

Consolidated Financial Statements of Praktiker Bau- und Heimwerkermärkte Holding AG

2008: Record Earnings, Slight Decline in Sales 2009: Focus on Securing Earnings and Liquidity

- **EBITA increased to 129.1 million euro (+11.3 %) in 2008**
- **Extraordinary factors affect consolidated accounts for 2008**
- **2009: Reasonable EBITA and sufficient liquidity expected despite general uncertainty**

Frankfurt, 27 March '09 – Following a fiscal year yielding the highest operational result ever in the company's history (129.1 million euro), securing earnings and liquidity has the highest priority for the Praktiker Group in the 2009 fiscal year. "Against the backdrop of the current recession, which has also arrived at the DIY sector, we are getting prepared for a distinct temporary slowdown of our activities in Germany and abroad", the Management Board Chairman of Praktiker Bau- und Heimwerkermärkte Holding AG, Wolfgang Werner, said at the annual press conference in Frankfurt/Main. The Management Board of the Group abstains from giving a guidance for the current fiscal year, but aims for reasonable earnings (EBITA) even in the event of receding sales volumes.

Fiscal year 2008 was "a good year all in all", Werner emphasized when presenting the consolidated financial statements. The Praktiker Group achieved the best operating result ever in the company's history: at 129.1 million euro, EBITA surpassed the prior-year level (116.0 million euro) by 11.3 percent. Werner: "This is a proud achievement despite the fact that we missed by a narrow margin our target corridor which we had envisioned 12 months ago in a much different economic climate".

Both, the German activities and the international business, contributed to the increase in the operational result. In Germany, EBITA came up to 45.2 million euro (previous year 41.1 million euro), which corresponds to a 10.0 percent rise. The International Segment contributed 83.9 million euro to earnings, which is 12.1 percent more than in 2007 (74.9 million euro). Without the devaluation of most East European currencies, which occurred mainly in the last quarter, EBITA would even have been about 2.5 million euro higher.



The devaluation of exchange rates also impaired the sales figures after translation to euro. In total, the Praktiker Group achieved sales of 3.907 billion euro in the past fiscal year, which is one percent less than in the record year 2007 (3.945 billion euro). The German share accounted for 2.666 billion euro, corresponding to a 6.9-percent decline compared to the prior-year sales volume (2.862 billion euro). Like-for-like, domestic sales decreased by 8.0 percent. The Praktiker brand alone attained sales of 1.963 billion euro in the year under review (-9.7 percent). Max Bahr generated 702 million euro (+2.1 percent), this increase being attributable to the fact that the Hamburg subsidiary was acquired in February 2007 and was included in the 2008 consolidated accounts for the full year for the first time.

In the international business, sales increased by 14.6 percent to 1.241 billion euro. Like-for-like, this meant a slight decrease by 0.5 percent, after a high growth rate had been achieved in the previous year. If exchange rates had remained constant, sales would have risen in nominal terms by 16.3 percent, and on a like-for-like basis by 0.6 percent.

The sales trend at the Praktiker Group in 2008 was specifically affected by two factors. In Germany, the recalibration of the marketing strategy for the Praktiker brand, which went hand in hand with the near halving of the 20-percent promotions, led to a decline in the sales volume which was deliberately accepted for earnings reasons. In the international business, the increase in sales was exclusively attributable to expansion, to the 13 new store openings in the year under review plus the sales coming from stores which were opened in the course of 2007 and contributed to sales for the full year 2008 for the first time.

Extraordinary factors affect consolidated accounts

As the substantial devaluation of the East European currencies towards the end of the fiscal year led to high, albeit non-cash, expenses affecting the financial result, earnings before taxes fell short of the previous year, as already reported, reaching 79.8 million euro (previous year: 93.5 million euro). Moreover, an allowance totaling 53.9 million euro was made on deferred tax assets, 50.0 million euro of which relate to deferred tax assets in connection with tax loss carry forwards in Germany. Because of the uncertainty prompted by the financial crisis, profits expected in the future were valued at a higher risk markdown. This expenditure does not have an effect on cash, nor will the potential use of the tax loss carry forwards be restricted in future.

The net income of the Praktiker Group is stated at 7.1 million euro (previous year: 23.7 million euro). The financial result changed from -22.5 million euro to -49.3 million euro. At the end of 2008, the Praktiker Group's equity amounted to 907.9 million euro, 33.5 million less than a year earlier. Had it not been for the allowance of the deferred tax assets, equity would have risen further. The equity ratio stood at 42.2 percent (previous year: 43.7 percent).



Expansion rate in international business slightly reduced

At the end of the fiscal year, the Praktiker Group operated a total of 436 (previous year: 425) stores in nine countries. This figure included 336 locations in Germany, of which 76 were under the Max Bahr brand. Internationally, the expansion rate was slightly reduced to 13 new store openings. Nonetheless, the number of international locations increased in the period under review from 88 to 100. The focus of expansion was on Romania, with five new stores. Two outlets each were opened in Ukraine and in Hungary, one each in Poland, Turkey, Bulgaria and Greece. In Greece, a store which had burned down in mid-2007, was reopened, whilst a store in Poland was destroyed by fire at the end of 2008. In this case, too, all equipment, inventories and loss of revenue have full insurance cover.

As a result of expansion, the headcount of the Praktiker Group rose distinctly in the year under review. At the end of 2008, the Praktiker Group had a total of 29,816 employees. This is a year-on-year increase by 2.5 percent (29,093). Converted to FTE the number of employees rose by 4.1 percent as of end of December 2009 to 23,874.

Capital expenditure at a high level, but below the previous year

In 2008, too, the Praktiker Group invested in its future. However, at 117.6 million euro, the capital expenditure volume remained clearly below the prior-year record (167.9 million euro). The major part of this, namely 69.7 million euro, was allocated to the expansion and conservation of the store portfolio outside Germany. In Germany, the capital expenditure total of 47.9 million euro also remained below the prior-year level (54.1 million euro). In 2008, too, all cash capex was financed through current operating cash flow. The cash available at the end of the year amounted to 233.3 million euro (previous year: 270.8 million euro).

Financial 2009: Package of measures to secure earnings and liquidity

Praktiker Bau- und Heimwerkmärkte Holding AG is responding to the current recession, which massively affects both the domestic economy and the economic situation in other European countries, by following a strict course of savings. Securing corporate earnings and liquidity has the highest priority. CEO Wolfgang Werner stressed: "We need liquidity in order to be able to act effectively in the crisis. It is also a prerequisite for us to be able to pull out to the fast track when the general economy revs up again after the crisis. And reasonable earnings are likewise essential for us in order to have access to further liquidity at all times. Only if a company has both, can it maintain its capacity to act. That is why these two targets are of eminent importance at this stage in order to strengthen our resistance to the crisis."

Against this background, the Management Board has made up a comprehensive package of measures for safeguarding earnings starting with the enhancement of the gross profit while at the same time reducing and flexibilizing the cost basis. These include a hiring freeze for

the headquarters of the Group, the introduction of short-time work, a freeze for the remuneration of the executives and staff outside the general pay scale and a cut in all non-personnel expenses. Moreover, the comfortable financial base is to be preserved in the crisis year 2009 by a further improvement of the working capital, the critical review of all capital expenditure plans in Germany and abroad and, ultimately, the proposal to reduce dividend payment to 0.10 euro per share.

Werner: "This means that we take a break in our internationalization strategy. Now we have to analyze even more thoroughly where it is worthwhile entering a market and what commitments to undertake." So, in 2009 most probably not more than a handful of new international stores would be realized in the former growth markets of East and South-East Europe.

Werner explained that the company's marketing initiative for this year, "Sleeves up!", was also to be understood as a signal against downheartedness and was offering consumers new incentives for running down the investment backlog, getting down to work to improve their home while saving money. Werner expressed his conviction that particularly in critical times prices would become even more important for consumers. This meant that Praktiker's positioning as a proactive, price-aggressive discounter was exactly right.

Achieving reasonable EBITA

So far, the year 2009 has been marked by consumer reticence, in Germany and in international markets alike. "An essential part of this reticence is due to the situation that the demand for gardening articles is not in full swing yet this year. This is attributable to the cool weather", said Werner.

For this reason, the first quarter cannot yet give an orientation for the full year. Werner: "We expect to be in a better position to appraise the business trend for the full year in the course of the second quarter. In view of the heavily fluctuating exchange rates we cannot yet make a forecast on sales and earnings development." But Praktiker was positioned such that "we will be able to achieve reasonable earnings from operations (EBITA) even with receding sales."



Key Data Praktiker Group	2005 ¹	2006	2007	2008	Change in % against 2007
Financial data					
Net sales in € million	3,033.9	3,162.1	3,945.0	3,906.8	-1.0
Germany	2,264.5	2,281.9	2,862.1	2,665.6	-6.9
International	769.5	880.2	1,082.9	1,241.2	14.6
International share in sales in %	25.4	27.8	27.4	31.8	-
Like-for-like sales growth in %	1.5	3.5	0.6	-6.0	-
Germany	0.7	2.5	-3.6	-8.0	-
International	3.9	6.2	11.4	-0.5	-
Result from operations (EBITA) in € million	105.8	111.1	116.0	129.1	11.3
Germany	63.4	58.5	41.1	45.2	10.0
International	42.4	52.6	74.9	83.9	12.1
EBITA margin in %	3.49	3.51	2.94	3.30	-
Net income in € million	77.6	84.1	23.7	7.1	-69.8
Earnings per share in € (based on 58 million shares)	1.32	1.43	0.39	0.10	-74.4
Dividend per share in € (proposal for 2008)	0.45	0.45	0.45	0.10	-
Operating data					
Number of stores	340	341	425	436 ²	2.6
Germany	275	268	337	336	-0.3
International	65	73	88	100 ²	13.6
Selling space in thousand m ²	2,012	2,026	2,712	2,790 ²	2.9
Germany	1,549	1,515	2,099	2,094	-0.2
International	463	512	613	696 ²	13.5
Employees: annual mean on FTE basis	16,550	17,600	22,448	23,632	5.3
Germany	10,397	10,480	13,585	13,189	-2.9
International	6,153	7,120	8,863	10,443	17.8
¹ Combined Financials.					
² Excluding the store burnt down on 26 December 2008 in Zabrze (Poland).					