Speech by Thomas Ghabel,
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on the occasion of the presentation of the financial results of the third quarter of the 2009 business year

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The spoken word is valid.

Good morning ladies and gentlemen,

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

As usual, I would like to take you through the numbers rather swiftly and then be available for your questions.

Before I do, I would like to make some general remarks on the big picture.

We are still experiencing a recessionary environment in all countries in which we operate, regardless of the question whether economists still call it a recession or not.

As such we have kept our top priorities unchanged. We still are committed to securing earnings and liquidity, focus on cost cutting and keeping capex to a lower level. As such we have been able to maintain a strong financial position all through the year.

In Germany we have reduced our inventories with a higher level of marketing activities in the first half. In Q3 we have experienced a slightly positive sales trend and a better gross margin again resulting in an increase in EBITA.

In the international business, the strongly negative sales and earnings trend has not materially changed.

The currency impact was as strong in Q3 as it was in the first six months. Most currencies have meanwhile stabilised, but the gap to last year´s valuations has stayed more or less the same.

There seems to be a silver lining on the horizon though. The expectations for the GDP development for 2009 have passed their lowest point and have become slightly more optimistic now. But even if the economies will develop a notch better than anticipated, it will not make much of a difference for the remaining months of the year.

After these remarks let us now look at the financials of the first nine months, starting with Group sales.

Net sales in the Group declined by 5.0 percent to 2.9 billion euros in the first nine months of 2009.

Like-for-like, the decline was 5.9 percent

The currency impact in our Eastern European business was strong. Had currencies stayed unchanged, Group sales would have been down by 1.6 percent in absolute terms and 2.8 percent like-for-like.

With minus 4.8 percent, the sales decline in the third quarter was just slightly more moderate than in the first half. Like-for-like it stood at minus 5.7 percent. Again, some 4 percentage points of this decline were solely attributable to the negative currency effect.

The gross margin declined by 1.9 percentage points to 31.6 percent in the first nine months. In the third quarter it was down by only 1 percentage point to 32.9 percent, mainly because the marketing activities of the Praktiker brand in Germany were brought back to normal levels.

EBITA in the first nine months reached 53.2 million euros. That corresponds to just about half the amount that the Praktiker Group had earned in the same period last year. Had currencies stayed unchanged, EBITA would have been 11.0 million euros higher.

In the third quarter 2009 EBITA stood at 34.3 million euros, against 50.1 million euros in Q3 2008. The negative currency impact was 5.1 million euros.

We know that these figures are not great. But in the light of the difficult economic environment, we are proud that we managed to maintain operating profits at such a level. A lot of cost cutting was necessary to get there. Overall, selling expenses were reduced by 5.7 percent and administrative expenses by 5.9 percent. Measured in full time equivalents, the number of employees was reduced by 3.0 percent group-wide with a respective impact on personnel expenses. We saved on everything. The highest relative amounts were achieved in advertising. Even rents were below last year despite the fact that we have expanded our store portfolio by 8 stores.

In the first half of the year the net result was still negative. In the third quarter the Group reported a net result amounting to 9.8 million euros. As a consequence, net result for the first nine months stands at a positive 7.5 million euros. In the previous year it had been at 60.3 million euros.

The decline in the net result is affected by the decline of the financial result as well as the increase in the tax rate.

For the first nine months, financial result was reported at minus 34.4 million euros, 8.8 million euros lower than in the previous year.

The reasons for the decline are thus more or less the same that I outlined to you at the presentation of the first half results:

- Interest income was down on last year as interest rates for short-term facilities have come down to nearly zero.

- Interest expenses have gone up as we issued an interest bearing promissory note in Q2.
- The financial result was impacted by currency losses, although most of that occurred in the first quarter already.

I had explained the reasons for the increase in the tax rate at the last telephone conference. But as it is a rather complicated issue, let me touch upon it briefly again. There are three major reasons for the increase against last year:

First, some expenses like, for example, currency losses in the financial result as stated in the group accounts following IFRS standards are not in all cases deductable in the local accounts of the different countries which, of course, are the basis for the calculation and payment of taxes there.

Second, with expected lower pre-tax profits the relative weight of deferred taxes increases, and

Third, the share of profits in countries, in which profits are not protected by loss carry forwards, will most likely increase.

Cash taxes – that much is clear already – will be lower than stated taxes.

Coming now to the balance sheet, some financial indicators and capital expenditure.

I will leave most of these numbers to your own scrutiny. For me, it is important to note

- that we have reduced our capex substantially – as announced,
- that we have maintained our strength in the cash and cash equivalents position,
- that we have been able to bring our inventories down further thus supporting the working capital and
- that no important financial ratio or indicator has moved in the wrong direction.

Compared to the end of the first half, the financial headroom has stayed at a high level, still giving us access to around half a billion of cash. We still do not have any immediate need for refinancing whatsoever.

Let me now turn to the different segments starting with Praktiker Germany.

Sales of the Praktiker brand in Germany were up in the first nine months by 0.5 percent in absolute terms and 0.2 percent like-for-like.

Third quarter sales were up by 1.3 percent despite the fact that we only had 8 promotional days offering "20 percent off anything except pet food" instead of the 16 days that we have had in Q3 last year.

In the fourth quarter of 2008, we have had another 15 promotion days. This year we are planning for less than that.

The increase in sales turned into an increase in earnings. In Q3 EBITA of the Praktiker brand in Germany was reported at 13.0 million euros, up 1.3 million euros against Q3 last year.

The losses of the first half could thus be covered.
For the first nine months EBITA reached 9.8 million euros – against 32.6 million euros last year.

Capex in the first nine months of 16.7 million euros fell short of last year by two million euros.

The Max Bahr brand, too, showed a positive sales performance in the third quarter. Sales were grown at 1.3 percent to 177.8 million euros bringing like-for-likes up 0.4 percent.

As the sales trend had been slightly negative in the first half year, sales for the first nine months were still down by 1.9 percent. Like-for-like this corresponds to minus 2.3 percent.

I have repeatedly mentioned that Max Bahr is managed for margin. For the first nine months, EBITA for the Max Bahr brand increased by 3.5 million euros to 22.3 million euros, and in the third quarter by 0.4 million euros to 5.0 million euros.

Max Bahr spent 7.0 million euros on capex in the first nine months. Most of it was used for the introduction of the new, worked-over assortments.

International net sales continued to be down on last year in the third quarter. Even the rate of decline hardly changed compared to the first half. Sales decreased by 15.2 percent to 796.1 million euros in the first nine months. In like-for-like terms, a decline of 19.0 percent was posted.

Although most Eastern European currencies stabilised in the second quarter the gap to last years valuations stayed high. Devaluations therefore had more or less the same strong impact on sales as in the first six months. On a currency adjusted basis, sales decreased by only 4.7 percent in the first three quarters in absolute figures and by 9.1 percent in the like-for-like comparison

In total, the decline of Eastern European currencies wiped out sales of 102.9 million euros.

While the sales performance of the international segment in the third quarter did not show any significant change compared to the first six months or the second quarter, individual countries did. In Greece, Romania, Poland, Turkey and Luxembourg the sales development in Q3 was better than in H1, the opposite was true for Bulgaria, Hungary and the Ukraine.

In the third quarter, EBITA in the international segment reached 16.1 million euros und thus, like in the two quarters before, fell drastically short of last years result.

EBITA for the first nine months reached 20.5 million euros. Last year it had been reported at 57.7 million euros.

The negative currency impact on EBITA came to 11.0 million euros in the first nine months, of which 5.1 million euros fell into the third quarter.

When you look at the individual countries, EBITA was down in each and every one of them - except Luxembourg – owing to the recessionary environment which all countries still suffer from.

Following the announced slow-down in the expansion speed, 18.4 million euros were spent on capex in the international segment in the first three quarters, 33.9 million euros less than in the same period last year.

So much for the third quarter results in brief.

For the remainder of the current business year, I´m convinced that we will achieve all targets that we have set ourselves this year.

Liquid funds will be at a comfortable level of between 200 to 250 million euros at the end of the year.

Capex will even fall slightly short of the reduced target of 80 million euros that we set ourselves in order to save cash and safeguard liquidity. We have managed to get there because we were able to postpone most of our planned store openings without completely abandoning all of them.

EBITA will come out at a reasonable level – as we always said.

Our efforts to improve the profitability of our business will continue. In order to achieve this in the best possible way we have now coordinated and bundled all ongoing plus all scheduled activities in a program which we have called Praktiker 2013. We thus aim at promoting all the innovative ideas that have sprung up from this year´s experience in a structured and organised approach with the clear target of improving efficiency and mid-term results.

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