

**Annual General Meeting of METRO AG
on May 18, 2006 in Düsseldorf**

Speech by

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Chairman of the Management Board and

Chief Executive Officer of METRO AG

- Check against delivery -

Dear Stockholders,

Also in the name of my colleagues on the Management Board, I cordially welcome you to the Annual General Meeting of METRO AG. I would equally like to extend my welcome to those who are following this speech over the Internet. My welcome also goes to the stockholder proxies, media representatives and our guests. We are gratified that you have joined us and welcome your interest in the business development of the METRO Group.

Ladies and Gentlemen, the METRO Group looks back on an overall successful fiscal year 2005. Also with a view to the first quarter results of the current year our company remains on a good track.

The METRO Group has thus continued its steady upward trend of recent years. I believe that, together, we can be proud of the development of our company which is this year celebrating its 10th anniversary. 10 years of METRO Group – that means a 10-year success story in trading and retailing.

METRO Group celebrates its 10-year company anniversary

Starting out from the once 14 divisions focused mainly on the German market in 1996 we have shaped a highly performing, internationally competitive group with 4 sales divisions over the past decade. This portfolio optimization was guided by the goal of profitable growth.

We have realized our goal of turning the METRO Group into a strong retail company of modern design. Within 10 years, we have risen to the top ranks in international retailing. Sales during this period climbed from around € 28 billion to almost € 56 billion.

Much steeper than the rise in sales was the increase in earnings. For the years 1999 to 2005 alone, we posted a 71 percent growth in earnings.

At the same time, we also succeeded in continuously enhancing the company's value. The economic value added (EVA), which has been the key figure used for determining the value increase since 1999, rose € 744 million from € -439 million to € +305 million during the period from the introduction of this instrument through to the close of fiscal year 2005.

The basis for this sustained business success is our corporate strategy. It is built on three pillars and has been the guideline for our business activities and decisions for the past 10 years.

- The first of these key strategic elements is a strict orientation towards **profitable growth**, mainly through international expansion.
- Second, our goal is to develop our **sales concepts to unmistakable retail brands**.
- The third pillar is the portfolio optimization.

We have consistently pursued this corporate strategy over the past years.

This holds true especially for the internationalization of the METRO Group.

While we started out with operations in 8 foreign markets in 1996, we are now present in 30 countries. In particular, we have recognized the opportunities and the economic potential of the future markets in Eastern Europe and Asia early on and developed a strong market position in these regions. While we generated only 5 percent of group sales abroad ten years ago, the share of international business today already exceeds 53 percent.

In parallel to this purposefully driven expansion into foreign markets, we have also developed an international corporate and management structure within the METRO Group. Half of the nearly 250,000 employees working for the group are

employed outside Germany. We have an international management. A career in our company without experience of working abroad is difficult to conceive. Irrespective of their nationality, cultural background and religious orientation, all employees are treated equally when it comes to hiring and career opportunities.

Another vital key to our corporate success at home and abroad continues to be the performance capability and international adaptability of our **sales concepts**. We have developed them into unmistakable retail brands. Excellent examples for this are METRO Group's growth drivers, the sales divisions Media Markt and Saturn as well as Metro Cash & Carry. Across Europe, the retail brands Media Markt and Saturn today stand for the uncontested market leadership in consumer electronics retailing. Around the world, the name Metro Cash & Carry has become a synonym for strong performance and system leadership in cash & carry wholesale.

By bundling our strengths in **high-performing, cross-divisional service companies** for central functions such as procurement, logistics and IT, we succeeded in continuously improving the competitiveness of our sales concepts and METRO Group as a whole. We have purposefully created and leveraged synergy potentials during the past decade – and we will continue this process to additionally strengthen the performance capability and profitability of the METRO Group.

Another important success factor of our company is its **high capacity for innovation**. We rank among the world's leading companies in the development and deployment of new technologies in retailing. These technologies will fundamentally reshape the retail industry, probably already in the near future. They will enable us to further optimize our customer care and services, appreciably improve process efficiency and at the same time also reduce costs. In this context, our focus is on radio frequency technology. We will take a

leading role in shaping the world of retailing on the international level. This will strengthen our competitiveness and secure the economic future of our company.

Ladies and Gentlemen, in view of this very gratifying development of business at the METRO Group over the past ten years we can rightfully say that the corporate strategies we have adopted and their consistent implementation in business practice were correct. They form a good basis for the successful course of business of the METRO Group also in future.

METRO Group continues its profitable growth in 2005

Ladies and Gentlemen, these basic strategic decisions have also successfully led the METRO Group through the fiscal year 2005. We have consistently continued the growth course of the past also during the year under review and succeeded in raising both sales and earnings. This has been possible in particular thanks to the contributions from our international operations, which have grown further in 2005. Especially our business in Eastern Europe is characterized by a very dynamic development. In this growth region sales and earnings soared to over 20 and 30 percent, respectively. Business in Asia, too, continued to grow successfully. Even on the largely saturated markets in Western Europe – excluding Germany – METRO Group was able to boost sales and, more appreciably, also earnings. At the same time, the international share in group sales and earnings rose once again: more than 53 percent of sales and around 70 percent of our EBIT were achieved abroad.

With the market entry into Serbia in 2005 we have once again extended our international market presence. At the close of 2005 the METRO Group was represented at more than 2,100 locations in a total of 30 countries.

Once again, the sales divisions Metro Cash & Carry as well as Media Markt and Saturn proved to be the growth drivers during the past fiscal year. They have energetically driven their international expansion. Metro Cash & Carry as well as Media Markt and Saturn opened a total of nearly 100 new locations thereby extending their already strong positions on the foreign markets even further during the fiscal year under review.

In spite of the doubts voiced by skeptics we successfully completed the public listing of our Praktiker sales division. With this move we have made an important step in focusing our company portfolio. From the divestment of Praktiker and Praktiker's real estate we generated net proceeds in the amount of € 1.3 billion in the fiscal years 2005 and 2006. This comes up to our original expectations. From this divestment we generated additional funds for the further international expansion of Metro Cash & Carry as well as Media Markt and Saturn. Moreover, the proceeds enable us to reduce our net debt.

In summary, one can therefore say that we have become even more performing, international, competitive and innovative in fiscal year 2005.

This positive balance of the fiscal year under review is only marred by the unsatisfactory business trend recorded at the sales division **Real in Germany**. For 2005, Real posted a drop in sales and a distinct drop in earnings. This development also directly affected the business financials of the METRO Group.

Ladies and Gentlemen, I would now like to give you a detailed overview of the business development of the METRO Group in the year 2005.

For a better understanding of the figures, kindly allow me to make one comment: The figures presented for the METRO Group relate to the continuing

operations – i.e. excluding Praktiker. The prior-year values have been adjusted accordingly and are thus comparable.

Group sales in fiscal year 2005 rose from € 53.5 billion to € 55.7 billion, which represents a **4.2 percent increase**.

This is mainly attributable to the dynamic growth of our international business. On the domestic market, however, which was characterized by several years of stagnation or at best marginal growth in the retail sector, group sales receded by 2.2 percent. The unfavorable macroeconomic situation, high unemployment rates, the general political and economic uncertainty that prevailed during the weeks prior to and after the general elections and the related sustained consumption reticence have all weighed on our business financials.

Abroad, by contrast, we stepped up sales in the double-digit range, i.e. by 10.5 percent.

Particularly strong growth was generated on the dynamically expanding markets in Eastern Europe and Asia. In Eastern Europe, we boosted sales by almost 22 percent. In Asia/Africa, year-on-year sales climbed by nearly 10 percent and in Western Europe by around 5 percent.

Together, the two growth drivers of the METRO Group, Metro Cash & Carry as well as Media Markt and Saturn, achieved sales of € 41.4 billion and thus generated three quarters of group sales.

Group **EBITDA** was up **3.3 percent from € 2.84 billion to € 2.94 billion**. The EBITDA margin remained at the previous year's level of 5.3 percent.

EBIT of the METRO Group in 2005 amounted to € 1.7 billion, thereby **exceeding the comparable previous year's total by 0.8 percent**. In this context, a significant rise in earnings abroad by 17.3 percent contrasted with a

distinct slump in earnings in Germany of 28.4 percent, which is mainly attributable to the negative development of Real.

METRO Group experienced significant gains especially in the up-and-coming countries in Eastern Europe but in Western Europe, too, the METRO Group was able to raise EBIT by an almost double-digit figure. **With the exception of Real all sales divisions improved their EBIT.**

The **net profit for the period** - formerly referred to as “group net profit“ - came in at € 649 million in 2005 against € 927 million one year earlier. This includes the write-downs on deferred tax assets from loss carry-forwards at Real Germany in the amount of € 307 million.

In fiscal year 2005, the METRO Group generated **earnings per share from continuing operations of € 1.54**. Adjusted for the write-downs on deferred tax assets EPS amounted to € 2.47. This corresponds to a 6.5 percent increase in earnings per share compared against € 2.32 one year earlier. We have thus achieved our target for the earnings per share, which we had revised in the course of 2005.

Like in the previous year, the Management Board and the Supervisory Board propose a **dividend of € 1.02** per share of common stock and of **€ 1.122** per share of preferred stock. The METRO Group thereby continues to abide by the principle of dividend continuity.

In the year 2005, the METRO Group **again achieved a positive EVA**. Group EVA reached € 305 million following € 318 million one year earlier. With the exception of Real all sales divisions were able to improve their EVA compared with the previous year. Despite the development at Real, the return on capital employed came in at the previous year's level of 8 percent.

METRO Group's **investments** totaled **€ 2.1 billion in fiscal year 2005**, which is almost € 400 million more than one year earlier. The major share of this amount was used for the international expansion of Metro Cash & Carry as well as Media Markt and Saturn.

Total assets increased by € 415 million to € 28.8 billion during fiscal 2005 on account of the group's expansion activities. At the end of 2005, the consolidated balance sheet posted equity of € 5.3 billion compared against € 4.8 billion one year earlier. The **equity ratio** of the METRO Group improved from **17.1 percent to 18.5 percent**.

As a result of the dynamic expansion of the METRO Group also the number of **employees increased, namely by 6.2 percent**. On an annual average, the group had a workforce of **nearly 247,000 employees**.

The METRO Group once again lived up to its responsibility for the future of young people. During the year under review, we recruited a total of **2,900 new vocational trainees** and thereby made an important contribution to meeting the targets of the German apprenticeship pact. Our already high training quota of the previous year was thereby raised once again, namely from 7.9 to 8.3 percent.

Ladies and Gentlemen, one can summarize the overall development of our group in the fiscal year 2005 as follows: We have every reason to be satisfied with our company's business development even though some wishes remain unfulfilled. With the business year just ended we have added a successful chapter to the young corporate history of the METRO Group.

Ladies and Gentlemen, let me now present the business results of the sales divisions.

Metro Cash & Carry posted strong growth in international business

Metro Cash & Carry raised its **sales from €26.4 billion in fiscal year 2004 to €28.1 billion in 2005**. This corresponds to a **plus of 6.2 percent** or, adjusted for currency effects, 4.4 percent. The high sales volume achieved in 2004, due among others to the anniversary campaign “40 Years Metro Cash & Carry“, was thus distinctly outperformed once again.

In Germany, sales fell slightly 1.8 percent below the previous year’s value coming in at €5.7 billion. This was mainly attributable to the continued negative business in the gastronomy sector as well as the persisting consumption reluctance of German consumers, which indirectly also affected cash & carry wholesale.

In its foreign business, however, the sales division managed to generate strong growth. Outside Germany, sales reached a volume of € 22.3 billion, corresponding to an increase of 8.5 percent or, adjusted for currency effects, 6.1 percent over the previous year. A particularly steep rise in sales, namely by 21.9 percent, was achieved in Eastern Europe. Sales in Russia also took a very gratifying course soaring 62.6 percent. Sales in Asia developed almost as dynamically as in Eastern Europe. In Asia, Metro Cash & Carry generated a 17.5 percent growth in sales.

The traditionally high **share of international business** in total sales rose from around 78 percent to **around 80 percent**, making Metro Cash & Carry the most international retail format in the world.

In addition to the sales volume Metro Cash & Carry also stepped up its earnings. Despite start-up losses and higher investments **EBIT improved by 5.1 percent to over one billion euro**. This illustrates the strong earnings potential and operational capability of this sales division. Exceptionally strong growth was achieved in Eastern Europe.

Metro Cash & Carry forged ahead in its **international expansion** with the **market entry in Serbia and Montenegro** and the opening of 39 new wholesale stores, of which 23 in Eastern Europe alone. In Germany, 4 new locations were opened. At the close of the reporting year the sales division was represented in a total of **28 countries with 544 locations** and a total selling space of over 4 million square meters.

Real with distinct losses in Germany

Ladies and Gentlemen, let me now turn to **Real**. Since the second quarter 2005, the Real hypermarkets and Extra supermarkets have been **combined to one reporting unit** under the umbrella of the Real sales division. This move was the logical consequence of the close organizational ties existing between the two sales brands.

Sales of Real dropped by 7.5 percent to € 9.9 billion during the reporting year. In Germany, the sales dropped 4 percent on a like-for-like basis below the previous year's level. Total sales dropped 9.5 percent. Of this decline in sales € 572 million are directly related to the divestiture or closure of 156 Extra supermarkets.

Industry-wide, nominal sales in the German hypermarket sector fell by 3.1 percent in 2005. For the rest, the minus in sales reflects the heightened competition in the German food retail market, the distinct purchasing restraint and price sensitivity of consumers as well as the effects of quality incidents at two Real hypermarkets.

The negative sales trend in Germany contrasts with a **16.4 percent growth in international sales**. Real was able to boost sales by 13.3 percent in Poland and by 11.9 percent in Turkey. Following the successful market entry in Russia in 2005, Real now generates 10 percent of total sales abroad.

In terms of earnings, Real recorded distinct losses in its domestic operations. In 2005, the sales division saw **EBIT fall to € -11.7 million from € +135.5 million in 2004**. Besides the negative sales trend this was also caused by the expenses for measures introduced to stabilize customer frequency at Real in Germany. The Extra supermarkets posted improved earnings in 2005 after a successful pruning of the store portfolio.

Ladies and Gentlemen, it will come as no surprise to you if I say that we are very dissatisfied with the business development of Real in 2005. We have therefore taken determined, immediate and forceful action to deal with this situation. In a first step, the Management Board of the METRO Group initiated personnel changes relating to the management of Real. The sales division itself initiated a fundamental repositioning of the company under its new management, especially with a view to a more consistent implementation of the strategic management decisions. Real plans to recover lost market share with a further improved sales concept and a professional marketing strategy. By introducing exceptionally high quality standards, especially in the fresh produce area, the sales division wants to present itself to its customers as a strong partner in retailing who deserves their trust. A sharpened price profile combined with high quality shall additionally raise the attractiveness of this sales division. The most imminent tasks to be mastered by Real include the improvement of process efficiency and distinct cost reductions. Among other issues, the personnel costs are put to the test, which in some cases are higher than those of the competition.

This set of individual measures aims at achieving a distinct increase in earnings in the medium term, and Real as integral part of the METRO Group's portfolio will be guided to former strong performance.

The Management Board of the METRO Group will attentively monitor this repositioning process and take further corrective action, where required.

Media Markt and Saturn continue on their success course with strong growth

Ladies and gentlemen, I now turn to **Media Markt and Saturn**. The sales division **raised total sales by 9 percent from €12.2 billion to €13.3 billion in the fiscal year under review**. On a domestic market characterized by purchasing restraint, the sales division in fiscal 2005 again outperformed the high sales level recorded one year earlier and related to special effects by 2.6 percent. The decisive growth impulses, however, resulted from international business. International sales climbed from € 5.1 billion to € 6.1 billion. This corresponds to a 17.8 percent growth over the previous year. At the same time, the share of international sales in total sales rose from 42.2 percent to 45.6 percent.

Media Markt and Saturn **boosted EBIT by 12.8 percent from € 451.9 million to € 509.8 million** during the fiscal year under review. In this context, the consumer electronics centers achieved a growth in earnings both in Germany and abroad, particularly in Spain, Italy and Poland. The dynamic of EBIT development, which was achieved in spite of considerable expansion activities, illustrates the sustained high earnings strength of this sales division as well as the performance capability and international adaptability of its sales concepts.

The **sales brands Media Markt and Saturn** have rigorously driven their **expansion course** with the opening of a total of **56 new stores**, of which 40 abroad and 16 in Germany. In 2005, Saturn completed its market entry into Spain while Media Markt tapped the Greek market. With these moves, the sales division is now represented in 12 countries with a total of 558 consumer electronics centers and a total selling space of 1.7 million square meters.

Galeria Kaufhof department stores stand their ground in a challenging business environment

The course of business of the Galeria Kaufhof department stores, which mainly operate on the German market, has been decisively shaped by the unfavorable macroeconomic conditions prevailing on the domestic market.

This division's **sales declined from nearly €3.8 billion to around €3.6 billion in 2005**. This is 5.1 percent below the figure achieved one year earlier, which was characterized by positive special effects resulting from the promotion campaign on the occasion of the company's 125th anniversary. Similar impulses were lacking in the fiscal year 2005.

The **Galeria Inno department stores in Belgium** which belong to Kaufhof Warenhaus AG **raised their sales volume by 8 percent**.

In the course of further optimized cost structures, Galeria Kaufhof's **EBIT** came in at **€ 69.2 million following € 56.8 million one year earlier**. This corresponds to a **21.8 percent rise**.

At the close of the year under review, Kaufhof operated a **total of 142 department stores**, of which 101 Galeria stores.

With a view to the negative sales trend in Germany in fiscal 2005 Kaufhof **pushed ahead with the adaptation of the Galeria concept.** Among other measures, the inclusion of additional premium brands with a strong image into the assortment is planned. In addition, new target group-specific private labels were added to the assortment.

Conclusion: Business development at the sales divisions

Ladies and Gentlemen, let me summarize the business development of the METRO Group as follows: With the exception of the situation at Real, overall we are well positioned with our sales divisions not only in the German market but in particular also in the international markets. We are high-performing and competitive. This is a good basis for successful business even in a challenging industry environment. We therefore have every reason to be positive also with regard to the fiscal year 2006.

In the first 3 months we have laid a solid foundation for the business success of the METRO Group in the current year.

Good start of the METRO Group into fiscal year 2006

Group sales again rose strongly in the first quarter 2006 as compared against the same period last year – despite a negative calendar effect resulting from the missing Easter business, which this year fell into the second quarter. METRO Group generated sales of € 13.3 billion. This corresponds to a **growth of 4.8 percent.** Especially our international business contributed to this success, boosting sales by 13.2 percent to € 7.3 billion. The international share of group sales again climbed appreciably year on year, namely from 50.7 to 54.8 percent. Business development in Eastern Europe and Asia took a particularly dynamic course. In these regions we managed to boost sales by 20.2 and 28.7 percent, respectively. In Western Europe, too, we recorded a positive course of

business with sales up 8.0 percent. One decisive factor contributing to this development were distinctly higher sales from the retail brands Media Markt and Saturn in Western Europe. In Germany, however, sales dropped 3.8 percent below the previous year's level. This is mainly attributable to the above-mentioned shift of the high-volume Easter business into the second quarter and also to lower sales at Real in Germany. Real did not succeed in reaching last year's high first-quarter sales volume owed to the successful "New Price Age" campaign.

Earnings before interest, taxes, depreciation and amortization (**EBITDA**) at the close of the first quarter stood at € 423 million following € 424 million in 2005. This earnings trend is attributable to the continued drop in earnings posted by Real Germany in the first quarter. All other sales divisions of the METRO Group generated higher earnings.

Ladies and Gentlemen, these figures demonstrate that the METRO Group overall made a solid start into fiscal year 2006. Metro Cash & Carry as well as Media Markt and Saturn, who each achieved double-digit growth rates in their international business during the first quarter, continue to be our growth drivers. The sales division Galeria Kaufhof, which had been particularly hard hit by the general purchasing restraint shown by consumers in recent years, recorded a slight pickup in the first three months of the current year despite the negative calendar effect of the Easter business in Germany. This reflected in both sales and earnings.

At the close of the first quarter 2006, Real posted a further drop in sales and earnings. The reasons for this development and our counter-actions have already been outlined above. Abroad, Real achieved distinct growth. For the fiscal year 2006 we expect a stabilization of business and a positive EBIT for Real.

Outlook 2006

Ladies and Gentlemen, let me conclude my report with an **outlook on our targets for the fiscal year 2006.**

On the domestic market, we expect the retail business to pick up at the end of the first six months due to the FIFA World Cup. Moreover and with a view to the planned VAT increase in 2007, we expect the retail sector to benefit from anticipatory consumer spending starting from the end of the third quarter 2006. Aside from these short-term special effects we believe that a fundamental and lasting improvement of the consumer climate in Germany will only materialize if the government finds the courage to fundamentally reform the social systems and corporate taxation and deregulate the labor market.

We are also worried about the economic effects of 3 percent VAT increase on nonfood-products in 2007.

For our international business we expect a further strong increase in sales and earnings. This assumption was confirmed by the business results achieved in the first quarter. In particular for the growth markets in Eastern Europe and Asia we anticipate a continued dynamic course of business in view of the sustained economic boom in these regions.

We will extend our presence in the growth regions of Eastern Europe and Asia and also in Western Europe. In Western Europe, we plan the market entry of Media Markt in Sweden while market entry in Pakistan is scheduled for early 2007.

Our specific targets for 2006 are the following:

- During the current fiscal year we plan to **increase sales by 4 to 6 percent**. This corridor considers the effects of the FIFA World Cup and the anticipatory effects from the planned VAT increase.
- We expect a further **distinct rise in international business**, in particular in Eastern Europe.
- We plan to raise **earnings per share by 5 to 8 percent**. In this context, we expect an even better development with regard to EBIT.
- During the current fiscal year the METRO Group will probably again **invest € 2.1 billion**. These funds will primarily be used for the further expansion of the growth drivers Metro Cash & Carry as well as Media Markt and Saturn.

Ladies and Gentlemen, the Management Board and the employees of the METRO Group, whom I would herewith like to explicitly thank for their dedication and successful work during the last year, will do everything possible to realize these targets. We are determined to continue the success story of the METRO Group also in the future. To this end, we rely on your trust as stockholders and your continued support.

Thank you for your attention.