Notes to METRO AG's financial statements

(1) Incorporation/renaming into METRO AG

By resolution of February 11, 1992, the Company was formed under the corporate name "Steba Beteiligungs-AG" and registered on May 13, 1992, in the Commercial Register of the Frankfurt/Main Local Court under number HRB 35046. At the general meeting of December 5, 1995, the Company was renamed METRO AG and its registered office relocated to Cologne. The pertinent entry in the Commercial Register of the Cologne Local Court under number HRB 26888 is dated December 15, 1995.

Effective as of December 4, 1995, Metro Vermögensverwaltung GmbH & Co KG, Düsseldorf, acquired all of the Company's stock from Deutsche Bank AG, Frankfurt/Main. At acquisition date, the Company was inactive.

The balance sheet as of December 31, 1995, and the income statement for the fiscal year ended December 31, 1995, present the following picture:

METRO AG
Balance sheet as of December 31, 1995

Assets	
	DM
A. Current assets	
1. Receivables and sundry assets	1,912
2. Due from banks	103,930
	105,842

Stockholder's equity and liabilities	
	DM
A. Stockholder's equity	
1. Capital stock	100,000
2. Reserves retained from earnings	
Legel reserve	166

3. Unappropriated retained earnings	3,158
	103,324
B. Accruals	1,650
C. Liabilities	868
	105,842

METRO AG
Income statement
for the year ended December 31, 1995

	DM
1. Sundry operating expenses	(3,458)
2. Sundry interest and related income	3,744
3. Result from ordinary operations	286
4. Income taxes	(247)
5. Net income	39
6. Profit brought forward	3,121
7. Transfer to legal reserve	(2)
8. Net earnings	3,158

(2) Contribution of shares to, and merger of Asko Deutsche Kaufhaus AG, Deutsche SB-Kauf AG and Kaufhof Holding AG into, METRO AG

In March 1996, Metro Vermögensverwaltung GmbH & Co KG contributed to METRO AG its shares in the stock of Asko Deutsche Kaufhaus AG and Kaufhof Holding AG, as well as its equity interest in Metro SB-Grossmärkte GmbH & Co KG, in BLV Leuner Grossverbraucher Service GmbH & Co KG and in Sigma Bürowelt GmbH & Co KG plus that in various service enterprises, all through a capital increase against contribution in kind. In consummation of such contributions, METRO AG raised on March 14, 1996, its capital stock from DM 0.100 million to DM 288.000 million.

At the stockholders' meetings of Asko Deutsche Kaufhaus AG, Deutsche SB-Kauf AG and Kaufhof Holding AG in late May 1996, the mergers of these corporations into METRO AG were resolved and, in mid-July 1996, they were entered in the Commercial Registers concerned and took retroactive effect as of January 1, 1996. To implement the mergers, METRO AG increased its capital stock from DM 288.000 million to DM 501.014 million; for details on the capital raise, see Note (10) below.

(3) Disclosure, accounting and valuation principles

In the financial statements (balance sheet and income statement), certain captions have been combined with a view to enhancing transparency of presentation. To underline the Company's holding function, the order of income statement captions laid down in Art. 275 German Commercial Code ("HGB") has partly been modified. Any summarized captions are detailed in these Notes.
Intangible assets are stated at acquisition cost, tangible assets at purchase or production cost, both less accumulated systematic amortization or depreciation, less write-down and less accelerated cost recovery (ACR) charges as applicable or required. Additions to movable tangibles are generally depreciated by using the tax convenience of charging the full or half the rate for additions in the first or the second six-month period, respectively. Systematic depreciation is charged to buildings and self-contained building appurtenances or elements on a straight-line basis, while for movable tangible assets, the declining-balance method is as a rule used wherever permitted by tax regulations. From the year in which straight-line depreciation exceeds declining-balance charges, the former method is adopted thenceforth. Assets are written down whenever any impairment in value is of a long-term nature. So-called low-value assets (i.e., at net cost of DM 800 or less) are fully written off in the year of their addition.

Investments and shares in Group companies are capitalized at cost or any lower current value, lower values being maintained and carried forward. The cost of such investments and shares in Group companies as have been taken over under the merger with Asko Deutsche Kaufhaus AG is defined by METRO AG as the values shown in Asko Deutsche Kaufhaus AG's closing balance sheet for tax purposes as of December 31, 1995. METRO AG's cost of such investments and shares in Group companies as have been taken over under the merger with Kaufhof Holding AG corresponds to the values shown in Kaufhof Holding AG's financial closing balance sheet as of December 31, 1995.

Long-term loans are capitalized at par, non- or low-interest loans being discounted to their present values.

Receivables and sundry assets are principally stated at par or face value. Specific allowances provide for the risks inherent in doubtful receivables; non-interest receivables are discounted. To the extent permissible, income from investments is received as earned and capitalized in the year for which the dividend is distributed. Short-term securities and note loans are valued at cost, market or current value, whichever is lower.

Accruals provide for foreseeable or apprehensible risks, uncertain commitments and impending losses, as deemed appropriate in accordance with sound business practice and judgment. The actuarial present value is used to provide for pension accruals, on the basis of an imputed yearly interest rate of 6 percent, all pursuant to Art. 6a German Income Tax Act ("EStG"). At one METRO AG Benevolent Fund, the commitment volume exceeds in terms of accounting the actual endowment (total assets) of this Fund. However, no deficient cover exists as since many years ago, usufructuary rights have been created in favor of the Fund to use Group-owned land. At December 31, 1996, the Fund's obligations exceeded its assets by DM 238.421 million. The usufructuary rights created were valued as of December 31, 1996, at DM 240.194 million. Same-amount accruals provide moreover for the deficient cover resulting from Supplementary Pension Funds. Long-term accruals, such as for deficient rental cover or employment anniversary allowance commitments, are disclosed at par, i.e. not discounted.

Liabilities are generally stated at the amount repayable.

Liabilities are generally stated at the amount repayable. Financial derivatives of interest rate and currency management are used to minimize risks from the companies' operational activities, their valuation being itemwise and predicated on the imparity principle (which requires unrealized losses to be accrued and prohibits recognition of unrealized profits). Nonlisted financial instruments are valued either as marked to market, by using generally accepted option pricing models or, for non-option-type derivatives, according to the present-value method.

Currency-related financial transactions are principally valued at the current mean spot price. Exchange transactions maturing later are valued at the forward rates for the respective remaining terms.

For interest rate futures and options thereon, net security payments made are directly deducted. Currency-related financial transactions are principally valued at the current mean spot price. Exchange transactions maturing later are valued at the forward rates for the respective remaining terms.

For interest rate futures and options thereon, net security payments made are directly deducted.

Specific accruals provide in principle for impending losses from derivative financial instruments at the notional losses from evening up such positions (marked to market). In accordance with the true-and-fair-view standards of Art. 264 par. 2(1) HGB and in line with international practice, transactions constituting economic units and whose collateralization is objectively interrelated are valued on an offset basis, i.e., within a position valued as a unit, losses from unsettled contracts are offset against, and up to the amount of, unrealized profits. The formation of separate valuation units is premised on currency identity, financial-standing identity (prime debtors exclusively), and substantially matching maturities.

(4) Comparative data

With a view to enhancing conclusiveness, the comparative figures in METRO AG's balance sheet as of December 31, 1996, are the post-merger values at January 1, 1996, which resulted as of the latter date after the shares in the Metro Wholesale companies, in Asko Deutsche Kaufhaus AG and in Kaufhof Holding AG had retroactively been contributed and the merger of Asko Deutsche Kaufhaus AG, Deutsche SB-Kauf AG and Kaufhof Holding AG into METRO AG been implemented.

No comparative figures can be provided for the 1996 income statement since the inception of METRO AG in the present, post-merger, function dates back to January 1, 1996, only.

Comments on Metro AG's balance sheet

(5) Fixed assets

	At cost				
In DM million	**Balance at 1-1-1996**	**Additions**	**Disposals**	**Charges (accu-mulated)**	**Ba 12-**

Intangible assets					
Right and licenses	0.418	0.235	0.037	0.290	
Tangible assets					
Land, equivalent titles and buildings (including buildings on leased land leasehold improvements)	52.176	65	48.550	2.396	
Sundry plant, factory and office equipment	10.596	2.259	6.225	3.271	
	62.772	**2.324**	**54.775**	**5.667**	
Financial assets					
Shares in Group CompaniesAnteile	5,613.351	539.004	16.972	179.230	5,
Loans to Group companies	100.130	2.934	94.726	–	
Investments	22.058	5.482	5.287	16.302	
Loans under investor/investee relations	0.517	–	0.517	–	
Other long-term securities	0.002	–	0.002	–	
Other long-term loans	13.445	0.700	13.287	–	
	5,749.503	**548.120**	**130.791**	**195.532**	**5,**
Total	**5.812.693**	**550.679**	**185.603**	**201.489**	**5,**

(6) Tangible assets

Tangible assets mainly comprise leasehold improvements and office equipment.

The DM 54.775 million disposals refer to land and buildings transferred to real-estate enterprises within the METRO AG Group, and to merger-related disposals of factory and office equipment after Asko Deutsche Kaufhaus AG's Saarbrücken-based head office had been closed down.

(7) Financial assets

DM 167.011 million of the DM 539.004 million additions to shares in Group companies is allocable to the acquisition of further indirect and direct shares in Horten AG, another DM 130.993 million resulting from capital increases within the Food Stores & Discounters division. Moreover, the Company"s stake in Vobis Microcomputer AG was raised by 31.5 percentage points and besides, more shares in other Group companies were acquired. DM 94.924 million of the additions is related to reclassification and restructuring. The disposals at DM 16.972 million result from two capital decreases and one merger, as well as from the disposal of some small enterprises.

The write-down charged at DM 179.230 million refers to the investments in Möbel Unger GmbH and two other companies; also included therein is the write-down to the lower going-concern value due to profit distribution.

The additions to investments are attributable to Zentra Finanz-Service Beratungs- und Vermittlungsgesellschaft mbH having been merged into METRO AG, while the disposals mainly involve the shares in Gold Maier Schmuck- und Uhrenhandelsgesellschaft mbH. Two investments were written down.

The disposals shown under long-term loans are mainly the consequence of early repayments.

(8) Receivables and sundry assets Vermögensgegenstände

In DM million	12-31-1996	1-1-1996
Due from Group companies	2,160.560	2,053.800
thereof with a remaining term of more than one year	(55.585)	(105.585)
Receivables under investor/investee relations	47.509	38.572
Sundry assets	499.420	621.847
thereof with a remaining term of more than one year	(44.969)	(66.185)
	2,707.489	**2,714.219**

Sundry assets include tax reclaims at DM 349.234 million, DM 220.017 million of which represents creditable tax from dividends received. This item moreover covers the balance receivable from the disposal of an investment.

(9) Short-term securities and note loans

In DM million	12-31-1996	1-1-1996
Shares in Group companies	0,025	80.361
Sonstige Wertpapiere	190.913	214.100
Schuldscheindarlehen	114.690	109.902

	305.628	**404.363**

The other short-term securities primarily include shares in Hapag-Lloyd AG stock. The note loans were granted to real-estate enterprises and are used to fund operating outlets within the METRO AG Group.

(10) Capital stock

METRO AG's capital stock developed as follows in the year under review:

Düsseldorf-based Metro Vermögensverwaltung GmbH & Co KG as majority stockholder contributed to METRO AG its controlling interests in Saarbrücken-based Asko Deutsche Kaufhaus AG, Cologne-based Kaufhof Holding AG and Düsseldorf-based Metro SB-Grossmärkte GmbH & Co KG, as well as other shareholdings, all against the granting of shareholder rights according to and under the capital contribution agreement of March 13, 1996. To implement such capital contributions, the Company's stockholders' meeting of March 14, 1996, raised the capital stock from DM 100,000 to DM 288,000,000.

By resolution of the stockholders' meeting of June 21, 1996, the capital stock was increased to implement the mergers with Asko Deutsche Kaufhaus AG (by DM 80,291,655), Deutsche SB-Kauf AG (by DM 12,861,620) and Kaufhof Holding AG (by DM 119,860,960) to a total DM 501,014,235. The capital raises and mergers have been implemented.

By further resolutions of the stockholders' meeting of June 21, 1996, the Company's capital was conditionally raised to implement the merger with Kaufhof Holding AG, by up to DM 15,000,000, divided into a maximum 3,000,000 shares of common stock of DM 5 each at par (Potential Capital I). Furthermore, the capital was conditionally raised to implement the merger with Kaufhof Holding AG, by up to DM 7,740,000, divided into a maximum 1,548,000 shares of preferred stock I of DM 5 each at par (Potential Capital II). Until July 19, 1996, no Kaufhof common or preferred stock was issued on the grounds of any option rights having been exercised under the warrant bonds mentioned earlier. Therefore, Potential Capital I and Potential Capital II have both expired and been forfeited due to lapse of time.

In addition, the Company's capital was conditionally raised by up to DM 15,000,000, divided into a maximum 3,000,000 shares of common stock of DM 5 each at par (Potential Capital III). This conditional capital increase is destined to grant common stock subscription rights to bondholders of the 2% DM Warrant Bond Issue of 1986/1998 floated by Kaufhof Finance B.V. (now Metro Finance B.V.) and resolved by the stockholders' meeting of July 2, 1986, of former Kaufhof Holding AG. This capital increase will only be implemented to the extent that, after the effective date of the merger with Kaufhof Holding AG, option rights are exercised under this Warrant Bond Issue and that new shares of the Company's common stock of DM 5 at par are required to comply with the subscription rights. Hereunder, altogether 21,424 preemptive shares of common stock of DM 5 each at par were issued in fiscal 1996, their par value totaling DM 107,120.

Furthermore, the Company's capital stock was conditionally raised by up to DM 7,740,000, divided into a maximum 1,548,000 shares of preferred stock I of DM 5 each at par (Potential Capital IV). This conditional capital increase was destined to grant preferred stock I subscription rights to bondholders of the category B 6% Warrant Bond Issue of 1989/1996 denominated in Swiss francs as floated by Kaufhof Finance B.V. (now Metro Finance B.V.) and resolved by the stockholders' meeting of July 2, 1987, of former Kaufhof Holding AG. This capital increase was only to be implemented to the extent that, after the effective date of the merger with Kaufhof Holding AG, option rights were exercised under the Warrant Bond Issue and that new shares of preferred stock I of DM 5 at par were required to comply with the subscription rights. Hereunder, altogether 18,148 preemptive shares of preferred stock I of DM 5 each at par were issued in fiscal 1996, their par value totaling DM 90,740. Lapse of time caused the Potential Capital IV to be forfeited.

Consequently, the Company's capital stock amounted to DM 501,014,235 as of December 31, 1996, plus DM 197,860 in preemptive shares from option rights exercised, hence a total of DM 501,212,095.

The capital stock breaks down as follows:

Class	**Number**	**Par value per share**	**Total par value in DM**
Total common stock	90,658,539	5 DM	453,292,695 DM
Nonvoting preferred stock I	7,963,880	5 DM	39,819,400 DM
Nonvoting preferred stock II	1,620,000	5 DM	8,100,000 DM

Total preferred stock	9,583,880	5 DM	47,919,400 DM
Total capital stock	**100,242,419**	**5 DM**	**501,212,095 DM**

The following potential capital results from option rights yet to be exercised

Warrant Bond Issue 1986/1998	14,892,880	DM
Number of options rights	2,978,576	Stck
Option price per share of common stock	118.50	DM
less premium payable by METRO AG*	0.28	DM

* * cf. share exchange ratio of 4:1 plus cash premium of DM 1.13

In early January 1996, Metro Vermögensverwaltung GmbH & Co KG, Düsseldorf, communicated that it holds a majority stake in METRO AG (controlling interest pursuant to Art. 20 par. 4 German Stock Corporation Act Ð 'AktG'). Also in January 1996, Metro Holding AG, Baar, Switzerland, informed the Company that it owns a controlling stake in METRO AG's stock indirectly through its majority interest in Metro Vermögensverwaltung GmbH & Co KG, Düsseldorf (controlling interest pursuant to Art. 20 par. 4 AktG).

In August 1996, Metro Vermögensverwaltung GmbH & Co KG communicated that, according to the provisions of the German Securities Trading Act ('WpHG'), it is entitled to a total 67.16 percent of METRO AG's voting capital, the direct share being 66.97 percent, plus an indirect 0.19 percent held through a Group company and to be added pursuant to Art. 22 par. 1(2) WpHG. The capital share in METRO AG's common stock and nonvoting preferred stock amounts to 60.74 percent. Also in August 1996, Metro Holding AG, Baar, Switzerland, communicated that, through Metro Vermögensverwaltung GmbH & Co KG, a subsidiary Metro Holding AG controls, it holds 67.16 percent of METRO AG's voting capital and an indirect 60.74 percent in METRO AG's common stock and nonvoting preferred stock.

(11) Reserve from capital surplus

Below follows the analysis of the closing value of this reserve, amounting to DM 2,729,608,389 as of December 31, 1996:

In DM	
Balance at Dec. 31, 95	3,324
Increase in reserve from capital surplus by contribution in kind:	
• from the stake in Asko Deutsche Kaufhaus AG	126,623,335
• from the stake in Kaufhof Holding AG	855,023,355
• from the remaining interest held by Metro Vermögensverwaltug GmbH & Co KG and by Arex Warenhandelsgesellschaft mbH in Metro Wholesale companies	149,516,910
Pre-merger balance of the reserve from capital surplus	1,131,166,924
Merger-related increase in the reserve from capital surplus	
• Asko Deutsche Kaufhaus AG	120,002,525
• Deutsche SB-Kauf AG	148,498,113
• Kaufhof Holding AG	1,325,695,510
Balance after contribution and merger	2,725,363,072
Addition in 1996 from option rights exercised	
• 21,424 preemptive shares of common stock	2,425,572
• 18.148 preempive shares of preferred stock	1,819,745
Balance at Dec. 31, 1996	**2,729,608,389**

(12) Untaxed/special reserves

These reserves were exclusively set aside under the terms of Art. 6b EStG. DM 49.337 million thereof was released and allocated to Asset Immobilien GmbH & Co KG. This latter enterprise, a real-estate limited partnership, concurrently wrote down the same amount as a charge against buildings for the purpose of transferring the reserve pursuant to Art. 6b EStG.

(13) Accruals

In DM million	12-31-1996	1-1-1996
Pension accruals	263.746	265.038
Tax accruals	224.734	106.791
Other accruals	391.189	713.235
	879.669	**1,085.064**

DM 241.794 million of pension accruals provides for direct pension commitments, another DM 21.151 million for the deficient cover of Supplementary Pension Funds.

Tax accruals commensurately provide for tax audit risks.

The other accruals provide for the following circumstances:

in DM million	
Risks from investees	295.195
Commmitments to employees	27.599
Risks from rental contracts and realty	23.446
Litigation risks	14.988
Risks inherent in finance transactions	12.442
Other risks and exposures	17.519
	391.189

Die Risiken aus The risks from investees include warranty and guaranty commitments to, and risks from the disposal of, subsidiaries.

(14) Liabilities

In DM million	**12-13-1996**	**1-1-1996**
Due to banks	3.337	1,013.169
Prepayments received on orders	–	2.000
Trade payables	10.843	41.406
Notes payable	986.500	675.000
Due to Group companies	3,482.907	2,959.508
Payable under investor/ investee relations	219	6.696
Sundry liabilities	336.805	610.739
thereof or taxes	(260.622)	(225.288)
thereof from social security	(34.354)	(15.462)
thereof to Group companies	(–)	(1.629)
	4,820.611	**5,308.518**

The remaining terms of liabilities as of December 31, 1996, result from the following analysis:

In DM million	Total	1 year or less	more th 5 yea
Due to banks	3.337	3.337	
Trade payables	10.843	10.843	
Notes payable	986.500	986.500	
Due to Group companies	3.482.907	3.482.907	
Payable under investor/investee relations	219	219	
Sundry liabilities	336.805	335.548	0.05
	4.820.611	**4.819.354**	**0.05**

No liabilities have been collateralized by liens, mortgages or similar charges or encumbrances.

(15) Contingent liabilities

In DM million	
Guaranty and warranty contract	1.566.388
thereof to group companies	(1.173.864)
Suretyships and guaranties	355.473
thereof to group companies	(250.764)
Notes endorsed and discounte	155.000
thereof to Group companies	(155.000)

(16) Other financial obligations

In DM million	
Obligations from rental and leasing contracts (per annum)	281.996
thereof to Group companies	(169.117)
Commitments from share tender rights	922.187
Obligations from financial derivatives	22.400

Comments on METRO AG's income

statement

17. Income from investments

In DM million	
Income from investments	756.718
Income from P&L transfer agreements	624.081
Expenses from loss absorption	– 172.830
Write-down of financial assets	– 195.532
	1,012.437

The income from investments includes the net income of several subsidiaries and investees for a period of 15 months since such companies whose fiscal year ended on September 30, 1996, inserted an abbreviated fiscal year for the calendar quarter ended December 31, 1996.

DM 152.318 million of the expenses from loss absorption is allocable to Möbel Unger GmbH for the period from October 1, 1995, through December 31, 1996.

The write-down of financial assets includes DM 78.100 million of distribution-related write-down. Moreover, DM 89.603 million was charged to the shares in Möbel Unger GmbH to write them down to the lower current value; the value of five more investments was altogether written down by another DM 27.829 million.

18. Net financial result

In DM million	
Income from long-term loans	3.579
thereof from Group companies	(2.303)
Other interest and related income	200.275
thereof from Group companies	(95.527)
Other financial income	91.031
thereof from Group companies	(7.483)
Interest and related expenses	– 235.283
thereof to Group companies	(– 93.535)
Other financial expenses	– 103.523

thereof to Group companies	(– 16.597)
	– 43.921

The items headed ‘other financial income’ and ‘other financial expenses’ mainly reflect the results from interest rate hedges through derivatives (including exchange gains and losses from securities and foreign-currency transactions). DM 2.880 million was written down from capitalized premiums for options bought and interest caps/collars, another DM 1.888 million from collateral furnished (security payments).

19. Other operating income

In DM million	
Rentals (real and personal property)	254.118
Release of untaxed/special reserves under Art. 6b EStG	49.337
Administrative services for subsidiaries	35.985
Book gains from fixed-asset disposals	7.489
Below-the-line income	5.366
Sundry	42.112
	394.407

Rentals largely include transitory real-estate rentals posted in suspense accounts, as well as income from personal-property leasing.

The income from the release of untaxed/special reserves under Art. 6b EStG was transferred for income tax purposes to Asset Immobilien GmbH & Co KG to offset the same amount written down.

20. Personnel expenses

In DM million	
Wages and salaries	67.690
Social security taxes, expenses for pensions and related fringe benefits	26.276
thereof pension expense	(20.747)
	93.966

The wages and salaries include settlement and annual closing payments of a total DM 23.446 million.

21. Other operating expenses

In DM million	
Rentals (real and personal property)	268.013
Transfer of untaxed/special reserves under Art. 6b EStG to a subsidiary	49.337
Merger-related expenses	41.568
Write-down of current assets	31.628
General administrative expenses	23.716
Service fees charged by subsidiaries to METRO AG	23.999
Legal, audit and similar fees	11.194
Dues, subscriptions and insurances	5.328
Below-the-line expenses	4.309
Sundry	67.483
	526.575

The merger-related expenses primarily cover consulting fees, moving expenses, lease termination agreements, as well as the costs of going public and raising the Company's capital stock.

22. Income taxes

The tax expenses mostly provide for tax audit risks.

23. Transfer from net income to the reserves retained from earnings

Pursuant to Art. 58(2) AktG, the Supervisory and Executive Boards transferred DM 211.070 million out of the Company"s net income of DM 614.436 million to the reserves retained from earnings.

24. Appropriation of net earnings

The Supervisory and Executive Boards propose to apply the net earnings of DM 403,365,646 as follows:

		Dividend		

		per share (DM)	Number of shares	Cash distribution (DM)
a)	Distribution of a cash dividend of	2.00		
	plus a bonus of	2.00		
	total per DM 5 share of common stock	4.00	90,658,539	**362,634,156**
b)	Distribution of a cash dividend of	2.25		
	plus a bonus of	2.00		
	total per DM 5 share of preferred stock I	4.25	7,963,880	**33,846,490**
c)	Distribution of a cash dividend of	2.25		
	plus a bonus of	2.00		
	total per DM 5 share of preferred stock II	4.25	1,620,000	**6,885,000**
			100,242,419	**403,365,646**

The dividend breaks down into German and foreign taxable income.

The share of German income amounts for

each share of common stock to DM	0.152,
each share of preferred stock to DM	0.161.

The share of non-German income amounts for

each share of common stock to DM	3.848,
each share of preferred stock to DM	4,089.

Attaching to the dividend is a tax credit of 3/7 of DM 0.152 for each share of common stock, and one of 3/7 of DM 0.161 for each share of preferred stock, such tax credit (along with the capital yields tax and the solidarity surtax) being deductible from the personal or corporate income taxes of German resident stockholders.

Addtional data

25. Workforce

The number of METRO AG employees averaged 311 in fiscal 1996, calculated on the basis of 4 calendar quarter averages; 17 and 294 of the workforce were blue- and white-collar employees, respectively. Part-timers and temporary personnel were translated into full-time employees. At December 31, 1996, METRO AG itself employed 215 persons (translated into full-timers), 179 thereof working directly for the Company, the other employees for subsidiaries.

26. Shareholdings

The list of the METRO AG Group's shareholdings will be deposited with the Commercial Register of the Local Court of Cologne under number HRB 26888 and may also be obtained directly from METRO AG.

27. Group affiliation

METRO AG's annual financial statements are included in the consolidated accounts of the METRO AG Group, these, in turn, being incorporated in the consolidated accounts of Metro Holding AG, Baar, Switzerland, as the top tier of consolidation.

Supervisory and Executive Boards

28. Supervisory and Executive Boards

For their activities on behalf of METRO AG, Supervisory Board members received DM 0.775 million. Up to the date of registration of the merger, former Asko Deutsche Kaufhaus AG, Deutsche SB-Kauf AG and Kaufhof Holding AG paid total emoluments of DM 2.151 million to their Supervisory Board members, whose total remuneration thus came to DM 2.926 million.

The emoluments paid to the Executive Board members for their services on behalf of METRO AG from January 1 through December 31, 1996, totaled DM 15.611 million. For the period from January 1, 1996, up to July 19, 1996, the date of merger registration, the remuneration paid to the other Executive Board members of Asko Deutsche Kaufhaus AG, Deutsche SB-Kauf AG and Kaufhof Holding AG totaled DM 6.717 million.

Former Executive Board members of the companies absorbed by METRO AG and their surviving dependants received DM 6.458 million; METRO AG provided a total DM 75.569 million for their accrued pensions.

Supervisory Board members

Erwin Conradi
Chairman
Baar/Switzerland
Executive Board chairman
of Metro Holding AG

Klaus Bruns
Vice-chairman
Oberhausen
Kaufhof Warenhaus AG
as from Aug. 14, 1996

Hans-Dieter Cleven
Baar/Switzerland
Executive Board vice-chairman
of Metro Holding AG

Holger Grape
Hamburg
Head of the Trade & Private Services
occupational group of the DAG union
as from Aug. 14, 1996

Prof. Dr. Erich Greipl
Düsseldorf
Management Board member
of Metro Vermögensverwaltung
GmbH & Co KG
as from June 21, 1996

Sven Gronostay
Düsseldorf
Metro Vermögensverwaltung
GmbH & Co KG
from June 21 to Sep. 12, 1996

Hubert Haselhoff
Dortmund
DSBK-Handels AG
as from Aug. 14, 1996

Hanns-Jürgen Hengst
Cologne
Kaufhof Warenhaus AG

as from Aug. 14, 1996

Gerhard Herbst
Frankfurt
State district head
of the NGG union
as from Aug. 14, 1996

Hermann Hesse
Düsseldorf
Kaufhof Warenhaus AG
as from Aug. 14, 1996

Angelika Hünerbein
Düsseldorf
Metro Vermögensverwaltung
GmbH & Co KG
from June 21 to Sep. 12, 1996

Ingeborg Janz
Goslar
Real SB-Warenhaus GmbH
as from Aug. 14, 1996

Renata Jungo
Baar/Switzerland
Metro Holding AG
from June 21 to Sep. 12, 1996

Dr. Hermann Krämer
Düsseldorf
Executive Board member
of Veba AG
seit 30.9.1996

Bernd Kreft
Baar/Switzerland
Metro Holding AG
from June 21 to Sep. 13, 1996

Dr. Klaus Liesen
Essen
Supervisory Board chairman
of Ruhrgas AG
as from Sep. 30, 1996

Dr. Karlheinz Marth
Düsseldorf
Secretary to the Central Executive Committee
of the HBV union
as from Aug. 14, 1996

Gustav-Adolf Munkert
Cologne
Kaufhof Warenhaus AG
as from Aug. 14, 1996

Prof. Dr. Helmut Schlesinger
Oberursel
Former president of Deutsche Bundesbank
as from Sep. 30, 1996

Dr. Manfred Schneider
Leverkusen
Executive Board chairman
of Bayer AG
as from Sep. 30, 1996

Hans Peter Schreib
Düsseldorf
Chief executive officer of
Deutsche Schutzvereinigung
für Wertpapierbesitz e.V.
as from Sep. 30, 1996

Dr. Henning Schulte-Noelle
München
Executive Board chairman
of Allianz AG
as from Sep. 30, 1996

Peter Seuberling
Kirkel
Praktiker Bau- und Heimwerkermärkte AG
as from Aug. 14, 1996

Dr. Joachim Theye
Bremen
Lawyer and notary public
as from Sep. 30, 1996

Hugo Trütsch

Baar/Schweiz
Metro Holding AG
from June 21 to Sep. 12, 1996

Dr. Stephan Ulrich
Baar/Schweiz
Metro Holding AG
up to Sep. 12, 1996

Hans-Jürgen Weber
Baar/Switzerland
Metro Holding AG
from June 21 to Sep. 12, 1996

Executive Board members

Wolfgang Urban
Spokesman
as from July 1, 1996

Klaus Wiegandt
Spokesman
as from July 1, 1996

Prof. Dr. Erich Greipl
up to June 21, 1996

Siegfried Kaske
as from July 1, 1996

Dr. Hans-Joachim Körber
as from July 1, 1996

Dr. Wolf-Dietrich Loose
as from July 1, 1996

Joachim Suhr
as from Dec. 5, 1995

Annual financial statements of METRO AG

Income statement
for the year ended December 31, 1996

‘The accounting and the annual accounts, all of which we examined with due professional care, comply with the law. The annual accounts, which are in accordance with generally accepted accounting principles, present a true and fair view of METRO AG's net-asset, financial and income position. The Management Report, which is combined with that on the METRO AG Group, is in conformity with the annual accounts.’

Duisburg, April 28, 1997

FASSELT-METTE & PARTNER
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT

Dr. H. Herrmann Dr. P. Schöneberger Wirtschaftsprüfer
Wirtschaftsprüfer

Balance sheet as of December 31, 1996

Assets			
In DM million	**Note No.**	**Balance at 12-31-1996**	**Balance at 1-1-1996**
Fixed assets	5		
Intangible assets		326	285
Tangible assets	6	4.654	26.993
Financial assets	7	5,971.300	5,749.503
		5,976.280	**5,776.781**
Current assets			
Receivables and sundry assets	8	2,707.489	2,714.219
Short-term securities and note loans	9	305.628	404.363
Cash on hand and in bank		768.218	987.616
		3,781.335	**4,106.198**
Prepaid expenses and deferred charges		6.869	5.003
		9,764.484	**9,887.982**

Stockholder's equity and liability			
In DM million	**Note No.**	**Balance at 12-31-1996**	**Balance at 1-1-1996**

Equity			
Capital Stock	10	501.212	501.014
Reserve from capital surplus	11	2,729.608	2,725.363
Reserves retained from earnings	23	211.070	–
Unappropriated retained earnings	24	403.366	–
		3,845.256	3,226.377
Untaxed/special reserves	12	217.856	267.193
Accruals	13	879.669	1,085.064
Liabilities	14	4,820.611	5,308.518
Deferred income		1.092	830
		9,764.484	**9,887.982**

METRO AG
Income statement
for the year ended December 31,1996

In DM million	**Note No.**	**1996**
Income from investments	17	1,012.437
Net financial result	18	– 43.921
Other operating income	19	394.407
		1,362.923
Personnel expenses	20	– 93.966
Amortization of intangible and decpreciation of tangible assets		– 4.232
Other operating expenses	21	– 526.575
		– 624.773
Result from ordinary operations		**738.150**
Income taxes	22	– 110.280
Other taxes		– 13.434
Net income		**614.436**
Transfer to reserves retained from earnings	23	– 211.070
Net earnings	24	**403.366**