METRO AG

ANNUAL REPORT 2001

Financial statements METRO AG

Management report METRO AG

Annual financial statements

METRO AG as the parent company of the Metro Group reports a balance sheet total of € 10.1 billion (up from € 9.5 billion in the prior year) in its financial statements as at 31 December 2001. Major items on the assets side are financial assets and inter-company receivables.

Financial assets went up due to capital increases at all sales divisions. A decrease was caused by the divestment of Hypermarket Holding S.p.A./Italy and the sale of Metro Online AG and Metro MPV AG within the Metro Group as well as the devaluations effected essentially in the Praktiker chain of home improvement centers.

Loans to group companies increased as a result of a credit extended to Real SB-Warenhaus GmbH.

The changes in sundry assets reflect, inter alia, the payback of loans as well as the devaluation of shareholdings of the Divaco Group contained in this item.

METRO AG's net income for 2001 amounted to € 333.596 million. Because of high valuation reserves in fixed and current assets totaling € 470.269 an allocation to reserves could be made.

The equity ration is now 42.8 percent after 45.2 percent in fiscal year 2000. Net indebtedness declined by € 794.425 million to € 283.463 million.

Profit appropriation

The METRO AG Supervisory and Executive Boards will propose to the annual stockholders' meeting on 23 May 2002 that the net income of € 333.596 million shown in the balance sheet be appropriated as follows:

	Number of no-par shares	Cash dividend in €
Distribution of a dividend of € 1.020 per common stock	324,109,563	330,591,754
Distribution of a dividend of € 1.122 per preferred stock	2,677,966	3,004,678
	326,787,529	333,596,432

Holders of preferred stock are entitled to receive an extra dividend of 10 percent if the common stock dividend equals or exceeds € 1.02.

Divisional sales and earnings development

METRO AG with its sales divisions generated total group sales of € 49,522 million, in comparison with € 46,930 million last year. This is an increase of 5.5 percent.

The non-German share in total sales rose from 42.2 percent to 44.4 percent.

The individual divisions whose annual accounts are drawn up according to IAS made the following contributions to total group sales:

	€ million	+/- %
Metro Cash & Carry	22,726	+ 8.1
Real	8,375	+ 2.6
Extra	2,980	+ 2.0
Media/Saturn	8,341	+ 9.5
Praktiker	2,543	- 1.4
Kaufhof	3,971	+ 0.8
Other companies	586	- 12.8

Because of the good business development the Metro Cash & Carry sales division increased its EBIT from € 554.4 million in 2000 by 12.8 percent to € 625.5 million in 2001. This performance was achieved in spite of higher start-up losses caused by expansion measures.

The Real Hypermarkets achieved an EBIT of € 117.8 million mainly because of the positive sales development in Germany. This equates to an increase of € 65.1 million over the previous year's EBIT of € 52.7 million. Another positive effect on the result was the reduction of start-up losses from € 69.4 million to € 41.5 million.

In the year 2001 the EBIT of the Extra convenience stores improved by 63.9 percent from € -39.9 million to € -14.4 million. Major factors driving this positive earnings development are not only the good performance of the operating business but above all the consistent adjustment of cost structures as well as the reduction of repositioning expenses.

The consumer electronics centers of the Media/Saturn Group generated an EBIT of € 223.9 million after € 266.0 million in the year 2000 thus once again proving its earnings power in a difficult economic environment even though the result of the previous year was not quite matched. The reasons for this are a like-for-like sales decline in Germany on the one hand as well as the expenditure for the continued concentration of the outlet chain in Germany and the further internationalization on the other hand.

Thanks to the consistently implemented repositioning of the Praktiker home improvement centers in the domestic market and the generally positive business development abroad a significant improvement of EBIT was achieved from € -29.2 million in the year 2000 to € -9.7 million in the year 2001.

The Kaufhof department stores were able to increase their EBIT by 3.4 percent from € 180.8 million to € 187.0 million. This is the result of the higher Return-on-Sales (ROS) of the Galeria locations on the one hand and the positive profit contribution by the Inno department stores on the other hand.

Risk management

Tasks of Financial Management:
Liquidity-, interest rate and currency management

Financial Management at METRO AG is the central financial function for all group companies worldwide and is as such responsible for the management of the financial risks of the group. These are specifically

- the liquidity risk,
- the interest rate risk and
- the currency risk.

In the organization of the Financial Management function has taken into account the requirements resulting from this: The Financial Management division within METRO AG fully meets the requirements of the law on control and transparency in the corporate world (KonTraG) and has strictly separated the conclusion of financing transactions and their practical implementation by adopting the "Minimum Requirements for the Conduct of Trade Transactions" (German acronym MAH) which is really quite typical of banks.

The central organization of the Financial Management function within the Metro Group guarantees a uniform appearance of the group in the financial markets, an optimum utilization of synergy effects resulting from the pooling of the financing volumes of the group companies and a risk management that takes into consideration all factors.

Liquidity management

Liquidity management makes sure that sufficient liquidity is available for the ongoing business operations and for capital expenditure. The information required for this is provided by a regularly updated rolling group budget. In addition, liquidity management must ensure that the group always has an adequate liquidity reserve. As a result the group will not have its financial flexibility impaired if and when unexpected events with negative financial consequences occur.

For short-term financing METRO AG uses the usual capital market programs like for example the Euro Commercial Paper Program launched in the year 1999 with a usable volume of € 3 billion. As an average for the year 2001 the program utilization ran to € 808 million. In addition, the Metro Group can fall back on syndicated and bilateral credit lines from banks. In the year under review these credit lines were supplemented by a syndicated Euro credit with a maximum credit volume of € 1.5 billion. At year-end 2001 the Metro Group had access to confirmed bank credit lines of € 4.4 billion (same time previous year: € 4.1 billion) € 1.2 billion of which with a residual maturity of up to one year (previous year: € 2.2 billion).

For long-term financing the Debt Issuance Program with a nominal volume of € 3 billion launched in 2000 is available to the company. Within the program bonds with maturities of up to 30 years can be floated on the basis of German or English law in any desired currency. In the year 2001 the group's finance company located in the Netherlands, Metro Finance B.V., backed by a guarantee of METRO AG, issued public bonds with a nominal value of € 550 million and made private placements with a nominal value of € 173 million within the framework of the program.

An important prerequisite for the successful use of the capital market for the purposes of corporate financing was already created in March 2000 by obtaining credit ratings from the two leading rating agencies – Moody´s and Standard & Poor´s. Their ratings have since remained unchanged and been qualified as a "stable outlook".

- Moody's (long-term Baa1 / short-term P-2)
- Standard & Poor's (long-term BBB+ / short-term A-2)

However, it is indispensable to gain and retain the trust of both investors and rating agencies by means of an open and up-to-the-minute information policy. In METRO AG's Financial Management Division a special Creditor Relations Team has been created to perform this task.

Interest rate risk

Interest rate risks are caused by market-induced fluctuations of interest rates. On the one hand they impact the level of interest payments within the Metro Group. On the other hand they influence the value of borrowed capital for which fixed interest rates were agreed. Such fluctuations may produce advantages, but also disadvantages for the company.

By determining a target structure that reflects as closely as possible the needs of the ongoing business operations in terms of the mixture of short-, medium and long-term financing, and by adjusting the actual financing structure to this target structure, such interest rate risks are effectively reduced.

Currency risk

In the individual countries in which the Metro Group operates merchandise is mainly purchased locally and paid for in local currency. Sales are also made primarily in the local currency. The currency risk element involved in this merchandise cycle is therefore very low. However, the Metro Group does face risks from changes in exchange rates when buying merchandise internationally that is mostly invoiced in US dollars, and because of costs incurred by the foreign subsidiaries in currencies other than the local currency. For example, in some countries landlords link rental payments to the development of the local currency vis-à-vis the Euro.

Interest rate and currency risk management

The management of interest rate and currency risks takes place within the framework of Treasury Guidelines that follow the general principle of risk containment. As a matter of principle hedging activities are limited to the reduction of risks resulting from the business activities of the group ("Basic Risks"). For hedging purposes the group exclusively employs generally marketable derivative financial instruments. These instruments are as a rule reported in the balance sheet together with the underlying basic business transactions ("Hedge Accounting").

Only partners with an excellent credit standing are eligible as business partners for the hedging transactions. In a systematic approach to controlling these credit standings specific minimum requirements and individual hedging ceilings have been defined for all potential hedging candidates within the Metro Group.

The Metro Group's credit risk exposure is fairly limited. To the extent that credit risks are incurred by the individual outlet chains through the acceptance of credit cards the risks involved lie with third parties, i.e. the credit card companies. With the other types of cashless means of payment the overall risk is tightly controlled.

Business risks and general risk management

Risk management is the target-oriented protection of existing and future success potentials. This protection is achieved by a systematic process of risk identification, assessment and control. By controlling risks in this way the Metro Group's assets as well as its financial and earnings situations are secured and group management is enabled to recognize unfavorable developments early, i.e. before any damage is done, and to take corrective action promptly.

EVA as a benchmark

In the Metro Group the acceptance of risks is guided by the principle of the lasting improvement of corporate value. The crucial benchmark by which to measure corporate success is the Economic Value Added (EVA) principle that is firmly anchored in the entire group and is used especially for investment decisions. Entrepreneurial risks will be accepted in those cases in which the opportunities involved promise an increase of EVA and in which risks are manageable.

Principles of risk policy

Risks incurred in conjunction with the core processes of wholesale and retail trading are born by the Metro Group itself. Core processes in this context are the development and implementation of the business models concerned, the procurement of merchandise and services, location decisions, securing liquidity as well as executive development. Risks from support processes like IT, for example, are systematically reduced within the group or, to the extent that this makes economic sense, outsourced to third parties. Risks emanating from neither core nor support processes are not accepted by the group as a matter of principle.

Decentralized responsibilities

As a diversified trading group the Metro Group is divided into a management holding company with operating sales divisions and cross-divisional service companies that support the operating processes. The management principle of decentralization inherent in this structure is also reflected in the way in which risks are dealt with. These are managed at the point where they occur and where they can therefore be controlled most effectively. Liability for this is vested in the individual business units.

Clear responsibility for risk identification and analysis

In order to facilitate a coordinated deployment of measures the Metro Group has defined clear responsibilities and a framework for action. Responsibility for risk management is laid down in numerous sets of rules, for example in the articles of association and the bye-laws of the group companies, the service contracts and internal group guidelines. The METRO AG Risk Manual offers a comprehensive overview of possible risk areas as well as the responsibility for their monitoring and handling. So as to make certain that relevant business risks are not overlooked a „bottom-up approach" is followed in the personnel hierarchy when it comes to identifying risks throughout the group. Within the framework of an early warning system business risks are assessed in terms of their potential repercussions for a planning horizon of three years.

Central role of Group Reporting in the internal risk communication

The Group Reporting System is the major element for the internal communication of opportunities and risks. Annual risk audits, monthly projections and risk statements as well as regular contacts between the operating units and their controlling companies ensure a continuous and timely exchange of information. The ongoing monitoring of risk areas is achieved with the help of certain indicators. If and when certain threshold values are exceeded the risk reporting system will alert the management in charge to the relevant developments.

Consistent risk monitoring

Monitoring the implementation and the effectiveness of risk management measures is part of the brief of every member of the executive staff. In addition, special risk management officers guarantee the smooth functioning of the risk management system as a whole.

The group audit department of METRO AG checks the centralized and decentralized risk management measures for their topicality, completeness, reliability and effectiveness. It reports directly to the Chairman of the Executive Board. In addition, audits are performed at group company level by the appropriate Internal Audit Departments. The auditors of the METRO AG and the consolidated financial statements also audit the risk management system in place according to the pertinent legal provisions (Law on Control and Transparency in the Corporate World – KonTraG).

The major risk areas of the Metro Group are:

Business risks. Fierce competition in the international wholesale and retail business and the rivalry between different merchandising concepts, product offerings and service qualities are characteristic features of trading. Risks are also inherent in the typical dependence of the trade on the consumer's readiness to spend money. The increasing internationalization of the Metro Group business admittedly reduces its dependence on the economic and legal framework conditions in Germany, yet at the same time the group has to face additional economic, legal and political risks in the other countries, not least the newly industrialized countries. These risks are systematically reduced by comprehensive feasibility studies, for example, in which framework conditions and opportunities for a business involvement in the country concerned are analyzed in great detail, as well as by taking appropriately constructive action. Examples of risks emanating from the legal environment are proposed EU directives for consumer protection, responsibilities resulting from the German electronic scrap ordinance and/or the implementation of the new packaging ordinance (with its mandatory deposits on bottles and cans) that is currently under discussion.

Changes in consumer behavior require the constant adjustment of merchandising concepts. The Metro Group supports this process by regularly evaluating internal information and selected external sources so as to be able to recognize changes in consumer demands and behavior at an early point in time. Internal group market research uses well-known quantitative methods like time series analyses (e.g. the observation of products in the market over a certain period of time) or trend extrapolations (forecasts of the market development) based on internally available sales figures or on the results of market research. Consistent benchmarking against competitors provides ideas for the qualitative improvement of merchandising concepts. The practicability and acceptance of concepts are first of all verified in test markets and subsequently the concepts are rolled out nationally with the help of a clearly structured project organization. Continuous capital expenditure makes sure that the sales divisions always have a competitive portfolio of store locations.

Operational risks. Since the bricks-and-mortar trade is characterized by a high merchandise turnover and a large diversity of products there are organizational, IT and logistics risks involved. The international focus of the Metro Group that calls for merchandise assortments to be adapted to national and local habits even increases these risks. Interferences in the value chain, for example in the supply of goods, may be fraught with the risk of business interruption. Risks of this kind are counteracted by way of internal backup systems, the parallel use of several service providers as well as special contingency plans. By the same token an efficient division of labor and systematic peer control help reduce operational risks.

Supplier risks. As a trading company METRO AG depends on third party providers for its supply of goods and services. Careful monitoring of market conditions, a broad base of suppliers as well as the company's own controls and purchasing policy measures help reduce the imponderables of the procurement of goods and services. One example of such a measure is the Food Safety Initiative that was started to ensure a high level of food safety at all levels of production, processing and distribution.

Personnel risks. For the implementation of its strategic objectives the Metro Group depends on its highly qualified functional and management staff. It is a permanent challenge to gain and retain these employees for the group in an environment of intense competition. Especially in the expansion-oriented countries there is a considerable need for qualified staff. This requires appropriate efforts in the area of in-company skills improvement measures. At all levels of the Metro Group further education and training activities for employees are vigorously promoted to give staff the indispensable edge in functional competence.

Personnel management as well as training and HR development measures make sure that staff at all levels of the company develop an entrepreneurial mode of thinking and acting. This is additionally supported by the introduction of variable, business performance related pay elements on at least three management levels. Direct participation in corporate success boosts staff identification with METRO AG and sharpens the awareness for opportunities and risks in all entrepreneurial decisions.

Summary of the risk situation. On the whole, the examination of the current risk situation has shown that there are no risks endangering the continued existence of the company and that such risks are at the moment not discernible for the future either.

Important Post-Year-End Developments

Events that might be of special relevance to the assessment of the assets and the financial and earnings situations of METRO AG and the Metro Group did not occur after the end of the fiscal year.

Outlook

METRO AG will continue to improve its market position in spite of the unfavorable economic background conditions prevailing in a number of countries by consistently pursuing its corporate strategy geared to profitable growth. In the process the focus will very much be on a consistent ROS-oriented optimization of the merchandising concepts, their adjustment to the needs and expectations of the customers and the development of the sales divisions into unique and unmistakable Retail Brands. This will further increase the profitability of the sales divisions.

A major driving force for the continuous growth of the company will continue to be the consistent course of internationalization in the future. As in previous years the focus of the expansion will be on the Metro Cash & Carry and Media/Saturn sales divisions that are marked by a high return on capital and already today generate a large portion of their sales abroad. In the current year METRO AG will in all probability move into three new countries extending its distribution network to 27 countries in the process. At the same time the existing distribution network will be further consolidated.

For the year 2002 the group is striving for a further profitable growth in sales, a further improvement of the earnings per share and an increase of EVA. Capital expenditure of about € 2 billion has been earmarked to achieve these targets.

In order to secure the persistently dynamic growth of the Metro Group we need to give high priority to the recruitment of talented junior executive staff as well as to efficient human resources development. In the year 2002 the target of METRO AG is again to create some 8,000 new jobs worldwide. Within the framework of the career event "Meeting Metro" staged with great success in the year 2002 for the first time METRO AG will again present itself and its sales divisions in the current year to people interested in working for the company as an attractive and versatile employer.

In addition, METRO AG will continue to strengthen its profile as a highly efficient, capital market oriented trading company by way of a transparent and dedicated communication policy.

Report pursuant to § 312 AktG (German stock corporation act)

METRO AG is controlled through Metro Vermögensverwaltung GmbH & Co. KG by further companies held by majority stockholders Beisheim, Haniel and Schmidt-Ruthenbeck. Consequently, the Executive Board of METRO AG has prepared a dependency report on group affiliations in accordance with § 312 AktG (German stock corporation act).

This report for the year 2001 received the unqualified auditor's opinion of Fasselt & Partner Wirtschaftsprüfungsgesellschaft, Duisburg, and was submitted to the Supervisory Board. At the end of the report the Executive Board made the following statement:

"The Executive Board of METRO AG declares that in every legal transaction the company received an equitable quid pro quo under the circumstances known to the Executive Board at the time when these businesses were transacted. Any other actions requiring reporting were neither taken nor omitted."

Metro AG
Balance sheet as at 31 December 2001

Assets

Figures in € million	Note No.	As at 31 Dec 2001	As at 31 Dec 2000
Fixed assets	2		
Intangible assets		0.910	0.588
Tangible assets	3	7.680	2.128
Financial assets	4	6,356.754	5,828.548
		6,365.344	5,831.264
Current assets			
Receivables and sundry assets	5	3,380.754	3,698.832
Short-term securities	6	0.013	0.013
Cash on hand and in bank	7	326.859	1.724
		3,707.626	3,700.569
Prepaid expenses and deferred charges	8	6.975	7.256
		10,079.945	9,539.089

Liabilities (and stockholders' equity)

Figures in € million	Note No.	As at 31 Dec 2001	As at 31 Dec 2000
Stockholders' equity			
Capital stock	9	835.419	835.419
Additional paid-in capital	10	2,557.964	2,557.964
Reserves retained from earnings		583.977	583.977
Unappropriated retained earnings	22	333.596	333.596
		4,310.956	4,310.956
Accruals	11	476.908	495.891
Liabilities	12	5,291.112	4,732.199
Deferred income		0.969	0.043
		10,079.945	9,539.089

Metro AG
Income statement for the fiscal year from 1 January to 31 December 2001

Figures in € million	Note No.	2001	2000
Income from investments	16	834.942	1,068.603
Net financial result	17	(93.466)	(88.528)
Other operating income	18	119.350	113.368
		860.826	1,093.443
Personnel expenditure	19	(58.793)	(63.791)
Amortization of intangible and depreciation of tangible assets		(3.115)	(1.208)
Other operating expenses	20	(455.607)	(501.660)
		(517.515)	(566.659)
Result from ordinary operations		343.311	526.784
Income taxes	21	(10.032)	(16.278)
Other taxes		0.317	(1.041)
Net income		333.596	509.465
Transfers to reserves retained from earnings		–	(175.869)
Net earnings	22	**333.596**	333.596

Notes METRO AG

1. Disclosure, accounting and valuation principles

In the balance sheet and income statement certain captions have been combined with a view to enhancing clarity of presentation. To underline METRO AG's holding company character the order of income statement captions laid down in § 275 of the German Commercial Code (HGB) has been modified to some extent. Any summarized captions are detailed in these notes.

METRO AG's financial statements are based on an accounting system kept in DM and have been translated into Euro (€) applying the final official conversion rate of 1 € = 1.95583 DM.

Intangible assets are stated at acquisition cost, tangible assets at purchase of production cost, both less accumulated amortization or depreciation, less write-down and less accelerated cost recovery (ACR) charges as applicable or required. Additions to personal property are generally depreciated by using the tax convenience of charging the full or half the rate in the first or second six-month period respectively. Scheduled depreciations are charged to buildings and self-contained building appurtenances or elements on a straight-line basis, while for personal property, wherever permitted by tax regulations, the declining balance method was used until 31 December 1998; as from 1 January 1999 straight line depreciation was also used for personal property. The change-over from declining balance depreciation (for assets acquired before 1 January 1999) to the straight line mode of depreciation takes place in that year in which straight line depreciation exceeds declining balance charges. Unscheduled write-downs are made whenever any impairment in the value of the asset is deemed to be of a long-term nature. So-called low-value assets are fully written off in the year of their addition.

Investments and shares in group companies are stated at their cost of acquisition or any lower current value, with lower values to be maintained and carried forward unless the mandatory reinstatement of original values, applicable by law as from 1999, requires a higher carrying amount (up to historical cost) to be stated.

Long-term loans are capitalized at par. Non- or low-interest loans are stated at their discounted present values.

Receivables and sundry assets are, as a matter of principle, reported at par or face value. Specific allowances provide for the risks inherent in receivables (bad debts). 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 are valued at the lower of cost, market or current value.

Accruals provide for foreseeable risks, uncertain commitments and impending losses as deemed appropriate in accordance with sound business practice and judgement. The actuarial present value is used to provide for accrued pension obligations on the basis of a yearly interest rate of 6 percent pursuant to § 6a of the German income tax act (EStG). METRO AG provides for any accrued deficient cover of employee benevolent funds. Non-current accruals, e.g. for deficient rental cover or employee anniversary allowance commitments are disclosed at par, i.e. they are not discounted.

Liabilities are generally stated at the amounts repayable.

Financial derivatives of interest rate and currency management are employed to reduce risks, their valuation fundamentally being separate and itemwise as well as predicated on the imparity principle. In accordance with the true-and-fair-view standards of § 264 Sect. 2(1) HGB and in line with international practice, financial instruments that constitute economic units and whose hedging purposes adequately documented to be objectively interrelated are valued on an offset basis. This means that within one position valued as a unit losses from unsettled contracts are offset against unrealized gains up to the latter's total amount. Losses in excess are accrued while gains in excess remain unreported in the balance sheet.

The formation of separate valuation units is premised on factors such as individual risk compensation of offsetting deals, interest rate and currency identity, financial standing identity, and substantially matching maturities. Nonlisted financial instruments are either marked to the market (quoted prices), or valued by using accepted option pricing models or, for non-option type derivatives, according to the present value method.

Currency-related financial transactions are, depending on their position, valued at their bid or offer price.

As a matter of principle, specific accruals provide for contingent losses from derivative financial instruments. Unrealized gains remain unreported in balance sheet terms. For interest rate futures valued separately, net settlement payments made to compensate for reduced values have generally been booked against expenses.

Notes to the balance sheet

2. Fixed assets

	Cost						
Figures in € million	As at 1 Jan 2001	Additions	Book transfers	Disposals	A/D/W (cumulative)	As at 31 Dec 2001	A/D/W in 2001
Intangible assets							
Rights and licenses	0.907	0.678	–	0.227	0.519	0.839	0.427
Advance payments made	–	0.071	–	–	–	0.071	–
	0.907	0.749	–	0.227	0.519	0.910	0.427
Tangible assets							
Leasehold improvements	0.316	3.573	0.031	0.316	0.441	3.163	0.442
Sundry plant, business and office equipment	5.575	5.078	–	3.299	2.837	4.517	2.246
Prepayments on tangibles	0.031	–	(0.031)	–	–	–	–
	5.922	8.651	–	3.615	3.278	7.680	2.688
Financial assets							
Shares in group companies	5,338.955	1,003.868	–	463.045	379.681	5,500.097	319.455
Loans to group companies	477.147	306.775	–	5.964	–	777.958	–
Investments	25.445	0.050	–	0.051	3.221	22.223	–
Other long-term loans	64.764	–	–	8.288	–	56.476	–
	5,906.311	1,310.693	–	477.348	382.902	6,356.754	319.455
Total	5,913.140	1,320.093	–	481.190	386.699	6,365.344	322.570

3. Tangible assets

The additions to tangible assets of € 8.651 million relate primarily to built-in facilities, PC equipment and motor vehicles. The disposals essentially refer to the expiry of the service life of the items concerned.

4. Financial assets

Of the additions to shares in group companies totalling € 1,003.868 million an amount of € 483.212 million is accounted for by capital increases at Metro Cash & Carry GmbH, Metro HF S.p.A./Italy, Hypermarket Holding S.p.A./Italy, Real Hipermarketler Zinciri A.S./Turkey, Praktiker Yapi Marketleri A.S./Turkey and Metro Dienstleistungs-Holding GmbH. In the course of the restructuring of the Extra convenience stores and their preparation for internationalization a capital increase of € 385.003 million was made at MDH Primus Vermögensverwaltung GmbH (by now renamed Extra Holding GmbH). At the end of 2001 this company acquired from METRO AG 100 percent of the shares of Extra Verbrauchermärkte GmbH. In addition, Metro Cash & Carry International Holding GmbH acquired 60 percent and Metro Cash & Carry GmbH 40 percent of the shares of Metro FIM S.p.A./Italy. The number of shares of Praktiker Bau- und Heimwerkermärkte AG was increased by 0.10 percent. € 371,000 resulted from various capital increases in the course of the conversion to the Euro.

The disposals of € 463.045 million relate to the sale of Extra Verbrauchermärkte GmbH, Metro Online AG, Hypermarket Holding S.p.A./Italy as well as Metro MPV AG within the Metro Group.

Valuation at the lower current value for Praktiker Bau- und Heimwerkermärkte AG, Metro HF S.p.A./Italy, Praktiker Yapi Marketleri A.S./Turkey and Real Hipermarketler Zinciri A.S./Turkey led to write-downs of € 319.455 million.

The addition of € 306.775 million to loans to group companies was caused by a credit granted to Real SB-Warenhaus GmbH until 3 February 2003. The disposal of € 5.964 million results from the scheduled redemption of the loan extended to Allkauf SB-Warenhaus GmbH & Co. KG.

Under "Other long-term loans" redemption payments amounting to € 8.288 million were made.

5. Receivables and sundry assets

Figures in € million	31 Dec 2001	31 Dec 2000
Due from group companies	2,475.607	2,114.922
Of which with remaining term of above 1 year	[–]	[51.129]
Receivable under investor/ investee relations	94.693	82.882
Sundry assets	810.454	1,501.028
Of which with a remaining term of above 1 year	[170.859]	[321.806]
	3,380.754	3,698.832

The sundry assets include claims for tax refunds amounting to € 549.655 million. Of these € 102.385 million concern tax credits on dividends received in the year under review as well as € 445.445 million concern tax credits on dividends received in previous years. This line also covers shareholdings destined for sale and marketing respectively. The reduction of short-term loan receivables was primarily used to cut down on short-term bank liabilities (see 12.).

6. Short-term securities

Figures in € million	31 Dec 2001	31 Dec 2000
Shares in group companies	0.013	0.013

7. Cash on hand and in bank

Figures in € million	31 Dec 2001	31 Dec 2000
Checks	0.009	0.012
Cash on hand	0	0.001
Cash in bank	326.850	1.711
	326.859	1.724

The increase in bank balances results from higher cash pool earnings at the end of the year, which could not be placed.

8. Prepaid expenses and deferred charges

This caption includes € 5.655 million of loan discount being the difference between the redemption amount and the loan face value of the 1998/2013 convertible bond issue.

9. Capital stock

In terms of its amount and composition, i.e. ratio of common to preferred shares, subscribed capital has not changed versus 31 December 2000 and totals € 835,419,052.

On 4 July 2001, the annual general meeting and the special meeting of preferred shareholders of METRO AG resolved, inter alia, that all of the then existing 23,001,346 non-voting preferred shares could be converted at a rate of 1:1 into bearer shares carrying voting rights subject to payment of a conversion premium of € 11.60 each. Under this conversion offer, a total of 20,323,380 preferred shares were converted into common shares, officially quoted as “common stock/challenged”. As a consequence, the amount and structure of the subscribed capital are as follows:

Class: no-par bearer shares, Accounting par value: € 2.56 each		31 Dec 2001	31 Dec 2000
Common stock	shares	324,109,563	324,109,563
	€	828,572,941	828,572,941
Preferred stock	shares	2,677,966	2,677,966
	€	6,846,111	6,846,111
Total capital stock	shares	326,787,529	326,787,529
	€	835,419,052	835,419,052

Contingent capital I and II. On 9 July 1997, a contingent increase in the capital stock by € 51,129,188 was resolved (contingent capital I). This contingent capital increase is connected with the authorization given to the Executive Board to issue bonds with warrants and/or convertible bonds of up to a total of € 1,022,583,762 and to grant the holders option or conversion rights for up to 20 million new common and/or preferred shares in the company by 9 July 2002.

On 9 July 1998, METRO AG’s 100 percent subsidiary Metro International Finance B.V., Amsterdam, issued zero bearer bonds with right of conversion into bearer preference stocks in METRO AG totalling € 766,937,822 (DM 1,500,000,000), guaranteed by METRO AG (“convertible DM bond”).

Accordingly, every bond creditor is entitled to convert the bonds into non-voting preferred shares in METRO AG during the exercise period from 9 July 1999 to 9 June 2013 (both days included). The bond debtor is entitled to pay a cash amount in lieu of delivering the preferred stocks upon exercise of the conversion right by a bond creditor.

Hitherto, the conversion right was only exercised in 2000, causing a reduction in the contingent capital of € 86.92.

On 6 July 1999, the annual general meeting resolved a contingent increase in the capital stock by up to € 14,316,173 by issuing up to 5,600,000 common shares to be able to serve Metro's stock option plan (contingent capital II).

Due to METRO AG's stock option plan, the contingent capital II is exclusively used to grant subscription rights to members of the Executive Board, members of the Executive and Management Boards of lower-tier Group companies and further managerial or executive functions of METRO AG and its downstream unlisted subsidiaries.

Under METRO AG's stock option plan, stock options were granted on 3 September 1999, 18 August 2000 and 23 July 2001, of which a total of 1,199,725 were effective as per 31 December 2001. Upon satisfaction of the exercise terms and conditions, these stock options may entail the issuance of up to 1,199,725 common shares, corresponding to 0.37 percent of the capital stock.

The exercise terms and conditions stipulated by the Metro's Executive Board for the stock option plan provide in particular that the Company grant the qualifying SOP beneficiaries in lieu of the delivery of new common shares a cash compensation equal to the differential between the strike price and the applicable closing price of Metro shares prior to exercising the option. Whether or not this alternative will be used will be decided by the Company each time the subscription rights from the individual tranches are exercised.

Authorized capital I. On 9 July 1997, the annual stockholders' meeting resolved to authorize the Executive Board to increase the capital stock by issuing new common or preferred stocks for up to € 127,822,970 in one or several tranches with the consent of the Supervisory Board by 9 July 2002 (authorized capital I).

In 1998, an amount of € 68,047,501 of the authorized capital I was utilized. Since then, the authorized capital I has stood at up to € 59,775,469.

Authorized capital II. The extraordinary stockholders' meeting of 11 September 1997 resolved to create authorized capital II. It authorized the Executive Board to increase the company's capital stock by issuing new common bearer stocks in exchange for non-cash contribution in one or several tranches for a total maximum of € 178,952,158 with the consent of the Supervisory Board by 11 September 2002 (authorized capital II). It also authorized the Executive Board to decide on the exclusion of the shareholders' subscription rights and stipulate all other details of the capital increase with the prior approval of the Supervisory Board.

In 1998, authorized capital II was utilized to the tune of € 134,064,919. Since then, the authorized capital II has stood at up to € 44,887,239.

Authorized capital III. On 6 July 1999, the annual general meeting authorized the Executive Board to increase the Company's capital stock on or before 6 July 2004 subject to the approval of the Supervisory Board by issuing new common bearer stocks and/or non-voting preferred stocks in exchange for cash contribution in one or several tranches for a total maximum of € 100,000,000 (authorized capital III), granting existing shareholders a subscription right.

However, the Executive Board has been authorized to exclude the subscription right, with the prior approval of the Supervisory Board, to the extent required to grant the holders of bonds with warrants and convertible bonds issued by METRO AG and its wholly owned direct or indirect subsidiaries a right to purchase the number of new shares they would be entitled to upon exercise of their option/conversion rights and to further exclude the subscription right to compensate for fractions of shares from rounding.

In addition, the Executive Board has been authorized to exclude the shareholders' subscription rights for one or several capital increases within the scope of the authorized capital, with the prior approval of the Supervisory Board, provided that the total par value of such capital increases does not exceed 10 percent of the capital stock registered in the commercial register upon the first-time utilization of authorized capital, and further provided that the issue price of the new shares is not materially below the market price of quoted shares of the same category when the initial offering price of the new issue is finally fixed.

The Executive Board has been further authorized to exclude the common shareholders' right to subscribe to preferred stock and the preferred shareholders' right to subscribe to common stock, with the prior approval of the Supervisory Board, provided that the ratio of common and preferred stocks issued in the capital increase corresponds to the ratio of such shares in the capital stock at the date at which the capital increase was resolved, and further provided that different issue prices of the new common and preferred stocks are fixed in accordance with the stock price ratio which existed at the date at which the capital increase was resolved.

Authorized capital IV. The annual general meeting of 6 July 1999 further authorized the Executive Board to increase the Company's capital stock by issuing new common bearer stocks in exchange for non-cash contribution in one or several tranches for a total maximum of € 125,000,000 by 6 July 2004 (authorized capital IV) with the prior approval of the Supervisory Board. The Executive Board has been authorized to decide on the exclusion of the subscription right and to determine all further details of the capital increase with the prior approval of the Supervisory Board.

No acquisition of treasury stock. On 20 June 2001 the annual stockholders' meeting authorized the company to acquire treasury stock up to an equivalent of ten percent of the capital stock (cf. Item 8 of the agenda of the ordinary shareholders' meeting of 20 June 2001) on or before 20 December 2002. To date, neither the company nor any company controlled or majority-owned by METRO AG nor any other company controlled or majority-owned by METRO AG acting on behalf of METRO AG have exercised this authorization (cf. § 160 Sect. 1, 2 of the German Stock Corporation Act).

Status of judicial review proceedings. The share exchange ratios fixed for the 1996 mergers into METRO AG of Asko Deutsche Kaufhaus AG, Deutsche SB-Kauf AG and Kaufhof Holding AG are being reviewed upon application by former stockholders of the three merged companies in judicial review proceedings. The applicants claim that the respective share exchange ratios were understated to their detriment.

In a judgment handed down on 20 November 2001 the Oberlandesgericht (higher regional court) of Düsseldorf dismissed the immediate appeal of the applicants against the decision of the Landgericht (regional court) of Cologne dating from 16 February 2000 holding that the petitions of the former outside Kaufhof stockholders for additional cash compensation were unjustified. This particular judicial review has thus been completed. The other two judicial review proceedings are still pending before the regional courts of Saarbrücken and Frankfurt/Main.

Thus, the first final court judgment has now been handed down confirming that the share exchange ratios laid down in the merger agreements were correct.

10. Additional paid-in capital

At 31 December 2001 the additional paid-in capital was unchanged at € 2,557.964 million.

11. Accruals

Figures in € million	31 Dec 2001	31 Dec 2000
Pension accruals	160.497	215.875
Tax accruals	124.431	114.133
Other accruals	191.980	165.883
	476.908	495.891

The pension accruals of € 128.996 million provide for direct pension commitments while another € 30.885 million (previous year: € 86.156 million) are set aside for the deficient cover of underfunded employee benevolent funds. Contributions of € 66.692 million were made to one such employee benevolent fund. The tax accruals adequately provide for tax audit risks.

Other accruals cover the following items:

Figures in € million	31 Dec 2001	31 Dec 2000
Risks from leases and realty sold	124.518	110.219
Risks from investees	16.185	21.567
Commitments towards employees	7.419	5.036
Litigation risks	5.046	13.729
Financial transaction risks	4.931	1.954
Others	33.881	13.378
	191.980	165.883

The accruals for risks from leases and realty sold cover risks from intragroup leases and conveyancing risks.

Risks from investees include warranties to subsidiaries and risks arising from the disposal of subsidiaries.

Other accruals essentially contain accruals for interest payments on taxes falling due after tax audits and outstanding invoices.

12. Liabilities

Figures in € million	31 Dec 2001	31 Dec 2000
Due to banks	610.321	1,079.611
Trade payables	3.132	3.288
Due to group companies	4,394.403	3,471.015
Sundry liabilities	283.256	178.285
Of which taxes	[240.581]	[111.585]
Of which social security	[218]	[199]
	5,291.112	4,732.199

Analysis of due dates/maturities of liabilities as at 31 December 2001:

Figures in € million	31 Dec 2001 Total	within 1 year	above 5 years
Due to banks	610.321	581.177	–
Trade payables	3.132	3.132	–
Due to group companies	4,394.403	3,544.340	850.063
Sundry liabilities	283.256	283.216	31
	5,291.112	4,411.865	850.094

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

13. Contingent liabilities

Figures in € million	31 Dec 2001	31 Dec 2000
Guarantee and warranty contracts	4,512.223	2,856.172
Of which in fevor of group companies	[2,994.677]	[2,008.097]
Sureties and guarantees	158.183	209.939
Of which to group companies	[72.685]	[108.980]
	4,670.406	3,066.111

14. Other financial obligations

Figures in € million	31 Dec 2001	31 Dec 2000
Commitments from share tender rights	102.180	124.946
Obligations from rentals and leases (per annum)	59.250	62.977
Of which to group companies	[2.828]	[6.544]
Of which in favor of group companies	[13.148]	[20.145]
Obligations from financial derivatives	44.409	13.937
Of which to group companies	[4.210]	[–]
Sundry	103.691	21.288
	309.530	223.148

15. Derivative financial instruments

On the balance sheet date the following derivative financial instruments were in place for risk reduction purposes:

Figures in € million	Nominal volume (net positions)	Market values (net positions)
Interest rate transactions		
OTC products:		
Interest rate swaps	1,616.828	(27.476)
Currency transactions		
OTC products:		
Futures	29.589	1.416
Interest rate/currency swaps	477.574	3.397
	507.163	4.813
Total	2,123.991	(22.663)

The nominal volume is calculated from the net positions of the purchase/selling prices of the underlying transactions. The market value is the marked-to-market balance of unrealized gains and losses netted within any one class of derivatives. No direct relationship exists with the accruals for financial transaction risks since the derivatives in valuation units with primary financial transactions do not require the creation of reserves. Netting of market values within certain classes of derivatives is not identical with the reporting of separately valued derivative and primary financial transactions.

See Note (1) for details of the disclosure and valuation of financial derivatives.

The currency futures transactions always fall due within one year.

Notes to the income statement of METRO AG

16. Net investment income

Figures in € million	2001	2000
Income from P+L transfer agreements	800.456	756.502
Income from investments	356.554	353.272
Of which from group companies	[281.387]	[239.989]
Expenses from loss absorption	(2.613)	(15.095)
Write-down of financial assets	(319.455)	(26.076)
	834.942	1,068.603

Expenses from loss absorption essentially relate to MRE Metro Real Estate Management GmbH.

Write-downs on financial assets were effected concerning the shares of group companies Praktiker Bau- und Heimwerkermärkte AG, Real Hipermarketler Zinciri A.S./Turkey, Metro HF S.p.A./Italy and Praktiker Yapi Marketleri A.S./Turkey.

17. Net financial result

Figures in € million	2001	2000
Other interest and similar income	113.628	129.399
Of which from group companies	[73.657]	[86.907]
Income from long-term loans	44.012	24.242
Of which from group companies	[39.518]	[24.190]
Other financial income	21.476	7.017
Of which from group companies	[1.302]	[–]
Interest and similar expenses	(255.546)	(240.220)
Of which to group companies	[(96.993)]	[(106.284)]
Other financial expenses	(17.036)	(8.966)
Of which to group companies	[–]	[(1)]
	(93.466)	(88.528)

The lines “Other financial income” and “Other financial expenses“ are essentially the results from interest rate hedges based on financial derivatives including exchange rate gains and losses from currency transactions.

18. Other operating income

Figures in € million	2001	2000
Rents (realty/personalty)	61.444	78.792
Income from capital redemption	24.973	–
Write-ups on financial assets	14.316	–
Income from write-back of accruals	6.902	4.070
Administrative services to subsidiaries	4.897	4.308
Book gains from fixed asset disposals	1.773	237
Income from waiver of purchase options	–	13.995
Income from mergers	–	1.659
Sundry	5.045	10.307
	119.350	113.368

Rents primarily reflect transitory realty rents posted in suspense accounts as well as income from personalty leasing.

Capital redemption was obtained from Real Sp.z o.o./Poland.

Because of the duty of value reinstatement existing valuations were written up at two subsidiaries.

19. Personnel expenses

Figures in € million	2001	2000
Wages and salaries	31.160	42.254
Social security contributions. expenses for pensions and related employee benefits	27.633	21.537
Of which for pensions	[25.492]	[19.578]
	58.793	63.791

In 2001 the stock option program (SOP) launched in 1999 as a long-term incentive program was continued. Seventeen senior executives (including the members of the Executive Board) of METRO AG were granted a total of 143,985 options in the year under review. For the options in 1999 and 2000 contracted a hedge in the form of a call option. The expenses for these transactions will be prorated on a straight line basis over the life of the option. In fiscal year 2001 they amounted to € 1.049 million. For the options granted in 2001 accruals amounting to € 206,000 were formed accounting for the pro rata temporis difference between the basic price of € 43.72 and the exercise hurdle rate of € 56.84.

Wages and salaries include termination benefits and year-end payments amounting to a total of € 9.811 million.

20. Other operating expenditure

Figures in € million	2001	2000
Valuation reserve for Divaco Group holdings	150.814	–
Rents (realty/personalty)	64.209	80.453
Payback system rollout costs	57.587	51.838
Waiver of receivables from group companies	51.385	81.807
Losses on fixed asset disposals	31.839	62.137
General administrative overheads	17.830	14.204
Legal and other consulting fees	15.138	18.554
Service fees charged by subsidiaries to METRO AG	13.774	14.307
Provision for accrued inter-company lease obligations	13.695	76.694
Allocation of positive synergy effects to divisions	12.404	12.193
Leasing and litigation risks	6.738	40.165
Income grants-in-aid	3.834	7.669
Cost of conversion of preferred into common stock	–	2.937
Sundry	16.360	38.702
	455.607	501.660

After the launch of the customer loyalty system in 2000 prorated expenses were again reimbursed to the Real and Kaufhof Groups this year.

To strengthen the equity base of this subsidiary an account of receivables due from Extra Verbrauchermärkte GmbH was waived in the previous year.

The losses from fixed asset disposals essentially relate to the divestment of Metro Online AG to MDH Metro Dienstleistungs-Holding GmbH.

The leasing risks essentially relate to the utilization risk of former realty property.

21. Income taxes

This caption shows tax expenses netted against tax refunds.

22. Appropriation of net earnings

The Supervisory Board and the Executive Board propose that the net earnings of € 333.596 million be appropriated as follows:

	Number of no-par shares	Cash dividend in €
Distribution of a dividend of € 1.020 per common stock	324,109,563	330,591,754
Distribution of a dividend of € 1.122 per preferred stock	2,677,966	3,004,678
	326,787,529	333,596,432

According to an amendment of the articles of association approved by the annual stockholders' meeting on 6 July 1999 the holders of preferred stock are entitled to receive an extra dividend of 10 percent if the common stock dividend is equal to or exceeds € 1.02 per share.

Additional disclosures

23. Euro frontloading

METRO AG together with its subsidiaries located in the Federal Republic of Germany concluded a Sub-Frontloading Master Agreement with Commerzbank AG on the provision of Euro notes and coins amounting to € 287.0 million. The notes and coins were made available in the period from 1 September 2001 to 31 December 2001; there was made use of € 220.0 million. The debiting will take place after 31 December 2001.

24. Employees

METRO AG's workforce averaged 209 in fiscal year 2001, calculated from the four quarterly mean head-counts; 2 and 207 being blue and white collar employees respectively. Parttimers and temporary personnel were translated into full-time equivalents (FTE).

25. Stock ownership

The statement of stock ownership of the Metro Group will be deposited with the commercial register of the local court (Amtsgericht) of Düsseldorf (HRB 39473). It can also be obtained directly from METRO AG.

26. Group affiliation

The annual financial statements of METRO AG are included in the consolidated financial statements of the Metro Group prepared according to the rules of the International Account-ing Standards Committee, London.

27. Supplementary disclosure under § 160 Abs. 1 AktG

The notice published pursuant to § 25 (1) WpHG (securities trading act) in der "Börsenzeitung" (stock exchange journal) of 12 January 2001 covering the changes notified under the terms of §§ 21 (1) and 22 (1) WpHG reads as follows:

„Publication pursuant to § 25 (1) 1 and 2 WpHG

The following stockholders and reporting parties under the terms of § 21 Abs. 1 WpHG communicated on 4 January 2001 that the voting rights in METRO AG held by the below-mentioned entities (1) and (2) exceeded on 28 December 2000 the thresholds of 50 percent and 5 percent respectively, and the voting rights in METRO AG of all reporting parties (including the shares attributable to them pursuant to § 22 WpHG) exceeded in each case on 28 December 2000 the threshold of 50 percent, the details being as follows:

	Voting rights (%)	Of which attributable pursuant to § 22 WpHG (%)	
1. Metro Vermögensverwaltung GmbH & Co. KG, Schlüterstraße 3, 40235 Düsseldorf	56.51	No. 3:	16.17
2. Haniel Finance B.V., Overtoom 60-62, NL-1054 HK Amsterdam	56.51	No. 3:	51.12
3. Beisheim Holding GmbH, Neuhofstraße 4, CH-6340 Baar	56.51	No. 1: No. 3:	5.39 51.12
4. Suprapart AG c/o Dr. Andreas Renggli, Baarer Straße 8, CH-6300 Zug	56.51	No. 1: No. 3:	5.39 51.12
5. Franz Haniel & Cie. GmbH, Franz-Haniel-Platz 1, 47119 Duisburg	56.51	No. 2: No. 3:	5.39 51.12
6. Otto Beisheim Stiftung, Neuhofstraße 4, CH-6340 Baar	56.51	No. 1: No. 3:	5.39 51.12
7. Supra Holding AG c/o Dr. Andreas Renggli, Baarer Straße 8, CH-6300 Zug	56.51	No. 1: No. 3:	5.39 51.12
8. Weka Trust, Pflugstraße 10, FL-9490 Vaduz	56.51	No. 1: No. 3:	5.39 51.12
9. OBV Vermögensverwaltung GmbH & Co. KG, Mörsenbroicher Weg 200, 40470 Düsseldorf	56.51	No. 3:	56.51
10. Gebr. Schmidt GmbH & Co. KG, Huyssenallee 44, 45128 Essen	56.51	No. 3:	56.51
11. Prof. Dr. Otto Beisheim, Neuhofstraße 4, CH-6340 Baar	56.51	No. 3:	56.51
12. Dr. Michael Schmidt-Ruthenbeck, Gartenstraße 33, CH-8002 Zürich	56.51	No. 3:	56.51

Altogether 56.51 percent of the voting rights are exercised by mutual agreement pursuant to § 22 Abs. 1 Nr. 3 WpHG.

Furthermore, Metro Holding AG, Neuhofstraße 4, CH-6340 Baar, communicated in accordance with §§ 21, 22 WpHG that its voting rights in METRO AG fell short on 28 December 2000 of the 50 percent threshold and now totaled 0.00 percent.

Düsseldorf, in January 2001

The Executive Board“

In addition, Ligapart AG as well as Beisheim Holding GmbH and Suprapart AG communicated by way of clarification on 20 July 2001 that the holding of Ligapart AG in METRO AG of 10.78 percent of the voting capital had been below the threshold of 10 percent since 9 May 2001 and was now 0.00 percent. The shares previously held by Ligapart AG are now owned outright by Beisheim Holding GmbH to the tune of 5.39 percent and by Suprapart AG to the tune of 5.39 percent.

In addition, O.B. Betriebs-GmbH, Helene-Wessel-Bogen 39, 80939 München, and BVG Beteiligungs- und Vermögensverwaltungs-GmbH, Huyssenallee 44, 45128 Essen, communicated on 21 February 2002 that the voting rights in METRO AG exceeded the threshold of 5 percent each since 14 February 2002; it now totals 55.70 percent each. These voting rights are attributable to both companies pursuant to § 22 Abs. 2 WpHG.

28. Supervisory Board and Executive Board

The fees of Supervisory Board members for their activities on behalf of METRO AG amounted to € 974,000 €.

The total emoluments of Executive Board members came to € 7.71 million.

In the course of the fiscal year the members of the Executive Board were granted 95,160 options for the acquisition of Metro stock under the stock option plan. The earliest date for the exercise of the options is the day after the annual stockholder's meeting in the year 2004 on condition that the stock price exceeds the basic price by more than 30 percent.

Former Executive Board members (and their surviving dependants) of METRO AG and the companies merged into METRO AG received € 3.483 million. For this group of persons METRO AG holds pension accruals amounting to € 41.413 million.

Members of the Supervisory Board

Jan von Haeften (Chairman)
Businessman
a) Franz Haniel & Cie. GmbH
(Chairman of the Supervisory Board)

Klaus Bruns (Deputy Chairman)
Chairman of the Group Works Council
of METRO AG
Chairman of the General Works Council
of Kaufhof Warenhaus AG

Peter Brenner
Deputy Regional Chairman of the
Ver.di Union District of Lower Saxony/Bremen
a) BauBeCon Holding AG
LBS Norddeutsche Landesbausparkasse
Berlin-Hannover

Volker Claus
as from 1 January 2002
CPA and Tax Consultant
b) Gebr. Schmidt Verwaltungsgesellschaft mbH

Dr. h. c. Hans-Dieter Cleven
Chief Executive of Beisheim Holding GmbH
Vice President of the Board of Directors of
Metro Holding AG
Chief Executive of Metro Vermögensverwaltung
GmbH & Co. KG
Chief Executive of OBV Vermögensverwaltungs
GmbH & Co. KG
a) Debitel AG
Jamba AG (Chairman)
b) Albergo Giardino S.A.
(Vice President Board of Directors)
Beisheim Holding Schweiz AG
(Vice President Board of Directors)
Jetro Holdings Inc. (Member Board of
Directors) until 30 June 2001
Metro Holding AG (Member Board of
Directors) until 30 December 2001
Völkl Sports Holding AG (President Board of
Directors)

Peter Cziglar
Team Head at Real SB-Warenhaus GmbH
a) Real Holding GmbH as from 14 March 2001

Ulrich Dalibor
National Chairman of the Retail Section
of the Ver.di Union
a) Metro Großhandelsgesellschaft mbH

Professor Dr. Dr. h. c. Erich Greipl
Chief Executive Metro Vermögensverwaltung
GmbH & Co. KG
a) Kaufhof Warenhaus AG
Metro Großhandelsgesellschaft mbH
Real Holding GmbH as from 2 February 2001
b) BBE Unternehmensberatung GmbH
(Member Board of Directors)
KGG Kredit Garantie-Gemeinschaft
Handel in Bayern GmbH (Chairman Board
of Directors)

Hanns-Jürgen Hengst
Department Head
Kaufhof Warenhaus AG

Hermann Hesse
Deputy Chairman of the General Works Council
of Kaufhof Warenhaus AG

Cilli Holzer
Commercial Clerk
Kaufhof Warenhaus AG

Dr. Hermann Krämer
Ex-Member of the Management Board
of former Veba AG
a) Babcock Borsig AG until 9 July 2001
Balcke Dürr AG (Chairman) until
28 February 2001
LOGIKA AG (Chairman)
b) Westdeutsche Landesbank Girozentrale
(Member of the Board of Directors)

Dr. Karlheinz Marth
Secretary to the National Executive
of the Ver.di Union
a) Extra Verbrauchermärkte GmbH
Kaufhof Warenhaus AG

Dr.-Ing. E. h. Dipl.-Ing. Bernd Pischetsrieder
Member of the Executive Board
of Volkswagen AG
Chairman of the Executive Board
of Volkswagen AG as from 17 April 2002
Chief Executive of SEAT, S.A. until 6 March 2002
b) Allianz-Gesellschaften (Member of Joint
Advisory Board)
Audi AG (Chairman of the Supervisory Board)
as from 1 January 2002
Dresdner Bank AG Luxembourg S.A.
(Member of Board of Directors)
SEAT, S.A. (Chairman of Consejo de
Administración) as from 7 March 2002
Tetra-Laval Group
(Member of Board of Directors)
Volkswagen de México, S.A. de C.V.
(Member Consejo de Administración)
Volkswagen Comércio e Participaçóes Ltd.
(Mitglied des Conselho Consultivo)
as from 23 March 2001
Volkswagen Coaching GmbH
(Member Supervisory Board)

Hildegard Schäfer
Member of the General Works Council of
Real Holding GmbH

Professor Dr. Helmut Schlesinger
Retired President of Deutsche Bundesbank

Dr. Manfred Schneider
Chairman of the Management Board
of Bayer AG until 26 April 2002
Chairman of the Supervisory Board of Bayer AG
as from 27 April 2002
a) Allianz AG
DaimlerChrysler AG
Linde AG
RWE AG

Hans Peter Schreib
Attourney-at-Law
Member of the Board of Deutsche
Schutzvereinigung für Wertpapierbesitz e.V.
a) Gildemeister AG
K+S AG

Christian Strenger
Member and/or Chairman of several German
and foreign corporate boards
a) BASF Coatings AG
DWS Investment GmbH
Fraport AG as from 1 January 2002
MLP Marschollek, Lautenschläger
und Partner AG as from 28 May 2001
Zürich Investmentgesellschaft mbH
b) The Germany Funds Inc. (Chairman)

Dr. Joachim Theye
until 31 December 2001
Attourney-at-Law
a) Axel Springer Verlag AG
Babcock Borsig AG
Gerling-Konzern Globale
Rückversicherungs-AG
(Deputy Chairman)
Gerling-Konzern Rheinische
Versicherungsgruppe AG
Gerling-Konzern Versicherungs-
Beteiligungs-AG (Chairman)
I-D Media AG
Messe Berlin GmbH (Chairman)
until 29 March 2001
b) Gerling Security Rückversicherungs-
Gesellschaft S.A. (Chairman of the Board
of Directors)

Hans-Peter Wolf
Member of the Porz Central Field Warehouse
Management of Kaufhof Warenhaus AG

a) Membership in other statutory supervisory boards
of German companies
b) Membership in comparable German and foreign
corporate boards of business enterprises
(board of directors, advisory boards, etc.)

Committees of the Supervisory Board and their Members

Presidential/Personnel Committee
Jan von Haeften (Chairman)
Klaus Bruns (Deputy Chairman)
Hermann Hesse
Dr. Manfred Schneider

Annual Accounts Committee
Jan von Haeften (Chairman)
Klaus Bruns (Deputy Chairman)
Dr. h.c. Hans-Dieter Cleven
Ulrich Dalibor (as from 15 February 2001)
Professor Dr. Dr. h.c. Erich Greipl
Dr. Karlheinz Marth

Nominations/Mediation Committee under § 27 Section 3 MitbestG (German law on codetermination)
Jan von Haeften (Chairman)
Klaus Bruns (Deputy Chairman)
Dr. h.c. Hans-Dieter Cleven
Hermann Hesse

Members of the Executive Board

Dr. Hans-Joachim Körber (Chairman)
a) Kaufhof Warenhaus AG (Chairman)
   Metro Online AG (Chairman)
   Real Holding GmbH as from 2 February 2001
   (Chairman as from 27 March 2001)
b) Aspiag Italia Srl
   Divaco AG & Co. KG
   Loyalty Partner GmbH
   Skandinaviska Enskilda Banken AB

Dr. A. Stefan Kirsten
a) Metro Online AG
   Real Holding GmbH as from 2 February 2001
b) Assevermag AG (President of the Board of Directors)
   Metro Capital B.V.
   (Chairman of the Supervisory Board)
   Metro Euro Finance B.V.
   Metro Finance B.V.
   Metro International AG (President of the Board of Directors)
   Metro International Finance B.V.
   Metro MPV AG until 1 June 2001
   (President of the Board of Directors)

Zygmunt Mierdorf (Director of Industrial Relations)
a) Extra Verbrauchermärkte GmbH
   Praktiker Bau- und Heimwerkermärkte AG
   (Chairman)
   Real Holding GmbH as from 2 February 2001
b) Asset Immobilienbeteiligungen GmbH & Co. KG
   Josef Wagner GmbH
   Metro MPV AG until 1 June 2001
   Praktiker Yapi Marketleri A.S.
   Tertia Handelsbeteiligungs GmbH (Chairman)

Joachim Suhr
a) Extra Verbrauchermärkte GmbH (Chairman)
   Metro Online AG
   Real Holding GmbH as from 2 February 2001
b) Gemex Trading AG
   (President of the Board of Directors)

Düsseldorf, 26 February 2002

THE EXECUTIVE BOARD

Dr. Körber

Dr. Kirsten

Mierdorf

Suhr

Auditor's opinion

We duly audited the financial statements (including the accounting) of METRO AG as well as the management report it prepared on the situation of METRO AG for the fiscal year from 1 January to 31 December 2001. The accounting and the preparation of the financial statements are the responsibility of METRO AG's Executive Board in accordance with German commercial code regulations and the supplementary provisions in the company's articles of association. Our task, based on the audit performed by us, is to express an opinion on said annual financial statements (including the accounting) and the management report that goes with them.

We conducted our audit of the annual financial statements pursuant to § 317 HGB and in accordance with the generally accepted standards on the auditing of financial statements as established by IDW, the institute of auditors and certified public accountants in Germany. These standards require the audit to be planned and performed in such a way that reasonable assurance is obtained on whether the financial statements are free of any misstatements or violations that might have a material impact on the view of the net assets, financial position and results of operations as presented by the financial statements drawn up in accordance with generally accepted accounting principles and by the management report. In determining the precise audit procedure knowledge about the business activities and about the economic and legal environment of the company as well as about sources of potential misstatements is taken into consideration. The audit also includes an examination, primarily on a sampling basis, of the efficiency of the accounting-related internal control system and the evidence supporting the amounts quoted and the disclosures made in the financial statements and the management report. Furthermore, it involves assessing the accounting principles used and the major assumptions made by the Executive Board as well as an appreciation of the overall presentation of the financial statements. We believe that our audit provides a reasonably reliable basis for our opinion.

Our audit did not result in any objections or exceptions.

In our opinion the annual financial statements, in accordance with the accounting principles generally accepted in Germany present a true and fair view of METRO AG's net assets, financial position and results of operations. The management report gives an equally true and fair view of the company's overall position as well as the risks inherent in its future development.

Duisburg, 27 February 2002

FASSELT & PARTNER
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT

Dr. H. Herrmann Wirtschaftsprüfer (German CPA)	Dr. M. Fasselt Wirtschaftsprüfer (German CPA)

Report of the Supervisory Board

METRO AG and the Metro Group look back on a year characterized by a difficult economic situation and an ever tougher competitive environment. Against this backdrop the METRO AG Executive Board concentrated on implementing the business objectives of METRO AG as well as preserving its entrepreneurial freedom of action. During the period under review the Supervisory Board oversaw the work of the Executive Board and supported it with its own advice in due accordance with the duties incumbent upon it under the law and the company's articles of association. In fiscal year 2001 five meetings of the Supervisory Board took place in which oral and written reports of the Executive Board were received and discussed in detail. All those measures requiring Supervisory Board approval as well as the economic situation of the company and its sales divisions were dealt with very thoroughly.

In this context the focus was on the strategic alignment of METRO AG and its sales divisions in Germany and Europe as well as specifically the further expansion into non-European market. The Supervisory Board was extensively informed by the Executive Board about the risk management of the company as well as its resource allocation. In a constant dialogue between the Chairman of the Supervisory Board and the members of the Executive Board all major business transactions and the development of the key financial indicators were elaborated upon.

The members of the Supervisory Board were kept fully posted by the Executive Board on important business transactions with a special significance for the future development of the company.

The Supervisory Board dealt in great detail with the business development and the economic situation of the company and its outlet chains as well as their perspectives and measures to strengthen their competitiveness and respective market positions. The Supervisory Board had the Executive Board report on proposed business strategies and fundamental issues of corporate policy, especially on the financial, investment, earnings and personnel plans for the years 2001 and 2002 and the resulting consequences in terms of strategic alignment, further expansion, rationalization and optimization of the corporate structure and work processes.

From its own midst the Supervisory Board elected the presidential/personnel committee, the annual accounts committee and the nominations committee required according to § 27 Section 3 of the German co-determination law. The annual accounts committee met once. The presidential committee met twice. The nominations committee did not have to meet at all.

The consolidated financial statements and management report as well as the METRO AG financial statements and management report were audited by Fasselt und Partner Wirtschaftsprüfungsgesellschaft, Duisburg, and awarded their unqualified auditor's opinion. The annual financial statements of METRO AG and of the Metro Group including the management reports were submitted to the Supervisory Board members two weeks before the annual accounts meeting. The audit reports issued by the auditors were also made available to the members of the Supervisory Board.

The consolidated annual financial statements were drawn up in line with the International Accounting Standards (IAS).

The proposed financial statements were discussed in depth at a joint meeting of the presidential committee and the annual accounts committee as well as at the Supervisory Board's annual accounts meeting in the presence of the auditors. The Supervisory Board concurs with the audit results that do not contain any exceptions. The Supervisory Board examined and approved the annual financial statements submitted by the Executive Board for METRO AG and the Metro Group including the respective management reports. METRO AG's annual accounts are thus adopted. The Supervisory Board also accepts the Executive Board's proposal for the appropriation of net earnings.

Pursuant to § 312 AktG (German stock corporation act) the Executive Board of METRO AG prepared, and submitted to the Supervisory Board at the annual accounts meeting, a dependency report on the company's affiliations with group companies in fiscal year 2001. This report was also audited by the statutory auditors who reported thereon in writing and issued the following opinion:

"According to our audit which we performed with due care and to professional standards it is our opinion that

1. the facts stated in the report are correct and valid
2. the consideration paid by the company for the legal transactions mentioned was not unreasonably high."

After receiving the final result of the audit the Supervisory Board raised no objections to the declaration of the Executive Board in its report under § 312 AktG and to the issuing of the auditor's opinion.

Mr. Jan von Haeften was appointed a member of the Supervisory Board by court as per 2 August 2000 for a limited period until 20 June 2001. The METRO AG annual stockholders' meeting on 20 June 2001 elected Mr. von Haeften to the Supervisory Board of the company. The meeting of the Supervisory Board on 20 June 2001 confirmed Mr. von Haeften as Chairman of the Supervisory Board.

Effective 1 January 2001 Mr. Christian Strenger was appointed a member of the Supervisory Board of the company for a limited period until 20 June 2001. The METRO AG annual stockholders' meeting on 20 June 2001 elected Mr. Christian Strenger to the Supervisory Board of the company.

Dr. Joachim Theye relinquished his Supervisory Board mandate with effect from 31 December 2001. In his place Mr. Volker Claus was appointed a member of the Supervisory Board by court.

Dr. Hans-Joachim Körber, previously spokesman of the METRO AG Executive Board, was appointed Chairman of the Executive Board by the Supervisory Board on 20 June 2001.

The tasks within the Executive Board are performed as follows:

Dr. Körber as Chairman of the Executive Board is in charge of Investor Relations, HR Development/Executive Staff, Legal Affairs, Internal Auditing, Corporate Development, Corporate Communication, Trade Associations and Environmental Policy. Dr. Kirsten is responsible for Receivables Management, Finance, Budgeting and Controlling, Accounting, Taxes and Insurance. Mr. Mierdorf is Director of Industrial Relations with additional responsibility for E-Business, IT, Real Estate, Logistics as well as HR and Social Affairs. Mr. Suhr heads the departments of Purchasing/Imports, Catering and Advertising.

We personally thanked Dr. Theye for his outstanding services to the company.

The Supervisory Board also thanks the Executive Board, the management teams of the sales divisions and cross divisional service companies, the members of the works councils as well as all employees of METRO AG and all affiliated companies for their dedication and commitment and their hard and successful work.

Düsseldorf, in March 2002

THE SUPERVISORY BOARD

Jan v. Haeften

Jan von Haeften
Chairman

Supplementary information

Financial diary

Annual business conference/analysts' meeting	26 March 2002
Quarterly report Q1 2002	30 April 2002
Annual stockholders' meeting	23 May 2002
Quarterly report Q2 2002	31 July 2002
Quarterly report Q3 2002	31 October 2002

Codes

Metro stock

Reuters codes	
Common stock	MEOG.F
Common stock/challenged	MEOGa.F
Preferred stock	MEOG_p.F
Bloomberg codes	
Common stock	MEO GR
Common stock/challenged	MEO2 GR
Preferred stock	MEO3 GR
ISIN codes	
Common stock	DE 000 725 750 3
Common stock/challenged	DE 000 725 752 9
Preferred stock	DE 000 725 753 7
Stock exchanges	Frankfurt, Düsseldorf, Xetra, Swiss Exchange

Metro convertible bonds

Reuters code	DE248 600=F
Bloomberg code	ID248600
ISIN	DE 000 248 600 8
Stock exchange	Frankfurt

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