

Praktiker Bau- und Heimwerkermärkte Holding AG, Kirkel

Financial Statements for the year 2007

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Praktiker Bau- und Heimwerkermärkte Holding AG

Management report for the year 2007

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Praktiker Bau- und Heimwerkermärkte Holding AG

Management report for the fiscal year 2007

Preamble

Praktiker Bau- und Heimwerkermärkte Holding AG (hereinafter termed: "Praktiker Holding AG"), with its registered office based in Kirkel (Saarland), is the parent company of Praktiker Group and Max Bahr Holzhandlung GmbH und Co. KG (Max Bahr). In Germany, the group operates 337 do-it-yourself markets, which are specifically tailored to meet the needs of retail customers, offering a full range of products for building and renovation, gardening and leisure as well as for home repairs and improvement. Apart from its Germany-based operations, the group is represented in eight further European countries. In the fiscal year 2007, the company was able to increase the number of stores located abroad still further. As such, the International division added 15 new outlets to its existing portfolio to a total of 88 stores, whereby the focus of expansion was on the strong-growth countries of Eastern Europe.

Financial statements for the fiscal year from January 1, 2007 to December 31, 2007

In its balance sheet with effect of December 31, 2007, Praktiker Bau- und Heimwerkermärkte Holding AG reports total assets of 1,268.6 million euros (previous year: 1,270.5 million euros).

The rise in tangible assets of 215.8 million euros results primarily from the acquisition of Max Bahr and the associated recognition of additional financial assets amounting to 215.0 million euros.

Due to the payment of the purchase price from cash pool funds, the above-mentioned acquisition also lead to a decline in receivables vis-à-vis associated companies amounting to 214.5 million euros and, as such, was largely responsible for the sharp fall in current assets.

With net profit for the fiscal year 2007 of 27.5 million euros and dividend payments to shareholders amounting to 26.1 million euros, equity capital rose by a total of 1.4 million euros to 1,088.3 million euros. Due to the decline in total assets and the rise in balance sheet profits, the equity ratio improved to 85.8 percent (previous year: 85.5 percent).

The group's income position reflects above all general administrative costs (34.3 million euros; previous year: 10.9 million euros), other operating income (31.7 million euros; previous year: 3.4 million euros) and net financial income (30.0 million euros; previous year: 36.8 million euros).

General administrative costs include primarily personnel expenses, service charges and expenses incurred in offsetting the costs generated by the subsidiaries in meeting the conditions imposed by the German Cartel Office in connection with the Max Bahr acquisition. They amounted to 12.8 million euros in the year under review (no corresponding expense in the previous year).

Since mid-2007, Praktiker Holding AG has been subject to charges for services rendered to various group companies. In order to be able to render the services concerned, it draws on various members of staff of Praktiker Bau- und Heimwerkermärkte AG, thereby incurring costs of 12.5 million euros in the year under review (no corresponding expense in the previous year).

Items of significance under other operating income include income from services for various group companies (14.4 million euros in the year under review, 0.6 million euros in the previous year; see explanatory notes on general administrative costs) as well as a guarantee remuneration from the subsidiary company Praktiker International AG, Chur/Switzerland (PIAG). The guarantee remuneration has been payable since November 1, 2006 as Praktiker Holding AG has exempted PIAG from all expenses incurred in connection with the latter's regulation activities since this date. The guarantee remuneration amounted to 17.2 million euros in the year under review (previous year: 2.5 million euros).

Net financial income fell by 6.7 million euros to 30.1 million euros (previous year: 36.8 million euros), a decline attributable above all to the deterioration in net interest income due in part to the payment of the purchase price for Max Bahr and in part to the interest expenses for the convertible bond that only impacted pro rata temporis in the previous year.

The balance sheet profit for the fiscal year of Praktiker Bau- und Heimwerkermärkte Holding AG amounted to 31.0 million euros (previous year: 29.6 million euros). It comprised net profit of 27.5 million euros (previous year: 29.3 million euros) and profit carried forward of 3.5 million euros (previous year: 0.3 million euros).

The financial position shows cash flow from current business activities running at 43.7 million euros (previous year: 48.0 million euros). The cash flow from investment activity amounting to -275.9 million euros (previous year: -3.0 million euros) includes above all the payment of the purchase price for Max Bahr. After payment of the dividend for the fiscal year 2006 of 26.1 million euros, cash funds declined by 258.3 million euros to 31.7 million euros as of fiscal year-end.

Dividend

The management and supervisory boards of Praktiker Holding AG propose paying a dividend of € 0.45 per share (previous year: € 0.45 per share) of the balance sheet profit after appropriation to or transfer from reserves of € 30.995 m to the company's shareholders and to carry forward the remaining amount of € 4.895 m to new account. The sum totals of both the dividend and the amount carried forward as profit are each based on the company's share capital, currently amounting to € 58,000,000 and divided into 58,000,000 individual bearer-denominated shares, that has vote and dividend entitlements on the date that the annual general shareholders' meeting for 2008 is convened. To the extent that the number of shares with dividend entitlements changes during the period up until the date of the annual general shareholders' meeting, the proposed resolution concerning the appropriation of the balance sheet profit is to be modified such that the dividend amount per share remains unchanged while the amount carried forward as profit is to be adjusted accordingly.

Personnel

With effect of October 1, 2007, Praktiker Bau- und Heimwerkermärkte Holding AG took over Praktiker Bau- und Heimwerkermärkte AG's legal, investor relations and finance departments as well as the staff employed there. With effect of January 1, 2008, Praktiker Bau- und Heimwerkermärkte Holding AG also took over Praktiker Bau- und Heimwerkermärkte AG's internal audit department and the staff employed there. As of December 31, 2007, Praktiker Bau- und Heimwerkermärkte AG employed a total of 28 staff.

With effect of March 21, 2008, Karl-Heinz Stroh took over the duties of the board member with responsibility for personnel and labor director, Michael Arnold, who in future will be devoting his exclusive attention to heading up the group's fast-growing foreign business and international expansion divisions. Up until now, he had been in charge of both areas.

Value-orientation via EVA

Praktiker Group focuses on the goals of value-oriented corporate management based on economic value added (EVA). EVA is an internationally proven control and management system to value and align all strategic, operating and investment activities and decisions within the group in accordance with their contribution to enterprise value enhancement.

Key to the evaluation of entrepreneurial success is the Delta-EVA, i.e. the difference between the current EVA and that of the previous year, irrespective of whether the EVA level is positive or negative. The development of the Delta-EVA is the key element in the variable management remuneration system practised by Praktiker. From the management board of Praktiker Holding AG through to store managers, in excess of 450 senior staff are measured against delta EVA. The incentive system is thus

designed in such a way as to guarantee optimum correlation between the primary interests of the shareholders and those of the management.

In the 2007 financial year, an EVA level of -19.9 million euros was achieved (previous year: -10.4 million euros). As such, the EVA level was significantly below the level of the previous year. For purpose of better comparison, Max Bahr has not been entered into EVA calculation. Max Bahr had not been part of Praktiker Group in 2006, and only for 11 months in the year under review. The interest earned on total capital invested (ROCE = return on capital employed) came to 5.8 percent (previous year: 6.1 percent). On account of the disappointing market development in Germany, the group was unable to further improve its key value oriented success indicator in the year under review.

Sales and profit development at Praktiker Group

Segment reporting - Germany

In 2007, the German DIY market was characterised by a variety of specific factors that lead to a significant decline in overall demand. The industry's association BHB estimates the decline at 2 to 4 percent in terms of gross sales. Taking account of the increase in value-added tax introduced at the beginning of the year, the decline would equate to some 4 to 6 percent on the basis of net sales.

The key factor was the increase in value-added tax. This impacted significantly on the German market in several ways. Initially, it led to purchases being made in advance of the increase back in 2006, a development that led to demanding like-for-like comparison of the second half of the year. Moreover, the increased tax could not be passed on to the customers – or only in part – in the first months of the financial year. Earnings fell as a result.

Praktiker reacted to this situation by intensifying the availability of special offers. They were successful to the extent that they resulted in market share gains particularly in the second half of the year. They also helped to increase the volume of sales. However, these measures did not contribute to either improved sales or even enhanced earnings. They were useful in avoiding further downturns though. Praktiker was thus unable to buck the declining market trend completely.

In such a declining market environment, the Praktiker brand continued to pursue its strategy of previous years, namely the further consolidation of its outlet portfolio combined with the reinforcement of its price leadership and market share gains. As of the end of the 2007 financial year, Praktiker operated a total of 261 outlets in Germany. This equated to a further drop of 7 stores as compared with the same point in time of the previous year. Any stores at risk of not meeting the earnings objectives were closed. What is more, 2 Praktiker outlets had to be sold as a result of the requirement imposed by the Federal Cartel Office in return for the clearance of the acquisition of Max Bahr.

The closures and divestments lead to a reduction in the selling space available to the Praktiker brand by a total of 1.3 percent.

In Germany, the Praktiker Group generated net sales of 2,862.1 million euros, whereby 688.2 million euros were attributable to Max Bahr (February to December). The Praktiker brand on its own turned over 4.6 percent less in Germany than in the previous year. Adjusted to take account of changes in selling space, this equates to a fall of 3.6 percent. Including Max Bahr, sales per square metre in 2007 stood at 1,381 euros (previous year: 1,506 euros, Praktiker only). Measured in terms of the development in the sector as a whole, as determined by the industry's association BHB, Praktiker nevertheless improved its market share significantly. This applies even more so if one takes account of the acquisition of Max Bahr which led to a surge in sales in 2007, allowing Praktiker to catch up with the market leader in Germany.

Marketing: "Hier spricht der Preis" (Price is key)

In 2007 too, all marketing activities were based on the core marketing statement "Hier spricht der Preis" (Price is key). Praktiker deliberately refrained from nuancing its advertising messages in the 2007 financial year, but instead concentrated with even greater focus than in previous years on its "20 percent on everything – apart from pet food" campaign. As a reaction to the weak demand, particularly in the second half-year, the number of promotion days was increased still further. As demonstrated by customer surveys – such as the "Kundenmonitor" ("Customer Monitor") held in particularly high regard in Germany, Praktiker was thus able to successfully maintain and underpin its position as price leader in the German market.

Product ranges streamlined further

Praktiker sees itself in Germany as a supplier with a full assortment in the segments of construction, do-it-yourself and gardening. Around 75,000 items are listed in the product management system, being available in varying configurations in the group's outlets and being structured in the assortments of gardening, sanitary ware, timber, building materials and construction elements, electrical goods, tools / machinery, paints / wallpaper, hardware and other. The products are supplemented by a range of service offers such as an order service, transport service, brokerage of credit purchase, etc., but the clear focus is on the supply of a simple, clear and above all favourably priced range of assortments falling into the segments mentioned above. In order to enhance cost efficiency, the assortments will be streamlined still further. As part of the Easy-to-Shop concept, a total of 60 Praktiker stores were converted in 2007. They now offer the customer an easy and convenient shopping option. Enhanced clarity and a clearer brand and pricing hierarchy help the customer to make the right choice. The new format reduces the level of complexity by cutting the number of stock keeping units by around 20 percent. As the share of Easy-to-Shop stores is set to increase to around 80 percent of the Praktiker brand's store portfolio in Germany over the coming years, the product ranges will be streamlined further automatically.

Customer loyalty intensified further

In order to tie key customers to the company, Praktiker uses above all the loyalty card that offers appropriate discounts and benefits based on sales volumes. This instrument to enhance customer relationship has proven its worth. At the end of the year under review, a total of 2.4 million customers possessed Praktiker loyalty cards (previous year: 1.7 million).

Around 40 percent of the sales generated by Praktiker in Germany were transacted via these cards in 2007 (previous year: 25 percent). Major customers are approached on a regular basis with attractive special offers providing them with interesting discounts as compared to purchases made by normal customers. By contrast, the loyalty card used at Max Bahr is based on the principle of customers collecting bonus points each time they shop, which can then be swapped for shopping vouchers once a certain level of points has been reached. Currently, there are around 590,000 BAHR Cards in circulation.

Max Bahr part of Praktiker Group as from February 1, 2007

On January 10, 2007, the Federal Cartel Office had cleared the takeover of Max Bahr Holzhandlung GmbH & Co. KG. Following this decision the purchase contract, which had been signed on August 16, 2006, was finally concluded. It became effective as of January 31, 2007. With effect of February 1, 2007, Max Bahr was consolidated into the group financial statement of Praktiker Bau- und Heimwerkermärkte Holding AG.

In the course of the acquisition, Praktiker had already announced its intention to keep Max Bahr as an autonomous brand and to continue to manage it from its head office in Hamburg. While the takeover had practically no impact at store level, the head office of Max Bahr underwent significant changes. Central units such as accounting, finance and internal auditing were integrated into the existing units at Praktiker Group head office based in Kirkel / Saarland.

In April 2007, a social plan was signed that regulated the severance payment arrangements for the 71 members of staff who had to be dismissed in the course of the integration process. Offers in respect of further training were submitted to the staff concerned in order to enable them to find work with another employer.

More than 50 work groups identified all issues relevant to the integration plan. Practically all issues involved were addressed and resolved during 2007 with the result that the integration process is virtually concluded.

Only two key issues still need further attention – logistics and IT. In both cases, Praktiker anticipates finalising solutions to all pending matters in the course of 2008.

In addition to the work involved in integrating Max Bahr into the Praktiker Group, the new management of Max Bahr also worked on the further development of the brand's positioning. This includes defining the brand core which is characterised by service orientation and a broad selection of products, but not

by the kind of price-aggressiveness the Praktiker brand embodies. It also includes a new image for the Max Bahr as well as the further development of the small store format concept "Max – the compact DIY store".

Procurement – new structures created

After the acquisition of Max Bahr, new structures were created for procurement. Since the middle of 2007, a central procurement unit is in charge of the purchasing activities for both brands – Praktiker and Max Bahr. Due to the acquisition, both the number and structure of suppliers have changed to a significant degree. The central purchasing department's key initial task therefore involved comparing and harmonising procurement procedures.

As a result of the acquisition, Praktiker worked with more suppliers at the end of the year than it had in the previous year. The share of the 20 most important suppliers in terms of overall procurement volume came to somewhat more than 30 percent, the same as in the previous year. The share of direct imports – mostly from the People's Republic of China – stood at just under 9 percent in 2007, slightly up on the level of the previous year (8.3 percent). The share of private label products also rose marginally to around 19 percent (previous year: around 17 percent).

Innovation and development – Easy-to-Shop and Max – the compact DIY store introduced

The Easy-to-Shop concept launched in 2006 proved its worth in 2007. However, in the difficult environment of the German DIY store, the concept did not live up completely to initial expectations. Yet, on average, the Easy-to-Shop stores recorded a significantly better sales development than the rest of the Praktiker brand's German store portfolio. In a declining market, that is a considerable success. As planned, positive aspects were the significant reduction in inventories and capital requirements in the stores. A further positive aspect was the fact that the new concept received favourable ratings in all areas in customer surveys – the customers felt better, found the items sought more quickly and yet still had the impression of being able to choose from a wide range of products.

In 2006, Max Bahr initiated its innovative small store format concept under the name of "Max – the compact DIY store" in Berlin. The stores are intended to cater for local urban needs. The initial experience gained with the 11 small-format DIY stores existing as of the end of 2007 was encouraging, which is why the concept will be expanded in 2008 to include 24 new outlets in Berlin. The concept is based on the idea of carrying a small range of high demand DIY items in densely populated residential areas. Thus, the demand for items used in minor repairs can be met without customers having to travel long distances for their purchase. Due to their compact size (on average 200 square metres), the stores are not included in any operative statistics.

Number of stores and sales increase, segment earnings maintained

The acquisition of Max Bahr resulted in a strong expansion of the store portfolio in Germany. At the end of the year under review, the Praktiker Group operated a total of 337 stores in Germany, 261 of which belonging to the Praktiker brand and 76 to the Max Bahr brand. The sales generated in the Germany segment in 2007 increased by 25.4 percent to 2,862.1 million euros following the acquisition of Max Bahr.

Industry DIY sales in Germany declined sharply. Like-for-like, the Praktiker brand also recorded a fall in sales of 3.6 percent. This also impacted on sales density, which – including Max Bahr – dropped to a level of 1,381 euros per square metre in the past financial year (previous year: 1,506 euros per square metre).

This was the main reason why the operating earnings generated in Germany did not keep pace with the sales increase. They were reported at 41.1 million euros (previous year: 58.5 million euros), a development attributable primarily to the fact that the increase in value-added tax could not be passed on to the customers in the first half-year. In the second half of the year high price discounts were necessary due to the sharp decline in overall demand. In addition, earnings were subjected to a one-off expense amounting to 9.8 million euros due to the requirements imposed by the Federal Cartel Office necessitating the divestment of 3 outlets in return for the clearance of the Max Bahr takeover. On the other hand, synergies amounting to around 20 million euros could already be achieved in the year under review.

In the management's opinion, however, this level of earnings is not a true reflection of the company's underlying profitability. Earnings were impacted by one-off expenses for the integration of Max Bahr amounting to around 6 million euros as well as costs incurred in the conversion of 60 Praktiker stores to the Easy-to-Shop concept totalling some 25 million euros.

In Germany, Praktiker invested a total of 54.1 million euros in 2007 (previous year: 13.9 million euros), an increase attributable to the capital expenditure made for the new Max Bahr outlets and for the conversion of 60 Praktiker stores to the Easy-to-Shop concept. Capex for renovation and maintenance purposes accounted for 17.6 million euros (previous year: 13.9 million euros).

Segment reporting – International

Leading market position retained via growth

Apart from its operations in Germany, Praktiker is represented in eight other European countries – Bulgaria, Greece, Luxembourg, Poland, Romania, Turkey, Hungary and, since November 2007, the Ukraine. These countries are all grouped together in the company's international segment.

Praktiker's positioning in its European markets is fundamentally different to that in Germany. In the countries of Southern and Eastern Europe, Praktiker is positioned as a DIY supplier offering a full range of products including a variety of service options and customer advice. Renovation, modernisation and decoration are the core features of the assortment.

Moreover, the company's product range includes items from the consumer electronics, household goods and white goods sectors in some countries. As such, Praktiker operates internationally with a product range exceeding that offered traditionally by a DIY supplier. This concept enjoyed great success in the past years and will be further expanded in the future. Praktiker's international business is the group's growth segment.

As such, growth is expected to come both from the countries in which Praktiker already is present as well as from new markets. In line with this intention, 2007 saw the opening of the first Praktiker store in the Ukraine. Furthermore, the decision has been taken to expand operations into Albania in 2008. Step by step Praktiker is tapping the potential of new lucrative markets with a focus on Eastern Europe.

Praktiker has set itself the goal of assuming a leading position, if possible the number one in the industry in all countries in which the company is represented. In Greece, Luxembourg and Romania, this is already the case. In Bulgaria, Hungary and Turkey, Praktiker is competing for the number one position neck to neck with a different competitor in each case. Only in Poland – the first Eastern European market Praktiker entered back in 1997 and the Ukraine, the latest country in the portfolio – does Praktiker currently not occupy such a leading position.

In the 2006 financial year, Praktiker had started to consider property acquisition in its search for new locations in order to be able to participate in the potential increase in the value of real estate in Eastern Europe. As a result, Praktiker purchased 4 outlets in 2007, one each in Bulgaria, Greece, Romania and Hungary.

Significant increase in sales and earnings

In the 2007 financial year, the expansion of the international network of outlets gathered pace. In all, 15 new stores were opened, 4 of which in Romania, 3 in Poland, 2 each in Bulgaria, Greece and Hungary and 1 each in Turkey and the Ukraine. In addition, a good number of outlets in various countries underwent expansion, enhancement via garden centres and enlargement. At the end of the year un-

der review, Praktiker operated a total of 88 stores abroad with an overall selling space of 613,173 square metres.

The expansion of the group's store portfolio was a major reason for the increase in sales. In its international operations, Praktiker generated net sales totalling 1,082.9 million euros in the 2007 financial year, an increase of 202.6 million euros or 23.0 percent over the previous year's level. Even when adjusted to take account of changes in selling space, sales were up sharply by 11.4 percent. Sales density also improved at 1,805 euros per square metre (previous year: 1,719 euros per square metre). However, due consideration must be given to the fact that the mild winter resulted in exceptionally high increases in sales in the first half of 2007, which were far in excess of those generated under normal business circumstances. Moreover, fluctuations in the rates of exchange supported the growth in sales. On the assumption of constant exchange rates, the rise in like-for-like sales would have been 8.4 percent.

An accelerated rate of growth goes hand in hand with a corresponding rise in lead costs for the opening of new outlets, which in the short term has an attenuating effect on the increase in earnings. Overall, the group's international operations generated earnings before net interest income, taxes and the amortisation of goodwill of 74.9 million euros, an increase of 42.4 percent against the previous year (52.6 million euros).

The increased pace of growth also caused a sharp rise in capital expenditure. In 2007, a total of 113.8 million euros were invested abroad (previous year: 54.0 million euros), 98.9 million euros of which in portfolio expansion and 14.9 million euros in the maintenance of existing stores.

Marketing tailored to country-specific needs

In its international operations, Praktiker pursues an autonomous marketing strategy tailored to the market requirements and spending habits prevailing in the given countries. As such, the marketing approach differs significantly from the price-aggressive strategy pursued in Germany. As a result, there are no discount campaigns, nor is the topic of price leadership relevant. Instead, Praktiker positions itself as a solution-oriented, competent supplier of goods and services, who will find answers to specific customer requests. Praktiker not only sells quality at fair prices, it also counsels and supports customers in their projects. In addition to the in-depth market experience, which Praktiker has gained over time, this is a further competitive advantage enjoyed over other competitors.

Procurement largely on national level

In its international activities, Praktiker offers product ranges which are not as deep as in Germany. Moreover, assortments are tailored to meet regional needs which again vary greatly in terms of range breadth and product quality. On average, the number of items offered in a international store amounts to around 36,000. These are sourced on average from around 350 suppliers. As such, product variety and the number of suppliers are considerably lower than in Germany. In order to be able to service the locally varying demand in a customer-friendly manner, the national organisations work together with

local suppliers to an extent in excess of 80 percent in most cases. The share of private labels sold in international outlets in 2007 stood on average at 3.7 percent, the same as in the previous year.

Innovation and development

Praktiker has developed a small store format in Greece with a selling space of 4,000 square metres. The product range in one of these smaller stores is as broad as that of a standard format outlet, but the depth of the assortment has been reduced. This format is particularly well-suited for catchment areas with lower population densities or purchasing power. It therefore permits market penetration even in areas where standard format stores would not be viable. Apart from Greece, this format has also been used in Romania. In future, it can be transferred to other countries too.

In Hungary, Praktiker has equipped a store with an innovative, electronic price labelling system. The system permits to control the shelf prices centrally. If it proves to be successful, it may be used in other stores, too.

Other key events

At the beginning of July 2007, a fire destroyed parts of the Praktiker store in the Greek city of Thessaloniki. As early as November, however, customers were again able to purchase at least certain products from the company's range in a provisional store covering a sales area of around 1,500 square metres. The complete reopening of the outlet is planned for summer 2008. Praktiker did not incur any financial losses as a consequence of the fire as adequate insurances for inventories, shop fittings and business interruption had been contracted. Nevertheless, the closure of the market in the second half of the year resulted in sales losses amounting to around 22 million euros.

In the financial year under review, the group managed to turn its Poland business around, generating positive operating earnings again for the first time in years. This development was attributable to a range of individual measures resulting in changes to the product range structure, brand positioning and the scope of available service offers.

Remuneration report

In our remuneration report, we provide a summary of the key principles applied for setting the remuneration of both our management board and supervisory board and also explain the structure and level of the remuneration concerned.

Remuneration of the management board

The remuneration of the management board is a constituent part of a comprehensive remuneration system for the management staff at Praktiker Group. It sets performance incentives for the sustained enhancement of the company's enterprise value and consists of both fixed and variable components.

The overall structure and level of management board remuneration is stipulated by the personnel committee of the supervisory board. Remuneration is determined by the size and global alignment of the group as well as by its economic effectiveness. Overall remuneration and the individual remuneration components are appropriately proportionate to the duties and responsibilities of the given management board member, to his or her personal performance, to the performance of the management board as a whole and to the economic position of the group. The remuneration is set in such a way as to be competitive on an international basis and offers a clear incentive to our management board members to work in a committed, successful manner and meet the targets set.

The overall remuneration of the management board is performance linked and comprises three components – one component which is independent of success (salary), one component which is linked to success (bonus) and one component with a long-term incentive impact (share value increase bonus).

The following criteria apply to the individual components of management board remuneration:

- The success-independent remuneration component is paid out as a monthly salary taking account of other, material benefits.
- The performance-related remuneration component is a variable cash payment based on value enhancement, the level of which is determined via EVA-based remuneration entitlements (economic value added) giving due consideration to business results and the cost of capital employed. The annual bonus thus calculated is only paid out to a maximum level equating to the target bonus even in cases where the set target is exceeded.

The remuneration component received on an annual basis by management board members in addition to the target bonus is determined via the share of the total bonus exceeding the EVA target bonus, which is then credited to a bonus bank. Depending on the level of the EVA factors in future years and the given recalculation of the bonus bank credit, the bonus bank deposits thus become due for payment in the subsequent years. A fixed percentage of the credit amount held with the bonus bank is paid out each year and the residual amount is then carried forward.

The bonus bank serves the purpose of spreading the bonuses evenly and aims to foster value-enhancing decision-making behaviour in the long term. As such, this remuneration system takes account of the development in the company's enterprise value not only in the short term but in the medium- and long term too.

Furthermore, when setting bonus levels, the personnel committee of the supervisory board has the option of taking account of the personal performance of the individual management board members as is not directly reflected via the EVA remuneration system, such as in respect of mergers and acquisitions.

- As far as the component with long-term incentive impact is concerned, this relates to bonuses based on share price development and the ensuing increase in value. In the 2006 financial year, a five-year share bonus scheme was introduced, the first tranche of which was awarded in 2006. This scheme guides the allocation of cash bonuses, the level of which depends on the development of Praktiker shares seen against that of appropriate indices. The entire share bonus scheme is divided up into tranches allocated annually, the target parameters being calculated separately for each tranche. The term to maturity of each tranche runs for three years with the last tranche being allocated in 2010.

Payment of the individual annual share bonuses occurs in the month following the end of the term to maturity of the given tranche, provided the conditions of payment have been met.

The level of the given bonus is initially determined via the ratio of the base price against the target price of the shares. The base price per tranche equates to the arithmetical average of the closing price of the Praktiker share on the last 20 consecutive trading days prior to the cut-off date (four weeks after the given annual general meeting). The target share price, qualifying for allocation of the full bonus payment, is worked out on the basis of the base price plus an increase of 15 percent over a period of three years. The bonus is increased or reduced on a pro-rata basis in the event that the movement of the share price exceeds or falls short of the 15 percent mark.

The level of the given bonus also depends on the performance of Praktiker shares as compared with the relevant indices, MDAX and Dow Jones Euro Stoxx "General Retailers". In the case of Praktiker shares outperforming the market, the share bonus is increased to 120 percent, if they underperform, the bonus is cut to 80 percent. Outperformance / Underperformance is considered to be the case when the price development of Praktiker shares exceeds / falls short of the above-mentioned mean value by more than 10 percent on average.

Payment of the share bonus is limited to the current, individually agreed basic annual salary (gross).

The share bonus is only awarded if, at the point in time of it becoming due, the contract of employment at Praktiker Group has neither been terminated nor has a mutually agreed cancellation of the contractual relationship occurred. In case the share price at the end of term to maturity is below the base price, a bonus multiplier of zero applies. In this case no payout will take place.

No loans are granted to management board members nor are any liability commitments entered into on their behalf.

No pension entitlements exist in respect of management board members either. Upon their departure from the company, severance payments are not contractually agreed.

For the 2007 financial year, remuneration for the individual management board members was reported as stated in the table below, including the provisions set aside for this purpose.

Data in € thousands	2007					2006
	Success-independent remuneration		Success-linked remuneration	Components with a longterm incentive impact		
	Salary	Miscellaneous	Bonus	Entitlement to sharebonus granted	Total	Total
	T€	T€	T€	T€	T€	T€
Wolfgang Werner (Chairman)	450	16	295	2	763	1,240
Michael Arnold	408	13	180	2	603	803
Thomas Gabel	315	12	177	2	506	1,014
Karlheinz Kockmann (until 06/30/2006)	0	0	0	0	0	179
Pascal Warnking	250	13	191	2	456	327
Walter Weber (until 03/31/2007)	64	4	301	0	369	470
	1,487	58	1,144	8	2,697	4,033

The level of the success-related claims for the 2007 financial year depends on the EVA-based entitlements, the full payment of which is subject to the development of the EVA factors over the coming years due to the bonus bank nature of the system used.

On July, 6, 2007 management was granted remuneration based on share price which had a fair value on that particular day of T€504. The claims allocated in 2007 with a long-term incentive impact (share bonuses) were reported at their fair value at the time of their allocation, which was determined by an external independent assessor on the basis of the so-called Monte Carlo method.

Payment of the bonuses depends on the conditions of the share bonus scheme described. The share-oriented value enhancement bonus is not based on a number of options but instead is a target bonus in the form of a given cash amount.

Remuneration of the supervisory board

The remuneration of the supervisory board is based on a proposal submitted by the management board and supervisory board and passed by the annual general meeting as a constituent part of the company's statutes. Supervisory board remuneration takes account of the size and global alignment of the group, the duties and responsibilities of the supervisory board members as well as the economic position of the group. It comprises a fixed remuneration component and a success-linked remuneration component based on group earnings.

As part of the fixed remuneration component of the Praktiker Bau- und Heimwerkermärkte Holding AG pay scheme, the positions of chairman, deputy chairman as well as chairman and member of committees are awarded additional compensation. The chairman receives three times, the deputy and the chairmen of the various committees receive two times, and the other committee members one and a half times the fixed and success-linked amounts of remuneration received by a member of the supervisory board without these special duties. If a member of the supervisory board holds a number of positions simultaneously, he or she receives the remuneration for only one position, in the case of varying levels of remuneration for the position with the highest level of remuneration. All members are reimbursed for the expenses they incur.

The success-linked remuneration component is based on the amount by which consolidated earnings before the deduction of taxes and minority interests as well as before the scheduled amortisation of goodwill as an average of the past financial year and the two previous financial years exceed 25 million euros.

No loans are granted to supervisory board members nor are any liability commitments entered into on their behalf.

No pension entitlements exist in respect of supervisory board members either. Severance payments are not stipulated in the company's statutes.

In addition, the company reimburses any value-added tax imposed on the supervisory board remuneration components.

The remuneration of the members of the supervisory board of Praktiker Holding AG attributable to the 2007 financial year including provisions set aside for this purpose is reported as follows:

	2007			2006
	Fixed	Variable	Total	Total
	T€	T€	T€	T€
Dr. Kersten von Schenck (Chairman)	54	96	150	144
Marliese Grewenig (Debuty Chairwoman)	36	64	100	96
Barbara-Viktoria Beckers	27	48	75	72
Dr. Norbert Bensele	18	32	50	48
Helmut Biegel	27	48	75	72
Hans-Dieter Clingen	27	48	75	72
Dr. Rolf Giebeler (until 06/27/2006)	0	0	0	24
Ulrich Grillo (from 06/27/2006)	27	48	75	37
Dr. Kai Hafner (from 06/27/2006)	18	32	50	24
Johann C. Lindenberg	27	48	75	72
Dr. Wolf-Dietrich Loose	18	32	50	48
Zygmunt Mierdorf	27	48	75	72
Rainer Reichenstetter	18	32	50	48
Frank Schuster	18	32	50	48
Prof. Dr. Harald Wiedmann	36	64	100	96
Thomas Unger (until 06/07/2006)	0	0	0	35
Axel Willrath	18	32	50	48
Rüdiger Wolf	18	32	50	48
	414	736	1,150	1,104

Risk report

The management board of Praktiker Holding AG has implemented a cross-group risk management system. The risk management system serves the purpose of risk identification as well as risk elimination or mitigation and encompasses all Praktiker Holding AG's corporate divisions and all corporations belonging to the Praktiker Group.

Business activities are subject to risk by virtue of their very nature. Internal risk management guidelines are characterised by the concept that no action or decision may expose the group to an existential risk. If risks cannot be avoided, they must be insured to the extent possible and economically feasible. Residual risks must be controlled by using risk management tools.

The principles underpinning this risk management system are documented in a risk management manual for the group compiled by the management board. It contains the organisational and procedural fundamentals applying both to the group's German operations and to its foreign-based subsidiaries. As such, the management board complies with its responsibility in respect of the stipulation of the risk management principles and the organisational setup of the risk management system. In this connection, the management board also assumes the duty of providing the supervisory board and the shareholders with the necessary information. Immediately below management board level, a risk management officer coordinates risk reporting activities throughout the group. The risk management coordinator is above all responsible for the further development of the risk management system, for risk reporting coordination and for drawing up the monthly risk reports for the management board. These reports keep the management board informed about any key changes in the risk landscape and developments in risk management as well as about the measures taken in terms of risk mitigation or prevention.

The heads of the divisions are responsible for identifying, logging and valuing the respective risks of their division. It is their duty to control and monitor the risks applying to the part of the business they are in charge of. For this purpose, a standardised risk matrix is used and updated on an ongoing basis. It features all key risks together with their probability of occurrence and potential financial implications. Countermeasures for potential and existing risks are defined for each corporate division. The manner in which the individual risks have developed and the nature of the countermeasures taken are documented too.

Every six months, the risk management officer carries out a risk inventory, taking account of all risk reports and changes relevant to the given risk assessment. The results are submitted to the management board in the form of an extract from the risk inventory of all key risks.

The process-independent monitoring of the risk management system is the responsibility of Praktiker Group's internal audit department, which examines the risk management system in terms of its functionality on a yearly basis.

The risk management system is firmly established in all parts of the company and has become part of routine corporate activity. In the Praktiker Group, the following key risks were identified:

Political risks

The management fully understands that some risks, above all such as arise from a change in the legal framework, a lack of reliability of the legal framework or the instability of the political situation, cannot be mitigated via risk management measures. As such, a loss in earnings has simply to be accepted if such risks materialise. The increase in value-added tax in Germany was a case in point here. It could not be passed on to the customer via price increases in the short term and therefore resulted in significantly reduced earnings. The same applies to the reform of corporate taxation in Germany. It resulted in one-off non-cash tax expenses amounting to 42 million euros.

Country risks

Political risks in the sense of unstable settings, civil unrest, strikes or similar disturbances did not materialise in 2007. Nor are there any indications that they might materialise in the near-term future in Germany or in the countries of Southern and Eastern Europe in which Praktiker is active. On the contrary, the expectations are that Romania and Bulgaria, both of which joined the European Union in 2007, will continue to stay politically stable. In the Ukraine too, stability is on the increase following the upheaval of the “orange” revolution. It seems that the Ukraine too, can thus benefit from good economic relations with their western neighbouring countries.

Praktiker continuously observes the political and social developments within the individual countries in order to check them against any potential risks. That way, Praktiker develops a thorough understanding of country specific risks and consciously subjects itself to those risks when entering a new country. The Ukraine will gain further weight in the future. 2008 will also see the opening of the first Praktiker store in Albania. Moreover, the expansion will also be reinforced in those countries in which Praktiker has not opened any additional outlets for years – such as Poland or Turkey.

In individual countries, there is a risk that new competitors may enter the market. Here too, Praktiker cannot prevent this happening. But what it can do is extend its edge over the competition still further, secure attractive locations for outlets, be present in key regional markets and improve brand awareness even further. In this way, penetration of the market concerned becomes a less attractive proposition for competitors. Rapid yet prudent growth contributes to strengthening the company's own competitive position.

Currency risks

Due to its presence in countries using a currency other than the euro, Praktiker Group is exposed to currency risks. A certain degree of diversification is achieved automatically via the growing number of countries in which Praktiker is active – at least to the extent that no cluster risk is formed.

Insofar as they are related to payments, Praktiker Group hedges all risks arising from changes in exchange rates. This is, above all, the case with regard to procurement activities in the dollar region. Im-

ports from Asia invoiced in dollars are hedged against exchange rate fluctuations vis-à-vis the euro. However, as the majority of products sold abroad are sourced from suppliers based in the countries concerned, a form of “natural hedging” in respect of the given products occurs.

In spite of all the hedging measures taken, a not inconsiderable residual risk still remains as foreign currency risks arising from the valuation of balance sheet positions cannot be hedged at an economically viable cost. The resultant impact on earnings is reported under the item “currency gains and losses” as part of net financial income. The gains and losses concerned are income or expense items related to year-end valuations and predominantly have no impact on cash. In 2007, this type of expense, which was above all attributable to the devaluation of the Romanian lei, accounted for a low, single-digit million euro amount.

Financial risks

The finance division’s duties include the identification, valuation and hedging of financial risks. Within the group there are no credit risks of any significance. Sales to customers are transacted in cash or via standard credit cards. Cash deposits or derivative financial instruments with positive market values with financial institutions are subject to varying maximum limits, which are based on the ratings published by international agencies.

The finance division also acts as a cash consolidator for the entire Praktiker Group. As a result, its duties include ensuring that sufficient liquidity is available at all times. Surplus liquidity is invested in short-term money market transactions with reputable European credit institutions. For the purpose of bridging any short-term liquidity bottlenecks, Praktiker Group has access to a consortium loan of 200 million euros. As such, the management is of the opinion that the liquidity risk is practically hedged in its entirety.

General business risks

The Praktiker Group undertakes preventive action in terms of general business risks via its constant observation of changes in supply and demand in the individual markets. This is firmly anchored in its standard reporting system in the form of daily reports on the sales in all markets. In this way, trends in demand are identified at an early stage. Items subject to declining demand or sharply enhanced competition can be withdrawn from the product ranges on offer and replaced with such items as enjoy greater popularity among customers. In this process, regional differences in customer preferences are taken into account and product ranges are adjusted to meet specific needs on a per-country basis. Put in a nutshell – outlets and product ranges are subject to ongoing optimisation.

In Germany, the consequences of this strategy are clearly evident. After all, the new ‘Easy-to-Shop’ concept was developed against the backdrop of changes in customer requirements. Fewer items but a clear price and brand hierarchy, improved guidance systems in the stores and a self-explanatory presentation of products all help to enable the customer to shop faster and more conveniently. This concept had already been implemented in 66 Praktiker stores as of the end of the year under review.

Moreover, the company pressed ahead with the optimisation of its portfolio of outlets. In all, 2007 saw a total of 15 stores, of which 8 belonging to the Max Bahr brand being closed or sold in Germany (2006: 7 stores) because they showed little prospect of meeting the return targets set or because the sale was required by the Federal Cartel Office in return for its clearance of the acquisition of Max Bahr. On the contrary 8 new stores were added to the German portfolio, most of them replacing stores that had been closed.

Within the existing network of stores, due attention is given to ensuring that dependency on individual suppliers remains at a low level. As such, the 20 most important suppliers provide somewhat more than 30 percent of total sourcing volume, whereby no single supplier exceeds a volume of 5 percent. Diversification on the individual item level is even more marked. The ten items generating the highest sales account for somewhat more than 2 percent of total sales. No single item has a share of total sales in excess of 0.4 percent. Via this form of diversification, Praktiker Group is taking preventive action to avoid any sourcing bottlenecks with individual suppliers. Moreover, consolidated sales and earnings are virtually independent of fluctuations in the demand for individual articles.

A further aspect in securing the flow of supplies is the fact that contracts for most items or groups of items have been concluded with a number of suppliers. As such, the group not only avoids becoming dependent on any single supplier but also ensures that the given products can be sourced even if one supplier has difficulties in delivering.

For the purpose of outlet portfolio optimisation following the acquisition of Max Bahr, the question as to whether existing outlets ought to be transferred to the other brand also had to be addressed. In 2007, this occurred in two cases. One store in Lueneburg, which was originally planned as a Max Bahr outlet was opened under the Praktiker brand. By contrast, the Praktiker store in Villingen-Schwenningen was converted into a Max Bahr outlet. In both cases, the expectation is that profitability will be enhanced.

Decisions to open new outlets, which in the case of the Praktiker brand were located outside Germany, were as a general rule only taken after careful analysis of the catchment area, regarding purchasing power and demand potential as well as the local competitive situation. In addition, a new outlet is only acquired or hired if the location is right – preferably in the vicinity of other retail operations or on busy arterial roads. It happens again and again that the infrastructure at given outlets deteriorates at no fault of the company. If outlets run the risk of generating losses, they are monitored and assessed on a regular basis. If necessary, relevant precautions are taken (e.g. onerous contracts).

The routine operation of do-it-yourself stores involves ensuring that adequate anti-theft measures are taken and valid construction regulations are observed. Rising energy prices are cushioned via diverse economy measures such as a reduction in heating temperatures or the installation of reflectors that collect the light, thus enabling the number of lamps to be reduced. Equally, standard practice includes insuring the risk of operational interruptions. How important this can be was demonstrated in 2007 when the Praktiker store in Thessalonica was partially destroyed by a fire. The store had to be closed temporarily. The loss in earnings was covered by the insurance. General business operations with the

various relations to suppliers, customers and a variety of public institutions legal disputes can not always be avoided. In order to be prepared for any payment obligations arising from them, provisions are made for the threat of risks from legal disputes. It is the duty of the legal department to keep such risks as minor as possible – in part via cooperation with internationally active law companies specialising in the areas concerned. Provisions amounting to 10.1 million euros were set aside for risks arising from legal disputes and for facts under fiscal law in the financial year under review.

IT risks

Praktiker's business operations largely depend on a smoothly functioning IT infrastructure. The measures relevant to the re-examination of the entire IT infrastructure, initiated in 2006, continued to be pursued and were largely concluded in 2007. The package included the external back-up of data, an emergency plan, the expansion of the data control centre and construction measures. The already low risk that unforeseeable events could cause massive disruptions or even the complete shut-down of the IT system has thus been reduced still further.

Existential risks not identified

The risks described have the potential of impacting on Praktiker Group's income, financial and asset position. This is why the management observes the risks concerned very closely, is being informed about any changes in the risk landscape via the monthly risk report and reacts accordingly. However, it is the management's opinion that none of the risks identified has the potential to endanger the existence of Praktiker Group as a whole.

Outlook

General economic settings to remain positive

In the countries in which Praktiker is represented, the overall economic development is expected to be generally positive.

Moderate growth of German economy expected

In Germany, the unanimous opinion of the economic research institutes is that 2008 will see growth in gross domestic product of between 1 and 2 percent. That would still be more than the average of the past five years, but equate to a deceleration in the rate of growth as compared with 2007. Private consumer spending, following its decline last year due to the increase in value-added tax in 2007, is expected to stabilise again. Growth of between 1 and 2 percent is anticipated here too.

As far as 2009 is concerned, forecasts envisage a continued increase in gross domestic product, but again at a slightly reduced rate. The same applies to private consumer spending.

Seen overall, these are general economic settings that do not necessarily point towards a continuation in the declining trends of the year under review. On the other hand, the forecasts do not identify any factors that could greatly stimulate the DIY business in 2008 and 2009 either. The number of private construction projects will probably remain at its low level, the energy package passed by the German government will generate a certain increase in demand but timing and extent of the impact remain unclear. The support of measures to increase the energy efficiency of residential properties is unlikely to stimulate additional demand any sooner than in the medium term. Nor will the competition lose any of its fierceness over the coming two years, unless the consolidation of the sector, which gathered speed in 2007 with three takeovers, progresses quickly. There can be no doubt that the larger units already in existence will improve their efficiency still further and thus be in a position to increase the pressure of price competition while keeping their level of profitability. This will force weaker competitors to reconsider their own positions. In the view of Praktiker's management, consolidation, market streamlining and capacity reductions are likely to characterise the Germany do-it-yourself sector in the next few years and, thus, contribute to bringing the available selling space back into better, market-compliant balance with demand.

Ongoing good growth prospects abroad

The growth prospects for the countries in which Praktiker is active outside Germany are primarily positive, even if they became somewhat diminished in the wake of the global financial crisis. On average, they stand at between 3 and 6 percent for 2008 and 2009. The anticipated increase in private consumer spending is in some cases even higher as consumption has become a key stimulus of growth in a number of countries. Despite the fact that the countries of Eastern Europe will inevitably be affected too by the worldwide crisis in the financial markets, their growth still appears so robust that at most a minor weakening needs to be expected, and under no circumstances any major shift in the positive trend. For, after all, the basic situation is unchanged. Given an above-average proportion of house ownership, the demand for renovation is high. The purchasing power of the population is sig-

nificantly above that identified in the official statistics as many people living in these reform countries continue to receive support from relatives and friends who have emigrated to the West. Moreover, 2007 showed that political stability has improved. In Bulgaria and Romania, integration into the European Union made an important contribution in this respect.

The strong growth in sales and earnings that Praktiker generated in 2007, above all in Eastern Europe, is testimony to the pre-dominantly dynamic nature of the market. Due to the mild weather in winter, however, the development was exceptional and unlikely to be repeated to the same extent. Further growth is anticipated to reach low double-digit rates in absolute or medium single-digit levels in like-for-like terms. In the countries of Eastern Europe there are still many regions in which modern retail concepts are virtually unknown. Likewise, it also still applies that the degree of competition is significantly lower than in Germany.

Germany

Uncertainty after value-added tax increase

The increase in value-added tax at the beginning of 2007 had a considerable impact on the market. Initially, it led to purchases being brought forward, which was of benefit in 2006, then to a fall in sales and decline in earnings throughout the course of the entire year under review. The uncertainty in forecasting developments in 2008 is correspondingly great. In a presumably stagnating market, Praktiker expects initial sales momentum from the 66 stores that were converted to the Easy-to-Shop concept as of the end of 2007. These stores report enhanced sales development as compared with that of the portfolio as a whole. Moreover, 2008 will see the profile of the Max Bahr stores as a service-oriented supplier honed still further. This too should improve the company's market position. However, even assuming a positive scenario, sales growth is expected to remain low. Our aim in Germany is to enhance the earnings quality of sales and further gain market share.

Earnings improvement via enhanced gross margin

Given a marginal increase in sales, operating income can primarily be improved by enhancing the gross margin. This is precisely the focus of the management's endeavours over the coming years. The prospects for reaching this goal are looking good to the extent that prices are meanwhile reflecting the increased value added tax. The margin squeeze that Praktiker suffered in 2007 is therefore unlikely to repeat itself. However, whether enhanced margins can be achieved largely depends on how the German market develops as a whole – and above all on the question as to whether marketing activities can be reduced as compared with 2007 as planned. 2008 will see Praktiker investing further in the implementation of the Easy-to-Shop concept. In order to keep the fall in sales unavoidably linked to the conversion down to an absolute minimum, the management board decided to convert no stores in the main season, which primarily encompasses the second quarter. However, nothing has changed in terms of the overall objective of the Easy-to-Shop project, namely to have converted in total around 80 percent of the store portfolio of the Praktiker brand to the new concept by the year 2010.

For the conversion to the Easy-to-Shop concept, operating expenses amounting to between 20 and 25 million euros per year approximately are planned in 2008 and 2009.

One-off integration costs such as those arising from the integration of Max Bahr are not anticipated for 2008. The integration has largely been concluded.

Investment primarily for renovation and IT

2008 and 2009 will see Praktiker in Germany investing primarily in the renovation and maintenance of its existing store portfolio including capital expenditure necessitated by the conversion of further stores to the Easy-to-Shop concept. Improvements to the IT infrastructure feature more heavily in the capital expenditure plan than was the case in previous years. The focus here will be on the implementation of a new cash register system, the expansion and enhancement of the merchandise management system and a logistics project undertaken jointly by Praktiker and Max Bahr. In all, investments amounting to more than 100 million euros are planned over the coming two-year period.

International

Sales growth to remain in double-digit territory

Over the next few years, Praktiker Group is continuing to rely on expansion abroad, above all in Eastern Europe. Focus will be on two new countries – the Ukraine and Albania. But also in countries, in which Praktiker is already active, new outlets are expected to be opened, whereby Romania will be playing a key role as a focus of growth.

2008 is planned to see 15 to 20 new openings; in 2009, the number of new stores is expected to reach a similar level. By entering the Ukraine in 2007, Praktiker started to tap further growth potential in Eastern Europe. Over the next few years, Praktiker aims at gradually establishing itself in the major cities of the country and positioning itself in the local competitive framework. In 2008, 3 store openings are planned in the country's most important economic centres. In the year after, between 3 and 5 new openings are to be expected. The medium-term objective is to operate a portfolio of around 25 stores in the Ukraine.

In 2008, the aim is to enter the Albanian market and open 2 stores. In the year after, the portfolio is expected to increase by 1 outlet.

Among the countries in which Praktiker is already present, Romania will remain the number one growth country, the aim being to profitably develop the position as the market leader which the company has already assumed, to reinforce its regional presence and secure the best locations for new outlets. As such, Praktiker is raising the market entry barrier and keeping a step ahead of its competitors, who are also interested in tapping the country's potential. The strategy already described last year has not changed, which is why 4 or 5 new outlets are planned for Romania in both 2008 and 2009.

In all other countries, moderate development of the store portfolio is planned with the opening of 1 or 2 stores per country anticipated in both 2008 and 2009. As such, the company is pressing ahead with expansion fast, but also with a sense for the appropriate expansion speed.

In so doing, Praktiker is relying on a store concept comprising two modules. In addition to stores with a standard size of around 6,500 square metres, a small-format concept of around 4,000 square metres has been developed 2007 in Greece. This concept is set to be implemented in other countries in the group's international segment wherever this is possible and makes sense.

For the years 2008 and 2009, Praktiker forecasts sales growth in its international operations of a clearly double-digit rate, whereby the larger share of additional sales will be attributable to the new outlets, as was already the case in 2007. However, Praktiker is also anticipating like-for-like growth in its existing stores.

Operating earnings reflect rate of expansion

Together with the rise in sales expected to be generated in Praktiker's international markets in 2008, operating earnings (EBITA) are also set to increase, whereby particularly existing stores are anticipated to report enhanced profitability. However, as the number of new openings is expected to exceed that of the previous year, higher pre-opening expenses and start-up losses will be incurred with the corresponding negative impact on EBITA. A similar picture is anticipated for 2009 as a comparable rate of expansion is planned. In total, the EBITA margin is expected to be between 6 and 7 percent.

Enhanced expansion automatically results in a further increase in capital expenditure irrespective of whether Praktiker is able or not to acquire the ownership of one or more outlets.

Praktiker Group

Moderate increase in consolidated sales expected

The integration of Max Bahr and expansion abroad had lead to an increase in consolidated sales to just under four billion euros in 2007. The growth anticipated internationally is expected to contribute to the further rise in sales within the group in 2008 and 2009. The extent to which consolidated sales will increase depends primarily on how sales develop in the German DIY market. Assuming stable development in Germany, consolidated could rise at a medium single-digit rate.

All measures aligned to value enhancement

As already was the case in 2007, earnings in 2008 and 2009 will be burdened by expenses incurred for the conversion of German Praktiker stores to the Easy-to-Shop concept. Other one-off effects are not visible from today's perspective, but cannot be ruled out either. The one-off integration costs for Max Bahr that impacted negatively on 2007 will not be incurred again. The development in operating earnings (EBITA) will therefore be characterised to a greater extent than in the previous year by the

company's ability to improve its gross margin and keep costs under control. Praktiker anticipates being able to increase operating earnings in both Germany and in its international operations in the two-year forecast period. However, the extent of the improvement largely depends on the development of the German market, which cannot seriously be forecast at the time this report is being compiled.

The key indicator and, at the same time, decisive criterion for the value-oriented alignment of the Praktiker Group is the return on capital employed (ROCE). An increase in operating earnings results in a rise in ROCE, but it also rises when capital intensity declines. Correspondingly, Praktiker has also set itself the aim of significantly reducing its capital employed over the course of the next two years. To this end, inventories are to be further optimised, inventory turnover accelerated and the terms of payment enhanced. These goals already numbered among the top priorities in 2007, and this will continue to be the case in the next two years. Due to improved earnings and reduced capital intensity, a rise in both EVA and ROCE is anticipated for 2008 and 2009.

Capital expenditure dominated by international expansion

Capital expenditure in 2008 and 2009 is set to be dominated by the reinforced expansion of the group's international operations. In Germany, the focus will be on renovation, concept implementation and the strengthening of the IT infrastructure. In all, capital expenditure is expected to reach a level of no less than 200 million euros per year. The final volume partly depends on the question whether rental agreements for new stores will be qualified as operating or finance leases. From today's perspective cash capital expenditure will amount to no less than 150 million euros in 2008 and around 130 million euros in 2009.

Dividend policy oriented towards continuity

The dividend policy pursued by Praktiker Group has been and will be further guided by the target of achieving as high a level of dividend continuity as possible. It will, however, be important to strike a sensible balance between expectations, planned growth, the associated funding requirements and the debt situation.

Summary

Higher margins in Germany, growth abroad

In its German business in 2008 and 2009, Praktiker Group aims to achieve earnings enhancement via an improvement in gross profit margins whereas in its international operations the anticipated increase in income is expected to primarily result from dynamic expansion. In order to maintain and reinforce its competitive position in the countries of Eastern Europe, substantial capital expenditure is planned. At the same time, the aim is to reduce capital intensity by introducing a number of measures such as a reduction in inventories, improved payment terms, etc. In this way, the Praktiker Group intends to again improve its EVA level in 2008 and earn its capital costs as early as 2009.

Report on subsequent events

Further key events that would have had a significant impact on the income, financial and asset position of Praktiker Group did not occur after the end of the financial year under review.

Information pursuant to § 289 section 4 HGB (German Commercial Code)

Subscribed capital

The share capital amounts to 58 million euros and is divided into 58 million individual, bearer-denominated shares.

Authorised capital

The annual general meeting of Praktiker Bau- und Heimwerkermärkte Holding AG held on September 26, 2005 authorised the management board, subject to supervisory board approval, to raise the company's equity capital in the period up to September 25, 2010 in one go or gradually by a total of up to 25 million euros by issuing new shares for cash or non-cash contributions (authorised capital). According to the resolution passed by the annual general meeting, the authorised capital can be used up to an amount of no more than 25 million euros by issuing new shares for cash contributions, whereby shareholders are to be granted subscription rights.

A part of the authorised capital can be used up to an amount of no more than 5 million euros by issuing new shares for non-cash contributions, whereby shareholders' subscription rights are excluded.

A part of the authorised capital can be used up to an amount of no more than 5 million euros by issuing new shares for cash contributions for the purpose of issuing shares to the company's employees or employees of companies controlled by it, whereby shareholders' subscription rights are excluded.

Within the limits of authorised capital, each of the above-mentioned capital increases may be used only up to the stated limit. The sum total of all capital increases must not exceed the total amount of authorised capital. The management board is authorised to determine all further details relevant to share rights and the terms to which the issuing of shares is subject with the prior approval of the supervisory board.

The resolution of the annual general meeting of September 26, 2005 to create authorised capital was entered into the commercial register on November 2, 2005.

Contingent capital

To extend the company's options for creating an optimised financing structure, the annual general meeting of June 27, 2006 decided to pass a resolution on a new authorisation of the company's management board to issue warrant-linked and / or convertible bonds and create new contingent capital

for this purpose. The maximum admissible par value of the warrant-linked and / or convertible bonds amounts to 600 million euros and the new contingent capital to 29 million euros. The board of management was authorised to issue warrant-linked and / or convertible bonds until June 26, 2011 subject to approval by the supervisory board. In the event that the issue of option warrants and / or convertible bonds is made in return for non-cash contributions, the management board undertakes to make use of its authorisation to exclude shareholders' subscription rights to the given option warrants and / or convertible bonds only up to a maximum amount equating to 20 percent of the share capital existing at the time of the authorisation coming into effect or at the time of the authorisation being exercised, should the value of the latter be less. As such, the increase in contingent capital for the purposes of servicing such option warrants and / or convertible bonds as are issued in return for non-cash contributions is limited to an amount totalling max. 11.6 million euros or the equivalent of 11.6 million individual, bearer-denominated shares whereby shareholders' subscription rights are excluded.

As per September 28, 2006, Praktiker Finance B.V. issued convertible bonds totalling a nominal amount of 150 million euros that are subject to a warrant from Praktiker Bau- und Heimwerkermärkte Holding AG. The bonds were denominated in units of 100,000 euros and issued for a term running until September 28, 2011 (due date). The bonds are accompanied by an option for conversion to individual, bearer denominated shares of Praktiker Bau- und Heimwerkermärkte Holding AG, with a notional share of the company's equity capital of 1.00 euro each, which, according to the discretionary power of the respective shareholder, may be exercised from November 8, 2006 until September 19, 2011, in accordance with the loan terms at conversion price fixed upon issuance of 33.77 euros (subject to possible adjustments for dividend payouts and capital changes). The convertible bonds carry a rate of 2.25 percent annual interest on their nominal value. The interest amounts are to be paid every year retrospectively on September 28.

The convertible bonds are to be paid back at their nominal value together with the accrued interest on their nominal value on the due date, provided that they have not been paid back already, converted or bought back and cancelled. The issuer is entitled to cancel bonds fully or in part, provided notice of cancellation of no less than 15 days and no more than 30 days is given. A precondition for cancellation is that the share price has exceeded 130 percent of the conversion price, applicable on the respective trading day, for a minimum of 20 trading days within a period of 40 consecutive trading days, starting from or after September 28, 2009. In such cases, the issuer pays back the cancelled bonds on the chosen payback date at their nominal value together with the interest amount accrued up until the end of the day immediately preceding the chosen payback date.

Pursuant to IAS 32.29, the book value of the convertible bond at the time of issuance was divided into financial liability and equity components. The fair value of the liability component was calculated on the basis of the market interest rate for a fixed interest loan with no right of conversion. The residual value represents the conversion right and was reported accordingly under equity capital. The financial liability increases over time with an effect on net income and comes to an amount equating to the difference between the effective interest paid and the hypothetical market rate of interest. In accordance with IAS 32.38, transaction costs associated with the issuance were classified as financial liability and

equity components of the convertible bond, proportional to the allocation of the capital raised. At the time the convertible bonds were issued, the conversion rights granted would have corresponded to around 4.4 million individual shares in the contingent capital.

Management board – composition and representation

In accordance with the statutes of Praktiker Bau- und Heimwerkermärkte Holding AG, the management board must consist of at least two members. The supervisory board appoints the members of the management board and, moreover, determines the number of management board members and any deputy management board members. It can appoint a chairman of the management board and a deputy board chairman. In all other respects, the statutory provisions set out in the German Stock Companies Act apply with particular regard to § 84 AktG (German Stock Companies Act). Praktiker Bau- und Heimwerkermärkte Holding AG is represented by two management board members or by one management board member together with one authorised signatory.

Amendment of statutes

The supervisory board is entitled to make such amendments to the statutes as only affect the formulation thereof. Otherwise, the provisions set out under § 179 AktG (German Stock Companies Act) apply, whereby the annual general meeting is responsible for amendments to the statutes.

Stakeholdings in equity exceeding 10 percent of voting rights

Lansdowne Partners Limited, London, UK notified the company as per § 21 sec. 1 WpHG (German Securities Trading Act) on August 2, 2007 in its own name and as general partner of Lansdowne Partners Limited Partnership which manages stakes on behalf of its customers' funds, exceeded the threshold of 10 percent of voting rights in Praktiker Bau- und Heimwerkermärkte Holding AG on July 25, 2007 and on this day held 10.15 percent (equating to 5,888,920 voting rights) of all voting rights. Lansdowne Partners Limited Partnership acts on behalf of the following funds:

- Lansdowne UK Strategic Investment Master Fund Limited; stakes held: 473,349; percentage: 0.82 percent
- Lansdowne UK Fund Limited; stakes held: 5,154,351; percentage: 8.89 percent
- Lansdowne UK Fund LP; stakes held: 261,220; percentage: 0.45 percent
- Total number of stakes held: 5,888,920; total percentage: 10.15 percent

(see notification as per § 26 WpHG (German Securities Trading Act) relating to notification of August 2, 2007 (Lansdowne), under www.praktiker.com – Investor Relations – Praktiker in the capital markets – Shareholder structure)

Authorisation to repurchase own shares

The company was authorised via the resolution passed by the annual general meeting held on June 11, 2007 to acquire company shares up until December 10, 2008. The authorisation is limited to the acquisition of the company's own shares with a notional stake in share capital of a total of max.

5,800,000.00 euros. The authorisation can be exercised in one go or in instalments on one or multiple occasions.

The acquisition can occur via the stock market or via a public repurchase offer.

Should the acquisition of shares take place via the stock market, the price per share paid by the company (excluding ancillary purchase costs) must not exceed or fall short of the opening price determined in XETRA trading (or via a functionally comparable successor system replacing the XETRA system) on the Frankfurt stock exchange by more than 10 percent on the given trading day.

Should the acquisition take place via a public repurchase offer addressed to all company shareholders, the offered purchase price per share (excluding ancillary purchase costs) must not exceed or fall short of the final auction price in XETRA trading (or via a functionally comparable successor system replacing the XETRA system) on the Frankfurt stock exchange by more than 20 percent on the 4th to 10th trading day prior to the date of the publication of the offer. The volume of the offer can be limited. If the overall subscription of the offer exceeds this volume, the acceptance declarations are as a general rule to be considered proportionately. The preferential acceptance of smaller units of up to 100 shares per shareholder can be envisaged.

The management board is authorised with the approval of the supervisory board in respect of shares of Praktiker Bau- und Heimwerkermärkte Holding AG purchased on the basis of this authorisation in addition to their sales via the stock market

- to offer them to third parties in connection with corporate mergers or with the acquisition of companies, parts of companies or stakes in companies by way of payment. Shareholders' subscription rights relevant to the company's own shares are excluded in this respect;
- to sell them subject to the exclusion of shareholders' subscription rights at a price that does not fall significantly short of the trading price of the company's shares on the stock market. However, this authorisation only applies under the condition that the notional stake in the share capital of the shares sold subject to the exclusion of shareholders' subscription rights as per § 186 sec. 3 sent. 4 AktG (German Stock Companies Act) may not in total exceed 10 percent of the share capital, i.e. a total of 5,800,000.00 euros; this maximum limit is reduced by the pro-rata amount of share capital attributable to such shares as are issued during the term of this authorisation on the basis of other authorisations in accordance with § 186 sec. 3 sent. 4 AktG (German Stock Companies Act) subject to the exclusion of subscription rights;
- to use them subject to the exclusion of shareholders' subscription rights to service subscription rights from convertible bonds that have already been issued. In all, the shares assigned on the basis of this authorisation must not exceed a pro-rata amount of a maximum of 10 percent of share capital to the extent that the shares are used for the purpose of complying with conversion rights or conversion obligations that were issued or justified in accordance with the application of § 186 sec. 3 sent. 4 AktG (German Stock Companies Act). This maximum limit is reduced by the pro-rata amount of the share capital attributable to such shares as were issued or

sold subject to the exclusion of subscription rights during the term of this authorisation at the point in time of usage or in accordance with § 186 sec. 3 sent. 4 AktG (German Stock Companies Act);

- to recall them subject to the reduction in share capital without a further resolution by the annual general meeting being required for recalling purposes.

This authorisation concerning the usage of the company's own shares that have been acquired can be exercised on one or multiple occasions, in full or in part, individually or jointly. As a follow - up to this, the management board will report on the reasons behind and the purpose of the acquisition of the company's own shares, the number of shares acquired and the amount of share capital attributable to them as well as on the amount paid in return for the shares at the next annual general meeting.

Key agreements subject to a change in control

The syndicated loan agreement of May 7, 2007 is subject to a change in the control procedures applying in connection with a takeover offer.

The content thereof is as follows:

„Cancellation and prepayment on change of control

If any person or group of persons acting in concert gains control of the Company:

- (a) the Company shall promptly upon becoming aware of that event notify the Agent thereof;
- (b) a Bank shall not be obliged to participate in an Advance (except for a Rollover Advance);
and
- (c) if a Bank so requires and notifies the Agent within 15 days of the Company notifying the Agent of the event, the Agent shall, by not less than 60 days notice to the Company, cancel the Commitment (including Ancillary Commitment) of that Bank or Ancillary Bank and declare the participation of that Bank in all outstanding Advances, together with accrued interest, and all other amounts accrued under the Finance Documents immediately due and payable, whereupon the Commitment (including Ancillary Commitment) of that Bank or Ancillary Bank will be cancelled and all such outstanding amounts will become immediately due and payable.

For the purpose of this Clause 9.5 control shall have the meaning of „Kontrolle“ within the meaning of Sec. 29 (2) of the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz) and acting in concert shall have the meaning of „Verhalten abstimmen“ within the meaning of Sec. 30 (2) of the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz).“

The emission of convertible bonds dating from September 28, 2006 is also subject to a change in the control procedures applying in connection with a takeover offer. According to this the holders of convertible bonds in case of change in the control are entitled to demand an anticipated redemption including accrued interest immediately.

The content thereof is as follows:

„Early Redemption at the Option of the Bondholders:

If the Issuer gives notice of a Change of Control (§ 1 of the Conditions), each Bondholder may by giving not less than 30 days' notice declare all or some only of his outstanding Bonds on the Issuer will redeem such Bonds at the Principal Amount plus interest accrued until the end of the day immediately preceding the Control Record Date on the Control Record Date. See § 5(e) of the Conditions.“

Report pursuant to § 312 AktG (German Stock Companies Act)

Praktiker Holding AG is not a dependent company as defined by the German Stock Companies Act, which is why no dependency report was drawn up pursuant to § 312 AktG (German Stock Companies Act).

Balance sheet Praktiker Bau- und Heimwerkmärkte Holding AG as at December 31, 2007

Assets	Notes	Dec. 31, 2007	Dec. 31, 2006
in € thousands	No.		
Fixed assets	(1)		
Intangible assets		20	5
Tangible assets		265	0
Financial assets		1,134,030	918,514
		1,134,315	918,519
Current assets			
Receivables and other assets	(2)	116,469	330,174
Credit balances held by banks		27	0
		116,496	330,174
Prepaid expenses and deferred charges	(3)	17,822	21,792
		1,268,633	1,270,485
Equity and liabilities	Notes	Dec. 31, 2007	Dec. 31, 2006
in € thousands	No.		
Equity	(4)		
Share capital		58,000	58,000
Additional paid– in capital		999,306	999,306
Balance sheet profit		30,995	29,585
		1,088,301	1,086,891
Provisions	(5)	2,840	2,698
Liabilities	(6)	177,492	180,896
		1,268,633	1,270,485

**Income statement Praktiker
Bau- und Heimwerkmärkte Holding AG
for the fiscal year from January 1 to December 31, 2007**

in € thousands	Notes No.	Jan.1, 2007 - Dec. 31, 2007	Jan.1, 2006 - Dec. 31, 2006
General administrative expenses	(7)	-34,272	-10,861
Other operating income	(8)	31,745	3,411
Operating earnings		-2,527	-7,450
Investment income	(9)	44,039	36,599
Other interest and similar income	(10)	158	2,952
Expenses from transfer of losses	(11)	-5,009	0
Interest and similar expenses	(12)	-9,139	-2,770
Financial result		30,049	36,781
Result from ordinary operations		27,552	29,331
Other taxes		-12	-9
Net income		27,510	29,322
Profit carried forward		3,485	263
Balance sheet profit	(13)	30,995	29,585

Notes Praktiker Bau- und Heimwerkermärkte Holding AG

Development of fixed assets

in € thousands	Cost of acquisition or production					Depreciation				Book value	
	As at Jan. 1, 2007	Additions	Transfers	Disposals	As at Dec. 31, 2007	As at Jan. 1, 2007	Depreciation current year	Disposals	As at Dec. 31, 2007	As at Dec. 31, 2007	As at Dec. 31, 2006
Intangible assets											
Concessions, industrial property rights and similar rights and values as well as licenses to such rights and values	7	24	0	0	31	2	9	0	11	20	5
Tangible assets											
Other plant, business and office equipment	0	319	0	3	316	0	54	3	51	265	0
Financial assets											
Shares to associated companies	917,074	213,816	1,440	0	1,132,330	0	0	0	0	1,132,330	917,074
Prepayments to financial assets	1,440	0	-1,440	0	0	0	0	0	0	0	1,440
Other loans	0	1,700	0	0	1,700	0	0	0	0	1,700	0
	918,514	215,516	0	0	1,134,030	0	0	0	0	1,134,030	918,514
Total	918,521	215,859	0	3	1,134,377	2	63	3	62	1,134,315	918,519

Praktiker Bau- und Heimwerkmärkte Holding AG

Notes to the financial statements 2007

Preamble

General data

Praktiker Bau- und Heimwerkmärkte Holding AG (also termed hereinafter Praktiker Holding AG) was established on August 25, 2005. The company is a stock corporation under German law and is based in Kirkel, Saarland, Federal Republic of Germany. The responsible central register court is located in Saarbrücken.

Praktiker Holding AG is the parent company of Praktiker Group and draws up the consolidated financial statements with effect of December 31, 2007 encompassing as many companies as are members of the group at the time concerned. The consolidated financial statements are submitted electronically to the publishers of the Federal Gazette and their publication is announced in the electronic Federal Gazette immediately after their submission.

Praktiker Holding AG and its subsidiary companies deal in the purchase of participating interests in wholesale, retail and service companies and in the wholesaling and retailing of home improvement and DIY products as well as of all kinds of food and non-food merchandise, the importing and exporting of such products and, first and foremost, the operation of home improvement and DIY stores in Germany and abroad.

Various items have been grouped in the balance sheet and income (profit and loss) statement in order to enhance the clarity of the presentation. The items grouped in this way are set out separately in the notes to the statements.

The consolidated financial statements have been drawn up in Euro thousands.

The fiscal year corresponds to the calendar year.

Changes in the group of associated companies

In April 2007, ARIS PROJECT DEVELOPMENT S.R.L. was founded for the purpose of implementing construction projects. Since May 31, 2007, Praktiker Grundstücksbeteiligungsgesellschaft mbH, Kirkel, holds 99.978 percent of the shares and BMH Baumarkt Holding GmbH, Kirkel, holds 0.022 percent of the shares of ARIS PROJECT DEVELOPMENT S.R.L. Later on it was resolved that ARIS PROJECT DEVELOPMENT S.R.L. would be renamed Praktiker Real Estate Romania S.R.L. The share capital of Praktiker Real Estate Romania S.R.L., which is based in Voluntari, Romania, amounts to RON 9,300,000 (€2,781,017.31).

Since May 31, 2007, Praktiker Grundstücksbeteiligungsgesellschaft mbH, Kirkel, holds 99.978 percent of the shares and BMH Baumarkt Holding GmbH, Kirkel, holds 0.022 percent of the shares of ARIS PROJECT DEVELOPMENT S.R.L. Later on it was resolved that ARIS PROJECT DEVELOPMENT S.R.L. would be renamed Praktiker Real Estate Romania S.R.L. The share capital of Praktiker Real Estate Romania S.R.L., which is based in Voluntari, Romania, amounts to RON 9,300,000 (€ 2,781,017.31).

After foundation of Praktiker Real Estate EOOD, Sofia, Bulgaria, Praktiker Grundstücksbeteiligungsgesellschaft mbH, Kirkel, took over all shares of the company. The share capital of Praktiker Real Estate EOOD amounts to BGN 2,453,180 (€ 1,254,291.02). The main purpose of the company is the leasing, acquisition and sale of land and buildings.

With the foundation certificate from June 11, 2007 Praktiker Real Estate EOOD, Sofia, Bulgaria, was founded, took over all shares of the company. The share capital of Praktiker Real Estate EOOD amounts to BGN 2,453,180 (€ 1,254,291.02). The main purpose of the company is the leasing, acquisition and sale of land and buildings.

On March 23, 2007, BMH Baumarkt Holding GmbH resolved as the sole shareholder to form Praktiker Albanien Sh. p. k., Tirana, Albania with share capital totalling ALL 600,000 (€ 4,840) to be paid in by January 8, 2008.

On March 23, 2007, the shareholders' meeting of BMH Baumarkt Holding GmbH resolved to form Praktiker Albanien Sh. p. k., Tirana, Albania with share capital totalling ALL 600,000 (€ 4,840) to be paid in by January 8, 2008.

Moreover, capital increases amounting to €5.827 m were undertaken at Praktiker TOV, Kiev (Ukraine) in the year under review.

Max Bahr

By way of the stake acquisition contract dated August 16, 2006, Praktiker Bau- und Heimwerkermärkte Holding AG acquired 100 percent of the limited partner shares in VISION 66. Konservierungs- und Vermögensverwaltungs GmbH & Co. KG, Hamburg (PSK 2 KG) and in Zweite MBE GmbH & Co. KG, Oststeinbeck (MBE 2 KG). For their part, PSK 2 KG and MBE 2 KG held a 100 percent stake in Max Bahr Holzhandlung GmbH & Co. KG. The German Antitrust Authorities approved the acquisition on January 10, 2007, subject to the condition that four DIY stores were sold. The store in Adendorf, Lüneburg district, was transferred to a new owner with effect of September 1, 2007. Buyers have also been found for the Rostock and Schwerin stores, with the acquisitions expected to be effected on January 1, 2008 (Rostock) and March 1, 2008 (Schwerin) respectively. Following a ruling by the German Antitrust Authorities, the company is no longer required to sell the fourth store in Cottbus on account of the change in the competitive situation.

The sale of the three stores resulted in expenses of € 12.777 m in the period under review, particularly due to the early termination of long-term rental agreements. Max Bahr Holzhandlung GmbH & Co. KG bundles the operating activities of Max Bahr Group. Max Bahr Holzhandlung GmbH & Co. KG holds 100 percent of the shares of Max der kleine Baumarkt GmbH, Hamburg, and ANTENOR Vermögensverwaltungsgesellschaft mbH, Hamburg. In turn, the latter company has a 100 percent interest in SINCO Trade Ltd., Hong Kong. Max Bahr Holzhandlung GmbH & Co. KG also held 50 percent of the shares of DIYCO GmbH, Hamburg (joint venture) at the time initial consolidation occurred. The interest in DIYCO GmbH, Hamburg, has meanwhile been sold at amortised cost. The transaction of Max Bahr also included the acquisition of 100 percent of the shares in Max Bahr Holzhandlung Baumarkt GmbH, Verwaltungsgesellschaft Zweite MBE mbH, Oststeinbek, and 2. PSK Verwaltungsgesellschaft mbH, Hamburg, which was renamed Küchen DIY Vertrieb GmbH in the first quarter of 2007. The purpose of the companies acquired primarily involves the operation of DIY stores.

The sale of the three stores resulted in expenses of € 12.777 m, by the Praktiker Holding AG, in the period under review, particularly due to the early termination of long-term rental agreements. Max Bahr Holzhandlung GmbH & Co. KG bundles the operating activities of Max Bahr Group. Max Bahr Holzhandlung GmbH & Co. KG holds 100 percent of the shares of Max der kleine Baumarkt GmbH, Hamburg, and ANTENOR Vermögensverwaltungsgesellschaft mbH, Hamburg. In turn, the latter company has a 100 percent interest in SINCO Trade Ltd., Hong Kong. Max Bahr Holzhandlung GmbH & Co. KG also held 50 percent of the shares of DIYCO GmbH, Hamburg (joint venture) at the time initial consolidation occurred. The interest in DIYCO GmbH, Hamburg, has meanwhile been sold at amortised cost. The transaction of Max Bahr also included the acquisition of 100 percent of the shares in Max Bahr Holzhandlung Baumarkt GmbH, Verwaltungsgesellschaft Zweite MBE mbH, Oststeinbek, and 2. PSK Verwaltungsgesellschaft mbH, Hamburg, which was renamed Küchen DIY Vertrieb GmbH in the first quarter of 2007. The purpose of the companies acquired primarily involves the operation of DIY stores.

The closing date, i.e. the date on which the corporate merger was considered to have been completed in accordance with the terms of the purchase agreement was January 31, 2007.

The total costs of purchase were € 275.271 m, broken down as follows:

Purchase price:	€ 270.968 m
Ancillary purchase costs:	€ 4.303 m

The ancillary purchase costs include – among others – the costs incurred for external consulting services. The purchase price was settled in cash on January 31, 2007.

Following the withdrawal of the general partner of PSK 2 KG and MBE 2 KG as of February 1, 2007, the assets and liabilities of both companies were transferred to the company under review in its capacity as their only remaining shareholder. The limited partner shares in Max Bahr Holzhandlung GmbH & Co. KG were capitalized by the reporting company as stakes in associated companies (€ 215.206 m), the variable capital accounts of which were reported as receivables from associated companies (€ 60.065 m).

The property holdings of Max Bahr Group, which were concentrated in the property company Max Bahr Holzhandlung GmbH & Co. KG, were purchased by a foreign financial investor. The property holdings concerned were invested in two newly established limited partnerships: Moor Park MB OHG & Co. MBE KG, Oststeinbeck and Moor Park MB OHG & Co. PSK KG, Norderfriedrichskoog. In the former, Praktiker Grundstücksbeteiligungsgesellschaft mbH has held a stake worth € 2.457 m (equates to a share of 19.96 % in equity) since January 31, 2007 and in the latter a stake worth € 13.922 m (also equates to a share of 19.96 % in equity) since January 31, 2007.

In July 2007 these properties were sold. This sale resulted in gains of disposal of € 6.841 m in the period under review, attributable to Praktiker Grundstücksbeteiligungs-GmbH.

Convertible bonds

As per September 28, 2006, Praktiker Finance B.V. issued convertible bonds totalling a nominal amount of € 150,000,000 that was subject to a warrant by Praktiker Bau- und Heimwerkermärkte Holding AG. At the same time, Praktiker Finance B.V. granted Praktiker Holding AG a loan amounting to the same value as the income generated via the issue. This amount was invested via the cash pooling system at Praktiker AG up until payment of the purchase price.

The bonds were denominated in units of € 100,000 and a term to maturity until September 28, 2011 (due date). The bonds are accompanied by an option for conversion into no-par shares bearing the name of the stockholder Praktiker Bau- und Heimwerkermärkte Holding AG, with a notional value in the company's share capital of € 1.00 each, which, according to the discretionary power of the respective stakeholder, may be exercised from November 8, 2006 until September 19, 2011, in accordance with the loan terms at a conversion price set at issuance of € 33.77 (subject to possible adjustments for dividend payouts and capital changes). The convertible bonds are to carry a 2.25 percent annual interest on their nominal value. These interest payments are to be made retrospectively every year on the interest payment date. The first interest payment is due on September 28, 2007.

The bonds are due to be paid on the due date at their nominal value together with the accrued interest, provided that they have not already been paid back, converted or bought back and cancelled. The issuer is entitled to cancel the bonds in full or in part, provided a notice of cancellation of no less than 15 days and no more than 30 days is given. A precondition for cancellation is that the share price has exceeded 130 percent of the conversion price, applicable on the respective trading day, for a minimum of 20 trading days within a period of 40 consecutive trading days, starting on or after September 28, 2009. In this case, the issuer shall pay back the cancelled bonds on the chosen payback date at their nominal amount, along with the interest accrued by the end of the day immediately preceding the chosen repayment date.

In balance sheet terms, the results of the issue of the convertible bond are reported under Praktiker Holding AG as it must provide the necessary shares should conversion occur, and the creditors can demand the provision of the shares to be supplied directly from it.

The revenue generated by the company for the conversion rights via the issue of the convertible bonds was transferred to the capital reserve as set out under § 272 section 2 no. 2 of the German Commercial Code (HGB). It equates to the capitalized difference of the interest earned by a convertible bond as compared with that earned by a comparable bond without conversion rights and amounted to € 20.526 m at the time of issue. At the same time and in compliance with § 250 section 3 of the German Commercial Code (HGB), a discount for the same amount was capitalized that is to be repaid via scheduled annual write-downs over the term of the convertible bond.

Any costs incurred in connection with the issue were also capitalized. They are to be distributed in a straight-line manner over the entire term to maturity and reported with the corresponding impact on income.

Share-linked remuneration

In the previous year, a share bonus programme designed to run for five years was introduced, starting in August 2006. The programme concerned comprises five tranches that are awarded annually, whereby the target parameters are worked out separately for each tranche. The last tranche is set to be awarded in 2010. The target parameters are worked out four weeks after the annual general shareholders' meeting held by Praktiker Bau- und Heimwerkermärkte Holding AG (cut-off date for the approval of the share bonus).

Payment of the individual annual share bonuses automatically occurs in cash in the month following the expiry of the three-year term of the given tranche, provided the conditions to which payment is subject have been fulfilled. Payment of the 2006 tranche, for instance, will occur in 2009 and payment of the final tranche from 2010 correspondingly in 2013.

Initially, the level of the bonus is determined on the basis of the ratio of the starting price to the target share price. The starting price per tranche equates to the arithmetical average of the final prices of Praktiker shares in the 20 last consecutive stock market trading days prior to the cut-off date (four weeks after the given annual general shareholders' meeting). The target share price per tranche, in the case of the attainment of which the full bonus is awarded, is calculated on the basis of the starting price, whereby a price rise of 15 percent is set over a period of three years.

The level of the bonus concerned also depends on the performance of Praktiker shares as compared with that of the shares of other relevant trading companies listed on the stock exchange. For comparison purposes, the MDAX and the Dow Jones Euro Stoxx "General Retailers" are used. They permit the valuation of the price development in Praktiker shares on a national or Europe-wide basis. Should the development in Praktiker shares with effect of the cut-off date not deviate by more than 10 percent from the average value of both indices, the share bonus is paid out in full. In the event that the price development in Praktiker shares exceeds the average value by more than 10 percent (outperformance), the amount paid out as a share bonus is increased to a total of 120 percent. However, should it fall short of the average value of the indices mentioned by more than 10 percent (underperformance), the level of the share bonus is reduced to 80 percent.

The share bonus is only awarded if, at the point in time of it becoming due, the contract of employment of the employee concerned at Praktiker Group has neither been terminated nor has a mutually agreed cancellation of the contractual relationship occurred. Payment of share bonuses is limited in each case to the level of the current, individually agreed basic annual salary (gross).

The obligations arising from the share bonus program are determined by an independent external assessor as of fiscal year-end. This amount is deferred on a pro-rata basis over the period up until payment of the given tranche is made. The provisions set aside for this purpose amounted to € 139,000 as of December 31, 2007 (previous year: € 153,000).

The payment of the first tranche was secured by the purchase of 261,645 call options via two different banks, but was limited by the simultaneous sale of the same number of options. The exercise price (strike) amounted to € 21.83 for the purchase and € 37.40 for the sale of the options. The result of this as of December 31, 2007 was a derivative financial asset equating to the amount of € 796,000 paid by way of option bonuses, which was reported as other assets under the balance sheet item receivables.

The fair value, determined via the Black Scholes Model, amounted to € 796,000. The key parameters for the calculation included the share price with effect of fiscal year-end on December 31, 2007, volatilities of between 41.5 percent and 43.6 percent, interest rates of between 4.536 percent and 4.745 percent as well as an assumed dividend of € 0.45 per share.

No 100 percent security correlation exists between the derivative and the underlying transaction.

Notification in accordance with the German Securities Trading Act (WpHG)

Newton Investment Management Limited, London (Great Britain) notified us via its letter dated May 5, 2006 as per § 21 section 1 and § 22 section 1 of the German Securities Trading Act (WpHG) that its share of the voting rights in Praktiker Bau- und Heimwerkermärkte Holding AG exceeded the threshold of 5 % on March 31, 2006, rising to 5.07 % of available share capital. The share of 5.07 % of voting rights is allocable to it pursuant to § 22 section 1 subsection 1 no. 6 of the German Securities Trading Act (WpHG).

Mellon Financial Corporation (One Mellon Center, 500 Grant Street, Pittsburgh, Pennsylvania 15258/USA) sent us the following notification on July 17, 2006:

“Mellon Financial Corporation, Pittsburgh (Pennsylvania/USA) is the parent company of MBC Investments Corp. (4001 Kennett Pike, Suite 218, Greenville, Delaware 19807/USA), which, for its part, is the parent company of Neptune LLC (One Mellon Center, 500 Grant Street, Pittsburgh, Pennsylvania 15258/USA). The latter, for its part, is the parent company of Mellon International Limited (Mellon Financial Centre, 160 Queen Victoria Street London EC4V 4LA/Great Britain), which, for its part, is the parent company of Newton Management Limited (Mellon Financial Centre, 160 Queen Victoria Street, London EC4V 4LA/Great Britain). The latter is the parent company of Newton Investment Management Ltd., London (Great Britain).

We, Mellon Financial Corporation, Pittsburgh (Pennsylvania/USA), MBC Investments Corp., Greenville (Delaware/USA), Mellon International Limited, London (Great Britain), Neptune LLC, Pittsburgh (Pennsylvania/USA) and Newton Management Limited, London (Great Britain), hereby notify you in accordance with § 21 section 1 subsection 1 of the German Securities Trading Act (WpHG) that our share of the voting rights in Praktiker Bau- und Heimwerkermärkte Holding AG, Kinkel exceeded the threshold of 5 % on March 31, 2006, rising to a level of 5.07 % as of this date. The voting rights are a direct entitlement of the clients of Newton Investment Management Ltd., London (Great Britain) and are allocable to us pursuant to § 22 section 1 subsection 1 no. 6 in conjunction with § 22 section 1 subsection 2 of the German Securities Trading Act (WpHG).”

On January 31, 2008, The Bank of New York Mellon Corporation, Pittsburgh, Pennsylvania, USA, has informed us according to sec. 21 para. 1 WpHG that its voting rights on Praktiker Bau- und Heimwerkermärkte Holding AG, Kinkel, Germany, ISIN: DE000A0F6MD5, WKN: A0F6MD, had exceeded the 3 % and 5 % limit of the voting rights on July 1, 2007, and on that day amounted to 7.46 % (this corresponds to 4,326,281 voting rights). These voting rights in Praktiker Bau- und Heimwerkermärkte Holding AG were attributable to The Bank of New York Mellon Corporation pursuant to sec. 22 para. 1 sent. 1 no. 6 in connection with sec. 22 para. 1 sent. 2 WpHG.

On January 31, 2008, The Bank of New York Mellon Corporation, Pittsburgh, Pennsylvania, USA, has informed us in the name and on behalf of Newton Investment Management Ltd., London, United Kingdom, according to sec. 21 para. 1 WpHG that the voting rights of Newton Investment Management

Ltd. in Praktiker Bau- und Heimwerkermärkte Holding AG, Kirkel, Germany, ISIN: DE000A0F6MD5, WKN: A0F6MD, had fallen below the 5 % limit of the voting rights on November 29, 2007, and on that day amounted to 4.86 % (this corresponds to 2,816,818 voting rights). These voting rights in Praktiker Bau- und Heimwerkermärkte Holding AG were attributable to Newton Investment Management Ltd. pursuant to sec. 22 para. 1 sent. 1 no. 6 WpHG.

On January 31, 2008, The Bank of New York Mellon Corporation, Pittsburgh, Pennsylvania, USA, has informed us in the name and on behalf of

- MBC Investment Corp., Greenville, Delaware, USA
- Neptune LLC, Pittsburgh, Pennsylvania, USA
- Mellon International Holdings S.A.R.L., Luxembourg, Luxembourg
- Mellon International Limited, London, United Kingdom

according to sec. 21 para. 1 WpHG that the voting rights of each above mentioned company in Praktiker Bau- und Heimwerkermärkte Holding AG, Kirkel, Germany, ISIN: DE000A0F6MD5, WKN: A0F6MD, had fallen below the 5 % limit of the voting rights on November 29, 2007, and on that day amounted to 4.86 % (this corresponds to 2,816,818 voting rights). These voting rights in Praktiker Bau- und Heimwerkermärkte Holding AG were attributable to each above listed company pursuant to sec. 22 para. 1 sent. 1 no. 6 in connection with sec. 22 para. 1 sent. 2 WpHG.

On January 31, 2008, The Bank of New York Mellon Corporation, Pittsburgh, Pennsylvania, USA, has informed us according to sec. 21 para. 1 WpHG that its voting rights on Praktiker Bau- und Heimwerkermärkte Holding AG, Kirkel, Germany, ISIN: DE000A0F6MD5, WKN: A0F6MD, had fallen below the 5 % limit of the voting rights on November 29, 2007, and on that day amounted to 4.90 % (this corresponds to 2,842,930 voting rights). These voting rights in Praktiker Bau- und Heimwerkermärkte Holding AG were attributable to The Bank of New York Mellon Corporation pursuant to sec. 22 para. 1 sent. 1 no. 6 in connection with sec. 22 para. 1 sent. 2 WpHG.

On January 31, 2008, The Bank of New York Mellon Corporation, Pittsburg, Pennsylvania, USA, has informed us in the name and on behalf of Newton Investment Management Ltd., London, United Kingdom, according to sec. 21 para. 1 WpHG that the voting rights of Newton Investment Management Ltd. in Praktiker Bau- und Heimwerkermärkte Holding AG, Kirkel, Germany, ISIN: DE000A0F6MD5, WKN: A0F6MD, has fallen below the 3 % limit of the voting rights on December 7, 2007, and on that day amounted to 2.90 % (this corresponds to 1,682,826 voting rights). These voting rights in Praktiker Bau- und Heimwerkermärkte Holding AG are attributable to Newton Investment Management Ltd. pursuant to sec. 22 para. 1 sent. 1 no. 6 WpHG.

On January 31, 2008, The Bank of New York Mellon Corporation, Pittsburgh, Pennsylvania, USA, has informed us in the name of and on behalf of

- MBC Investment Corp., Greenville, Delaware, USA,
- Neptune LLC, Pittsburgh, Pennsylvania, USA,
- Mellon International Holdings S.A.R.L., Luxembourg, Luxembourg,
- Mellon International Limited, London, United Kingdom

according to sec. 21 para. 1 WpHG that the voting rights of each above mentioned company in Praktiker Bau- und Heimwerkermärkte Holding AG, Kirkel, Germany, ISIN: DE000A0F6MD5, WKN: A0F6MD, has fallen below the 3 % limit of the voting rights on December 7, 2007, and on that day amounted to 2.90 % (this corresponds to 1,682,826 voting rights). These voting rights in Praktiker Bau- und Heimwerkermärkte Holding AG are attributable to each above listed company pursuant to sec. 22 para. 1 sent. 1 no. 6 in connection with sec. 22 para. 1 sent. 2 WpHG.

On January 31, 2008, The Bank of New York Mellon Corporation, Pittsburgh, Pennsylvania, USA, has informed us according to sec. 21 para. 1 WpHG that its voting rights on Praktiker Bau- und Heimwerkermärkte Holding AG, Kirkel, Germany, ISIN: DE000A0F6MD5, WKN: A0F6MD, has fallen below the 3 % limit of the voting rights on December 7, 2007, and on that day amounted to 2.95 % (this corresponds to 1,709,245 voting rights). These voting rights in Praktiker Bau- und Heimwerkermärkte Holding AG are attributable to The Bank of New York Mellon Corporation pursuant to sec. 22 para. 1 sent. 1 no. 6 in connection with sec. 22 para. 1 sent. 2 WpHG.

By way of a further notification, IIM GP, LLC, Los Angeles, California, USA notified us in accordance with § 21 section 1 of the German Securities Trading Act (WpHG) on January 30, 2008 that its share of the voting rights in Praktiker Bau- und Heimwerkermärkte Holding AG, Kirkel, Germany, ISIN: DE000A0F6MD5, WKN: A0F6MD fell below the threshold of 5 % of the voting rights on January 17, 2008, dropping to a level of 4.68 % as of this date (equating to 2,714,305 voting rights). These voting rights are allocable to IIM GP, LLC, Los Angeles, California, USA in accordance with §§ 22 section 1 subsection 1 no. 6 and 22 section 1 subsection 2 of the German Securities Trading Act (WpHG). A share of 3.34 % (equating to 1,935,886 voting rights) is allocable to IIM GP, LLC as per § 22 section 1 subsection 1 no. 6 in conjunction with § 22 section 1 subsection 2 of the German Securities Trading Act (WpHG) from Ivory Flagship Master, Ltd. (information received on January 17, 2008).

Lansdowne Partners Limited, London (UK), advised us on 15 January 2007 that on 8 January 2007 Lansdowne Partners Limited Partnership, London (UK), who manage the shares on behalf of their clients, crossed the threshold to above 5 % of the voting rights in Praktiker Bau- und Heimwerkermärkte Holding AG, Am Tannenwald 2, 66459 Kirkel, Germany. On that date the voting rights represent 6.89 % (3,995,485 voting rights). Those voting rights are attributed to Lansdowne Partners Limited Partnership according to sec 22 para 1 phrase 1 no 6 WpHG.

Lansdowne Partners Limited also advised us that on 8 January 2007 Lansdowne Partners Limited, being the General Partner of Lansdowne Partners Limited Partnership, crossed the threshold to above 5% of the voting rights in Praktiker Bau- und Heimwerkermärkte Holding AG, Am Tannenwald 2, 66459 Kirkel, Germany. On that date the voting rights represent 6.89 % (3,995,485 voting rights). Those voting rights are attributed to Lansdowne Partners Limited according to sec 22 para 1 phrase 1 no 6 WpHG.

On August 2, 2007, Lansdowne Partners Limited, London, Great Britain, has informed us according to sec. 21, para. 1 of the WpHG that Lansdowne Partners Limited Partnership, London, Great Britain, on

behalf of client funds that it manages, crossed the threshold of 10 % of the voting rights in Praktiker Bau- und Heimwerkermärkte Holding AG, Kirkel, Deutschland, ISIN: DE000A0F6MD5, WKN: A0F6MD on July 25, 2007. On that date the voting rights represent 10.15% (this corresponds to 5,888,920 voting rights). Those voting rights are attributed to Lansdowne Partners Limited Partnership according to sec. 22, para. 1 sentence 1 no. 6 WpHG.

Lansdowne Partners Limited Partnership acts for the following funds:

Lansdowne UK Strategic Investment Master Fund Limited; shares held: 473,349; Percentage of shares: 0.82 %

Lansdowne UK Fund Limited; shares held: 5,154,351; Percentage of shares: 8.89 %

Lansdowne UK Fund LP; shares held: 261,220; Percentage of shares: 0.45 %

Total numbers of shares held: 5,888,920; Total percentage of shares: 10.15 %

On March 22, 2007, Capital Research and Management Company, Los Angeles, CA, USA, has informed us according to sec. 21 para. 1 WpHG that via shares its voting rights in Praktiker Bau- und Heimwerkermärkte Holding AG, Kirkel, Deutschland, ISIN: DE000A0F6MD5, WKN: A0F6MD, have exceeded the threshold of 5% of the voting rights on March 16, 2007 and now amount to 5.59% (this corresponds to 3,242,183 voting rights). According to sec. 22 para. 1 sent. 1 No. 6 WpHG, 5.59% of the voting rights (this corresponds to 3,242,183 voting rights) are to be attributed to Capital Research and Management Company.

On October 03, 2007, Ivory Investment Management, L.P., Los Angeles, California, USA, has informed us according to Article 21, Section 1 of the WpHG that its Voting Rights on Praktiker Bau- und Heimwerkermärkte Holding AG, Kirkel, Deutschland, ISIN: DE000A0F6MD5, WKN: A0F6MD, have exceeded the 5% limit of the Voting Rights on October 01, 2007 and now amount to 5.0010% (this corresponds to 2,900,595 Voting Rights). This Voting Rights are attributable to Ivory Investment Management, L.P., pursuant to sec. 22, para. 1, sent. 1, no. 6 WpHG.

On October 03, 2007, IIM GP, LLC, Los Angeles, California, USA, has informed us according to Article 21, Section 1 of the WpHG that its Voting Rights on Praktiker Bau- und Heimwerkermärkte Holding AG, Kirkel, Deutschland, ISIN: DE000A0F6MD5, WKN: A0F6MD, have exceeded the 5% limit of the Voting Rights on October 01, 2007 and now amount to 5.0010% (this corresponds to 2,900,595 Voting Rights). This Voting Rights are attributable to IIM GP, LLC, pursuant to sec. 22, para. 1, sent. 1, no. 6 and sec. 22, para. 1, sent. 2 WpHG.

On October 03, 2007, Curtis G. Macnguyen, USA, has informed us according to Article 21, Section 1 of the WpHG that his Voting Rights on Praktiker Bau- und Heimwerkermärkte Holding AG, Kirkel, Deutschland, ISIN: DE000A0F6MD5, WKN: A0F6MD, have exceeded the 5% limit of the Voting Rights on October 01, 2007 and now amount to 5.0010% (this corresponds to 2,900,595 Voting Rights). This Voting Rights are attributable to Curtis G. Macnguyen, pursuant to sec. 22, para. 1, sent. 1, no. 6 and sec. 22, para. 1, sent. 2 WpHG.

With letter of February 12, 2007, Ivory Investment Management, L.P., Los Angeles, California, USA has advised us in accordance with sec. 21 para. 1 WpHG that on February 7, 2007, Ivory Investment Management, L.P. crossed the threshold of 3 % of the voting rights in Praktiker Bau- und Heimwerkermärkte Holding AG, Am Tannenwald 2, 66459 Kirkel, Germany. The voting interests of Ivory Investment Management L.P. now amount to 3.20 % (1,854,954 voting rights) and are attributed to Ivory Investment Management, L.P. according to sec. 22 para. 1 phrase 1 No. 6 WpHG.

With letter of February 13, 2007, IIM GP, LLC, Los Angeles, California, USA, has advised us in accordance with sec. 21 para. 1 WpHG that on February 7, 2007, IIM GP, LLC has crossed the threshold to above 3 % of the voting rights in Praktiker Bau- und Heimwerkermärkte Holding AG, Am Tannenwald 2, 66459 Kirkel, Germany. The voting interests of IIM GP, LLC now amount to 3.20 % (1,854,954 voting rights) and are attributed to IIM GP, LLC according to sec. 22 para. 1 phrase 1 No. 6, phrase 2 WpHG.

With letter of February 13, 2007, Curtis G. Macnguyen, Los Angeles, California, USA, has advised us in accordance with sec. 21 para. 1 WpHG that on February 7, 2007, he has crossed the threshold of 3 % of the voting rights in Praktiker Bau- und Heimwerkermärkte Holding AG, Am Tannenwald 2, 66459 Kirkel, Germany. The voting interests of Curtis G. Macnguyen now amount to 3.20 % (1,854,954 voting rights) and are attributed to Curtis G. Macnguyen according to sec. 22 para. 1 phrase 1 No. 6, phrase 2 WpHG.

On June 27, 2007, Ivory Offshore Flagship Fund, Ltd., George Town, Grand Cayman, Cayman Islands has informed us according to Article 21, Section 1 WpHG that via shares its Voting Rights on Praktiker Bau- und Heimwerkermärkte Holding AG, Kirkel, Deutschland, ISIN: DE000A0F6MD5, WKN: A0F6MD, have exceeded the 3% limit of the Voting Rights on June 21, 2007 and now amount to 3.01% (this corresponds to 1,743,889 Voting Rights). According to Article 22, Section 1, Sentence 1, No. 1 WpHG, 3.01% of the voting rights (this corresponds to 1,743,889 voting rights) is to be attributed to Ivory Offshore Flagship Fund, Ltd., through Ivory Flagship Master, Ltd.

On June 27, 2007, Ivory Flagship Master, Ltd. George Town, Grand Cayman, Cayman Islands has informed us according to Article 21, Section 1 WpHG that via shares its Voting Rights on Praktiker Bau- und Heimwerkermärkte Holding AG, Kirkel, Deutschland, ISIN: DE000A0F6MD5, WKN: A0F6MD, have exceeded the 3% limit of the Voting Rights on June 21, 2007 and now amount to 3.01% (this corresponds to 1,743,889 Voting Rights).

On January 30, 2008, Ivory Investment Management, L.P., Los Angeles, California, USA, has informed us according to sec. 21, para. 1 WpHG that its voting rights on Praktiker Bau- und Heimwerkermärkte Holding AG, Kirkel, Germany, ISIN: DE000A0F6MD5, WKN: A0F6MD, has fallen below the 5% limit of the voting rights on January 17, 2008, and on that day amounted to 4.68 % (this corresponds to 2,714,305 voting rights). These voting rights are attributed to Ivory Investment Management, L.P., pursuant to sec. 22 para. 1 sent. 1 no. 6 WpHG. 3,34 % (this corresponds to 1,935,886 voting rights) of the total voting rights in Praktiker Bau- und Heimwerkermärkte Holding AG are attrib-

uted to Ivory Investment Management, L.P., pursuant to such provision from Ivory Flagship Master, Ltd. (all information as of 17 January 2008).

On January 30, 2008, Ivory Investment Management, L.P., Los Angeles, California, USA, has informed us according to sec. 21 para. 1 WpHG that its voting rights on Praktiker Bau- und Heimwerkermärkte Holding AG, Kirkel, Germany, ISIN: DE000A0F6MD5, WKN: A0F6MD, has fallen below the 3 % limit of the voting rights on January 23, 2008, and on that day amounted to 2,53 % (this corresponds to 1,465,141 voting rights). These voting rights in Praktiker Bau- und Heimwerkermärkte Holding AG are attributable to Ivory Investment Management, L.P., pursuant to sec. 22 para. 1 sent. 1 no. 6 WpHG.

On January 30, 2008, IIM GP, LLC, Los Angeles, California, USA, has informed us according to sec. 21 para. 1 WpHG that its voting rights on Praktiker Bau- und Heimwerkermärkte Holding AG, Kirkel, Germany, ISIN: DE000A0F6MD5, WKN: A0F6MD, have fallen below the 5 % limit of the voting rights on January 17, 2008, and on that day amounted to 4.68 % (this corresponds to 2,714,305 voting rights). These voting rights are attributed to IIM GP, LLC, pursuant to sec. 22 para. 1 sent. 1 no. 6, sec. 22 para. 1 sent. 2 WpHG. 3,34 % (this corresponds to 1,935,886 voting rights) of the total voting rights in Praktiker Bau- und Heimwerkermärkte Holding AG are attributed to IIM GP, LLC, pursuant to sec. 22 para. 1 sent. 1 no. 6 in connection with sec. 22 para. 1 sent. 2 WpHG from Ivory Flagship Master, Ltd. (all information as of 17 January 2008).

On January 30, 2008, IIM GP, LLC, Los Angeles, California, USA, has informed us according to sec. 21 para. 1 WpHG that its voting rights on Praktiker Bau- und Heimwerkermärkte Holding AG, Kirkel, Germany, ISIN: DE000A0F6MD5, WKN: A0F6MD, have fallen below the 3 % limit of the voting rights on January 23, 2008, and on that day amounted to 2,53 % (this corresponds to 1,465,141 voting rights). These voting rights in Praktiker Bau- und Heimwerkermärkte Holding AG are attributable to IIM GP, LLC, pursuant to sec. 22 para. 1 sent. 1 no. 6, sec. 22 para. 1 sent. 2 WpHG.

On January 30, 2008, Mr. Curtis G. Macnguyen, USA, has informed us according to sec. 21 para. 1 WpHG that his voting rights on Praktiker Bau- und Heimwerkermärkte Holding AG, Kirkel, Germany, ISIN: DE000A0F6MD5, WKN: A0F6MD, have fallen below the 5 % limit of the voting rights on January 17, 2008, and on that day amounted to 4.68 % (this corresponds to 2,714,305 voting rights).

These voting rights are attributed to Mr. Curtis G. Macnguyen pursuant to sec. 22 para. 1 sent. 1 no. 6, sec. 22 para. 1 sent. 2 WpHG. 3,34 % (this corresponds to 1,935,886 voting rights) of the total voting rights in Praktiker Bau- und Heimwerkermärkte Holding AG are attributed to Mr. Curtis G. Macnguyen pursuant to sec. 22 para. 1 sent. 1 no. 6 in connection with sec. 22 para. 1 sent. 2 WpHG from Ivory Flagship Master, Ltd. (all information as of January 17, 2008).

On January 30, 2008, Mr. Curtis G. Macnguyen, USA, has informed us according to sec. 21 para. 1 WpHG that his voting rights on Praktiker Bau- und Heimwerkermärkte Holding AG, Kirkel, Germany, ISIN: DE000A0F6MD5, WKN: A0F6MD, have fallen below the 3 % limit of the voting rights on January

23, 2008, and on that day amounted to 2,53 % (this corresponds to 1,465,141 voting rights). These voting rights in Praktiker Bau- und Heimwerkermärkte Holding AG are attributable to Mr. Curtis G. Macnguyen pursuant to sec. 22 para. 1 sent. 1 no. 6, sec. 22 para. 1 sent. 2 WpHG.

On January 30, 2008, Ivory Flagship Master, Ltd., c/o M&C Corporate Services Limited, George Town, Grand Cayman, Cayman Islands, has informed us according to sec. 21 para. 1 WpHG that its voting rights on Praktiker Bau- und Heimwerkermärkte Holding AG, Kirkel, Germany, ISIN: DE000A0F6MD5, WKN: A0F6MD, have fallen below the 3 % limit of the voting rights on January 18, 2008, and on that day amounted to 2,90 % (this corresponds to 1,683,192 voting rights).

On January 30, 2008, Ivory Offshore Flagship Fund, Ltd., c/o M&C Corporate Services Limited, George Town, Grand Cayman, Cayman Islands, has informed us according to sec. 21 para. 1 WpHG that its voting rights on Praktiker Bau- und Heimwerkermärkte Holding AG, Kirkel, Germany, ISIN: DE000A0F6MD5, WKN: A0F6MD, have fallen below the 3 % limit of the voting rights on January 18, 2008, and on that day amounted to 2,90 % (this corresponds to 1,683,192 voting rights). These voting rights are attributed to Ivory Offshore Flagship Fund, Ltd., pursuant to sec. 22 para. 1 sent. 1 no. 1 WpHG.

On January 15, 2008, UBS AG, Zurich, Switzerland, has informed us according to sec. 21, para. 1 of the WpHG that via shares its Voting Rights on Praktiker Bau- und Heimwerkermärkte Holding AG, Kirkel, Germany, ISIN: DE000A0F6MD5, WKN: A0F6MD, have fallen below the 5% limit of the Voting Rights on January 09, 2008 and now amount to 4.91% (this corresponds to 2,847,149 Voting Rights).

According to sec. 22, para. 1, sent. 1, No. 1 of the WpHG, 0.02% of the Voting Rights (this corresponds to 13,320 Voting Rights) is to be attributed to UBS AG.

On October 8, 2007, UBS AG, Zurich, Switzerland, has informed us according to sec. 21, para. 1 of the WpHG that via shares its Voting Rights on Praktiker Bau- und Heimwerkermärkte Holding AG, Kirkel, Germany, ISIN: DE000A0F6MD5, WKN: A0F6MD, have exceeded the 5% limit of the Voting Rights on October 1, 2007 and now amount to 5.43% (this corresponds to 3,147,459 Voting Rights).

According to sec. 22, para. 1, sent. 1, No. 1 of the WpHG, 0.05 % of the Voting Rights (this corresponds to 30,826 Voting Rights) is to be attributed to UBS AG.

UBS AG, Zurich, Switzerland notified us pursuant to § 21 section 1 of the German Securities Trading Act (WpHG) on 21.01.2008 that its share of the voting rights in Praktiker Bau- und Heimwerkermärkte Holding AG, Kirkel, Germany, ISIN: DE000A0F6MD5, WKN: A0F6MD exceeded the threshold of 5 % on 15.01.2008, rising to a level of 5.23 % on that date (equating to 3,030,764 voting rights).

On October 25, 2007, Putnam Investment Management, LLC, Boston, USA, has informed us according to sec. 21, para. 1 of the WpHG that via shares its Voting Rights on Praktiker Bau- und Heimwerkermärkte Holding AG, Kirkel, Germany, ISIN: DE000A0F6MD5, WKN: A0F6MD, had exceeded the 3%

limit of the Voting Rights on September 17, 2007, and on this day amounted to 3.07% (this corresponds to 1,779,457 Voting Rights).

All of these Voting Rights were attributable to Putnam Investment Management, LLC, in accordance with sec. 22, para. 1, sent. 1, No. 6 of the WpHG.

Furthermore, on October 25, 2007, Putnam Investment Management, LLC, Boston, USA, has informed us according to sec. 21, para. 1 of the WpHG that via shares its Voting Rights on Praktiker Bau- und Heimwerkermärkte Holding AG, Kirkel, Germany, ISIN: DE000A0F6MD5, WKN: A0F6MD, have exceeded the 3% limit of the Voting Rights on October 22, 2007, and now amount to 2,88% (this corresponds to 1,672,235 Voting Rights).

All of these Voting Rights are attributable to Putnam Investment Management, LLC, in accordance with sec. 22, para. 1, sent. 1, No. 6 of the WpHG

On February 05, 2008, Odey Asset Management LLP, London, Great Britain, has informed us according to sec. 21 para. 1 of the WpHG that via shares its Voting Rights on Praktiker Bau- und Heimwerkermärkte Holding AG, Kirkel, Germany, ISIN: DE000A0F6MD5, WKN: A0F6MD, have exceeded the 3% limit of the Voting Rights on January 24, 2008 and now amount to 3.95% (this corresponds to 2,292,900 Voting Rights).

These Voting Rights are in their entirety attributed to Odey Asset Management LLP in accordance with sec. 22 para. 1 sent. 1 no. 6 of the WpHG.

Odey Asset Management LLP is a UK Financial Authority registered fund management house that acts as investment manager for several funds.

Accounting principles

In drawing up its consolidated financial statements, Praktiker Holding AG applied the provisions set out in the German Commercial Code (HGB) for major stock corporations and the German Stock Companies Act (AktG) in respect of the structuring and reporting of the balance sheet and income (profit and loss) statement.

The income (profit and loss) statement was drawn up on the basis of the cost of sales method.

Details of the accounting principles applied by Praktiker Holding AG are as follows:

Intangible assets and tangible assets are reported at cost of purchase less scheduled write-downs in accordance with the standard useful lives of the assets concerned. Items of minor value are written down completely in the year of their acquisition and are recorded as disposals.

Financial assets are reported at their cost of purchase (contribution values or purchase prices plus ancillary costs of purchase) less write-downs given probable permanent impairment.

Receivables and other assets are recorded at nominal values. Valuation discounts have been undertaken for recognizable risks.

Bank balances are reported at their nominal value.

Provisions cover all recognizable risks and are determined individually on the basis of sensible commercial principles in line with the level of the anticipated obligations.

Liabilities are recorded at their repayment levels.

Accruals and deferrals are formed in order to allocate payment transactions to the fiscal year to which they are economically attributable. Accrued assets include differences arising due to the fact that the repayment amount of a liability is higher than the issued amount (discount). The discount is repaid via scheduled annual write-downs that are distributed throughout the entire term of the liability concerned.

Notes to the balance sheet

Fixed assets (1)

The structuring of the items grouped in the balance sheet and their development in the 2007 fiscal year are shown on the following two pages.

An overview of the investments in associated companies is a constituent part of the notes (page 60).

Financial assets

The financial assets are attributable primarily to investments in associated companies.

in € thousands	Dec. 31, 2007	Dec. 31, 2006
Praktiker Bau- und Heimwerkermärkte AG, Kirkel	894,441	894,441
Max Bahr Holzhandlung GmbH & Co. KG, Hamburg	215,206	0
Praktiker Services Holding GmbH, Kirkel	21,090	21,090
Praktiker Finance BV, Amsterdam (Netherlands)	1,518	1,518
Max Bahr Baumarkt GmbH, Hamburg	26	0
Praktiker Grundstücksbeteiligungsgesellschaft mbH, Kirkel	25	25
Verwaltungsgesellschaft 2.MBE mbH, Kirkel	24	0
Loans	1,700	0
Prepayments to financial investments	0	1,440
	1,134,030	918,514

The advance payment on financial assets in the previous year can be put down to the acquisition of Max Bahr (cf. explanatory notes on page 39).

Receivables and other assets (2)

in € thousands	Dec. 31, 2007	Dec. 31, 2006
Receivables from group companies	115,668	330,174
Other assets	801	0
	116,469	330,174

Receivables from group companies exist in the main against Praktiker Bau- und Heimwerkermärkte AG for a sum amounting to € 63.155 m (previous year: € 321.012 m) and against Max Bahr Holzhandlung GmbH & Co. KG for a sum amounting to € 41.660 m (previous year: € 0 m).

The decline is primarily attributable to the repayment of the purchase price for Max Bahr Group.

There are no receivables with a residual term to maturity of more than one year.

As in the previous year, receivables from group companies include no trade receivables.

Other assets include an amount of € 796,000 for securing the first tranche of the share bonus program (cf. "share-based remuneration of management staff" section on page 42).

Prepaid expenses and deferred charges (3)

The accrued assets comprise primarily the discount on the convertible bond amounting to € 15.360 m (previous year: € 19.465 m) (cf. explanatory information on convertible bond on page 41).

Equity (4)

(a) Share capital

The share capital is divided into 58,000,000 individual bearer shares with a respective notional value in the share capital of € 1.00. Total share capital thus amounts to € 58,000,000.

(b) Authorised capital

The annual general shareholders' meeting of Praktiker Holding AG of September 26, 2005 authorised the management board to increase the company's share capital, with the prior approval of the supervisory board, by issuing new shares in exchange for cash contributions or non-cash contributions in one or several tranches for a total maximum of € 25,000,000 by September 25, 2010 (authorised capital).

By resolution of the annual general shareholders' meeting, the authorised capital may be used through the issuance of new shares in exchange for cash contributions up to an amount of € 25,000,000, whereby a subscription right is to be granted to existing shareholders.

A portion of the authorised capital may be used up to an amount of € 5,000,000 through the issuance of new shares in exchange for non-cash contributions. A subscription right for shareholders is excluded here.

A portion of the authorised capital up to an amount of € 5,000,000 may be used through the issuance of new shares in exchange for cash contributions for the purpose of issuing shares to employees of the company or of companies under its control. A subscription right for shareholders is precluded.

Within the framework of authorised capital, each of the above-mentioned capital increases may be used only up to the stated limit. The sum total of all capital increases may not exceed the total amount of authorised capital. The management board is authorised to determine all further details of share rights and the terms governing share issuance with the prior approval of the supervisory board.

The resolution of the annual general shareholders' meeting of September 26, 2005 to create authorised capital was entered into the commercial register on November 2, 2005.

(c) Contingent capital for the issue of convertible bonds and warrant-linked bonds

The annual general shareholders' meeting of June 27, 2006 approved a new authorisation of the company's management board to issue warrant-linked and / or convertible bonds and create new contingent capital for this purpose. The maximum admissible par value of the warrant-linked and / or convertible bonds amounts to € 600,000,000 and the new contingent capital amounts to € 29,000,000. Moreover, the management board was to be authorised to issue warrant linked and / or convertible bonds until June 26, 2011 subject to approval by the supervisory board. With the coming into effect of this resolution, the existing authorisation and the corresponding contingent capital were to be waived.

In the event that the issue of option warrants and / or convertible bonds is made in return for non-cash contributions, the management board undertakes to make use of its authorisation to exclude shareholder subscription rights to the given option warrants and / or convertible bonds only up to an amount equating to 20 percent of the share capital existing at the time of the authorisation coming into effect or at the time of the authorisation being exercised, should the value of the latter be less. As such, the increase in contingent capital for the purposes of servicing such option warrants and / or convertible bonds as are issued in return for non-cash contributions is limited to an amount totalling max. € 11,600,000.00 or the equivalent of 11,600,000 no-par bearer shares.

(d) Authorisation to acquire treasury shares

The company was authorised via the resolution passed by the annual general shareholders' meeting held on June 11, 2007 to acquire company shares. The authorisation is limited to the acquisition of company shares with a notional stake in share equity up to total of € 5,800,000. The authorisation can be exercised in one go, in tranches, once or on multiple occasions. It is valid until December 10, 2008. The acquisition can occur via the stock market or via a public repurchase offer. Should the acquisition take place via the stock market, the price per share paid by the company (excluding ancillary purchase costs) may not exceed or fall short of the price determined in XETRA trading (or via a functionally comparable successor system replacing the XETRA system) on the Frankfurt stock exchange at the opening auction on the given trading day by more than 10 percent.

Should the acquisition take place via a public purchase offer addressed to all company shareholders, the offered purchase price per share (excluding ancillary purchase costs) may not exceed or fall short of the final auction price in XETRA trading (or via a functionally comparable successor system replacing the XETRA system) on the Frankfurt stock exchange on the 4th to the 10th trading day prior to the date of the publication of the offer by more than 20 percent. The volume of the offer can be limited. If the overall subscription of the offer exceeds this volume, the acceptance declarations are as a general

rule to be considered proportionately. The preferential acceptance of smaller units of up to 100 shares per shareholder for the purpose of acquiring the company shares on offer can be envisaged.

Provisions (5)

Other provisions amount to € 2.840 m (previous year: € 2.698 m) and are mainly attributable to profit sharing, supervisory board compensation and outstanding invoices.

Liabilities (6)

in € thousands	Dec. 31, 2007	Dec. 31, 2006
Trade payables	81	1,571
Liabilities due to group companies	157,563	158,270
Other liabilities	19,848	21,055
thereof from taxes	(19,259)	(20,007)
	177,492	180,896

Of the group's liabilities, an amount of € 27.492 m (previous year: € 30.896 m) has a residual term to maturity of up to one year. There are no liabilities with a residual term to maturity of more than five years. There are no liabilities secured via rights of lien or other similar rights.

Liability situation and other financial obligations

The reporting company assumed vis-à-vis J.P. Morgan AG in favor of the bearers of the convertible bonds (see page 41) the unconditional and irrevocable guarantee for the payment of such capital, interest and any other amounts due as are payable by the issuer in accordance with the terms of issuance. The bonds will be repaid at their nominal value plus any accrued interest on the date of maturity (September 28, 2011), if they have not been repaid, converted or repurchased and invalidated beforehand. The amount to be repaid would then come to € 150 m and the annual interest payments – payable each year on September 28 - € 3.375 m.

Notes to the income statement

General administrative expenses (7)

in € thousands	Jan. 1, 2007 - Dec. 31, 2007	Jan. 1, 2006 - Dec. 31, 2006
Wages and salaries	3,767	4,018
Social security contributions	139	15
Compensation costs conditions by Federal Cartel Office	12,777	0
Service distribution - Praktiker AG	12,500	0
Other consulting services	1,471	3,279
Supervisory board	1,212	1,140
Financial statements auditing	647	358
Publishing, presentation	397	407
Travel expenses	380	70
Other expenses	982	1,574
	34,272	10,861

Other operating income (8)

in € thousands	Jan. 1, 2007 - Dec. 31, 2007	Jan. 1, 2006 - Dec. 31, 2006
Reimburse for guarantee	17,210	2,500
Fee for business management	14,414	625
Other income	121	286
	31,745	3,411

Investment income (9)

in € thousands	Jan. 1, 2007 - Dec. 31, 2007	Jan. 1, 2006 - Dec. 31, 2006
Praktiker Bau- und Heimwerkermärkte AG, Kirkel	31,500	31,000
Max Bahr Holzhandlung GmbH & Co. KG, Hamburg	6,034	0
Praktiker Grundstücksbeteiligungs-GmbH, Kirkel	6,244	0
Praktiker Services Holding GmbH, Kirkel	261	5,599
	44,039	36,599

Other interest and similar income (10)

Other interest and similar income include € 153,000 (previous year: € 2.952 m) in income from group companies.

Expenses from transfer of losses (11)

Expenses arising from transfer of losses are primarily attributable to Praktiker Vierte Baumärkte GmbH amounting to a sum of € 4.845 m (previous year: € 0 m).

Interest and similar expenses (12)

Interest and similar expenses include € 3.592 m (previous year: € 878,000) in expenses due to associated companies as well as € 4.105 m (previous year: € 1.060 m) from the write-down of the discount capitalized for an amount equating to the conversion rights of the bond issued (cf. explanatory notes to the convertible bond on page 41).

Dividend (13)

The management and supervisory boards of Praktiker Holding AG propose paying a dividend of € 0.45 per share (previous year: € 0.45 per share) of the balance sheet profit after appropriation to or transfer from reserves of € 30.995 m to the company's shareholders and to carry forward the remaining amount of € 4.895 m to new account. The sum totals of both the dividend and the amount carried forward as profit are each based on the company's share capital, currently amounting to € 58,000,000 and divided into 58,000,000 individual bearer-denominated shares, that has vote and dividend entitlements on the date that the annual general shareholders' meeting for 2008 is convened. To the extent that the number of shares with dividend entitlements changes during the period up until the date of the annual general shareholders' meeting, the proposed resolution concerning the appropriation of the balance sheet profit is to be modified such that the dividend amount per share remains unchanged while the amount carried forward as profit is to be adjusted accordingly.

Statement of compliance with the German Corporate Governance Code (14)

On December 13, 2007, the management board and the supervisory board of Praktiker Holding AG issued their statement of compliance with the recommendations of the government's German Corporate Governance Code commission pursuant to Article 161 AktG (German Stock Company Act) and published it on the Internet home page of Praktiker Holding AG.

Personnel expenses

in € thousands	Jan. 1, 2007 - Dec. 31, 2007	Jan. 1, 2006 - Dec. 31, 2006
Wages and salaries	3,767	4,018
Social security contributions, expenses for pensions and related employee benefits (thereof social security)	139 (124)	15 (15)
	3,906	4,033

Auditor's fees

Following auditor's fees were recognised as expenses in fiscal year 2007, according to sec. 319 para 1 no. sent. 1,2 HGB (German Commercial Code):

in € thousands	Jan. 1, 2007 - Dec. 31, 2007
Financial statements auditing	121
Audit related services and other audit work	472
Other services	54
	647

Other data

- The company employed an annual average of 28 staff (previous year: 0).
- The annual general shareholders meeting of June 11, 2007 approved the conclusion of Praktiker Bau- und Heimwerkermärkte Holding AG, in its capacity as the controlling company, of a control and profit/loss contract with Praktiker Grundstücksbeteiligungsgesellschaft mbH on February 28, 2007 and a control and profit/loss contract with Praktiker Vierte Baumärkte GmbH also on February 28, 2007.

Shares in group companies

Name and location of company	Share of equity	
	Dec. 31, 2007	Dec. 31, 2007
	% in € thousands	
Germany		
Praktiker Bau- und Heimwerkermärkte AG, Kirkel	100.00	973,839
Praktiker Services Holding GmbH, Kirkel	100.00	25,095
Max Bahr Holzhandlung GmbH & Co. KG, Hamburg	100.00	45,000
Praktiker GmbH, Kirkel ¹⁾	100.00	33,593
Praktiker Baumärkte GmbH, Kirkel ¹⁾	100.00	18,995
Praktiker Vierte Baumärkte GmbH, Kirkel	100.00	5,200
BMH Baumarkt Holding GmbH, Kirkel ¹⁾	100.00	334,051
Calixtus Grundstücksverwaltungsgesellschaft mbH, Kirkel ¹⁾	94.81	11
KIG Import GmbH, Kirkel ¹⁾	100.00	25
Praktiker Grundstücksbeteiligungsgesellschaft mbH, Kirkel	100.00	25
Max der kleine Baumarkt GmbH, Hamburg	100.00	23
Antenor Vermögensverwaltungsgesellschaft mbH, Hamburg	100.00	22
Max Bahr Holzhandlung Baumarkt GmbH, Hamburg	100.00	37
Küchen DIY Vertriebs-GmbH, Kirkel ¹⁾	100.00	28
Verwaltungsgesellschaft Zweite MBE mbH, Kirkel	100.00	24
International *		
Praktiker Finance B. V., Amsterdam (Netherlands)	100.00	1,710
Batiself S.A., Foetz-Mondercange (Luxembourg) ¹⁾	62.00	3,957
Praktiker HELLAS A. E., Tavros (Greece) ¹⁾	100.00	65,052
Praktiker Polska Sp. z o.o., Warschau (Poland) ¹⁾	100.00	9,078
Praktiker Ungarn Kft., Budapest (Hungary) ¹⁾	100.00	27,284
Praktiker Romania S.R.L., Voluntari (Romania) ¹⁾	100.00	27,015
Praktiker Bulgaria EOOD, Sofia (Bulgaria) ¹⁾	100.00	7,953
Praktiker Yapi Marketleri A.S., Istanbul (Turkey) ¹⁾	100.00	10,716
Praktiker TOV, Kiev (Ukraine) ¹⁾	100.00	2,366
Praktiker Albanien Sh.p.k., Tirana (Albania) ¹⁾	100.00	-172
Praktiker International AG, Chur (Switzerland) ¹⁾	99.99	37,788
Praktiker Group Buying Ltd., Hongkong (China) ¹⁾	100.00	332
Sinco Trade Ltd., Hongkong (China) ¹⁾	100.00	34
Praktiker Real Estate Kft., Budapest (Ungary) ¹⁾	100.00	1,894
Praktiker Real Estate Romania S.R.L., Voluntari (Romania) ¹⁾	100.00	2,399
Praktiker Real Estate EOOD, Sofia (Bulgaria) ¹⁾	100.00	1,259

*) The equity of the international companies is measured by IFRS

¹⁾ Shares are held indirect

A list of the complete interests of Praktiker Holding AG is deposit at commercial court Saarbrücken (HR B 15267). Moreover the list can be requested by Praktiker Holding AG directly.

Management Board

Members of the management board are:

Wolfgang Werner
Chairman

Distribution Germany
Location management Germany
Revision
extra Franchise / Top Bau (until March 31, 2007)
extra Bau + Hobby (from April 1, 2007)

Michael Arnold
Labour director

International business and internationalisation
Personnel

Thomas Ghabel

Finance
Legal
Investor Relations/Public Relations
Controlling/Product Controlling (latter from February 2008)
IT/Organisation
Accounting/Taxes (from April 1, 2007)
Max Bahr (from February 2008)

Pascal Warnking

Category Management
Marketing
Logistics / Product Controlling (latter until January 2008)
Max Bahr (after execution of the acquisition; until January 2008)

Walter Weber (until March 31, 2007)

Accounting/Taxes

Supervisory Board

Members of the supervisory board are:

Dr. Kersten von Schenck

(Chairman)

Attorney at law and notary public

- a) Member of the Supervisory Board of Praktiker Bau- und Heimwerkermärkte AG
Member of the Supervisory Board of ThyssenKrupp AG

Marliese Grewenig*

(Vice Chairwoman)

Chairwoman of the General Works Council of Praktiker Bau- und Heimwerkermärkte AG

Chairwoman of the Group Works Council of Praktiker Bau- und Heimwerkermärkte AG

(until January 23, 2008)

Chairwoman of the Group Works Council of Praktiker Bau- und Heimwerkermärkte Holding AG

(from January 23, 2008)

- a) Vice Chairwoman of the Supervisory Board of Praktiker Bau- und Heimwerkermärkte AG

Barbara-Viktoria Beckers*

Department Head of Praktiker Bau- und Heimwerkermärkte AG

- a) Member of the Supervisory Board of Praktiker Bau- und Heimwerkermärkte AG

Dr. Norbert Bensel

Board Member responsible for logistics at Deutsche Bahn AG

- a) Member of the Supervisory Board of DB Fernverkehr AG
- Member of the Supervisory Board of DB Regio AG
- Member of the Supervisory Board of DB Services Immobilien GmbH
- Member of the Supervisory Board of Deutsche Eisenbahn Versicherung Sach- und HUK-Versicherungsverein
- Member of the Supervisory Board of DEVK Rückversicherungs und Beteiligungs AG
- Member of the Supervisory Board of Partner für Berlin – Gesellschaft für Hauptstadtmarketing GmbH
- Member of the Supervisory Board of Praktiker Bau- und Heimwerkermärkte AG
- Member of the Supervisory Board of RAG Bahn und Hafen AG (until April 30, 2007)
- Chairman of the Supervisory Board of Railion Deutschland AG
- Chairman of the Supervisory Board of Schenker AG
- Member of the Supervisory Board of Sparda Bank Berlin eG
- Chairman of the Supervisory Board of Stinnes AG

Helmut Biegel*

Department Head of Praktiker Bau- und Heimwerkermärkte AG

- a) Member of the Supervisory Board of Praktiker Bau- und Heimwerkermärkte AG

Hans-Dieter Clingen*

Chairman of the General Works Council of Praktiker GmbH

- a) Member of the Supervisory Board of Praktiker Bau- und Heimwerkermärkte AG

Ulrich Grillo

Chairman of the Management Board of Grillo-Werke AG

- a) Member of the Supervisory Board of Praktiker Bau- und Heimwerkermärkte AG
- Member of the Supervisory Board of mateco AG (from May 4, 2007)

Dr. Kay Hafner

Chairman of the Executive Board of Hertie GmbH (until February 2008)

- a) Member of the Supervisory Board of Praktiker Bau- und Heimwerkermärkte AG

Johann C. Lindenberg

Businessman

- a) Member of the Supervisory Board of BDO Deutsche Warentreuhand AG Wirtschaftsprüfungsgesellschaft
- Member of the Supervisory Board of Esso Deutschland GmbH
- Member of the Supervisory Board of ExxonMobil Central Europe Holding GmbH
- Member of the Supervisory Board of Gruner & Jahr AG & Co. KG
- Chairman of the Supervisory Board of J.J. Darboven Holding Verwaltungs Aktiengesellschaft
- Chairman of the Supervisory Board of Hamburger Messe und Kongress GmbH
- Member of the Supervisory Board of Praktiker Bau- und Heimwerkermärkte AG

Dr. Wolf-Dietrich Loose

Attorney at law

- a) Member of the Supervisory Board of Babcock Borsig AG
- Chairman of the Supervisory Board of iVA Valuation & Advisory AG Wirtschaftsprüfungsgesellschaft
- Member of the Supervisory Board of caption AG
- Chairman of the Supervisory Board of Kaufhalle AG
- Member of the Supervisory Board of Praktiker Bau- und Heimwerkermärkte AG
- Chairman of the Supervisory Board of Schwarz Pharma AG (from February, 2007)
- b) Chairman of the Supervisory Board of DEKRA Personaldienste GmbH
- Member of the Partners Committee of METRO Group Asset Management GmbH & Co. KG

Zygmunt Mierdorf

Member of the Management Board of METRO AG

- a) Chairman of the Supervisory Board of Adler Modemärkte GmbH
 - Member of the Supervisory Board of Praktiker Bau- und Heimwerkermärkte AG
 - Chairman of the Supervisory Board of Real Holding GmbH
 - Member of the Supervisory Board of TÜV Süd AG
- b) Chairman of the Management Board of Extra Verbrauchermärkte Management GmbH
 - Chairman of the Partners Committee of METRO Group Asset Management GmbH & Co. KG
 - President of the Administrative Council of METRO Group Account Processing International AG (until November 13, 2007)
 - Member of the Supervisory Board of LP Holding GmbH (from January 1, 2008)
 - Chairman of the Supervisory Board of Tertia Handelsbeteiligungsgesellschaft mbH
 - Member of the Administrative Council of Wagner International AG

Rainer Reichenstetter*

Trade union secretary in the national administrative office of the ver.di Bundesverwaltung

- a) Member of the Supervisory Board of Praktiker Bau- und Heimwerkermärkte AG

Frank Schuster*

Commercial employee of Praktiker Bau- und Heimwerkermärkte AG

- a) Member of the Supervisory Board of Praktiker Bau- und Heimwerkermärkte AG

Prof. Dr. Harald Wiedmann

Attorney at law, Tax adviser, Auditor

- a) Member of the Supervisory Board of Merz Pharma KGaA
 - Member of the Supervisory Board of Praktiker Bau- und Heimwerkermärkte AG
 - Member of the Supervisory Board of Prime Office AG
 - Member of the Supervisory Board of ProSiebenSat1.Media AG
 - Member of the Supervisory Board of Senator KGaA
 - Member of the Supervisory Board of Wincor Nixdorf AG
- b) Chairman of the Administrative Council of Berenberg Bank
 - Member of the Supervisory Board of Converium AG (until June 30, 2007)

Axel Willrath*

Employee in the Praktiker store in Celle

- a) Member of the Supervisory Board of Praktiker Bau- und Heimwerkermärkte AG

Rüdiger Wolff*

Trade union secretary in the national administrative office of the ver.di union

- a) Member of the Supervisory Board of Kaufhof Warenhaus AG
 - Member of the Supervisory Board of Praktiker Bau- und Heimwerkermärkte AG

* Employee representative

- a) Member of other statutory supervisory boards of domestic companies
- b) Member of comparable German and foreign boards of business enterprises

Compensation of the Supervisory Board and the Management Board

Total compensation of the members of the management board amounted to € 2.697 m for the 2007 fiscal year (€ 4.033 m for the 2006 fiscal year). The members of the supervisory board received total compensation of € 1.150 m for the 2007 fiscal year (€ 1.104 m for the 2006 fiscal year). The detailed information required in respect of the above as set out under § 285 section 1 no. 9 letter a subsections 5 to 9 of the German Commercial Code is provided in the management report in accordance with § 289 section 2 no. 5.

Assurance of legal representatives

“To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and the company management report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company”.

Kirkel, Germany, March 19, 2008

The Management Board

Werner

Arnold

Ghabel

Warnking

Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the PRAKTIKER Bau- und Heimwerkermärkte Holding AG for the business year from January, 1 to December 31, 2007. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's Board of Managing Directors. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § (Article) 317 HGB ("Handelsgesetzbuch": "German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, Germany, March 19, 2008

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Philip Marshall)
Wirtschaftsprüfer

(Dr. Herbert Knoop)
Wirtschaftsprüfer