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Annual Press Conference

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REWE Group sets new records in turnover and profit

Turnover increased in the 2006 fiscal year by 4.2 percent to 43.5 billion euros – Profit improved by 25 percent – Recovery in the last quarter – “Reform of Reform” taking effect – On course for growth in Germany and internationally again in 2007

REWE Group significantly boosted turnover and profit in the 2006 fiscal year. With total turnover reaching 43.5 billion euros, Germany and Europe's leading trading and tourism group achieved new record earnings. With an increase in turnover of 1.8 billion euros compared with the previous year, the growth rate was almost doubled to 4.2 percent. The main factors behind this were the recovery in the last few months of the year and an outstanding Christmas business. The number of stores operated in Germany and internationally increased in balance by 144 to 11,948. REWE Group has a total of 268,907 employees, representing an increase of 4,450 or 1.7 percent compared with one year ago. The consolidated result of REWE Group (EBITA according to IFRS, without independent retailers) was increased by 25 percent to 655 million euros.

“That is the best result the Group has ever reported, and represents a huge step forward in our turnover yield,” said Alain Caparros, REWE Group CEO, at the annual press conference (26 March) in Cologne. With this new record turnover, REWE Group has once again increased its growth rate in 2006. This resulted from the expansive international business, but equally from the above-average increase in turnover in Germany. “After a weak first half of the year, the spring didn't begin for REWE Group until the autumn,” summarised Caparros.

Caparros: Upswing at end of year carried over into new year

“We have carried over the upswing into the new year. Turnover in the first few months of 2007 is higher than in the comparable period for the previous year. With an investment volume unique for the company of 1.2 billion euros in 2007, we are laying the basis for further sustainable growth,” said Caparros explaining the optimism of the Management Board. “The new structures in place after the urgently needed “reform of the reform” last September are taking effect. The company now has a leaner organisation. Decentralised responsibility and decision competence increase the selling power of our business units from the supermarket through the discount and DIY store through to Travel and Tourism. Our innovative marketing concepts are effective. We are closer to the customer, our staff are motivated and committed to the future of our company. We say “Thank

you” to 270,000 employees and millions of customers in 14 countries throughout Europe,” emphasised the REWE CEO.

Considerable boost in Germany

Particularly in the last few months of the 2006 fiscal year, REWE Group increasingly picked up on the course for growth on the domestic German market. The turnover of the 8,939 stores (REWE, Penny, toom, DER, Atlas) rose by 4.3 percent or 1.3 billion euros to 31.2 billion euros. The supermarkets that changed over to the new, uniform REWE sales brand during the “Big Bang” last year have significantly improved their turnover. The independent retailers under the umbrella of the REWE Group increased their turnover by 3.8 percent to a total of 7.2 billion euros. Together the independent retailers and the companies belonging to the Group have 183,660 employees in Germany, 1,653 more than a year ago.

Eastern Europe main driving force behind international growth

“Eastern Europe, in particular, was the main driving force behind our international growth in 2006,” explained Caparros who, as CEO, is responsible for the whole international business. The subsidiaries in Hungary, the Ukraine, Russia, Poland or Bulgaria have boosted the turnover by 17.8 percent to 3.8 billion euros. In Western Europe (Austria, Italy), the strongest international subsidiary in terms of turnover, REWE Group Austria increased earnings once again by over four percent to 4.6 billion euros. This has helped to compensate the sale of the retail trading activities in France and Switzerland completed in 2005. As a result, the turnover in this region overall of 8.3 billion euros was only 120 million euros or 1.4 percent below the earnings in the previous year. In total, REWE Group increased its international turnover by 4 percent to 12.2 billion euros with 85,247 employees in 3,009 stores in 13 European countries outside Germany (BILLA, Merkur, Penny, Selgros, BIPA).

On course for growth in Germany and internationally again in 2007

REWE Group will continue on course for growth in 2007. “We will expand consistently with all our sales lines in Germany and internationally,” said the CEO. The opening of more than 550 new stores is planned in Europe, of which over 300 in Germany. REWE and Penny will also increasingly invest in their own trade properties. The market position is to be expanded in the 13 European countries in which the No. 3 European food trader is represented. REWE Group will be opening its first Selgros cash & carry markets in Russia and forcing the expansion with BILLA supermarkets. The launch of Penny Discount in Turkey is being planned.

Competition for quality and trust instead of pure price competition

The company plans to further strengthen the internationally launched quality offensive in 2007. "We want to move away from pure price competition and towards competition for quality and trust," emphasised Caparros. It's not just the price that counts. "In the REWE Group league the motto is: Enjoyment, fun, competence, emotions, health – everything that makes life sexy". The supermarket is incorporated into day-to-day life as a colourful marketplace and social institution. Local and regional specialities should be significantly expanded in the product ranges. Generous store opening hours are all part of the service for the company. After a broadly based nationwide test with opening hours from 7.00 a.m. until 10.00 p.m., it will ultimately be up to each store to decide how long they stay open.

Development of the fields of business in REWE Group conglomerate

As a consequence of the sale of trading activities in France, Switzerland and Germany in 2005, the REWE Group conglomerate (excluding independent retailers) shows a consolidated turnover of 31.2 billion euros (-0.9%) for the 2006 fiscal year. In the continued business, on the other hand, turnover increased by 2.5 percent. Following the changeover of the reporting system to international standards (IFRS), a step that in the words of CFO Norbert Fiebig creates greater transparency and comparability, the participations Fegros/Selgros and transGourmet are no longer included in the consolidated turnover. Pending final accounting, the consolidated results improved by 130 million euros to 655 million euros. Turnover yield in the Group was increased to 2.1 percent. At 990 million euros, cashflow in 2006 was 4.3 percent higher than in the previous year. Investments were increased by 34 million to 873 million euros.

Penny on course for success with new strategy

The 2,809 Penny stores in Europe increased their turnover in the discounters field of business by 0.7 percent to 7.9 billion euros. Abroad, Eastern Europe developed very dynamically with a plus of 17.5 percent to 1.2 billion euros, in Austria and Italy the discounter grew by a respectable 5.2 percent to 1.3 billion euros. In Germany, Penny corrected its non-food stocks to a commercially expedient level in the 1st quarter of 2006, reacting to the continuing market segment-wide tense turnover development in this product range. This pioneering and future-oriented step was one of the main factors contributing to the result for 2006 being sustainably exceeded.

"Our courage and determinedness was rewarded. We are further than many of our competitors and have surpassed the plan in all strategically relevant ratios. Penny has very successfully offered alternatives to the classic non-food products, such as insurances, travel or helicopter flights. Overall, 2006 was an important year for the successful and profitable future of the

discounters,” emphasised REWE Group CEO, Alain Caparros, also responsible for the discount stores business. Penny has thus taken a major step forward towards reaching the goal it has set itself of being Germany’s most innovative discounter.

Penny set a further milestone with the new concept “Fresh meets cheap” that after a test phase went into the roll-out last year with the express approval of the Management Board and Supervisory Board.

After years of consolidation, Penny is now starting an expansion campaign in Germany. In order to achieve the ambitious target of 150 new stores per year, Penny has changed its location strategy. Stores will also be operated in owned properties and no longer exclusively in rented premises. “Penny will thus become faster and more flexible in the competition for the best locations,” says Caparros.

Despite the strategic turnover optimism and despite the high financial and personal burden that resulted from the concept reorganisation, the drop in turnover of around three percent to 5.5 billion euros lay within the expectations, particularly as the increase in tobacco tax and the streamlining of the store network to 1,983 outlets (-16) placed further pressure on the figures. “Anyone who wants to be successful must not think just in terms of annual rhythms and balance sheet cut-off dates,” said Caparros.

Full-range stores: Germany better than the market segment

With a turnover of 11.7 billion euros, the national full-range stores business area is the area with the highest turnover in the REWE Group. With an increase of 2.4 percent, the supermarkets have grown far more strongly than the generally stagnating market segment. A major contributory factor to the success was the grouping of 3,000 supermarkets under the “New REWE” umbrella.

“With the opening of 140 new and modern REWE supermarkets and the modernisation of 60 further stores, we will continue to grow dynamically in 2007,” announced Dr. Stephan Fanderl, Management Board member of REWE Group. REWE is investing around a quarter of a billion euros in its supermarkets and hypermarkets, 100 million euros of which alone in the stores of independent retailers. Apart from the expansion, the development of the private-label share and the continuation of the quality campaign are also high on the agenda. “REWE aims to set the standard for the quality and safety of food products,” announced Dr. Fanderl. The share of organic and FairTrade products is to be systematically increased.

The REWE Management Board emphatically allayed fears that particularly in the “organic” sector, supply bottlenecks could occur due to the rapid rise in demand. As one of the pioneers on the German foodstuffs market, the REWE supermarkets have already been selling organic products since 1988. REWE Group bases its procurement on contractual cultivation. This has the advantage that the suppliers have financial security and can successively adapt the production to the changing market conditions.

REWE attaches the highest priority to the strategic goal of further increasing the earning power in spite of significant improvements in the price/performance ratio. In order to achieve this goal, the process efficiency is to be systematically further increased at all levels through to the REWE supermarket. The category management will be consistently oriented to the needs of the retailers and market managers as well as of the customers.

“It’s simply a question of having the right product at the right time, at the right price and in the right store,” says Dr. Fanderl.

International full-range stores with above-average growth

Under the international supermarket format BILLA, the 2,118 supermarkets in Austria and nine further European countries generated a turnover of 6.7 billion euros last year, 5.9 percent more than in the previous year. REWE Group Austria continues to be the undisputed No. 1 in Austria. In Italy, turnover rose to over one billion euros. The driving force behind the turnover also comes from the supermarkets in Eastern Europe with their well above-average general economic growth rates. The 314 supermarkets (+ 7.5 percent) boosted the turnover by 15.7 percent to 1.5 billion euros. “We will be well up with the leaders with our key business in the booming markets abroad. Roughly half our investment volume for 2007 of 1.2 billion euros will go into our international expansion,” said REWE Group CEO, Alain Caparros.

National specialist stores down on the previous year

The 262 national specialist stores incorporated into the consolidated turnover (toom BauMarkt, ProMarkt) achieved a turnover of 1.7 billion euros. Compared with the previous year this means a drop in turnover of 1.2 percent. The DIY market segment lost a large proportion of its spring and summer turnover last year due to the extremely long winter. toom BauMarkt was also affected by this development. The result nevertheless developed steadily forward. toom BauMarkt sees the right answer to the challenges of the market in the new and innovative DIY store concept that is being successfully implemented. Turnover and customer development are very positive. “Over and above the organic growth, toom BauMarkt aims to further strengthen its market position

through acquisitions and cooperations,” explained REWE Group Management Board member, Josef Sanktjohanser.

ProMarkt has achieved the turn-around in the hotly contested consumer electronics market segment. With a turnover of around half a billion euros, the more than 50 ProMarkt stores are in the profit zone, despite two dominant competitors.

Considerable growth for Großverbraucherservice business area

The REWE-Großverbraucherservice (commercial wholesale customers service) achieved a significant boost in turnover of 19.4 percent. Following the takeover of Stöver-Frischdienst, the REWE-Großverbraucherservice is market leader in Germany with a turnover of 811 million euros. As a result of the takeover, the REWE-Großverbraucherservice expanded its customer portfolio to include snack bars, petrol stations and system gastronomers. A further leap in turnover to well over 900 million euros is planned for 2007. Together with the international food service activities of the transGourmet joint venture and the cash-and-carry activities of Fegro/Selgros (joint venture with the Otto Group, Hamburg), REWE Group is undisputed market leader in Europe with a turnover of 5.5 billion euros (+17.1%).

Further growth in travel and tourism turnover

Although avian flu, terror threats, the fairytale weather in the summer and the football World Cup in Germany slowed growth in the tourism market segment, REWE Group Touristik was still able to increase its turnover by 0.5 percent to 4.3 billion euros. As expected, the sales turnover of 1.8 billion euros remained below the earnings for the previous year (-2.6%) as a result of the ongoing structural adjustments with outdated travel agency locations. The tour operators (ITS, Jahn Reisen, Tjaereborg, Dertour, Meier's Weltreisen, ADAC Reisen), on the other hand, increased their turnover by around two percent, with building block tour operators developing more dynamically than the operators of package tours.

With its package tour and building block tour operators ITS, Jahn Reisen, Tjaereborg, ITS Billa, Dertour, Meier's Weltreisen and ADAC Reisen, REWE Group Touristik remained No. 3 in the German and European travel market. In national travel sales, REWE Touristik together with its franchise and cooperation partners remains market leader.

“The recent mergers in the travel and tourism industry have had no direct effect on the REWE Touristik business of the REWE Group. With their mergers, the two competitors have considerably expanded their activities particularly in the traditional segment of package tours. That relates predominantly to the source markets Great Britain and Scandinavia, and not to our

key markets Germany, Austria, Switzerland and Eastern Europe. In these markets we will persistently safeguard and further expand our market position through above-average organic growth and, where appropriate, through strategically expedient additions,” explained Norbert Fiebig, REWE Group Management Board member responsible for travel and tourism. Looking at the current development in bookings with the REWE tour operators in the 1st quarter of 2007 with increases of between three and four percent, Fiebig is optimistic for the further development in the current travel and tourism year.

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