



**Takeover Max Bahr Holzhandlung GmbH & Co. KG**  
Telephone press conference, Wednesday, 16 August 2006, 14.30 hrs

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## Statement Wolfgang Werner, Chairman of the Board

Ladies and Gentlemen,

We have invited you to this telephone conference at short notice because I would like to tell you personally why we are acquiring the operational business of Max Bahr and why we think that this will enable us to permanently improve the competitive position of the Praktiker Group on the German market.

This acquisition brings together what goes together. Let me give you a few facts and figures to back this up:

- Praktiker currently runs 270 home improvement outlets in Germany, Max Bahr 76.
- In the past annual year Praktiker had gross sales in Germany of about 2.26 billion euros, Max Bahr 726 million.
- Mid-year Praktiker employed 10,000 people, Max Bahr 4500.
- Praktiker is the price and cost leader on the German market, Max Bahr is in the premium segment in its positioning with a comprehensive range of products.
- Praktiker operates mainly small and medium-sized stores; Max Bahr's core competency is large-scale.

Thus, in taking over Max Bahr we are taking on a renowned specialist home improvement who offers high quality in product and service, and which is strategically and regionally a valuable addition to our portfolio. And it's profitable too – which is not something that can be said of all of the competitors. We expect Max Bahr to contribute positively to the Praktiker Group's results in the first year, with significantly increasing profits from 2008.

Furthermore, this acquisition will improve our strategic position. Our current goals remain: to strengthen Praktiker's discount orientation in Germany through the Easy-to-Shop concept and expanding our network in Eastern Europe at an accelerated pace. The takeover of Max Bahr is now the third and complementary pillar in this alignment, namely the construction of a two-brand strategy for a better coverage of the German market.

Ladies and Gentlemen,

The acquisition opens up new customer levels for us. Praktiker is the number 2 on Germany's do-it-yourself market with a market share of 7.1 percent; Max Bahr is the eight biggest player with a market share of 2.1 percent. This means that together we will turn over about 9.2 percent of the market volume of the DIY industry, which is estimated at 37 billion euros.

That brings us up close to the market leader OBI, whose market share is 9.7 percent. And we're ambitious enough to increase the competitive pressure even further. In other words: We intend to reach the top of the home improvements league.

For years people have been saying that consolidation of the home improvements market is overdue. We're now taking the bull by the horns and making a start. Consolidation means: bigger units with greater efficiency. That is our way. By becoming more efficient, we increase pressure on weaker competitors in particular, who have a low profile and may be in troubled waters financially in a medium term.

When I say we have acquired the "operational business", then this may need to be explained briefly. The owners of Max Bahr have decided to sell their business in two parts. One part is a real estate company that keeps all Max Bahr's properties. The other part is the operational business and the brand, which we have acquired. This means we are now running the 76 Max Bahr stores, which we will continue to lease. The real estate company owns the real estate; we are the business managers. This sort of distinction is common in the industry. When Metro AG, our former parent company, launched Praktiker on the stock exchange, the sites were also sold to a real estate company; thus, the principle is the same.

What's going to happen to Max Bahr now? Because the brand is so well established and has such an excellent reputation, we intend to continue running it as a service-orientated premium brand with no significant changes. Max Bahr is the ideal complement to the Praktiker brand, which we will also continue to run as before: price-aggressive and discount-orientated. This two-brand strategy will also enable us to cover additional customer groups, and put us in a unique position: we are now represented equally on the two segments of the market in Germany that promise further growth in the future. As well as achieving new size, we are also enhancing the quality of our offer. No competitor is currently able to offer anything comparable.

We know from customer surveys that price is the most decisive factor for half of the customers when shopping. Praktiker offers this price-conscious group an adequate and comprehensive range of products. But there is also a group of customers who appreciate a higher level of service including thorough consultation and is prepared to pay for it better prices. Max Bahr is the right brand for these customers.

And as in many other markets, it is also evident in the world of do-it-yourself that the polarisation is increasing; that growth – when there is any – occurs at the two poles of the market, not in the middle.

This acquisition puts us in the best possible position for exploiting these growth opportunities to the full. After all, more than 100 million customers appreciate the products of Praktiker and Max Bahr.

Regionally, Max Bahr is also an almost perfect addition to Praktiker. Whereas Praktiker's activities focus on West, East and Southern Germany, Max Bahr is anchored mainly in the northern regions. This opens up entirely new options with regard to locations. We can now convert certain stores and focus them better on the brands' core competencies. For instance, we want to run some of the big Praktiker stores under the Max Bahr brand in future because Max Bahr has the competency for large scales. On the other hand, Praktiker's particular strength is in the operation of small and medium-sized stores – on which our new Easy-to-shop concept is particularly focussed. So it makes sense to convert some of Max Bahr's smaller outlets into Praktiker outlets as this will increase sales and profits. We think that between five and ten outlets each would do better under the other brand.

This presents excellent opportunities for Max Bahr, because it will enable us to strengthen the market presence in Southern Germany without having to open additional outlets.

One of our long-term goals is to achieve more even two-brand coverage in Germany.

Even without adopting optimisation measures, the takeover provides us with a stronger and much denser network of stores. In future, our two brands will be present in Germany in more than 340 stores. Even the market leader cannot match such a network.

One key consideration in any takeover is the expectation that combining activities could have synergistic effects. That is also the case here. The takeover opens up potential for improvements in procurement, logistics and administration in particular. We have very different strengths, and so we can learn a lot from each other. I am certain that we will be able to turn these synergies of scale into greater efficiency and profitability. But that won't happen overnight. First, we have to look closely at what we at Praktiker are better at and what Max Bahr is better at. And then we'll adopt the superior solutions. Please – allow us the time to develop them.

Synergy effects are important. They are what make takeovers particularly appealing economically. But even without major synergy effects we expect Max Bahr to improve our figures significantly in the future, and to make a positive contribution to Praktiker Group's profits in the first full business year, i.e. 2007 already.

We expect significantly increasing profits from 2008, and we expect these amounts to cover any costs for financing as well.

I said at the beginning that the owners of Max Bahr have sold their business in two parts, one being the real estate company and the other the operational company. We have acquired 100 percent of the operational company, which makes us responsible for the sales and profits of the Max Bahr home improvement outlets.

We have also acquired a minority share in the real estate company of 24 percent. This enables us to participate in the added-value potential of the real estate without being responsible for the management.

To summarise:

1. By acquiring Max Bahr, Praktiker assumes the initiative for the consolidation of Germany's DIY industry. Our group is moving closer to the current no. 1 – OBI – and will develop its market position in Germany.
2. Together with Max Bahr, Praktiker can run a two-brand strategy that not only closes gaps in the current network of Stores, but also addresses additional interesting customer groups. This helps us to achieve effective and efficient market coverage.
3. The acquisition not only makes sense conceptually and structurally; it is also a worthwhile investment. Max Bahr is a very well run, profitable company that will bring us positive results from the very first year.
4. Praktiker's present strategy of developing the Praktiker brand's discount orientation further through Easy-to-Shop remains unchanged. However, it will now be enhanced profitably by a two-brand strategy.
5. Praktiker will continue to expand into Eastern Europe forcefully. The financial means remain available, as before. This acquisition does not impair or change the plans for expansion in any way.

Ladies and Gentlemen,

I will close now. My fellow board member Thomas Gabel and I will be pleased to answer any questions you may have. It is possible that at the moment we may not be able to answer some of your questions in full, but we trust that is something you will understand.