



**Quarterly Report 1/2009 of Praktiker Bau- und Heimwerkermärkte Holding AG  
Telephone Conference with the Press, Wednesday, 22 April 2009, 10:00 a.m.**

---

**Statement Wolfgang Werner, CEO**

Ladies and gentlemen,

I cordially welcome you to our telephone conference on the occasion of the presentation of our financial report for the First Quarter 2009.

Only four weeks ago we met in Frankfurt at our Annual Press Conference. It will certainly come as no surprise if I now tell you that neither the situation of the Praktiker Group nor the overall economic conditions have changed materially since then. The only thing that looks brighter now is the weather which has in the meantime made for a good, albeit belated, start into the gardening season. This will benefit the month of April – and hopefully also the whole Second Quarter, which is the key quarter of every business year.

But let us start with a review of the First Quarter which has not been good for us - as I already indicated at our Business Press Conference in Frankfurt on 27 March. In fact, we clearly missed the prior-year figures in terms of sales and operating earnings. This comes as no surprise when comparing today's market environment in Germany and Eastern Europe to that in spring 2008 when nobody could foresee the breathtaking speed with which the financial crisis would spread to all areas of the real economy. Let me stress this: to ALL areas of the real economy. That is: including consumption. And including the DIY sector – something which not every market participant or observer was ready to believe still a few weeks ago.

The figures which I will explain to you in a minute in my view demonstrate two things:

First: It was important that the management focused on securing earnings and liquidity early on and thereby sustainably raised the ability of the Praktiker Group to weather the crisis. We will continue to strictly pursue this course. Controlling costs and keeping expenses flexible are not only the order of the day but of the whole year.

Second: From the viewpoint of business economics, labor market policy and job security it proved to be right that we used the instrument of short-time labor in March as the first retail company in Germany. This was not received with unanimous applause but gave us the necessary leeway to bridge the cyclical slump in demand and sales without resorting to redundancies for operational reasons.

In this context let me give you a positive piece of news in advance: Today 32 German Praktiker stores are still on short-time labor. This is roughly 50 less than in March when we first embarked on this road and 30 less than at the beginning of April. This attests not only to the flexibility of this labor market instrument. It also indicates a certain easing of the situation at the point of sale. And the trend for the month of April – as I already mentioned – confirms this impression: For the first time this year our German business operations came in clearly above the prior-year value. It is therefore quite possible that we will be able to further reduce the scope of short-time labor in May.

However, you have to look very carefully how much sales reacted to the belated awakening of spring in the first half of April and to which extent it therefore only cleared a weather-related backlog demand from the month of March.

But let us return to our Quarterly Report and to the two key financials: the development of net sales and operating earnings, i.e. EBITA. Consolidated sales of the Praktiker Group reached 795.6 million euros during the first three months of the fiscal year under review. This is 8 percent less than last year and therefore gives no reason to be satisfied. And we can be even less content about the earnings situation of the Praktiker Group. This time the seasonal operating losses which are regularly incurred during the First Quarter of a fiscal year this time came in at 49.2 million euros. Last year, EBITA stood at minus 20.8 million euros. In other words, our earning situation has substantially deteriorated this spring.

Two main factors materially influenced business development at the Praktiker Group during the First Quarter: on the one hand, you have the weather just like every year while on the other you have the macroeconomic environment which could hardly have been worse, also with a view to the development of currencies in Eastern Europe. Especially unpleasant is the fact that the present recession affected all four segments of our financial reporting, and in particular also our hitherto cash cow, international business.

You heard me right: I am talking about four instead of two segments. This is a change which we introduced to comply with changes in the requirements of the International Financial Reporting Standards. In line with our brand portfolio we now for the first time report the segments Praktiker Germany and Max Bahr separately. This will certainly also result in a welcome improvement in transparency for you. In addition, you have the segment “Others” which mainly comprises the brand extra BAU+HOBBY, a small sales division of Praktiker that services 19 own and 10 franchise stores and supports another 200 cooperation partners in purchasing and marketing. The fourth segment – as before – maps our complete international business.

## **Germany**

Let us start with our domestic business. When we last convened in Frankfurt not everyone was convinced yet that the crisis had reached the retail sector in general and the DIY sector in particular. We now know from the Federal Statistical Office that the retail sales in February indeed plunged 5.3 percent. In the meantime the German market research institute GfK on behalf of the BHB trade association established that the German DIY stores – following a low

single-digit minus in January - generated as much as 12.9 percent and like for like even 14.3 percent less sales in February than one year earlier.

Against this backdrop the sales trend of the Praktiker Group in Germany suddenly appears in a very different light. In fact, it looked as follows: With a total of 589.5 million euros, our nominal domestic sales missed the figure for the First Quarter 2008 by 5.9 percent and like for like by 6.0 percent. In the stores of the Praktiker brand, sales receded by 5.6 percent and at Max Bahr by 6.9 percent.

Allow me to briefly dwell on the Praktiker brand because it appears partially to have developed better than the industry average. In the month of February alone, when the DIY sector had to cope with the aforementioned double-digit drop in sales, the minus at Praktiker stood at only 4.8 percent. This is better than in January and the same as in the following month of March during which the weather, as already mentioned, had acclimated to the continued economic depression. I see this as a sign that we succeeded in positioning the Praktiker brand such that it has a special appeal to customer groups who want to, or need to, save. With various promotion campaigns which we bundled under the motto "Ärmel hoch" [sleeves up], Praktiker is stimulating demand and sending a small signal against pessimism and despondency. And I believe we are on the right track.

Ladies and gentlemen,

This is no contradiction to short-time labor which Praktiker still uses mainly in those regions which are structurally weak and therefore particularly hard hit by the recession. But it clearly disproves the sporadic accusation some weeks ago that the reason for the lack of work which led to short-time labor was a failed marketing strategy of Praktiker. The opposite is correct.

However, since we continued to invest into price campaigns in order to at least partially overcome the buying restraint which doubtless exists, we had to accept higher losses during the First Quarter 2009 than during the same period last year. The Q1 operating earnings of the Praktiker brand dropped from minus 19.2 to minus 36.0 million euros, mainly due to reduced gross margins. At Max Bahr, by contrast, the EBITA loss that is typical for this period improved from 1.7 to 1.5 million euros.

We thus focused more on margins at Max Bahr than at Praktiker Germany or, in other words: at Praktiker, we largely accommodated to the needs of our most price-sensitive customers. I believe that, in doing so, we gained in trust, image and standing. In terms of customer loyalty this could well pay off in the further course of the year.

I will not comment further on the segment "Miscellaneous" here. This new segment is the pool for those activities of our German business that have only a minor impact on the overall group activities. For the corresponding figures, kindly refer to the Quarterly Report.

## International

This takes us to the international operations, hitherto the driver of our profitable growth. During the first three months of the current year this segment particularly suffered not only from the climatic but especially also from the global economic conditions. For the first time in many years I therefore have to report a drop in sales and earnings after the start into a new fiscal year. This hurts even though the corresponding figure of the year 2008, the best results ever, was particularly high.

Overall, First Quarter international sales came in at around 206 million euros. This is 13.6 percent and like-for-like 18.2 percent less than one year earlier. With the exception of the Ukraine, where we raised the number of stores from one to three, sales dropped in all countries where Praktiker is active. A major part of this decline – i.e. ten percentage points – is attributable to exchange rates, however. In particular the Polish zloty, the Turkish lira and the Romanian lei recently depreciated massively. Without this devaluation of national currencies the sales revenues in the international segment would only have dropped by 3.6 percent. In absolute figures, the devaluation of the Eastern European currencies cost us 24.7 million euros in sales.

Also the operating result went into the red as a consequence of this development. Although we countered this trend by initiating measures to stabilize the gross earnings margin, reduce costs and restrict spending, it was not possible to compensate for the strong sales losses incurred in a quarter that normally – with the exception of the past two years - does not generate any profit due to poor weather conditions. Hence, the segment International this time reported operating losses of 10 million euro. Last year, EBITA still stood at plus 1.3 million euros. Here, too, currency effects come into play. Had exchange rates remained constant, the drop would have been 1.4 million euros lower.

So you see, ladies and gentlemen, that it was a good decision to take an expansion break this year. We will continue to pursue our strategy and the principal goals of our internationalization expansion policy because the markets in Eastern and Southeastern Europe still offer a large potential. Participating in this potential also remains our target for the medium term. We will not lose this strategy from sight. But, this year, securing earnings and liquidity takes priority. Everything else comes second.

## Outlook

Ladies and gentlemen,

Let me come to the end of my presentation. At the outset I had mentioned that the world we are living in did not change very much over the past four weeks. Although we now know the Quarterly Report which I just presented to you and although we know that German business in April – also due to the good weather – has been running relatively well thus largely compensating the sales losses incurred during the first quarter already, we also know that the economic settings in Germany continue to be difficult. Moreover, the situation abroad is highly ambivalent. No one can say today when the structurally affected economies in our Eastern European markets will recover, even if the steep currency depreciation in these

countries appears to have come to a halt for the time being. Everything counted, however, it looks as if our German business could again contribute a slightly higher share to the consolidated sales and earnings of the Praktiker Group in 2009 than in recent years.

Please do not expect me to give a more precise forecast for the full fiscal year 2009 than I gave at our Business Press Conference. In view of the fact that the economic development in Germany and abroad is not foreseeable, it is still not possible at present to give a sound forecast of our sales and earnings development for the full year. We therefore reiterate our qualitative statement that the Praktiker Group will continue to generate adequate EBITA even against the backdrop of receding sales. And I would like to confirm my statement of 27 March: "Adequate" means positive. In addition - and we had also stressed this at our Annual Press Conference - we will this year focus on keeping our cash position at a high level. Safeguarding earnings **and** liquidity – these remain the main targets for the current fiscal year.

I thank you for your attention. As always at this point, our CFO Mr. Ghabel, and I will now gladly answer your questions.