

Easy-to-Shop pilot stores: customer frequency, sales & earnings increased

On February 2nd two members of the Praktiker management board, Thomas Gabel and Pascal Warnking, gave an initial report: The six Easy-to-Shop pilot stores showed a strong performance. Therefore, the Easy-to-Shop roll-out will be accelerated and extended.

The six Easy-to-Shop pilot stores were a complete success for Praktiker. In the six-months test phase the stores attracted more customers, increased sales and reported higher earnings. At the analysts' event in Hamburg, the member of the management board responsible for Easy-to-Shop, Pascal Warnking (Category Management and Marketing), presented the key elements of the concept and the initial findings. Thomas Gabel (Finance) explained the financial aspects associated with the concept.

Almost 40 analysts and investors - mostly anglosaxon - attended the presentation in Hamburg and the following shop tour.

The most important effects of the progress report: The six pilot stores achieved the expected sales growth. During the months of September to December, after the end of the marketing activities, sales had climbed by ten per cent over the same period last year.



Pascal Warnking presents the Easy-to-Shop pilot store in Delmenhorst

As a consequence, it has decided to roll out Easy-to-Shop six months earlier than originally planned and to cover many more stores. The first twelve stores are to be converted to Easy-to-Shop by the middle of March. In the two following years a conversion of 65 to 70 stores each year is planned.

By the end of 2009, around 80 per cent of Praktiker stores in Germany will operate the new store concept.

Using several specific examples, Pascal Warnking demonstrated the analysts and investors the success of individual product groups. In the segment of wallpapers, sales and gross profits were increased. Furthermore, a change in product presentation created additional selling space and enhanced customers' overview.

For laminate consistent price markings and clear positioning of private labels facilitated the comparison. Here also, a significant increase of sales and gross profit was attained. Warnking also pointed out that in

Editorial

Welcome to the first issue of Praktiker "Investor News". With this newsletter we intend to give you updates on events and situations relating to the Praktiker Group. The aim is to give you an even clearer picture of the entire company, above and beyond the existing mandatory and regular publications. Every four to six weeks we will herewith try to bring the dry figures to life.

For instance, in forthcoming editions we present to you the local distinctions of our activities in Eastern Europe, particularly with regard to the imminent market entry in Ukraine. In addition, we use this medium to keep you updated on progress with the integration of Max Bahr, the roll-out of the Easy-to-Shop concept and the associated two-brand strategy in Germany.

Are there any other general topics that you want to know more about? Or do you have any interested colleagues or customers who have not received "Investor News" yet? Just contact us. We would be happy to receive your feedback and suggestions.

And now enjoy reading our "Investor News".

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some product groups the set targets were not yet met. The conversion to offer only pre-cut chains was not accepted by the customers. Therefore, an adjustment of the product group took place. All in all, the test phase provided the expected findings for the continuous enhancements of Easy-to-Shop.

Thomas Ghabel then went on to describe the impact of Easy-to-Shop on the financial situation of the Praktiker Group: Already within the first two years after the conversion the pilot stores will attain a ten per cent sales growth. The 20 per cent reduction of the assortment will lead to lower stock levels as well as higher stock turnover rates, thus contributing to a decrease in capital employed. Both, improved earnings and a higher efficiency will lead to an increased ROCE of more than 8 per cent within two years. The conversion will be cash flow-



Thomas Ghabel and Pascal Warnking answering questions during the bus journey

neutral as early as 2008. A highly positive contribution to cash flow and earnings is expected from 2009.

To give first-hand experience of the innovations associated with Easy-to-Shop, the

group visited the pilot store in Delmenhorst and a store in Oldenburg that still had the old layout. During the bus journey, Pascal Warnking and Thomas Ghabel spent two hours talking with the analysts and investors and answering their questions.

The subsequent visit of a Max Bahr store in Hamburg illustrated the future two-brand strategy in Germany: Easy-to-Shop heightens the discount-oriented, price-aggressive profile of the Praktiker brand. This contrasts with the new premium brand Max Bahr. Its hallmarks are a wide range and variety of products as well as a strong emphasis on advice and service.

The full presentation on this topic is available on our website at:

http://www.praktiker.com/servlet/PB/show/1073291/070202_E2S.pdf

Industry News

Eye-to-eye with market leader

After the acquisition of Max Bahr, Praktiker is eye-to-eye with the market leader. With total sales (gross) of almost 3.5 billion Euros in 2006 in Germany the Praktiker Group (including Max Bahr) was just 3 per cent behind OBI.

Praktiker already overtook OBI at sales density. With 1,695 Euro (gross) per sq m in 2006 Praktiker is again well above the industry average. The overview of the German DIY market is shown in the current survey published by the Dähne-Verlag. Frame of survey are the top 20 German DIY store operators.

DIY sales in Germany 2006

DIY companies	Gross sales* in € m	Gross sales per sq m
OBI	3,600	1,553 €
Praktiker + Max Bahr	ca. 3,490	1,669 €
Praktiker	2,640	1,695 €
Bauhaus	2,060	2,028 €
Hornbach	ca. 1,760	1,932 €
Zeus	2,200	1,235 €
Rewe (Toom/Zack)	1,501	1,117 €
Marktkauf	980	979 €
Globus	797	2,023 €
Max Bahr	ca. 850	1,594 €
Hellweg	ca. 590	1,035 €

* according to company information
Source: Dähne Informationsdienst

Fewer stores but more selling space in 2006

The number of DIY stores in Germany fell again in 2006. At the end of the year altogether 2,460 stores were run. These were 35 stores less than in the previous year. Smaller locations were closed and among the openings large stores preponderate. Therefore, the total selling space increased further.

These two conflicting trends have already been in evidence over the past ten years. Since 1998, the number of German DIY stores has fallen by around 7 per cent, whilst selling space has increased by 24 per cent.

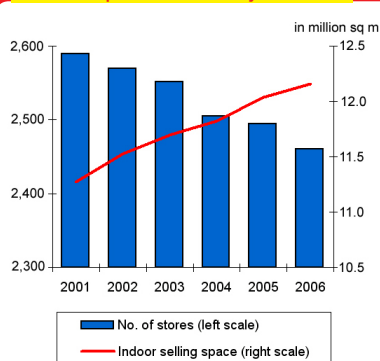
On average, each store generates annual gross sales of approximately 7.2 million Euros. A typical German DIY store has weighted* total selling space of around 5,410 sq m. Large differences exist on regional aspects. In Eastern Germany, there is weighted selling space of 2,142 sq m per 10,000 inhabitants on average. This is 38 per cent more than in Western Germany (1,547 sq m). An aggravating factor is that the East German states have 18 per cent less spending power** than the West German states.

The consultancy gemaba provides with its 25th DIY Structure Survey an extensive appraisal of German DIY stores. The study only takes into account stores with indoor selling space of at least 1,000 sq m and an extensive product range without key specialisations. The full study can be downloaded for free at www.gemaba.de (only in German).

* The weighting basis is the definition applied by the German industry association BHB.

** From GfK Nuremberg, Basiszahlen zur Berechnung regionaler Absatzkennziffern 2006

DIY development in Germany 2006



Source: gemaba Lev.-Hitdorf 2007