

Joint Report
of the Executive Board (*Vorstand*) of
METRO AG, Düsseldorf
and
the Board of Directors (*Geschäftsführung*) of
WestBTL Handel-Beteiligungsgesellschaft mit beschränkter
Haftung, Düsseldorf
(“WestBTL”)
on the Domination and Profit and Loss Transfer Agreement
between
METRO AG and WestBTL pursuant to § 293a AktG

To inform the shareholders and to prepare the resolutions to be decided upon by the Extraordinary Shareholders' Meeting (*außerordentliche Gesellschafterversammlung*) of WestBTL, as well as the Annual Stockholders' Meeting (*Hauptversammlung*) of METRO AG, the Executive Board of METRO AG and the Board of Directors of WestBTL present the following Report on the Domination and Profit and Loss Transfer Agreement between METRO AG and WestBTL:

1. Conclusion of the Agreement; Effectiveness

The Domination and Profit and Loss Transfer Agreement between METRO AG and WestBTL was concluded on November 15, 2002. It is submitted for approval to the Extraordinary Shareholders' Meeting (*außerordentliche Gesellschafterversammlung*) of WestBTL on November 19, 2002 and to the Annual Stockholders' Meeting (*ordentliche Hauptversammlung*) of METRO AG on May 22, 2003. In accordance with established practice of the courts, a domination and profit and loss transfer agreement entered into with a limited liability company under German law (*GmbH*) requires the approval of the stockholders' meeting of the controlling company as well as the shareholders' meeting of the GmbH as the controlled company. Further, in order to become legally effective, the Agreement has to be registered in the commercial register of WestBTL.

2. Explanation of the Domination and Profit and Loss Transfer Agreement

The essential content of the Domination and Profit and Loss Transfer Agreement is as follows:

WestBTL submits the governance of its company to METRO AG. Accordingly, METRO AG is entitled to issue instructions to the Board of Directors (*Geschäftsführung*) of WestBTL with respect to the management of the company.

Moreover, WestBTL is obliged to transfer its entire profit to METRO AG. Subject to the allocation to, or the dissolution of reserves, the annual net profit prior to the transfer of profit minus any net loss carried forward from the previous year, shall be transferred. Subject to the approval of METRO AG, WestBTL may allocate certain amounts from the annual net income to other profit reserves provided that this is permissible under German commercial law and economically justified pursuant to reasonable commercial judgement. Other profit reserves allocated during the term of the Agreement shall be released on demand of METRO AG and shall be used to compensate for any net loss, or shall otherwise, to the extent legally permissible, be transferred as profits. This Agreement is in conformance with the limits of the transfer of profit as set forth in § 301 AktG (*German Stock Corporation Act*).

Pursuant to § 302 AktG (*German Stock Corporation Act*), METRO AG shall compensate for potential losses. Accordingly, METRO AG is obliged to compensate for any net loss incurred during the term of the Agreement, unless such loss is compensated for by a withdrawal of the respective amounts from uncommitted reserves (i.e. other profit reserves pursuant to § 272 para. 3 HGB (*German Commercial Act*) and capital reserves from additional capital payments pursuant to § 272 para. 2 no. 4 HGB) allocated to such reserves during the term of the Agreement. In accordance with § 302 para. 3 AktG, WestBTL may not waive this claim for compensation of loss nor enter into a settlement agreement on it for a time period of three years from the day on which the registration of the termination of the Agreement in the commercial register is deemed to have been made public.

The Domination and Profit and Loss Transfer Agreement becomes legally effective upon the registration of its existence in the commercial register at the site of the registered

office of WestBTL and has retroactive effect as of January 1, 2002. The Agreement may be terminated for the first time with effect to the end of December 31, 2006 with a notice period of three months, but not earlier than five calendar years from the beginning of the fiscal year for which a fiscal unit with regard to corporate income tax and business tax is acknowledged for the first time. Unless notice of termination is given, the Agreement shall be automatically renewed each time by one calendar year subject to the same notice period. Furthermore, the Agreement may be terminated for cause without observance of a notice period. This shall particularly apply to METRO AG when WestBTL no longer holds the majority of the voting rights with respect to WestBTL.

The Agreement contains the customary provisions of a domination and profit and loss transfer agreement concluded for the purpose of establishing a fiscal unit within a group of companies. In order to safeguard recognition as a fiscal unit, it was essential to conclude the Agreement for a term of at least five calendar years. The parties have agreed upon retroactive effectiveness of the Agreement in order to be able to take advantage of the tax benefits of the fiscal unit beginning from January 1, 2002.

The Domination and Profit and Loss Transfer Agreement does not provide for a compensatory payment nor for a consideration for free float shareholders because METRO AG is the sole shareholder of WestBTL. Even after the planned sale of WestBTL to METRO Dienstleistungs-Holding GmbH ("MDH") (as set forth in more detail in section 3 below), there will be no free float shareholders because MDH is a wholly owned subsidiary of METRO AG and, moreover, MDH and METRO AG are united as group companies through a domination and profit and loss transfer agreement.

3. Background and Purpose of the Domination and Profit and Loss Transfer Agreement

WestBTL, a 100 percent subsidiary of METRO AG, was registered in the commercial register of the Local Court of Düsseldorf under HRB 41067 with a nominal capital of Euro 5,700,000.00. Originally, the company was an intermediate holding for the stocks in Horten AG. After the sale of those stocks, WestBTL's assets now consist of loan claims against METRO AG and 100 percent of the shares in Deutsche Gesellschaft für Anlageverwaltung mit beschränkter Haftung ("Degav"). The assets of Degav, formerly an intermediate holding for stocks in Horten AG as well, exclusively consist of a claim

against WestBTL. A domination and profit and loss transfer agreement was entered into between WestBTL and Degav, so that Degav's profit resulting from interest income is transferred to WestBTL.

The sole share in WestBTL held by METRO AG is to be sold and transferred to MDH. The current market value of the company will serve as an indicator for determining the purchase price. The Domination and Profit and Loss Transfer Agreement between METRO AG and WestBTL will not be affected by the transfer of WestBTL to MDH so that it will continue to be effective even after the sale.

As a domination agreement the Agreement submits to METRO AG the governance of WestBTL. From the date of registration of the Domination and Profit and Loss Transfer Agreement in the commercial register, METRO AG is entitled to issue instructions to WestBTL pursuant to § 308 AktG.

As a profit and loss transfer agreement, the Agreement serves to establish a fiscal unit between METRO AG and WestBTL with regard to corporate income tax pursuant to §§ 14, 17 KStG (*German Corporate Income Tax Act*). In addition, it establishes a fiscal unit with regard to business tax between METRO AG and WestBTL pursuant to § 2 para. 2 GewStG (*German Trade Tax Act*) which is in any case still applicable to the year 2002.

The fiscal unit with regard to corporate income and business tax law leads to a joint taxation of WestBTL (Controlled Company) and METRO AG (Controlling Company). As a result, a profit transfer and loss compensation for tax purposes is made possible. Under business tax law WestBTL as a controlled company constitutes a permanent establishment of the controlling company METRO AG. Therefore, as long as § 2 para. 2 GewStG is still in force, only METRO AG as the controlling company will be subject to business tax.

4. Commercial Significance of the Commitment to Transfer Profits and the Commitment to Compensate for Losses as well as Alternatives to the Conclusion of the Domination and Profit and Loss Transfer Agreement

Due to the conclusion of the Domination and Profit and Loss Agreement, METRO AG is obliged to compensate for any annual net loss of WestBTL incurred during the term of the

Agreement, unless such loss can be compensated for by withdrawing amounts from other profit reserves allocated during the term of the Agreement. The Domination and Profit and Loss Transfer Agreement allows a consideration of the profits and losses of WestBTL within the scope of the fiscal unit with regard to corporate income tax and business tax. The Domination and Profit and Loss Transfer Agreement also serves to optimise the tax deductibility of financing expenses and expenditures in connection with the administration of shareholdings.

There was no commercially reasonable alternative to the conclusion of the Domination and Profit and Loss Transfer Agreement between METRO AG and WestBTL by which the above-described objectives could have been realised in the same or a better way. In particular, a chain of profit and loss transfer agreements which could have been established by complementing the existing Domination and Profit and Loss Transfer Agreement between METRO AG and MDH with a further domination and profit and loss transfer agreement concluded between MDH and WestBTL would not be a commercially reasonable alternative because the results for the entire year 2002 could not have been mutually set off in this way.

With the conclusion of a different kind of agreement pursuant to § 292 AktG (company lease agreement, company surrender agreement, profit pool or profit portion transfer agreement) or a management contract, it would not have been possible to attain a joint taxation of METRO AG and WestBTL.

Düsseldorf, November 15, 2002

METRO AG

The Executive Board (*Vorstand*)

(signed)	(signed)	(signed)	(signed)
Dr Körber	Mierdorf	Suhr	Unger

Düsseldorf, November 15, 2002

WestBTL Handel-Beteiligungsgesellschaft mit beschränkter Haftung
The Board of Directors (*Geschäftsführung*)

(signed)

Sachs

(signed)

Dr Richardt