

METRO INTERNATIONAL S.A.

Annual accounts
for the year ended
December 31, 2009

(with the report of the Réviseur
d'Entreprises thereon)

2-4, avenue Marie-Thérèse
L-2312 Luxembourg
RCS: Luxembourg B 73.790

To the Shareholders of
Metro International S.A.
2-4, avenue Marie-Thérèse
L-2012 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES

Report on the annual accounts

We have audited the accompanying annual accounts of Metro International S.A., which comprise the balance sheet as at December 31, 2009 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Réviseur d'Entreprises

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the Institut des Réviseurs d'Entreprises. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgment of the Réviseur d'Entreprises, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of Metro International S.A. as of December 31, 2009, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the board of directors, is consistent with the annual accounts.

Luxembourg, April 28, 2010

KPMG Audit S.à r.l.
Réviseurs d'Entreprises

Thierry Ravasio

Management Report of Metro International S.A. for the year 2009

CEO Statement

2009 has been a year of change for Metro.

In 2009 we started our zero tolerance strategy towards loss-making operations, consequently all major loss-making operations were closed or divested. US, Portugal and Italy were fully divested to buyers who will publish Metro under a franchise agreement, providing continued revenues and value. I'm happy to see that these three operations have weathered the storm and seem to be well on track. Spain, representing big losses in 2008, was closed in January.

Management has during the year successfully implemented a cost cutting program in operations including right-sizing operations, lower overheads and optimization of circulation and pagination. Further, Metro has restructured its management team and also relocated some of the corporate functions from London to Stockholm. The move furthermore enables closer relationships with the investing community and one of our key operating units.

Although 2009 has been one of the most turbulent years in Metro's history we have managed to make progress in the long term growth strategy by means of geographical expansion in growth markets such as in Russia and Latin America. Launches of franchise operations in Ecuador and Moscow and further editions in Brazil prove that growth is possible without large cash outflow. Metro has also increased its stakes in St Petersburg and a number of joint ventures in Chile.

We enter 2010 with a stronger market position in most of our countries. For the full year 2009, all subsidiaries except Greece and Hungary were profitable. Furthermore, readership numbers have increased in most markets. The successful implementation of our strategy has helped us to move in the right direction and we are well positioned to benefit from a recovery of the global advertising market.

The focus for 2010 will be:

- Continuous cost control whilst working hard to increase revenues
- Further expansion in Russia, Asia and Latin America
- Grow by brand extension in existing operations
- Increase the digital presence
- Show profit for the full year

Directors Report

For details on Metro International S.A.'s ("the Company" or "MISA") capital structure and shareholding, employee share scheme, Board matters and agreements refer to the Directors report on page 23 of the 2009 Metro International S.A. consolidated annual report.

Change in share capital currency

On February 24, 2009 the Company's share capital currency changed from US dollars to Euro. As a result, transactions in Euro no longer give rise to any foreign currency translation differences recognised in the profit and loss. Instead, transactions in US dollars give rise to foreign currency exchange differences recognised in the profit and loss.

2009 results

Income

Net turnover represents franchise fees charged to direct and indirect owned subsidiary companies. Turnover for 2009 decreased by €5.6 million from 2008 to €6.7 million due to decreases in franchise fees collected from the participating interests and due to closure and divestments of operations.

Other operating income has increased compared to 2008 due to a reversal of a provision (refer to note 5 of the annual accounts).

Interest receivable has decreased by €14.1 million compared to 2008. The majority of the change arises from the decrease in loans to affiliated companies.

Other interest receivable and similar income mainly consists of exchange gains. The increase of €37.9 million is mainly related to the realisation of previously unrecorded unrealised exchange gains on receivables and payables in euros which have been realised (refer to notes 2.1 and 21 of the annual accounts).

Expenses

Other operating charges of €0.4 million represent the loss on divestment of shares in the subsidiary in Portugal (2008: loss on sale of shares in MetroXpress Denmark).

Other interest payable and similar charges have increased due to larger exchange rate differences.

Long-term liabilities and amounts owed to credit institutions

On December 31, 2008 the amount owed to credit institutions amounted to €33,453 thousand (US\$ 47,188 thousand). This facility agreement contained customary representations and undertakings, including that no group company should incur any financial indebtedness, neither should it grant any security interest over its assets, although to both the aforesaid undertakings there were certain limited exceptions. The possibility of disposal of shares in group companies was restricted and any disposal proceeds should be applied towards prepayment of the loans. There were also restrictions on payment of dividends from the Company. The facility agreement included financial covenants concerning the ratio of cash flow in relation to net debt, the ratio of net debt in relation to operating profit, and the level of equity and operating profit. The covenant concerning the level of operating profit on the reference dates September 30, 2008 and

December 31, 2008 was breached by the Company. Hence, the Company was obliged to amortise the current bank loan in its entirety by the end of June 2009.

In May 2009, the Company's Board of Directors resolved in accordance with the authorization from the extraordinary general meeting held on February 24, 2009 to issue:

- 1,319,531,478 debentures, each with a nominal amount of SEK 0.50, in an aggregate nominal amount of SEK 659.7 million with maturity date at 30 December 2013; and
- 1,319,531,478 warrants, each warrant entitling the holder to subscribe for one new A share in the Company at a strike price of SEK 0.40.

Through the rights issue, the Company received SEK 527.8 million (€48.5million), before transaction costs. Part of the proceeds from the rights issue was used to amortise the multicurrency revolving facility in full.

Reduction in share capital

On February 24, 2009 after approval of majority of shareholders at the extraordinary general meeting, the shareholders decided to absorb accumulated losses and change the currency and amount of issued and outstanding share capital of the Company to € 1,000,000 divided into 264,385,212 Metro Class A shares and 263,427,379 Metro Class B shares with no par value.

Loans to affiliated undertakings

On December 31, 2008 Metro International S.A. had a loan outstanding to Metro Sweden Holding AB amounting to €65 million (US\$ 91 million), including a provision of €75 million (US\$ 106 million). During 2009 this amount has been netted against the amount owed to Metro Sweden Holdings of €81 million (US\$ 114 million). Profit and loss was affected by a reversal of provision (other operating income) and realisation of previously unrecorded unrealised exchange gains on the receivables and payables (Other interest receivable and similar income).

Amounts owed to affiliated undertakings

As part of the transaction for disposal of the US subsidiaries in May 2009, Metro International S.A. contributed the loans receivable from the US subsidiaries (already impaired in the financial statements as at December 31, 2008) to Metro International Luxembourg Holding (MILH). Subsequently, Metro International S.A. agreed to waive the resultant receivable on MILH.

Going Concern

The financial statements have been prepared on the basis of the fundamental assumption of the Company's ability to operate as a going concern. The Company believes that the Company's cash flows and the proceeds from the issue of subordinated debentures and warrants will secure the Company's financing needs for the foreseeable future (at least for 12 months period from the date of signing of the financial statements) and thereby it will be in a position to meet its commitments as and when they fall due. Accordingly, the annual accounts do not include any

adjustments regarding the recoverability and classification of the carrying amount of assets or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

The Company has in the past relied upon debt and equity financing from Investment AB Kinnevik, Modern Times Group MTG AB and other related companies in order to fund the Company's operations and expansion. The Company is dependent upon continuing financial support from principal shareholders as well as financing from external banks. If the Company's current financing proves insufficient and the financial support from above sources ceases, then certain of the Company's publications might have to be discontinued. Any such action could have a materially adverse effect on the Company's business, financial condition and results of operations.

Subsequent events

There are no material events after the reporting period to be disclosed.

METRO INTERNATIONAL S.A.

Balance sheet As at December 31, 2009

	Notes	2009 € '000	2008 € '000*	2008 US \$ '000
ASSETS				
Fixed assets				
Intangible assets				
Trademarks	3	157	354	500
Software licenses and development costs	3	3,753	4,081	5,757
Tangible assets				
Office equipment	3	95	142	201
Financial assets				
Shares in affiliated undertakings	4	122,983	118,586	167,274
Loans to affiliated undertakings	5	18,899	65,798	92,813
Participating interests	6	4,691	4,138	5,838
Securities held as fixed assets	7	277	227	320
Other loans		11	81	112
Total fixed assets		150,866	193,407	272,815
Current assets				
Trade debtors becoming due and receivable within 1 year		4,625	4,504	6,354
Other debtors becoming due and receivable within 1 year		828	1,877	2,648
Cash at bank		4,602	4,008	5,653
Total current assets		10,055	10,389	14,655
Prepayments	13	14,363	352	496
Total assets		175,284	204,148	287,966
LIABILITIES				
Capital and reserves				
Subscribed capital	8	1,000	93,546	131,953
Share premium account	9	142,600	128,962	181,911
Losses brought forward	10	(118,308)	(166,732)	(235,187)
Profit/(Loss) for the financial year		30,660	(32,904)	(46,414)
Total capital and reserves		55,952	22,872	32,263
Subordinated debt	13	63,727	-	-
Provisions for liabilities and charges		430	388	548
Creditors				
Amounts owed to credit institutions becoming due and payable within 1 year	12	-	33,453	47,188
Trade creditors		5,992	1,866	2,632
Amounts owed to affiliated undertakings becoming due and payable within 1 year	14	46,198	142,185	200,563
Tax debt		-	184	260
Other creditors becoming due and payable within 1 year		2,239	2,810	3,964
Total creditors		54,429	180,498	254,607
Deferred income		746	390	548
Total liabilities		175,284	204,148	287,966

*2008 euro amounts have been added for information purposes only, calculated using the exchange rate applicable as at December 31, 2008.

Cristina Stenbeck
Director

Nigel Cooper
Director

April 28, 2010

The accompanying notes form an integral part of these annual accounts.

METRO INTERNATIONAL S.A.

Profit and loss account For the year ended December 31, 2009

	Notes	2009 € '000	2008 € '000*	2008 US\$ '000
CHARGES				
External charges	16	19,228	24,856	35,061
Staff costs				
Wages and salaries	16	482	834	1,176
Value adjustments in respect of tangible and intangible fixed assets	3	1,792	639	902
Value adjustments in respect of current assets		999	396	559
Other operating charges		391	934	1,318
Value adjustments in respect of financial assets				
Shares in affiliated undertakings	4	9,088	28,796	40,619
Loans to affiliated undertakings	5	-	26,294	37,090
Securities held as fixed assets		268	-	-
Interest payable and similar charges				
Concerning affiliated undertakings		2,843	4,688	6,613
Other interest payable and similar charges		9,649	8,366	11,799
Other taxes	15	(129)	75	106
Profit for the year		30,660	-	-
		<u>75,271</u>	<u>95,878</u>	<u>135,243</u>
INCOME				
Net turnover	18	6,743	12,299	17,348
Other operating income	19	21,432	12,420	17,519
Income from participating interests	20			
From affiliated undertakings		1,417	16,305	23,000
Other income from participating interests		76	125	177
Interest receivable and similar income				
From affiliated undertakings		7,511	21,631	30,512
Other interest receivable and similar income	21	38,092	194	272
Loss for the year		-	32,904	46,414
		<u>75,271</u>	<u>95,878</u>	<u>135,243</u>

*2008 euro amounts have been added for information purposes only, calculated using the exchange rate applicable as at December 31, 2008.

Cristina Stenbeck
Director

Nigel Cooper
Director

April 28, 2010

The accompanying notes form an integral part of these annual accounts.

METRO INTERNATIONAL S.A.

Notes to the annual accounts
for the year ended December 31, 2009
(expressed in thousands of euro)

1 General

Metro International Luxembourg Holding S.A. (the “Company”) was incorporated on December 29, 1999 in Luxembourg as a limited liability company (société anonyme). The Company changed its name to Metro International S.A. at an extraordinary general meeting held on April 20, 2000. Metro International S.A. is registered with the Luxembourg Trade Register under registration number B 73.790.

The principal activity of the Company is the holding of participations in, and the provisions of loans to affiliated undertakings, whose activities are to publish free-of-charge newspapers. Such companies derive their income from the sale of advertising space in said newspapers. The newspapers are distributed in high-traffic commuter zone or in public transport networks from a combination of self-service racks and by hand distribution. During the year, the Company divested its controlled operations in US, Italy and Portugal. Also, in January the operation in Spain was closed.

The Company has equity participations in associated company operations in South Korea and Mexico as well as franchise operations in Finland, Russia (Moscow), Czech Republic, Brazil and Ecuador, from which it receives franchise fees.

The registered office of the Company is 2-4 Avenue Marie- Thérèse, L-2312 Luxembourg. The consolidated accounts of the Company are available upon application.

On February 24, 2009 Metro International S.A.’s share capital currency changed from US dollars to Euro. The annual accounts as at December 31, 2008 were presented in US dollars, following the currency conversion the annual accounts for 2009 are presented in Euro. Comparative information in euro regarding 2008 have been included, for information purposes only, calculated using the 2008 US dollars amounts converted at the exchange rate as per December 31, 2008.

Further, the accumulated losses were absorbed and the issued and outstanding share capital was reduced to €1 million (refer to note 9).

In May 2009, the Company’s Board of Directors resolved in accordance with the authorization from the Shareholders’ General Meeting held on February 24, 2009 to issue debentures and warrants (refer to note 13).

2 Summary of significant accounting policies

2.1 Preparation of annual accounts

The Company prepares its annual accounts in conformity with Luxembourg legal and regulatory requirements and generally accepted accounting principles in the Grand Duchy of Luxembourg.

Comparative figures of the balance sheet have been reclassified to conform with the current year’s presentation.

METRO INTERNATIONAL S.A.

Notes to the annual accounts
for the year ended December 31, 2009
(expressed in thousands of euro)

2.2 Going concern

The financial statements have been prepared on the basis of the fundamental assumption of the Company's ability to operate as a going concern. Metro International S.A. believes that the Company's cash flows will secure its financing needs for the foreseeable future (at least for 12 months period from the date of signing of the financial statements) and thereby it will be in a position to meet its commitments as and when they fall due. Accordingly, the annual accounts do not include any adjustments regarding the recoverability and classification of the carrying amount of assets or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

The Company has in the past relied upon debt and equity financing from Investment AB Kinnevik, Modern Times Group MTG AB and other related companies in order to fund the Company's operations and expansion. The Company is dependent upon continuing financial support from principal share holders as well as financing from external banks. If the Company's current financing proves insufficient and the financial support from above sources ceases, then certain of the Company's publications might have to be discontinued. Any such action could have a materially adverse effect on the Company's business, financial condition and results of operations.

The Company believes that the Group's own cash flow will secure the Group's financing needs for the foreseeable future (at least for 12 months period from the date of signing of the annual accounts).

2.3 Accounting convention

The accounts have been prepared under the historical cost convention.

2.4 Net turnover

Net turnover represents franchise fees.

2.5 Foreign currencies

The Company maintains its books and records in euro ("€"). Foreign currency income and charges are translated into euro at the rate ruling at the date of the transaction. Assets and liabilities are translated into euro at the exchange rate ruling at the balance sheet date with the exception of fixed assets which are stated at historical cost. Realised exchange gains and losses and unrealized exchange losses are reflected in the profit and loss account. Unrealized exchange gains are not recorded.

METRO INTERNATIONAL S.A.

Notes to the annual accounts
for the year ended December 31, 2009
(expressed in thousands of euro)

2.6 Tangible and intangible fixed assets

Tangible and intangible fixed assets comprise assets held for long-term use by the Company, primarily office equipment, software licences and trademarks. Tangible and intangible fixed assets are stated at cost less accumulated depreciation/amortisation. Depreciation/amortisation is calculated using the straight-line method based on the acquisition cost and the estimated useful life of each asset, being three to five years.

Software licenses and development costs are capitalized in respect of costs for the development of the Metro global web site and the new editorial software. These costs are amortized over five years.

2.7 Financial assets

Financial fixed assets are stated at acquisition cost unless, in the opinion of the Directors, there has been a permanent diminution in value, at which time such assets are written down to their net recoverable amounts. Each investment is considered separately for the purpose of assessing whether a provision for a permanent diminution in value is required.

2.8 Debtors

Debtors are stated at their nominal value. Value adjustments are recorded at the end of the financial year if the net realisable value is lower than the book value.

2.9 Prepayments

The difference between the nominal amount and the proceeds from the rights issue (refer to note 13) is recognised as a prepaid expense and amortised over the life of the debentures. The transaction costs are recognised as a prepaid expense and amortised over the life of the debentures.

2.10 Creditors

Creditors are stated at their nominal value.

METRO INTERNATIONAL S.A.

Notes to the annual accounts
for the year ended December 31, 2009
(expressed in thousands of euro)

3 Tangible and intangible fixed assets

Tangible and intangible fixed assets comprise:

	Office equipment	Software licences & development costs	Trademarks	Total
	€ '000	€ '000	€ '000	€ '000
Cost:				
Balance brought forward*	413	4,534	1,118	6,065
Currency conversion February 24, 2009	114	459	113	686
Additions in year	81	738	-	819
Write-downs	-	(88)	-	(88)
Balance carried forward	608	5,643	1,231	7,482
 Depreciation/Amortisation:				
Balance brought forward*	271	453	764	1,488
Currency conversion February 24, 2009	98	24	75	197
Charge for year	144	1,413	235	1,792
Balance carried forward	513	1,890	1,074	3,477
 Net book value:				
December 31, 2009	95	3,753	157	4,005
December 31, 2008	142	4,081	354	4,577

*2008 euro amounts have been added for information purposes only, calculated using the exchange rate applicable as at December 31, 2008.

Costs relating to the development of the global interactive platform and the Group editorial system are treated as capitalised development costs and are amortised over their estimated useful life. The Group Editorial system is amortised over five years and the development costs in respect of the Global interactive platform is amortised over three years. Software licences and development costs and projects not yet available for use are not amortized. The estimation of the useful life is dependent on the evolution of the underlying business and on the achievement of the benefits initially expected.

METRO INTERNATIONAL S.A.

Notes to the annual accounts
for the year ended December 31, 2009
(expressed in thousands of euro)

4 Shares in affiliated undertakings

	€ '000
Cost:	
Balance brought forward*	171,800
Currency conversion February 24, 2009	18,652
Additions	1,074
Disposals/liquidations	<u>(116)</u>
Closing balance: December 31, 2009	<u>191,410</u>
Value adjustments:	
Balance brought forward*	(53,214)
Currency conversion February 24, 2009	(6,125)
Value adjustment for the year	<u>(9,088)</u>
Closing balance: December 31, 2008	<u>(68,427)</u>
Carrying value at December 31, 2009	<u>122,983</u>
Carrying value at December 31, 2008	<u>118,586</u>

*2008 euro amounts have been added for information purposes only, calculated using the exchange rate applicable as at December 31, 2008.

METRO INTERNATIONAL S.A.

Notes to the annual accounts
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4 Shares in affiliated undertakings (continued)

Shares in affiliated undertakings are analysed as follows:

	2009 € '000	2008 € '000	2008 US\$ '000	2009 Ownership %	Country of incorporation
Cost:					
MTG Metro Gratis kft	1,626	1,471	2,075	10.0%	Hungary
Edizioni Metro Sarl	28,412	25,246	35,611	100.0%	Italy
Metro International Luxembourg Holding S.A.	31	28	39	99.9%	Luxembourg
Transjornal Edição de Publicações, S.A.	-	116	164	65.7%	Portugal
Metro Sweden Holdings AB	96,566	87,330	123,186	100.0%	Sweden
Metro Modern Media AB	1,486	1,344	1,896	100.0%	Sweden
Metro International Sweden AB	10	-	-	100.0%	Sweden
Clarita BV	25,162	22,755	32,098	100.0%	The Netherlands
Metro Holland B.V.	3,696	3,343	4,715	100.0%	The Netherlands
Metro Xpress Denmark A.S.	32,183	29,105	41,055	51.0%	Denmark
M.I. Advertising Services	18	16	22	70.0%	Greece
Russian Press Services Ltd	1,064	-	-	58.5%	Cyprus
Metro Do Participacoes Ltda Brazil	1,155	1,045	1,474	100.0%	Brazil
Other affiliated undertakings	1	1	2	100.0%	
	191,410	171,800	242,337		
Value adjustments:					
Provision for permanent diminution of value in Edizioni Metro Sarl	(28,412)	(25,246)	(35,611)		
Provision for permanent diminution of value in Metro Modern Media AB	(1,486)	(1,344)	(1,896)		
Provision for permanent diminution of value in Metro Xpress Denmark A.S.	(16,883)	(7,963)	(11,232)		
Provision for permanent diminution of value in Metro Sweden Holdings AB	(20,058)	(18,139)	(25,587)		
Provision for permanent diminution of value in MTG Metro Gratis kft	(991)	-	-		
Provision for permanent diminution of value in M.I. Advertising Services	(18)	-	-		
Provision for permanent diminution of value in other affiliated undertakings	(1)	-	-		
Provision for permanent diminution of value in Metro Do Participacoes Ltda Brazil	(578)	(522)	(737)		
	(68,427)	(53,214)	(75,063)		
	122,983	118,586	167,274		

In accordance with article 67 (3) (a) of the law of December 19, 2002 on company accounts, the information concerning capital and reserves and the profit or loss of affiliated undertakings has been omitted as the undertakings concerned are included in the consolidated accounts of the Company.

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Notes to the annual accounts
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5 Loans to affiliated undertakings

Loans to affiliated undertakings include loans to various group companies to finance the development of operations. Such loans carry interest at 5.5% - 8.6% p.a. (2008: 5.5% - 8.6% p.a.) with no fixed repayment terms.

	2009	2008	2008
	€ '000	€ '000*	US\$ '000
Loans to affiliated undertakings - January 1	65,798	80,032	112,891
Currency conversion February 24, 2009	6,958	-	-
Loans provided to affiliated undertakings net of repayments and foreign exchange adjustments	(53,857)	12,060	17,012
Value adjustments in respect of loans to affiliated undertakings	-	(26,294)	(37,090)
	<hr/>	<hr/>	<hr/>
Loans to affiliated undertakings - December 31	<u>18,899</u>	<u>65,798</u>	<u>92,813</u>

*2008 euro amounts have been added for information purposes only, calculated using the exchange rate applicable as at December 31, 2008.

During 2009 the receivable (denominated in Swedish krona) from Metro Sweden Holdings AB has been netted against the amount payable (denominated in Swedish krona) to the same counterparty.

As part of the transaction for disposal of the US subsidiaries in May 2009, Metro International S.A. (MISA) contributed the loans receivable from the US subsidiaries (already impaired in the financial statements as at 31 December 2008) to Metro International Luxembourg Holding (MILH). Subsequently, Metro International agreed to waive the resultant receivable on MILH.

6 Participating interests

Participating interests are analyzed as follows:

	2009	2008	2008
	€ '000	€ '000*	US\$ '000
Metro Seoul Holdings Inc., South Korea	2,880	2,603	3,673
Publicaciones Metropolitanas S.A. de C.V., Mexico	1,811	1,535	2,165
	<hr/>	<hr/>	<hr/>
	<u>4,691</u>	<u>4,138</u>	<u>5,838</u>

*2008 euro amounts have been added for information purposes only, calculated using the exchange rate applicable as at December 31, 2008.

In accordance with article 67 (3) (a) of the law of December 19, 2002 on company accounts, the information concerning capital and reserves and the profit or loss of participating interests has

METRO INTERNATIONAL S.A.

Notes to the annual accounts
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been omitted as the undertakings concerned are included in the consolidated accounts of the Company.

7 Securities held as fixed assets

Securities held as fixed asset investments represents a 0.81 percent shareholding in Aldwych Solutions Limited, Woolgar Group Limited and Helpston Investments Limited, the publishers of Metro in Moscow; and a 15 percent shareholding in Diarios Unidos Del Ecuador S.A. (“DIUNESA”), the publisher of Metro in Ecuador. The shareholding in DIUNESA was acquired during the year.

During 2010, the Company divested its 10 percent shareholding in Fortunegreen Limited, the publisher of Metro in Dublin.

8 Capital and reserves

	Share capital	Share premium	Losses brought forward	Profit/(Loss) for the financial year	Total capital and reserves
At December 31, 2008 (US\$'000)	131,953	181,911	(235,187)	(46,414)	32,263
Allocation of last years result (US\$'000)			(46,414)	46,414	-
Conversion as at February 24, 2009 (€'000)	103,438	142,600	(220,746)	-	25,292
Reduction in share capital (€'000)	(102,438)	-	102,438	-	-
Result for the year (€'000)	-	-	-	30,660	30,660
At December 31, 2009 (€'000)	1,000	142,600	(118,308)	30,660	55,952

9 Subscribed capital

On February 24, 2009 after approval of majority of shareholders at the extraordinary general meeting, the authorized share capital of the Company was converted to €13,454,500 (approximately US\$ 17.2 million) divided into 6,200,000,000 Metro class A shares (voting shares) and 899,999,999 Metro class B shares (non-voting) with no par value. The shareholders decided to absorb accumulated losses and change the currency and amount of issued and outstanding share capital of the Company to €1,000,000 divided into 264,385,212 Metro class A shares and 263,427,379 Metro class B shares with no par value. The exchange rate decided by the extraordinary general meeting was 1.2757 US dollars per Euro.

Pursuant to the resolutions taken by the Board of Directors of the Company, and in accordance with the authorised share capital clause contained in article 5 of the articles of association the parent company's issued capital was increased by €372.64 to €1,000,372.64 divided 264,483,531 A shares, and 263,525,698 B shares. The issue of the 98,319 A shares and 98,319 B shares to the Board of Directors of Metro International S.A was approved by the shareholders of the parent company at the Annual General Meeting ('AGM') held on the 27 May 2008 as share-based compensation in relation to the period from the 2008 AGM to the 2009 AGM.

METRO INTERNATIONAL S.A.

Notes to the annual accounts
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The Company's subscribed capital has evolved as follows:

	Number of A voting shares	Number of B non-voting shares	Subscribed capital € '000
At December 31, 2008*	264,385,212	263,427,379	93,546
Currency conversion February 24, 2009	-	-	9,892
Reduction in share capital	-	-	(102,438)
May 2009:			
Shares issued in year	<u>98,319</u>	<u>98,319</u>	<u>0</u>
At December 31, 2009	<u><u>264,483,531</u></u>	<u><u>263,525,698</u></u>	<u><u>1,000</u></u>

*2008 euro amounts have been added for information purposes only, calculated using the exchange rate applicable as at December 31, 2008.

10 Share premium account

The share premium account represents the excess of proceeds received over the nominal value of shares issued arising on new shares issued.

11 Legal reserve

Luxembourg law requires the Company to appropriate to a legal reserve at least 5 percent of its annual statutory net profit until the aggregate reserve balance equals 10 percent of its subscribed capital. The legal reserve is not available for distribution. No reserve has yet been established due to accumulated losses to date.

12 Amounts owed to credit institutions

In 2008, the Company had a multicurrency revolving facility agreement with a syndicate of banks. A covenant concerning this facility was breached by the Company, which obliged the Company to amortise the current bank loan in its entirety by the end of June 2009.

Part of the proceeds from the rights issue was used to amortise the multicurrency revolving facility in full.

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13 Subordinated debt

In May 2009, the Company's Board of Directors resolved in accordance with the authorization from the extraordinary general meeting held on February 24, 2009 to issue:

- 1,319,531,478 debentures, each with a nominal amount of SEK 0.50, in an aggregate nominal amount of SEK 659.7 million with maturity date at 30 December 2013; and
- 1,319,531,478 warrants, each warrant entitling the holder to subscribe for one new A-share in the Company at a strike price of SEK 0.40.

Through the rights issue, the Company received SEK 527.8 million (€48.5million), before transaction costs. The debentures are recognised in the balance sheet at the nominal amount of SEK 659.7 million (€63.7 million). The difference between the nominal amount and the proceeds from the debentures issue are recognised as a prepaid expense and amortised over the maturity of the debentures. The transaction costs amounted to SEK 26.0 million (€2.4 million). The transaction costs are recognised as a prepaid expense and amortised over the maturity of the debentures.

14 Amounts owed to affiliated undertakings becoming due and payable within one year

	2009	2008	2008
	€ '000	€ '000*	US\$ '000
Cost:			
Metro Hong Kong	38,683	34,733	48,994
Metro Sweden Holdings AB	-	98,894	139,498
Other	7,515	8,557	12,071
	<u>46,198</u>	<u>142,185</u>	<u>200,563</u>

*2008 euro amounts have been added for information purposes only, calculated using the exchange rate applicable as at December 31, 2008.

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15 Taxation

The Company is subject to normal taxation under Luxembourg tax legislation.

16 Personnel

The average number of employees during the year was two (2008: three).

Group's management and director's remunerations are recharged from group entities to the Company and included in External charges.

Remuneration and other benefits paid by the Company to Board members in the year amounted to €299 thousand (2008: €466 thousand). The withholding tax is deducted at source on the director fees paid.

17 Long Term Incentive Plan (LTIP)

In 2004 and 2005, the Board of Directors awarded key employees options to subscribe for 3,304,000 shares, which cover both the 2004 and 2005 long-term incentive plans (LTIP). The strike price of the options from 2004 is SEK 11.90 per A share and SEK 12.90 per B share. The strike price of the options from 2005 is SEK 17.80 per A share and SEK 18.26 per B share. Unexercised options lapse five years after grant.

As part of the abovementioned incentive plans, the Board of Directors also approved a conditional allocation of 3,304,000 restricted shares to vest on the achievement of predetermined performance goals. Up to one third of the awards vested in each of the three years following the awards. All restricted shares had been allocated as per 31 December 2008.

The maximum allocation of options amounts to 0.13 percent (2008: 0.38 percent) of the total outstanding number shares at 31 December 2009.

The following table summarises the Company's LTIP share option and restricted share activity:

In thousands of options	2009	2008
January 1	2,017	2,521
Options exercised during the year	-	(292)
Options expired during the year	(762)	(212)
Options forfeited during the year	(533)	-
December 31	<u>722</u>	<u>2,017</u>

The outstanding options at December 31, 2009 have an exercise price in the range of SEK 17.80 to SEK 18.26 (2008: SEK 11.90 to SEK 18.26) and a weighted average contractual life of 0.2 years (2008: 2.5 years).

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As set out in the contract of employment, the President and CEO is entitled to 1,420,809 A shares and 1,357,133 B shares, to be vested over a three year period (2010-2012).

18 Turnover

Turnover mainly comprises franchise fees received from operations in various countries.

Geographical segments	2009	2008	2008
	€ '000	€ '000*	US\$ '000
Sweden	508	2,349	3,314
Northern Europe	2,565	4,180	5,896
Southern Europe	101	1,490	2,102
USA	-	452	637
Rest of the World	3,569	3,827	5,399
	<u>6,743</u>	<u>12,298</u>	<u>17,348</u>

*2008 euro amounts have been added for information purposes only, calculated using the exchange rate applicable as at December 31, 2008.

19 Other operating income

In 2009 it was agreed that the Company's loan receivable with Metro Sweden Holdings AB would be off-set against the liability between the two companies. In 2009, provision recognized against the receivable was written back and the loan was written off. The difference between these two amounts is included in Other operating income.

In 2007 a provision was established for the full amount of the loan receivable with Oy Metro-Lehti Ab (Metro Finland). During 2008 Metro Finland was put into liquidation. It was agreed that the Company's loan receivable with Metro Finland would be off-set against the liability between the two companies. In 2008 the provision recognized against the receivable was written back and the loan was written off. The difference between these two amounts is included in Other operating income.

20 Income from participating interests

Income from participating interest relates to dividends received from affiliated undertakings and participating interests.

During 2008 Metro International Luxembourg Holding S.A. waived all its rights, title, interest and benefit to and US\$ 23 million of the total receivable from the Company of US\$ 24.5 million.

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21 Other interest receivable and similar income

Other interest receivable and similar income mainly consists of realised exchange gains. A total of €37.7 million have been realised during 2009 mainly due to previously unrecorded unrealised exchange gains on receivables and payables denominated in Swedish krona which have been realised through the netting off of these receivables and payables (refer to note 5).

22 Off-balance sheet commitments

22.1 Contingent Liabilities

Through the ordinary course of business, the Company is a party to lawsuits and other claims. On the basis of advice taken from legal counsel, the Directors do not believe that these matters will have a significant impact on the Company's financial position or its operations.

22.2 Guarantee for Metro Sweden

In 2009, the Swedish Administrative Court of Appeal dismissed the Company's appeal against a former ruling from the County Administrative Court. The case concerns additional advertising tax that has been levied on the Company's publishing entity in Sweden, Tidnings AB Metro ("TAB"), following a decision by the Swedish Tax Authorities in 2007. The additional advertising tax amounts to approximately SEK 90 million (€8.7 million) including interest. The Company will appeal against the judgement to the Supreme Administrative Court and will also apply for a respite of the payment.

In order to ensure that sufficient cash is at hand in the event that TAB needs to make a payment to the tax authorities relating to the current tax dispute, the Company has issued a liquidity guarantee of up to SEK 93 million (approximately €10 million) and thereby undertakes to support TAB with additional funding up to this limit in the event that TAB needs to make the aforementioned payment.

The obligation according to this guarantee is irrevocable and is valid until June 30, 2010 or as long as TAB is an affiliate. This guarantee will automatically be terminated after the maturity of the agreement whether the original guarantee is returned or not.

23 Subsequent events

There are no material events after the reporting period to be disclosed.