

Cartel Office conditions on the Max Bahr takeover impact results less than expected

The antitrust approval process relating to the purchase of Max Bahr developed positively for the Praktiker Group. Three of the four stores that the German Federal Cartel Office said had to be sold as a condition of approval of the acquisition in January 2007 were sold to competitors. The fourth store, in Cottbus, was even retained. According to the German Federal Cartel Office, the market structure in this particular region changed after the takeover of the Marktkauf DIY stores by the REWE subsidiary toom in such a way that fears Praktiker might be controlling that market were dispelled.

In general, the German Federal Cartel Office bases its assessment of the competitive situation on the DIY sector on stationary retail with the full range of construction and home improvement assortments. Providers with a partial range, such as garden centres or timber stores, are included in the assessment as exceptions only.

In terms of the geographical demarcation of the markets, the antitrust authority assumes that consumers are only willing to consider a specific journey time or distance for their shopping. In the special case of construction and DIY requirements, the authority assumes a maximum journey time of 30 minutes by car or a distance of up to 30 kilometres.

Market share is the key criterion

For the German Federal Cartel Office, the main criterion for assessing whether market control exists on a market thus defined as relevant is the market share of individual market players measured on the basis of sales. However, other decision-making cri-

teria such as the financial strength of the companies involved or barriers to market entry of other competitors, be they of a legal or de facto nature, are applied.

In case of market control, disposal of locations is often required

If, after in-depth examination, the cartel authorities assume that a position of market dominance is substantiated or reinforced through an acquisition, it stipulates conditions for the buyer to prevent this result. Often, it demands the disposal of individual stores.

Max Bahr takeover resulted in overlaps in many regional markets, but only in four instances in market control

In total, the store networks of Praktiker and Max Bahr overlapped in 39 regional markets as demarcated by the German Federal Cartel Office. Initially, 10 of these regional markets were examined more closely by the German Federal Cartel Office due to the relatively high market share. But ultimately

Editorial

In the context of the Max Bahr acquisition, the German Federal Cartel Office instructed Praktiker to sell a store in each of the Cottbus, Lueneburg, Rostock and Schwerin regions. Buyers have since been found for the last three of these. In contrast, the originally imposed sale of the store in Cottbus has been overturned. This means that Praktiker now complies with the supplementary conditions set by the German Federal Cartel Office in relation to the Max Bahr acquisition.

Praktiker has been freed from the obligation to sell a store in Cottbus because consolidation in the German DIY market has progressed since. The takeover of Marktkauf by toom has now also been approved by the German Federal Cartel Office. This changed the competitive environment in the regional market of Cottbus in such a way that fears Praktiker might be controlling that regional market are dispelled.

A third transaction, the purchase of the Hela DIY stores by Globus, is currently being examined by the antitrust authorities.

The changes that have taken place in the German DIY market give reason to set out the most important elements of the examination process of the German Federal Cartel Office in some more detail and thus to shed some light on why Praktiker had to sell stores whilst Toom/Marktkauf remained exempt from such conditions. Also, familiarity with the criteria that the German Federal Cartel Office set when examining the takeovers may lead to a better appreciation of future possibilities on the German DIY market.

the antitrust authorities saw the need to require Praktiker to dispose of a location to a competitor only in the regions of Lueneburg, Schwerin, Cottbus and Rostock.

Three stores sold, no change in Cottbus

In agreement with the German Federal Cartel Office, the disposal process has meanwhile been largely concluded in the areas of Lueneburg, Rostock and Schwerin:

- In Adendorf, Lueneburg, a Praktiker store was taken over by a franchise partner of the Hagebau Group on 1 September 2007.
- One of the two Max Bahr stores in Rostock (Alt Bartelsdorf) is to continue as a Hagebau store from 1 January 2008.
- In Schwerin, the German Federal Cartel Office approved the transfer of a Praktiker store to the Hammer Group (Porta Westfalica). The handover is scheduled for 1 March 2008.

In the Cottbus regional market the competitive situation changed significantly following the takeover of the Marktkauf DIY stores by the REWE subsidiary toom, approved on 30 August 2007. The German Federal Cartel Office has since withdrawn its requirement of a disposal in this region.

Negative impact on earnings lower than expected

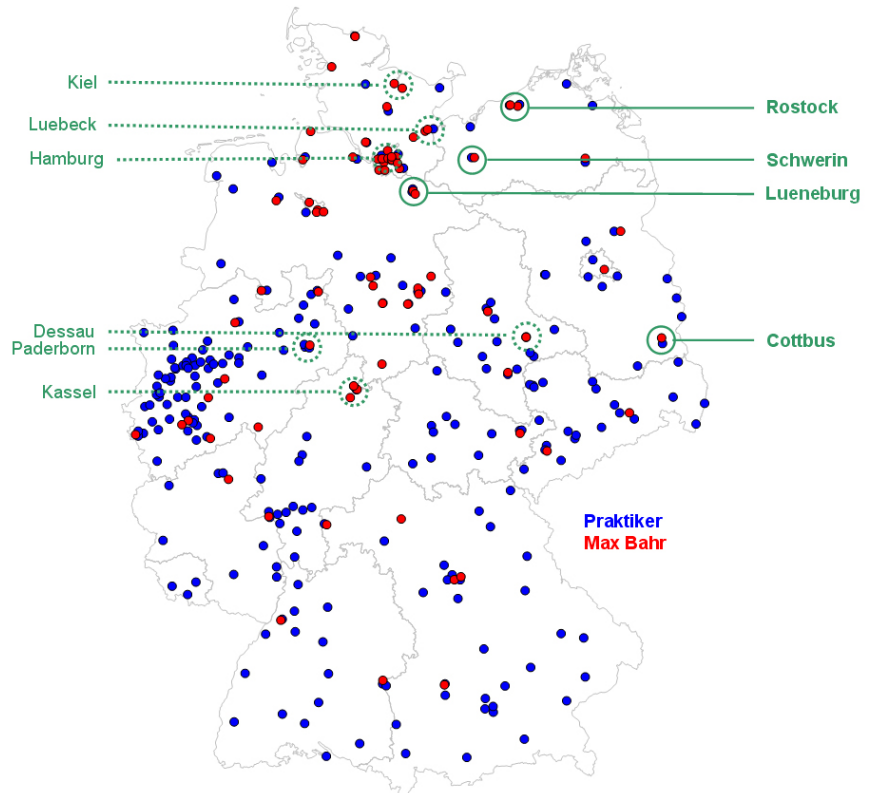
Despite positive disposal proceeds, the sale of the stores has a negative impact on earnings because

- Long-term rental agreements had to be cancelled and paid off
- goods and fixtures had to be written down
- additional reconstruction costs had to be borne.

In total, the negative impact amounts to around €10 million and will be reflected fully in the accounts as non-recurring expenditure in the third quarter. The expenses are thus well below previous expectations of between €10 million and €15 million, which is mainly attributable to the

reversal of the sale decision for the Praktiker store in Cottbus. In the financial reports of the Praktiker group, references to the expected impact had been made several times before, although it was not and is not taken into account in the forecast operating profit for the year (EBITA) of around €125 million.

according to the authority's calculations. In most regions, market leadership remained with another competitor. Also, in the 11 regional markets where toom/Marktkauf has attained a sales share of one third or more after the merger, the German Federal Cartel Office does not expect the two companies to reach a market-controlling position



High market shares in 10 regional markets. Ultimately, Praktiker was obliged to dispose of locations in the regions of Lueneburg, Schwerin, Cottbus and Rostock.

No conditions for toom/Marktkauf

The consolidation of the German DIY market is continuing with the takeover of the 133 Marktkauf DIY stores by toom. The merger was announced on 16 May 2007 and approved without any corollary conditions by the German Federal Cartel Office on 30 August 2007. Although the acquisition has led to overlaps in 48 regions, the German Federal Cartel Office saw no cause to fear a market-controlling position of the new group in any of these regional markets.

In 37 of these regions, the market share of toom/Marktkauf remains below 33 percent

due primarily to the fact that the competitive pressure of the other competitors was sufficient.

The approval decisions can be found in detail on the website of the German Federal Cartel Office (only in German):

Praktiker/Max Bahr: <http://www.bundeskartellamt.de/wDeutsch/download/pdf/Fusion/Fusion07/B9-94-06.pdf>

toom/Marktkauf: <http://www.bundeskartellamt.de/wDeutsch/download/pdf/Fusion/Fusion07/B9-59-07.pdf>

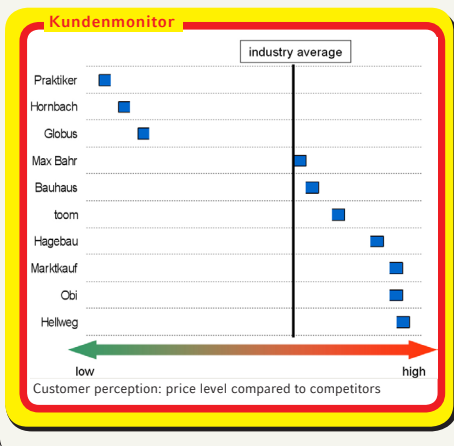
Customer survey confirms price leadership

Praktiker is the aggressive pricing-based discount provider in the German DIY market. The recent "Kundenmonitor 2007" customer survey showed that consumers perceive Praktiker as price leader.

Praktiker scored in all price-related categories in this representative customer survey. Praktiker also came out very well in regards to the best special offers and campaigns and in the direct price comparison with the competition. Praktiker ranked first in both categories. In terms of the overall price/performance ratio, Praktiker secured the third place, followed by Max Bahr.

In accordance with its alignment as a service-oriented provider with a wide range and professional advice, Max Bahr performed particularly strongly in the "overall satisfaction", "specialist expertise" and "selection/range" categories, with top-3 placings in each one.

About "Kundenmonitor": This study has measured customer satisfaction among private consumers in Germany every year since 1992, and is published by Service-Barometer AG in Munich. A total of 21,026 customers, representing a cross-section of the German public, were questioned by telephone between 2 April and 3 September 2007. Further information is available at www.kundenmonitor.de (only in German).



New landmark DIY and garden centre

A big day for Praktiker: on October 8 one of the largest German Praktiker stores opened its gates in Lueneburg. On a selling space of around 11,000 square meters, the shopping paradise offers its customers an assortment of around 40,000 different articles in a most modern design.

The spacious new building replaces the former, much smaller Praktiker store which has, since 1 September, been operating under the name extra BAU+HOBBY, thus taking the role of an attractively priced neighbourhood

store for quick purchases in the Praktiker store portfolio. Including the existing Max Bahr store, the Praktiker Group is now offering its customers in the Lueneburg region the full range

of its diverse brand portfolio. Even after divestment of the store in Adendorf, which the Federal Cartel Office had required as a condition for the acquisition of Max Bahr, Praktiker is by far the strongest competitor in the DIY and home improvement sector with the most varied assortment in the Lueneburg region. One particularly aspect: Praktiker group now offers two top shopping locations of the brands Max Bahr and Praktiker in the region with approximately the same size but with different marketing concepts and assortments that cater for the most diverse customer demands.

The new DIY store in Lueneburg in many ways is something special among the currently 267 German Praktiker locations: it is the most modern and one of the largest stores and it is the only new opening this year on the domestic market. Initially planned and built under the lead of Max Bahr, it was converted to the Praktiker brand three months after the roofing ceremony in the framework of the reorganization of the group's operations in Lueneburg.

The new Praktiker store exhibits a selling space of around 11,000 sqm of which 4,300 sqm are taken by a garden centre which is unique in the Praktiker portfolio as it offers more than 5,000 different articles (plants,



Crowd gathering during the opening of the new store in Lueneburg.

gardening accessories and tools) on a permanent basis. This garden centre alone is nearly twice the size of the complete former Praktiker store in Lueneburg.

Date information

On 24 October, Praktiker will publish its interim financial report on the third quarter of 2007. A telephone conference, hosted by Mr Thomas Gabel, CFO, is scheduled for 8.00 am (CET). It will be broadcast live as a webcast on our website (www.praktiker.com > Investor Relations). The relevant documents will be available for download on the website from 7.30 am.

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