METRO Group

# Annual General Meeting of the METRO AG
# on May 23, 2007, in Düsseldorf

## Speech by
## the Chairman of the Management Board and
## CEO of the METRO AG,
## Dr. Hans-Joachim Körber

***- Check against delivery -***

Dear Stockholders,

On behalf of my board colleagues, I would like to warmly welcome you to this year's Annual General Meeting of the METRO AG. We are pleased by your attendance and your interest in the development and successes of our company. We would also like to welcome stockholder representatives, members of the media and our guests who are here in the hall with us or are watching on the Internet.

**METRO Group sets a record in sales and significantly boosts earnings**

Ladies and Gentlemen, I would like to give you the good news first: The fiscal year of 2006 was a year of success at the METRO Group! It was a **fiscal year with record results**. In 2006, the METRO Group took another monumental step forward.

We **fully achieved our ambitious sales and earnings goals.** The year of 2006 was our **strongest year in terms of growth since 1998**. At about € 60 billion, group sales reached a record level. We also generated exceptional growth in earnings. **Each sales division** made a positive contribution to this growth.

With these results, we have underscored our claim to a leading position in international trade and retail. And you should realize one other thing: **The METRO Group is a trendsetter in global trade and retail.**

Energetically, we pressed ahead with the **internationalization** of our company. We have extended our international presence. The growth drivers Metro Cash & Carry as well as Media Markt and Saturn alone opened more than 100 new stores last year. In 2006, Media Markt opened its first stores in Russia and

Sweden. This year, Metro Cash & Carry is laying the groundwork for its market entry in Pakistan. Real created a promising future for itself in Eastern Europe by entering the market in Romania. We expanded our strong position in the prospering markets of the future located in Eastern Europe and Asia. At the end of the last fiscal year, our **sales network** covered 30 countries where we had more than 260,000 employees at about 2,400 locations.

We have really succeeded in turning our dynamic international expansion into **profitable growth**. To put it simply: Wherever the METRO Group goes into business, we have to realize a profit. The success of our strategy is proven by the significant increase we achieved in earnings in 2006 over the previous year.

One contributing factor to this growth was our far-sighted, long-range activities in Eastern Europe. Today, we are reaping the fruits of our business vision.

Another crucial reason for our company's success was our **distinct, future-oriented innovative capabilities**. The METRO Group is one of the frontrunners in efforts to mold the future of international trade and retail.

This applies in particular to developing and launching forceful, international sales concepts. Today, we are tracking down tomorrow's wishes of customers in a variety of cultures and will respond to them with an array of offers. Our **sales concepts have assumed brand status** or are well on the way to achieving it.

We are just as successful in developing and **introducing new technologies in trade and retail** that are designed to fulfill our customers' needs even better and more efficiently. In terms of new technology in trade and retail, we have taken on a pioneering role and set standards internationally. At **CeBit 2006,** we attracted the attention of the entire industrial and retail world with our trend-setting new technology.

With high levels of sensibility and attention, we are also tracking the **changes occurring in society**, their **influence on consumer behavior and their impact on the future of trade and retail**. As a result, we were one of the first trade and retail companies to tackle the issue of overweight people. We want to make an active contribution to fighting this development.

With this goal in mind, we were the first retail company to introduce easy-to-understand, consumer-friendly **nutrition labeling for our own brands**. With our products, customers not only should see the package but also should know what is inside and what they can do for their health.

Closely related to this effort is the initiative called “Gut für Dich” (Good for You) that we have launched with **the top coach Joachim Löw** to promote healthy diets and increased exercise. As a result of this campaign, our sales divisions serve as a capable partner on the issue of healthy lifestyles for our customers.

Using the same spirit that we have employed to move innovations forward, we **optimized our group portfolio** in fiscal year 2006.

The **purchase of Géant markets in Poland and Wal-Mart’s hypermarkets in Germany by Real** represent well-considered and courageous business decisions with a promising future. As a result of these acquisitions, we assumed market leadership in the hypermarket business in both Germany and Poland. Unlike some skeptics, we are optimistic about the future of the hypermarket business. Our actions reflect this confidence.

The **re-branding of the Géant markets** in Poland was finished on schedule this past March. All 19 markets acquired across the country have been converted to Real’s hypermarket concept.

**Now, the task is to integrate the Wal-Mart stores** into Real’s location network. This means in concrete terms: For the 69 of the 85 markets from Wal-

Mart Germany that we plan to continue operating after the acquisition, we must optimally implement the Real sales concept and, in particular, achieve synergy effects in the areas of purchasing, logistics, administration and advertising. Our initial successes show we made the right choices.

With similar energy, we are also making strides in our work to **reposition Real**. Even if not all of our high expectations were fulfilled in 2006, we can still confidently say: Real is heading in the right direction! With much dedication and intense concentration, the new management of Real is working to reach the challenging goals as quickly as possible.

One of the major events of the fiscal year definitely has to be the final **conclusion of the disinvestment of Praktiker**. In April 2006, we sold the last shares we held in the company – and we did so quite successfully.

The revenue from the sale enabled us to further increase our investments in our core business, to tap new growth potential and to reduce net debt at the same time. We jumped at this opportunity.

Ladies and Gentlemen, let me sum up my description of our company at the end of 2006 this way: We have become a **powerful, internationally focused and modern trade and retail company.** We also have the best future prospects because we took **the right course at the right time**.

**More than ever before, the name “METRO Group” stands for high performance and for the future in trade and retail – in Germany, in Europe and in Asia.**

Now, I would like to give you an in-depth look at **the business figures of 2006.** I will start with the group as a whole and then talk separately about the 4 sales divisions.

**Group sales of** the METRO Group climbed 7.5 percent to about € 60 billion during fiscal year 2006. We also included sales generated by the acquired Géant hypermarkets and the Wal-Mart stores as of Nov. 1, 2006, in this total.

In the continuously challenging **German market,** we boosted sales to € 26.4 billion. That amounts to an **increase of 1.8 percent**. We achieved significantly bigger growth rates in our **international business activities**. Group sales abroad rose by **12.4 percent** to € 33.5 billion. As a result, the **share of international business in the group's sales** rose to a **record level of about 56 percent**.

We generated our strongest **growth** in **Eastern Europe** at nearly 19 percent and in the **Asia/Africa** region at more than 20 percent. In **Western Europe**, we grew by around 8 percent.

The pivotal **growth drivers** were once again **Metro Cash & Carry** as well as **Media Markt and Saturn**. The combined sales volume of these two divisions makes up nearly three-fourths of group sales.

We generated similarly strong growth in earnings as well.

**EBITDA** at the METRO Group rose during fiscal year 2006 by more than **10 percent** to € 3.23 billion.

**Group EBIT** climbed during the past fiscal year to € 1.98 billion. Adjusted for the effects of Real's repositioning as well as the acquisitions of Wal-Mart

Germany and Géant in Poland, EBIT totaled € 1.91 billion. As a result, group EBIT was 9.9 percent higher than the previous year's total.

At € 1.3 billion, **international business operations** made a significant contribution to this positive result. Earnings growth in Eastern Europe was particularly important. EBIT there jumped by 30 percent. **EBIT in Germany** rose from € 535 million to € 668 million.

In 2006, the **net profit for the period** totaled € 1.2 billion, about 84 percent above the previous year's total of € 649 million. The total for 2005 included write-downs on deferred tax assets from loss carry-forwards at Real Germany.

In fiscal year 2006, the METRO Group achieved **earnings per share** of € 3.23 compared with € 1.63 in the previous year**. Earnings per share from continuing operations excluding special items** – or without the income from the successful sale of our remaining Praktiker shares – amounted to € 2.64. This result is adjusted for effects arising from the repositioning of Real, including the acquisition of the Wal-Mart Germany group and Géant's business operations in Poland. Compared with the previous year's level of € 2.47, this represents **an increase of 7 percent**.

On the basis of the positive business results and the successful sale of the remaining stake in Praktiker Bau- und Heimwerkermärkte Holding AG, the Management Board and the Supervisory Board are proposing a **dividend increase** for fiscal year 2006 to you. We recommend that the dividend per share of common stock be increased by about 10 percent to € 1.12.

The group's overall positive business development is also reflected in the significant increase of the company's value. **Economic value added (EVA)** at the METRO Group rose in 2006 to € 426 million, well above the previous year's total of € 305 million. This is the **highest level since the introduction** of this key figure to measure increased value in 1999.

The **return on capital employed** (RoCE) was at 8.4 percent above the previous year's level.

**Investments** made by the METRO Group in fiscal year 2006 totaled around € 3 billion, about € 900 million more than in the previous year. Adjusted for the acquisitions, investments remained at the previous year's level.

As a result of organic growth and acquisitions, the METRO Group's **total assets** climbed in 2006 to € 32.1 billion. At the end of 2006, the group's balance sheet showed equity of € 6 billion compared with € 5.3 billion in the previous year. The equity ratio increased to 18.8 percent.

**Net financial liabilities** were reduced by € 630 million from the previous year to about € 5.2 billion.

The **total number of employees** at the METRO Group rose in 2006 as a result of continued dynamic growth. On **average during the year,** the group employed **264,000 people**. On the basis of full-time equivalents, this represents an increase of 8.2 percent.

Once again, the METRO Group made a significant **contribution to the training pact** in Germany, adding 3,000 new apprentices and employing a total number of 8,800 apprentices. The previous year's high **apprenticeship rate** of 8.3 percent was exceeded once again and totaled **8.6 percent at the end of 2006.**

Ladies and Gentlemen, without wanting to sound self-congratulatory, I think I am justified in saying one thing in light of these key figures: **We have every right to be a little proud of ourselves**. In 2006, we put many things in motion and accomplished much. We are well positioned and heading in the right direction. We are one of those companies to whom the future of trade and retail belongs. **This realization drives us forward, and it gives us the motivation to tackle future tasks!**

This view is also supported by the **business figures of our sales divisions** that I am about to present to you.

## Metro Cash & Carry international remains on the path to success

Metro Cash & Carry bolstered its **global market leadership in cash & carry** during 2006, using its well-known dynamism to expand particularly in the growth regions of Eastern Europe and Asia. **The success of this strategy is reflected in sales and earnings.**

In 2006, Metro Cash & Carry boosted its sales by 6.5 percent to € 29.9 billion. In **Germany,** sales of € 5.7 billion were slightly below the previous year's level.

**Sales generated abroad climbed by 8.4 percent** to € 24.2 billion. The **share of international business in total sales** rose to **nearly 81 percent**. Metro Cash & Carry generated especially **strong growth in Eastern Europe** as well as in **Asia**.

In **Eastern Europe,** sales climbed by 15 percent, thanks particularly to business trends in **Russia**.

Equally satisfying were the sales results in **Asia**. In all four Asian markets where Metro Cash & Carry does business – China, Japan, Vietnam and India – Metro Cash & Carry achieved high double-digit growth in sales.

In China, sales shot up 26 percent. Overall, **sales in the Asia/Africa segment grew by 21.5 percent**.

Despite the cost of international expansion, **EBIT** rose by 9.7 percent to € 1.1 billion. The positive results underscored the **earnings strength of our wholesale stores**.

Metro Cash & Carry continued its internationalization with unabated vigor.

During the year, the sales divison opened **41 new markets** – including 24 in Eastern Europe, the region where Metro Cash & Carry generated its strongest growth.

At the end of the past fiscal year, the **sales network** of Metro Cash & Carry had 584 locations in 28 countries.

**Real achieves significant growth abroad – stabilization in Germany**

Ladies and Gentlemen, I would now like to discuss the business developments of our sales division Real, which serves as the managerial umbrella for the Real hypermarkets and the Extra supermarket chain.

**Sales** at the Real sales division climbed during fiscal year 2006 **by 4.6 percent to € 10.4 billion**. This growth was primarily based on the **acquisitions** of the Géant markets in Poland and Wal-Mart Germany.

**In Germany,** sales rose 1.1 percent to € 9.1 billion as a result of the acquisition of Wal-Mart.

Real's **international business** performed very well. Including the 19 hypermarkets acquired from Géant in Poland, Real's international sales grew by around **37 percent**. At the same time, the **share** of international business **in total sales** climbed to nearly **13 percent**.

This clear sales increase resulted primarily from the ongoing selective **expansion of the Real sales division in Eastern Europe**. Within just 10 months, Real opened a total of 8 new hypermarkets in Romania. It added 3 locations in **Russia** and 1 in **Turkey**.

**EBIT** at Real totaled € 45 million in fiscal year 2006, compared with minus € 12 million the previous year. This figure included a **positive special effect** of € 44 million related largely to the **acquisition of Wal-Mart** Germany.

In the process, we had **badwill earnings** of € 410 million from the takeover of Wal-Mart's activities in Germany. On the other hand, we experienced **repositioning expenses** for restructuring central areas and for chain-store-related activities as well as a negative earnings amount from ongoing business at Wal-Mart Germany and Gèant in Poland that totaled € 366 million.

As a result of the acquisitions, Real's **store network** grew from 592 to 701 stores. This portfolio is made up of 259 Extra supermarkets, 371 Real hypermarkets in Germany and 71 abroad.

The **repositioning of Real** in the German market made good progress in fiscal year 2006, even though we hoped at the beginning of the year that we could bring Real back on course faster and more extensively.

Under the new management, Real altered its brand image and upgraded its stores. Using expanded variety in its assortment, a sharper price image and high-quality products in the fresh produce area, the sales brand is showing its target groups that it is a high-performance partner whom they can trust. This **new brand profile** is being welcomed by customers.

In 2006, **five model stores** were successfully **redesigned** under the new concept. During the current fiscal year, 40 to 60 additional stores are scheduled to be converted.

The **integration of Wal-Mart in Germany is also making good progress**. A total of **45 stores** have been converted **to the Real concept.** Sixteen of the 85 former Wal-Mart store in Germany cannot be operated profitably. As a result, their closure is not an effect of the takeover but rather an overdue pruning of the store network.

Our goal was **to add as many Wal-Mart locations to Real's network as possible**. We have accomplished this goal and have given 10,000 employees secure jobs in the process.

In **Poland,** the takeover was also successful from the point of view of the stores' employees: In these stores, we have provided **a secure employment future for 4,500 people**.

**Media Markt and Saturn – strong brands with dynamic growth rates inside and outside Germany**

In 2006, **Media Markt and Saturn** picked up the pace of their business success. It is truly remarkable that Media Markt and Saturn once again **expanded** their high **market share** in fiscal year 2006 both inside and outside Germany. The sales division proved once again that it is **the market leader in Europe's consumer-electronics retailing** for good reason.

**In terms of sales,** Media Markt and Saturn posted new gains during fiscal year 2006 and underscored their singular position in European consumer-electronics retailing. Sales increased **by 13.9 percent,** rising to **€ 15.2 billion.**

In **Germany,** sales increased to € 7.6 billion. As a result, Media Markt and Saturn exceeded the previous year's high sales level by 5.6 percent.

**Internationally,** the sales division once again achieved double-digit growth: Outside Germany, the business group boosted sales **by 23.9 percent** to € 7.5 billion. Growth in **Eastern Europe** was particularly strong at **37 percent**. The international share of total sales rose to a record level of 49.5 percent.

**EBIT** at Media Markt and Saturn climbed by 15.2 percent to € 587 million in 2006, a rate that exceeded sales growth. The strong growth in EBIT, achieved in spite of the rapid pace of expansion and extensive investment, once again highlighted the **pronounced sales and earnings strength** of the sales brands Media Markt and Saturn.

**Continued internationalization and location concentration** remained at the top of the agenda of Media Markt and Saturn in 2006. The sales brands opened **a total of 64 new stores in 2006**, including 42 markets in European countries outside Germany. Media Markt entered the markets of **Sweden** and **Russia** – two attractive markets with high growth potential**.** At the end of the fiscal year, the sales division had 621 consumer electronics centers **in 14 European countries**.

## Galeria Kaufhof making progress with new concept

During the past fiscal year, **Galeria Kaufhof** underscored its **position as the concept and system leader** in Germany's department store business.

Significant **sales growth** was achieved by those stores in **Aachen**, **Munich** and **Berlin** Alexanderplatz that have been converted to the optimized concept. Overall, **sales** of our sales division **rose about 1 percent over the previous year's total** to **€ 3.6 billion.**

In **Germany,** the first half of the year went well, but the mild weather during the fall and winter spoiled the clothing business. Christmas sales were satisfactory – also in light of extended store hours.

Sales of the **Belgian Galeria Inno department stores** climbed 7.7 percent to € 298 million, continuing the positive trend.

**EBIT** at Galeria Kaufhof rose to € 82 million during the reporting year, 18.1 percent above the previous year's level. This significant improvement resulted primarily from cost optimization measures.

At the end of 2006, Galeria Kaufhof was operating a total of 142 department stores, including 101 Galeria outlets.

Ladies and Gentlemen,

**Looking back** on fiscal year 2006, I can say one thing to summarize business developments: The METRO Group and its sales divisions are well prepared for the future. **We are powerful, internationally positioned, innovative and focused on the future**.

One of the exceptional abilities of our sales divisions is to be successful in economically, socially and culturally disparate regions with an array of customer profiles and customer wishes.

The **strong focus of our business on the benefit to the customer is one of our special strengths.** That is an excellent basis for future successes. Your company, Ladies and Gentlemen, is a **member of the Champions League in world trade and retail.** And we will extend this position in the future.

In the process, we will use the **synergy effects that only a major retail group can generate from several high performance sales divisions and cross-divisional service companies**. Internationally coordinated processes and systems in such areas as purchasing and logistics make a significant contribution to our performing strength. They are also an important precondition for quickly and efficiently integrating acquisitions into the METRO Group's portfolio.

We see the positive assessment of our company's future being confirmed by the **results from the first three months of the ongoing fiscal year**.

**METRO Group opens the ongoing fiscal year with significant growth**

We began the first quarter well. A **sales increase** of 12.1 percent to € 14.9 billion compared with the same period last year is **a solid basis for another successful fiscal year**.

In all regions where we do business, we have made clear gains. In **Western Europe,** sales rose in a highly competitive market by 7.8 percent. In **Eastern Europe,** all sales divisions located there contributed to total sales increases of 22.6 percent. In **Asia and Africa,** sales even rose by around 25 percent.

In **Germany,** sales rose 9.7 percent over the previous year's quarter despite the increase in the value-added tax. Even without the acquired Wal-Mart locations, our domestic sales climbed by 2.1 percent.

The **increase in the value-added tax** hardly brought smiles to the faces of German consumers. But I can say from the perspective of our company and on the basis of improved business in March: **It could have been much worse!**

During the first quarter, **EBITDA** at the METRO Group rose by 2.8 percent to € 434 million. EBIT was € 123 million, compared with € 138 million in the same quarter last year. The result includes – as expected – expenses of about € 15 million arising from the integration of Wal-Mart Germany. Adjusted for these expenditures, EBIT remained at the previous year's level.

We will **offset** the temporary impact associated with the Wal-Mart integration most probably in the second half of the year through the **positive effect** that we will generate from the sale of 19 former Wertkauf properties. These properties were part of our acquisition of Wal-Mart Germany.

Ladies and Gentlemen, during the first three months, we have laid **a strong foundation for a successful fiscal year 2007**.

**Outlook**

During the current fiscal year, we are planning to energetically move forward on international expansion, inter alia, with the market entries of Metro Cash & Carry in Pakistan and Media Markt in Turkey.

**Metro Cash & Carry as well as Media Markt and Saturn** will open a total of more than 100 new markets in 2007. As a result, they will remain the growth drivers of the METRO Group. The regional focus of this expansion is Eastern Europe and Asia.

At **Real,** we are focusing on **repositioning the sales division**, integrating the Wal-Mart stores and expanding business in Eastern Europe during the current fiscal year.

In Germany, the integration of Wal-Mart into the Real store network is scheduled to be completed by the middle of the year.

We will continue to write the technological success story in retail that we began to compose with the “Future Store” in Rheinberg by opening the **“Future Store Next Generation”** this year in Tönisvorst near Krefeld. In our first “workshop of the future,” we concentrated solely on the development and practical use of new technologies in retail. In our second laboratory, we want to focus on **innovation in retail as a holistic process**. Moving beyond the use of modern technology, we will develop innovative concepts ranging from sales approaches and store design to environmental management, and then test their suitability for the real world.

In fiscal year 2007, we will also continue our **active property management**. This is a **key success factor of our strategic portfolio optimization**. The underlying principle of our portfolio management will remain this: In whatever we do, we may not endanger the long-term development of our operational business.

We do not want any short-term profits that will have a negative long-range impact on our business. Still, we are prepared to realize gains when we see opportunities to advance the expansion strategy of our growth drivers.

In specific terms, we have set **the following goals for sales and earnings:**

We intend to **increase group sales by 8 to 9 percent**. The expected sales contributions from Géant in Poland and Wal-Mart Germany are included in this figure.

After achieving earnings before interest and taxes of € 1.91 billion in fiscal year 2006, we want to raise **EBIT by 6 to 8 percent.**

**Investments** made by the METRO Group during the current fiscal year are expected to total about **€ 2.5 billion.** This money will primarily be used to continue the international expansion of our growth drivers Metro Cash & Carry as well as Media Markt and Saturn. We will also invest in the repositioning of Real and the conversion of former Wal-Mart stores to the Real concept.

In our forecast for fiscal year 2007, we assume that **overall economic trends** in those regions that are crucial to our company will continue to develop positively.

In **Asia and Eastern Europe,** we expect that the general economic **upswing** will continue and that this upswing will have a positive effect on retailing in the current fiscal year. We will profit from this development.

In **the eurozone,** the **pace of growth will slow a bit** in the current year. Still, consumer spending could rise slightly, thanks to increased employment and rising wages.

**But we are cautiously optimistic about the overall economic course of Germany**.

At the moment, Germany's economic indicators are indeed promising. A true upswing that could fuel domestic demand could evolve from the stabilization of the economic recovery. All leading indexes are pointing in this direction.

From the METRO Group's point of view, though, it is necessary to take **a more nuanced look at the potential of economic recovery**. The drastic increase of the value-added tax to 19 percent and other fiscal cuts, including the reduction in the tax deduction for commuters, as well as the increase of health insurance premiums are removing buying power that totals the double-digit billions from households.

Against this backdrop, even the most optimistic scenarios point to **real growth of private consumption in Germany during 2007** of hardly more than **1 percent**. Certainly, this would be a pleasant development following the years of stagnation and even reductions of private consumption. But it is still too early to talk about a long-term trend reversal.

The key factor determining whether retail will experience a real upswing in the future will be whether **employment** continues to significantly increase and the number of unemployed people continues to fall. As far as reviving consumption goes, this factor **is far more important than wage increases**.

Ladies and Gentlemen, I would like to end my report by expressing a word of thanks.

**I would like to thank all of the employees** at the METRO Group for their hard work in the past year. They were and they will remain the guarantee of the company's success.

I would also like to thank you, our company's **stockholders**. You have entrusted your capital to us and supported our business decisions. The Management Board and the employees of the METRO Group **hope you will continue to entrust us**. We will do everything to ensure that your interests are taken into consideration.
Thank you for your attention.