Speech by Thomas Ghabel,
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on the occasion of the presentation of the financial results of the first quarter 2008

April 23, 2008

The spoken word is valid.

Good morning ladies and gentlemen,

the first quarter 2008 marks the beginning of a financial year that will see major changes in the Praktiker group.

As we already announced at the annual analyst conference three weeks ago, we will

- rework the Easy-to-shop concept with the consequence that we will convert fewer stores this year than originally planned
- recalibrate our marketing strategy for the Praktiker brand in Germany by reducing the number of 20 percent off promotions and by partly substituting, partly complementing these promotional activities through the reduction of shelf prices for a selected number of articles
- sharpen the profile of Max Bahr as a brand with wide assortments and high level of services further
- speed up the growth in our international business by opening up to 20 new stores.

Some of these issues will only become visible and effective in the course of the year, but some are already mirrored in the financials of the first quarter, which I will now explain to you in detail.

Let us start with a look at Group sales

Net sales in the Group fell by 1.4 percent in the first quarter of 2008 to reach 865.1 million euros. This is the first negative sales development the group has seen since the IPO. It is exclusively linked to the German market and in particular to the transition phase the Praktiker brand is currently going through. In Germany, net sales were 6.6 percent below the first quarter of last year and amounted to 626.5 million euros.

In our international activities, Praktiker achieved a solid growth of 15.5 percent, reaching net sales of 238.6 million euros.

Like-for-like, group sales were down by 9.9 percent, in Germany the figure was minus 13.1 percent, international however saw like-for-like growth of 1.0 percent. This is better than it may appear value because in the previous year net sales had grown by 19.3 percent like-for-like. So we were up against very challenging comps.

Gross profit on sales rose by 7.9 percent to 269.6 million euros. Gross profit margin increased by 2.7 percentage points to 31.2 percent. This very positive development reflects several factors:

- First, compared to the previous year, prices now cover the VAT increase that became effective from January 2007.

- Second, the reduction of 20 percent off promotions had a positive impact on gross margins.

- And third, the margins in the international business were slightly up on previous year´s level.

EBITDA has traditionally not been on our reporting list. This year I have included it for the simple reason, that in years of strong growth it can give you a much better idea of the underlying operating strength than EBITA which we focus on in our reporting. With accelerated growth the depreciation charges increase as well. The EBITDA in the first quarter 2008 was reported at minus 4.7 million euros, an improvement over the same quarter of the previous year of 2.3 million euros.

Depreciation was up by 24.4 percent to 16.1 million euros reflecting our strong capex growth in 2007 which continued in 2008.

In contrast to the EBITDA, **EBITA** declined by 0.9 million euros to a minus of 20.8 million euros in the first quarter 2008.

Selling expenses increased due to the fact that Max Bahr was included for the full three months for the first time, but also following the expansion in the international business and the growth related increase in depreciation.

General administrative expenses, on the contrary, fell considerably as they had comprised one time integration expenses for Max Bahr last year.

Like in the previous year, the first quarter 2008 contained some expenses with a one-off character.

Integration costs for Max Bahr last year had been around five million euros in the first quarter. This year, Max Bahr is included for three months while last year it was consolidated from February only. The losses incurred by Max Bahr in January this year amounted to around three million euros.

Expenses for the conversions to the Easy-to-Shop format stayed at a comparable level.

Net result is reported at minus 23.5 million euros. In the previous year it had been at minus 18.1 million euros.

Financial result was down to minus 11.4 million euros – from minus 4.2 million euros last year.

Several factors played a role here:

- Interest income was down on last year as liquid funds declined with the payment of the purchasing price for Max Bahr beginning of February 2007.
- On the interest expense side, a slightly higher number of finance leases had to be considered.

- On top, as was the case at the end of the last year, financial results were impacted by currency losses.

As I have done at the annual conference, I would like to point out, that 1.0 million euros in interest from the convertible and 3.5 million euros coming from the currency losses, were not cash effective.

Tax rate was at 27 percent slightly higher than last year.

EPS is reported at minus 0.41 euros against minus 0.32 euros in the first quarter last year.

Coming now to the **balance sheet** and **capital expenditure**.

The balance sheet total increased by 130 million euros to 2.3 billion euros on account of the seasonal build-up of inventories. On the liabilities side trade payables showed an even higher increase.

The equity ratio was at 40.0 percent, it thus stayed at a comfortable level despite the lengthening of the balance sheet.

Net debt amounted to 153.7 million euros, reflecting the increase in capex.

Capex was up 6.2 million euros reaching 27.7 million euros. The increase came fully from our international activities and is in line with our strategy to grow our international network of stores.

Let me now turn to our **German** operations, starting with **Net sales.**

As mentioned in the beginning, the Praktiker brand in Germany is going through a transition phase. It is our clear target to reduce the number of 20 percent off promotions. At the same time we intend to partly substitute, partly complement these promotions by permanently lowering shelf prices for a range of selected products.

In Q1 we had reduced the number of 20 percent off days already, but the campaigns advertising shelf price reductions started only last week. You may have seen the TV spot. You can find it on our website www.praktiker.de.

As such we expected sales to decline in the first quarter.

In absolute terms sales were down by 6.6 percent to 626.5 million euros, in like-for-like terms that corresponds to minus of 13.1 percent.

In addition to the “homemade” effects of adjusting our marketing mix, the whole industry was affected by the fact that we had two trading days less this year as the Easter holidays fell into March. Moreover, adverse weather conditions were not supportive to the business, in particular as March 2007 was the best month in the previous year due to glorious weather.

Although numbers for the DIY industry as a whole are not available yet, one may expect like-for-likes to be down for the industry too. The industry association BHB at least spoke of a slow start into the year.

EBITA in Germany was reported at minus 22.1 million euros, a decline of 2.1 million euros against last year. The increase in gross margin was not quite sufficient to compensate for the loss in sales.

The one-offs I mentioned before, all affected the German EBITA.

Capex amounted to 9.5 million euros against 15.4 million euros in the previous year.

In contrast to Germany, our international activities showed a strong performance again.

Net Sales generated via the **international** activities increased by 15.5 percent to 238.6 million euros. Like-for-like sales increased by 1.0 percent, which we consider a very good performance as the first quarter 2008 was up against a 19.3 percent like-for-like increase in Q1 2007.

Except Luxembourg, all countires showed sales growth, the highest rates coming again from Bulgaria, Poland and Romania.

The share of international sales increased to 27.6 percent, up 4.1 percentage points.

EBITA in the **international** business amounted to 1.3 million euros, up 1.2 million euros against the first quarter of the previous year.
This is the second time only that we achieved an operating profit in the first quarter in our international business.

In most countries EBITA was up on last year, in the Ukraine and Albania start-up losses were recorded as expected.

2 stores were opened in the first quarter, one in Poland and one in Turkey.

In the first quarter capital expenditure was up by 12.1 million euros to 18.2 million euros – in line with our strategy to grow the network of stores.

At the annual conference we have given **guidance for the year 2008**. Since then we have not seen any development to change our view. I thus reiterate what we said three weeks ago:

- We expect group sales to be up by a mid-single digit rate.
- We expect EBITA to fall into a range between 135 and 140 million euros.
- And cash capex will be around 150 million euros.

Thank you very much for your attention, I will now take your questions.