



## Quarterly Report Q3 / 2007

Press Telephone Call, Wednesday, 24 October, 10:00 a.m.

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### Statement Wolfgang Werner, CEO

Ladies and gentlemen,

I cordially welcome you to our telephone press conference on the occasion of the presentation of our financial statements for the Third Quarter 2007. Before Mr. Gabel and I myself will answer your questions, allow me to explain the key financials.

Let me first answer the question that is probably most important for you: how did Praktiker in Germany cope with this year's lousy summer?

The answer is: appreciably better than its competitors. As you may have learned, the BHB trade association recently announced a seven percent drop in sales in the German DIY sector for the months of July and August - gross, i.e. including the VAT effect. In net terms, the sales slump should therefore range at around ten percent and the figures for September are probably not much better either.

And Praktiker? The Group's core brand succeeded in basically maintaining the good prior-year level of its domestic business in the Third Quarter 2007. Like-for-like, net sales only dropped marginally by 0.6 %. If we used the gross figures like BHB, like-for-like sales would even be up by almost two percent. This clearly signalizes that Praktiker has strengthened its market position under clearly more difficult general conditions and won additional market shares. This also means that we were right in continuing to invest into the prices. I will come back to this later.

Let me now turn to the figures for the financial quarter under review, which demonstrate that also after nine months we are still fully on track as regards the sales and earnings forecast of the Praktiker Group for 2007. These forecasts had long been regarded as conservative; in the meantime they have proven to be realistic.

In Q3 2007, the Praktiker Group generated sales of around 1.04 billion euros. This is 221 million euros or around 27 percent more than during the same period one year earlier – due to the acquisition of Max Bahr and to our international business, which has again grown very dynamically. Consolidated sales during the first nine months of the current fiscal year have thus risen by 25.6 percent to 3.04 billion euros. Let me remind you: the sales target for the full year announced on the occasion of our Annual Press Conference in April is of around four billion euros.

Operating earnings (EBITA) were stepped up considerably. In the Third Quarter, they reached 51.4 million euros before the requirements by the Federal Cartel Office . This is 10.1 million euros or 24.4 percent over the corresponding prior-year figures. When looking at the development year-to-date, the Praktiker Group generated EBITA in the amount of 100.5 million euros. This is 12.8 million euros or 14.6 percent more than during the same period one year earlier. This figure does not include the one-off impact on earnings that results from compliance with the requirements stipulated by the Federal Cartel Office for the acquisition of Max Bahr, i.e. the divestment of three locations. Including these divestments, our earnings for the first nine months came in on the prior-year level. The gratifying aspect is that the impact on earnings is lower than we had originally anticipated.

All this demonstrates that we are well on the way to reaching also the targeted EBITA at the close of 2007, which since July reads: around 125 million euros – not including the effects of the Cartel Office requirements, mind you.

So much for the key financials. Let us now have a closer look at the two reporting segments, namely our business in Germany and our international business.

## Germany

Let us start with our operations in Germany. Business in the DIY and home improvement sector in Germany proved to be more difficult this year than expected even by industry experts still this spring. In the meantime, disillusionment has set all around. The economic upswing is losing its impetus; consumption and spending mood have distinctly deteriorated. And the DIY business, too, is sluggish. This has to do with the general reluctance to spend, with the VAT shock still not digested by consumers and also with the situation on the residential construction market, which has thoroughly declined this year. The latter development, by the way, affects in particular those DIY store operators, who are focusing on large-scale projects and who mainly target professional customers from the building trade. I already mentioned the bad tidings from this industry at the beginning of my presentation.

Against this backdrop, our figures are actually quite impressive. At group level, sales in the Third Quarter in Germany totaled 738.4 million euros. That is around 170 million euros or 30 percent more than during the same period last year. But, to be honest, we also have to mention that this growth is exclusively attributable to the brand Max Bahr, which has been included in our consolidated statements since February.

Equally gratifying is the fact that Praktiker managed to more or less stay at the prior-year level against the general industry trend, as I already mentioned. In other words, we did not only win additional market share as a group but also as a brand. This was mainly achieved through a consistent continuation of our price-aggressive strategy, which was confirmed by the recently published customer survey called "Kundenmonitor 2007". In this important German market survey, Praktiker for the first time since 2002 moved from 2<sup>nd</sup> to 1<sup>st</sup> place in the category "prices as compared to the competitors".

I can assure you that Praktiker will continue to invest into prices under its two-brand strategy and further increase the pressure on its competitors. We can do this because we have improved efficiency and effectiveness and because the acquisition of Max Bahr has given us more financial leeway. Max Bahr has asserted itself as a

high-margin premium supplier in the German DIY sector and made a positive contribution to earnings already in the first year of its integration.

Max Bahr also contributed materially to the fact that we achieved a domestic EBITA of 24.2 million euros before the requirements by the Federal Cartel Office during the Third Quarter, which is 3.8 million euros more than during the same quarter last year. The figure could have been even more positive if this particular quarter had not been managed with the goal of winning market share and not of optimizing short-term earnings. But that was our intention, ladies and gentlemen.

What does this demonstrate? It shows how significant size is and how important it is to grow at the right point. It is clear that consolidation pressure in Germany will continue to rise. And it is clear that Praktiker has the intention and the potentialities too to put even more pressure on the competition.

In this context, allow me some remarks about our Easy-to-Shop stores – as in every financial report since last year. At the end of the Third Quarter, a total of 50 stores of the Praktiker brand had been converted to the Easy-to-Shop concept. Also the latest conversions confirm Praktiker's positive experience with this new concept. After an inevitable slump during the conversion phase, sales at these stores consistently developed better than in the remaining stores of our portfolio.

The two-brand strategy is working well and adds new flexibility regarding the structural optimization of our store network across the nation.

In this context, the Praktiker store in Adendorf near Lueneburg had to be divested effective on 1 September 2007 as required by the Federal Cartel Office. Instead, a new Praktiker store, which had originally been planned as a Max-Bahr store, opened in Lueneburg on 8 October, that is shortly after the end of the reporting period. Inversely, preparations for the conversion of a large Praktiker store to Max Bahr are running in full swing in Villingen-Schwenningen on the borders of the Black Forest. These are two excellent examples that illustrate yet another positive aspect of our two-brand strategy.

## **International**

Let us now look at the International segment, from which we can continue to report only good news. It must be almost boring for you to hear that all the time but in this case I am more than happy to repeat myself: the dynamic development of sales that we had already seen in the first half continued also in the Third Quarter with sales growing 20.7 percent. Consequently, cumulated international sales for the first nine months now total 793.5 million euros. That is 24.4 percent more than during the same period last year. Of course, this is also attributable to the extension of our store portfolio, which grew by 15 stores year on year. Like-for-like, sales increased in the double digit range at 13.2 percent. In other words: we managed to again strongly increase the area productivity in our international stores. And one aspect was particularly gratifying: all countries contributed to this sales growth, with Romania and Bulgaria reporting the steepest rise in sales. But Poland, too, was able to again record an above-average growth.

No less gratifying was the development of earnings in our international business. For the Third Quarter we can report EBITA in the amount of 27.2 million euros. This corresponds to a rise of 6.3 million euros or roughly 30 percent. In this context it must be mentioned that the large number of new store openings also resulted in higher pre-opening costs and start-up losses.

Taking all three quarters together, the segment International was able to contribute nearly 53 million euros to our consolidated earnings. This is roughly 60 percent more than last year and means that, for the first time, we have been generating more than half of our operating earnings during such a reporting period outside of our home market - and this given an international share in consolidated sales of 26 percent.

## **Summary and outlook**

Ladies and gentlemen,

let me briefly summarize the above facts and present our outlook:

First: the Praktiker Group succeeded in raising sales and earnings in a gratifying scope in the Third Quarter of the current year. With these results, we are full on schedule and expect to achieve our sales and earnings forecast for 2007: around four billion euros in consolidated sales and EBITA of around 125 million euros before the effects of the Cartel Office requirements. Therefore and even considering the difficult general conditions on the German domestic market, we will not modify our EBITA forecast which we raised in July.

Second: the main growth driver remains our international business. We will continue to fine-tune this adjustment screw, push dynamic growth in the international markets already tapped and open up new countries including the Ukraine - a country where we will start operations in late November and where no other international DIY center operator has set foot so far.

Third: with the acquisition of Max Bahr we have grown to a new dimension in the German market. The two-brand strategy adopted is bearing fruit and well received by our customers. As far as we can anticipate, our new, Hamburg-based subsidiary will this year make a positive contribution to our operating earnings and also leverage synergy effects - each in the range of around 20 million euros. And the fact that the Praktiker brand managed to escape the negative industry trend and win significant market share is our key message for this Third Quarter.

Based on all these facts we retain our present forecast for the fiscal year 2007, as already said. The only difference to earlier projections is that we can now attach a more precise price tag to the one-time expenses required to meet the Cartel Office requirements, which had always been mentioned but which could not be quantified until two weeks ago.

Thank you for your attention. Mr. Gabel and I would now be pleased to answer your questions.