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**Easy-to-Shop
- an important
element of a
successful future**



Easy-to-Shop pilot stores - findings and projections -

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Holding AG in charge of Easy-to-Shop

2nd February, 2007

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Easy-to-Shop: a tailor-made concept to improve overall performance



Easy-to-Shop

- Ⓐ Improved store layout and clear signposting
- Ⓑ Highlighting brands and private labels
- Ⓒ Reduction of complexity

Increased ROCE

Sales	↑
Gross margin	→
Costs	→
EBITA margin	↑
Payment terms	↑
Inventory turnover	↑
Working capital	↓

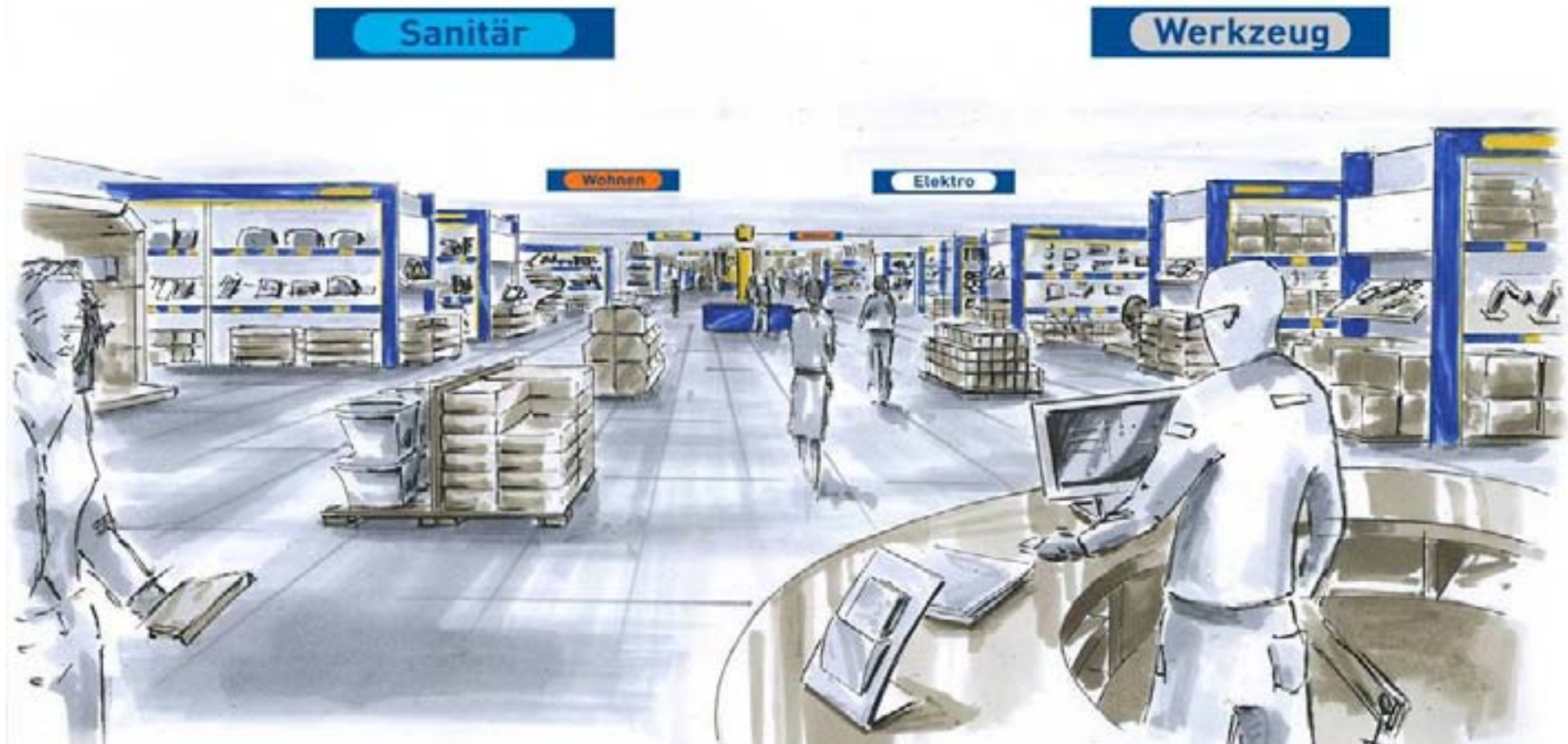
A Improved store layout and clear signposting

B Highlighting brands and private labels

C Reduction of complexity

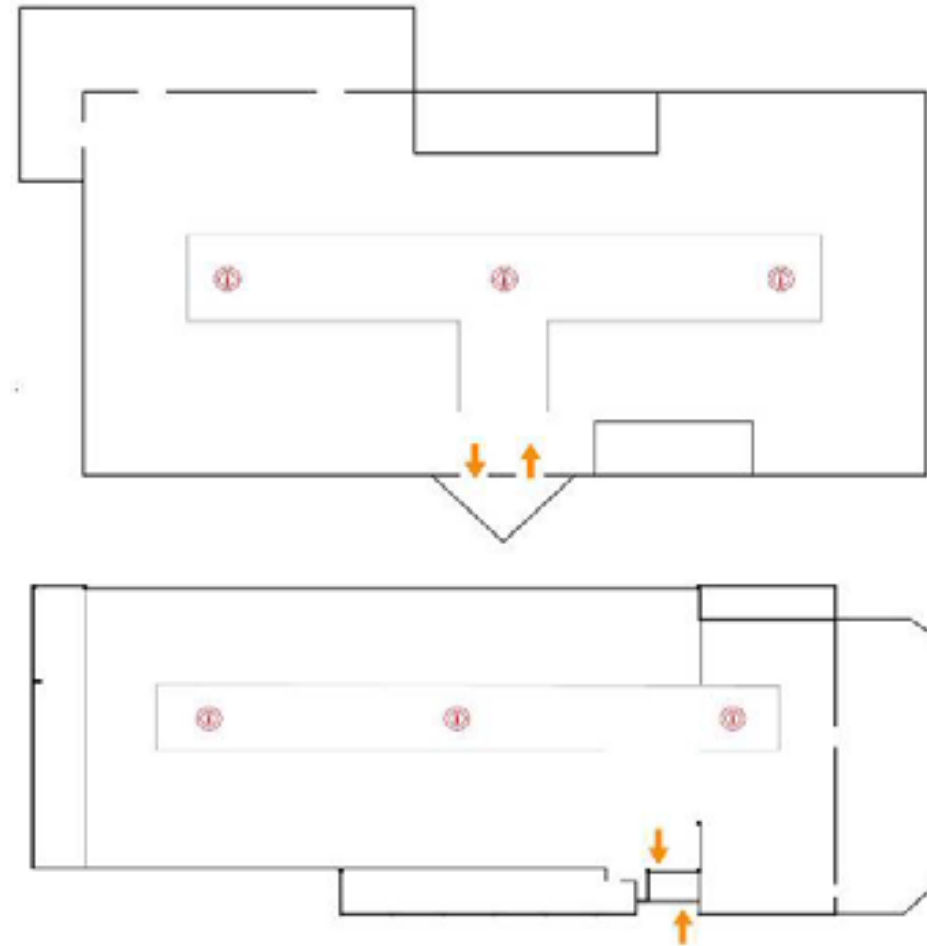
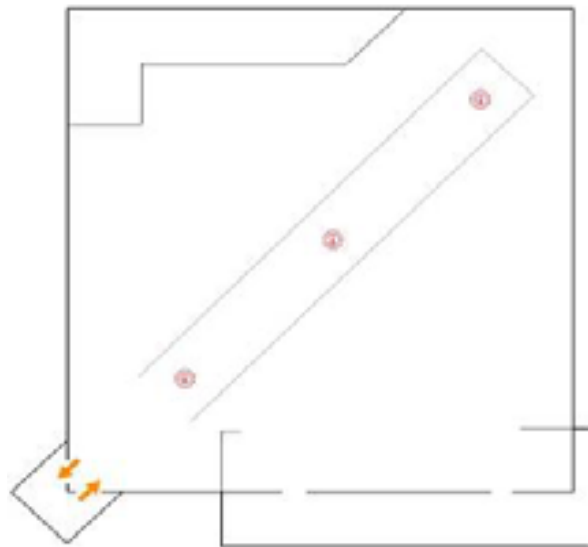
New guidance system - products easy to find

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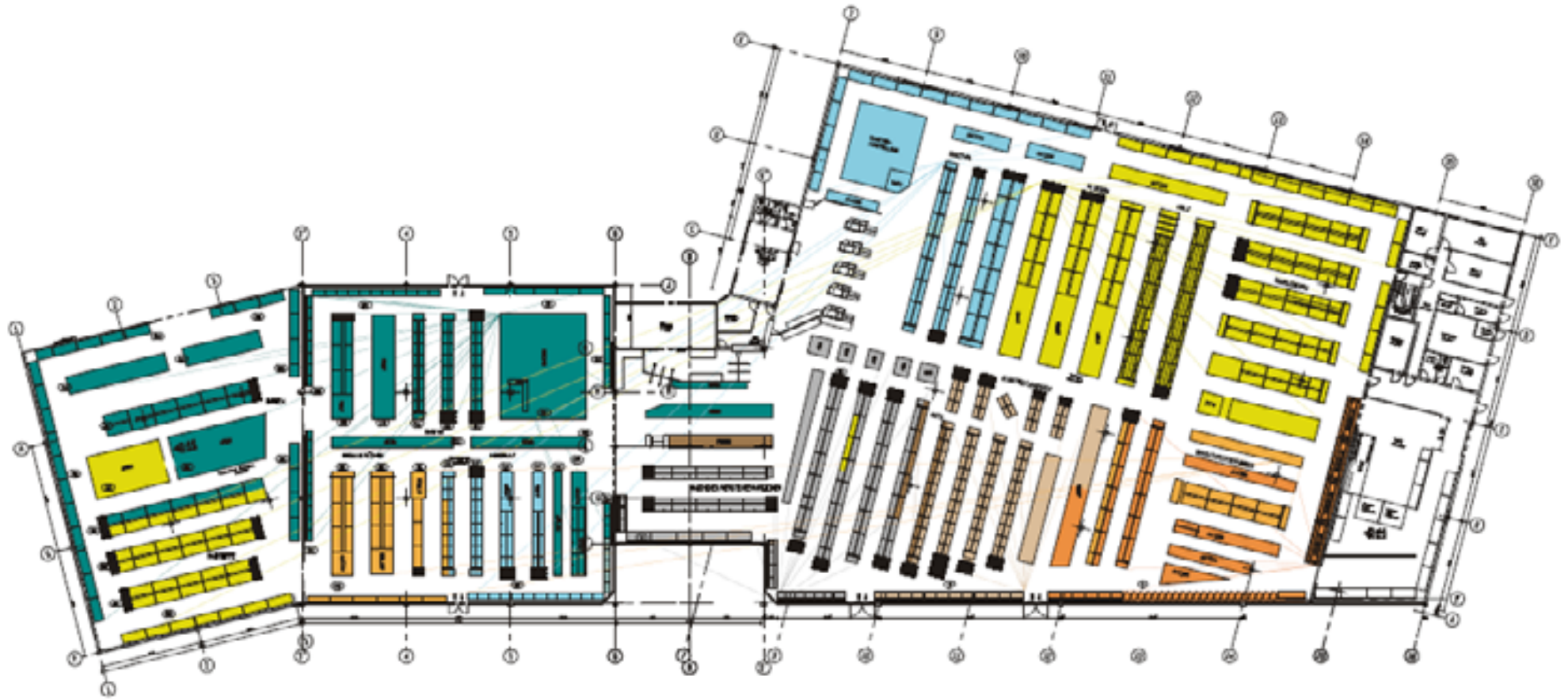


Improved layout to fit all store outlines

No investment in buildings or repairs



Store Weingarten (before conversion)



A Improved store layout and clear signposting

B **Highlighting brands and private labels**

C Reduction of complexity

Example 1: gas pipes pliers

Former assortment: 7 articles, 2 brands



Suki
Sales price: 21.98 €



Suki
Sales price: 16.99 €



Suki
Sales price: 15.33 €



Suki
Sales price: 8.94 €



Suki
Sales price: 9.99 €



Suki
Sales price: 8.99 €



Budget
Sales price: 4.00 €

Example 1: gas pipes pliers

Today's assortment: 5 articles, 2 brands



Black&Decker
Sales price: 21.99 €



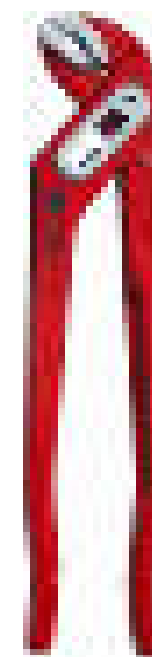
Black&Decker
Sales price: 16.49 €



Black&Decker
Sales price: 9.99 €



Black&Decker
Sales price: 4.99 €



Budget
Sales price: 4.00 €

Example 2: Hammer drills

Former assortment: 16 articles, 6 brands



Hammer drill set
PBH 240 RE



Hammer drill set
PBH 220 RE



Hammer drill
set PBH 300 E



Chipping
hammer BMH 26



Hammer drill
1745 HA



Cordless
pneumatic
hammer drill APH
240



Chipping
hammer



Chipping
hammerl BMH
1000



Hammer drill 620
Watt Budget



Pneumatic
chipping hammer



Hammer drill PBH
180 RE



Pneumatic hammer
drill PH 500



Hammer drill
PBH 200 RE



Pneumatic hammer drill
3000 Super X2



Hammer drill PN
3000 R2



Hammer drill PN 3000 XN 2



Example 2: Hammer drills

Today's assortment: 9 articles, 3 brands



Hammer drill PBH
2000 SRE



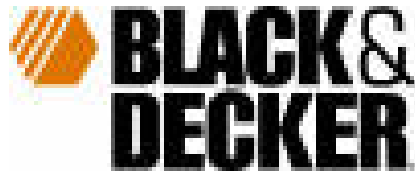
Hammer drill set
PBH 220 RE



Hammer drill set PBH
240 RE



Hammer drill PBH
2000 RE



Hammer drill KD 960 KC



Hammer drill KD 650



Hammer drill 1000
Watt



Hammer drill 950 Watt New
Design



Chipping hammer 620
Watt



Example 3: OSRAM Lighting

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E2S



No. of articles: 171 ➡ 162



A Improved store layout and clear signposting

B Highlighting brands and private labels

C **Reduction of complexity**

Fewer SKU's – higher degree of communality



General guiding principle: “Reduce, don't loose”

- 20% Reduction of SKU's (from 50,000 to 40,000)
- Utilise space for additional assortments
- Increase degree of communality in stores

Example:

Number of stores

	before	after	sales
Plants	4	6	↑↑
Carpets	2	6	↑↑
Car supply	5	6 *	↑↑
Woodcut	4	6	↑↑

* Implemented and enlarged in all pilot stores

Example 1: Metal shelves

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E2S



- No. of articles: 26 ➡ 6
- All products at a glance
- Packages displayed with product sample
- Private labels “Budget” and “Faust” introduced

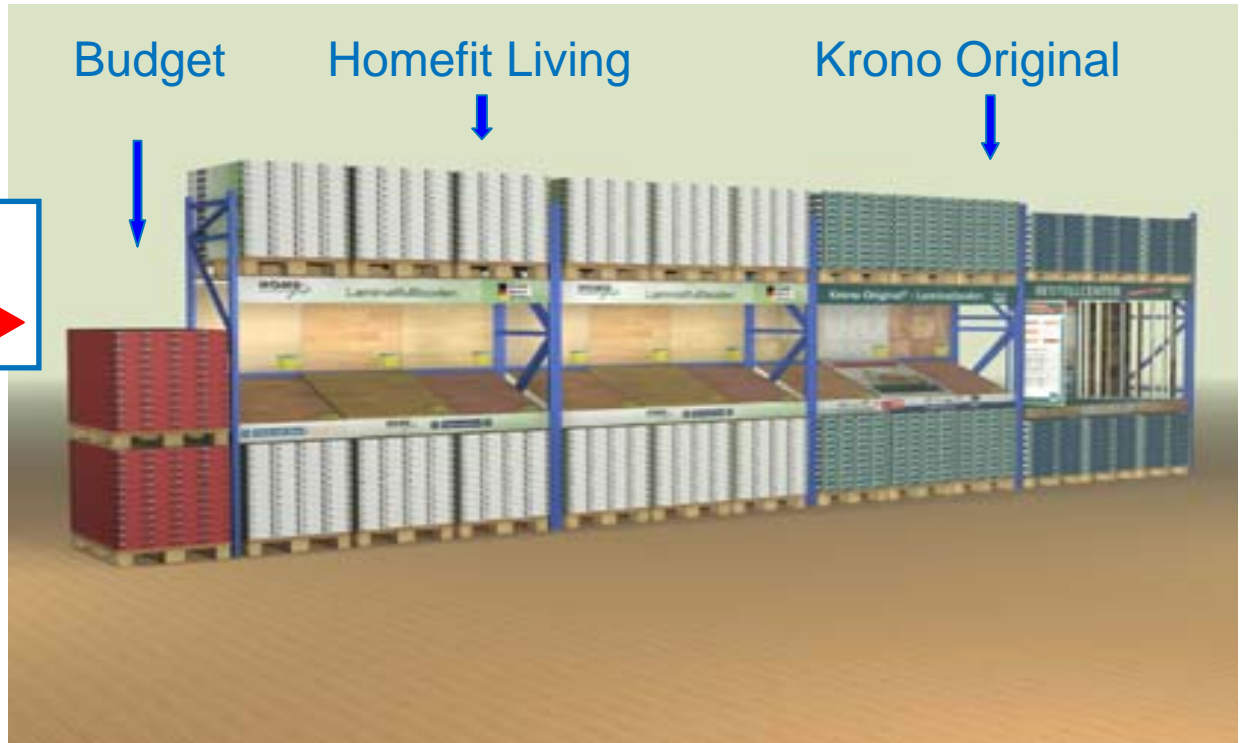
sales: 
gross profit : 

Example 2: Laminate

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E2S
→

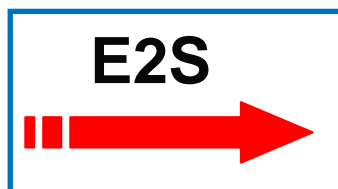


- No. of articles: no changes
- Consistent price markings facilitate comparison
- Visible differentiation, easy handling (pallets)
- Private labels “Budget” and “Homefit Living” introduced

sales: 
gross profit : 

Example 3: Chains and Ropes

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- No. of articles: 253 ➡ 238
- Colour codes introduced
- OSB boxes for a better placement of products
- Concept to offer pre-cut chains only proved unsuccessful
- Return to combination of spools and pre-cut chains

sales: ➡
gross profit : ↓

Example 4: Pipes

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E2S
➔



- No. of articles: 133 ➔ 124
- Concept to replace cages by cardboard cut cases proved unsuccessful
- Return to combination of old and new presentation

sales: ➔
gross profit : ➔

Example 5: Wallpaper

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E2S



- No. of articles: 163 ➡ 136
- Design of wallpaper in direct view of customer
- Space gained through frontal presentation
- Complimentary items displayed in vicinity

sales: 
gross profit :  

Example 6: Tiles



E2S
→



- No. of articles: 130 ➡ 73
- Price marking harmonised for easy comparison
- Wall and floor tiles displayed in combination
- Display of complimentary products in vicinity

sales: 
gross profit : 

Most assortments profited from E2S



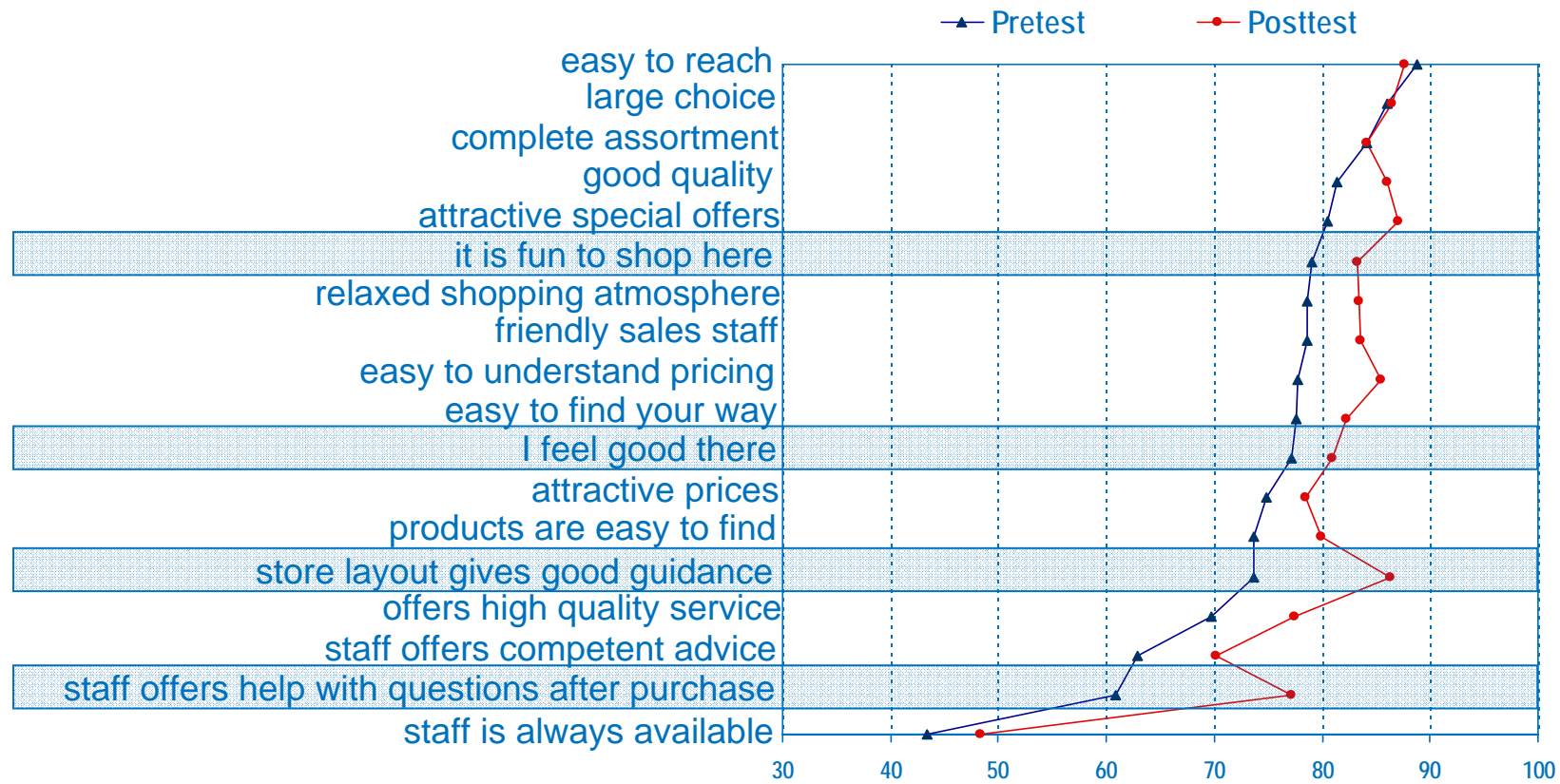
Changes yoy compared to non E2S markets

	Sales	Gross profit
Living	↑ ↑	↑
Garden items	↑ ↑	↓
Construction material	↑	↑
Tools / machinery	↑	→
Electric products	↑	↑
Sanitary equipment	↑	↓

Customers receive E2S positively



„I fully agree“ and „I agree“ in per cent of all answers



Original roll-out plans optimised, accelerated and extended



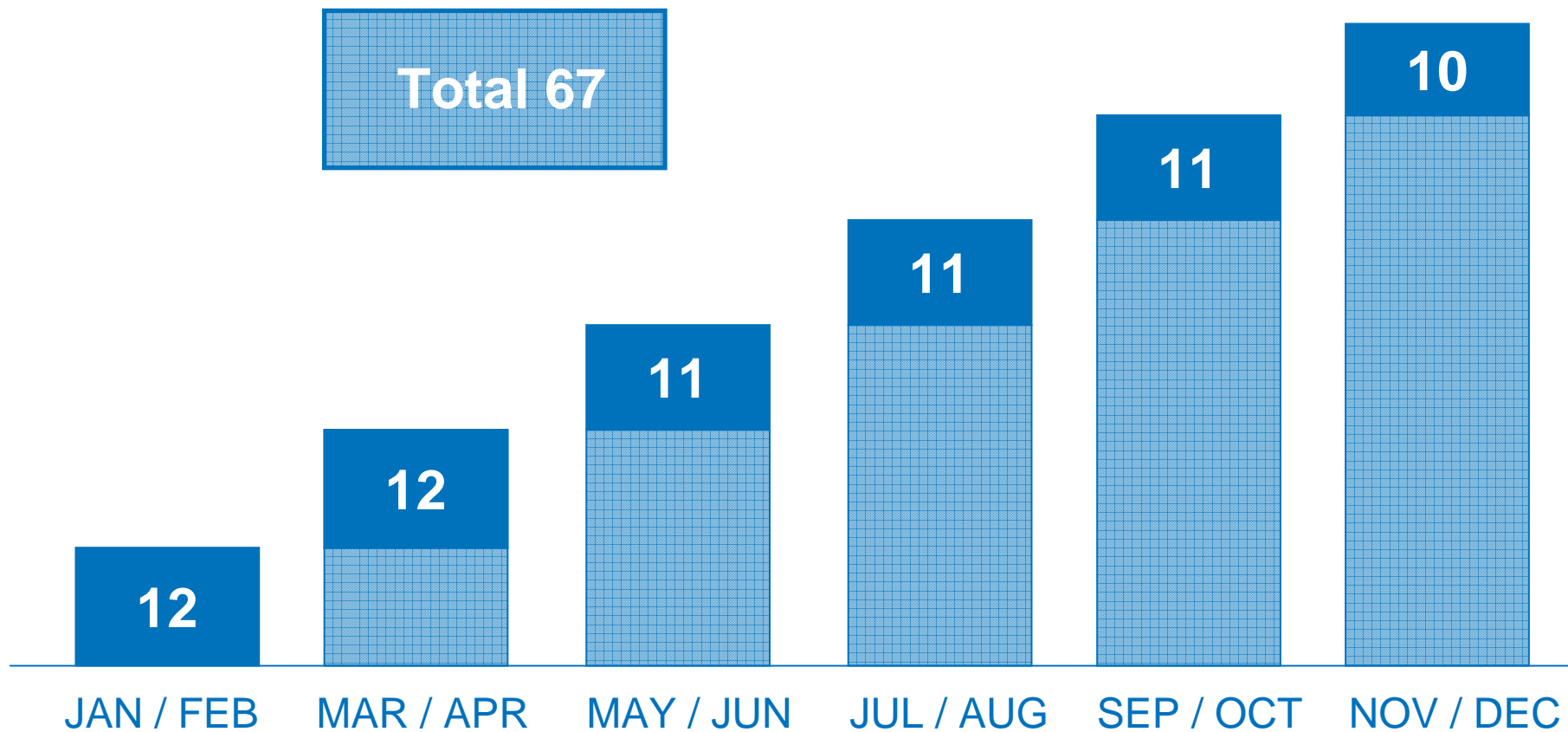
No. of stores to be converted

	New	Old
2006	6	3
2007	65-70	50
2008	65-70	100
2009	65-70	--
Total	> 200	> 150
% of total network*	~ 80 %	~ 60 %
<small>* excl. extra Bau & Hobby and Max Bahr</small>		
Start	Feb 07	July 07

Roll-out plan 2007: evenly spread through the year



Planned conversions of E2S stores 2007





Easy-to-Shop pilot stores - financial findings and projections -

Thomas Ghabel

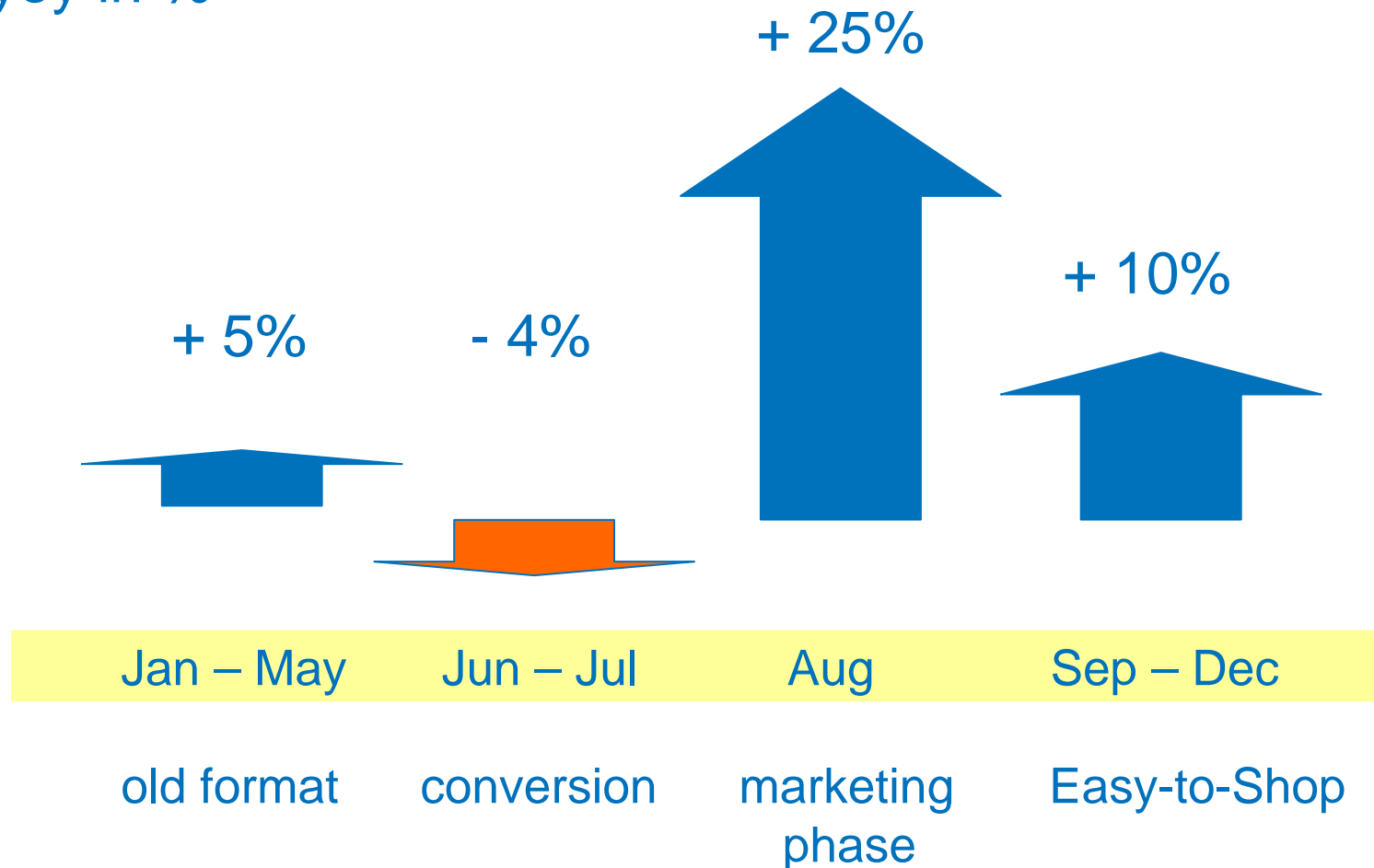
member of the management board of
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Holding AG in charge of finance

2nd February, 2007

Pilot stores: Strong sales growth after conversion



Net sales 2006 of 6 pilot stores
change yoy in %

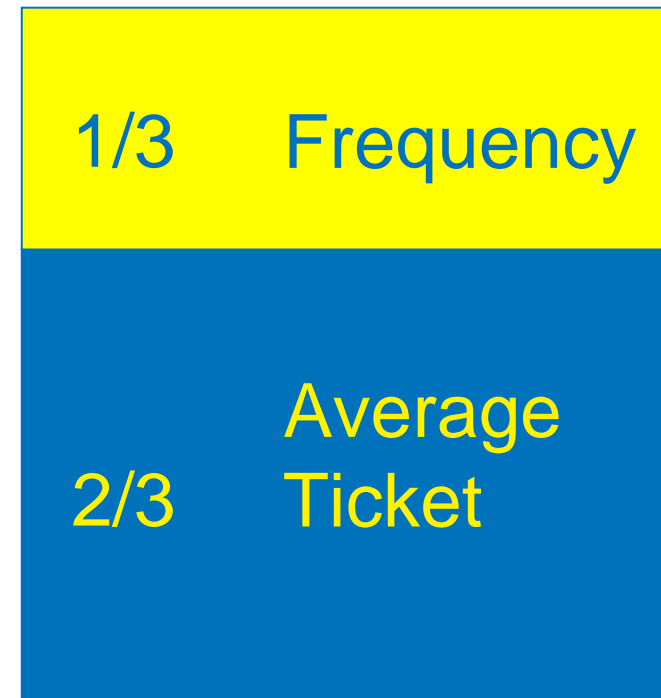


Pilot stores: Many reasons for above-average growth



- Sales growth from increase in frequency and average ticket
- All stores benefit from conversion
- Ratio of operating personnel expenses to net sales unchanged
- Additional staff for new services only

10 % sales growth




Pilot stores: Expected performance in 2007



	2005 before conversion	↔	2007 after conversion
Sales	€45m	+ 10 %	> €50m
EBITA	€1m		> €2m
EBITA margin	2.3 %	+ 1 - 2 PP	> 4 %

Easy-to-Shop stores to earn cost of capital



	2005 before conversion		2007 after conversion
Inventories		- 10 %	
Inventory turns	2.5 x	+ 0.5 PP	> 3 x
Trade payables		+ 10 %	
Capital employed	€27m	- 10 %	< €24m
ROCE	2.7 %		> 8 %

E2S conversion – expenses in line with expectations



Average store in year of conversion,
in € thousand

Cash-flow

P&L

Personnel expenses

190

190

Change of Layout (shelves, installation, decoration etc)

200*

100**

Other (cleaning, disposal, forklift rentals etc)

30

30

Write-down on products

50

Total

420

370

* Of which 90 opex, 110 capex

** Of which 90 opex, 10 depreciation

Earnings and cash-flow positive from 2009 on



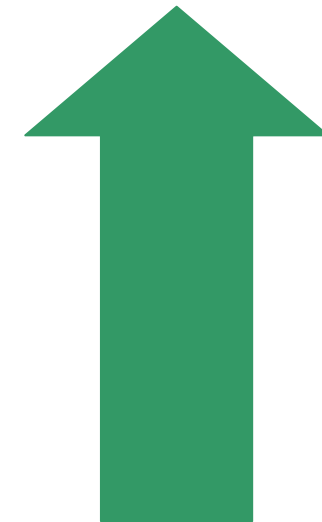
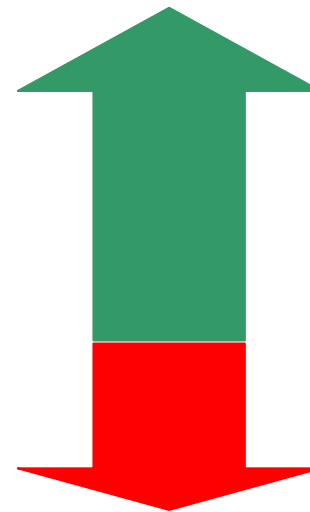
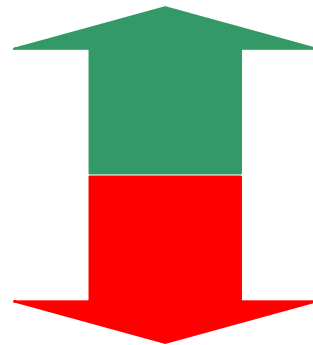
2007

2008

2009

2010

Earnings contribution from converted stores



E2S stores 73

140

205

Outlook: E2S has potential for major improvements



- Initial expectations for E2S reiterated:
 - Sales growth of 10 % in 2 years
 - Stable gross margin
 - Operating costs unaffected
 - Positive earnings potential
- Pilot stores: Experience of first 6 months confirms expectations
- Improvement of P&L and capital employed allow
 - potential re-investment of margin gains into prices
 - positive EVA contribution
 - stores to earn their cost of capital

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