



Q3 Report / 2008

Telephone Press Conference, Thursday, 23 October, 10:00 a.m.

Statement Wolfgang Werner, Management Board Chairman

Ladies and Gentlemen,

I cordially welcome you to our conference call on the occasion of our report on the Third Quarter 2008 and – in this context – on the first nine months of the current financial year. Before Mr. Gabel and I will answer your questions, let me explain the most important key financials of our Q3 report.

But, first of all, allow me to make one preliminary remark:

We are witnessing weird times that not only affect our current business but also make an unemotional outlook into the future all the more difficult. First, we had the volatile macroeconomic development in Germany with inexplicable discrepancies between consumer sentiment and consumer behavior. Then there was the subprime crisis “made in the USA“, followed by a global financial crisis that threatens to grow into a full-blown global economic crisis. And now we see the attempts to find a “miracle cure” by way of state-funded billion-euro programs that shake the very foundations of the private sector structures of the financial markets.

Nobody can presently forecast how sustained the effect of the concerted political rescue operation will be. And nobody can forecast which effects – positive or negative – it will have on the so-called real economy and thus on business trends, labor markets and consumption.

It is not easy to keep a level head in this situation. However, in times of crisis, it is one of the paramount duties of management to ensure the resilience of their company. This means to keep the long-term objectives in view, to strengthen the

short-term capacity to react to market changes, to avoid unnecessary risks, to keep capital expenditure plans flexible, to keep expenses in check and to manage inventories even more tightly. In other words: when there is a risk of a cyclical ice age – something which an increasing number of economic experts are fearing – then you are well advised to stock up on winter clothes and heating material in good time. For the Praktiker Group, I can say that this awareness is well-rooted across the whole company. We are well positioned in both financial and operational terms to meet the upcoming challenges of an increasingly difficult market environment.

Some figures relating to financial stability are shown in our Quarterly Report. Liquid funds are higher today than they were at mid-year and also the net debt position has distinctly improved. Moreover, we have an additional liquidity reserve of 200 million euros in the form of a syndicated credit line.

But let us now take a look at the Third Quarter and at the first nine months of 2008 – a period that was not directly affected by the financial crisis yet but that was not easy either.

Operating result

First, the good news: just like we reported for the first half of 2008, the Praktiker Group generated appreciably higher earnings than during the same period one year earlier. In the Third Quarter 2008, EBITA came in at 50.3 million euros which is 9.1 million euros or 22.1 percent up from the corresponding figure of the previous year.

During the period from January to September 2008, the Group generated operating profits in the amount of 109.5 million euros. This is 19.2 million euros or 21.2 percent more than last year.

Both figures are compared against the 2007 reported figures. But, to be fair, we have to remind you that last year we had to shoulder special expenses. As you may recall, the Federal Cartel Office had required us to divest three stores in the context of the acquisition of Max Bahr. This weighted on earnings with about 10 million euros – an expense which, of course, did not reoccur this year.

With the above figures we are well on target. In order to meet our earnings forecast for this year – 135 to 140 million euros – we only have to keep our Fourth Quarter earnings stable as compared to last year. From today's viewpoint, this should be manageable.

The positive development since the beginning of the year is attributable to both, our international and our domestic operations - although in different intensity. The earnings generated during the first nine months by our international operations amounted to 57.7 million euros and were thus 9.1 percent up from last year. This increase looks more modest than it actually is because – as reported – we also had to shoulder additions to provisions in the amount of four million euros in the Second Quarter, which we had to make in view of an antitrust procedure in Poland. Without this one-time expense the EBITA increase in our international business would have come in at an impressive 16.6 percent – despite scheduled start-up losses in the context of entering new markets (the Ukraine and Albania) as well as negative currency effects that related in particular to our high-margin operations in Romania.

A look at the Third Quarter shows how profitable our international business continues to be: during the period from July to September 2008, our international operations contributed 33.4 million euros to consolidated earnings. This is 6.2 million euros or 23.0 percent more than during the same period last year.

Domestic operations contributed operating earnings of 51.8 million euros during the first nine months of 2008. This corresponds to an increase of 14.4 million euros or 38.4 percent. In this context, you have again to bear in mind that last year's EBITA were affected by the above-mentioned expenses to meet the Cartel Office requirements. Net of these expenses earnings rose by 4.2 million euros or 8.8 percent.

Third Quarter EBITA in Germany came in at 16.9 million euros which is 2.9 million euros or 20.5 percent up from the same period one year earlier. Set against the earnings adjusted for the expenses resulting from Cartel Office requirements,

however, third quarter EBITA did not reach the prior-year figure.

Sales

Let us now turn our attention to the second important key financial of our report: sales. Here, the situation needs much more additional information as the mere figures do not speak for themselves. During the first nine months of 2008, consolidated sales of the Praktiker Group came in at nearly 3.015 billion euros. This figure is only 0.9 percent down from our excellent prior-year sales. Like-for-like, however, consolidated sales receded by 6.3 percent.

During the Third Quarter, sales of the Praktiker Group dropped by 1.9 percent to 1.017 billion euros.

The Praktiker Group was able to continue to rely on a dynamically growing international business which now accounts for more than 35 percent of consolidated sales. During the first three months of the current year, sales generated by our International segment rose by 18.3 percent to 938.7 million euros. In the Third Quarter, the growth rate was even higher at 20.9 percent. Romania, Bulgaria and Poland reported the highest absolute growth rates. Like for like, that is net of expansion-related growth, international sales rose by 2.4 percent during the first nine months and by 2.9 percent in the Third Quarter.

Let us now look at the situation in Germany. Here, sales generated during the first nine months declined by 7.7 percent to around 2.076 billion euros. In the Third Quarter, they even dropped by 11 percent – an apparent contradiction to the trend reported by other competitors on the domestic market. In this context, two things have to be pointed out:

- First: the bar was set exceptionally high because last year the Praktiker Group had succeeded in distinctly escaping the negative business trend on the domestic market.
- Second: this year's drop was exclusively attributable to the Praktiker brand. While Max Bahr developed in line with the general trend, the realignment of

the marketing strategy for the Praktiker brand which was already described on several occasions and involves a massive reduction of 20 percent discount campaigns, inevitably resulted in a drop in sales. In the Third Quarter alone, the number of discount days was reduced from 38 to 16, over the full nine month period it was cut by almost half.

This had consequences. One of them was the drop in sales which we had anticipated but which nevertheless we would have preferred to be a little less pronounced. Another consequence was an improvement of the quality of earnings generated by Praktiker's domestic operations. As a matter of fact it is largely attributable to this circumstance that the gross profit on sales during the first nine months increased by five percent to around 1.011 billion euros and the gross margin on sales increased by 1.8 percentage points to 33.5 percent.

The new promotion strategy of the Praktiker brand, which focuses less on 20-percent campaigns and more on permanent shelf price reductions and differentiated product category discounts, thus helps to increase earnings. What is more: it also raises the profile of the Praktiker brand with the customers. At least this is our conclusion from the latest, recently published customer survey "Kundenmonitor Deutschland". You may recall that, one year ago, I told you how pleased I was that Praktiker had for the first time made it to the first place in the category "prices as compared to the competitors". Now I am even more pleased because, according to the Kundenmonitor 2008 survey, we not only managed to defend our number one position but also further extended our lead. Praktiker is thus the uncontested price leader in Germany.

We should not forget to mention that our second strong brand, Max Bahr, in its positioning as a service-oriented premium brand also succeeded in improving its ranking in several quality categories. Both results show that we are on the right way with our two-brand strategy.

Allow me to give you another example to illustrate that we are also doing our homework in other fields. As you know, we had interrupted the conversion of our Praktiker stores to the Easy-to-Shop format this spring to draw an interim balance,

evaluate the experiences made so far and then optimize the concept. Today, I can announce that we completed this process: the implementation phase was started on 15 September. By the end of the year, 40 stores that have already been converted will be subjected to the fitness cure of optimization. In these stores, we will adapt more flexibly to regional market demand. And we will further optimize the assortment which means that existing assortments will be changed and new elements will be added. This will make the Easy-to-Shop stores even more attractive for the customer – and also more profitable for the company, or so we expect.

According to present planning, we will continue converting further stores to the optimized concept in the course of next year.

Conclusion and Outlook

Ladies and Gentlemen,

Allow me to summarize the above and to come to the end of my presentation.

Business development during the first nine months was in line with our expectations. Praktiker Bau- und Heimwerkmärkte Holding AG succeeded in raising its operating result but did not quite manage to reach the prior-year sales level. The fact that sales in Germany dropped distinctly in the Third Quarter did not come unexpected in view of the changes in the marketing concept. Our international operations, by contrast, continued to report a solid and strong growth.

Despite the uncertainties resulting from the worldwide financial crisis we should bear in mind that the German DIY market already went through its own crisis last year and is now stabilizing. And we should not forget that the markets in Eastern Europe continue to be characterized by high backlog demand in terms of refurbishment, renovation and modernization. Thus, they still offer large potential for profitable growth and further market entries. Moreover, in view of the comparably high level of cash transactions in the economy, they are less vulnerable to any structural problems of the financial system.

Even if doom saying is now fashionable, in particular on the financial markets, there is no reason why we should follow this trend. Although the current financial crisis does not help sales, we do not expect it to result in a sustained drop in demand for consumer goods in the DIY sector. Therefore, in any case, and based on the above assessment, we continue to hold on to our forecast for the fiscal year 2008 according to which sales will rise moderately and our EBITA will fall into the range of 135 to 140 million euros. This confidence is also supported by the circumstance that no further improvement of Fourth Quarter earnings over last year needs to be achieved to meet this forecast.

Thank you for your attention. You may now ask your questions.