Praktiker

Interim Report

The first half 2008

H1/08

Key Data

in € m	Q2 2008	Q2 2007	Change	H1 2008	H1 2007	Change
Net sales	**1,132.2**	**1,127.5**	**0.4 %**	**1,997.2**	**2,004.9**	**−0.4 %**
Germany	792.5	838.6	−5.5 %	1,418.9	1,509.5	−6.0 %
of which Max Bahr	214.3	227.0	−5.6 %	380.8	346.7	9.8 %
International	339.7	288.9	17.6 %	578.3	495.4	16.7 %
EBITA	**80.0**	**69.0**	**15.8 %**	**59.2**	**49.1**	**20.5 %**
Germany	57.0	43.5	30.9 %	34.9	23.4	49.1 %
International	23.0[1]	25.6	−9.9 %	24.3[1]	25.7	−5.5 %
Capital expenditure	**29.9**	**43.0**	**−30.6 %**	**57.6**	**64.5**	**−10.7 %**
Net income	**55.7**	**51.4**	**8.3 %**	**32.2**	**33.3**	**−3.3 %**
Earnings per share in € (undiluted)	**0.95**	**0.88**	**8.0 %**	**0.54**	**0.56**	**−3.6 %**
Net cash/net debt (–) (06/30)				**−181.4**	**−147.1[2]**	**−23.3 %**

[1] Incl. € 4.0 m additional provisions Poland.
[2] 12/31/2007.

Operative data	06/30/2008	06/30/2007	Change
Number of stores Germany	**336**	**343**	**−7**
Number of stores International	**93**	**75**	**18**
Luxembourg	3	3	0
Greece	10	8	2
Poland	21	18	3
Hungary	17	15	2
Turkey	10	8	2
Romania	22	17	5
Bulgaria	9	6	3
Ukraine	1	0	1
Number of stores Praktiker Group	**429**	**418**	**11**
Selling space in sq m 1,000	**2,741**	**2,648**	**3.5 %**
Germany	2,095	2,120	−1.2 %
International	646	528	22.3 %
Employees, average on a full-time basis (01/01–06/30)	**23,257**	**22,060**	**5.4 %**
Germany	13,151	13,749	−4.3 %
International	10,106	8,311	21.6 %

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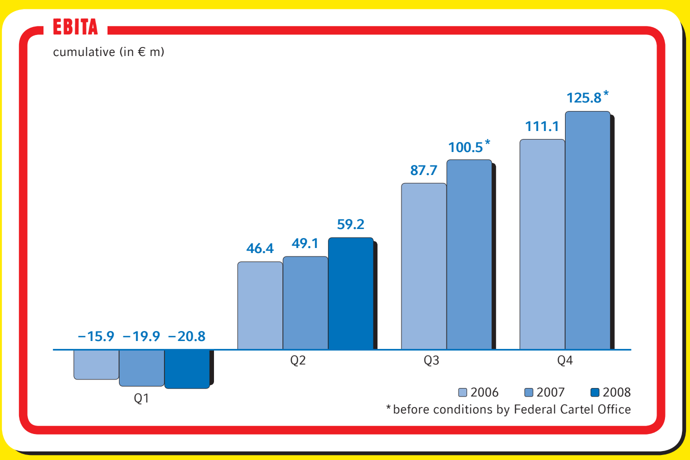
The first half-year 2008 – summary

In the first six months of 2008, Praktiker Group sales were at the level of the previous year. The international business continued to post double-digit growth, which, as in the previous year, was driven largely by Romania, Poland and Bulgaria. Sales in Germany, however, were declining, even though the second quarter developed distinctly better than the first. Overall, the German DIY market remained difficult. What is more, the realignment of marketing activities for the Praktiker brand which resulted in a considerable reduction of the "20 percent" promotion days had led to a loss in sales as had been anticipated. This was much stronger in the first quarter than in the second. Praktiker made a deliberate decision to hazard volume losses for the benefit of improved profits. The consequence of this realignment was a marked increase in the gross margin which resulted in a strong rise of the operating result in Germany. Positive margin effects thus more than compensated the negative volume effects. The reinforced focus on margin thus paid off.

Due to ongoing strong growth, the operating result in the International segment would also have been up year-on-year had it not been for a one-off effect which had to be absorbed. The Polish anti-trust authorities imposed fines on almost all larger DIY retailers, including Praktiker, with the accusation of price collusion related to part of the product range. Praktiker has appealed against this decision. Nevertheless, 4 million euros had to be added to provisions for fines which may need to be paid. Due to this effect, earnings for the half-year in the International section were down slightly year-on-year.

The results for the first half-year are slightly distorted against the previous year due to the fact that in 2008 Max Bahr was consolidated from the beginning of the year for the first time, while in 2007 it became part of the Group only from February on. The losses which typically occur in January are thus included in the financial statements for the first time. On the other hand, the 2007 one-off expenses resulting from the integration of Max Bahr no longer occurred. In the first three months, expenses for the conversion of Praktiker stores to the Easy-to-Shop concept were at the level of the comparable period of the previous year. However, in the second quarter 2008, unlike the previous year, no further store conversions were implemented. Accordingly, in the first six months the conversion charges were considerably lower. This reduction was largely offset though by the addition to provisions in Poland.

On the basis of the experience in the first quarter and in view of the changed economic settings, the guidance for the year 2008 has changed as follows: Praktiker continues to forecast a sales increase. However, in the context of a weakening economic cycle in all parts of Europe, it will only achieve a low, not a mid single-digit increase, with sales growth being driven solely by the international business. Due to the sustained clouding over of consumer sentiment, a continuation of the net sales decline is anticipated in Germany. There is no change to the expected earnings though. The first half-year demonstrated that the gross margin can be pushed upward in the context of the new marketing approach. As a result of the good margin trend, the guidance of an EBITA between 135 million euros and 140 million euros remains in place, thus 10 million euros to 15 million euros above the result the Praktiker Group achieved in 2007 prior to conditions set by the Federal Cartel Office in relation to the Max Bahr acquisition. This assessment takes account of the addition to provisions in Poland. As a result of the changes in the general economic settings, capital expenditure planning was reviewed at the middle of the year. In Germany it has been reduced – partly in connection with the Easy-to-Shop-concept – while internationally the original level has been retained. Overall, cash-relevant capital expenditure totalling approximately 140 million euros is expected.



Business-specific and general economic settings

General economic settings

In the first half-year of 2008, the general economic settings in the countries in which the Praktiker Group operates were still largely positive. However, most macro-economic analyses indicate that the current economic cycle is coming to an end. Growth rates have already slowed and the outlook for income and employment is clouding over in an environment of increasing oil and energy prices combined with rising inflation rates. Even though most economic experts are not expecting a recession, general growth weakening has become the most probable scenario for the global economy.

In Germany, the Praktiker Group's most important market, the discrepancy between the current situation and the sentiment indicators is particularly evident. The ongoing high level of employment, the low unemployment rate and the above-average wage increases this year still point to a sound development of income and spending. However, due to increasing inflation, real disposable income has increased moderately at best. And the erosion of nominal income improvements by inflation has tangibly depressed consumers with all sentiment indicators declining. At the beginning of the year, expectations for consumption development in Germany were still good. They since have had to be revised downwards.

In this environment, DIY business in the reporting period was sluggish. According to a statement of the German DIY Association (BHB), industry sales declined on a like-for-like basis by 6.9 percent in the first quarter. For April, a sales decline in double-digits was reported. The good weather in May then resulted in a recovery, which is likely to have benefited seasonal articles from the garden segment most strongly. In June, the entire retail industry then felt the lack of consumer spending propensity, a trend which induced the BHB to reduce its sales forecast for 2008 for the German market from a plus of 2 percent to "at best the level of the previous year".

In the face of an ongoing high level of inflation, there is virtually no expectation of a revival of consumer spending for the second half of the year. At best, the DIY industry can benefit from the fact that the 2007 sales trend was already very poor in the second half of the year. This means that even a very moderate sales trend can still generate a year-on-year upturn.

The available figures indicate that the economies and consumption levels on the international markets are growing in low single-digits. The global crisis on real estate markets, rising funding costs and declining demand from Western Europe and the USA are resulting in slower economic growth in Eastern Europe as well. Even so, growth expectations there are still well above the average for Western European countries. However, Eastern Europe will not be able to disconnect from the global phenomenon of rising prices for energy and food. How much flexible exchange rates can cushion the transfer of negative economic impulses in countries such as Romania or Poland remains to be seen. All economic experts agree that economic momentum in Eastern Europe will slow. The only uncertainty is how strong the downturn will be.

Even if the overall economic conditions in Eastern Europe have clouded over, strong demand for DIY products is still expected. After all, there is still strong pent-up demand for renovating and modernizing apartments which are largely privately owned.

Report on the income, financial and asset position

Income position

Net sales

The Praktiker Group achieved total net sales of 1,997.2 million euros in the first half-year of 2008, down 0.4 percent year-on-year (2,004.9 million euros). In Germany, sales declined by 6.0 percent, partly due to a changed marketing presence of the Praktiker brand, partly due to a market which was weaker overall. On the other hand, first-time consolidation of the January sales of Max Bahr impacted positively. In the previous year, January sales were not included in the financial statements as Max Bahr was consolidated for the first time from February 2007 on. In contrast, international sales increased by 16.7 percent. The key growth driver here was the extension of the store portfolio. Since July 1, 2007, 18 new stores have been opened, the majority of them in the second half of last year. If exchange rates had been unchanged, international sales growth would have been as much as 17.4 percent.

Adjusted for changes in selling space, Group sales declined by 5.9 percent in the first half-year. The decline resulted solely from the German business where like-for-like sales were 8.4 percent lower than in the previous year. On the other hand, international sales achieved a like-for-like improvement of 2.1 percent.

In the second quarter of 2008, net sales in Germany benefited from stronger weather-driven seasonal business. However, the market remained weak overall. Sales totalling 792.5 million euros represented a year-on-year decrease of 5.5 percent (previous year 838.6 million euros) but at the same time an improvement against the first quarter in which sales in Germany declined by 6.6 percent despite January sales of Max Bahr being consolidated for the first time. Between April and June, net sales outside Germany improved by 17.6 percent to 339.7 million euros (previous year 288.9 million euros). Thus, the second quarter closed somewhat better than the first in which sales moved up by 15.5 percent.

Business in the second quarter thus developed considerably better than in the first three months. This also applies with respect to the like-for-like sales figures. In Germany, the minus of 13.1 percent in the first quarter was improved to minus 4.4 percent in the second quarter, while international business gained 2.8 percent on a like-for-like basis in the second quarter, after 1.0 percent in the first.

Gross profit on sales

Despite the decline in net sales, gross profit on sales increased by 7.0 percent to 665.7 million euros in the first six months. Thus, the trend of the first three months continued in the second quarter. The gross margin increased by 2.3 percentage points to 33.3 percent. This positive development is linked primarily to the German market and relates to the same factor which contributed negatively to the net sales trend. As part of the changed marketing approach of the Praktiker brand, the number of promotion days was considerably reduced with the result that the share of discounted sales declined and the earnings quality of sales improved. What is more, the increase in value added tax in the previous year resulted in a lower gross margin as the increased tax was not passed on directly to the customers. Price adjustments have since been made. In the international business, the gross margin moved up slightly, reflecting the fact that the buying conditions were improved with the strong growth in many countries, while at the same time scope available in setting sales prices was utilised.

In the second quarter, the upturn of the gross margin with an increase of 2.0 percentage points to 35.0 percent was only slightly below the improvement in the first quarter.

Q2 Income statement

in € m (04/01–06/30)

	Q2 2008	Q2 2007	Change
Net sales	1,132.2	1,127.5	0.4 %
Gross profit on sales	396.1	372.1	6.4 %
Gross margin on sales in %	35.0	33.0	2.0 PP
Other operating income	18.4	13.6	35.0 %
Selling expenses	315.3	298.2	5.7 %
General administrative expenses	19.1	18.3	4.5 %
Other operating expenses	0.1	0.2	−39.3 %
EBITA	80.0	69.0	15.8 %
Net financial income	−3.0	−0.5	−2.5
Earnings before taxes (EBT)	76.9	68.5	8.4
Net income	55.7	51.4	4.3

H1 Income statememt

in € m (01/01–06/30)

	H1 2008	H1 2007	Change
Net sales	1,997.2	2,004.9	−0.4 %
Gross profit on sales	665.7	622.0	7.0 %
Gross margin on sales in %	33.3	31.0	2.3 PP
Other operating income	34.2	28.4	20.4 %
Selling expenses	604.7	561.5	7.7 %
General administrative expenses	35.8	39.4	−9.3 %
Other operating expenses	0.3	0.4	−25.8 %
EBITA	59.2	49.1	20.5 %
Net financial income	−14.4	−4.7	−9.7
Earnings before taxes (EBT)	44.7	44.4	0.3
Net income	32.2	33.3	−1.1

Other operating income

In the first half-year, other operating income totalled 34.2 million euros, up 5.8 million euros or 20.4 percent year-on-year. As was the case in the second but not in the first half of the previous year, other operating income included insurance benefits for expenses and lost income resulting from the fire damage in the Praktiker store in Thessalonica. These totalled 3.2 million euros in the first six months of the reporting year, 1.8 million euros in the second quarter.

From April to June, other operating income totalled 18.4 million euros, up 35.0 percent on the comparable quarter of the previous year (13.6 million euros).

Selling expenses

In the first half-year, selling expenses increased by 7.7 percent to 604.7 million euros. A large part of this increase is due to the fact that Max Bahr is being consolidated for the whole of the reporting period in 2008, while in the previous year it was consolidated only from February on. Selling expenses outside Germany increased strongly as particularly rents, depreciation and personnel costs grew in line with the accelerated store expansion. What is more, increasing energy prices are a factor driving costs across the Group, even if they make up only a small share of total costs.

In addition to these increases in operating costs, selling expenses include an addition to provisions of 4.0 million euros. This became necessary because the Polish anti-trust authorities accused Praktiker, as mentioned above, of price collusion with a domestic supplier.

In the second quarter, selling expenses at 315.3 million euros were 5.7 percent higher than in the comparative quarter of 2007.

General administrative expenses

Compared to the first half of the previous year, general administrative expenses declined by 9.3 percent to 35.8 million euros, mainly the result of one-off expenses incurred in the first quarter of the previous year for the integration of Max Bahr which did not recur in 2008. Adjusted for those one-off expenses in the previous year, general administrative expenses increased moderately.

In the second half of the reporting period, general administrative expenses at 19.1 million euros were thus slightly higher than in the same quarter of the previous year (18.3 million euros).

Operating earnings (EBITA)

In the first half-year, the Praktiker Group generated operating earnings of 59.2 million euros, up 10.1 million euros or 20.5 percent year-on-year. In the second quarter, EBITA was reported at 80.0 million euros in comparison to 69.0 million euros in the equivalent quarter in the previous year. This good earnings trend demonstrates that the strategy in Germany of refocusing on margin rather than on volume has been successful.

This statement remains valid despite consideration of expenses of a one-off nature. In the first quarter of the current financial year, Max Bahr was consolidated for the first time including the month of January, which generates a loss due to seasonal reasons. One year earlier, Praktiker had to bear expenses for the integration of Max Bahr. Expenses for store conversions to Easy-to-Shop were at a similar level as the previous year in the first three months, while in the second quarter of the current financial year, no stores were converted to the Easy-to-Shop concept against expenses of approximately 6 million euros which were incurred for such conversions in the same period one year earlier. However, in the current financial year, this was partly offset by the addition to provisions of 4.0 million euros resulting from the anti-trust proceedings in Poland, as already described.

Net financial income

Net financial income of minus 14.4 million euros was posted in the first half-year. The change as compared to the previous year (minus 4.7 million euros) is attributable to several factors. Interest income was down, because average liquidity was lower than in the previous year. Interest expenses increased in line with finance leasing agreements, the number of which increased with the intensified expansion outside Germany. In the reporting period, there were also currency effects associated with the revaluation of foreign currency liabilities on the reporting date, which were considerably more negative than in the comparable period of the previous year. In the reporting period, the net currency result was 1.6 million euros (previous year 7.1 million euros).

Interest liabilities of 1.9 million euros resulting from the accumulation of the equity part of the convertible bond were not cash relevant (previous year 1.8 million euros).

In the second quarter, the net financial result at minus 3.0 million euros was 2.5 million euros lower than in the equivalent period of the previous year.

Net result for the period

Net income for the half-year totalled 32.2 million euros. In the previous year, net income of 33.3 million euros was achieved. In the second quarter, net income was 55.7 million euros, up 4.3 million euros or 8.3 percent year-on-year.

At midyear, the tax rate at 28.0 percent was 1.0 percentage point higher than at the end of the first quarter. The main reason for the increase was the addition to provisions in Poland which did not reduce taxable profits.

Not all tax expenses were cash-effective. Only 10.3 million euros of tax expenses also resulted in an outflow of liquid funds (previous year 9.9 million euros).

Earnings per share

At the half-year stage, undiluted earnings per share of 0.54 euros were reported (previous year 0.56 euros). In the second quarter, undiluted earnings per share increased year-on-year from 0.88 euros to 0.95 euros.

Adjusted for the non-cash net currency result, the non-cash interest liabilities resulting from the equity part of the convertible bond and the non-cash tax expense, earnings per share in the first half-year was 0.59 euros (previous year 0.49 euros).

Financial position

Net debt / debt cash

As of June 30, 2008, liquid funds totalled 247.2 million euros, just slightly under the level at the end of the first quarter (263.8 million euros). The decline is due to the dividend payout made (26.1 million euros) and the ongoing high level of capital expenditure in international stores. Financial debt totalled 428.6 million euros. As a result of the expansion, there was an increase particularly in liabilities from finance leases (292.5 million euros). There were also liabilities of 136.1 million euros from the convertible bond issued in 2006 which has a duration to 2011. Net debt was thus 181.4 million euros. To the end of the 2007 financial year, net debt had been 147.1 million euros.

Net working capital

Net working capital at minus 409.3 million euros was approximately at the level to the end of 2007 (minus 403.0 million euros).

Cashflow

The decline of cashflow from operating activities by 77.2 million euros to 49.9 million euros relates largely to the increase in inventories and the decrease in other assets. Inventories declined as expected as a result of international expansion. But also the weak June business in Germany meant that inventories of seasonal goods which had been built up were not sold as planned. The relevant sales were not commenced until after the end of the reporting period, so that there was a comparatively high level of inventories on the reporting date. The reported decrease in other assets was due primarily to the new scheme for settling supplier bonuses which was implemented in 2007. Instead of the annual payments to the beginning of the subsequent year, a switch was made to quarterly payments. In the quarterly assessments of 2007, this generated a considerably positive impact on cashflow – related to the receivables level at the end of the 2006 financial year. This basis effect no longer persisted in 2008. Despite ongoing international expansion, cashflow from investing activities improved by approximately 250 million euros to minus 38.0 million euros in the past reporting period. The key reason for this was the one-off impact of the purchase price payment in the context of the Max Bahr acquisition in 2007. In comparison to the previous year, cashflow from financing activities remained almost constant.

Capital expenditure

In the first half-year, the Praktiker Group invested a total of 57.6 million euros (previous year 64.5 million euros). As in the previous year, the focus was on expanding the store portfolio in Eastern Europe.

Balance sheet

in € m

	06/30/2008	12/31/2007	Change
Equity	948.1	941.4	0.7 %
Total assets	2,290.8	2,153.8	6.4 %
Net cash/net debt (–)	−181.4	−147.1	−23.3 %
Net working capital	−409.3	−403.0	−1.6 %

Cashflow statement

in € m (01/01–06/30)

	H1 2008	H1 2007	Change
Earnings before taxes (EBT)	44.7	44.4	0.3
Cashflow from operating activities	49.9	127.1	−77.2
Cashflow from investing activities	−38.0	−290.6	252.6
Cashflow from financing activities	−36.8	−34.2	−2.6
Cash and cash equivalents at 06/30	247.2	269.5	−22.3

Asset position

Balance sheet
At the end of the first half-year, total assets in the Praktiker Group amounted to 2,290.8 million euros, an increase of 6.4 percent compared to the end of 2007. Key changes in comparison to the end of 2007 relate exclusively to the items inventories and trade payables. In line with the seasonal trend, inventories to the middle of the year are typically much higher than to the end of the year. Against the figure to the middle of the previous year, inventories only increased marginally, largely parallel to the expansion of the international store network.

There were no other material changes to the balance sheet items.

Equity
After the equity position had, at the end of the first quarter, declined in comparison to December 31, 2007 due to the losses of the first three months, gains in the second quarter more than offset this effect. To the end of the reporting period, equity totalled 948.1 million euros as compared to 941.4 million euros at the end of last year.

Equity ratio
The equity ratio is 41.4 percent. To the end of the last financial year, the figure was 43.7 percent. The decline is due primarily to the balance sheet extension resulting from the seasonal expansion of inventories.

Other key events
In the second quarter, the decision was made to bundle Group and transnational support functions into a separate subsidiary, Praktiker Services GmbH. This relates to the areas of IT, organization and logistics.

The increasing size and rising internationalization at the Praktiker Group has resulted in new requirements. These are better serviced in an independent entity. This decision also concluded the integration process of Max Bahr in organizational terms.

Praktiker Services GmbH will make a contribution to standardizing and harmonizing key service processes and systems inside and outside Germany. Sales units will thus be able to focus more strongly on their own key activities.

Segment reporting: Germany

Net sales
In Germany, the Praktiker Group generated net sales of 1,418.9 million euros in the first half-year, a year-on-year decline of 6.0 percent. In the second quarter, the level of the previous year was not achieved either, with net sales declining by 5.5 percent to 792.5 million euros. On a like-for-like basis, sales in Germany declined by 8.4 percent in the first half-year. Thus, the Praktiker Group is likely to have moved in line with the overall market, even though the industry figures have not been released yet. In the second quarter, the like-for-like decline of 4.4 percent was considerably less than in the first three months.

However, the decrease in sales was not due entirely to the general weakness of the market, but largely driven by the strategic decision to change the marketing position of the Praktiker brand on a sustained basis. For Germany, Praktiker set a target of reducing the number of 20-percent-off campaigns, a task which it started in the first quarter. In April, Praktiker then commenced advertising ongoing price reductions on selected articles. Previous marketing measures have thus been supplemented with new elements and in some cases replaced. Initial experience with the new positioning has been positive overall. However, the new message still needs to be repeated more frequently before an assessment can be made whether the changes in the marketing approach will be taken up by the customers as intended and whether they generate a corresponding impact on sales. Praktiker is thus monitoring customer reactions thoroughly and is ready to develop the new marketing mix further in a flexible fashion.

Operating earnings (EBITA)
In the first half-year, the business in Germany generated an EBITA of 34.9 million euros, up 11.5 million euros or 49.1 percent year-on-year. In the first quarter, a loss had been posted. In the second quarter, the earnings contribution at 57.0 million euros was 30.9 percent up on the previous-year figure of 43.5 million euros.

The upturn in earnings was driven by several key factors. Firstly, in the previous year the increase in value added tax resulted in a gross margin squeeze as the additional tax charge could not be directly passed on to the customer. The relevant price adjustments have since been made. Secondly, the gross margin was improved, as the share of sales generated on the promotion days declined in line with the number of these days. This was one of the stated objectives of the altered marketing approach. A third factor was that the second quarter of 2008 was less impacted by bad weather than was the case in the second quarter of the previous year. This had a positive effect on the seasonally important gardening assortment.

When making a comparison with the previous year, in addition to operating improvements, it needs to be taken into consideration that a low double-digit million amount of euros was spent for the conversion of Praktiker stores to the Easy-to-Shop format in the first six months of 2007. However, there was a sharp reduction of these expenses in 2008. What is more, in the first quarter 2008 the one-off integrating expenses for Max Bahr of the previous year did not recur.

On the other hand, the results of Max Bahr were consolidated for the month of January, a month in which losses are traditionally generated. Overall, even after taking these one-off effects into account, there was still an improvement in the operating result.

Capital expenditure

In the first half-year of 2008, 14.8 million euros were invested in Germany exclusively for changes in the store concept, modernization and replacement activities (previous year 25.3 million euros). The decline is due largely to the fact that 5 new Max Bahr stores were opened in the first six months of the previous year.

Between April and June, capital expenditure in Germany amounted to 5.3 million euros, down 4.6 million euros year-on-year.

Stores

The number of stores in Germany moved down slightly to 336. 12 months ago, the figure for Germany was 343. However, the preponderant share of store closures had already taken place in the second half of 2007. Only one store was closed in 2008 (in the second quarter). In comparison to the end of the last financial year, the number of stores (337) has remained almost unchanged. 76 of the stores are still operated under the Max Bahr banner.

New marketing approach implemented as scheduled

To the beginning of the year, the marketing approach of the Praktiker brand was re-calibrated in the German market. The key element of this realignment is a considerable reduction of the 20-percent-off promotion days. This is compensated for by reinforced investments in shelf prices for those articles which a Praktiker analysis identified as being in the customer focus. In this realignment, the number of promotion days in the first half-year was brought down to 30 days (previous year 51 days). As described, a conscious decision was made to accept the resulting sales decline. This effect was most evident in the first quarter when the number of promotion days was reduced from 32 to 12. In the second quarter of 2008, the "20 percent off everything" promotion was available on 18 days, in comparison to 19 days in the equivalent period of the previous year. In order to maintain the customer perception of Praktiker's price leadership, prices of a total of 500 articles were reduced permanently and visibly to the customer on the shelves at the end of the reporting period. The changes were communicated and accompanied with newly designed TV spots and relevant newspaper inserts. By the end of 2008, a total of approximately 1,200 selected articles are to be reduced on a permanent basis. This measure is based on the expectation that Praktiker reinforces its position as price leader in Germany, but with the customer perception being based less and less on purely promotional measures.

Q2 Key data Germany

in € m (04/01–06/30)

	Q2 2008	Q2 2007	Change
Net sales	792.5	838.6	−5.5 %
like-for-like sales growth in %	−4.4	−5.8	
EBITA	57.0	43.5	30.9 %
in % on sales	7.2	5.2	2.0 PP
Capital expenditure	5.3	9.9	−4.6

H1 Key data Germany

in € m (01/01–06/30)

	H1 2008	H1 2007	Change
Umsatz	1,418.9	1,509.5	−6.0 %
like-for-like sales growth in %	−8.4	−3.0	
EBITA	34.9	23.4	49.1 %
in % on sales	2.5	1.5	1.0 PP
Capital expenditure	14.8	25.3	−10.5
Number of stores (06/30)	336	343	−7
Selling space in sq m 1,000 (06/30)	2,095	2,120	−1.2 %
Employees, average on a full-time basis (01/01–06/30)	13,151	13,749	−4.3 %

Easy-to-Shop concept under revision

Toward the end of the first quarter, the conversion of additional stores to the Easy-to-Shop concept was interrupted. Even though the concept was taken up by customers well, it did not achieve the original sales expectations.

In a detailed analysis, various changes in the concept have been redrafted. These are to be first implemented within the existing Easy-to-Shop stores starting in the third quarter. For this reason, it is expected that no further stores will be converted in 2008. The roll-out plan will only be resumed next year. However, no final decision has been made on scope and timing. The remaining conversion costs still included
in the budget are available as a reserve for profit protection or for additional price investments if the market position needs to be buttressed in a declining market.

Segment reporting: International

Net sales

The international business was again the growth engine of the Praktiker Group in the first half-year of 2008. Net sales in the International segment increased in the first six months by 16.7 percent to 578.3 million euros (previous year 495.4 million euros). Despite the high comparable figures from the previous year, all countries except Luxembourg contributed to this sales upturn. Romania, Bulgaria and Poland posted the highest growth rates in absolute terms. But also on a like-for-like basis, that is without taking account of the sales upturn due to expansion, international sales increased by 2.1 percent in the first six months. This is to be assessed all the more positively due to the fact that in the same period of the previous year, a like-for-like improvement of 15.3 percent has already been achieved.

Assuming no change in currency exchange rates, net sales in the first half-year increased by 17.4 percent. The movement of exchange rates thus impacted sales in a slightly negative fashion. The depreciation of the Romanian leu and the Turkish lira were not compensated by the appreciation of the Polish zloty.

In the second quarter, sales increased in absolute terms by 17.6 percent to 339.7 million euros (previous year 288.9 million euros) and on a like-for-like basis by 2.8 percent (previous year 12.6 percent). The second quarter thus showed somewhat higher sales momentum than the first three months. This was due principally to the fact that the first quarter in the previous year benefited strongly from the mild winter weather.

In the first six months, the share of the International segment in Group net sales was 29.0 percent (previous year 24.7 percent).

Q2 Key data International

in € m (04/01–06/30)

	Q2 2008	Q2 2007	Change
Net sales	339.7	288.9	17.6 %
like-for-like sales growth in %	2.8	12.6	
EBITA	23.0[1]	25.6	−9.9 %
in % on sales	6.8	8.8	−2.0 PP
Capital expenditure	24.6	33.1	−8.5

[1] Incl. € 4.0 m additional provisions Poland.

H1 Key data International

in € m (01/01–06/30)

	H1 2008	H1 2007	Change
Net sales	578.3	495.4	16.7 %
like-for-like sales growth in %	2.1	15.3	
EBITA	24.3[1]	25.7	−5.5 %
in % on sales	4.2	5.2	−1.0 PP
Capital expenditure	42.8	39.2	3.6
Number of stores (06/30)	93	75	18
Selling space in sq m 1,000 (06/30)	646	528	22.3 %
Employees, average on a full-time basis (01/01–06/30)	10,106	8,311	21.6 %

[1] Incl. € 4.0 m additional provisions Poland.

Stores

To the middle of the financial year, the international portfolio totalled 93 stores, 18 more than one year previously. As in Germany, most changes had already taken place in the second half of 2007. In the current financial year, a total of 5 new stores were opened, in the first three months 1 new store in Poland and in Turkey and in the second quarter 2 new stores in Romania and 1 in Bulgaria.

Operating earnings (EBITA)

In the first six months of 2008, EBITA of 24.3 million euros was posted (previous year 25.7 million euros). That no increase against the previous year could be achieved was due largely to two factors – changes in exchange rates and the addition to provisions of 4.0 million euros needed because the Polish anti-trust authorities accused almost all larger DIY operators, including Praktiker, of price collusion. Bulgaria, Greece, Poland and Romania in particular contributed to the operating performance. In the Ukraine and Albania, start-up losses were generated as expected. Also in Turkey, a profit has not been generated yet.

Changes in exchange rates also impacted the earnings position. If exchange rates had not changed, the EBITA generated in the International segment would have been almost 1 million euros higher.

In the second quarter, the international business – before the addition to provisions described – posted an operative result of 27.0 million euros, a year-on-year improvement of 1.5 million euros or 5.8 percent.

Capital expenditure

A total of 42.8 million euros was invested outside Germany between January and June 2008 – largely in new stores (previous year 39.2 million euros). 24.6 million euros of this related to the second quarter (previous year 33.1 million euros).

Other key events

The Polish anti-trust authorities suspect almost all of large DIY retailers of price collusion with a domestic supplier. As described, this accusation resulted in additions to provisions of 4.0 million euros. Praktiker has filed an appeal against these accusations. Even if the accusations were factually substantiated, Praktiker considers the fines which may be levied are out of proportion. At the time being, no assessment can be made as to whether the entire provision will be utilized after the matter has been clarified in court or whether some of it can be released.

The market entry in Albania planned for the third quarter is being delayed. Some of the building approvals required for construction were only granted at the end of the reporting period. For this reason, the first store in Tirana should be opened towards the end of the year, and not as scheduled in October.

International – the countries

First half 2008	Net sales in € m	Change in % in €	in local currency	like-for-like (in €)	Number of stores
Luxembourg	20.0	−1.3	−1.3	−1.3	3
Greece	129.9	1.3	1.3	−4.1	10
Poland	124.0	32.8	20.6	16.5	21
Hungary	80.0	10.3	11.8	−1.8	17
Turkey	47.7	7.8	11.4	−11.0	10
Romania	128.5	18.5	30.6	−0.3	22
Bulgaria	42.3	49.2	49.2	19.6	9
Ukraine	6.0	—	—	—	1

Report on risks and opportunities

Risks

In the 2007 Annual Report, Praktiker reported in detail on the various risks to which it considers the Group is exposed. Explanations are also provided as to the measures applied by the Group to counter the individual risks.

The further the year advances, the more it becomes evident that uncertainties concerning the economic cycle are becoming larger in most markets. People are facing the same problem everywhere – prices for energy and food are increasing, in some cases very sharply. Higher expenses for these products absorb an increasing amount of the household budget and can thus dampen demand for DIY articles.

On the procurement side, the risk of price increase has risen, also due to the strong upturn in energy and raw materials. High purchasing prices can put pressure on the gross margin, especially if price increases can no longer be cushioned by an increasing euro as was the case in recent years. Praktiker is countering this risk in two ways. Firstly, the procurement volumes are bundled as far as possible in order to move into more attractive rebate levels due to higher unit figures. Secondly, Praktiker is further expanding the gross margin in Germany by continuing to reduce the number of promotion days, which of course tend to erode the gross margin strongly. Most of the higher purchasing prices will thus be passed on to the customers, because Praktiker is not focusing on 20-percent-off campaigns as strongly as it used to.

Opportunities

The assessment of opportunities was also presented extensively in the Annual Report 2007. There are no material changes here. However, the ongoing difficult business situation in Germany is further increasing the consolidation pressure. As a result, takeovers which characterized 2007 are likely to have become more probable.

Report on subsequent events

On July 10, 2008, the bargaining parties negotiating the collective wage agreement for the retail industry in the German federal state of Baden-Wuerttemberg reached agreement on wages. The next day, the Joint Wage Committee of the Central Association of the German Retail Trade (HDE) and the Association of Small and Large Retail Companies (BAG) spoke in favour of applying this wage agreement for other regions too, after taking consideration of various regional differences. It thus became the pilot agreement for the retail trade in Germany.

The agreement reached in Baden-Wuerttemberg provides for an increase in remuneration of 3 percent from April 1, 2008, plus a one-off payment of 400 euros for the April 2007 to March 2008 period. In the highly controversial question of overtime bonuses, the negotiating parties agreed to discontinue Saturday bonuses before 6:30 p.m..

Before wage negotiations had been concluded, Praktiker had decided on a voluntary bridging payment scheme under which all employees impacted by these wage negotiations were paid an additional 2 percent of the monthly wage from March 1, 2008 until the final wage settlement had been agreed. This over-payment will be fully set off against the outstanding increase in the negotiated wage agreement.

Outlook

In the first six months of the current financial year, Praktiker Bau- und Heimwerkermärkte Holding AG has increased its operating result in line with expectations. Although sales were no higher than in the comparable period of the previous year, this trend was also expected due to the changed marketing approach in Germany. It is pleasing that sales in the international business are continuing to post double-digit growth. The expansion strategy thus continues to generate the anticipated net sales.

Over the rest of the year, a key factor for the sales trend in Germany will be how the new marketing approach is taken up by customers. At the same time, the overall economic situation in Germany could cloud over further if the oil price remains at the high level it has reached, a high or even further upturn in the rate of inflation could also contribute to further consumer uncertainty.

The same assessment applies to the international business. Inevitably the expected overall economic slowing will make business more difficult. However, market success at the new stores in Eastern Europe usually depends more on the prevailing competitive situation than on general economic settings. Due to the fact that Praktiker continues to expand in regions where the degree of competition is low and there is great pent-up demand, even an economic slowdown should not prevent growth from continuing in double digits.

In the first six months, Praktiker Group has demonstrated that profitability can be increased even on stagnating sales. Giving up promotion activities, a stronger focus on gross margin and a generally more appropriate price level have been contributory factors pushing the operating result, despite a slight decline in like-for-like sales.

The company wants to continue down this path in the second half of the year. For this reason, the new marketing approach will be pursued rigorously in Germany in the remaining months of the year. Margins will continue to have priority over volume. And for this reason, the business objectives which Praktiker established when introducing the Easy-to-Shop concept will remain in place. Easy-to-Shop is regarded as an investment which must pay off within a specific period. For this reason, the management has decided to continue the roll-out of the concept only after the existing Easy-to-Shop stores have been successfully optimized.

As further conversions have been rescheduled, the associated expenses will not impact 2008. As a result, it was possible to compensate for the unexpected addition to provisions which was made in Poland in the second quarter. Shifting the roll-out back will also allow additional flexibility for price measures should fiercer competition demand this. Otherwise, a potential for securing profits has become available.

According to the management, the trend of the first half-year and the changes in the general economic settings result in a change in the assessment of net sales and capital expenditure, but not in the earnings forecast for the whole year. In Germany, net sales for 2008 will be considerably below what had previously been expected, both in absolute terms and on a like-on-like basis. However, based on the ongoing expansion of the store portfolio and a moderate improvement of like-for-like sales, there is no change in the expectation that international growth will come in at a level of approximately 20 percent.

In terms of profits, the management of the Praktiker Group expects the development evident in the first half-year to continue. Outside Germany, the operating result is driven by the expansion, in Germany, by improvement of the gross margin.

On the basis of the experience in the first quarter and in view of the changed economic settings, the guidance for the year 2008 has changed as follows: Praktiker continues to forecast a sales increase. However, in the context of a weakening economic cycle in all parts of Europe, it will only achieve a low, not a mid single-digit increase, with sales growth being driven solely by the international business. Due to the sustained clouding over of consumer sentiment, a continuation of the net sales decline is anticipated in Germany. There is no change to the expected earnings though. The first half-year demonstrated that the gross margin can be pushed upward in the context of the new marketing approach. As a result of the good margin trend, the guidance of an EBITA between 135 million euros and 140 million euros remains in place, thus 10 million euros to 15 million euros above the result the Praktiker Group achieved in 2007 prior to conditions set by the Federal Cartel Office in relation to the Max Bahr acquisition. This assessment takes account of the addition to provisions in Poland.

As a result of the changes in the general economic settings, capital expenditure planning was reviewed at the middle of the year. In Germany it has been reduced – partly in connection with the Easy-to-Shop-concept – while internationally the original level has been retained. Overall, cash-relevant capital expenditure totalling approximately 140 million euros is expected.

Income statement from April 1 to June 30, 2008

in € thousands	Apr. 01– Jun. 30, 2008	Apr. 01– Jun. 30, 2007
Net sales	**1,132,157**	1,127,470
Cost of sales	−736,064	−755,370
Gross profit on sales	**396,093**	372,100
Other operating income	18,371	13,606
Selling expenses	−315,320	−298,235
General administrative expenses	−19,071	−18,257
Other operating expenses	−99	−163
Earnings before interest, taxes and amortization (EBITA)	**79,974**	69,051
Net interest result	−6,541	−5,383
Other financial result	3,492	4,884
Net financial result	**−3,049**	−499
Earnings before taxes	**76,925**	68,552
Income taxes	−21,218	−17,138
Group net income	**55,707**	51,414
of which attributable to minorities	547	643
of which attributable to group shareholders	55,160	50,771
	55,707	51,414

Earnings per share (€)		
– undiluted	0.95	0.88
– diluted	0.91	0.85

Income statement from January 1 to June 30, 2008

in € thousands	Jan. 01 – Jun. 30, 2008	Jan. 01 – Jun. 30, 2007
Net sales	**1,997,208**	2,004,932
Cost of sales	−1,331,523	−1,382,921
Gross profit on sales	**665,685**	622,011
Other operating income	34,249	28,444
Selling expenses	−604,718	−561,531
General administrative expenses	−35,759	−39,442
Other operating expenses	−284	−383
Earnings before interest, taxes and amortization (EBITA)	**59,173**	49,099
Net interest result	−13,137	−9,871
Other financial result	−1,288	5,194
Net financial result	**−14,425**	−4,677
Earnings before taxes	**44,748**	44,422
Income taxes	−12,530	−11,106
Group net income	**32,218**	33,316
of which attributable to minorities	794	839
of which attributable to group shareholders	31,424	32,477
	32,218	33,316

Earnings per share (€)		
– undiluted	0.54	0.56
– diluted	0.54	0.55

Balance sheet as at June 30, 2008

Assets in € thousands	Jun. 30, 2008	Dec. 31, 2007
Non-current assets		
Goodwill	214,676	214,621
Other intangible assets	69,135	68,943
Tangible assets	488,953	463,866
Financial assets	18	122
Miscellaneous receivables and other non-current assets	6,357	6,541
Deferred income tax assets	203,414	203,567
	982,553	957,660
Current assets		
Inventories	930,090	809,686
Trade receivables	16,657	24,993
Miscellaneous receivables and other current assets	111,606	89,255
Income tax receivables	2,639	1,420
Cash and cash equivalents	247,249	270,769
	1,308,241	1,196,123
Total assets	**2,290,794**	2,153,783

Balance sheet as at June 30, 2008

Liabilities in € thousands	Jun. 30, 2008	Dec. 31, 2007
Equity		
Share capital	58,000	58,000
Additional paid-in capital	706,901	705,231
Balance sheet profit	182,031	176,707
	946,932	939,938
Minority interests	1,212	1,504
	948,144	941,442
Non-current liabilities		
Provisions for pensions and similar commitments	708	695
Other provisions	47,854	49,666
Payable from convertible bonds	136,103	134,159
Payable under finance leases	275,661	266,815
Other liabilities	6,127	7,516
Deferred tax liabilities	109,636	109,467
	576,089	568,318
Current liabilities		
Other provisions	45,785	42,938
Payable under finance leases	16,857	16,851
Trade payables	582,664	463,806
Prepayments received on orders	10,297	7,229
Other liabilities	91,189	98,305
Current income tax liabilities	19,769	14,894
	766,561	644,023
Total liabilities	**2,290,794**	2,153,783

Statement of changes in equity

in € thousands	Share capital	Capital reserves	Other reserves	Balance sheet profit	Subtotal	Minority interest	Total
Dec. 31, 2006	**58,000**	**822,685**	**−116,789**	**180,225**	**944,121**	**1,417**	**945,538**
Currency translation			4,217		4,217		4,217
Fair value´s adjustment of available-for-sale financial assets			6,841		6,841		6,841
Payment to shareholders				−26,100	−26,100		−26,100
Payment to minority interests						−1,007	−1,007
Group net gain				32,477	32,477	839	33,316
Other changes in minority interests						17	17
June 30, 2007	**58,000**	**822,685**	**−105,731**	**186,602**	**961,556**	**1,266**	**962,822**
Dec. 31, 2007	**58,000**	**822,685**	**−117,454**	**176,707**	**939,938**	**1,504**	**941,442**
Currency translation			1,824		1,824		1,824
Loss on cash flow hedges recognized directly in equity			−154		−154		−154
Payment to shareholders				−26,100	−26,100		−26,100
Payment to minority interests						−1,102	−1,102
Group net gain				31,424	31,424	794	32,218
Other changes in minority interests						16	16
June 30, 2008	**58,000**	**822,685**	**−115,784**	**182,031**	**946,932**	**1,212**	**948,144**

Cash flow statement

in € thousands	Jan. 01 – Jun. 30, 2008	Jan. 01 – Jun. 30, 2007
Earnings before taxes	44,748	44,422
Depreciation and amortization (+)/Reversal of impairment losses (–)	32,413	27,126
Increase in provisions	1,049	2,534
Loss (Gain) from the disposal of fixed and intangible assets	5	−175
Increase in inventories	−120,404	−75,155
Increase in trade payables	118,857	107,640
Gain from foreign currencies	−1,519	−5,194
Other non-cash transaction	−15,136	2,475
Increase (Decrease) in other assets	−13,831	32,761
Decrease in other liabilities	−2,997	−14,540
Income taxes paid	−10,348	−9,881
Interest result	13,137	9,871
Interest received	3,974	5,223
Cash flow from operating activities	**49,948**	127,107
Proceeds from disposal of fixed and intangible assets	1,763	11,040
Net cash used in investing activities	−39,798	−72,423
Net cash used in acquisition Max Bahr	0	−229,170
Cash flow from investing activities	**−38,035**	−290,553
Interest paid	−530	−447
Payment to minorities	−1,102	−1,007
Payment to shareholders	−26,100	−26,100
Loss on cash flow hedges recognized directly in equity	−154	0
Principal of liabilities from finance leases	−8,945	−6,638
Cash flow from financing activities	**−36,831**	−34,192
Change in cash and cash equivalents	−24,918	−197,638
Effect of foreign exchange rate changes	1,398	923
Cash and cash equivalents at beginning of period	270,769	466,251
Cash and cash equivalents at end of period	**247,249**	269,536

Notes to the cash flow statement

In accordance with IAS 7, the cash flow statement has been prepared according to the indirect method, broken down by cash flows from operating, investing and financing activities.

In the period under review, non-cash additions amounting to € 17,797 thousands (previous year € 1,276 thousands) from finance lease assets have been included. In the period under review as well as in the comparison period, there were no non-cash disposals from finance lease assets and no non-cash disposals from finance lease liabilities.

Cash and cash equivalents comprise bank balances and cash in hand.

Explanatory notes to the financial statements

Accounting principles

In line with the provisions set out in § 37y of the German Securities Trading Act (WpHG) in connection with § 37w Section 2 of the German Securities Trading Act, the half-year report of Praktiker Bau- und Heimwerkermärkte Holding AG as of June 30, 2008 includes Group interim financial statements, a Group management report and the Responsibility Statement pursuant to § 297 Section 2 (4) of the German Commercial Code and § 315 Section 1 (6) of the German Commercial Code. It was prepared in line with the provisions of IAS 34 and by applying § 315a of the German Commercial Code in compliance with the provisions of the International Financial Reporting Standards (IFRS) of the International Accounting Standard Board (IASB), London, valid on the balance sheet date and recognized by the European Union and by the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). In line with IAS 34, a condensed scope of reporting was used as compared to the Group financial statements as of December 31, 2007. With the exception of the matter described in greater detail below, the same accounting, valuation and calculation methods were applied as those used for the consolidated financial statements as of December 31, 2007. These are set out in the 2007 Annual Report on pages 52 and following.

Valuation of income tax expense

Income tax expenses were deferred on the basis of the tax rate which would be applicable for the overall result of the year, i.e. the estimated average annual effective tax rate is applied to the pre-tax result of the interim reporting period under review.

New standards, interpretations and amendments issued mandatory from 2008

In line with the IFRS provisions, the interpretations IFRIC 11, "IFRS 2 – Group and treasury share transactions", IFRIC 12, "Service concession arrangements", and IFRIC 14, "IAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction", are to be applied as of the start of the 2008 financial year. However, IFRIC 12 and IFRIC 14 have not yet been ratified by the European Union. The application of the three interpretations has or will have no material impact on the consolidated financial statements of Praktiker Bau- und Heimwerkermärkte Holding AG.

Change in shareholder structure

In the reporting period, there were the following changes in the shareholder structure according to the notifications on voting rights received by Praktiker Bau- und Heimwerkermärkte Holding AG pursuant to § 21 Section 1 of the German Securities Trading Act. All notifications on voting rights can be accessed under www.praktiker.com – Investor Relations – Praktiker in the capital market – Shareholder structure.

The voting rights share of Ivory Investment Management, LP, Los Angeles (USA), – and thus also IIM GP, LLC, Los Angeles (USA) and Curtis G. Macnguyen (USA) – fell below the 5 % voting rights threshold on January 17, 2008 and below the 3 % voting rights threshold on January 23, 2008. Furthermore, in this connection the voting rights share of Ivory Flagship Master Ltd., Grand Cayman (Caiman Islands) and the voting rights share of Ivory Offshore Flagship Fund, Ltd., Grand Cayman (Caiman Islands) fell below the 3 % voting rights threshold on January 18, 2008.

The voting rights share of Odey Asset Management LLP, London (UK), fell below the 3 % voting rights threshold on January 24, 2008. Odey Asset Management LLP is a fund company registered with the British Financial Services Authority and trades for various funds in its capacity as investment manager.

The voting rights share of Gugner Partners LLP, London (UK), exceeded the threshold of 3 % of the voting rights on March 3, 2008. On April 11, 2008, Gugner Partners LLP again fell below the threshold of 3 % of the voting rights.

The voting rights share of IGM Financial Inc., Winnipeg (Canada) – and thus also of Mackenzie Inc., Winnipeg (Canada), the Mackenzie Financial Corporation, Toronto (Canada), and Mackenzie Cundill Investment Management Ltd., Vancouver (Canada) – exceeded the threshold of 3 % of the voting rights on April 18, 2008.

The voting rights share of the Lansdowne Partners Limited Partnership, London (UK), which manages the shares on behalf of its customer funds, and thus also the voting rights share of its general partner, Lansdowne Partners Limited, London (UK), fell below the 10 % voting rights threshold on May 19, 2008.

Lansdowne Partners Limited Partnership and its general partner, Lansdowne Partners Limited, trade for the following funds:

- Lansdowne UK Strategic Investment Master Fund Limited
- Lansdowne UK Equity Fund Limited
- Lansdowne UK Equity Fund LP

The voting rights share of FINANCIERE DE L'ECHIQUIER, Paris (France), exceeded the threshold of 3 % on May 23, 2008.

During the period under review, UBS AG, Zurich (Switzerland), moved above or below the reporting thresholds of 3 % and 5 % several times. This relates primarily to shares in the trading portfolio. Most recently, the voting rights share of UBS AG fell below the reporting thresholds of 5 % and 3 % of the voting rights on June 9, 2008.

As was the case at the beginning of the reporting period, Capital Research and Management Company, Los Angeles (USA), continues to hold more than 5 % of voting rights, as has been the case since March 16, 2007.

As stakes held with a short-term investment strategy, none of the holdings referred to above were considered to be in fixed ownership pursuant to the definition set out by Deutsche Börse AG. Thus, as of June 30, 2008, 100 % of the shares of the reporting company were in the free float.

The possibility of conversion in respect to the convertible bond issued in 2006 was not availed of by the end of the period under review. As a result, there was no change in the shareholder structure.

Scope of consolidation

Sinco Trade Ltd., Hong Kong, China, which is being liquidated, was deconsolidated as of March 31, 2008. However, the company has already discontinued operating business during the course of 2007. Deconsolidation did not have any material impact on the asset, financial or income positions or the cash flow of the group under review.

Key events in the reporting period

As with almost all other large DIY retailers in Poland, a fine for alleged price collusion was levied by the Polish antitrust authorities against Praktiker Polska Sp. z o.o., headquartered in Warsaw and part of the scope of consolidation of the Praktiker Group. Praktiker Polska Sp. z o.o. has initiated legal proceedings against this fine. This situation results in provisions of approximately € 4.8 million as of June 30, 2008, € 4.0 million of which was recognised in earnings in the second quarter. As the expenses from the transfer to provisions are not tax deductible, tax planning for 2008 had to be revised. As a result, the tax rate increased from 27 percent in the first quarter of 2008 to the current level of 28 percent.

At the Annual General Meeting of Praktiker Bau- and Heimwerkermärkte Holding AG on May 30, 2008, the company was authorized to buy shares of Praktiker Bau- und Heimwerkermärkte Holding AG. The authorization is restricted to the purchase of own shares with a notional share of the share capital not exceeding € 5,800,000 and applies to November 29, 2009.

In addition, authorization was given to deploy equity derivatives in the context of acquiring own shares pursuant to § 71 Section 1 No. 8 of the German Stock Corporation Act. The acquisition of own shares may be implemented using call or put options. The Management Board was authorized to sell put options, to buy call options and to buy own shares using a combination of put and call options. All share purchases using put options, call options or a combination of put and call options are limited to own shares with a notional share of the share capital not exceeding € 2,900,000. The duration of the options must be selected in such a way that the acquisition of own shares resulting from the exercise of options takes place before the end of November 29, 2009.

Earnings per share

(a) Undiluted

Undiluted earnings per share are calculated by the ratio of profit attributable to the providers of equity and the average number of shares issued during the first half-year and the second quarter, respectively.

Earnings per share	Jan. 01 – Jun. 30, 2008	Jan. 01 – Jun. 30, 2007	Apr. 01 – Jun. 30, 2008	Apr. 01 – Jun. 30, 2007
Earnings allocable to equity providers (in € thousands)	31,424	32,477	55,160	50,771
Average number of shares issued (in thousands)	58,000	58,000	58,000	58,000
Undiluted earnings per share (€)	0.54	0.56	0.95	0.88

(b) Diluted

When calculating diluted earnings per share, the profit due to the providers of equity is adjusted for changes in expenses and income which would arise from the conversion of the potential ordinary shares with diluting impact. The average number of shares issued during the first half-year and the second quarter, respectively, is increased by the number of additional ordinary shares which would have been in circulation if all the potential ordinary shares with dilutive effect were in circulation.

Earnings per share	Jan. 01 – Jun. 30, 2008	Jan. 01 – Jun. 30, 2007	Apr. 01 – Jun. 30, 2008	Apr. 01 – Jun. 30, 2007
Earnings allocable to equity providers (in € thousands)	33,802	34,436	57,079	52,743
Average number of shares issued (in thousands)	62,419	62,419	62,419	62,419
Diluted earnings per share (€)	0.54	0.55	0.91	0.85

Split in net financial income

in € thousands	Jan. 01 – Jun. 30, 2008	Jan. 01 – Jun. 30, 2007	Apr. 01 – Jun. 30, 2008	Apr. 01 – Jun. 30, 2007
Financial income	18,087	17,676	9,376	11,485
Financial expenses	−32,512	−22,353	−12,425	−11,984
Financial result	**−14,425**	−4,677	**−3,049**	−499

In the reporting period, the translation of liabilities from finance leases of international subsidiaries resulted in non-cash price gains of € 10,190 thousands (previous year € 7,715 thousands) and non-cash price losses of € 9,242 thousands (previous year € 2,372 thousands).

Dividend payout

The Annual General Meeting of the reporting company resolved on May 30, 2008 to appropriate the unappropriated surplus of Praktiker Bau- und Heimwerkermärkte Holding AG for the 2007 financial year of € 30,995,343.64 as follows: per share a dividend of € 0.45 is paid which results in a total dividend payout of € 26,100,000. The remaining € 4,895,343.64 will be adjusted as retained earnings.

Significant changes in contingent liabilities and other financial obligations

Obligations from operating lease contracts due in subsequent periods amount to € 2,538 million (previous year € 2,700 million). Of this, € 278 million are due within one year (previous year € 273 million), € 1,004 million (previous year € 1,002 million) between one year and five years, and € 1,256 million (previous year € 1,425 million) after more than five years.

Obligations from finance lease contracts due in subsequent periods amount to € 503 million (previous year € 423 million). Of this € 43 million (previous year € 36 million) are due within one year, € 160 million (previous year € 130 million) between one year and five years, and € 300 million (previous year € 257 million) after more than five years.

Related party disclosures

In the first half-year and in the second quarter of 2008, as well as in the corresponding periods of 2007, the Praktiker Bau- und Heimwerkermärkte Holding AG Group had no transactions with related parties.

Miscellaneous

As of March 21, 2008, the Supervisory Board appointed Karl-Heinz Stroh as an additional member of the Management Board. Mr. Stroh has succeeded Michael Arnold as Human Resources Director as well as Director of Industrial Relations.

Segment reporting – Notes to segment data from April 1 to June 30, 2008

in € thousands	Domestic operations Apr. 01 – Jun. 30, 2008	Foreign operations Apr. 01 – Jun. 30, 2008	Reconciliation Apr. 01 – Jun. 30, 2008	Total Apr. 01 – Jun. 30, 2008
Net sales	792,981	339,722	–546	1,132,157
Other operating income	17,216	3,482	–2,327	18,371
Earnings before interest, taxes, depreciation and amortization	66,190	30,517	0	96,707
All other amortization on fixed assets	–9,248	–7,486	0	–16,734
Earnings before interest, taxes and amortization	56,943	23,031	0	79,974
Earnings before interest and taxes	56,943	23,031	0	79,974
Financial result				–3,049
Earnings before taxes				76,925
Income taxes				–21,218
Net profit				55,707

in € thousands	Domestic operations Apr. 01 – Jun. 30, 2007	Foreign operations Apr. 01 – Jun. 30, 2007	Reconciliation Apr. 01 – Jun. 30, 2007	Total Apr. 01 – Jun. 30, 2007
Net sales	839,131	288,933	–594	1,127,470
Other operating income	14,280	1,513	–2,187	13,606
Earnings before interest, taxes, depreciation and amortization	52,466	31,037	0	83,502
All other amortization on fixed assets	–8,976	–5,476	0	–14,452
Earnings before interest, taxes and amortization	43,491	25,560	0	69,051
Earnings before interest and taxes	43,491	25,560	0	69,051
Financial result				–499
Earnings before taxes				68,552
Income taxes				–17,138
Net profit				51,414

Segment reporting – notes to segment data from January 1 to June 30, 2008

in € thousands	Domestic operations Jan. 01 – Jun. 30, 2008	Foreign operations Jan. 01 – Jun. 30, 2008	Reconciliation Jan. 01 – Jun. 30, 2008	Total Jan. 01 – Jun. 30, 2008
Net sales	1,420,098	578,289	–1,179	1,997,208
Other operating income	31,037	8,213	–5,001	34,249
Earnings before interest, taxes, depreciation and amortization	53,289	38,721	0	92,010
All other amortization on fixed assets	–18,408	–14,429	0	–32,837
Earnings before interest, taxes and amortization	34,882	24,291	0	59,173
Earnings before interest and taxes	34,882	24,291	0	59,173
Financial result				–14,425
Earnings before taxes				44,748
Income taxes				–12,530
Net profit				32,218

in € thousands	Domestic operations Jan. 01 – Jun. 30, 2007	Foreign operations Jan. 01 – Jun. 30, 2007	Reconciliation Jan. 01 – Jun. 30, 2007	Total Jan. 01 – Jun. 30, 2007
Net sales	1,510,792	495,426	–1,286	2,004,932
Other operating income	29,419	2,940	–3,915	28,444
Earnings before interest, taxes, depreciation and amortization	40,147	36,351	0	76,498
All other amortization on fixed assets	–16,753	–10,647	0	–27,400
Earnings before interest, taxes and amortization	23,396	25,703	0	49,099
Earnings before interest and taxes	23,396	25,703	0	49,099
Financial result				–4,677
Earnings before taxes				44,422
Income taxes				–11,106
Net profit				33,316

Segment reporting has not been broken down into primary and secondary areas. As the Praktiker Group operates almost exclusively within the DIY division, the only breakdown has been done on a geographical basis in line with the location of the various DIY stores.

Transfers between the various regions occur at prices which would also be agreed with external third parties.

The impact of consolidation measures was reported separately in the „Reconciliation“ column.

Responsibility statement

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

Kirkel, July 21, 2008

The Management Board

Werner Arnold Ghabel Stroh Warnking

Review report

To Praktiker Bau- and Heimwerkermärkte Holding AG, Kirkel
We have reviewed the condensed consolidated interim financial statements - comprising the condensed balance sheet, condensed income statement, condensed cash flow statement, condensed statement of changes in equity and selected explanatory notes - and the interim group management report of Praktiker Bau- and Heimwerkermärkte Holding AG, Kirkel, for the period from January 1 to June 30, 2008, which are part of the half-year financial report pursuant to § 37w WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with the German generally accepted standards for the review 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 review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Frankfurt am Main, July 22, 2008

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Philip Marshall)	(Dr. Herbert Knoop)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Praktiker on the capital market

In the middle of 2007, the subprime crisis triggered sustained turbulence on the international financial markets. Since the beginning of the year, global economic growth has cooled down considerably. Rising inflation, especially the high price increases for energy and food costs, cause additional uncertainty for consumers. Over the last six months, the stock exchange landscape was determined in a major way by these factors. The result was falling share prices across almost all industries.

Naturally, this has a particularly strong impact on those companies that are regarded as being related to the development of the construction industry and/or private consumption. Praktiker was also not able to avoid this trend. Since the beginning of the year, the share lost almost a third of its value. On June 30, 2008, the share noted at € 13.43, well below the IPO price of € 14.50 in November 2005.

Furthermore, the general uncertainty on the capital markets was evident in the above-average volatility of the share. As a result, on several occasions during the reporting period, the share price moved to some extent extremely in the range between € 13 and € 18.

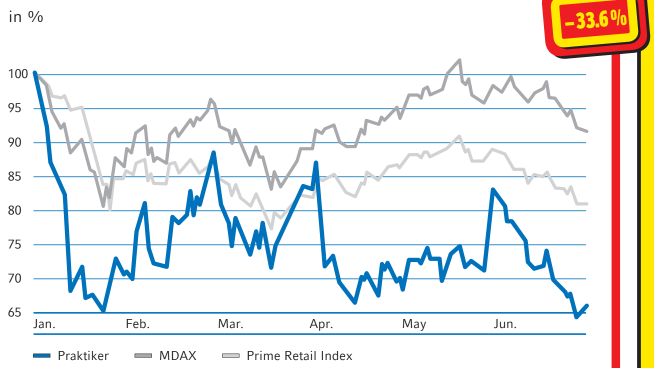
The annual general meeting of Praktiker Bau- und Heimwerkermärkte Holding AG took place in Saarbruecken, Germany, on Friday, May 30, 2008. 57 percent of the voting rights were represented. The attendance ratio was thus again slightly up on that of the previous year (52 percent).

All resolutions proposed on the agenda were approved by a large majority, including the proposal to distribute a dividend of € 0.45 per share for the 2007 financial year. The dividend was paid from Monday, June 2, 2008.

The shareholder structure on the basis of the voting right registration for the annual general meeting showed that a large stake is still held by US-American and British investors. However, their combined holdings declined from 54 percent to 45 percent over the last year. On the other hand, the participation of European investors moved up considerably, particularly from France, the Scandinavian countries and Italy.

In the reporting period, no use was made of the option for converting the convertible bond.

Share price development first half-year 2008



Financial calendar 2008 / 2009

Third quarter report 2008	October 23, 2008
Trading statement 2008	January 8, 2009
Annual report 2008	March 27, 2009
First quarter report 2009	April 22, 2009
Annual general meeting 2009	May 27, 2009
Second quarter report 2009	July 22, 2009

Disclaimer

This interim report contains certain statements that are neither reported financial results nor other historical information. These forward-looking statements are subject to risk and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond Praktiker Group's ability to control or estimate precisely, such as future market and economic conditions, the behaviour of other market participants, the ability to successfully integrate acquired businesses and achieve anticipated synergies and the actions of government regulators. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this presentation. The Praktiker Group does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of these materials.

Only the German version of this interim report is legally binding.

Contact

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