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

on the occasion of the presentation of the financial results of the first nine months 2008

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The spoken word is valid.

Good morning ladies and gentlemen,

Welcome to our telephone conference on the results of the first nine months of 2008.

The world is currently going through turbulent times. The world financial system under extreme stress, the collapse of formerly well reputed institutions, the concerted action of the governments worldwide to create a safety umbrella in order to prevent the complete evaporation of a financial system, on which we all depend.
And a share price development which I will not comment on.

Against this backdrop it does not seem to fit in well to speak of accelerated growth in our international operations, stable earnings in the group or a reduction of our net debt. And yet, this is what we have achieved in the third quarter.

In our international activities in particular, growth did not only continue in the third quarter, it even accelerated. Underlying EBITA increased in line with sales owing to a strong performance in Bulgaria, Poland and Romania, more than compensating for a certain weakness in our Greek operations. Now it pays out that our portfolio of countries is much better balanced than 3 years ago.

Not all was great though. In Germany, the third quarter was the most difficult so far, because of the transition phase the Praktiker brand goes through in 2008. The reduction of promotional days was the strongest of all the quarters this year, a strong decline in like-for-like sales the consequence. The gross margin did improve again, and against the stated figures we were able to improve our earnings too.

The good news in the German market is that Max Bahr continued to show a performance very much in line with our expectations. Max Bahr has thus become a stabilising factor.

On the group level the most important target was to maintain a strong financial position. And we succeeded in reaching it. Liquid funds at the end of the third quarter were higher than at the half-year stage and net debt has come down.

In an environment, in which cash has become king again, this is proof that we have been able to protect our company and prepare ourselves for any dire strait that may lie ahead.

It is clear to us that we need to be prepared for an economic slowdown. All experts tell us that the world economy is slowing, and most likely it will. We should not be too negative though, particularly as real incomes will profit from the inherent decline in inflation rates. And GDP growth in Eastern Europe will most still be good.

As for 2008, we still stick to our guidance: Sales are expected to increase by a low single digit rate, group EBITA will be between 135 and 140 million euros. Due to some delays in new openings we expect cash capex to be around 120 million euros and thus lower than originally expected.

After these summarizing remarks, let us take a closer look at the figures.

Let us start – as always - with a look at Group sales

Net sales in the Group were down by 0.9 percent in the first nine months of 2008 to 3 billion euros. The decline is exclusively linked to the German market, and here again to the Praktiker brand as it is still going through the transition phase to a new marketing approach. In Germany, net sales were 7.7 percent down on last year in the first nine months and amounted to 2.1 billion euros.

In international activities, Praktiker achieved a solid growth of 18.3 percent, reaching net sales of 939 million euros.

Like-for-like, group sales were down by 6.3 percent in the first nine months, in Germany the figure was minus 9.2 percent, international saw like-for-like growth of 2.4 percent.

On the basis of the like-for-like comparison, figures for Germany were lower in the third quarter than in the first half, whereas in the international business they were higher indicating a certain acceleration of growth against the first six months of the year.

As far as the different **product categories** ar concerned, the picture has practically not changed since the half year reporting date. In Germany, all categories were down on last year, but "soft DIY" categories were doing better than others. Gardening products showed the best performance of all.

In the international business, the picture looks again completely different when compared to Germany, but more or less the same when compared with the half-year stage. All categories showed strong increases, the strongest growth still coming from "hard core DIY" categories.

The growth of **Gross profit on sales** continued in the third quarter, albeit at a slightly lower pace than in the first half year. In the first nine months gross profits increased by 5.0 percent to 1 billion euros. Gross profit margin increased by 1.8 percentage points to 33.5 percent.

In the third quarter, gross profit margin increased by 1 percentage point.

The reasons for the improvement have not changed since our last reporting and relate mainly to Germany:

- The overall price level is up on last year, which suffered from the fact that it needed the best part of the year to pass on the increase in VAT to the customers.

- The reduction of 20 percent off promotions had a positive impact on gross margins.

The **EBITDA** in the first nine months of 2008 was reported at 159.7 million euros, an increase over the same quarter of the previous year of 26.5 million euros or 19.9 percent.

Due to the ongoing expansion of the international store network, depreciation was up by 17.1 percent to 50.2 million euros.

After accounting for the increasing depreciation charges, the operating result **EBITA** increased - against the stated figures - by 19.2 million euros to 109.5 million euros. This corresponds to an increase of 21.2 percent.

Last year we had adjusted EBITA for the expenses that resulted from the conditions set by the Federal Cartel Office which impacted third quarter earnings by 10.2 million euros.

Compared to the adjusted figure, the increase was 9 million euros or 9 percent.

In the third quarter, EBITA was up by 9.1 million euros or 22.1 percent against the stated figures.

Selling expenses increased by 4.4 percent in the first nine months. Part of the increase is due to the fact that Max Bahr was included for the full nine months for the first time. Another part is due to the provision in Poland which we had to account for in the second quarter. Moreover, expenses followed the continuing expansion of our international store portfolio. In Germany however, selling expenses were down.

The third quarter shows the actual trend better than the figures for the nine months. Selling expenses declined by 1.7 percent.

Coming to the **net result.** Net result is reported at 60.4 million euros at the nine months stage, 36.0 million euros above the corresponding figure of last year. You may remember, the tax line last year was impacted by a special effect resulting from the then imminent German tax reform.

The tax rate stood at 28 percent after nine months, unchanged from the half year.

The financial result was reported at minus 25.6 million euros. Last year it stood at minus 8.9 million euros. The difference is partly explained by the one-off gain of 6.8 million euros last year which came from the sale of the participation in the Max Bahr property companies, and partly by the negative currency effect that accounted for a swing of nearly 5 million euros which were non-cash.

Also, interest income 2008 is lower than 2007 as, on average, interest bearing liquidity was below last year. In the last couple of months we also deliberately choose the safest deposits even if it sometimes was at the expense of some basis points in interest received.

And lastly: Finance lease liabilities were up further with the increasing number of finance lease stores.

After nine months, EPS was reported at 1.02 euros per share.

So much for the P&L, let me now comment on some aspects of the **financial position**.

First and foremost: Liquid funds increased from mid-year to the end of the third quarter by 58.9 million euros to 306.1 million euros.

Net debt was down to 119.0 million euros against 181.4 million euros at the end of the second quarter.

Net working capital improved to minus 385.7 million euros, as against minus 403.0 million euros at the end of last year.

As the CFO of Praktiker allow me to mention that I am proud to have achieved these numbers. They underline that we have managed to keep a very strong financial position even in times when our top line did not increase, particularly when you add to this the liquidity reserve coming from the syndicated credit line of 200 million euros and some additional bilateral lines.

In addition, we spent less on capex than we had originally planned at the beginning of the year. In the first nine months, capex reached a total of 75.7 million euros as against 100.5 million euros in the same period of last year. The year on year decline was registered both in Germany and in the international business.

As compared to the end of last year, the balance sheet total increased by 186 million euros to 2.3 billion euros on account of an increase in fixed assets, inventories and liquid funds. On the liabilities side, equity and trade payables showed the strongest increases. All other positions showed minor changes at the most.

The equity ratio was at 41.7 percent, it thus stayed at a comfortable level despite the lengthening of the balance sheet.

Let me now turn to our **German** operations, starting with **Net sales.**

We have repeatedly talked to you about the change in the marketing approach of the Praktiker brand in Germany. We had also mentioned that the decline in promotional days would be strongest in Q1 and in Q3 when we had 16 promotion days against 38 days in the same quarter last year.

Q3 was thus the most difficult quarter as can be seen in a hefty decline in like-for-likes of 13.7 percent for the Praktiker brand.

Comparing the nine months numbers, the Praktiker brand lost 11.0 percent in like-for-like sales. The Max Bahr brand showed a more stable development and moved much more in line with the market with a decline in like-for-likes of 3.8 percent. In total that brings German sales down by 9.2 percent like-for-like in the first nine months of the current business year.

In absolute terms, sales reached 2.1 billion euros in the first nine months, which corresponds to a decline of 7.7 percent.

Despite the decline in sales, we were able to grow earnings.

At the half year stage, EBITA in Germany was up by 11.5 million euros against the previous year, after nine months the lead has increased to 14.4 million euros against the stated figures. Against the adjusted ones, the lead has been reduced to 4.2 million euros.

For the first nine months, EBITA in Germany reached 51.8 million euros, in Q3 16.9 million euros. The comparable figures for the first nine months of last year were 37.4 million euros and for the third quarter 2007 14.0 million euros.

The contribution of Max Bahr to operating earnings in Germany was in line with expectation.

I would also like to mention that synergy effects this year were at a lower level than last year.

Capex in Germany reached 23.3 million euros, down from 35.5 million euros last year. The decline results mainly from the fact that, this year, Max Bahr did not open any additional store – against 5 new stores last year. Also, conversions to the Easy-to-Shop format were stopped in the second quarter.

Net Sales generated via the **international** activities increased by 18.3 percent to 939 million euros in the first nine months of the current business year. Like-for-like sales increased by 2.4 percent, which we consider a good performance as we were up against strong comparables of a 13.2 percent like-for-like increase in the first nine months of 2007.

In the third quarter, sales increased even more strongly at 20.9 percent reaching 360 million euros.

Again, all countries with the exception of Luxembourg showed sales growth, the highest rates coming from Bulgaria, Poland and Romania.

Sales were affected by exchange rate changes negatively in Romania and Turkey, positively in Poland and Hungary. But in total, changes in the exchange rates had no effect on sales in the first nine months.

The share of international sales in group sales increased to 31.1 percent, up from 26.1 percent.

As a result of the continuous sales growth, **EBITA** in the **international** for the first nine months was up by 4.8 million euros or 9.1 percent over the same period of the previous year reaching 57.7 million euros.

Adjusted for the addition to provisions in Poland, which we had to account for in the second quarter already, earnings increased in line with sales.

Although changes in exchange rates did not have an effect on sales, they negatively impacted earnings by nearly one million euros.

In Q3 the international EBITA was up by 6.2 million euros or 23.0 percent to reach 33.4 million euros.

Positive results were recorded in all operating countries except for Turkey and the Ukraine.

In Albania we registered marginal start-up losses.

In the first nine months we opened 7 stores, 2 of which fell into the third quarter, one in Romania and one in Greece.

Capex in the international segment amounted to 52.3 million euros in the first nine months, down from 65.0 million euros in the comparable period of the previous year.

We have encountered some delays in opening stores particularly in Albania and the Ukraine. In Albania we encountered some delays in the necessary building permissions, in the Ukraine, the developer who sets up the store had some financial problems so the construction did not proceed as planned.

Ladies and gentlemen,

We all are aware that the overall economic environment is changing. Expectations for GDP growth are coming down everywhere. You find negative news wherever you look.

No wonder that the uncertainty is increasing about what direction consumer spending or demand for DIY products will go. We do not have a clearer answer to these questions than any one else.
But we do prepare for a tougher environment. We look even more intensely at costs, keep flexibility high, monitor inventories closely, safeguard liquid funds and try to protect earnings as much as possible. I find it quite reassuring to see that in our company, the awareness has grown rapidly that times may get tough.

But we should not be too negative either. In Germany, the DIY market already has gone through a crisis of its own. The countries of Eastern Europe will continue to show growth in income and consumption, it will not be as good though as it had been in the last couple of years.

All in all, we maintain our sales guidance for 2008 of a moderate, low single-digit increase in group sales. We also maintain our earnings guidance of EBITA falling into the target range of 135 to 140 million euros.

As far as capex is concerned, the delays in openings will mean that at the end of the year we will most likely see only 14 new stores. As a result, the originally planned capex volume will not be used fully and cash capex will be around 120 million euros.

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