



**Speech by Thomas Gabel,  
CFO of Praktiker Bau- und Heimwerkermärkte Holding AG**

**on the occasion of the presentation of the financial  
results of the first quarter 2009**

**April 22, 2009**

*The spoken word is valid.*

Good morning ladies and gentlemen,

Welcome to the telephone conference on the first quarter 2009 results.

When we met 4 weeks ago on the occasion of the presentation of the 2008 results, we already flagged that the first quarter was going to be difficult. This is exactly what it turned out to be.

We are experiencing a recessionary environment in all countries in which we operate. The reluctance to spend was noticeable everywhere. Moreover, gardening sales did not pick up as expected in March as the weather conditions were not favourable for any work in the garden.

In Germany, the retail association HDE has argued that the car scrap bonus which the federal government has decided upon in January as part of the package to stimulate the economy has actually turned out to be a negative for retail in general. It may, they said, absorb an increasing part of consumer spending. Much in line with this argument, sales in the DIY industry fell at 12.9 percent in February – according to figures made public by GfK, like-for-like they were even down by 14.3 percent.

So all in all, we estimate that the German DIY market was down considerably in Q1.

The decline in the overall market was the reason why we introduced short-time work in 81 German Praktiker stores in March. Meanwhile the number has declined to around 30 in April as the sales trend has improved substantially.

In the international business we felt the full impact of the economic downturn. Demand in local currencies declined, in some countries severely. At the same time Eastern European currencies depreciated further during the first quarter. I will give you the details when we come to the international part of the segment reporting.

As far as segment reporting is concerned, we will, from this quarter on, report on Praktiker Germany and Max Bahr separately. This also means that there will be an additional segment which pools immaterial units, among them the third brand in the German market extra BAU+HOBBY.

The segment International has not been changed.

Let us now look at the P&L of the first quarter, starting, as always with sales.

Net sales in the Group declined by 8.0 percent in the first quarter of 2009 to reach 795.6 million euros.

Like-for-like, the decrease was even slightly higher at 9.2 percent

How much the depreciating currencies of Eastern Europe played a part here, becomes apparent in the currency adjusted figures. Had currencies stayed unchanged, group sales would have been down by 5.3 percent.

International sales declined by 13.6 percent in Euro terms, in local currency terms sales declined by 3.6 percent only.

In Germany, sales of all brands were down by 5.9 percent.

The gross margin declined by 2.1 percentage points to 29.1 percent.

Gross margin was affected by extended marketing activities of the Praktiker brand in Germany, whereas in the international business gross margin was kept stable and at Max Bahr gross margin was up.

The decline in sales and in gross margin had a negative impact on the operating result. EBITA declined to minus 49.2 million euros from minus 20.8 million euros in the first quarter of 2008.

Selling expenses decreased by 4.1 percent. But costs reductions were in total not sufficient to compensate for the decline in gross profit.

Like in the previous year, the first quarter 2009 contained some expenses with a one-off character. They resulted from the conversion of 11 Praktiker stores in Germany to the Easy-to-Shop concept. The same number of stores was converted in the first quarter of the previous year. Expenses for the conversions to the Easy-to-Shop format thus stayed at a comparable level.

Net result is reported at minus 36.8 million euros. In the previous year it had been at minus 23.5 million euros.

Financial result was down to minus 20.2 million euros – from minus 11.4 million euros last year.

Several factors played a role here:

- Interest income was down on last year as the average volume of interest bearing cash and cash equivalents fell short of last year and at the same time, interest rates were lower.
- On the interest expense side, a slightly higher number of finance leases had to be considered.
- On top, as was the case at the end of the last year, financial result was strongly impacted by currency losses.

As I have done at the annual conference, I would like to point out, that 1.0 million euros resulting from the increase of the debt component of the convertible bond and 9.6 million euros coming from the currency losses were not cash effective.

One comment also on the tax rate: We expect it to be at 47 percent in 2009. This is much higher than last year. The reason behind this increase has to do with the fact, that currency losses in the financial result are not tax deductible and that the tax base in many of the countries in our international portfolio is higher than the pre-tax profits as shown in the group P&L.

Not all of these taxes will be cash effective though. We expect cash taxes in 2009 to be lower than last year.

Coming now to the balance sheet and capital expenditure.

The balance sheet total increased by 1.2 percent to 2.2 billion euros.

As the weather conditions led to rather slow sales in March, inventories at the end of the quarter were higher than planned. On the liabilities side trade payables showed a much lower increase. As a consequence, cash and cash equivalents were down compared to the level of last year's end and stood at 142.2 million euros.

The equity ratio was at 39.7 percent, at the end of last year it was 42.2 percent.

Net debt amounted to 281.6 million euros, reflecting the seasonal reduction in cash and cash equivalents.

Net working capital was practically unchanged at minus 412.9 million euros.

Capex was down to 19.0 million euros reaching from 27.7 million euros in Q1 2008.

Let me now turn to our new segment reporting starting with Praktiker Germany.

Sales of the Praktiker brand in Germany were down by 5.6 percent in nominal terms as well as in like-for-like terms.

In the first quarter, we had temporarily stepped up the marketing activities again in order to reach new customer segments. Besides increasing the number of 20%-off days from

12 to 22 days, we started several initiatives under the new logo of “sleeves up” to gain new customers and to keep them attached to the Praktiker brand.

At this point, I want to make clear that we still intend to keep the number of promotional days in 2009 at the level of the previous year. All plans are set up accordingly. But we had shifted some more days into the first quarter in the run-up to our “Sleeves up” initiative.

As we have increased the offer in the gardening segment quite considerably, we already saw a moderate increase in sales of gardening products for the first three months. But due to the adverse weather patterns we were unable to use the full potential of the extended offer yet.

Despite slower sales we expect to have regained some market share again in the German market.

As gross profit declined with sales and the gross margin came down as well, EBITA for the Praktiker in Germany was reported at minus 36.0 million euros, a decline against last year.

On the expense side we were able to only partly compensate the negative volume and margin effects. The publicly most visible effort to curb costs was the introduction of short-time work in 81 stores in March.

As far as capex is concerned, it was slightly up in Q1 for the Praktiker brand in Germany as we opened two replacement stores and invested again in the conversion of 11 stores to the E2S format.

Now to the Max Bahr segment, which we report on separately for the first time.

Sales of Max Bahr were down by 6.9 percent in the first quarter of the current business year. Like-for-like this corresponds to minus 7.1 percent.

Max Bahr traditionally has a higher share of gardening sales in total sales than the Praktiker brand. As such the brand suffered even more under the adverse weather conditions in March.

Despite the marketing activities celebrating the 130<sup>th</sup> birthday of Max Bahr, the overall marketing efforts in the first quarter were below last year. The decision to strictly manage the brand for profit, not for sales, paid off.

In order to make the offer more attractive, many segments and assortments have been worked over. Most notably, a new concept called “dream baths” offering high end bathroom equipment has been introduced.

EBITA for the Max Bahr brand was minus 1.5 million euros, slightly up on last year, when the operating loss stood at 1.7 million euros.

All changes in the assortment had been undertaken with the target of improving the gross margin. The same is true for the continuing expansion of the share of private labels.

At the same time Max Bahr enjoys a comparatively high degree of flexibility on labour cost as many activities in the stores have been outsourced.

Max Bahr spent 3.0 million euros on capex in the first quarter. Most of it was used for the introduction of the new, worked-over assortments.

Net Sales generated via the international activities decreased by 13.6 percent to 206.1 million euros. Like-for-like, sales decreased by 18.2 percent.

On a currency adjusted basis, sales decreased by 3.6 percent, like-for-like by 9.0 percent.

In absolute terms the currency depreciations cost us a total of 24.7 million euros in sales.

The share of international sales in total sales fell from 27.6 percent in the first quarter of the previous year to 25.9 percent in Q1 2009.

EBITA in the international segment declined to minus 10.0 million euros. In the first quarter of the previous year, we had achieved a profit of 1.3 million euros – which was actually the best result we had ever achieved in a first quarter.

The currency impact on EBITA was 1.4 million euros in the first quarter.

When you look at the individual countries, EBITA could be improved in Poland in the first quarter.

No new store was opened in the first quarter. Capex thus came down to 6.0 million euros as against 18.2 million euros in the first quarter of the previous year.

So much for the financial results of the first quarter. What do they mean for the full year?

First of all: I cannot see that the first quarter is indicative of a trend for the full year. A first quarter practically never is, because it is typically a quarter with comparatively low sales and highly dependant on weather patterns and the timing of the Easter holidays.

We had mentioned repeatedly that the gardening business had not really started yet in March due to the cold weather. In April, with the advent of spring-like temperatures it has. The sales trend in April is very positive indeed. We are catching up fast.

Regrettably there is no way of forecasting whether the current very positive trend is just a result of the pent-up demand of the last few weeks or an indication that the propensity to spend has generally improved.

So we continue to stay reluctant as far as forecasts are concerned, but we are confident that we are going to see better numbers, sales and earnings-wise, in the second quarter.

I had mentioned before that we intend to keep the number of promotional days in 2009 at a similar level as in 2008. Although it has not become apparent yet in the first quarter, this is still our target. Thus the Praktiker brand in Germany should be in the position to

show better results in the remaining three quarters of 2009 than in the first quarter. Overall, we expect the German business to show a comparatively stable development.

In the recent past, our international business was the growth driver. Now it suffering more from the general economic downturn than the German business as it is not only hit by declining demand, but also by the depreciation of currencies.

It helps of course that most currencies have recently been stabilising. Even if they do not appreciate in the foreseeable future, no further depreciation is good news already. And the current sales trend has improved too, although not to a degree yet that can make us happy.

On account of the huge uncertainty about the general economic environment and due to a lack of visibility that practically everybody suffers from today, we have not given any guidance for 2009 yet. And I cannot give you one today either.

What I can share with you are some indications where we will be going and repeat what we have said at the presentation of last year's results: In the current environment, group sales will not reach the level of 2008. Nevertheless we expect to be able to achieve a reasonable and positive EBITA at the end of the year.

Equally important: We aim to keep liquidity at a comfortable level, which means that we aim at a level of cash and cash equivalents of around 200 million euros at the end of the year.

In order to meet this target we have, amongst others, taken measures to reduce cash capex to a level of 70 to 80 million.

Ladies and Gentlemen,

The first quarter was disappointing. But it does not give an indication where the full year will be going. 2009 will certainly be difficult. But in our view there are a lot of reasons to expect that it will be much better than the first three months seem to indicate.

Thank you very much for your attention, I will now take your questions.