

2009 speed of growth significantly reduced

International expansion marked by the economic crisis

Securing liquidity and earnings were made top priorities for the Praktiker Group at the beginning of the year, coming along with a significant reduction of capital expenditures. This led to a slow-down in the expansion in Eastern Europe as well. But for 2010, a pickup in speed can already be foreseen.

Im Up to now, Praktiker has followed a clear international strategy – expansion in countries with sizeable market potential and a fast built-up of a leading market position. Thus the network of stores outside Germany has grown by more than 50 percent since the company went public. This means an average of around twelve new openings per year – predominantly in countries in which Praktiker was already represented. Furthermore, 2007 saw entry into the Ukraine, another promising market. The first location in Albania was also opened at the end of October 2009.

As the worldwide economic crisis picked up, the management decided to curb the speed of expansion significantly. Securing liquidity and earnings took highest priority, and capital expenditure was reduced throughout the Group.

All planned new openings were therefore reviewed again, and capital expenditure plans were critically examined under the assumption of markets weakening further. As a result, capex plans were drastically reduced. After around euros 56.1 million was invested in new stores outside Ger-

many in 2008, in 2009 this figure moved down by nearly two thirds to euros 18.2 million.

Finally, only three new stores were opened in 2009, and one existing location was expanded. In Zabrze (Poland) – where the store burned down at the end of December 2008 – a temporary point of sale was established allowing sales to take place again.

Market leadership in Romania consolidated

The first new store this year was opened at the beginning of May in Focșani, Romania. With this 4,300 square metres freehold location, the Romanian network was increased to a total of 26 stores. In addition, in mid-June the existing store in Craiova was expanded to 8,300 square metres and now offers more generous exhibition and selling space. Thanks to the expansion, the store has grown by a third. The extra selling space serves various departments, particularly garden products, furniture, decorations, building materials and sanitary products. 2009 saw the selling space of Praktiker Romania increasing by a total of around 4 percent to 172,574 square metres.

With these measures, Praktiker Romania has consolidated its position as the undisputed market leader and is currently represented in almost every Romanian city with more than 100,000 inhabitants.



High customer traffic in the newly opened store in Focșani.



Focus on Istanbul strengthened

The second new opening of the year took place in Istanbul. Praktiker is in a phase of reorganisation in Turkey. Among the long-established international companies in the Group, Turkey is the only one not to have made a positive contribution to operating



In the „212 Istanbul Power Outlet“, Praktiker is one of the key operators besides Carrefour and MediaMarkt.

income yet. In order to finally achieve the turnaround, the Turkish country management initiated a set of measures to increase earnings. Also, the strategic decision was taken to concentrate more strongly on Istanbul, the dominant economic centre of Turkey. As a result, on August 15, the eleventh Turkish Praktiker store opened its doors in the metropolis on the Bosphorus.

For the first time, a store was integrated into a shopping centre – the newly constructed “212 Istanbul Power Outlet”. Along with Carrefour and MediaMarkt, Praktiker is one of the three prominent key operators at the new shopping mile. With 160 businesses and a sales area of 56,000 square metres, this is expected to become one of the largest in the whole of Turkey within the next few months.

Temporary point of sale opened in Poland

Beside these new openings, the Praktiker store in Zabrze in Poland was brought back into operation in summer – at least on a provisional basis. It had been completely destroyed by a fire at the end of Decem-

ber 2008. The temporary store was ready on July 3, set up directly on the opposite side of the car park offering the custo-



mer a virtually complete DIY store range on 3,000 square metres. Restrictions relate, at most, to the depth of the individual ranges. Even if the Group suffers no financial loss from the fire due to sufficient insurance¹, in a relatively competitive market such as Poland it is even more important to return to the location to which customers are accustomed.

The complete rebuilding of the store – just 100 metres

from the old site – is expected to be completed in early 2010. The newly built store will even be larger than the old one.

Growth market tapped in Albania

With the third new opening of the year, Praktiker entered into a new market: Albania. On October 30, 2009, the first Praktiker store (6,920 square metres) was opened in the Albanian capital Tirana.

Albania is the ninth international market and with 3.6 million inhabitants the smallest country in the Praktiker Group’s international portfolio – except for Luxembourg. Nonetheless, it represents an interesting expansion target. Popu-

lation and GDP have been rising for years (even in times of global economic crisis), the proportion of owner-occupied homes is well over 90 percent, and existing properties are in need of renovation.

Nonetheless, there is still no established retail for DIY products, at least no retail format comparable to Praktiker exists yet. Tools, building materials and other products from the DIY range are commonly offered on the streets, in garages and kiosks. The quality standard is comparatively low, while high-quality goods are very expensive.

A satellite concept in association with the Greek country organisation enabled a quick and cost-effective entry into the market. Central functions of strategic management remain at Praktiker Greece. This reduces administrative expenses and staff costs of the new country organisation in Albania. The satellite concept thus puts Praktiker in the position to expand successfully into countries with a relatively low market volume.²



The provisional store in Zabrze; a tent from the outside, inside a complete DIY store.



Grand opening of the first Praktiker store in Albania.



Praktiker board member Michael Arnold (left) and country manager Ioannis Selalmazidis (right) welcome the Vice Prime Minister and Foreign Secretary of Albania, Ilir Meta (centre left) and the German ambassador in Albania, Bernd Borchardt (centre right).



National TV and newspaper journalists showing big interest in the Praktiker press conference in Tirana.

More new stores in 2010

Eastern Europe has undergone a deep recession in 2009. However, most economic experts now expect that the economies will continue to stabilise in 2010 and that a few countries will even show slight growth again.

Praktiker also looks at the future development of this region with increasing optimism. Although securing liquidity and earnings continue to have top priority in the Group as long as visibility is low, Praktiker considers the medium-term growth potential for Eastern Europe as extremely attractive and thus plans to expand the store network further with due sense of prudence.

According to current plans, between 6 and 8 new stores are to be opened internationally in 2010. However, the Group's cash investments should not increase in comparison with 2009. Only the ratio between capital expenditure in Germany and abroad will shift in favour of international markets.

Maximum flexibility will still remain an important goal in the next few months. Praktiker currently has obligations in respect

to only one store. This is in Kiev (Ukraine), where the store was originally planned for 2009. But the project had to be put back as the developer experienced certain financial bottlenecks. The store is now expected to open in early 2010.

Otherwise, the Group's efforts are targeted on expansion in those countries where an imminent economic recovery is considered most likely. According to management's view, this is most likely to be the case in Greece, Poland and Romania.

¹ see also other operating income in the Q3 report, page 6

² see also Investor News 3/2007, July 2007, http://www.praktiker.com/pb/site/praktiker_com/node/346101/Len/index.html

International Expansion 2009

05/08/09	new opening Focsani	RO	4,290 m ²
06/12/09	enlargement Craiova	RO	8,260 m ²
07/03/09	provisional store Zabrze	PL	3,000 m ²
08/15/09	new opening Istanbul	TR	7,293 m ²
10/30/09	new opening Tirana	AL	6,420 m ²

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