million (previous year: €109 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 %					
			Monetary investments					
Grade	Moody's	Standard & Poor's	Germany	Western Europe excl. Germany	Eastern Europe	Asia and others	Derivatives with positive market values	Total
Investment grade	Aaa	AAA	0.0	0.0	0.0	0.0	0.0	
	Aa1 to Aa3	AA+ to AA-	21.8	16.2	3.1	0.5	0.9	
	A1 to A3	A+ to A-	26.8	16.6	8.1	1.0	1.2	
	Baa1 to Baa3	BBB+ to BBB-	0.0	0.0	0.5	0.0	0.0	96.7
Non-investment grade	Ba1 to Ba3	BB+ to BB-	0.0	0.0	0.1	0.2	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	0.3
No rating			1.4	1.3	0.3	0.0	0.0	3.0
Total			**50.0**	**34.1**	**12.1**	**1.7**	**2.1**	**100.0**

The table shows that as of the closing date about 97 percent of the capital investment volume, including the positive market value of derivatives, had been placed with investment-grade counterparties, in other words, those with good or very good credit ratings. Most of the counterparties that do not yet have an internationally accepted rating are respected financial institutions whose creditworthiness can be considered flawless based on our own analyses. 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 unavoidable. These institutions account for about 0.3 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	2008	2007
Liabilities from suretyships and guarantees	73	21
Liabilities from guarantee and warranty contracts	298	96
	371	**117**

The increase in liabilities from guarantee and warranty contracts results mainly from the reduction of guarantees from the disposal of Extra stores in 2008.

46. Other financial obligations

€ million	2008	2007
Purchasing/sourcing commitments	458	241
Other	19	17
	477	**258**

The increase in purchasing/sourcing commitments mainly concerns the conclusion of new energy supply and advertising services contracts.

Please see notes nos. 20, 21 and 22 for information on purchasing commitments for other intangible and tangible assets, obligations from finance and operating leases as well as investment properties.

47. Other legal issues

Status of appraisal processes

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.

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 with § 313 Section 4 Sentence 2 of the German Commercial Code, this list is part of the notes.

49. Events after the closing date

On 20 January 2009, METRO Group announced a comprehensive value and efficiency enhancement programme to secure the company's sustained profitable growth. The programme foresees an earnings improvement by €1.5 billion until 2012 and beyond.

By contractual agreement of 13 February 2009, the Adler-Modemärkte were sold to the restructuring fund BluO beta equity Limited. The contract is subject to the approval of the cartel authorities.

In February 2009, METRO Group issued a €1,000 million euro bond with a maturity of 6 years and an interest rate of 7.625 percent p.a. as well as a €156 million promissory note loan with a maturity of 5 years.

No other events that are of material importance to an assessment of the earnings, financial and asset position of METRO AG and METRO Group occurred by 2 March 2009 (date of release of the accounts for presentation to the Supervisory Board).

50. Notes on related parties

In 2008 and 2007, METRO Group maintained the following business relations to related companies:

	Goods/services received		Goods/services provided	
€ million	2008	2007	2008	2007
Supplies and other services	116	146	2	0

The goods/services received consist primarily of property leases by METRO Group companies. These properties are owned by companies that are included in the circle of related companies.

The goods/services provided result primarily from the granting of lease rights.

Business relations with related companies are based on contractual agreements providing for arm's length prices. As in 2007, METRO Group had no business relations with related natural persons in the financial year.

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)

No rights from the stock option programme were outstanding in the financial year 2008.

Share bonus programme (2004–2008)

In the financial year 2004, a 5-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 was granted in 2008.

The size of the bonus initially depends on the ratio of basis price and share price.

The basis 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 last 20 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 basis 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	Basis price €	Target price €	Total target bonus €
2004	July 2007	37.14	42.71	Paid out
2005	July 2008	41.60	47.84	Expired
2006	July 2009	43.15	49.62	22,745,000
2007	July 2010	61.61	70.85	17,760,000
2008	July 2011	41.92	48.21	19,900,000

The target bonus values are based on the condition that the target prices are attained. The value of the share bonus paid in 2008 was €32.2 million at the time of payment and was calculated by independent experts using recognised financial-mathematical methods (Monte Carlo simulation).

Total expenses on share-based compensation programmes after the cost of hedging transactions amount to €6 million in the financial year 2008 (previous year: €24 million).

The related provisions as of 31 December 2008 amount to €1 million (previous year: €90 million), including €0 million (previous year: €51 million) with a remaining term of up to one year.

52. Management Board and Supervisory Board

Company expenses on Management Board compensation in the financial year 2008

Remuneration of the active members of the Management Board essentially consists of a fixed salary and performance-based entitlements as well as the share bonuses granted in the financial year 2008.

The amount of the performance-based remuneration for the financial year 2008 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.

Remuneration of the active members of the Management Board in the financial year 2008 amounts to €14.3 million (previous year: €13.0 million). This includes €4.1 million (previous year: €3.4 million) in fixed salaries, €7.2 million (previous year: €7.3 million) in performance-based entitlements, €2.7 million (previous year: €2.1 million) in variable entitlements with long-term incentives and €0.3 million (previous year: €0.2 million) in other remuneration.

Entitlements with long-term incentives (share bonuses) granted in the financial year 2008 are posted at their fair value at the time of granting. The dissolution of provisions for share-based remuneration with expiration dates in the financial year 2008 or later resulted in income of €3.1 million (previous year expenses of €5.8 million).

Due to the granting of a monetary target bonus, a number of subscription rights pursuant to §§ 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 share bonus plan.

Other remuneration consists of non-cash benefits and expense allowances.

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 €3.8 million (previous year: €22.9 million). The cash value of provisions for current pensions and pension entitlements made for this group amounts to €48.8 million (previous year: €48.4 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 VIII of the Group management report.

Compensation of members of the Supervisory Board

The total remuneration of all members of the Supervisory Board in the financial year 2008 amounts to €1.9 million (previous year: €1.8 million).

Additional information on the remuneration of Supervisory Board members can be found in the extensive remuneration report in chapter VIII of the Group management report.

53. Auditor's fees

The following fees related to the services rendered by auditor KPMG AG Wirtschaftsprüfungsgesellschaft and its associated companies were recorded as expenses. Since the integration of KPMG Switzerland and KPMG Spain into KPMG Europe LLP as of 1 October 2008, these national KPMG subsidiaries have also been associated companies of KPMG AG Wirtschaftsprüfungsgesellschaft in the meaning of § 271 Section 2 of the German Commercial Code. The disclosure requirement of KPMG Spain and KPMG Switzerland relates to services rendered after 30 September 2008.

€ million	31 Dec 2008	31 Dec 2007
Audit	8	6
Other certification or evaluation services	1	1
Tax consultation services	3	1
Other services	3	1
	15	**9**

Only services that are consistent with the task of 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 2008 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 the METRO AG website (www.metrogroup.de).

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 2008 as well as mostly from disclosing their notes and management report (according to the German Commercial Code).

a) Operative companies and service entities

"Buch und Zeit" Verlagsgesellschaft mit beschränkter Haftung	Köln
"GOLDBLUME-O'LACY'S" Handels GmbH	Düsseldorf
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	Köln
C + C Schaper GmbH	Hannover
Campus Store GmbH	Alzey
CH-Vermögensverwaltung GmbH	Düsseldorf
Dinea Gastronomie GmbH	Köln
Dritte real,- Holding GmbH	Alzey
Dritte real,- SB-Warenhaus GmbH	Alzey
emotions GmbH	Köln
Galeria Kaufhof GmbH	Köln
GEMINI Personalservice GmbH	Köln
Goldhand Lebensmittel- u. Verbrauchsgüter-Vertriebsgesellschaft mit beschränkter Haftung	Düsseldorf
Grillpfanne GmbH	Köln
Hans Köfer GmbH, Weinkellerei	Düsseldorf
Johannes Berg GmbH, Weinkellerei	Düsseldorf
LSZ Betriebsführungsgesellschaft mbH & Co. KG	Alzey
LSZ Service GmbH & Co. KG	Alzey
Lust for Life Gastronomie GmbH	Köln
MDH Secundus Vermögensverwaltung GmbH	Düsseldorf
Meister feines Fleisch – feine Wurst GmbH	Gäufelden
METRO Beteiligungsmanagement Düsseldorf GmbH & Co. KG	Düsseldorf
Metro Cash & Carry Brunnthal GmbH & Co. KG	Brunnthal
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. Kommanditgesellschaft	Esslingen am Neckar
Metro SB-Großmärkte GmbH & Co. Kommanditgesellschaft	Linden
Metro SB-Großmärkte Verwaltungsgesellschaft mit beschränkter Haftung	Mülheim an der 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
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
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	Hannover
real,- Group Holding GmbH	Düsseldorf
real,- Handels GmbH	Düsseldorf
real,- Holding GmbH	Alzey
real,- Multi-Markt Warenvertriebs-GmbH & Co. KG	Alzey
real,- SB-Warenhaus GmbH	Alzey
SB-Leasing GmbH & Co. KG	Grünwald
SIG Import GmbH	Düsseldorf
SIL Verwaltung GmbH & Co. Objekt Haidach KG	Schwabhausen
SPORTARENA GmbH	Köln
Vierte real,- Holding GmbH	Alzey
Vierte real,- SB-Warenhaus GmbH	Alzey
Weinkellerei Thomas Rath GmbH	Düsseldorf
Zweite real,- Multi-Markt Vermietungs- und Verpachtungs-GmbH & Co. KG	Alzey
Zweite real,- Multi-Markt Verwaltungsgesellschaft mbH	Alzey
Zweite real,- Multi-Markt Warenvertriebs-GmbH & Co. KG	Alzey
Zweite real,- SB-Warenhaus GmbH	Alzey
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
AIB Verwaltungs GmbH	Düsseldorf
ARKON Grundbesitzverwaltung GmbH	Saarbrücken
ASH Grundstücksverwaltung XXX GmbH	Saarbrücken
ASSET Grundbesitz GmbH	Köln
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 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 Pelkovenstraße 155 KG	Saarbrücken
ASSET Verwaltungs-GmbH & Co. Objekt Nürnberg, Königstraße 42-52 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 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	Saarbrücken
BLK Grundstücksverwaltung GmbH	Saarbrücken
Deutsche SB-Kauf GmbH & Co. KG	Saarbrücken
DFI Verwaltungs GmbH	Saarbrücken
DORINA Immobilien-Vermietungsgesellschaft mbH	Düsseldorf
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 & 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. Arrondierungsgrundstücke KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Entwicklungsgrundstücke KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Gewerbegrundstücke KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Grundstücksverwaltung 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 Brühl KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Edingen-Neckarhausen KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Emden 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 Gäufelden 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-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 Hörselgau 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 Ratingen 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 Wesel KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Wiesbaden-Nordenstadt KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mbH & Co. Vermietungs- und Handels-KG	Saarbrücken
GKF Vermögensverwaltungsgesellschaft mit beschränkter Haftung	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 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 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 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
Kaufhalle GmbH	Saarbrücken
Kaufhalle GmbH & Co. Objekt Hamburg Mönckebergstraße KG	Saarbrücken
Kaufhof Warenhaus AG & Co. KG i. L.	Köln
Kaufhof Warenhaus am Alex GmbH	Berlin
Kaufhof Warenhaus Neubrandenburg GmbH	Saarbrücken
Kaufhof Warenhaus Rostock GmbH	Düsseldorf
MDH Secundus GmbH & Co. KG	Düsseldorf
MEM METRO Group Energy Production & Management GmbH[1]	Düsseldorf
MES METRO Group Energy Solutions GmbH[1]	Böblingen
METRO Group Asset Management GmbH & Co. KG	Saarbrücken
METRO Group Asset Management GmbH[1]	Saarbrücken
METRO Group Asset Management Services GmbH	Saarbrücken
METRO Leasing GmbH	Saarbrücken
PIL Grundstücksverwaltung GmbH	Saarbrücken
Renate Grundstücksverwaltungsgesellschaft mbH	Saarbrücken
RUDU Verwaltungsgesellschaft mbH	Düsseldorf
Saalbau-Verein Ulm GmbH	Saarbrücken
Schaper Grundbesitz-Verwaltungsgesellschaft mbH	Saarbrücken
Secundus Grundstücksverwertungs-GmbH & Co. Objekt Stuttgart-Königstraße KG	Saarbrücken
STW Grundstücksverwaltung GmbH	Saarbrücken
TANDOS Grundstücks-Verwaltungsgesellschaft mbH	Saarbrücken
TKC Objekt Cottbus GmbH & Co. KG	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

[1] The 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		0
METRO Kaufhaus und Fachmarkt Holding GmbH	Düsseldorf, Germany	100.00	0
METRO Groß- und Lebensmitteleinzelhandel Holding GmbH	Düsseldorf, Germany	100.00	0
Cash & carry			
METRO Cash & Carry International GmbH	Düsseldorf, Germany	100.00	0
METRO Cash & Carry International Holding GmbH	Vösendorf, Austria	100.00	0
METRO Großhandelsgesellschaft mbH	Düsseldorf, Germany	100.00	4,890
METRO Cash & Carry France S.A.S.	Nanterre, France	100.00	3,977
METRO Cash & Carry OOO	Moscow, Russia	100.00	3,055
Makro Cash and Carry Polska S.A.	Warsaw, Poland	100.00	2,213
METRO Italia Cash and Carry S. p. A.	San Donato Milanese, Italy	100.00	1,902
METRO CASH & CARRY ROMANIA SRL	Bucharest, Romania	85.00	1,490
MAKRO Cash & Carry CR s.r.o.	Prague, Czech Republic	100.00	1,401
Makro Autoservicio Mayorista S. A.	Madrid, Spain	100.00	1,392
METRO Distributie Nederland B. V.	Diemen, Netherlands	100.00	1,345
MAKRO Cash & Carry Belgium NV	Antwerp, Belgium	100.00	1,305
Makro Cash & Carry UK Holding Limited	Manchester, United Kingdom	100.00	1,129
METRO Jinjiang Cash & Carry Co., Ltd.	Shanghai, China	90.00	1,051
METRO Cash & Carry Ukraine Ltd.	Kiev, Ukraine	100.00	1,016
Metro Grosmarket Bakirköy Alisveris Hizmetleri Ticaret Ltd. Sirketi	Istanbul, Turkey	100.00	896
METRO Kereskedelmi Kft.	Budaörs, Hungary	100.00	816
Hypermarkets			
real,- SB-Warenhaus GmbH	Alzey, Germany	100.00	6,827
Zweite real,- SB-Warenhaus GmbH	Alzey, Germany	100.00	1,675
real,- Sp. z o.o.i Spólka spólka komandytowa	Warsaw, Poland	100.00	1,554
Consumer electronics stores			
Media-Saturn-Holding GmbH	Ingolstadt, Germany	75.41	8,681
Mediamarket S. p. A.	Curno, Italy	75.41	2,096
MEDIA MARKT SATURN, S.A. UNIPERSONAL	El Prat de Llobregat, Spain	75.41	1,809
Media Saturn Holding Polska Sp. z o.o.	Warsaw, Poland	75.41	1,222
Media Markt Saturn Holding Nederland B. V.	Rotterdam, Netherlands	75.41	1,152
Media - Saturn Beteiligungsges. m.b.H.	Vösendorf, Austria	75.41	926
Media Markt Management und Service AG	Geroldswil, Switzerland	75.41	580
MEDIA SATURN FRANCE SCS	Ris Orangis, France	75.41	568
MEDIA MARKT-SATURN BELGIUM N.V.	Asse-Zellik, Belgium	75.41	492
Department stores			
GALERIA Kaufhof GmbH	Köln, Germany	100.00	3,120
INNOVATION S.A.	Brussels, Belgium	100.00	316
Other companies			
MGB METRO Group Buying HK Limited	Hong Kong, China	100.00	1,080
DINEA Gastronomie GmbH	Köln, Germany	100.00	203
MGL METRO Group Logistics Warehousing GmbH & Co. KG	Sarstedt, Germany	100.00	158
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
MGI METRO Group Information Technology GmbH	Düsseldorf, Germany	100.00	0

[1] Including consolidated national subsidiaries

57. Corporate boards of METRO AG and their Mandates[1]

Members of the Supervisory Board

Franz M. Haniel (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 Management Board of E.ON AG
a) Allianz SE
Bertelsmann AG
E.ON Energie AG (Chairman)
E.ON Ruhrgas AG (Chairman)
b) E.ON Nordic AB, Malmö, Sweden –
Board of Directors (Chairman)
E.ON Sverige AB, Malmö, Sweden –
Board of Directors (Chairman)
E.ON US Investments Corp., Delaware (OH),
USA – Board of Directors (Chairman)

Prof. Dr Dr h. c. Klaus Brockhoff
Until 16 May 2008
Honorary professor for business affairs at the
Management University "Wissenschaftliche
Hochschule für Unternehmensführung –
Otto-Beisheim-Hochschule"
a) Steuler Industriewerke GmbH (Chairman)
b) Bucerius/WHU MLB gGmbH –
Supervisory Board (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
Galeria Kaufhof GmbH
a) Galeria Kaufhof GmbH (Vice-Chairman),
since 16 April 2008
Tourismus & Marketing Oberhausen GmbH
b) None

Ulrich Dalibor
National Chairman of the Retail Section of the
ver.di union
a) Kaufhof Warenhaus AG, until 16 April 2008
Zweite Real SB-Warenhaus GmbH,
since 26 May 2008
b) None

Jürgen Fitschen
Since 4 April 2008
Member of the Executive Committee of
Deutsche Bank AG
a) Schott AG
Deutsche Bank Privat- und
Geschäftskunden AG
Schiffshypothekenbank zu Lübeck AG
(Chairman), until 15 May 2008
b) Deutsche Bank A.Ş., Istanbul, Turkey –
Yönetim Kurulu Başkanı (Chairman)
Deutsche Bank S.A./N.V., Brussels, Belgium –
Conseil d'Administration/Raad van Bestuur
(Chairman)
Deutsche Bank S.p.A., Milan, Italy –
Consiglio di Sorveglianza
Kühne + Nagel International AG, Schindellegi,
Switzerland – Board of Directors

Hubert Frieling
Section Head of Payroll Accounting at
Real SB-Warenhaus GmbH
a) None
b) None

Prof. Dr Dr h. c. mult. Erich Greipl
Managing Director of
Otto Beisheim Group GmbH & Co. KG
a) Galeria Kaufhof GmbH
Metro Großhandelsgesellschaft mbH
Real Holding GmbH
Zweite Real SB-Warenhaus GmbH,
since 26 May 2008
b) Bürgschaftsbank Bayern GmbH –
Board of Directors (first Vice-Chairman)
BHS Verwaltungs AG, Baar, Switzerland –
Board of Directors (President)

Jürgen Hennig
Until 16 May 2008
Department Head at
Metro Großhandelsgesellschaft mbH
a) None
b) None

[1] As at 31 December 2008 or the respective date of resignation from the Supervisory Board of METRO AG
a) Member of other statutory supervisory boards of German companies
b) Member of comparable German and international boards of business enterprises

Andreas Herwarth
Since 4 July 2008
Commercial Clerk, METRO AG
Chairman of the Works Council of METRO AG
a) None
b) Grundstücksgesellschaft Willich mbH – Supervisory Board (Chairman)
Wasserwerk Willich GmbH – Supervisory Board
Versorgungsnetz Willich GmbH – Supervisory Board

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
ARH Resort Holding AG, Zurich, Switzerland – Board of Directors (President, since 28 May 2008)
Bank Julius Bär & Co. AG, Zurich, Switzerland – Board of Directors
Breda Consulting AG, Zurich, Switzerland – Board of Directors, since 26 June 2008
Brändle, Missura & Partner Informatik AG, Zurich, Switzerland – Board of Directors
Holcim Ltd., Jona, Switzerland – Board of Directors
Julius Bär Holding AG, Zurich, 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, until 1 October 2008
Peter Steiner Holding AG, Zurich, Switzerland – Board of Directors
Supra Holding AG, Baar, Switzerland – Board of Directors
Travel Charme Hotels & Resorts Holding AG, Zurich, Switzerland – Board of Directors (President), since 17 January 2008

Rainer Kuschewski
Secretary of the National Executive Board of the Ver.di union
a) Real Holding GmbH
b) None

Marie-Christine Lombard
Since 16 May 2008
Member of the Management Board of TNT N.V.
Group Managing Director TNT Express
a) None
b) Royal Wessanen N.V., Utrecht, Netherlands – Raad van Commissarissen

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
Leipziger Messe GmbH
Universitätsklinikum Freiburg (public corporation)
b) Rothschild GmbH – Supervisory Board (Chairman)
Alstom S.A., Paris, France – Conseil d'Administration
Chubb Corporation, Warren (NJ), USA – Board of Directors
Magna International Inc., Toronto, Canada – Board of Directors
Rothschild Europe B.V., Amsterdam, Netherlands – Raad van Commissarissen (Vice-Chairman)

Marianne Meister
Until 16 May 2008
Chairwoman of the General Works Council of Metro Großhandelsgesellschaft mbH
a) Metro Großhandelsgesellschaft mbH (Vice-Chairwoman)
b) None

Dr rer. pol. Klaus von Menges
Until 16 May 2008
Businessman and Agronomist
a) MAN Ferrostaal AG
b) None

a) Member of other statutory supervisory boards of German companies
b) Member of comparable German and international 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) Fürst Fugger Privatbank KG – Supervisory Board
Tetra Laval International S.A., Pully, Switzerland – Board of Directors

M.P.M. (Theo) de Raad
Since 16 May 2008
Vice-Chairman of the Supervisory Board of CSM N.V.
a) None
b) CSM N.V., Diemen, Netherlands – Raad van Commissarissen (Vice-Chairman)
HAL Holding N.V., Willemstad, Curaçao, Dutch Antilles – Raad van Commissarissen
Vion N.V., Son en Breugel, Netherlands – Raad van Commissarissen
Vollenhoven Olie Group B.V., Tilburg, Netherlands – Raad van Commissarissen

Sylvia Raddatz
Until 30 June 2008
Commercial Clerk, Extra Verbrauchermärkte Deutschland GmbH
a) None
b) Extra Verbrauchermärkte Management GmbH – Advisory Board (Vice-Chairwoman), until 9 April 2008

Renate Rohde-Werner
Until 16 May 2008
Trained Retail Sales Manager, Galeria Kaufhof GmbH
a) Galeria Kaufhof GmbH, since 16 April 2008
b) None

Xaver Schiller
Since 16 May 2008
Vice-Chairman of the Group Works Council of Metro Cash & Carry Deutschland GmbH
a) Metro Großhandelsgesellschaft mbH
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., Genova, Italy – Consiglio di Amministrazione

Dr Manfred Schneider
Until 3 April 2008
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

Angelika Will
Until 16 May 2008
Chairwoman of the Works Council of the Metro Cash & Carry store Düsseldorf
a) Metro Großhandelsgesellschaft mbH
b) None

Angelika Zinner
Since 16 May 2008
Chairwoman of the General Works Council of Adler Modemärkte GmbH
a) Adler Modemärkte GmbH (Vice-Chairwoman)
b) None

a) Member of other statutory supervisory boards of German companies
b) Member of comparable German and international boards of business enterprises

Committees of the Supervisory Board and their mandates

Presidential Committee
Franz M. Haniel (Chairman)
Klaus Bruns (Vice-Chairman)
Dr Wulf H. Bernotat, since 16 May 2008
Werner Klockhaus
Dr Manfred Schneider, until 3 April 2008

Personnel Committee
Franz M. Haniel (Chairman)
Klaus Bruns (Vice-Chairman)
Dr Wulf H. Bernotat, since 16 May 2008
Werner Klockhaus
Dr Manfred Schneider, until 3 April 2008

Accounting and Audit Committee
Dr jur. Hans-Jürgen Schinzler (Chairman)
Klaus Bruns (Vice-Chairman)
Ulrich Dalibor, until 16 May 2008
Prof. Dr Dr h. c. mult. Erich Greipl
Franz M. Haniel
Xaver Schiller, since 16 May 2008
Peter Stieger

Nominations Committee
Franz M. Haniel (Chairman)
Dr-Ing. e. h. Bernd Pischetsrieder
Dr jur. Hans-Jürgen Schinzler

Mediation Committee pursuant to § 27 Section 3 Co-determination Act
Franz M. Haniel
Klaus Bruns
Prof. Dr Dr h. c. mult. Erich Greipl
Werner Klockhaus

Members of the Management Board

Dr Eckhard Cordes (Chairman)
a) Celesio AG (Chairman)
Galeria Kaufhof GmbH (Chairman)
Real Holding GmbH (Chairman, since 12 June 2008)
TAKKT AG (Vice-Chairman, since 24 September 2008)
b) Air Berlin PLC, London, UK – Board of Directors, until 30 April 2008
Aktiebolaget SKF, Gothenburg, Sweden – Board of Directors, until 16 April 2008
Tertia Handelsbeteiligungsgesellschaft mbH – Supervisory Board (Chairman), since 6 May 2008

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 until 26 May 2008)
TÜV SÜD AG
b) Extra Verbrauchermärkte Management GmbH – Advisory Board (Chairman), until 9 April 2008
LP Holding GmbH – Supervisory Board, since 1 January 2008
METRO Group Asset Management GmbH & Co. KG – Shareholders' Committee (Chairman), until 4 April 2008
Tertia Handelsbeteiligungsgesellschaft mbH – Supervisory Board (Chairman), until 26 April 2008
Wagner International AG, Altstätten, Switzerland – Board of Directors

a) Member of other statutory supervisory boards of German companies
b) Member of comparable German and international boards of business enterprises

Frans W. H. Muller
a) Dinea Gastronomie GmbH (Chairman)
   Metro Großhandelsgesellschaft mbH (Chairman), since 8 February 2008, Chairman since 6 March 2008
   Real Holding GmbH, until 26 May 2008
b) Makro Cash and Carry Polska SA, Warsaw, Poland – Rada Nadzorcza, since 1 April 2008
   Metro Cash & Carry International Holding GmbH, Vösendorf, Austria – Supervisory Board (Chairman), since 18 March 2008, Chairman since 31 March 2008
   Metro Distributie Nederland B.V., Diemen, Netherlands – Raad van Commissarissen
   Metro International AG, Baar, Switzerland – Board of Directors
   MGP METRO Group Account Processing International AG, Baar, Switzerland – Board of Directors, since 22 May 2008

Joël Saveuse
Since 8 April 2008
a) None
b) HF Company S.A., Tauxigny, France – Conseil d'Administration

Thomas Unger
a) Galeria Kaufhof GmbH, since 16 April 2008
   Real Holding GmbH
b) METRO Group Asset Management GmbH & Co. KG – Shareholders' Committee (Chairman), since 4 April 2008
   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 Reinsurance N.V., Amsterdam, Netherlands – Raad van Commissarissen
   MGP METRO Group Account Processing International AG, Baar, Switzerland – Board of Directors (President)

2 March 2009

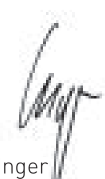
THE MANAGEMENT BOARD

Dr Cordes

Mierdorf

Muller

Saveuse



Unger

a) Member of other statutory supervisory boards of German companies
b) Member of comparable German and international 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.

2 March 2009

Dr Cordes

Mierdorf | Muller | Saveuse | 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 to 31 December 2008. 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.

Köln, 2 March 2009

KPMG AG
Wirtschaftsprüfungsgesellschaft
(formerly KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft)

Prof. Dr Nonnenmacher — Dr Böttcher
Auditor — Auditor

SUPPLEMENTARY INFORMATION

Glossary

Best agers
In marketing, "best agers" generally refers to consumers in the over 50-s age group. At present, 33 million Germans, or 40 percent of the population, are older than 49 years.

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

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

Food/nonfood
Food includes fresh produce and non-perishable foodstuffs; the term nonfood products covers materials and articles.

Hypermarket
Large retail store with different articles offered largely in a self-service arrangement. Aside from food products, the assortment also includes consumer durables and non-durables.

IASB (International Accounting Standards Board)
An independent international body formed by accounting experts that developed the International Financial Reporting Standards (IFRS) and continues to modify them.

IFRIC (International Financial Reporting Interpretations Committee)
This group resolves controversial accounting issues. Its interpretations of accounting standards are initially published as a draft for public discussion and become effective once the IASB has approved them.

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

Like-for-like growth
Total sales growth of a retailing company compared with the prior-year period, which, in the case of chain stores, is adjusted for the sales volume of all newly opened or closed selling space during the reporting period. METRO Group reports like-for-like sales growth in euros.

Meeting Metro
An informative METRO Group event aimed at potential management recruits.

METRO Group Future Store Initiative
A group of more than 60 companies from the retail and trade, consumer goods, information technology and services sector. The METRO Group Future Store Initiative was founded by METRO Group, SAP and Intel with the aim of promoting the modernisation process.

Multichannel distribution
Retail strategy to reach customers via several parallel marketing approaches.

Own-brand products
Branded articles that have been created and trademarked by a retailing company and offer attractive value for money.

Radio Frequency Identification (RFID)
Innovative technology for contactless data transmission. An RFID transponder is a thin tag containing a computer chip and an attached miniature antenna. Information related to such things as price, best before date and manufacturer is stored on the chip. These data can be read by a computer-controlled device (reader) without visual contact.

Retail brand
Unique corporate brand.

Sales brand
A company with a consistently independent market presence.

Sales division
Subsidiary of a retailing group that operates outlets or stores under a certain sales concept.

Shop-in-shop concept
Stores in the store. A type of presentation for partial assortments in the retail trade. It is used particularly to integrate well-known brand manufacturers on the selling space.

Smart budget family
A family with a small disposable household income, which therefore pays particular attention to special offers.

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

Wholesale
A trade format where, in contrast to retailing, merchandise is not sold to end consumers, but to commercial resellers (for example, retailers), processors or commercial users (for example, public authorities or canteens).

METRO Group in figures[1]

€ million	2008	2007	2006[3]	2005	2004[2]	2003	2002
Key financial figures							
Sales (net)	67,956	64,210[5]	58,279	55,722	53,475	53,595	51,526
EBITDA	3,543[4]	3,343[5]	3,162[4]	2,938	2,844	2,615	2,416
EBIT[7]	2,225[4]	2,078[5]	1,928[4]	1,738	1,723	1,590	1,427
EBIT margin[7] %	3.3[4]	3.2[5]	3.3[4]	3.1	3.2	3.0	2.8
Earnings before taxes	1,652[4]	1,561	1,564	1,358	1,260	817	830
Net profit for the period[8]	725[6]	1,051[6]	1,196	649	927	571	502
thereof from continuing operations	1,154[6]	1,065[6]	1,079	618	858	571	502
thereof attributable to shareholders of METRO AG[8]	403	825	1,059	531	828	496	443
Investments	2,480	2,154	3,011	2,138	1,744	1,837	1,836
Total assets[8]	33,825	33,872	32,190	28,767	28,352	26,580	22,923
Equity	6,074	6,509	6,050	5,313	4,849	4,349	4,246
Equity ratio %	18.0	19.2	18.8	18.5	17.1	16.4	18.5
Return on equity after taxes[9] %	11.9[6]	16.1[6]	19.8	12.2	19.1	19.4	18.0
Earnings per share[8,10] €	1.23	2.52	3.24	1.63	2.53	2.35	2.15
thereof from continuing operations €	2.54	2.58	2.88	1.54	2.32	2.35	2.15
thereof from discontinued operations €	(1.31)	(0.06)	0.36	0.09	0.21	0.00	0.00
Distribution							
Dividend per ordinary share €	1.18[11]	1.18	1.12	1.02	1.02	1.02	1.02
Dividend per preference share €	1.298[11]	1.298	1.232	1.122	1.122	1.122	1.122
Operating data							
Employees (annual average by headcount)	290,940	275,520	253,117	246,875	231,841	242,010	235,283
Number of locations	2,195	2,097	2,119	2,171	2,110	2,370	2,310
Selling space (1,000 sqm)	12,350	11,779	11,481	10,518	9,941	11,436	10,939

1 From 2004, only continuing operations (discontinued operations: Praktiker in 2005, Praktiker and Extra in 2006, Extra and Adler in 2007 and 2008); no adjustment of figures for 2002 and 2003
2 Adjustment due to the application of new accounting methods in 2005
3 Adjustment of previous year's figures due to the preliminary accounting for business combinations in 2006
4 2008 adjusted for the cost of streamlining the Real store network; €203 million was adjusted in EBITDA, with Real accounting for €223 million and other companies/consolidation for €-20 million; €237 million was adjusted in EBIT, with Real accounting for €224 million and other companies/consolidation for €13 million; in 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/consolidation for €29 million
5 Adjustment of previous year's figure due to changed disclosure regulations
6 In 2008 adjusted for the costs of streamlining the Real store network after taxes; in 2007 adjusted for special tax effects
7 EBITA until 2003
8 Including discontinued operations
9 Until 2003 before goodwill amortisation
10 After minority interests
11 Subject to approval by the Annual General Meeting

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Phone: +49 (211) 969-1234
www.metro-cc.com

Real SB-Warenhaus GmbH
Administrative headquarters:
Reyerhütte 51
41065 Mönchengladbach
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Phone: +49 (2161) 403-0
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Media-Saturn-Holding GmbH
Wankelstraße 5
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Financial calendar

Annual business press conference/ analysts' meeting	24 March 2009
Quarterly report Q1	5 May 2009
Annual General Meeting	13 May 2009
Half-year report H1/Q2	3 August 2009
Quarterly report 9M/Q3	2 November 2009

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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