

**Annual Press Conference of**

**METRO Group**

**in Düsseldorf on 18 March 2008**

**Speech of the Chairman  
of the Management Board of  
METRO Group**

**Dr. Eckhard Cordes**

**- *Check against delivery* -**

Good morning, ladies and gentlemen,

2007 was a successful and an exciting year for METRO Group. And it was a year of change.

In the past year, the METRO Group grew sales by more than 10 percent, to € 64 billion. Organic growth, too, which means sales net of acquisitions, is highly satisfactory: it rose by respectable 7 percent. EBIT improved by almost 9 percent to 2.1 billion euro. This figure does not include the effect of the Wal Mart and Géant acquisitions in 2006. So we can directly compare the development.

You see: 2007 was a successful year for METRO Group. The Management Board of METRO Group will therefore propose to the AGM increasing the dividend to € 1.18 – this is a plus of more than 5 percent.

Metro Cash & Carry performed excellently in 2007 too, sales climbed 6 percent. And what's even more gratifying: Cash & Carry continues to be the key value driver of the METRO Group. Earnings grew almost twice as much as sales, attesting to a distinct improvement in profitability.

Real. In Germany, the business of Wal Mart was successfully integrated. The same holds true for Géant in Poland. Real could thus report a clear boost in sales by 25 percent to € 11 billion. But also in terms of organic growth Real added 5 percent – after many years of stagnation. The company succeeded in stabilizing the sales volume on the German domestic market.

Media Markt and Saturn kept up their strong growth. Once again, sales grew in a double-digit range, namely by 13 percent. International business proved to be the main driver. A total of 84 new consumer electronics centers were opened. This is a record in the highly dynamic development of Media Markt Saturn. In a nutshell: the pace was quickened even in this division.

Kaufland has progressed further. The Management of Galeria Kaufhof consistently pursued the trading-up strategy and raised the EBIT by noteworthy 31 percent. So this turned out to be the third year in succession in which it achieved a high double-digit EBIT growth.

Ladies and gentlemen, the 2007 financial year is a strong foundation for the future value-creating growth strategy of the METRO Group. It is an excellent starting point for strategic initiatives.

You will have heard many speculations in this respect. But what really are our plans?

Over the past weeks, the Management Board has analyzed in great depth the situation of the METRO Group. I myself had many talks with the management of our sales divisions and the management of the Metro holding company, with customers and with suppliers.

To endow the Management Board with more punch, we will change it in structure and composition. We want to act faster and at the same time more effectively. To this end, it is imperative to anchor certain operating activities directly in the Management Board of the METRO Group.

The Management Board and the Supervisory Board of METRO Group have therefore decided to integrate the CEOs of Metro Cash & Carry and of Real directly into the Management Board of METRO AG. In addition, we will install a Personnel Director at Board level. HR activities in all their facets are becoming evermore important as a competitive factor in retailing.

So in future our Management Board will comprise 6 members, as follows:

- Dr. Eckhard Cordes – CEO METRO Group
- Zygmunt Mierdorf – Management Board Member Cross Divisional Services
- Frans Muller – CEO of Metro Cash & Carry
- Joël Saveuse – CEO of Real
- Thomas Unger – CFO and responsible for the real estate
- And a Personnel Director – who has not yet been nominated

With all these staff changes we are pursuing the same objectives: be quick, near to the business and therefore close to the challenges and chances of our company.

At Media Saturn we leave the management structure unchanged. The characteristics of this business do not require a direct integration into the Management Board.

The strategic competence of Metro has to be strengthened further. We must constantly analyze and have an eye firmly on the world of retail in order to competently align the company with the permanently changing environment. To this end, we have established a new department: Group strategy.

This department will also deal intensively with those regions in which we have not been active so far. We will also look into new sales formats. And, what's more, we must be in a position to grasp acquisition opportunities whenever this is strategically relevant and reasonable.

Ladies and gentlemen, taking the word Group strategy as a cue, I should emphasize once again: METRO AG will not be broken up. From the shareholder viewpoint such a measure would not make sense. As a matter of course, there will be changes, structural adjustments, portfolio changes. We will acquire companies

where it makes sense and a reasonable opportunity presents itself, and of course portfolio streamlining is not to be ruled out. Change is the only constant.

Now, where are the sales divisions heading?

The successful development of Metro Cash & Carry will be forcefully advanced. Business is to be internationalized further. The potential of this sales division is highly attractive.

At Real in Germany we are, for the first time, establishing a professional turnaround process, such as I know it from my former time at Daimler. Turnaround is feasible, and it will be successful. We have set ourselves a timeframe of two years. If we should have to realize, against all expectations, that this does not work, we will draw the necessary consequences. Outside Germany, namely in Eastern Europe, we are continuing our successful expansion full speed ahead.

Media Markt und Saturn will aggressively continue strengthening its European market leadership. Growth rates will stay high. We will position ourselves with the necessary strategic flexibility.

At Galeria Kaufhof the successful trading-up strategy will be pursued further and the positive earnings situation secured. Over the past years, Kaufhof has undergone a positive development. But nonetheless: Galeria Kaufhof is not crucial for the growth of the Metro Group and we do not view Kaufhof as a strategic part of the business. We will check all strategic options for the department store business without any time pressure.

A brief remark regarding our real estate management for which our CFO, Thomas Unger, is now responsible. In future, we will increasingly use real estate management as a lever for value creation. The question whether and where it makes sense to own property will in future be mainly dependent on the following

factors: sales concept, real estate prices, interest rate levels, competition and geography. This approach is geared to securing satisfactory returns for our shareholders in the same way as providing financing facilities for possible further growth, especially in Eastern Europe and Asia.

Ladies and gentlemen, these were my statements on the direction of Metro. Let me now make a few additional remarks on the sales divisions.

Metro Cash & Carry stands out for a worldwide success story that has been going on for years. The earnings contributions of Metro Cash & Carry at a simultaneously high growth rate are unmatched in the sector.

Last year, we opened 32 new stores in 14 countries, among them the 600<sup>th</sup> store worldwide in Siberia. The market entry into Pakistan has been accomplished.

For the METRO Group, Metro Cash & Carry is both: main contributor of sales volume and main supplier of income. This proved to be true once again in the 2007 financial year. Metro Cash & Carry achieved a further distinct improvement of profitability.

The only conclusion we can draw from this success is that we will extend our strengths by forcefully advancing the development of Metro Cash & Carry as the most important growth driver and by intensifying its development and its internationalization. We will press ahead with our expansion in Eastern Europe and Asia. Those regions of the world where we are not represented remain in our sights.

For our commercial success it is decisive that we gain significant market shares at a fast pace in the strongly growing future markets. This is essential in order to achieve as quickly as possible the payback phases of our investments so that they pay off soonest.

Since February 1 of this year, Frans Muller as the new CEO of Metro Cash & Carry has been committed to this kind of profitable and, simultaneously, fast growth. By integrating him into the Management Board of METRO AG we are creating still better conditions for the future successful development of Metro Cash & Carry.

In Eastern Europe and in a number of Asian markets, Metro Cash & Carry succeeded in reaping the benefits of an early mover.

In Vietnam, in India and in Pakistan Metro Cash & Carry is the first company to establish the basis for a modern wholesale system. Starting with the transportation infrastructure, via local harvesting and handling practices through to securing an uninterrupted cold chain during transportation – there is much groundbreaking work to do for a pioneer. But at the same time we secure for ourselves the market leadership. And it is vital to be quick. At high speed we want to tap significant market shares and reach the critical mass – this is what matters in the growth markets in which we are already present.

In parallel we are analyzing opportunities of advancing to further regions.

Another important focus of our strategy is on the commercial success of Metro Cash & Carry in the mature West European markets. We are in the process of devising a series of concept improvements. In future, we want to offer our target customers even better service. And we want to strengthen their link and loyalty to us. A Customer Relationship Management will intensify our engagement in this field and develop innovative solutions. The extension of delivery services for our customers is yet another option.

The potentials of our private label strategy have not been fully leveraged yet. This holds especially true for our position in mature markets. We are working on new concepts at full blast.

Ladies and gentlemen, with this toolbox we will bring Metro Cash & Carry forward and increase its value creation capacity. All of us as we sit here on this rostrum are firmly convinced of the success of this strategy.

Real Germany is the 'construction site' of METRO Group.

Against this background the organic sales growth of 5% in the 2007 financial year is quite satisfactory. In the past financial year, Real opened 14 new stores in Eastern Europe. In that region we are properly positioned.

If we want to put Real back on track, this will only be possible via Germany.

To achieve this is the responsibility of Real's CEO Joël Saveuse, who is regrettably unable to attend today because of other commitments. He is steering this process in detail and enjoys our full support. Joël Saveuse will move up to the Management Board of METRO Group. This has an advantage in that the entire Management Board is "close enough to the Real scene". Or in other words: Real has absolute top priority for the Management Board. Joël Saveuse will be given a three-year contract. Within the next two years Real must significantly improve its business. What you may presume now is correct. If we fail to restructure Real Germany, we will have to draw the necessary consequences. But we are optimists in the first place.

The market environment is difficult for Real, but it is better than its reputation. The market share gains of discounters in past years were not to the detriment of the hypermarkets offering large selling space. They largely succeeded in maintaining their market shares over the last 10 years.

Hypermarkets will therefore retain their foothold in the long term, with ample parking space onsite and with the full product assortment for everyday needs under one roof.

Real has to recapture its lost market shares in this segment and increase its earnings power. An EBIT margin of around 3 percent is and remains the target. But it would be unrealistic to expect that we can achieve this by 2009. So far we have not concentrated our full efforts on this restructuring task with sufficient perseverance.

Joël Saveuse has now established a process organization which can help achieve the turnaround. This will be a professional approach to restructuring. The project is well structured, responsibilities have been clearly allocated and the project monitoring tools are in place. The program covers the full range of cost- and sales-related measures. Yes, and there will also be a reduction of the number of stores.

Real has around 40 hypermarkets which underperform substantially. These hypermarkets generated EBIT losses of 40 to 50 million euro last year. Real's management will seek solutions for those stores. Also, disposals cannot be ruled out. We have to prevent the performing stores being negatively affected by the weak ones. Let me assure you that the Management Board will monitor the progress of all project measures very, very closely.

Once again: should the plan fail, against all expectations, we will set a new course without any compromise.

But already now, really positive news can be reported.

International expansion is a real strength of Real. Expansion outside Germany yielded an organic growth plus of more than 5 percent for Real as a whole in 2007. The task is now to reach breakeven in the international business as fast as possible! I am confident that we will succeed.

We will intensify growth in Eastern Europe. There, around 15 new stores are to be opened per annum. Still this year, Real wants to tap the Ukraine as a new market.

Summarizing I may say: we know in every respect what has to be done. In Germany. And in Eastern Europe.

Besides Metro Cash & Carry, Media Markt and Saturn is the most important and successful growth driver in the Group and the fastest growing category killer worldwide. This buzzword is drastic, but it is absolutely to the point. There is no sector segment which changed its appearance in recent years as much as consumer electronics retailing. And there is hardly any segment which made so much money with it. Media Markt Saturn advanced on the road to victory in this trend. Decentralization and uncompromising customer orientation have paid off excellently. In 2007, Media Markt and Saturn substantially boosted sales, mainly outside Germany. The two sales brands taken together opened 84 new consumer electronics centers. This is outstanding, even considering the already highly dynamic development of Media Markt Saturn.

It means of course that the pace was stepped up also here.

Expansion in Russia and in Turkey is proceeding in large strides. New services will render consumer electronics stores even more attractive. These are the strategies we apply to continue the success story of Media Markt Saturn into the future.

Media Saturn will continue to grow dynamically and create value. We are getting prepared to command the strategic flexibility in order to be able to promptly respond to all developments in our business environment.

Today, Kaufhof is a profitable business in the METRO Group! This is not always clearly communicated in comments on this business. Kaufhof's trading-up strategy has proven right in a difficult market environment. In the past financial year, Kaufhof succeeded in increasing its profitability once again distinctly. For the first time, Kaufhof achieved a positive EVA. The EBIT margin increased steeply. It is now at 3 percent. Kaufhof is a successful company!

Ladies and gentlemen, from some corners we are being urged to act quickly – by being referred to the consolidation process in the European department store segment. I cannot understand the rush. If I look at the business development at Kaufhof, I do not see any reason for hectic action.

It is true that Kaufhof is definitely less internationalized than our other sales divisions. Moreover, Kaufhof represents a comparatively small, primarily national business and is not a growth driver for our Group. Synergies with other divisions of the METRO Group are limited. This has been demonstrated in the past years and a glance at the future does not show any indication for changing this appraisal.

Considering this situation, METRO Group's Management Board has come to the following conclusion: Galeria Kaufhof is a successful business, but from the viewpoint of the Group, it is not a strategic business. Without any time pressure, we will analyze all options and implement at the right time the one which offers maximum value added for the METRO Group.

In the meantime we continue to increase the value of Kaufhof by pursuing the successful trading-up strategy. For this purpose we will further develop the Galeria format and the range of exclusive brands and private labels.

This is what I had to say about the value-oriented development of the existing sales divisions of the METRO Group.

Ladies and gentlemen,

For many years, Metro Group has been a successful wholesale and retail company. With the action plan presented today we will consistently strengthen our position. We want to continue our dynamic international growth and, what's more, become more profitable.

With this value-creating growth strategy we expect sales to grow by more than 6 percent per year in the medium term while at the same time improving our profitability substantially. EBIT before special items will then rise by more than 8 percent per annum.

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