

Praktiker Group
Annual Report

2009



KEY DATA

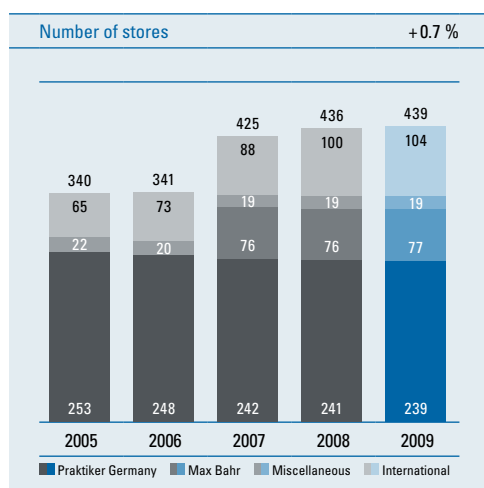
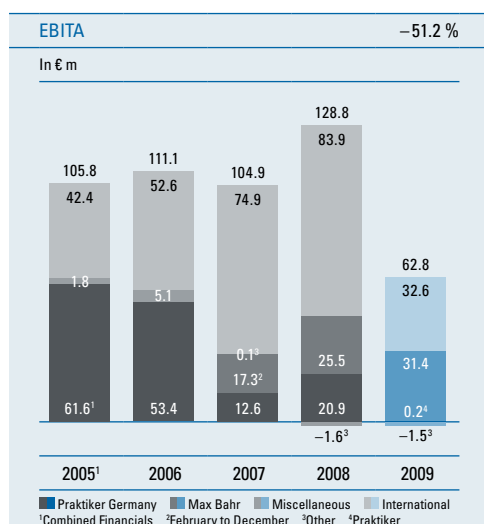
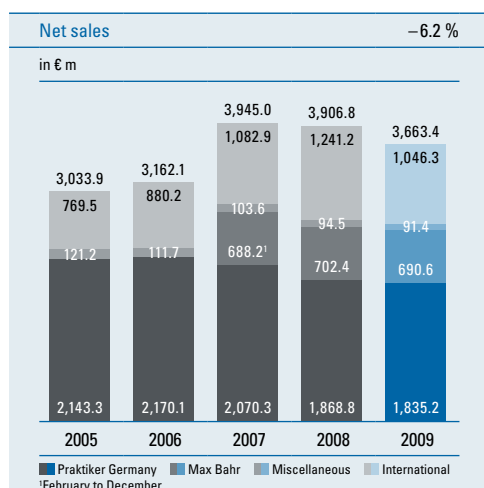
	2005 ¹	2006	2007 ²	2008 ²	2009	Change in %
Profit & loss data						
Net sales in € m	3,033.9	3,162.1	3,945.0	3,906.8	3,663.4	-6.2
Germany	2,264.5	2,281.9	2,862.1	2,665.6	2,617.1	-1.8
<i>thereof Praktiker</i>	2,143.3	2,170.1	2,070.3	1,868.8	1,835.2	-1.8
<i>thereof Max Bahr</i>	-	-	688.2 ³	702.4	690.6	-1.7
<i>thereof Miscellaneous</i>	121.2	111.7	103.6	94.5	91.4	-3.3
International	769.5	880.2	1,082.9	1,241.2	1,046.3	-15.7
Like-for-like sales growth in %	1.5	3.5	0.6	-6.0	-7.2	-
Germany	0.7	2.5	-3.6	-8.0	-2.2	-
<i>thereof Praktiker</i>	0.7	2.5	-3.6	-8.8	-2.2	-
<i>thereof Max Bahr</i>	-	-	-	-5.4	-2.1	-
International	3.9	6.2	11.4	-0.5	-19.0	-
Gross profit on sales in € m	964.6	985.5	1,263.5	1,314.1	1,192.0	-9.3
Gross margin on sales in %	31.8	31.2	32.0	33.6	32.5	-
EBITA in € m	105.8	111.1	104.9	128.8	62.8	-51.2
Germany	63.4	58.5	30.0	44.9	30.2	-32.7
<i>thereof Praktiker</i>	61.6	53.4	12.6	20.9	0.2	-99.0
<i>thereof Max Bahr</i>	-	-	17.3 ³	25.5	31.4	23.2
<i>thereof Miscellaneous</i>	1.8	5.1	0.1	-1.6	-1.5	7.5
International	42.4	52.6	74.9	83.9	32.6	-61.2
Net financial result in € m	-5.5	1.4	-22.5	-49.3	-44.3	10.2
Earnings before taxes in € m	100.3	112.5	82.4	79.5	18.5	-76.7
Net income in € m	77.6	84.1	7.2	4.4	-9.3	-
Earnings per share in €	1.32	1.43	0.11	0.06	-0.18	-
Dividend per share in €	0.45	0.45	0.45	0.10	0.10 ⁴	-
Balance sheet data						
Total assets in € m	1,723.6	1,888.9	2,149.4	2,146.3	2,082.6	-3.0
Equity in € m	871.0	945.5	935.3	899.1	878.6	-2.3
Equity ratio in % of total assets	50.5	50.1	43.5	41.9	42.2	-
Cash and cash equivalents in € m	349.1	466.3	270.8	233.3	263.0	12.7
Net cash in € m	204.8	172.5	-147.1	-189.3	-196.7	-3.9
Net working capital in € m	276.4	336.0	403.0	411.6	393.9	-4.3
Further financial data						
Capital expenditure in € m	86.3	68.0	167.9	117.6	73.3	-37.7
Cash flow from operating activities in € m	166.8	68.6	198.8	112.0	83.3	-25.7
Return on capital employed (ROCE) in %	5.6	6.1	5.0	5.4	3.6	-
Operative data						
Number of stores	340	341	425	436	439	0.7
Germany	275	268	337	336	335	-0.3
<i>thereof Praktiker</i>	253	248	242	241	239	-0.8
<i>thereof Max Bahr</i>	-	-	76	76	77	1.3
<i>thereof Miscellaneous</i>	22	20	19	19	19	-
International	65	73	88	100	104	4.0
Number of employees, yearly average on a full-time basis	16,550	17,600	22,448	23,632	22,490	-4.8
Germany	10,397	10,480	13,585	13,189	12,291	-6.8
<i>thereof Praktiker</i>	9,939	10,029	9,931	9,640	8,877	-7.9
<i>thereof Max Bahr</i>	-	-	3,239	3,134	3,009	-4.0
<i>thereof Miscellaneous</i>	458	451	415	415	405	-2.4
International	6,153	7,120	8,863	10,443	10,199	-2.3

¹Combined Financials, see Annual Report 2006, page 99

²Data adjusted according to publication under Sec. 37q para. 2 sent. 1 WpHG (German Securities Trading Act), published in the German Electronic Federal Gazette on 01/09/09, see also page 73 et seq

³February to December

⁴Dividend proposal



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TO OUR SHAREHOLDERS

LETTER TO THE SHAREHOLDERS

THE MANAGEMENT BOARD



Ladies and gentlemen,

Recession – if there is one word to sum up 2009, this is it. Gross domestic product and private consumer spending declined in practically every country in which Praktiker operates. In some cases this was only moderate, but in most it was substantial and in some countries it was more than ever before. The reluctance to spend in the countries of Eastern Europe was also accompanied by massive depreciation in national currencies.



In this difficult general economic environment, the Praktiker Group was unable to maintain sales and earnings at the same levels as in the excellent previous years. Sales dropped by 6.2 percent, operating earnings were barely half the previous year's level. These figures may appear disappointing at first glance. However, they do not show that we made long-term efforts this year to work our way back to a turnaround in the medium term. On the one hand, a number of measures were taken to shore up our stable financial position while on the other a transformation process was launched to guide us back to the earnings strength of 2005 and 2006 in future. Given the high degree of uncertainty, protecting liquidity and earnings were made top priorities at the start of the year – securing a stable financial position was more important even than maximising earnings. This meant that operating expenses had to be reduced through rigid cutbacks, and that the more extensive capital expenditure

originally planned had to be scaled back to a level that could be financed from operating cash flow. Moreover it meant focusing even more strongly on working capital management and above all on reducing inventories. The Praktiker Group achieved its own goals in all these points: Expenses have been reduced significantly. Liquidity remained at a high level, inventories were lower at the end of the year than at the beginning even though the number of stores increased. Capital expenditure was kept slightly below our target range. Overall, therefore, a picture of economic solidity emerges in spite of the reduction in sales and earnings. We want to maintain this in 2010 as well – because the Group's flexibility and ability to act can only be ensured in the long term when its earnings strength is combined with a solid financial position.

The Praktiker Group also used 2009 – in spite of the difficult overall circumstances – to further revise its store portfolio and to increase it to a modest degree. Romania and Turkey each saw the opening of a new store in addition to – for the first time – Albania. Praktiker therefore continued its expansion into the markets of South-eastern and Eastern Europe – which are still attractive in the medium term – albeit at a much slower rate. Praktiker continued to invest in the Easy-to-Shop concept in Germany and eleven stores underwent conversion. The concept was also implemented at four new locations opened to replace stores that have now been closed down. Max Bahr opened one new store and otherwise focused on redesigning its assortment and extending its range to include service packages, which now comprise the planning, delivery and installation of full, high quality bathrooms as part of its “Dream Baths” concept.

The Group therefore did not lose sight of its long-term future in 2009. And with the “Praktiker 2013” programme launched specifically for this purpose, we will be taking an even closer look at the shape of the Group going forward. Our efforts will centre around customers and offering them the most attractive range possible. Processes and expenses will also be optimised in line with this goal. “Praktiker 2013” is intended to bundle and better coordinate the measures already taken to increase sales and improve the earnings situation and thereby to cope with the crisis developments of 2009. It will incorporate them into the ongoing development of processes and structures to effect a significant rise in earnings power in the medium term – to a level already seen in 2005 and 2006. Measures are initially focusing on processes and structures

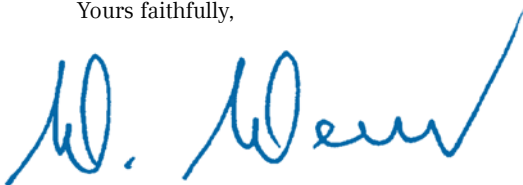
within the Praktiker brand in Germany as the potential to increase earnings seems the greatest here. These activities will then spread to the other areas of the Group over the course of 2010.

The decision by the supervisory board to reallocate responsibilities within the management board also serves the purpose of safeguarding the future. This decision was made at the end of the past financial year and takes effect from the start of 2010. Since then, operating activities have been broken down according to German and international business into two divisions with the Finance and Human Resources divisions essentially defined as rendering cross-divisional services applying to the Group as a whole. These means that I, as the Chairman of the management board, have been relieved from all operating activities and can focus fully on the ongoing development of the Group and the “Praktiker 2013” programme. Thus, we have found a way to assign responsibilities that can only help to enhance the value of the Group and thereby its shares.

In formulating its dividend proposal, the management board of Praktiker Bau- und Heimwerkermärkte Holding AG again had to balance the interests of a short-term return with the desire to keep its liquidity as stable as possible in the light of the lingering difficulties in the economic environment and the sales and earnings risks this entails. It also had to consider that the drop in net profit for the year in the separate financial statements of Praktiker Bau- und Heimwerkermärkte Holding AG relevant to the dividend distribution was not as severe as in these consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS). As a result of such considerations, the management board of Praktiker Bau- und Heimwerkermärkte Holding AG proposed to the supervisory board to distribute a dividend for the 2009 financial year unchanged as against the previous year at 0.10 euro per share and to retain the remaining net income.

In this and the coming years, Praktiker will mobilise all its energies to achieve a turnaround in sales and earnings and secure it in the long term. We have chosen the right path with “Praktiker 2013”. We will systematically continue on this path of growth and earnings – prudently, confidently and determinedly, with entrepreneurial nerve and a sense of responsibility founded in value. This is what my colleagues and I stand for together with our employees. I would like to thank them, our employees abroad and in Germany, for their work in the reporting year, the commitment and their willingness to change, which is needed now more than ever before. We also thank our shareholders for the confidence they have shown in us and hope that they will continue to do so.

Yours faithfully,



Wolfgang Werner
Chairman of the management board
Kirkel, Germany, March 2010

THE MANAGEMENT BOARD



WOLFGANG WERNER
Chairman

Divisions

Business Development/Strategy	
Praktiker 2013	(since 1/1/2010)
Communication/Public Relations	(since 1/1/2010)
Auditing	
Distribution Praktiker Germany	(until 31/12/2009)
extra Bau+Hobby	(until 31/12/2009)
Location Management Germany	(until 31/12/2009)



MICHAEL ARNOLD

Divisions

International Business	
Internationalisation	
Location Management Germany/International	(since 1/1/2010)



THOMAS GHABEL

Divisions

Controlling	
Accounting/Tax	
Finance	
Investor Relations	
Legal Affairs and Contractual Matters	
M&A	
Compliance	(since 1/1/2010)
Communication/Public Relations	(until 31/12/2009)
Max Bahr	(until 31/12/2009)



KARL-HEINZ STROH
Labour Director

Divisions

Personnel
Praktiker Services GmbH



PASCAL WARNKING

Divisions

Praktiker Germany	(since 1/1/2010)
Max Bahr	(since 1/1/2010)
extra Bau+Hobby	(since 1/1/2010)
Corporate Procurement	
Marketing	

The management board of Praktiker Bau- und Heimwerkermärkte Holding AG consisted of five persons in the 2009 financial year. There was no change in its members over the course of the year.

Towards the end of the financial year, the supervisory board of Praktiker Bau- und Heimwerkermärkte Holding AG resolved a reorganisation of activities within the Group's management board that took effect on 1 January 2010. This has led to a clear separation of strategic and operative responsibilities.

In future, the Chairman of the management board Wolfgang Werner will be focusing on the ongoing development and coordination of the Praktiker Group's overall activities. As a result, overriding responsibility for the "Praktiker 2013" programme has also been transferred to him.

Werner's prior operative responsibility for the store network of the Praktiker brand in Germany and the extra Bau+Hobby sales line has passed to Pascal Warnking. At the same time, Warnking is now also in charge of the Max Bahr subsidiary acquired in 2007. Thus, all German business – from procurement through to sales – has been bundled in one division for the first time.

Operative international business was already amalgamated in the International Business/Internationalisation division under the management of Michael Arnold. Location management has now also been added to this division.

The change in duties gives Praktiker Bau- und Heimwerkermärkte Holding AG a management board structure that groups operating responsibility more clearly than before into two divisions. Finance/Controlling (Thomas Ghabel) and Personnel/Services (Karl-Heinz Stroh) are essentially defined as rendering cross-divisional services to the Group as a whole. The ongoing strategic development of the Group is now the main activity of the Chairman of the management board.

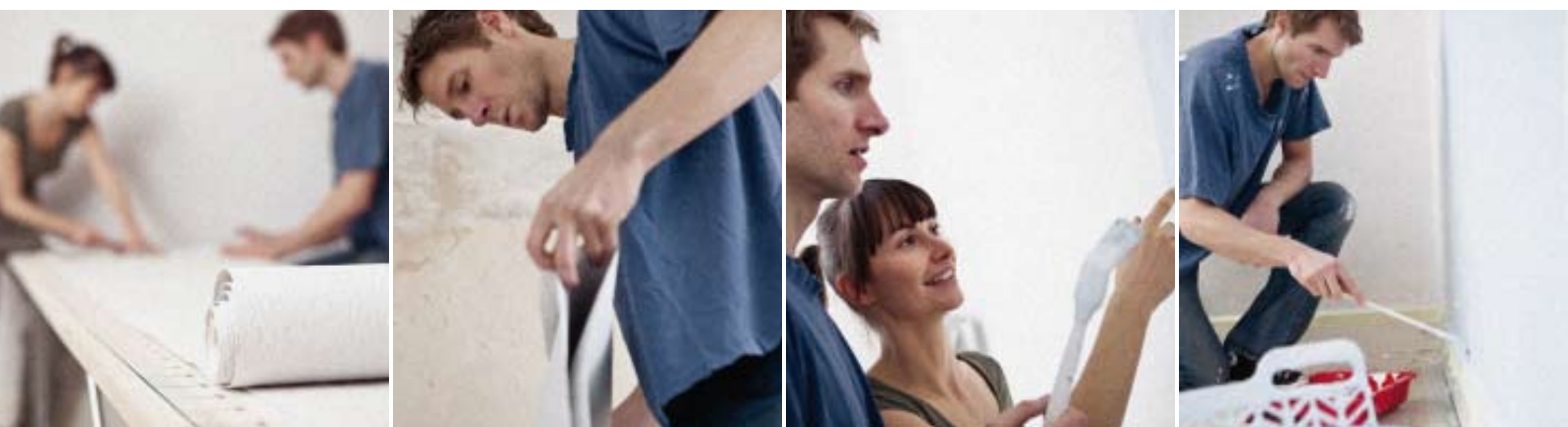


GROUP MANAGEMENT REPORT

BUSINESS-SPECIFIC AND GENERAL ECONOMIC SETTINGS

INCOME, FINANCIAL AND ASSET POSITION

SEGMENT REPORTING



BUSINESS-SPECIFIC AND GENERAL ECONOMIC SETTINGS

General economic settings bleak

The countries in which the Praktiker Group operates were predominantly in the grip of a deep recession in 2009. Only Poland and Albania reported slight economic growth in the 2009 financial year. The gross domestic product in all other countries is expected to have contracted by between two and a half percent (Greece) and eight percent (Romania). The Ukraine, though, is expected to post an even stronger decline of around 16 percent.

Gross domestic product					
Annual percentage change					
	2005	2006	2007	2008	2009
Albania	5.8	5.5	6.3	6.5	2.5
Bulgaria	6.2	6.3	6.2	6.0	-5.3
Germany	0.8	3.2	2.5	1.3	-4.8
Greece	2.9	4.5	4.0	2.9	-2.5
Luxembourg ¹	5.0	6.1	5.2	0.7	-4.8
Poland	3.6	6.2	6.8	5.0	1.2
Romania	4.2	7.9	6.0	7.1	-7.6
Turkey	8.4	6.9	4.7	0.9	-5.9
Ukraine	2.7	7.3	7.9	2.4	-16.0
Hungary	4.0	3.9	1.2	0.6	-7.0

Source: Economist Intelligence Unit, 2009 estimate (as of November 2009)
¹International Monetary Fund, 2009 estimate (as of October 2009)

Inflation rates dropped everywhere in reaction to the general fall in demand and the slide in commodities prices. The overall economy in many countries was propped up by more or less extensive government stimulus packages. But in countries that the International Monetary Fund did extend credit to, governments were forced to make decisions that only served the purposes of budget consolidation or the reduction of trade deficits, and which therefore tended to exacerbate the recession.

The economic crisis also led to sharp changes in the external values of Eastern European currencies. As of the end of the year, the Hungarian forint, Polish zloty, Romanian leu and Turkish lira were down up to seven percent year-on-year. The development of the different currencies followed the same pat-

tern over the course of the year: a rapid and severe depreciation at the start of the year followed by stabilisation or even a slight recovery in exchange rates from spring on.

Development of the DIY sector

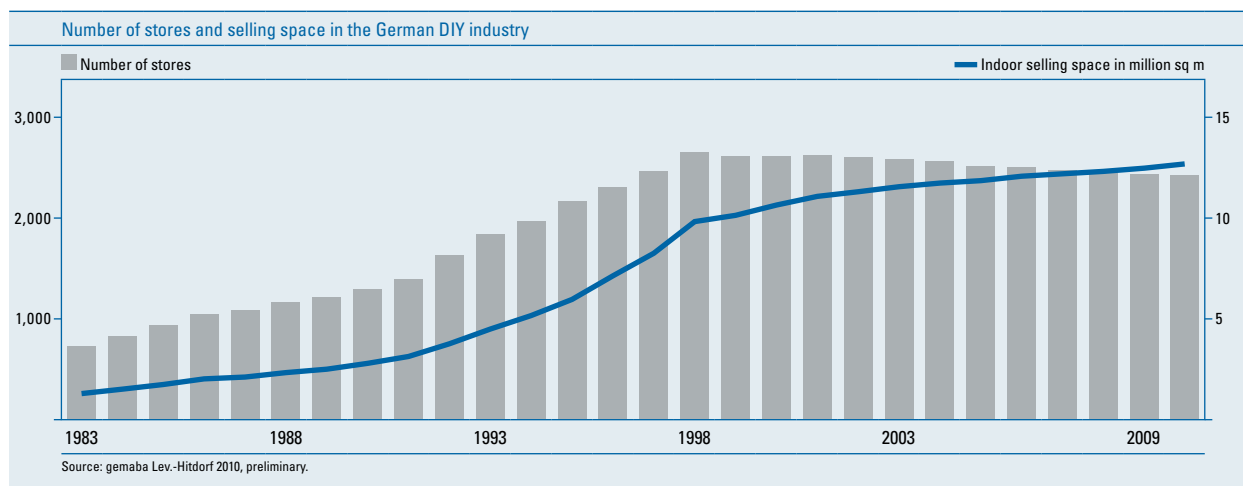
Stable sales performance in Germany

Private consumption and retail sales proved relatively stable in Germany in 2009. While overall economic output fell by around five percent, private consumer spending declined by around one percent only and retail sales by one to two percent.

In clear contrast to this are the sales figures for the DIY sector calculated for the first nine months by the German DIY association (BHB) (up 1.5 percent) and the forecasts this led to for the year as a whole. These state that sales in the German DIY market will have risen by around 0.5 percent after adjustment for selling space in 2009. Sales losses were only reported in the first quarter. In the spring quarter, garden equipment sales in particular were lifted by advantageous weather conditions. In the third quarter, in which the economy grew again as a whole, sector sales even increased by around four percent. This momentum then slowed again in the fourth quarter.

In this market environment, the Praktiker Group lost slightly in market share in 2009 with both its brands in Germany which, according to Dähne Verlag, had been 8.2 percent in 2008.

Several trends previously observed in earlier years are expected to have continued unchanged in 2009: the number of stores declined further but sales space continued to grow slightly. According to provisional figures, gemaba (Gesellschaft für Markt- und Betriebsanalyse) calculated that there was a total of 2,420 DIY stores in Germany as of the end of the year. This represents a drop of 0.3 percent. It has been observed in recent years that the number of DIY stores in the new German states (not including Berlin) was declining above average. The drop here in 2008 was over three times as high as in the west of Germany. As new stores are generally much larger than older ones – because they typically feature a garden centre and often separate areas for large-scale professional customers – the



weighted internal selling space increased again slightly by 1.7 percent to 12.65 million square metres in 2009. Depending on the definition of the stores included, other surveys report an even stronger increase in selling space.

As the growth in space is mainly due to the fact that competitors are expanding their assortments (garden equipment) and at the same time extending their business models to include corporate clients and thereby becoming a combination of wholesaler and retailer, Praktiker does not feel that this poses a threat to its own business success. This is because Praktiker's locations and the articles it offers are systematically geared towards the requirements of private customers.

International markets in wake of recession

Consumer spending slumped together with overall economic output on all the international markets on which Praktiker operates except Poland. This is partly because consumption was already the main driving force behind the strong growth of recent years in many countries and partly because many consumers took out loans in foreign currency. Following the depreciation of their respective national currencies, the foreign currency interest owed on these loans increased substantially and absorbed a larger portion of spending power than before.

Private Consumption					
Annual percentage change					
	2005	2006	2007	2008	2009
Albania	8.8	5.0	20.1	6.0	-1.1
Bulgaria	6.1	9.5	5.3	4.8	-6.4
Germany	0.3	1.3	-0.3	0.4	0.6
Greece	4.3	4.8	3.0	2.2	-1.6
Luxembourg ¹	3.9	3.0	2.8	3.9	-0.3
Poland	2.1	5.0	4.9	5.4	2.4
Romania	9.4	11.4	10.2	8.4	-12.4
Turkey	7.9	4.6	5.5	-0.1	-3.0
Ukraine	19.3	15.4	17.0	10.0	-13.0
Hungary	3.6	1.9	-1.4	0.1	-6.4

Source: Economist Intelligence Unit, 2009 estimate (as of November 2009)
¹OECD, 2009, estimate (as of November 2009)

Furthermore, unemployment rose rapidly in most countries, which also had a negative effect on purchasing power and palpably increased job risks in particular. Accordingly, all the countries in Eastern Europe also saw a considerable slide in the indicators for the business and consumer climate. In Greece, the country with the highest sales in the international portfolio, consumer sentiment grew significantly bleaker towards the end of the year as the Greek government felt itself forced to announce a number of unpopular measures to relieve its considerable financial difficulties.

It is difficult to determine the extent to which demand for DIY products in individual countries was affected by overall economic developments as this data is not yet available. By Praktiker's own estimates, however, it can be assumed that all DIY markets were in decline with the exception of Poland and Albania. The severest drops are believed to have been in

Ukraine, Hungary, Romania and Bulgaria, while they are expected to have been more moderate in Greece and Turkey. While the need for renovation and modernisation is still strong in the countries of Eastern Europe in particular, the decrease in disposable income means that consumers are limiting such expenditure for the time being.

Observations by Praktiker's national companies in the individual markets suggest that Praktiker has gained market share in Greece and Romania despite the negative trends seen on the market as a whole. This is not believed to have been the case in Poland and Ukraine, where competitors expanded much more significantly. The presumption for all other countries, while not supported by exact market research, is that market share has not changed significantly.

One reason for this is that Praktiker was not the only one to throttle back its rate of expansion. Competitors have also postponed some expansion plans and even put some on ice. The tougher financing conditions are hitting competitors and property developers equally. One or two local competitors were even put up for sale in the course of the year. The competitive situation has therefore changed and the countries of Eastern Europe no longer seem as attractive as they did two or three years ago. This does not have to be a disadvantageous development for a company like Praktiker that is already well established on different markets. Expansion was therefore continued, albeit at a much slower rate. Praktiker consequently still ranks among the market leaders in all its countries and is even the sector's undisputed number one in Greece, Romania and Bulgaria.

Strategic direction retained

The Praktiker Group is also one of the leaders in the DIY sector because its location portfolio, the goods it offers and its value-proposition to customers are driven by their demands and are continuously developed further. Different measures have been implemented on different markets to ensure this.

Profile of Praktiker and Max Bahr raised in Germany

The profile of the Praktiker and Max Bahr brands was raised further in Germany in 2009. Max Bahr is focusing its offering even more strongly on those customers interested in a wide selection, good advice, a high level of service and the best possible quality. It is also offering a growing range of services that are developing away from traditional “do-it-yourself” and more towards “do-it-for-me”. As Max Bahr is not yet represented in some regions of Germany and there are still opportunities in high-income regions in particular, a new store was added to the portfolio in Regensburg in 2009.

Meanwhile, the Praktiker brand is reaching out more to price-sensitive customers, relying on a self-explanatory offering, simple and fast shopping and a clear presentation of goods. This is why it continued to invest in expanding its Easy-to-Shop concept in 2009. In a market environment in which competition is already tough and the space available is ample, Praktiker is improving the quality of its store portfolio rather than increasing the number of its locations.

Provider of problem solutions abroad

In its international business, Praktiker is concentrating on generating customer loyalty through quality, service and advice and positioning itself as a provider of solutions to problems. It continued this policy in 2009 as well. While price became more important in reaching customers in all countries, Praktiker still refrained from massive price concessions in the difficult market environment of 2009. As the number of competitor stores is relatively low in most of the countries in which Praktiker operates, it also expanded its location portfolio in 2009, albeit at a greatly reduced rate compared to the previous year. It is planning to accelerate its expansion again in future. The number of stores is expected to rise rapidly but reasonably. The aim is to establish a comprehensive network of DIY stores in all countries and to cover all main conurbations.

“Praktiker 2013” programme launched

The “Praktiker 2013” programme has been set up to determine how brand positioning can be optimised, how customer loyalty can be enhanced, how the range of goods and their presentation can better highlight the core values of the respective brands and how merchandise management and logistics can be improved even more. This programme was established towards the end of the year to bundle the

many ideas and initiatives being developed in connection with efforts to stabilise earnings and liquidity over the course of 2009.

Measures to improve procedures and processes for the Praktiker brand in Germany have already been devised in individual projects, while projects for the Max Bahr brand and international business will follow in the first half of 2010. The objective of the project is to gradually and sustainably strengthen the earnings power of the Group by 2013.

There have already been changes in the responsibilities of the management board in connection with the programme’s work.

New procurement structure consolidated

A central purchasing department was set up in 2007 following the acquisition of Max Bahr. It is the central point of contact for category managers of both brands when purchasing goods. Work began in 2009 to integrate international procurement activities into this organisation unit as well – to the extent that these involve suppliers outside the respective country. This project has not yet been completed as of the reporting date. However, the purpose of the integration is clear: leveraging additional benefits in purchasing by bundling activities.

The main job of central purchasing is to organise the procurement of goods and to improve purchasing conditions as much as possible. Thus, average payment conditions were extended by 1.5 days to 54.8 days in the reporting year. In 2009, however, purchasing focused increasingly on ensuring that Praktiker worked exclusively with partners with a strong business standing. This is due to the fact that some suppliers faced financial difficulties at the start of the year with some even going into receivership. The risk of lost deliveries was on the rise. Accordingly, risk diversification became a more important factor in procurement. Attempts to bundle volumes or further extend payment conditions became secondary.

In spite of the weighting redistribution, the share of the 20 most important suppliers in total procurement volumes was practically unchanged, coming to slightly over 25 percent as in the previous year.

As central purchasing paid greater attention than usual to the creditworthiness and financial solidity of suppliers delivery losses were prevented from exceeding normal levels. The number of suppliers throughout the Group was reduced by around one percent to 2,784.

2009 was marked by rising prices for commodities, particularly oil. The US dollar trended lower. Both of these factors affected purchasing prices. On average, these were slightly below the previous year’s levels in 2009.

General legal conditions

Changes in legal circumstances led to unusual burdens in some countries. For example, in order to consolidate

its budget, the Greek government resolved that corporate profits for 2008 would be subject to a subsequent special tax. This increased Praktiker's tax expenses by around 2.5 million euro. Value-added tax in Hungary was increased by five percentage points to 25 percent as of 1 July 2009. With consumers already reluctant to shop, this decision further depressed demand and squeezed the gross profit margin. The European Commission ruled that traditional light bulbs of a certain wattage were no longer to be distributed from September 2009. All providers had to adjust their assortments accordingly.

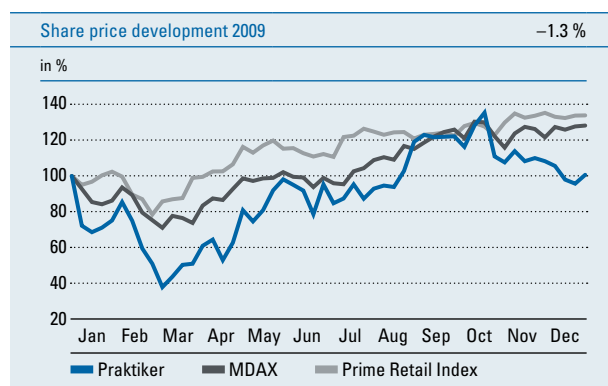
Financial crisis impacts capital markets

It was clear on Praktiker's relevant capital markets in 2009 that the conduct of lending banks and equity investors had been severely and negatively influenced by the financial crisis.

Dominated by sharp increases in risk aversion, shares became much less attractive as an investment category until mid-March 2009. Liquidity was mainly directed towards investment forms such as government bonds as long as they offered the highest security. The equities market suffered from this in general and Praktiker's shares suffered in particular. Praktiker was considered a relatively risky investment as the majority of its stores are rented.

Investors' willingness to take risks picked up over the course of the year after it became clear that many fears triggered by the financial crisis were unfounded. Praktiker's shares also benefited from this. As the year progressed, however, the strong presence of the Praktiker Group in the countries of Eastern and South-eastern Europe again proved a burden. The effects of the financial crisis were particularly noticeable here. As of the end of the year it was also becoming clear that the Greek government was having major difficulties in financing its hefty deficit. These austere conditions again took their toll on the share price during the last months of the reporting period. The shares ended the year at almost exactly the same level they had started it.

going out of business. The risk in various investment categories increased. In turn, this meant that financial institutions had to shore up their equity positions. This then led to equity becoming scarce in many cases as it had been partially eroded by losses in connection with the financial crisis. The banks were unable to provide credit to the extent required by the economic situation. This situation was commonly referred to as the credit crunch. Different companies experienced different levels of difficulty in borrowing in 2009. Nonetheless, Praktiker succeeded in placing promissory notes of 50.0 million euro at relatively attractive conditions in this environment. This proves that Praktiker was considered creditworthy, even against the difficult backdrop of 2009. The funds borrowed were used to safeguard the liquidity position and for general corporate finance. In 2006 Praktiker issued convertible bonds with a nominal value of 150.0 million euro. In the second quarter, a nominal value of 2.9 million of these convertible bonds was bought back at attractive conditions.



The financial crisis led to heavy write-downs and in many cases losses for a lot of banks. Every day, companies in the financial sector were undergoing mergers or

INCOME, FINANCIAL AND ASSET POSITION

Income position

Preliminary remark

In the context of a routine spot check, the German Financial Reporting Enforcement Panel (FREP) came to diverging measurements of individual balance sheet items in the consolidated financial statements for 2007 of Praktiker Bau- und Heimwerkermärkte Holding AG. They mainly relate to the first-time consolidation of Max Bahr. Essentially, this resulted in non-cash adjustments in the line items for inventories, goodwill and deferred taxes in the consolidated financial statements for 2007 and 2008. Praktiker is of the opinion – which is also supported by the auditor's report of PricewaterhouseCoopers AG – that the original measurement was and still is justifiable. Nevertheless, taking into consideration the cost of objection proceedings, the management board has decided not to take legal action against these findings and to make the amendments demanded by the FREP. The figures in this annual report relating to 2007 and 2008 contain the adjustments demanded by the FREP. They may therefore deviate from the figures shown in the annual reports for previous years. None of the deviations are material. They are therefore also not mentioned explicitly in the management report. An overview of the individual adjustments can be found in the notes to the consolidated financial statements on pages 73 to 75.

Slight increase in number of stores

The Praktiker Group expanded its store portfolio from 436 to 439 locations in the 2009 financial year. The number of Praktiker stores in Germany declined slightly to 239 (previous year 241). The number of Max Bahr outlets grew by one to 77. The number of extra-Bau+Hobby stores in the Miscellaneous segment was unchanged at 19. Internationally, the number of stores increased by one in Romania, Turkey and Albania each. In addition, sales in Zabrze in Poland have recommenced at a temporary facility replacing the store that burnt down there in December 2008. As of the end of the financial year, there were 104 locations in the international portfolio (previous year 100).

The rise in the number of stores goes hand in hand with a corresponding increase in selling space. In the Praktiker Group, the total available selling space grew overall by 1.7 percent to 2.8 million square metres. International selling space increased by 3.6 percent to 0.7 million square metres. In Germany it rose by 1.1 percent to 2.1 million square metres as a result of store relocations and the growth of the Max Bahr portfolio.

Number of stores				
By ownership structure				
	Property	Finance Lease	Operate Lease	Total
Praktiker Germany	3	15	221	239
Max Bahr	–	11	66	77
extra Bau+Hobby (integrated stores)	–	–	19	19
Praktiker International	7	35	62	104
Praktiker Group	10	61	368	439
extra Bau+Hobby Franchise ¹ (informational)	–	–	–	10

¹Not included in operative statistics

Sales in decline

Sales generated by the Praktiker Group totalled 3,663.4 million euro in the 2009 financial year. This represents a decline of 6.2 percent as against the previous year's figure of 3,906.8 million euro, or 7.2 percent after adjustment for selling space. This development was largely due to the sharp decline in sales outside Germany. Sales in Eastern and South-eastern Europe fell by 15.7 percent. However, more than half of this was due to changes in exchange rates.

Business in Germany proved relatively stable with a drop of 1.8 percent. This development was virtually identical for both brands, Praktiker and Max Bahr.

The extent of the effect of exchange rate changes on the Group's sales in 2009 can be seen by the fact that consolidated sales would have declined by only 3.3 percent had they remained constant.

Net Sales					
Annual percentage change					
		2006	2007	2008	2009
Group	absolute (in €)	4.2	24.8	–1.0	–6.2
	like-for-like (in €)	3.5	0.6	–6.0	–7.2
	absolute (in local currency)	4.6	23.9	–0.6	–3.3
	like-for-like (in local currency)	3.8	–0.2	–5.7	–4.5
Germany	absolute	0.8	25.4	–6.9	–1.8
	Praktiker	1.3	–4.6	–9.7	–1.8
	Max Bahr	–	–	2.1	–1.7
	like-for-like	2.5	–3.6	–8.0	–2.2
International	absolute	2.5	–3.6	–8.8	–2.2
	Praktiker	–	–	–5.4	–2.1
	Max Bahr	–	–	–5.4	–2.1
	like-for-like	2.5	–3.6	–8.8	–2.2
International	absolute (in €)	14.4	23.0	14.6	–15.7
	like-for-like (in €)	6.2	11.4	–0.5	–19.0
	absolute (in local currency)	16.2	20.1	16.3	–6.8
	like-for-like (in local currency)	7.6	8.4	0.6	–10.4

Fewer customers, lower average sales

The number of customer contacts in the Praktiker Group in 2009 was down 2.4 percent year-on-year at 139.1 million. There were various reasons for this. Outside Germany (2.9 percent fewer customers overall), the sharp recession led to a general reluctance to spend. The more the respective economy shrank, the more purchasing power and propensity to consume diminished. Meanwhile, the number of customers rose in Romania, Turkey and Ukraine as a result of additional customer contacts at new stores opened in 2009 (Romania and Turkey) and in December 2008 (Ukraine). In Germany, 1.8 percent fewer customers shopped at Praktiker than one year ago, 3.8 percent fewer customers at Max Bahr.

However, average receipts increased in Germany. Per purchase, Praktiker customers in Germany spent a net average of 25.88 euro in 2009 (previous year 25.86 euro). Average receipts at Max Bahr were 26.43 euro net, 2.7 percent higher than in the previous year (25.74 euro). Average receipts in international business declined by 13.1 percent to 27.18 euro because customers spent less per purchase and because Eastern European currencies were worth significantly less on average in 2009 compared to one year ago.

Customer contacts and average ticket 2009

	Customer contacts		Average ticket	
	in million	Change in % to 2008	in €	Change in % to 2008
Group	139.1	-2.4	26.23	-3.7
Germany	100.6	-2.3	25.87	0.8
Praktiker	71.1	-1.8	25.88	0.1
Max Bahr	26.4	-3.8	26.43	2.7
extra Bau+Hobby (integrated stores)	3.2	0.9	20.98	1.4
International	38.5	-2.9	27.18	-13.1

Only gardening equipment posts sales increase

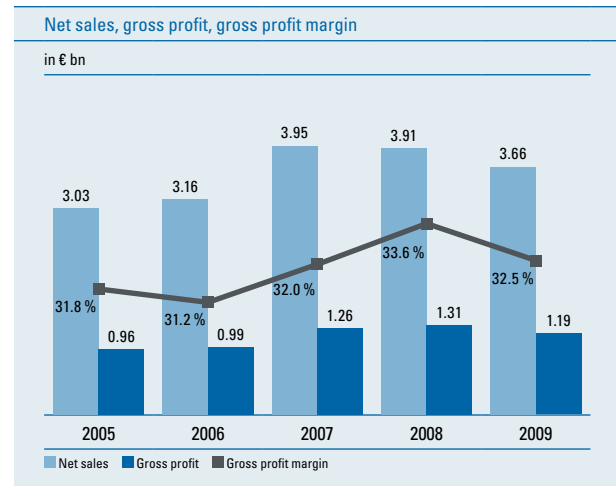
Throughout the Group, sales developments in the individual assortments varied greatly from country to country and brand to brand. Overall, the Group only saw higher sales on articles from the garden equipment range. All other assortments posted declines in sales. The smallest percentage declines were seen in building materials, paint, tools and hardware, the biggest in wood and electrical goods.

Gross margin under pressure

In the year under review, the gross profit on sales amounted to 1,192.0 million euro, down 122.1 million euro on the previous year's figure (1,314.1 million euro). This represents a decline of 9.3 percent.

The gross margin was 32.5 percent, 1.1 percentage points less than in the previous year (33.6 percent). This change essentially relates to the German market, in particular to the

Praktiker brand and specifically to the first half of the year. During this period it was necessary to sell off high inventory levels at extraordinary price concessions. In the second half, gross margin was up against the comparable period of the previous year.



Other operating income mirrors sales development

Other operating income amounted to 69.7 million in the 2009 financial year. This was 7.8 million euro or 10.1 percent less than in the previous year (77.5 million euro). As in previous years, the items directly associated with the retail business – rental income, contributions from suppliers and income from cost reimbursements – accounted for almost two-thirds of other operating income. Other operating income also included insurance payments of 4.5 million euro, which essentially compensated expenses and the loss of income related to the blaze of the Praktiker store in Zabrze (Poland). Similar insurance payments in the previous year had amounted to 8.7 million euro. These mainly related to a store that burnt down in Thessalonica (Greece).

Reduction in selling and administrative expenses reflects efforts to minimise costs

Selling and administrative expenses at the Praktiker Group decreased by 5.2 percent to 1,197.3 million euro in the year under review (previous year 1,262.4 million euro). The decline reflects the measures introduced at the beginning of the year to reduce costs. In absolute figures, the biggest savings were generated in personnel expenses at 26.0 million. On average over the year and calculated in full-time equivalents, the Praktiker Group employed 4.8 percent fewer people overall in 2009. The biggest percentage decrease within the major expense items was 14.5 percent for advertising. The costs of operating stores were up only slightly year-on-year at 1.1 percent, although the number of locations at the end of the year was higher than in the last twelve months.

Operating earnings maintained at reasonable level

Operating earnings (EBITA = earnings before interest, income taxes and amortisation of goodwill) amounted to 62.8 million euro in the year under review. EBITA of 128.8 million euro had been reported for the previous year. In spite of solid reductions in expenses, the Group was unable to prevent the decline in sales, currency effects and the deterioration in the gross margin from significantly affecting operating earnings. The severe depreciation in Eastern European currencies alone cost around 13 million euro in EBITA. Nonetheless, earnings do meet the expectations repeatedly expressed by management during the year, namely that of being “reasonable” in line with changing general conditions. The EBITA margin for 2009 amounted to 1.7 percent (previous year 3.3 percent).

Net finance costs again squeezed by currency effects

Net finance costs amounted to 44.3 million euro (previous year 49.3 million euro). Interest income in 2009 was lower than in the previous year as interest on short-term cash deposits declined further and even approached zero at times. Meanwhile, interest expenses rose as the result of promissory notes of 50.0 million euro placed in the second quarter. The interest expense on finance leases amounted to 25.2 million euro. This is a little less than in the previous year (25.6 million) as no new stores qualified as finance leases. The net currency result for the period under review was minus 4.8 million euro (previous year minus 18.6 million euro). Currency effects relating to the measurement of foreign currency liabilities as of the reporting date were therefore again negative for 2009, though not of the same order as in the same period of the previous year. The net currency loss on the revaluation of finance lease liabilities of 5.6 million euro was not taken to cash. This also applies to the accrued interest on liabilities from the convertible bond (4.1 million euro).

Taking account of the financial result, earnings before taxes (EBT) amounted to 18.5 million euro (previous year 79.5 million euro).

Earnings					
in € m					
	2005	2006	2007	2008	2009
EBITA	95.5	111.1	104.9	128.8	62.8
Financial result	-6.6	1.4	-22.5	-49.3	-44.3
EBT	89.0	112.5	82.4	79.5	18.5
Income taxes	-20.9	-28.4	-75.2	-75.0	-27.8
Net profit / loss	68.1	84.1	7.2	4.4	-9.3
EPS in €	1.07	1.43	0.11	0.06	-0.18
EVA	-23.6	-10.4	-47.4	-48.5	-104.8
ROCE in %	5.6	6.1	5.0	5.4	3.6

Tax expenses unexpectedly high

Tax expenses accounted for a total of 27.8 million (previous year 75.0 million). Comparability with the previous year was limited due to the fact that tax expenses for 2008 were dominated by a write-down on deferred taxes of 53.9 million euro. However, tax expenses for 2009 were also influenced by non-recurring factors. Towards the end of the year, the Greek government resolved to reduce its massive spending deficit by, among other things, charging a special tax on profits for the 2008 financial year. For Praktiker this has meant an expense of around 2.5 million euro.

However, tax expenses would have been higher than earnings before taxes even without this special tax. There are various reasons for this:

1. There are some expense items that reduce earnings before income taxes in the IFRS financial statements but that are not considered expenses in the tax accounts for different countries. These include, for example, exchange rate effects. The total amount of the basis for tax assessment in the countries in the international portfolio is reported higher than in the IFRS financial statements. Thus, the current taxes incurred are higher than the nominal tax rate of the respective country would lead one to expect – based on the IFRS earnings before tax.
2. In Germany, the trade tax had a similar negative effect as rental expenses cannot fully be set against earnings in the calculation of the tax base. In particular, Praktiker has been affected by this particular feature of the trade tax as the store network is almost exclusively rented and these additions are not related to actual earnings. This effect can lead to a sharp rise in the tax rate especially when earnings before taxes are low.
3. Praktiker has not achieved positive earnings in all countries of the portfolio. In some countries in which a tax loss was incurred in the current year, the resulting deferred tax assets that would have led to tax income and thereby a reduction in tax expenses could not be realised. One reason for this was, that in some cases there is a time limit on using some of these losses and the probability of being able to use them within this time limit was considered low.

Overall, the paradoxical result of these factors is that the tax expense for 2009 is higher than the reported pre-tax profit. This has resulted in a net loss for the year of 9.3 million euro. Earnings per share (EPS) for 2009 amount to a loss of 0.18 euro per share. Earnings per share for the previous year had been positive at 0.06 euro.

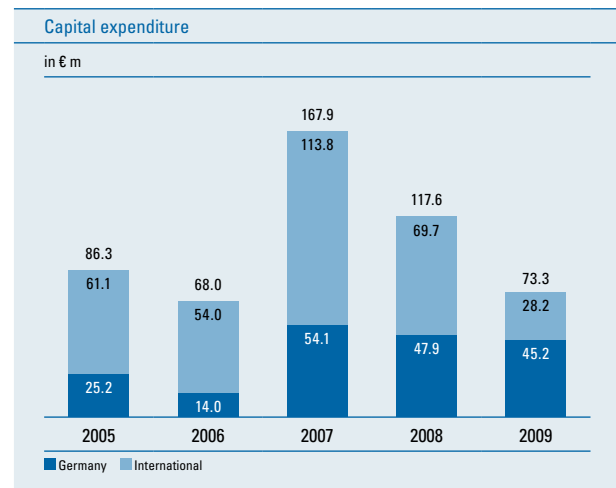
The financial result and the tax expense include a number of expense items that do not relate to an outflow of cash. In the opinion of the management, the outflow of cash is more significant than the expense. If the financial result and tax expense were adjusted for these non-cash expenses this

would result in an adjusted net profit for the year (cash earnings) of 8.7 million and cash EPS of 0.13 euro per share. The comparative previous year's figures would have been cash earnings of 79.5 million euro and cash EPS of 1.35 euro.

Financial position

Investments to safeguard liquidity scaled back

The Praktiker Group invested a total of 73.3 million euro in the 2009 financial year (previous year 117.6 million euro). Much of this amount was for revising the store portfolio in Germany. Four Praktiker stores were opened as substitute locations, one store that had previously been rented was bought, renovated and extended and one new Max Bahr store was opened. Three new stores were added to the store portfolio outside Germany. A small amount of the total capital expenditure was directed towards modernising selected locations and rebuilding the store in Poland that was burnt down.



71.1 million euro of total capital expenditure involved an outflow of cash (previous year 100.5 million euro). The new locations opened in 2009 included one store that the Group owns (Focsani, Romania). The remaining locations qualify as operating leases under IFRS, none of them qualify as a finance lease. Capex for finance leases was therefore correspondingly low in 2009 and related solely to conversions and extensions, amounting to 2.2 million euro (previous year 17.1 million euro). 43.8 million euro was provided for modernisation work, store concept conversion and improvements in the IT infrastructure, 34.4 million euro of which in Germany and 9.5 million euro abroad.

Capital expenditure was slightly higher than depreciation and amortisation on non-current assets, which amounted to 68.8 million euro in the year under review (previous year 67.8 million euro). Accordingly, net capex totalled 4.5 million euro (previous year 49.8 million euro). The funding ratio for investments from depreciation and amortisation was 93.8 percent (previous year 57.7 percent).

Capital expenditure 2009			
in € m			
Total	73.3		
Germany	45.2	28.2	International
Cash	71.1	2.2	Non-cash
Maintenance	43.8	29.5	Expansion
Net	4.5	68.8	Depreciation

Rise in liquidity

Cash and cash equivalents amounted to 263.0 million euro at the end of the year, around 30 million euro more than in the previous year (233.3 million euro).

The operating cash flow was 83.3 million euro (previous year 112.0 million euro). While earnings before taxes were down 61.0 million on the previous year's figure, inventories were reduced by 81.5 million. As trade payables were also 61.8 million lower than in the previous year the operating cash flow fell short of the figure for the previous year.

Cash flow from financing activities resulted in an inflow of 18.4 million euro. This is mainly due to the effect of the promissory notes. 71.0 million euro of the cash flow thus generated was used for investment purposes, the rest contributed towards increasing liquidity levels.

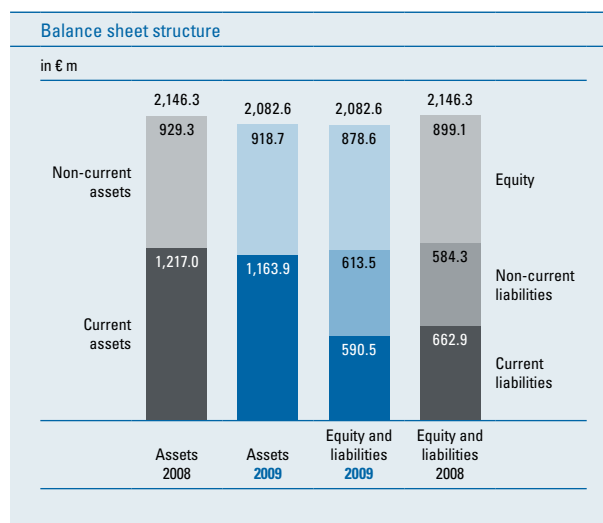
Cash flow					
in € m					
	2006	2007	2008	2009	Change
EBT	112.5	82.4	79.5	18.5	-61.0
Cash flow from operating activities	68.6	198.8	112.0	83.3	-28.7
Cash flow from investing activities	-38.2	-349.0	-98.1	-71.0	27.1
Cash flow from financing activities	112.5	-44.0	-48.5	18.4	66.9
Cash and cash equivalents at end of period	466.3	270.8	233.3	263.0	29.7

Asset position

Total assets down insignificantly

Total assets came to 2,082.6 million euro, a slight decrease as against the previous year's figure of 2,146.3 million euro. The main changes were due to the fact that the management board made safeguarding earnings and liquidity its top priority for the reporting year. This can be seen on the assets side of the balance sheet by 29.7 million euro rise in cash and cash equivalents to 263.0 million euro and the reduction in inventories by 81.5 million euro to 806.8 million euro. The drop in inventories was the result of measures to optimise working capital – and should be justed against the fact that the Praktiker Group was operating three more stores at the end of the year than twelve months ago.

The main factor affecting the equity and liabilities side of the balance sheet was the placement of a promissory note of 50.0 million euro in spring to shore up the financial position. This increased non-current financial liabilities, which climbed by 36.5 million to 442.6 million. At the same time, trade payables slid by 61.8 million or 11.9 percent year-on-year. This – and the significantly lower level of inventories as against the previous year – shows that procurement volumes were fully adjusted in line with the weaker sales performance and efforts to improve working capital.



High equity ratio maintained

Equity stood at 878.6 million euro at the reporting date. This represents a reduction of 20.5 million euro as against the previous year (899.1 million euro). In addition to the decline in net profit for the year, factors contributing to this included the dividend distribution and currency differences taken directly to equity arising from the conversion of the annual financial statements of foreign subsidiaries whose local currency is not the euro. The equity ratio was 42.2 percent (previous year 41.9 percent). Asset coverage (ratio of equity to non-current assets) amounted to 116.0 percent in 2009 (previous year 118.4 percent).

Slight increase in net debt

The net financial position, i.e. the difference between cash and cash equivalents and financial liabilities, was negative at 196.7 million euro at the end of the year under review (previous year 189.3 million euro). The placement of the promissory notes in the second quarter drove up both liabilities and cash and cash equivalents. Finance lease liabilities declined slightly as the pro rata temporis deletion of existing liabilities was not offset by an increase in liabilities for new locations.

Finance leases account for majority of non-current liabilities

The non-current liabilities of 613.5 million euro (previous year 584.3 million euro) as of the balance sheet date essentially comprised financial liabilities of 442.6 million euro (previous year 406.1 million euro), deferred taxes amounting to 110.9 million euro (previous year 112.8 million euro) and other provisions of 53.5 million euro (previous year 58.7 million euro). In turn, the financial liabilities mainly resulted from finance leases (253.2 million euro or 57.2 percent of financial liabilities). This portion of financial liabilities results solely from the accounting method and treatment of these leases and does not entail any direct re-financing requirements.

Improved net working capital

The current financing requirements (net working capital), i.e. inventories plus trade receivables and receivables from suppliers less advance payments received and trade payables totalled 393.9 million euro in the financial year (previous year 411.6 million euro). Both inventories and trade payables were down significantly on the previous year's figures.

Solid financial position maintained

The Praktiker Group has a very solid financial position. Cash and cash equivalents amounted to 263.0 million euro as of the end of the financial year. The Praktiker Group also has a syndicated credit line of 200 million euro, which was agreed in May 2007, had not been utilised as of the balance sheet date and is secured by contract until 2012. It will also be available until 2013 at a slightly reduced amount. This financial framework is supplemented by bilateral credit lines.

Promissory notes of 50.0 million euro maturing in 2012 were placed in the second quarter of 2009 to strengthen the liquidity position in general.

No financial instruments matured or expired in 2009. The nearest date for re-financing is September 2011. The convertible bonds (147.1 million) will then mature if not first converted. According to current planning, a portion of this will be repaid from free cash flow yet to be generated. The financial liabilities arising from finance leases do not require any follow-up financing. In accordance with IFRSs, they appear on the balance sheet as liabilities but the underlying

contracts are rental agreements with ongoing monthly rental payments. After expiry, there are typically options for prolongation of the contracts but no options or obligations to acquire the stores concerned.

Beyond current cash and cash equivalents and the lines of credit available, future finance requirements can also be covered by authorised capital as resolved by the 2005 Annual General Meeting. There is also the option to issue further convertible and option bonds on the basis of the authorisation of the 2006 Annual General Meeting resolution, which would be covered by the contingent capital approved by the 2006 Annual General Meeting resolution provided that this is not required for the convertible bonds already issued in 2006.

In 2009 it fell to financial management to always ensure sufficiently high liquidity even more stringently than before. Its goal now is to not use the lines of credit available if at all possible, even in months of seasonally low cash flow. This goal is still valid in 2010 and will be achieved mainly by continuing to actively manage the working capital.

Value-oriented management

The Praktiker Group focuses on the goals of value-oriented management based on economic value added (EVA®). EVA is an internationally proven control and management system for assessing and aligning all strategic, operating and investment activities and decisions within the Group in line with their contribution to enterprise value enhancement.

Praktiker is aided in designing EVA and all the values derived from it by external experts. Positive EVA is achieved when earnings exceed the costs of capital required to finance the capital employed. Earnings are defined as the operating profit before financing costs but after the deduction of income taxes. Capital employed is based on total assets less all non-interest-bearing liabilities plus the present value of rent and lease obligations. Costs of capital represent the expected remuneration of investors for the capital provided and the investment risk taken. The cost of capital varies from country to country and reflects the different risk profiles of an investment in the different countries. For the 2009 financial year, the Group's cost of capital (WACC) was calculated at 7.0 percent, slightly higher than in the previous year. The fact that the cost of capital was slightly higher in 2009 than in the previous year is essentially due to the higher risk assessment of Eastern European states. The relatively low stock market valuation of equity, a key factor in the equity/debt ratio, in the reference period had a muting effect. In line with this concept, value would have been created in 2009 if the return on capital employed (ROCE) currently reported had been higher than the WACC calculated thus.

The main factor in assessing business success in the Praktiker Group is not the difference between ROCE and WACC but rather the delta EVA, i.e. the difference between the cur-

rent EVA and that of the previous year, regardless of whether EVA is positive or negative. The development of delta EVA is the key element in the variable management remuneration system for executives at Praktiker. From the management board of Praktiker Bau- und Heimwerkermärkte Holding AG to store managers, around 750 executives receive variable remuneration of this kind. This is based on the specific delta EVA calculated for the appropriate areas of responsibility. Store managers receive a performance-based bonus if they can increase the EVA of their store. Country managers must increase the EVA for their country in order to receive their performance-based remuneration. In turn, a Group executive's bonus is based solely on the change in Group EVA. Overall, the incentive system is therefore designed to ensure an optimum correlation between the primary interests of the shareholders and those of management.

EVA for the 2009 financial year amounted to minus 104.8 million euro (previous year minus 48.5 million euro). Thus, EVA was clearly down year-on-year, resulting in a negative delta EVA for the Group. Accordingly, executives whose variable remuneration is based on this delta EVA will not receive any respective bonuses. The return on capital employed (ROCE) was 3.6 percent in 2009 (previous year 5.4 percent). The key value-oriented performance indicator therefore did not improve in 2009. The main reasons for this were weak sales development in Eastern Europe and weak earnings development of the Praktiker brand in Germany.

Overall development only partly met expectations

Overall, the 2009 financial year only partly developed in the way that management had expected at the beginning of the year. In particular, overall performance in Eastern Europe was disappointing. Although it had been clear from the beginning of the year that the recession and currency changes would lead to a decline in sales and earnings, it was not anticipated though that this restraint would have been so massive and long-lasting.

Development of earnings in Germany – and in particular of the Praktiker brand – were not satisfactory. With inventories too high in the first half of the year and sluggish sales of outdoor items, greater price concessions than originally planned had to be granted. This led to a significant decrease in earnings.

Meanwhile, the Max Bahr brand performed considerably better. Given its systematic focus on being a service-oriented premium provider, the brand was able to keep its gross margin stable, increase cost efficiency and thereby again outperform its results for the previous year despite slight declines in sales.

SEGMENT REPORTING

Germany

Despite the deterioration in the economic situation, the German DIY market proved to be rather stable in the year under review. Following hefty slumps in the first quarter, which were partly linked to the fact that the weather was bad for business with garden products, significant growth in sales was recorded in the second and third quarter. Sales momentum then slowed again in the fourth quarter. According to the German DIY association (BHB), 2009 ended with a slight increase in sales.

In this environment, Praktiker and Max Bahr lost market share slightly in Germany as both lines reported declines in sales.

Segment report Praktiker Germany

Sales down slightly on previous year

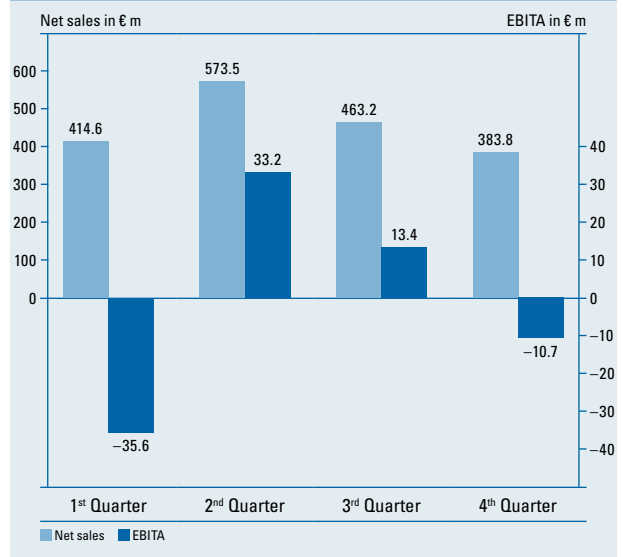
In the reporting period, the Praktiker brand generated sales of 1,835.2 million euro in Germany, down 1.8 percent on the previous year. The individual quarters varied greatly. A belated start to garden business on account of the wet and cold March led to a drop in sales in the first quarter in spite of a range of discount offers. Praktiker again offered significantly more discounts in the second quarter than in the same period of the previous year. This was due to high inventories, which had to be sold off at heavily discounted prices. Accordingly, a positive sales performance was posted for the second quarter, almost offsetting the decline from the first quarter. In an overall economic environment that became more positive this trend continued in the third quarter despite a reduction in promotional activities. Sales were up slightly year-on-year for the first time after nine months. Marketing activities were scaled back further in the fourth quarter with the aim of safeguarding earnings. As at the same time the overall economic environment weakened again, this resulted in a clear drop in sales. Ultimately, sales did not match the previous year's level as of the end of the year.

Key data Praktiker Germany

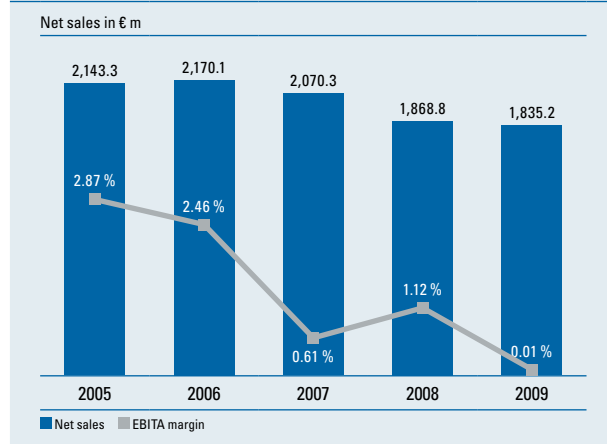
Net sales, EBITA and capital expenditure in € m

	2009	2008	Change in %
Net sales	1,835.2	1,868.8	-1.8
Like-for-like sales, change in %	-2.2	-8.8	-
EBITA	0.2	20.9	-99.0
In % of net sales	0.01	1.12	-
Capital expenditure	29.6	40.2	-26.4
Number of stores (31/12)	239	241	-0.8
Selling space in 1,000 sq m (31/12)	1,425	1,412	0.9
Employees (on a full-time basis, yearly average)	8,877	9,640	-7.9

Net sales and EBITA Praktiker Germany 2009



Net sales and EBITA margin Praktiker Germany



Weak earnings limited to first half-year

At the end of the year, the Praktiker brand posted EBITA of 0.2 million euro in Germany (previous year 20.9 million euro). The main reasons for this significant drop in earnings related to the first half of 2009. Owing to the activities described above to sell off excessive inventory levels in the first half of the year, negative EBITA of 2.5 million was incurred in the first six months. EBITA of more than 20 million euro had been generated in the same period of the previous year. Earnings improved again year-on-year in the second half of the year, compensating – to a small extent – for the decline in earnings during the first six months.

Marketing: Sleeves up

All marketing activities for the Praktiker brand were bundled under the “Sleeves up” slogan in 2009. This was intended to send a signal against the despondency that – at least in the first half of the year – threatened to infect Germany’s consumers given the miserable economic situation. At the same time, proven marketing activities were supplemented by new ideas such as “Crazy Thursday” or “25 percent off on all articles with a plug”. On 62 days (61 days in the previous year) customers were again told that they could get “20 percent off everything – except pet food” in 2009. As Praktiker’s inventory levels were too high at the start of the year, the number of days this offer was available was much higher in the first six months than in the previous year. This marketing instrument was then used less frequently again in the second half of the year.

In 2009 Praktiker sharpened its price profile again. In the opinion of customers, Praktiker was again the price leader on the German market. At any rate, Praktiker took first place, as in previous years, in the category “Price compared to competition” in “Kundenmonitor”, Germany’s leading customer survey.

Easy-to-Shop developed further

In Germany, Praktiker sees itself as a full-range supplier for construction, DIY and gardening. Around 75,000 items are listed in its merchandise management system. These are available in various configurations in the Group’s stores in their gardening, sanitary goods, wood, building materials, electrical goods, tools/machinery, paint/wallpaper, hardware and miscellaneous departments. The products are supplemented by a range of services such as wood cutting, paint mixing, ordering, transport, credit purchase arrangement, etc., but the clear focus is on providing a clearly organised and above all well priced range of products in the above departments.

The Easy-to-Shop concept was developed in 2006 to make it easier for customers to shop. At the end of the reporting year, 90 stores, almost 40 percent of the store portfolio, had been converted to this concept. All locations opened in 2009 to replace former stores are also modelled on the Easy-to-Shop format.

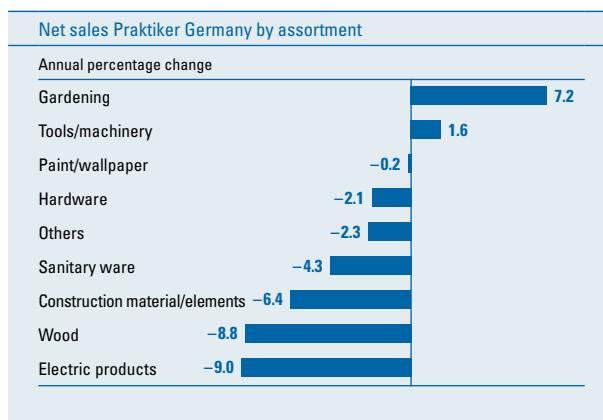
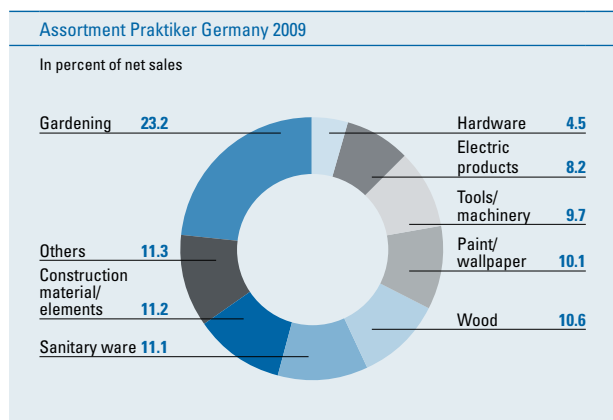
The concept is under continuous development. An electronic price labelling system has been introduced at two new stores in Munich. This system offers customers more information at the shelf, prevents incorrect price labelling and reduces the work required by staff as prices can be changed electronically at the touch of a button, rendering manual changes obsolete. If the system proves successful it will be adopted in more stores. At the same time, these stores are being used to test new methods in in-house logistics. This, too, is about making workflows simpler and more cost efficient, thereby changing the processes behind the Easy-to-Shop concept to make them what it already is for the customers: clear and simple.

Other projects were also anchored in the “Praktiker 2013” programme to again review assortments, optimise merchandise management processes and to further round off the concept overall.

Strong increase in customer loyalty

From 2010 on Praktiker in Germany will focus exclusively again on the Praktiker customer loyalty card. Special concepts such as the gardener’s card launched in 2009 or the cooperation with ADAC, also launched in 2009, were ended. In turn, the customer card is being simplified and the bonus system on which it is based is being made more transparent for customers. All bonuses offered are based directly on the customer’s purchases.

More than a third of Praktiker’s sales in Germany were effected via the 1.9 million loyalty cards in the reporting period. Key customers were again approached individually about new and attractive special offers.



Private labels: brand quality at Praktiker prices

The share of private labels to net sales rose from 24.0 percent to 26.9 percent in 2009, a development set to continue in the coming years. Medium-term the goal is to generate around 40 percent of sales via private labels. The “Praktiker” private label will also be introduced for the first time with the motto “Brand quality at Praktiker prices“ in 2010, starting with the plants assortment.

The share of direct imports, which mainly come from Asia, remained stable year-on-year at around nine percent.

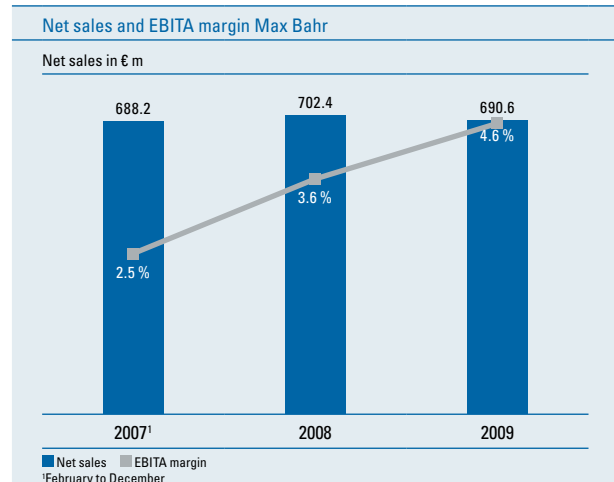
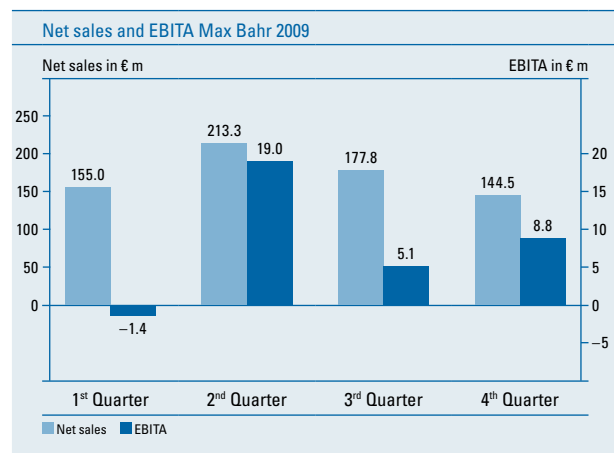
Investing in replacement stores

Praktiker opened four new stores in Germany in 2009. They replaced smaller, unattractive outlets that were consequently closed. One location that was previously rented was bought and extended, two others were closed without being replaced. In total, Praktiker invested 29.6 million euro in Germany. Investments had amounted to 40.2 million euro in the previous year on account of greater expenses for store concept conversion and maintenance.

Segment report Max Bahr

Slight decline in sales

The Max Bahr brand generated sales of 690.6 million euro in 2009, a decline of 1.7 percent on the previous year. Sales were still down 3.3 percent in the first six months and rose by 1.3 percent in the third quarter, ending the year down 1.0 percent year-on-year in the fourth quarter. Sales benefited from the more intensive marketing activities (summer sales) in the third quarter only. Otherwise, Max Bahr focused on adjusting its range and improving its service in its anniversary year (130 years).



Key data Max Bahr			
Net sales, EBITA and capital expenditure in € m			
	2009	2008	Change in %
Net sales	690.6	702.4	-1.7
Like-for-like sales, change in %	-2.1	-5.4	-
EBITA	31.4	25.5	23.2
In % of net sales	4.6	3.6	-
Capital expenditure	15.5	7.7	101.9
Number of stores (31/12)	77	76	1.3
Selling space in 1,000 sq m (31/12)	621	612	1.5
Employees (on a full-time basis, yearly average)	3,009	3,134	-4.0

Earnings increased

The strategy geared towards margins was reflected by an increase in operating earnings. EBITA amounted to 31.4 million euro in the reporting period, an increase of 5.9 million euro on the previous year. The decrease in sales was more than compensated by a stable gross profit margin and cost adjustments.

Brand strategy implemented

Max Bahr is a DIY store with a long tradition, strong on advice and product quality. Accordingly, the main strengths of the Max Bahr range are its consistently tested quality, a

clear presentation of the different applications and features of products and the topicality of the product range available. Max Bahr selectively targets customers who value selection, quality, service and advice. These expectations are reflected in the strategic orientation of the brand.

The Max Bahr brand was developed further in 2009 in line with these goals. Assortments were revised, new forms of presentation and packages such as the “Dream Baths” concept were successfully introduced. The share of sales accounted for by private labels increased further in line with planning. The high quality claim was also emphasised by the fact that Max Bahr increasingly offers environmentally friendly products and uses the “green house” symbol to clearly label these items for customers. Max Bahr is also gearing its product range more strongly towards comprehensive service packages that include both advice and installation for customers. Max Bahr is therefore backing a development better described as “do-it-for-me” than “do-it-yourself”. This direction is particularly clear in the “Dream Baths” concept, but is also a guiding principle for other assortments and above all for the ongoing development of the entire range.

The new customer card launched in the middle of the year follows the principle of offering customers with high sales volumes access to exclusive services such as, for example, free delivery service or personal shopping advice from store managers. This is the best way to emphasise the special status of key customers. A total of 550,000 loyalty cards had been issued towards the end of the year.

Certificate for service

In 2009, Max Bahr became the first and so far only DIY store operator in Germany to receive the “TÜV” seal for service quality and customer satisfaction. The service culture, service reliability, the handling of complaints and employee qualifications were certified according to a set catalogue of criteria.

With its absolute focus on quality, Max Bahr also again ranked among Hamburg’s best employers in 2009, a distinction that marks the company as an excellent employer brand in its hometown.

High share of private labels extended further

Assortments at Max Bahr are laid out into products at entry price level under the name of “Bonus”, the middle range consisting of the private label “Max Bahr” and, at the top, brands of well known suppliers. The quality promise of the products under the “Max Bahr” brand is supported by a five year guarantee. All articles to be subsumed under the “Max Bahr” brand have to be tested by independent product testing authorities like “Stiftung Warentest” or “Ökotest” and to pass these tests with the quality seal “good” at least. This is essential for the communication to customers. Articles under the “Max Bahr” and “Bonus” private labels accounted for 42.2 percent of sales in 2009. The medium-term goal is to achieve around half of sales with these two brands.

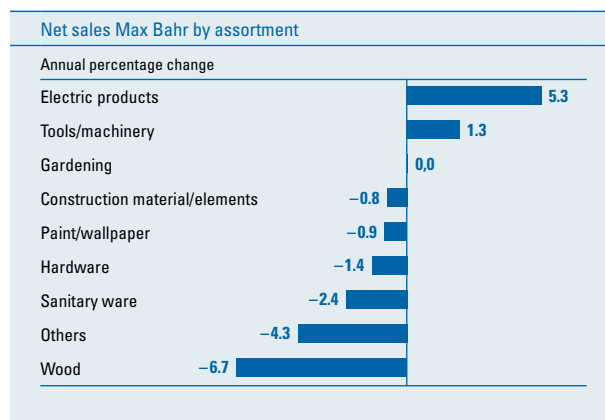
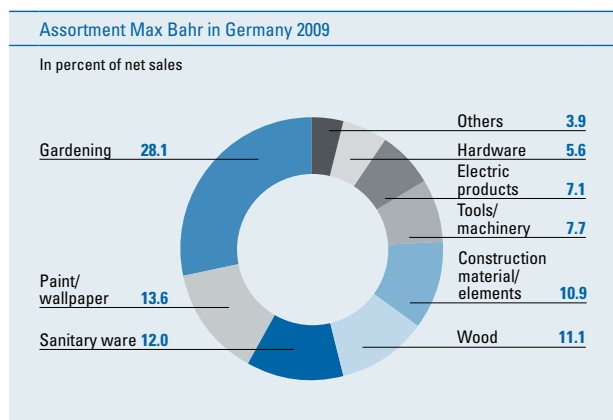
The share of direct imports was unchanged at around nine percent.

Investments in changing assortments

Max Bahr essentially invested in the transition in its product ranges in 2009. A new store was also opened towards the end of the year. Total investments amounted to 15.5 million euro for 2009 (previous year 7.7 million euro).

“Max – der kleine Baumarkt” discontinued

“Max – der kleine Baumarkt” was tested by Max Bahr in Berlin in 2006 for the first time. However, the shop format designed for inner-city demand structures did not live up to expectations. The concept was thus discontinued, all 15 outlets closed their doors end of February 2009.



Segment report Miscellaneous

The segment Miscellaneous includes the German brand extra Bau+Hobby plus a cross-divisional service company of the Praktiker Group which were reported as part of the segment Germany up to 2008.

In addition, the predominant part of earnings, achieved by the Praktiker International AG, was attributed to the segment Miscellaneous in the quarterly reports of 2009. This company takes care of the settlement of vendor invoices. As those earnings are meanwhile distributed proportionately to the individual segments in the internal reporting, the external segment reporting had to follow this approach as well. This led to retrospective adjustments of the figures published in the quarterly reports 2009 and the annual report 2008.

Owing to the relative immateriality of the sales, earnings and assets of this segment, no detailed comments on the segment are provided. The corresponding data on the segment can be found in the notes on pages 128 to 131.

Segment reporting International

Sales marred by recession

The international segment generated sales of 1,046.3 million euro in 2009. The 15.7 percent decline was due to weak demand as a result of the recession and the massive depreciation of Eastern European currencies. Had exchange rates remained constant, sales would have dipped by only 6.8 percent. Countries such as Hungary, Ukraine and Bulgaria were hit particularly hard by the recession. However, the overall picture was practically the same everywhere: gross domestic product and private consumption were in decline, unemployment increased in all countries – in some cases rapidly and strongly. In many countries it has been standard practice in previous years for customers to finance their purchases by bank loans. This was much more rarely the case in 2009.

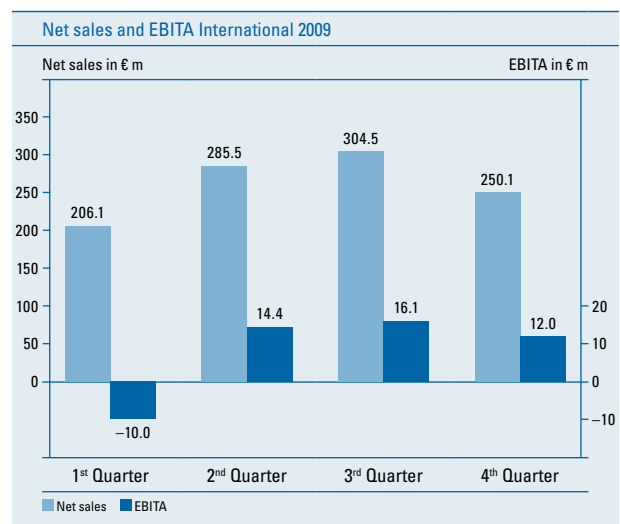
Comparing the individual quarters, there were only minor differences in sales momentum. However, sales in the fourth quarter were even more clearly down on the figures for the previous year than in the first nine months. A significant reason for this was that the overall economic situation in Greece, the country with the highest sales in the international portfolio, deteriorated considerably – at the expense of consumer sentiment and the spending behaviour of private households.

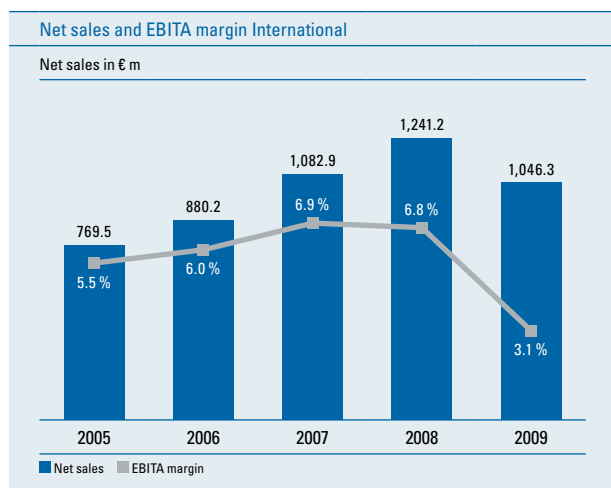
Earnings halved

In spite of the measures introduced early on to reduce expenses and safeguard earnings, the strong slide in sales had a noticeably negative effect on the bottom line. EBITA fell by more than half to 32.6 million euro (previous year 83.9 million euro). Had exchange rates remained unchanged, the operating earning would have been around 13 million euro higher.

	Net sales in € m	Change in %, in €		Change in %, in local currency		Number of stores
		absolute	like-for- like	absolute	like-for- like	
Luxembourg	38.9	-2.1	-2.1	-2.1	-2.1	3
Greece	273.9	-4.1	-8.7	-4.1	-8.7	11
Poland	188.1	-26.9	-23.2	-10.1	-4.8	21
Hungary	121.7	-26.8	-30.4	-18.4	-22.0	19
Turkey	88.3	-4.3	-7.2	8.4	5.2	11
Romania	247.7	-15.3	-21.2	-2.6	-9.2	26
Bulgaria	70.2	-25.3	-25.1	-25.3	-25.1	9
Ukraine	15.8	14.2	-53.6	66.8	-31.0	3
Albania	2.0	-	-	-	-	1
International ¹	1,046.3	-15.7	-19.0	-6.8	-10.4	104

¹Consolidated





Focus on expenses

At the beginning of the year, management in all countries shifted its attention from expansion to controlling expenses. Rental agreements were renegotiated wherever possible, vacancies were not filled, all expense items were reviewed. In many cases, processes and workflows were also examined and optimised.

Key data International

Net sales, EBITA and capital expenditure in € m

	2009	2008	Change in %
Net sales	1,046.3	1,241.2	-15.7
Like-for-like sales, change in %	-19.0	-0.5	-
EBITA	32.6	83.9	-61.2
In % of net sales	3.1	6.8	-
Capital expenditure	28.2	69.7	-59.6
Number of stores (31/12)	104	100	4.0
Selling space in 1,000 sq m (31/12)	721	696	3.6
Employees (on a full-time basis, yearly average)	10,199	10,443	-2.3

Expansion rate reduced

The rate of expansion was slowed at the same time. Only three new locations were added to the international network in 2009, one each in Romania, Turkey and Albania. In 2008 Praktiker had opened thirteen new stores. Management had deliberately curbed in the rate of expansion so as not to endanger liquidity and earnings in an environment of major uncertainty. Of the new locations, two qualify as operating leases under IFRS provisions, one location was acquired as property.

Needs remain strong

In its international stores, Praktiker aims to offer customers a variety of services designed to meet their needs, expert advice on products and a comprehensive product range. An attractive price/performance ratio supplements the com-

pany's image on the market but does not dominate it, as competitive pressure is still relatively low in most of these countries. It was also seen in every country in the international portfolio in 2009 that customers become much more price-sensitive as purchasing power diminishes. Praktiker acted on this and included price as an argument more frequently in its advertising. However, it also took pains not to trigger a long-term, downward price spiral.

In the international stores, the product ranges focus on modernisation, renovation and decorating. This reflects the strong desire in Eastern Europe in particular to bring one's living environment in line with Western European standards. Even though the sharp recession drove down demand in most countries in 2009, this need remains strong.

In most countries in which the Praktiker Group currently operates, it was a pioneer and one of the first international DIY store operators. Its established familiarity, built over the course of years, paid off during the recession. Praktiker's customers essentially remained loyal in 2009 as well.

Gross margin virtually stable

The gross margin remained virtually stable in 2009. However, one could not fail to notice that purchase restraint on the part of customers resulted in a certain price pressure overall. Given the recessive environment, it was impossible to step up prices in any country. Owing to the tense overall economic situation, the negotiating position improved in respect of local suppliers. Changes in assortment and a slight increase in the share of private label products also helped to keep margins largely stable.

Various measures will help to ensure that it remains this way in future as well, which means the share of private labels will also continue to rise in international business. The potential here is particularly high as this share has been relatively low in the past. A rising share of procurement is also being insourced to Group-wide central procurement. This is intended to achieve better purchasing conditions and synergies.

Capital expenditure in decline

The curbing of the rate of expansion also entailed a reduction in capital expenditure in international business. These amounted to 28.2 million euro (previous year 69.7 million euro).

New marketing ideas

The marketing strategy in the international segment is geared towards the individual market requirements and consumer habits in the respective countries. One common factor is that, in its international business, Praktiker positions itself as a solution-oriented, expert supplier of goods and services that will find the right answer to specific customer requests. Great importance is attached to advice, which sometimes extends to helping customers to carry out projects. This systematic focus on service allows Praktiker to distinguish itself positively from local competitors.

Praktiker stood by this positioning in 2009, even though price sensitivity was on the rise among customers and Praktiker referred to prices more often in its advertising. Nonetheless, Praktiker largely chose not to extend its special offers, instead focusing on offers with a surprise nature. For example, in Romania, working in cooperation with a mineral oil company, Praktiker offered petrol vouchers for the first time in combination with a certain minimum purchase. The offer was a huge success. In Greece, Praktiker targeted new, interesting customer groups, such as students or young couples, who typically have greater needs when setting up or renovating their apartments.

Gross margin to improve due to higher share of private labels

Compared to Germany, the share of private label brands abroad is still very low, usually between three and seven percent. Gradually increasing this share is one of Praktiker’s key levers for improving its gross margin. 2009 saw the launch for the first time of the “Praktiker” brand for paints as part of the store opening in Tirana (Albania). This will also be established in other assortments in future. Here, Praktiker is benefiting from the reputation enjoyed by the company’s name among customers, which should also reflect on product perception.

As in Germany, the share of direct imports in most Eastern European countries is between eight and ten percent. The share of national suppliers is between 80 and 90 percent. The only countries where the share of domestic suppli-

ers is much lower are the Ukraine and Albania on account of the local circumstances.

Driving forward innovation

As in previous years, new ideas and technologies have mainly been introduced in Hungary to test their marketability. For example, self-scanning at checkouts has been developed further. Customers now also have access to new functions, such as a currency converter, language selection or advice on items to complement those already scanned in. Praktiker introduced information terminals with video functions for the first time at its five stores in Budapest. Using these terminals, customers can contact and be advised by a specialist at a call centre – with sound and vision. When the customers know exactly what they want to buy the terminal shows them where in the store to find it.

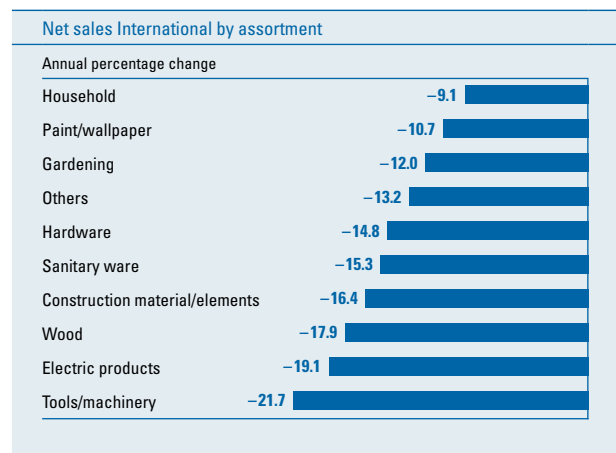
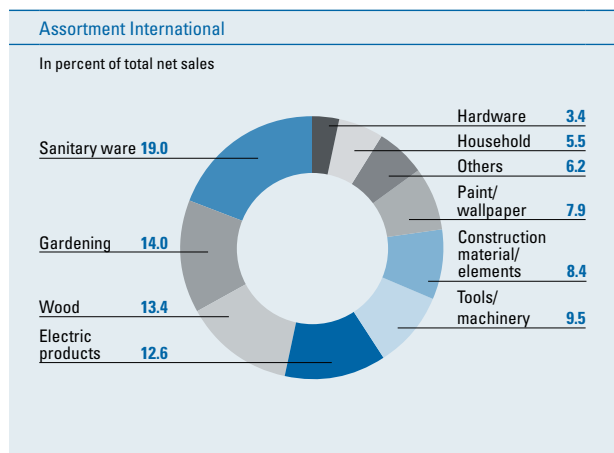
Important events in individual countries

Luxembourg (since 1978)

Tension in the overall economic situation in Luxembourg was similar to that in the surrounding countries of Western Europe. The decline in purchasing power also led to a decline in demand for DIY goods.

Praktiker – operating in Luxembourg as bâtiself – countered the bad economic news with positive advertising slogans. The message in spring was “This is the time”, around the middle of the year bâtiself’s advertising advised customers to “Hold on to your smile” and at the end of the year the affirmative variant was “Things are looking up” – each accompanied by special offers such as money-off vouchers, free gifts or a Christmas tree campaign. These activities took effect. Sales began to rise again as of the end of the year.

Since the middle of the year, customers have been voting the most friendly salesperson of the month – giving customers the opportunity to take part in a prize draw for vouchers, giving employees the chance of a small additional bonus and of course allowing everyone involved to profit from an improvement in service culture.



In Luxembourg Praktiker benefited from the fact that different competitors closed two stores but no new ones were opened.

Greece (since 1991)

In the international segment, Greece has traditionally contributed more to sales than any other country. Greece is also the international portfolio's number one in terms of earnings power. This did not change in 2009.

However, the business, political and economic environment in Greece deteriorated steadily over the course of 2009. The clearer it became that the Greek government's budget deficit was too high, the more business and consumer sentiment deteriorated. Almost all branches of industry were in decline. Retail was losing sales in 2009 at a double digit rate.

The government has since announced a package of drastic measures to get its finances back under control, essentially consisting of various tax hikes – including a retroactive and therefore additional tax on earnings from 2008. It also stepped up its fight against tax evasion and slashed public spending. While it announced plans to promote consumer spending with targeted liquidity aid for small and medium-sized companies, the mere announcement of these measures was a severe knock to business and consumer spending. The full extent of these measures will be felt by the economy in 2010.

The Greek management reacted to the declining trend in sales with various measures in 2009. Advertising increasingly focused on the price and price-worthiness of products. This was clearly shown by the new slogan "Prices have met their match". The range was also revised and renewed in the tiles, lamps and furniture assortments in particular. The hobby/fitness assortment was extended and advertised heavily. A new addition to the range was built-in kitchens.

Purchasing conditions were renegotiated with suppliers more energetically than in the past. The share of private labels in the range was also increased. Costs were cut by way of headcount reductions and by reducing bonus payments and forgoing wage increases.

There is only one competitor with a similar format in Greece – Leroy Merlin (Adeo Group). This competitor increased its store portfolio from two to four in 2009.

Poland (since 1997)

In terms of sales, Poland ranks third among our international companies. In contrast to most European nations, Poland's economy continued to grow in 2009. The government appears to be interested in raising Poland's standing within the European Union in the long term and is doing everything to strengthen its economy. However, the effects of the global economic crisis were also felt in Poland. The gross domestic product is growing but much more slowly than in the years before. The unemployment rate is rising,

the purchasing power of private households is waning because of the strong depreciation of the zloty, companies have reduced their capital expenditure, banks have restricted lending. This fact alone had a direct impact on business in Poland: sales on the Praktiker Business Card declined by around 70 percent year-on-year.

The construction industry in Poland also suffered a massive slump. Around 85 percent of the investments in residential space originally planned for 2009 were stopped, planning permissions were down by around 30 percent.

In this environment, overall demand for DIY products also experienced a setback. This affected Praktiker as well. However, Praktiker is still an ambassador for change to its customers in Poland motivating them to make big and small changes in their homes and gardens. This was expressed to customers by three major sales campaigns with the motto "Praktikomania" and a range of additional local activities. These were accompanied by more catalogues and a stronger Internet presence.

The total number of DIY stores rose further in Poland in 2009. This shows that international competitors also remain confident of the economic strength of Poland. Praktiker did not open any new locations. However, operations in Zabrze were provisionally recommenced in the middle of the year. The store there burnt down at the end of the previous year and is to be rebuilt in the same place. Its reopening is scheduled for March 2010.

Turkey (since 1998)

Gross domestic product and private consumption also dropped sharply in Turkey in 2009. This was particularly noticeable in retail. Many retailers attempted to stimulate customers' shopping propensity with special offers and marketing activities. Praktiker also followed this route and in the first few months of the year invested more in marketing than in the year before.

Communications with customers are generally focusing more on price. For the first time, Praktiker also placed adverts in newspapers, rounding off the traditional marketing mix of supplements, catalogues and radio adverts. These measures paid off in the second half of the year: Turkey, after a change in country management, was the only country in the Eastern and South-eastern European portfolio to report a positive like-for-like sales performance.

This success is also due to the fact that some assortments were substantially reorganised and revised. The most significant changes were in tiles, doors and the garden assortment. The range of sanitary goods and camping supplies was also reviewed and adapted in line with customer needs.

Praktiker opened a new location in Istanbul in September 2009. Competitors pursued different strategies. Only one Turkish DIY chain extended its store network.

In September customers found it impossible or extremely difficult to reach the new store in Istanbul for several

days on account of flooding. This resulted in short-term sales losses.

Hungary (since 1998)

Hungary is one of the countries to be hit hardest by the global recession. Its gross domestic product shrank more than in neighbouring countries, unemployment is at its highest level for twelve years, the number of people in work has fallen sharply. According to official statistics, almost 30 percent of Hungarian households are now living in poverty. Residential construction has contracted to just over half the previous year's level.

The new Prime Minister elected in April 2009 implemented a package of measures to consolidate public budgets, including tax increases and cutbacks of all kinds, greatly limiting the disposable income for private households. Retailers were hit in particular by the five-percentage point increase in value-added tax in the middle of the year. Impulse buys were lacking, with consumers greatly favouring items on offer.

In order to contain the sales slump inevitable in such an environment, Praktiker adapted its assortment in line with customer requirements, boosted its marketing activities and advertised the online shop set up in April more heavily. The online shop in particular has been a huge success. It has already registered more than a million hits in 2009 and more than a third of people in Hungary are now aware of this new service. In addition, the number of key customers with a customer card rose further. Praktiker defended its market positioning in Hungary in the crisis year, again being crowned a "superbrand" in 2009. Furthermore, as described above, Praktiker continued to invest in new technologies and thereby in the future.

Virtually no new DIY stores were opened in Hungary in 2009. Competitors have temporarily put their expansion plans on the backburner.

Romania (since 2002)

Romania, the second-strongest country in the international segment in terms of sales, experienced a severe recession in 2009. Gross domestic product and consumer spending crashed, unemployment rose rapidly. The Romanian government has been forced to call on the aid of the International Monetary Fund in order to finance the enormous public deficits. Political life in the second half of the year was dominated by the forthcoming elections and the resulting change in government.

Private consumption also fell owing to the hefty depreciation of the Romanian currency which drastically fell in value until spring and then stagnated at the new, low level. This drove up the price of imports and reduced purchasing power, particularly among consumers who had borrowed foreign currency loans in years of growth. The property and residential market also collapsed after being a driving force in growth in the preceding years.

In this environment, several of Praktiker's suppliers found themselves in a struggle to survive and sales in the DIY sector also tumbled by between 25 and 30 percent. However, the dip in Praktiker's sales in Romania did not even reach double digits and the company significantly expanded its market share.

As did most of its competitors, Praktiker Romania focused its marketing more strongly on prices in 2009. While other providers only concentrated on prices, Praktiker initiated a number of measures at the same time geared more towards the needs of its customers and offered them additional service instead of a price reduction. The most successful campaign of this kind was carried out together with Romania's largest provider of oil and gas, Petrom. Praktiker offered its customers free petrol vouchers if they spent a specific amount at a Praktiker store. This created a clear differentiation to other competitors, providing a basis on which Praktiker held its ground well in a rapidly shrinking market.

Eight major DIY chains are currently operating in Romania with a total of 87 stores. Eleven of these opened in 2009. As the DIY market 2009 contracted at a double-digit rate in 2009, the number of new stores opening in 2010 is not expected to reach this level again.

Bulgaria (since 2004)

The effects of the global economic crisis were delayed in Bulgaria, not reaching it until the second quarter of 2009. Once arrived, however, they were just as severe as in the neighbouring countries. The tourism, construction and manufacturing industries especially bore the brunt of the slump in demand. As the Bulgarian currency is pegged to the euro, the country was spared the exchange rate effects seen in Romania, Poland, Hungary, Turkey and Ukraine.

But even without this effect private consumption fell significantly and with it demand for DIY goods. Customer price sensitivity also rose in Bulgaria in 2009 while in the preceding years, service and quality had been the main criteria in considering a purchase. Accordingly, Praktiker geared its marketing towards changed customer requirements. The strategy pursued by the two leading competitors on the Bulgarian market was very similar.

Baumax was the only competitor to increase its market presence in 2009 with two new stores. The others, like Praktiker, did not adjust their portfolios.

Ukraine (since 2007)

The biggest economic problems in any of the countries in which Praktiker operates were seen in Ukraine in 2009. All sectors of the economy were in decline. The fall in the value of its currency in particular was one of the main problems. It made imports and finance in foreign currency substantially more expensive – a key factor driving inflation into double digits. Furthermore, construction activity decreased by more than half. Retail sales in local currency also suffered

double digit losses. Even when the International Monetary Fund helped to finance the national budget, the lingering political instability was a problem for the country. However, most observers are anticipating a significant improvement after the presidential elections.

Praktiker also initiated measures at the start of the year in reaction to the drop in sales triggered by the crisis. Headcounts were downsized both at stores and headquarters. However, the main strategic measure was the extensive pooling of administrative functions with the Polish country organisation. This has since led to Praktiker Ukraine being managed out of Poland. The full effects of this change will not be seen until 2010.

While customers have been offered additional incentives through a number of special offers, the stimulative effect on business has so far been limited.

The number of DIY stores in the Ukraine increased only very slightly in 2009. Competitors completed existing projects but did not start new ones.

Albania (since 2009)

Praktiker has also been operating in Albania since the end of October 2009. Albania is one of the few countries in Europe not to have been hit by the economic crisis affecting the rest of the continent and even posted economic growth in 2009. Albania is managed as a satellite from Greece. So far all business expectations associated with the opening have been satisfied.

Market position International 2008								
	Albania	Bulgaria	Greece	Poland	Romania	Turkey	Ukraine	Hungary
Market volume in € bn	0.4	1.1	5.4	11.6	4.1	12.6	4.1	2.6
Praktiker net sales in € m	–	94.0	285.6	257.5	292.4	92.3	13.9	166.2
Market share in %	–	8.5	5.3	2.2	7.1	0.7	0.3	6.4
Market position	–	1	1	4	1	3	3	2
Main competitor (market share in %)	–	Mr. Bricolage (6.4) Baumax (1.4)	Leroy Merlin (0.5)	Castorama (10.4) Leroy Merlin (5.3) Obi (3.4)	Ambient (5.5) Dedeman (5.0) Bricostore (4.8)	Koctas (1.6) Bauhaus (1.2) Tekzen (0.5)	Epicentre (14.9) Nova Liniya (7.0)	Obi (6.8) Baumax (4.4) Bricostore (2.9)
Market volume, Praktiker estimate								

GROUP MANAGEMENT REPORT

DATA AND REPORT ACCORDING TO SEC. 315 PARA. 4 HGB

PERSONNEL REPORT

ENVIRONMENTAL REPORT

REMUNERATION REPORT



DATA AND REPORT ACCORDING TO SEC. 315 PARA. 4 HGB (GERMAN COMMERCIAL CODE)

Composition of the subscribed capital

The share capital is 58 million euro and is divided into 58 million non-par value bearer shares. All shares carry the same rights and duties. Each share confers one vote.

Restrictions affecting the voting right or the transfer of shares

Restrictions of the voting right of the shares can arise, in particular, from the provisions of the Stock Corporation Act. Shareholders are, under certain conditions, subject to a prohibition on voting according to Sec. 136 AktG (German Stock Corporation Act). Another restriction arises from Sec. 71b AktG according to which Praktiker Bau- und Heimwerkermärkte Holding AG is not entitled to any voting right from its own shares, if applicable. No contractual restrictions affecting the voting right or the transfer of the shares are known to the company.

Capital participations exceeding 10 percent of the voting rights

According to the Securities Trading Act, each investor who reaches, exceeds or falls below certain proportions of the voting rights in the company by acquisition, sale or otherwise, is obliged to inform the company and the BaFin (Federal Financial Supervisory Authority) without undue delay thereof. Direct or indirect participations in the capital of the company of 10 percent or more of the voting rights have not been notified to the company nor are they known to it.

Shares with special rights giving control

There are no shares with special rights which would give control.

Nature of control of voting rights if employees have an interest in the capital and do not directly exercise their control rights

Employees who have an interest in the capital of Praktiker Bau- und Heimwerkermärkte Holding AG exercise their control rights like other shareholders directly in accordance with the statutory provisions and the Articles of Association.

Statutory provisions and provisions of the articles of association on the nomination and removal of members of the management board and on the amendment of the articles of association

According to Sec. 5 of the Articles of Association of Praktiker Bau- und Heimwerkermärkte Holding AG, the management board must consist of at least two persons. The supervisory board appoints the members of the management board and also specifies the number of management board members and any reserve management board members. It can nominate a chairman and a deputy chairman of the management board. Praktiker Bau- und Heimwerkermärkte Holding AG is legally represented by two members of the management board or by a management board member together with an authorised signatory.

The provisions of the AktG, in particular Secs. 84 f. AktG, apply otherwise. Management board members are appointed by the supervisory board for at most five years. A repeated appointment or extension of the term of office by at most five years in each case is admissible. According to Sec. 31 MitbestG (German Co-Determination Act), a majority of at least two thirds of the members of the supervisory board is required for the appointment of management board members. If an appointment does not thereby come about, the conciliation committee of the supervisory board must make a proposal to the supervisory board for the appointment within one month after the vote. The supervisory board then appoints the members of the management board with the majority of the votes of its members. If an appointment does not thereby come about, the chairman of the supervisory board has two votes in a new vote.

The supervisory board is entitled, according to Sec. 10.2 of the Articles of Association, to make amendments to the Articles of Association which relate only to their wording. It is also entitled under Sec. 4.3.4 of the Articles of Association to adjust the wording of the Articles of Association in accordance with the use of the authorised capital.

Secs. 119 para. 1 no. 5, 133, 179 paras. 1 and 2 AktG, according to which the general meeting is competent for amendments to the Articles of Association, apply otherwise. Resolutions of the general meeting amending the Articles of Association require, according to Sec. 18.1 of the Articles of Association, a simple majority of the votes cast and a simple majority of the capital represented unless mandatory statutory provisions or the Articles of Association require a higher majority.

Rights of the management board to issue or repurchase shares

1. Authorised capital

The general meeting of Praktiker Bau- und Heimwerkermärkte Holding AG of 26 September 2005 authorised the management board to increase the share capital of the company in the period up to 25 September 2010 with the approval of the supervisory board on one or several occasions by a total of up to 25 million euro by the issue of new shares for cash or contributions in kind (authorised capital).

Up to 25 million euro of the authorised capital can be used for the issue of new shares for cash. The shareholders are, in principle, to be granted subscription rights. The management board can exclude the subscription right of the shareholders with the approval of the supervisory board (i) to the extent this is required in order to avoid fractional amounts, (ii) to the extent this is required in order to grant holders of warrant-linked or convertible bonds issued by the company or its affiliates a subscription right to new non-par value bearer shares to the extent to which they would be entitled after the exercise of the warrant or conversion rights

or fulfilment of the conversion obligations, (iii) to the extent the amount of share capital attributable to the new shares exceeds in total neither 10 percent of the share capital existing at the time of the registration of this authorised capital nor in total 10 percent of the share capital existing at the time of the issue of the new shares and the amount at which the new shares are issued is not significantly below the stock exchange price in the meaning of Secs. 203 paras. 1 and 2, 186 para. 3 sent. 4 AktG.

Up to 5 million euro of the authorised capital can be used for the issue of new shares for contributions in kind. In this respect, the subscription right of the shareholders is excluded.

Up to 5 million euro of the authorised capital can be used for the issue of new shares for cash for the purposes of issuing shares to employees of the company or enterprises controlled by it. The subscription right of the shareholders is thereby excluded.

Within the limits of the authorised capital, each of the above-mentioned capital increases may be used only up to the stated limit. The total of all above capital measures may not exceed the total of the authorised capital. The management board with the approval of the supervisory board decides on the further details relevant to the share rights and the conditions for the issue of the shares.

The resolution of the general meeting of 26 September 2005 on the creation of the authorised capital was registered with the Commercial Register on 2 November 2005. Up to 31 December 2009, the possibility of using the authorised capital was not availed of.

2. Contingent capital

In order to expand the possibilities of the company to establish an optimum financing structure, the management board was authorised by the general meeting of 27 June 2006 to issue warrant-linked and/or convertible bonds, and a new contingent capital was created. The maximum admissible total nominal amount of warrant-linked and/or convertible bonds to be issued is 600 million euro. The nominal amount of the contingent capital is 29 million euro. The authorisation of the management board to issue warrant-linked and/or convertible bonds with the approval of the supervisory board applies up to 26 June 2011. For the case of the issue of warrant-linked and/or convertible bonds for contributions in kind, the management board undertook to use the authorisation to exclude the subscription right of shareholders to the warrant-linked and/or convertible bonds only up to a maximum amount of 20 percent of the share capital existing at the time of the coming into effect of the authorisation or – if such figure is smaller – of the share capital existing at the time of the exercise of the authorisation. The contingent capital increase to provide the warrant-linked and/or convertible bonds which will be issued for contributions in kind with the exclusion of subscription rights is thereby limited

to a maximum of 11.6 million euro corresponding to 11.6 million non-par value bearer shares.

The resolution of the general meeting of 27 June 2006 creating the authorised capital was registered with the Commercial Register on 19 July 2006.

On 28 September 2006, convertible bonds of nominally 150 million euro were issued through Praktiker Finance B.V. containing a warrant from Praktiker Bau- und Heimwerkermärkte Holding AG. The convertible bonds were issued in units of 100,000 euro each and with a term to 28 September 2011 (due date). The convertible bonds carry a right of conversion to non-par value bearer shares of Praktiker Bau- und Heimwerkermärkte Holding AG with a proportionate amount in the share capital of the company of 1.00 euro per share, which can be exercised at the discretion of the respective holder from 8 November 2006 to 19 September 2011 in accordance with the bond terms at a conversion price of 33.77 euro determined on the issue (prior to any adjustment for dividend distributions and capital measures). The convertible bonds carry interest of 2.25 percent per annum on their nominal amount. The interest is due annually in arrear on 28 September in each case.

In April 2009, Praktiker Deutschland GmbH (at that time: Praktiker Bau- und Heimwerkermärkte AG) repurchased a part of the issued convertible bonds in the nominal amount of 2.9 million euro.

The convertible bonds will be repaid on the due date at their nominal value plus accrued interest to the extent they have not previously been repaid, converted or repurchased and invalidated. The issuer is entitled to recall the convertible bonds in whole or in part by notice of not less than 15 and not more than 30 days. A prerequisite for recall is that the share price on at least 20 trading days within a period of 40 successive trading days beginning on or after 28 September 2009 exceeds 130 percent of the conversion price applicable on those trading days. In that case, the issuer repays the recalled convertible bonds on the Call Redemption Date defined in more detail in the terms of the convertible bonds at their nominal amount plus interest accrued up to the expiry of the day directly preceding the Call Redemption Date.

According to IAS 32.29, the book value of the bonds at the time of the issue was divided into a debt and an equity capital component. The debt capital component was calculated on the basis of a market interest rate for a fixed interest bond without conversion right. The difference represents the conversion right and was shown accordingly as equity capital. The financial liability increases over time with an effect on net income by the amount of the difference between the effective interest expense and the hypothetical market interest. Transaction costs in connection with the issue were, according to IAS 32.38, attributed to the debt and equity capital components of the convertible bonds in proportion to the attribution of the capital raised. At the time of the issue

of the convertible bonds, the conversion rights granted correspond to approx. 4.4 million non-par value shares from the contingent capital.

3. Authorisation to repurchase the company's own shares

The company was authorised by resolution of the general meeting of 27 May 2009 to acquire shares of the company by the expiry of 26 November 2010. The authorisation is limited to the acquisition of the company's own shares with an arithmetical share in the share capital of up to 5.8 million euro. The authorisation can be exercised on whole or in parts and on one or several occasions.

The acquisition can take place through the stock exchange or by a public repurchase offer. If the acquisition takes place through the stock exchange, the amount paid by the company for the shares (without ancillary acquisition costs) may not exceed or fall below the opening price in Xetra-trading (or in a functionally comparable successor system to the Xetra system) on the trading day on the Frankfurt stock exchange by more than 10 percent. If the acquisition takes place by a public acquisition offer to the shareholders of the company, the price per share offered (without ancillary acquisition costs) may not exceed or fall below the average of the closing auction prices in Xetra trading (or in a functionally comparable successor system to Xetra system) on the Frankfurt stock exchange on the fourth to the tenth stock exchange day prior to the day of the publication of the offer by more than 20 percent. The volume of the offer can be limited. If the total subscription of the offer exceeds this volume, the declarations of acceptance – insofar excluding any potential tender right of the shareholders – are to be taken into account in principle in the proportion of the number of shares offered in each case. Likewise, a reduced number of shares of up to 100 shares offered to the company per shareholder can be taken into account in priority together with partial exclusion of any potential rights of shareholders to tender their shares.

In addition, the acquisition by the company of its own shares may also be conducted with the use of sale or purchase options. The management board was authorised to sell options which oblige the company to acquire its own shares on the exercise of the options (put options), to acquire options granting the company the right to acquire its own shares on the exercise of the options (call options) and to acquire its own shares using a combination of put and call options. All acquisitions of shares by put options or call options or a combination of put and call options are limited to an extent of the company's own shares with an arithmetical share in the share capital of a total of up to 2.9 million euro. The term of the options must be chosen in each case so that the acquisition by the company of its own shares takes place by means of the exercise of the options by the expiry of 26 November 2010 at the latest.

The acquisition by the company of its own shares by exercise of the options may only take place if it is ensured by

the option terms that the options can only be satisfied with shares acquired with observance of the principle of equal treatment. If the company acquires its own shares by the exercise of options, the purchase price per share to be paid on the exercise of the options (without ancillary acquisition costs but taking into account the option premium received or paid) may not exceed or fall below the opening price in Xetra trading (or in a functionally comparable successor system) on the Frankfurt stock exchange on the trading day on which the relevant option transaction was concluded by more than 10 percent. The option premium to be paid by the company for call options or received by the company for put options may not differ by more than 5 percent from the theoretical market price of the relevant options calculated in accordance with recognised actuarial methods. A right of shareholders to conclude such option transactions with the company is excluded.

Apart from sale through the stock exchange or by way of an offer to all shareholders, the management board is authorised with the approval of the supervisory board, in respect of the shares of Praktiker Bau- und Heimwerkermärkte Holding AG acquired on the basis of this authorisation,

- to offer them to third parties in the course of mergers or the acquisition of companies, parts of companies or interests in companies as consideration. The subscription right of shareholders to the company's shares is excluded to this extent;
- to sell them with exclusion of the subscription right of the shareholders for cash at a price which is not significantly below the stock exchange price of shares of the company with the same rights at the time of the sale. This authorisation applies, however, only subject to the share in the arithmetical share capital of shares sold with exclusion of the subscription right according to Sec. 186 para. 3 sent. 4 AktG not exceeding a total of 10 percent of the share capital; this maximum limit is reduced by the proportionate amount of the share capital attributable to shares issued during the term of this authorisation on the basis of other authorisations in accordance with or in analogous application of Sec. 186 para. 3 sent. 4 AktG with the exclusion of the subscription right;
- to use them with exclusion of the subscription right of the shareholders to satisfy exchange or subscription rights or conversion obligations from convertible bonds issued. The total proportionate amount attributable to the shares transferred on the basis of this authorisation may be at most 10 percent of the share capital if the shares have been issued or created for the fulfilment of exchange or subscription rights or conversion obligations which were granted or created in analogous application of Sec. 186 para. 3 sent. 4 AktG. This maximum limit is reduced by the proportionate amount of the share capital attributable to shares issued or sold during the term of this authori-

sation in accordance with or in analogous application of Sec. 186 para. 3 sent. 4 AktG with the exclusion of the subscription right;

- to redeem them with reduction of the share capital without the redemption or its implementation requiring an additional general meeting resolution.

The above authorisations relating to the use of shares of the company acquired by itself can be availed of on one or several occasions, in whole or in parts, individually or together. The management board will report in the general meeting following in each case on the grounds and the purpose of the acquisition by the company of its own shares, on the number of shares acquired and the amount of the share capital attributable to them and on the consideration paid for the shares. No use was made by the company of its possibility of acquiring its own shares up to 31 December 2009.

Essential agreements subject to a change of control

On 21 April 2009 and 11 May 2009, the company took up debenture loans totalling 50 million euro. Both agreements contain provisions for the event of a change of control according to which each lender, with respect to its participation, is entitled to accelerate the debenture loan and to demand immediate payment of its claim under the loan and all ancillary claims if a person or a group of persons acting according to the principles of acting in concert, acquire control over the borrower. By control is meant control in the meaning of Sec. 29 para. 2 WpÜG (German Securities Takeover Act) and by acting in concert the conduct in the meaning of Sec. 30 para. 2 WpÜG. According to Sec. 29 para. 2 WpÜG, control is the acquisition of at least 30 percent of the voting rights of the target company. According to Sec. 30 para. 2 sent. 2 WpÜG, acting in concert requires that the bidder or its subsidiary and the third party agree on the exercise of voting rights or cooperate in another manner with the objective of achieving a long-term and considerable change to the business direction of the target company.

On 7 May 2007, the company concluded a syndicated loan agreement. This agreement contains a provision for the event of a change of control. A change of control in this sense arises if a person itself or due to the attribution of shares of third parties, holds 30 percent or more of the voting rights in the company.

The syndicate banks are, in this event, no longer obliged to grant further loans. Each syndicate bank is also entitled to immediately accelerate the outstanding amounts including interest accrued.

In addition, the convertible bonds issued on 28 September 2006 with the company's warrant contain a provision for the event of a change of control. A change of control in the meaning of this provision arises (i) if the company sells all or almost all of its assets or (ii) if any person or persons acting together acquire control over the company. Control

in this sense means either (i) direct or indirect (in the meaning of Sec. 22 WpHG (German Securities Trading Act)) legal or beneficial ownership of shares together granting more than 50 percent of the voting rights in Praktiker Bau- und Heimwerkermärkte Holding AG or (ii) in the event of a voluntary or obligatory takeover bid for shares of the company, a situation in which shares already in the control of a bidder and shares for which the offer has already been accepted together grant more than 50 percent of the voting rights of the company and at the same time the offer has become unconditional.

If the issuer announces a change of control in this sense, every creditor is entitled at its choice to recall by at least 30 days notice with effect on the Control Record Date, more particularly defined in the terms of the convertible bonds, all or some of its bonds which have not yet been converted or repaid. In such a case, the issuer must repay the relevant bonds on the Control Record Date at their nominal amount together with any interest accrued up to the expiry of the day immediately preceding the Control Record Date.

Compensation agreements with the management board or the employees for the event of a takeover bid

There are no agreements for compensation with the management board or the employees for the event of a takeover bid.

Personnel report

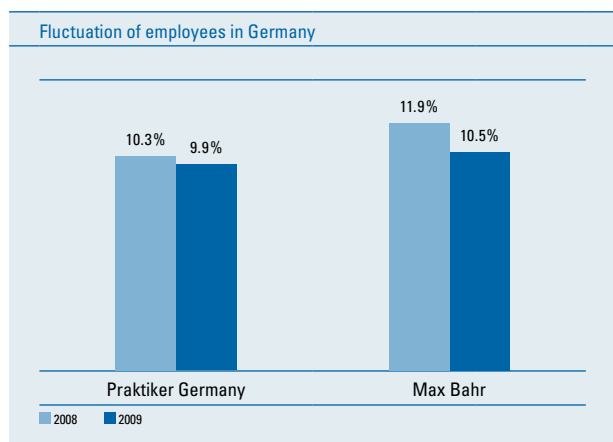
Number of employees down

The Praktiker Group employed a total of 27,070 persons at the end of 2009, 9.2 percent fewer than at the same date in the previous year (29,816). Converted into full-time employees, the number of employees declined by 7.9 percent to 21,992. The average number of employees over the year, calculated as full-time employees, was 22,490. This corresponds to a reduction of 4.8 percent as against the previous year's average.

The restrictive measures that dominated the entire Group in the reporting year were therefore also reflected in headcount and personnel expenses.

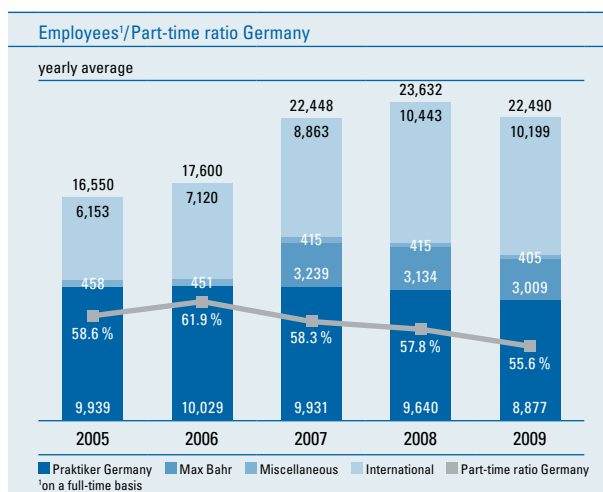
The high proportion of part-time employees was a key factor in this development. When fluctuations occur in sales, part-time staff are naturally handled much more flexibly than full-time employees. Ultimately, the intention behind part-time work is not just to meet with employees' interests of variable working hours but also to satisfy the company's interests in being able to better react to seasonal and weekly fluctuations in demand. Accordingly, the share of part-time staff at Praktiker in Germany was down year-on-year at 55.6 percent in the reporting year (57.8 percent). Max Bahr employs mainly subcontracted workers in order to handle seasonal bottlenecks. Part-time employment plays only subordinate role abroad. As such, part-time staff accounted for 36.0 percent of the Group's employees in 2009 after 38.4 percent in the previous year.

At the start of the reporting year, the management board had imposed a general freeze on recruitment at head offices. Vacancies that arose could only be filled with special approval. The rate of fluctuation declined to 9.9 percent at Praktiker Germany in the reporting year after 10.3 percent in the previous year. At Max Bahr the rate declined by 1.4 percentage points to 10.5 percent.



The international segment employed, on average, the equivalent of 10,199 full-time staff in 2009, 2.3 percent fewer than in the previous year. Three new stores were opened in the reporting period, employing additional staff.

The average age of employees in the Group was 37 years. 49.7 percent of employees were women, 50.3 percent men. A little more than half of the employees in Germany are female (51.9 percent), while male employees predominate abroad (53.7 percent).



Moderate wage increases

Wage and salary increases throughout the Group were dominated by the difficult overall economic situation in the individual countries, which was reflected almost everywhere in weak consumer spending and a decline in sales.

In Germany, retail wage agreements with a term of two years were concluded in 2009. These provide for a wage increase of two percent in 2009 and of a further 1.5 percent in 2010. Furthermore, they stipulate a one-off payment of 150 euro in almost all wage categories in 2010. The company is anticipating an adjustment in Praktiker's company wage agreement in line with developments in the general retail pay agreements. Wage negotiations have begun in February 2010.

Wage and salary increases have also been significantly more moderate in other countries in which Praktiker operates in 2009 than in previous years on account of the crisis. As at Praktiker Germany, a moderation in wage increases was appropriate here too. However, as rates of inflation were higher in most relevant countries than in Germany, the wage increases were also slightly higher. Little is expected to change in the overall picture in 2010.

Protecting jobs a key goal

The Praktiker Group largely avoided compulsory redundancies in 2009 – in spite of the economic necessity to adapt personnel expenses to the changes in the overall economic environment. In order to achieve this key goal in human resources, Praktiker broke new ground in the 2009 financial year as the first retail company in Germany to introduce short-time work in this sector. By doing this, Praktiker protected jobs in Germany. This also avoided a loss of expertise, which would have meant additional recruitment and induction expenses at a later date. Staff costs were also limited by a freeze on salary increases for employees not covered by collective agreements and executives.

Still attractive to future leaders even in the economic crisis

Praktiker took various measures in 2009 to have access to talented junior staff needed to fill future specialist and management positions in the long term. In April 2009, a twelve-month international trainee programme was launched for the first time in the Praktiker Group. This programme offers college and university graduates from different countries the opportunity to occupy career positions in all areas of the Group.

Praktiker also further strengthened its contacts with colleges in Germany. Cooperation has been intensified with selected colleges and universities throughout Germany with the aim of familiarising students with Praktiker as a possible employer for a stimulating future career. The highlight of college marketing 2009 at the start of the year was the first college forum ever held at Praktiker, with students from various faculties participating.

Internships were offered for scholarship students from the Balkan regions in cooperation with the German Committee on Eastern European Economic Relations at the head office in Kirkel.

Investing in the training of young people

More than ever, business success is dependent on well trained employees. This is why Praktiker again invested in the future in 2009 and prepared a total of 721 trainees throughout the Group for their professional futures.

Praktiker and Max Bahr also took part in the German “Fit for Job Applications” day, an initiative of Goinger Kreis, for the second time in 2009. The aim of this initiative is to offer school-leavers from secondary schools and technical colleges career advice, helping them with applications and thereby making it easier for them to start their professional life. These activities were rounded off by participation in informational activities and an extension of cooperation work with schools in Saarland.

Furthermore, Praktiker has been officially involved in the “Fair Company” initiative since 10 December 2009. This is an initiative by the monthly magazine “Junge Karriere”. The magazine awards its “Fair Company” quality seal to companies that not only limit the times of internships but also pay them fairly.

Refocusing human resources activities

The measures, programmes and products described above are part of the reorientation of HR activities that began in 2008 and continued through 2009. After a little more than a year, the implementation of nearly all the intended measures is underway.

Consequently, this reorientation has necessitated changes in the organisation of the HR division of Praktiker Germany. Accordingly, HR management is now integrated more closely into the Group’s operations than before while administrative work has been bundled and standardised.

The new “Executive Management Development” (EMD) Group function was set up in the 2009 financial year. Its job is to establish and to develop further processes, instruments and standards for Group-wide management development and support.

Securing the future through management development

A first strategic project of this function was the introduction of the management development process (MDP) for assessing potential throughout the Group, rating the performance of all executives and potential candidates for management functions. Among other things, this process based on newly devised standards identifies the need for action in succession planning and management development.

Thus, the ongoing development and qualifications of future management will be planned on the basis of the MDP’s findings, the integral tool for this process being the Praktiker Academy, which prepares potential candidates and managers for their future work and positions.

Thanks to this method of identifying and developing talent, the Praktiker Group will, in future, be better able to fill positions across brands and countries with suitable employees and to identify corresponding career prospects for executives and junior management.

Internal communication fostered

Communication and information become much more important in times of changing processes and economic difficulty. It is precisely in such times that managers and employees need a high level of orientation and support. Various communication activities were therefore initiated in 2009 to achieve this goal, among them diverse opportunities for dialogue between Board members, executives, junior management and staff across divisions and countries.

Fulfilling social responsibilities

The Praktiker Group fulfils its social responsibilities in a variety of ways. The different national companies each set their own priorities. Praktiker is involved in sport, education and social activities. In all these activities, Praktiker is motivated by the requirements of being a “good corporate citizen”.

Sponsorship is a key bridge between society and business. It can help in cases where public funding is not avail-

able or inadequate. For years, the Praktiker Group has run programmes supporting popular and amateur sports at its head office. It supports several soccer clubs in various amateur leagues in its home market, the Saarland, with support going primarily towards youth work. Praktiker ensures a constant advertising presence in the field of top sport as the co-sponsor of the many-times German badminton champion 1. BC Saarbrücken-Bischofshausen and “exclusive partner” of the renowned second division soccer club 1. FC Kaiserslautern. In the fourth and fifth division – at the boundary between professional and amateur football – Praktiker is among the sponsors of the regional division teams 1. FC Saarbrücken, Eintracht Trier, SV Elversberg, FC Homburg and Borussia Neunkirchen.

In the community, the “Playground Campaign” caused a stir in 2009. In cooperation with Netzwerk Nachbarschaft, Germany’s largest online citizens’ initiative, Praktiker organised a competition in spring, unique at the time, to come up with ideas to improve or build children’s playgrounds. Entrants stood a chance of winning hundreds of shopping vouchers and thousands of euro in prize money for their neighbourhood commitment. The success was phenomenal: more than 300 initiatives with around 30,000 volunteers around Germany began working to create new playgrounds or renovate existing ones in their neighbourhood. And – in keeping with Praktiker’s motto of “sleeves up” – people reached for hammers, shovels and saws for children all over Germany. The Praktiker campaign was supported by “TÜV Süd”, the German Children’s Charity, the German Association of Cities and the government and state ministries for social and family affairs. At the end of the competition there were 16 state winners, from which an expert jury chose one national winner – the Schwaney nature playground in Altenbeken, North Rhine-Westphalia.

A joint project with the higher education institution Hochschule der Bildenden Künste (HBK) Saar supported the Group’s goal of focusing principally on the Saarland region as a Saarland-based company. Under the working title “Living Praktiker”, students in their fourth semester were given the task of designing new consumer goods for living environments using items of their choice from Praktiker’s DIY stores. The objects designed – including seating furniture, cupboards, wardrobes and lamps – were assessed as part of the students’ examinations and were made accessible to the public in February 2009 in a highly respected special exhibition at the head office of the Praktiker Group in Kirkel.

Other organisations in the region helped by Praktiker in the past year included the Saar Music Festival, the German-French University Institute (DFHI) and the main celebrations for the 20th anniversary of German Reunification in Saarbrücken.

As a founding member, Max Bahr has supported the nationwide non-profit initiative “Das macht Schule” since 2006, which follows on from the spirit of optimism of the

campaign “Du bist Deutschland”. “Das macht Schule” supports children and young people who want to create a more pleasant learning environment by helping them to help themselves. Instructions, check lists, organisational tips and shopping vouchers can be found on the web platform www.das-macht-schule.net. The young renovators can obtain the necessary expert advice in Max Bahr outlets.

In Eastern and South-eastern Europe, the national companies mainly focused on social and cultural activities in a range of different ways. Their aim, especially in times of economic difficulty, is to contribute towards alleviating acute hardship with financial and material aid, to support social and charitable projects and to foster the cultural identity of the respective country.

A selection of the many activities shows the breadth of this support. In Turkey, Praktiker helped to build primary and nursery schools in a number of parts of the country among other things. In Hungary, where Praktiker is increasingly positioning itself as a “green” DIY store with ecological expertise in particular, priority was given to supporting environmental initiatives. The Hungarian company also made an impressive contribution towards the beautification of Pécs, the 2010 European Capital of Culture.

Community work in Greece also included environmental initiatives. In particular, the company lent its support to the “Clean up Greece” campaign.

In Ukraine, which suffered especially from the international economic and financial crisis, Praktiker donated materials to an orphanage in Kiev. In addition, Praktiker worked together with the German Consulate in Donetsk on World Aids Day.

Poland, Bulgaria and Greece helped the blind or institutes for the blind in various ways and a lottery was organised in Luxembourg to benefit children’s cancer charities.

Environmental report

The Praktiker Group's business activities also focus on ecological goals. A foundation for this was laid in 2001 with the "Environmental Guidelines of Praktiker AG". Here, the company undertook to preserve resources, keep from endangering the environment and to act in a way that avoids damaging the climate, people and nature as much as possible. This self-imposed obligation comprehensively extends from operating facilities, constructing and maintaining buildings, designing ranges and procurement in third-party countries to caring for employees and customers.

Max Bahr Holzhandlung GmbH & Co. KG, which has been a part of the Praktiker Group since 2007, has followed its own similar environmental guidelines since 1999. They form the core of the environmental management system that has been certified by "TÜV Rheinland" in line with ISO 14001 since 2000.

Both sets of guidelines complement each other and form the basis for all activities geared to sustainability. However, environmental protection is not an end in itself. The Praktiker Group is concerned with living up to sustainable thinking and generating enterprise value added by skilfully combining economical and ecological activities.

In keeping with this assertion of living up to all aspects of sustainability in day-to-day management, sustainability management in the Praktiker Group extends to many areas and departments, primarily including the Environment department, work safety, purchasing and supplier management.

Environment department holds responsibility throughout Group

The environmental department, which in turn is part of location management and was formed in 2008, is responsible for the ecological aspects of location and construction planning as well as energy and waste management. The department advises and supports store managers on site in all relevant environmental issues. It defines measures for the protection of the environment and ensures that they are implemented as well. Respective reports provide the stores with transparency on the status quo. On the basis of this regular reporting, measures are initiated where necessary and pursued with an eye on effectiveness and efficiency.

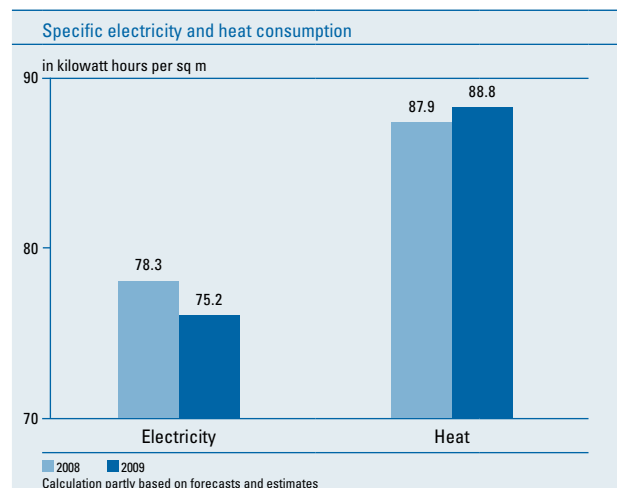
Until the end of the reporting year, the activities of location management and thereby the environment department were limited to the Group's properties in Germany.

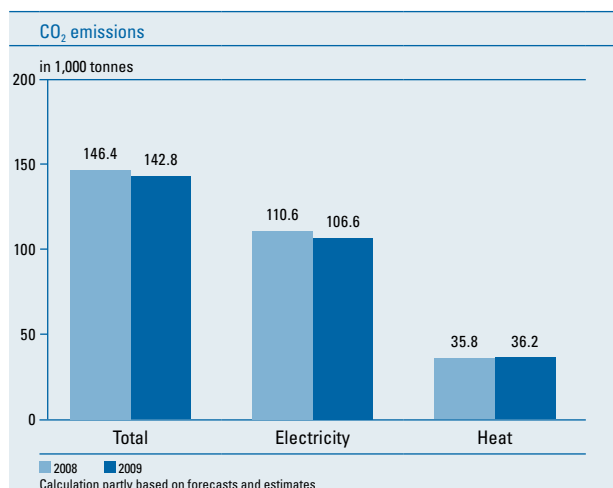
Energy consumption reduced

The Praktiker Group is constantly striving to reduce its operating costs. In terms of energy consumption, these efforts simultaneously reduce CO₂ emissions and therefore the negative climate impact. Here, economical and environmental goals go hand-in-hand. Electricity and heat consumption can essentially be controlled by the use of state-of-the-art technology. However, it is just as important that employees are appropriately trained to use the technology available and their energy-saving potential properly.

One requirement for savings is effective energy controlling that can constantly improve both energy procurement (electricity, water, oil, gas, district heating) and use. In the Praktiker Group this means, among other things, that each store is regularly provided with data on its energy consumption. This shows them whether or not their energy consumption is within expected parameters. "Outliers" can be recognised early on and suitable countermeasures can be implemented immediately. As store managers have a vested interest in using electricity and heat sparingly, they also take advantage of the comprehensive services offered by the environmental department for training selected employees in how to analyse this data and how to use the technology behind it.

The trends in electricity and heat consumption in 2009 in Germany indicate a decline in electricity consumption by 4 percent from 2008 to 2009, while heating was up by 1 percent on account of the adverse weather patterns over the same period. Thus, the positive trend in electricity consumption continued from the previous year. The savings correspond to a notional reduction in CO₂ emissions of 3,600 tonnes within one year.





Focus on environment shapes planning and construction of new stores

More than 75 percent of the German store network is heated with environmentally friendly natural gas. Only ten percent use light heating oil as fuel. The other stores use district heating systems as an energy source. Before a new store is built or existing ones are converted or extended, the company always examines whether there is an option to use alternative sources of energy.

The savings potential is all the greater when energy efficiency is considered early on in the planning of a new location. Then, all the architectural, technical and construction opportunities for minimising the use of resources (electricity, heating, water, etc.) can be leveraged. In 2007 the Max Bahr DIY store and garden centre in Hamburg-Stellingen used a wood pellet heating system for the first time. 216 photovoltaics modules were also installed on the roof of the Hamburg Max Bahr flagship store, covering an area of 1,400 square metres and capable of generating 74,000 kilowatt-hours of electricity. This represents around 6.0 percent of the store's requirements each year. An information display in the entrance area shows the current capacity, the energy yield and the amount of CO₂ saved. In 2009 this amounted to around 50 tonnes.

Praktiker is relying on regenerative energy at the stores opened in Marl and Münster in spring 2009. The new stores each have a geothermal heat pump system that draws energy from more than twenty probes going down almost 100 meters into the earth's surface. This makes operations independent of fossil fuel sources and allows a combined notional reduction in emissions of around 200 tonnes of CO₂ per year for the two stores. This same technology will also be used in the new Hungarian store in Esztergom in 2010.

Like the Max Bahr store in Hamburg-Stellingen, the new Praktiker store scheduled to be opened in Kempten in 2010 will use a wood pellet heating system that saves resources. It will also be equipped with a photovoltaics system on its roof with a peak output of around 300 kilowatts as an alternative source of electricity.

The new stores in Marl, Münster and Munich use 140-millimetre thick wall and roof insulation made of flame-retardant, recyclable mineral fibres. Furthermore, sandwiched pre-cast reinforced concrete construction and a core wall running around the building ensure extremely high heat insulation (heat conductivity group 0.3 – 0.4). This form of construction can also be easily dismantled at the end of the lease agreement. Owing to the nature of their construction, the insulation material and concrete elements can be easily separated. In turn, the reinforced concrete can be recycled without incurring high costs.

Wherever reasonable and possible, new environmentally compatible building materials are being tested. For example, the customer entrance area of the new store in Marl uses a recyclable glass foam granulate for foundation insulation instead of an extruded polystyrene core to avoid thermal bridges. This not only saves materials that do not regenerate but also prevents the release of substances that destroy the ozone layer. At the same time, it saves building time and costs as an ice wall, drainage course and foundation course are no longer necessary.

Praktiker has also installed an "intelligent" building management system in all its new stores and around 50 of its existing ones. Air quality, room temperature and light levels can therefore be set individually in different areas of the store, adapted to local conditions and regulated automatically. Results to date have shown that the use of this technology reduced energy consumption by between 12 and 17 percent and cuts costs by up to eight percent compared to conventional systems.

Electricity can also be saved by optimised lighting. Usually, new stores have large-area natural strip lights in the roof area that significantly reduce the need for artificial lighting. A light control system was used for the first time in November 2009 at the new Max Bahr store in Regensburg, enabling a dimming of the metal halogen discharge lamps used according to levels of natural light. The calculated energy saving per year compared to conventional lighting is almost 400,000 kilowatt-hours, almost half the electricity consumption of an ordinary system. Translated into CO₂ consumption, this equates to an emissions reduction of more than 200 tonnes per year.

At the existing stores where the use of the above technologies does not seem reasonable, energy efficiency is improved by the use of new lamps in shelf areas and regulated high-bay reflector lighting fittings or by installing reflectors in light strips.

Water consumption reduced

To save fresh water 140 stores collect excess rainwater in cisterns and use it to water plants in their garden centres. This helps to relieve communal purification plants. Where possible and reasonable, new buildings are fitted with rainwater intakes. Furthermore, there are 40 stores with planted

roof areas, which means that some of the rain there is retained by plants. Planted roofs also help to maintain a balanced temperature in the rooms below during summer and winter fluctuations.

Low-emission vehicles used

Energy efficiency and climate protection are also top priorities in the Praktiker Group's fleet management. The fleet of currently 231 company cars consists almost exclusively of low-consumption diesel vehicles. Maximum CO₂ emissions of 190 g/km are prescribed for new and replacement vehicles. The new version of the regulations on company cars for managers agreed by the management board at the end of 2009 offers financial incentives for choosing a more economical vehicle. Alternatively, key employees can claim a financial mobility allowance if they are prepared to waive their company car and use public transport.

Waste provision requirements satisfied

All stores collect and separate the various types of waste such as paper, card, cardboard, foil, household waste, etc. Waste management concepts are developed on an ongoing basis and adapted in line with changes in the legal situation. These changes are also incorporated in the advice and training provided to employees by in-store waste management specialists. Specialist disposal companies working on long-term contracts take care of environmentally friendly recycling and waste management – an external service that Praktiker reviews by way of random testing.

Innovative cleaning technology tested

Praktiker also relies on external service providers to take care of cleanliness within its stores. The cleaning companies are required to use only cleaning products that have been proven to be environmentally friendly. In addition to day-to-day routine cleaning, the company also tests new coating and cleaning technologies. For example, employee and customer toilets in the stores opened in Marl and Münster in 2009 have been fitted with a protective nano-coating on a trial basis. This is expected to reduce the amount of dirt and the use of cleaning products. The results of these tests will be incorporated into future planning.

Greater consideration given to environmental aspects in range of goods

Today, many DIY activities in the home and garden can be done using environmentally friendly alternative products. Praktiker constantly reviews and updates its section in line with these criteria. In its wood section, the Group obeys the principles of the Forest Stewardship Council (FSC), which aims to establish a forestry system that is socially acceptable and economically viable. Praktiker was the first DIY company in Germany to commit itself in 1998 to sell wooden products made from tropical wood only if they had been

certified according to the FSC rules and regulations. Max Bahr has been a member of the WWF Wood Group since 2003 and a member of the FSC in the Chamber of Commerce since 2004. The range of FSC-certified wood products includes parquet flooring, garden furniture, terrace flooring and laminated wood.

The concept of the Max Bahr store in Hamburg-Stellingen, which is geared towards saving resources, also includes cooperation with the German forestry protection organisation "Schutzgemeinschaft Deutscher Wald". Monthly events relating to nature, wood and the indigenous world of plants are held in the special ecological space of around 600 square metres outside the store, with specially trained environmental educationists.

With all these measures, the Praktiker Group aims to fulfil its responsibilities with regard to an environmentally friendly and socially acceptable forestry system.

The principle of sustainability has not only influenced the wood section at Praktiker and Max Bahr stores. To advance the use of environmentally friendly technologies, sustainable energy systems have increasingly been added to the range. This means that DIY enthusiasts can use products in their building and modernisation projects that help to lower energy costs and emissions – from a wide range of energy saving lamps to using solar energy.

Max Bahr also uses special labelling to highlight its environmental focus. Environmentally friendly articles are given the "green house" logo. This makes it visibly clear to customers which articles make a particular contribution to protecting the environment. In line with its orientation as a price-aggressive provider on the German market, Praktiker has granted large discounts in various campaigns on products that help save energy and has thus helped to establish environmentally friendly thinking among groups of consumers who focus strongly on price. That customers take advantage of these offers is shown by the fact that Praktiker has sold more low-energy bulbs in Germany than any other company. In connection with this, the German environmental and consumer protection NGO (Deutsche Umwelthilfe) and the city of Heidelberg launched a pilot project in May 2009 at the Praktiker store in Heidelberg to collect used low-energy bulbs. The aim of this campaign was to inform customers of the proper disposal of low-energy lamps containing heavy metals and provide them with an environmentally friendly option for disposing of them. Further measures will be decided in summer 2010 after the results of the one-year pilot test have been analysed.

Customers in Hungary are made aware of environmentally friendly articles by green tips; the same happens on the Internet with a green page. The web shop in Hungary advertises a different articles each week. Hungary is a pioneer in Eastern Europe in this regard. However, initiatives to market environmentally friendly assortments are increasingly taking up more space in all the other countries in which Praktiker

operates. Marketing in 2010 will focus more strongly on ecological issues such as saving water, saving energy or heat insulation. The appropriate products will be advertised more intensively and placed more visibly in stores for customers.

Implementation of legal environmental provisions

It needs hardly be mentioned that the Praktiker Group has undertaken to satisfy all environmental legal requirements. This requires a detailed knowledge of the many environmental provisions of the European Union and the countries in which Praktiker operates. An information system for environmental law allows for new provisions to be entered as soon as possible and for an efficient assessment of associated risks and opportunities. On this basis, suitable measures can be determined and put into practice.

These activities focused on the implementation of amended German Packaging Ordinance (licence requirement for private label packaging with a dual system), the German Batteries Act (registration, obligation to label goods) and EC Regulation No. 244/2009 “Non-directional household lamps” (ban on 100 W incandescent bulbs and matt lamps) in 2009. Furthermore, the measures initiated in the preceding year to implement the REACH regulation (Registration, Evaluation, Authorisation and Restriction of Chemicals) were successfully continued and completed.

REMUNERATION REPORT

In the remuneration report we provide a summary of the key principles applied in determining the remuneration of the management board and the supervisory board and also explain the structure and amount of the remuneration concerned.

The report contains information required in the notes to the consolidated financial statements in accordance with Sec. 314 HGB and the Group management report in accordance with Sec. 315 HGB under the requirements of German commercial law. The company has decided to dispense with an additional presentation of the information explained in this remuneration report in the notes to the consolidated financial statements.

Remuneration of the management board

The remuneration of the management board is a component of a comprehensive remuneration system for executives at the Praktiker Group. It sets performance incentives for the long-term enhancement of enterprise value and consists of both fixed and variable components.

The overall structure and amount of management board remuneration is stipulated by the full supervisory board at the proposal of its personnel committee. Remuneration is based on the size and international outlook of the Group as well as its economic effectiveness. Total remuneration and the individual remuneration components are appropriately proportionate to the duties and responsibilities of the given management board member, his personal performance, the performance of the management board as a whole and the economic situation within the Group. Remuneration is designed to be competitive and to offer a clear incentive for management board members to work in a committed, successful manner and to meet their targets.

The overall remuneration of the management board is performance-based. It consists of fixed components (salary, pension, benefits), performance-based components (earnings and value-based bonus, qualitative target-based bonus) and a long-term incentive component (share value bonus).

The following criteria apply to the individual components of management board remuneration:

- The fixed remuneration component is paid as a monthly salary taking into account non-cash remuneration. Since July 2008, this remuneration has been the same for all management board members, only the chairman of the management board receives higher fixed remuneration. Fringe benefits include the use of company cars and Group accident insurance premiums.
- Management board members have received pension benefits since July 2008. An amount equal to that paid by management board members is paid to their pension provider. The company's annual contribution is limited to 75,000 euro per management board mem-

ber and 100,000 euro for the chairman. The pension provider is an external pension fund. The pension plan is on a defined contribution basis. The pension provider concludes an insurance agreement in line with contractual conditions to achieve consistent financing for the agreed benefits and to fully finance the pension payments. Thus, the pension benefits of management board members affect neither the company's business nor its balance sheet.

- The performance-based remuneration consists of two independent components:
 - Firstly, there is a variable cash payment based on the company's earnings and enterprise value, the amount of which is determined by EVA-based (economic value added) remuneration entitlements taking into account earnings and the cost of capital employed. The annual bonus calculated thus cannot exceed a specified amount, even if the company exceeds its own targets. A remuneration component paid to management board members annually in addition to their target bonus is calculated as follows: the share of the total bonus that exceeds the EVA bonus is credited to a bonus bank; these amounts are paid out in subsequent years depending on the amount of EVA factors by recalculating the amount of bonus bank credit. A fixed percentage of the credit amount held with the bonus bank is paid out each year and the residual amount is then carried forward.

In the event of negative EVA factors, the negative amount reduces the bonus bank credit. Any negative bonus bank balance is limited to the amount of the negative target bonus (single bonus). A cap of three times the target bonus prevents an excessive bonus claim from arising in the event of unexpectedly positive developments.

The bonus bank serves the purpose of spreading the bonuses evenly and aims to foster value-enhancing decision-making behaviour in the long term. As such, this remuneration system takes account of the development in the company's enterprise value not only in the short term but in the medium and long term too.

- Secondly, the qualitative target-based bonus, the amount of which is limited, is paid if specific targets agreed with individual members of the management board have been achieved in the past financial year. If the targets have been exceeded to a sufficiently significant degree, a bonus can be paid at the discretion of the supervisory board that exceeds the highest amount of the bonus share of the earnings and value-based bonus.
- Furthermore, the supervisory board has the opportunity to grant an additional payment to the individual board members for exceptional performance that the supervisory board feels is not directly reflected in the EVA remuneration system.

- The long-term incentive component is a bonus based on share price performance. A five-year share bonus scheme was introduced in the 2006 financial year, the first tranche of which was awarded in 2006. This scheme provides for cash bonuses based on the performance of Praktiker shares as against their respective indices. The overall share bonus scheme is divided into tranches granted annually, the target parameters are calculated separately for each tranche. The term of each tranche is three years. The last tranche is set to be awarded in 2010 and has - differing from the previous tranches - a term of four years.

The individual annual share bonuses are paid automatically in cash in the month following the expiry of the three-year term of the given tranche provided that the relevant conditions have been met.

The amount of the share bonus is initially determined on the ratio of the initial price to the target price of the shares. The initial price for each tranche is the arithmetic average of the closing price of Praktiker shares on the last 20 consecutive trading days prior to the cut-off date (four weeks after the respective Annual General Meeting). The target share price for each tranche – that needed for payment of the full amount of the bonus – is calculated on the basis of the initial price assuming a price rise of 15 percent over a period of three years. The bonus is increased or reduced pro rata if the change in the share price is greater or less than 15 percent.

The amount of the respective bonus also depends on the performance of Praktiker shares as against that of other listed retail companies. The MDAX and the Dow Jones Euro Stoxx “General Retailers” are used as the comparative indices. These allow the measurement of the price performance of Praktiker shares at a national and European level. If Praktiker shares outperform these indices, the share bonus is increased to 120 percent, if they underperform, the bonus is cut to 80 percent. Outperformance/underperformance is considered to be the case when the price of Praktiker shares exceeds or falls short of the above average value by more than 10 percent.

Payment of the share bonus is limited to the current, individually agreed basic annual salary (gross).

The share bonus is only awarded if, at the point in time of it becoming due, the contract of employment at the Praktiker Group has neither been terminated nor has it been mutually agreed to end the contractual relationship. If the share price has fallen below the initial price at the end of the tranche a bonus multiplier of zero applies. In this case no bonus will be paid.

- No loans have been granted to management board members nor have any contingent liabilities been entered into on their behalf.
- No compensation regulations have been agreed with the members of the management board for the event of their leaving the company or of a change in control. In the

event of the mutual early termination of the employment contract of members of the management board, their compensation is limited to two annual salaries regardless of the remaining period of their contracts, or not more than the remuneration for a shorter remaining term of the employment contract.

The earnings and value-based bonus for the 2009 financial year is based on the EVA entitlement, which were not positive for the 2009 financial year.

As of 24 June 2009, under the share bonus scheme described above, the members of the management board were owed share-based remuneration with a total fair value of 524,000 euro at the time of being granted. The fair value as of the grant date and the obligation under the share bonus scheme as of the reporting date were determined by an external expert using the Monte Carlo method. Distributed across their total terms, the fair value of the individual tranches is deferred in income on a pro rata basis. Payment of the bonuses depends on the conditions of the share bonus scheme described. The share price performance bonus does not consist of a number of call premiums but instead is paid in cash on falling due.

The following remuneration was paid or promised to the individual management board members for work done in the 2009 financial year:

In € thousands	2009						2008	
	Success-independent components			Success-dependent components		Components with a long-term incentive impact	Total	Total
	Salary	Pension benefits	Miscellaneous	Earnings- and value-oriented bonus	Qualitative target-oriented bonus	Impact on result from stock options programme		
Wolfgang Werner (Chairman)	600	100	24	0	100	29	853	844
Michael Arnold	450	75	18	0	0	19	562	636
Thomas Gabel	450	75	17	0	50	19	611	622
Karl-Heinz Stroh	450	75	18	100 ¹	100 ¹	29	772	640
Pascal Warnking	450	75	18	0	42	23	608	611
	2,400	400	95	100	292	119	3,406	3,353

¹These amounts contain the contractual agreed minimum bonus limited up to and including the business year 2009

Remuneration of the supervisory board

The features of the remuneration system for the supervisory board are determined by the Annual General Meeting at the proposal of the management board and the supervisory board and are a component of the articles of association. Supervisory board remuneration is based on the size and international outlook of the Group, the duties and responsibilities of the members of the supervisory board and the economic situation of the Group. It comprises a fixed remuneration component and a performance-based component based on consolidated earnings.

As part of the remuneration scheme of Praktiker Bau- und Heimwerkermärkte Holding AG, the positions of chairman, deputy chairman and chairman and members of committees are awarded additional compensation. The chairman of the supervisory board receives three times, the deputy chairman and the chairmen of the various committees receive two times, and the other committee members one and a half times the fixed and performance-based remuneration received by a member of the supervisory board without these special duties. If a member of the supervisory board holds a

number of positions simultaneously, he or she receives the remuneration for only one position. If these positions receive varying amounts of remuneration, the highest amount is paid. All members are reimbursed for expenses.

The performance-based remuneration component is based on the amount by which average consolidated earnings before taxes, minority interests and goodwill amortisation for the past financial year and the two preceding financial years exceed 25 million euro.

In addition, the company reimburses any value-added tax imposed on the supervisory board remuneration components.

No loans have been granted to supervisory board members nor have any contingent liabilities been entered into on their behalf.

There are no pension commitments for supervisory board members. Members of the supervisory board are not paid severance when they leave their positions.

The remuneration of the members of the supervisory board of Praktiker Group for the 2009 financial year, including provisions set aside for this purpose, is as follows:

In € thousands	Praktiker Group				Praktiker Bau- und Heimwerkermärkte Holding AG (included in Group total remuneration)			
	2009		Total	2008 Total	2009		Total	2008 Total
	Fixed	Variable			Fixed	Variable		
Dr. Kersten v. Schenck (Chairman)	65	42	107	148	54	42	96	138
Marliese Grewenig (Vice Chairwoman)	44	28	72	99	36	28	64	92
Barbara-Viktoria Beckers (until 30/05/2008)	0	0	0	30	0	0	0	28
Dr. Norbert Bensel	23	14	37	51	18	14	32	46
Helmut Biegel (until 30/05/2008)	0	0	0	30	0	0	0	28
Hans-Dieter Clingen (until 30/05/2008)	0	0	0	30	0	0	0	28
Ulrich Grillo	32	21	53	74	27	21	48	69
Dr. Kay Hafner	23	14	37	51	18	14	32	46
Ebbe Pelle Jacobsen	23	14	37	30	18	14	32	27
Anja Keuchel (until 30/11/2009)	21	13	34	29	16	13	29	27
Ulrich Kruse	23	14	37	29	18	14	32	27
Johann C. Lindenberg	32	21	53	74	27	21	48	69
Dr. Wolf-Dietrich Loose (until 30/05/2008)	0	0	0	22	0	0	0	19
Alexander Michel	32	21	53	44	27	21	48	41
Zygmunt Mierdorf	32	21	53	74	27	21	48	69
Rainer Reichenstetter (until 30/05/2008)	0	0	0	22	0	0	0	19
Rigobert Rumpf	23	14	37	30	18	14	32	28
Ernst Schauff	32	21	53	44	27	21	48	41
Hans-Josef Schmitz	32	21	53	44	27	21	48	41
Frank Schuster (until 30/05/2008)	0	0	0	22	0	0	0	19
Jörg Wiedemuth (since 10/12/2009)	1	1	2	0	1	1	2	0
Prof. Dr. Harald Wiedmann	42	28	70	97	36	28	64	92
Axel Willrath (until 30/05/2008)	0	0	0	22	0	0	0	19
Rüdiger Wolff	32	21	53	65	27	21	48	60
	512	329	841	1,161	422	329	751	1,073

GROUP MANAGEMENT REPORT

RISK REPORT

OUTLOOK

REPORT ON SUBSEQUENT EVENTS



RISK REPORT

The management board of Praktiker Bau- und Heimwerkermärkte Holding AG has implemented a Group-wide risk management system that covers all corporate divisions including the Group companies. All discernible risks are regularly and systematically recorded and, as far as possible at economically justifiable expense, measures are defined to reduce or eliminate risk. Responsibility for the risk management system lies with the Controlling division.

Risk management is characterised by a small number of clearly formulated guidelines. No action or decision may result in a situation jeopardising the continued existence of the Group. If risks cannot be avoided they must be insured to the extent both possible and economically feasible. Residual risks must be monitored and controlled by using risk management tools.

The principles underpinning this risk management system are documented in a manual which contains the basic organisational and procedural principles applying both to the Group's German operations and its international subsidiaries. As such, the management board complies with its responsibility to determine the risk management principles and to design the organisation of the risk management system. In this context, the management board also assumes the duty of providing the supervisory board and the shareholders with the necessary information. A risk management officer coordinates risk reporting activities throughout the Group below management board level. The risk management officer is above all responsible for the further development of the risk management system, for coordinating risk reporting and for preparing the monthly risk reports for the management board. These reports keep the management board informed of any key changes in the risk landscape, developments in risk management and the measures taken in terms of risk mitigation or prevention.

The respective heads of the divisions are responsible for identifying, tracking and measuring the various risks their division is exposed to. It is their duty to monitor the risks in their area and to manage the measures initiated to reduce these risks. A standardised risk matrix is used across the whole Group and updated on an ongoing basis to track the various measures systematically. All key risks and their probability and potential financial impact are recorded and uniformly presented in this matrix. Countermeasures are designed for all risks in line with the guidelines described above. The development of individual risks and the countermeasures taken are also documented.

The risk management officer carries out a risk inventory every six months, taking into account all risk reports and changes in the respective risk assessment. The management board is informed of the key risks in the form of an extract from the risk inventory.

As the risk management system is of central importance to all decisions within the company, its functional capability is reviewed once per year through an internal audit.

The risk management system is firmly established in all parts of the company and has become part of routine corporate activity. The risks are subdivided into the six groups presented below.

Political and economic risks

Not all the risks to which the Praktiker Group is exposed can be minimised or neutralised with measures by the risk management system. These include political risks. However, they can be taken into consideration in day-to-day business. Praktiker takes account of the different political conditions in the countries in which the company already operates or intends to operate by ensuring that investments are in line with return requirements that are adjusted for the respective country risks.

Losses in earnings triggered by strikes or as a result of certain political events cannot normally be insured, or at least not at economically justifiable expense. They are also often hard to quantify though they can still affect business, as shown by the example in Hungary. Valued-added tax here was increased by five percentage points in the middle of the year. This fiscal measure had a highly negative impact on all retail activities and cost Praktiker sales and earnings in Hungary. The exact amounts, however, are uncertain. The same is true for the potential impact of the measures which the Greek government has planned for getting state finances into a better balance again. But there is hardly any doubt that the announced tax increases and the reduction in public spending will affect private consumption in a negative way. Meanwhile, it is possible to quantify the exact amount of the unexpected tax payment that Praktiker had to make in Greece because the Greek government resolved to consolidate its budget and imposed an additional tax of around 2.5 million euro on the previous year's earnings. Risks arising from changes to general economic conditions cannot be insured either. The recession that hit Eastern Europe with full force in 2009 as a result of the global economic downturn was unforeseen in its extent and severity. The slump in demand it triggered led to a 10.4 percent slide in international like-for-like sales in local currency. However, the impact on operating earnings was restricted by adjusting expenses as early and as quickly as possible. For risk management this means closely observing the effects of general developments, comparing them against expectations and being highly flexible in all areas to protect earnings.

The management of the Praktiker Group adheres to the principles of value-oriented management. The top priority for all decisions is to create value for shareholders. In the tough economy of 2009, however, it was not possible to increase value, either in terms of EVA, the company's main internal control ratio, or of the market value of the Praktiker Group. The stock market value stagnated at a low level in the past financial year but by the end of the year rose well above the twelve-month low in March. The risk of a takeover

by a third party is therefore still present. Previously, this risk was limited by the fact that potential takeover suitors experienced difficulties securing the necessary financing given the tension on the financial markets. However, the more the financial markets normalise, the greater the probability of an attempt to buy out the Praktiker Group. Management has therefore made organisational preparations for such an event. The reaction to a possible takeover bid would always – within the existing legal framework – take into account and give careful consideration to the interests of the company and its shareholders.

Industry and market risks

Industry and market risks are primarily countered in the Praktiker Group by having operating management constantly monitor the market, taking the planning and decisions of the competition into consideration in its own business policies and meeting changing conditions with a high degree of flexibility and adaptability. This can be seen by the fact that the product assortments are always being adapted and new products added to the ranges. For example, Max Bahr now focuses more on “ecological” products than in earlier years and supplements its range with services, such as product delivery, workman services and even the installation of full bathrooms. Thus, its range of goods and services is matching the rising demand for “do-it-for-me” products. In Germany, the Praktiker brand is geared towards the trend of easy shopping with a presentation of goods which is as self-explanatory as possible, and a corresponding pre-selection of assortments. In a recessive phase, more price-conscious customers appreciate the expansion of private labels – a policy being pursued by both brands.

Praktiker has a leading market position in most countries in which it operates. To defend this position against emerging competitors, Praktiker extended its store network in Eastern Europe even in a year dominated by declining sales – albeit to a lesser extent than in previous years.

General business risks

The same principle applies to general business risks as to market and industry risks: they are best met by using the routine and experience of a hands-on management team.

Over time, some locations face changes in infrastructure, the socio-economic environment or the immediate competitive situation. This can lead to a store generating less profit or even posting losses. To cover this risk, appropriate provisions are recognised for onerous contracts. At the end of 2009, these amounted to around 25 million euro. Where possible, rental agreements are terminated and the store closed. In some cases, a new store is opened at another location in the same catchment area following the closure of an old store. There were four such relocations in Germany in 2009.

Praktiker opened a total of three stores outside Germany in 2009, one of which in Albania, a new country for Praktiker.

Before each new store is opened, an in-depth analysis of the catchment area, the purchasing power, potential demand and competition is undertaken. Setting up new national companies or new satellites of national companies, like in Albania, involves a detailed analysis of the country risks, the political environment and the overall macroeconomic development of a country. The focus here is on the location being profitable, even on the most cautious of estimates, though considerations are ultimately determined by the prevailing general economic situation. However, as investment decisions always have a long-term basis, emphasis is also placed on expectations of future development.

As a retail company, Praktiker aims to have a wide range of products available to the customers. This explains why the procurement strategy includes working solely with suppliers that promise a high degree of reliability in supply. Attention is also paid to ensuring that no individual supplier accounts for more than a small percentage of overall procurement volume. However, following the global financial crisis, the financial position of some suppliers has deteriorated. This has even resulted in insolvency in some individual cases. This is why procurement management takes precautions to ensure that there are always alternative suppliers for the main product groups. If suppliers whose products cannot be replaced at short notice fail, Praktiker is prepared to work on solutions with the suppliers to ensure further delivery. However, the first measure Praktiker takes to prevent this risk is that the procurement division closely monitors the financial well-being of suppliers and sounds out the market for possible alternative suppliers in good time.

All stores within the Praktiker Group are insured against disruption of business operations as a matter of course. The loss of earnings due to fire suffered by the store in Zabrze (Poland) were fully insured with the exception of an excess of 50,000 euro. The store was destroyed at the end of 2008, though sales continued on a provisional basis on a greatly reduced space from July 2009. Part of the routine of operating DIY stores is that the local building regulations, and all other municipal regulations for environmental protection or proper waste disposal, are adhered to. Comprehensive measures to protect against theft are also a matter of course.

The operation of DIY stores requires extremely complex relations with suppliers, customers and a variety of public institutions. In this varied network of relationships, legal disputes cannot always be avoided. Provisions for legal disputes are recognised in order to be sufficiently prepared for possible payments that may result. These amounted to a total of 9.1 million euro as of the end of the 2009 financial year.

IT risks

As with all companies today, the business success of the Praktiker Group depends upon a smoothly functioning IT infrastructure. As early as 2007, crisis prevention precautions were established including external data back-up, a detailed

emergency plan and appropriate constructional measures to allow the continued operation of IT even in the case of a severe catastrophe. The further development of the technical infrastructure is now the responsibility of Praktiker Services GmbH, which as an independent company is mandated, amongst others, with the task of maintaining, harmonising and standardising IT in the Praktiker Group at the state of the art. Praktiker Services GmbH also ensures that the operating tasks can be dealt with smoothly, data is sufficiently backed up and that abuse can be ruled out.

Financial and currency risks

The central finance department deals with financial and currency risks. Its duties include identifying and measuring financial risks and designing appropriate hedging strategies.

There are no significant credit risks within the Group. Sales to customers are transacted in cash or using standard credit cards. Surplus liquidity typically occurs over the course of the year. It is invested in the short-term money market with reputable European banks according to clear, internally stipulated regulations. Cash deposits or derivative financial instruments with positive market values at banks are subject to maximum limits based on the ratings published by international agencies. In the wake of the global financial crisis, the creditworthiness of many banks changed significantly. As a result, the maximum limit of investments was lowered in 2008 and investments were not only re-weighted but also diversified more widely across a larger number of banks. This did not change in 2009.

There are no immediate risks within the Group in connection with any potential re-financing requirements for maturing financial liabilities. The next due date of a financial liability, the convertible bond issued in 2006, is September 2011.

The finance division acts as a cash consolidator for the entire Praktiker Group. This included the responsibility of ensuring sufficient liquidity at all times. As of the end of the year, the Praktiker Group reported cash and cash equivalents of 263 million euro on its balance sheet, of which 50 million euro were generated through a promissory note with a term of three years issued in the spring of 2009. Over the year, the amount of cash and cash equivalents fluctuates in line with seasonal variations in business requirements. Cash and cash equivalents typically drop to their lowest level for the year in January/February. Sales volumes are seasonally low at this time, while the volume of incoming goods in preparation for the gardening season beginning in the second quarter reaches its highest level. The inflow of cash is thus relatively low at the beginning of the year, the outflow relatively high. Liquidity requirements that can arise in the first quarter are covered by a syndicated credit line of 200 million euro and additional bilateral lines. The syndicated credit line has been available to the Praktiker Group

in this amount since the spring of 2007 and is contractually fixed until 2012, at a slightly lower volume even until 2013. As sales increase in the second quarter, the level of cash typically rises again rapidly and reaches its highest level over the course of autumn. This seasonal pattern is also documented in quarterly reporting.

The syndicated credit line was contracted at a time when bank liquidity was freely available. Accordingly, the conditions are significantly more favourable than they would be if concluded today. On utilisation, the conditions require adherence to certain covenants, which mainly relate to various earnings to debt ratios. The promissory notes are subject to the same covenants. As cash levels have already passed their lowest point for 2010 as of the time of reporting, this issue is not expected to present any further risks in 2010, particularly as management is still ensuring to adapt expenses and investments flexibly in line with ongoing business developments.

Compliance with these covenants is part of regular controlling within the company. Should it become apparent that the covenants cannot be complied with it would be very likely that the interest conditions would have to be renegotiated. In this case, an increase in the interest rate on a bridging loan and the promissory notes would have to be expected which would then be limited in time until the covenants are reached again. Protecting liquidity would therefore be more expensive than it is now. Although the convertible bonds are not subject to any covenants, a breach could affect them via cross default regulations. In the case of breach of covenants they could fall due immediately.

Following the financial crisis and a number of retailer insolvencies in Germany, greater importance is now attached to the issue of trade indemnity insurance. Trade indemnity insurance providers have reviewed the insurance volumes they grant to suppliers in general and limited these in some cases as well. The risk that a supplier can no longer insure all its trade receivables has generally risen. However, as this risk is closely related to the creditworthiness of the party being supplied to, relationships between Praktiker and its suppliers have not been impaired by such measures. This was also made clear by the fact that the Group was able to extend its average payment conditions by more than one day to 54.8 days in 2009.

The management of currency risks is also one of the standard tasks of the central finance department. The Praktiker Group hedges all currency risks associated with payments. This applies above all to procurement from the US-dollar region. If the imports are invoiced in US dollars, which is mainly the case for imports from Asia, they are hedged against the euro at the time of order by the contracted service provider.

In Eastern Europe, rental obligations are almost exclusively in euro. However, currencies are only hedged to a limited extent as the cost of hedging them in full would be disproportionately high.

The profit transfer from the international companies that use a currency other than the euro are also subject to an exchange rate risk. This translation risk, which had a noticeable negative impact in 2009 on account of the strong depreciation of the Eastern European currencies, is also only reduced to a limited extent by corresponding hedging activities.

To date, all decisions as to when and how much to hedge currency fluctuations have been made after considering the risks and rewards on a case-by-case basis. In order to establish a standard process for currency hedging, the finance division devised risk guidelines in 2009 providing for continuous currency hedging on a rolling basis. This is expected to be implemented in 2010.

This currency risk is offset by the possibility that an appreciation of Eastern European currencies in 2010 will lead to currency gains. The extent to which this is possible is based on the strength of exchange rate fluctuations.

Foreign currency risks that can arise from the measurement of balance sheet items cannot be hedged at economically justifiable expense. They must therefore be accepted. This risk materialised in 2009 under the currency gains and losses item in the net financial result in the amount of 4.8 million euro. This related to predominantly non-cash earnings and expenses as of the reporting date. They essentially relate to valuations in the individual financial statements of the relevant Group companies of rental liabilities discounted to the reporting date of those stores classified as finance leases under IFRS. Due to the high number of finance leases in Romania, this position reacts particularly strongly to changes in the Romanian leu exchange rate. However, this also includes changes to the external value of the Ukrainian hryvnia, the Polish zloty or the Hungarian forint.

The same applies to the value of the equity in the international subsidiaries. The strong depreciation in the Eastern European currencies led to negative currency differences in the translation of the individual financial statements of these subsidiaries into the Group currency euro. These effects were taken directly to equity.

As a result of the efforts of the Bulgarian government to achieve a stable exchange rate between the Bulgarian lev and the euro there are currently no currency risks in Bulgaria. If these efforts were to end, additional foreign currency risks would arise accordingly.

2009 showed just how much exchange rates can affect sales and earnings in the Praktiker Group. Some Eastern European currencies were down by an average of more than 20 percent year-on-year. As a result of currency effects alone, the Praktiker Group lost sales of more than 100 million euro and operating earnings of around 13 million euro.

Organisational risks

A significant risk in this category is the recruitment of suitable employees. The German retail sector has at best an average reputation as an employer. A separate human resources position was created in the management board in the spring of 2008 to redefine all activities relating to recruitment, training, corporate identity and career planning within the company. The new initiatives are described in the personnel report. They all serve to make Praktiker an attractive employer on the labour market for both staff already employed by the Group and for new applicants.

This category also includes risks which are associated with errors and shortcomings in the widest sense, as they may occur again and again in every organisation with its varied functions. However, the number of mistakes can be limited if employees are properly trained and qualified. Errors are also avoided when procedures are standardised and set out in writing, when procedures include test loops or are subject to regular random checks. These, and other preventative organisational measures have been introduced in those places where they are reasonable in a complex overall organisation. The individual measures are the responsibility of the respective management and are regularly adjusted to changing requirements.

In 2008, an emergency plan was created which describes detailed procedures for the event that the head office in Kirek – for whatever reason – can no longer be used. Conditions were created so that within 24 hours all vital and essential functions for maintaining operating business can be continued even in the event of a major crisis. Similar but less detailed plans have also been prepared for the event of a pandemic, a situation that could possibly have arisen as a result of swine flu.

Description of the key features of the internal control and risk management system with regard to the Group accounting process (Sec. 315 para. 2 no. 5 HGB)

Change in legal framework

Groups in which the parent company or one of the subsidiaries included in its consolidated financial statements is capital market oriented as defined by Sec. 264d HGB must now include a presentation of the “key features of the internal control and risk management system with regard to the Group accounting process” in their management report in accordance with Sec. 315 para. 2 no. 5 HGB. Accordingly, the Praktiker Group is reporting for the first time on the principles, procedures and measures for safeguarding the effectiveness, efficiency and accuracy of accounting and for ensuring compliance with the key provisions of accounting law.

Specific risks to Group accounting

The basic features of the general control and risk management system within the Praktiker Group have already been described. With regard to accounting there is the risk in particular that the consolidated financial statements published contain errors affecting the presentation of assets, liabilities, financial position and profit or loss of the Group. In particular, this risk lies in the presentation of unusual or complex transactions or other transactions that are not routine and therefore have a relatively high inherent risk. The discretion granted to employees by necessity in the recognition and measurement of assets and liabilities can lead to other Group accounting risks.

Basic regulation and controlling activities for ensuring the accuracy and reliability of Group accounting

The measures within the internal control system of the Praktiker Group geared towards the accuracy and reliability of Group accounting ensure that transactions are recorded in full and without delay in line with legal provisions. They also guarantee that inventories are conducted properly and that assets and liabilities are recognised, measured and reported appropriately in the consolidated financial statements. The regulation activities also ensure that accounting documentation provides information that is both reliable and can be traced.

Monitoring mechanisms both built in to processes and independent of processes form the key elements of the internal monitoring system in the Praktiker Group. In addition to process controls performed by people – such as the dual control principle – control mechanisms embedded in the IT systems also form a key part of integrated measures. For example, there is a Group-wide, computer-aided workflow system for organising the flow of documents into which the Group’s standardised guidelines for procurement and restriction of liability have been integrated. This ensures that central financial accounting is informed of the status of all

documents without delay. At the same time this substantially reduces the risk that transactions are not fully recognised in accounting. Furthermore, integrated and independent monitoring is ensured by specific Group functions – such as the central legal and treasury departments. The separation of functions and the dual control principle are compulsory and laid out officially in work instructions and manuals, reducing the opportunity for malicious activity. Internal auditing conducts regular audits at all subsidiaries in Germany and abroad. The internal control system also guarantees that changes in the business or legal environment of the Praktiker Group are detected and that new or amended legal provisions on Group accounting are applied and complied with.

Employees in accounting are regularly informed of such legal changes that could affect the preparation of the consolidated financial statements. In addition, sufficient copies of legal texts and related commentary are provided.

Other auditing bodies, such as the supervisory board of Praktiker Bau- und Heimwerkermärkte Holding AG (referring here in particular to the audit committee), the internal audit department and the auditor of the consolidated financial statements and other auditing bodies, such as the tax auditor, are incorporated into the independent audit activities of the Praktiker Group’s controlling environment. Accounting is monitored independently by having the consolidated financial statements and the form financial statements of the Group companies audited by the auditor. The separate and consolidated financial statements of the reporting company prepared as of year-end and the associated management reports are discussed and examined in depth in a meeting of the supervisory board and before this in a meeting of the audit committee in the presence of the auditor. The audit committee held a total of five meetings in 2009 which focused, among other things, on the discussion of the interim report for the half year and the quarterly reports for 2009 with the management board and the auditors.

Key structures, processes and controls in Group accounting and consolidation

The accounting division is responsible for preparing the consolidated financial statements. All the subsidiaries receive a shared and binding controlling and accounting calendar at the start of the financial year. Prior to the preparation of the (consolidated) quarterly and annual financial statements, the administrative and accounting managers of all the companies included in the consolidated financial statements are again informed in writing of the financial statement schedule and advised of all key matters relating to the preparation process. Furthermore, the heads of the central international controlling, finance and Group accounting and reporting divisions and the administrative heads of all foreign companies discuss these and similar issues before all annual financial statements and before most quarterly financial statements.

In a first step the subsidiaries prepare their separate financial statements in line with the provisions of local commercial law. These are then adjusted to International Financial Reporting Standards (IFRS) on the basis of the Group's standardised chart of accounts and its accounting manual, which is prepared centrally, updated regularly and applies throughout the Group. This guarantees the application of uniform accounting policies among the German and international companies included in the consolidated financial statements of Praktiker Bau- und Heimwerkermärkte Holding AG. The use of a standardised set of forms is also required to ensure that the information required to prepare the notes to the consolidated financial statements is complete.

After being adapted in line with the accounting policies of the parent company, the companies enter their financial statement data in a Group-wide IT system forming the basis for the preparation of the consolidated financial statements. Prior to consolidation, all intra-group balances are centrally checked and coordinated using SAP software and on the basis of computer-aided, automatic processes. Deviations must be clarified and corrected before consolidation can begin. The consolidated financial statements and all the associated accounting entries for consolidation are prepared by the Group accounting and reporting department which belongs to the central accounting division. No sub-group financial statements are prepared. Consolidation is carried out in a single process.

The software used performs and at the same time fully documents all consolidation processes to prepare the consolidated financial statements of Praktiker Bau- und Heimwerkermärkte Holding AG, such as the consolidation of assets, liabilities, expenses and earnings. Consolidation activities are subject to a number of validation rules that usually prevent errors.

In preparing the financial statements, central accounting is largely dependent on the data and information provided by other divisions. For example, the legal department provides information that forms the basis for the measurement of provisions for litigation risks. The planning figures prepared by the controlling division are also important for impairment analyses and reviewing the value of deferred tax assets.

At Group level, the control activities to ensure the accuracy and reliability of Group accounting include analysing and possibly correcting the separate financial statements submitted by the Group companies. This takes into account the assessments by the respective auditors. Various control mechanisms in the electronic consolidation system and technical plausibility checking help to keep the error rate at a low level, select separate financial statements that contain errors and, if necessary, correct them at Group level. For example, the system implements validation rules which ensure that, if certain errors are detected, figures cannot be processed any further until these are remedied.

The data entered in the electronic consolidation system also serve as the basis for internal reporting to the management board of Praktiker Bau- und Heimwerkermärkte Holding AG and thereby for segment reporting – which is a component of the Group's annual and quarterly financial statements – as well. The financial statement data entered by the individual companies are aggregated and consolidated at segment level to achieve this.

Impairment testing for parts of the Group deemed cash-generating units is conducted in line with uniform and standardised measurement criteria. In order to better control the risks this entails, decisions on valuation are not down to one person. Rather, they can only be made by arrangement between the heads of the central Group accounting and reporting division and of central accounting. Data for the preparation of information for external reporting in the notes and management report including significant events after the balance sheet date is also prepared and aggregated at Group level.

Risks to the Group as a going concern not in sight

The Praktiker Group has a well-developed risk management system firmly anchored in daily operations. However, the recession in Eastern Europe including the associated distortions in exchange rates led to sales declines which affected earnings in spite of the high level of flexibility in expenses, with the result that operating earnings decreased significantly. The overall economic settings will most probably stabilise in all countries in which Praktiker operates in 2010. It is therefore thought realistic that sales, earnings and liquidity will also stabilise, not least on account of the long-term effects of the reductions in expenses already achieved in 2009.

OUTLOOK

Growth prospects brightening

In the opinion of analysts and researchers, economic output is set to stabilise or recover slightly in most countries in which Praktiker operates in 2010.

According to the official wording, the recession in Germany has been over since the third quarter of 2009. Nonetheless, the gross domestic product is believed to have fallen by around five percent over the year as a whole. 2010, so goes the opinion of the economic research institutes, is expected to see growth of one percent. The German government is assuming a rise in gross domestic product of 1.4 percent. Owing to the expected rise in unemployment, private consumption will at best remain constant or possibly even contract slightly. If these forecasts are correct then the economy will probably have stabilised enough in 2010 for moderate or slightly higher growth to be possible again in 2011. Private consumer spending will then rise again.

The growth forecasts for the countries outside Germany in which Praktiker operates are predominantly positive at between a half and three percent for 2010. Only Hungary is expected to undergo a further slight reduction in economic performance. These are modest prospects compared to the growth rates of two to three years ago. However, compared to the heavy declines of 2009 this means stabilisation, which could mark the beginning of a new growth cycle. Accordingly, all countries are expected to see stronger economic growth again in 2011.

Private consumer spending is one of the main growth drivers in Eastern Europe and is expected to develop positively in parallel to gross domestic product. This expectation is based on the assumption that the competitive advantages experienced by some countries as a result of the depreciation of their currencies will slowly diminish over the coming years with exchange rates recovering but without any rapid appreciation. This scenario also assumes sufficient political stability.

Increasing earnings is top priority

Based on these expectations, the Praktiker Group has devised a plan for the next two years – which does not com-

prise any effects coming from the programme “Praktiker 2013” yet – with the following goals:

1. Increasing group sales moderately in 2010 and then more strongly in 2011.
2. Increasing earnings before extraordinary factors – mainly from the programme “Praktiker 2013” – greatly in 2010 by focusing on the gross profit margin. Further earnings growth in 2011 thanks to increased sales and cost savings on the basis of better internal processes.
3. Keeping capital expenditure at the 2009 level in both years to generate free cash flow which will be used to partly refinance the convertible bonds maturing in 2011. Investment activities will focus again on stronger expansion in Eastern Europe.
4. Keeping liquidity at the current level in the coming years in order to remain flexible in case acquisition opportunities arise.
5. Continuing to work on optimising working capital to reduce the capital intensity of the business.
6. Generating positive delta EVA in the Group as a whole and in all its divisions if possible.

Germany: two brands for a polarising market

Demand for DIY items in Germany is expected to continue to polarise, mimicking developments in several other sectors. Polarisation means an increase in price-sensitive demand and an increase in quality-driven demand but losses in the middle ground. This pattern essentially reflects changes in income distribution in Germany. The market will also be shaped by different trends, some of which demographic in nature (aging society) and some of which social (increase in single-person households). A further increase in leisure time may also lead to people wanting to dedicate more time to meaningful activities. This includes DIY as a lever for actively shaping one’s own living environment. The propensity to pay greater due to environmental consideration in all consuming activities has already led to changes in demand (measures to save energy, use of en-

Expectations 2010		
Annual percentage change	Annual percentage change	
	Gross domestic product	Private consumption
Germany	1.0	0.0
Greece	0.4	0.5
Poland	1.9	1.4
Hungary	-1.0	-1.5
Turkey	3.0	2.5
Romania	1.0	0.2
Bulgaria	1.0	1.0
Ukraine	1.0	-3.0
Albania	3.5	3.3

Source: Economist Intelligence Unit, 2010 forecast (as of November 2009)

Expectations 2011		
Annual percentage change	Annual percentage change	
	Gross domestic product	Private consumption
Germany	1.5	1.0
Greece	1.6	1.3
Poland	2.6	2.5
Hungary	2.8	1.7
Turkey	4.2	4.0
Romania	4.0	3.8
Bulgaria	3.4	2.5
Ukraine	3.5	2.0
Albania	5.0	5.1

Source: Economist Intelligence Unit, 2011 forecast (as of November 2009)

vironmentally friendly materials, etc.) and is expected to continue to rise in future.

In a scenario such as this, the Praktiker Group is focusing on its existing strengths in its planning for the future. In the German market environment this means continuing and accentuating its two-brand strategy and, with more defined brand positioning, offering different target groups convincing arguments as to why Praktiker or Max Bahr should be their first choice.

For the Praktiker brand, which has greater customer proximity than most other brands in Germany thanks to its comprehensive network of 239 stores, this means: better communication to customers of its assortment competence, offering the best value for money on the market and communicating the high reliability of the services on offer in addition to the value for money of its range. Praktiker does not wish to be seen as just the price leader in future, it also wants to be known as a reliable, quality-driven partner for all household, garden and DIY needs. Various initiatives are now underway to achieve this, which management believes will constitute an advantageous diversification in respect of the competition. The Easy-to-Shop concept is at the heart of all planning going beyond this. However, what matters now is advancing and repositioning the Praktiker brand in line with this guideline. In future its goods and services will be marketed not just through its price but through the strengths of its assortment as well. This will lend greater differentiation to customer communications. One way in which this will be seen will be Praktiker extending its private labels range in the mid-price segment. Over the coming years, the share of private label sales in total net sales is targeted to increase to around 40 percent. The Praktiker brand name on products will clearly show the claim of offering good quality at an attractive price. This will also highlight Praktiker's quality promise to customers beyond its assortment competence. Customers should be able to rely on Praktiker in every respect.

New elements in stores will also emphasise the claim of innovation and cost leadership, such as the electronic price labelling system. If this proves successful in the two Munich stores where it has already been implemented, it will also be introduced in other stores. This is also true of the new cash registers that will be gradually introduced over the coming years. They improve the flow in the checkout area and give customers the impression of an even more dynamic DIY store.

For Max Bahr elevating the brand profile means that the rethinking of assortments, which was already tackled in 2009, will continue with the same aim that has guided its development to date, namely that of offering customers a wide selection of products of high and the very best quality. Max Bahr is striving to reach a specialist's level of selection, quality and service – and to offer even more than a specialist if possible. Above all, this is based on offering customers all-round, worry-free packages that include service, consult-

ing and installation. This idea has already been successfully implemented in the "Dream Baths" concept. In 2010 it will spread to other areas of business. Max Bahr is therefore supplementing the traditional DIY value proposition of "do it yourself" with the longer value chain of "do-it-for-me". The management of Max Bahr believes that such a change in scope offers the opportunity to also reach customers who do not have the sufficient skills or the necessary time to do certain renovations or improvements themselves. The main potential target group for this would be the growing number of single-person households and the growing number of older people with above-average incomes.

As Max Bahr's portfolio of 77 stores does not by a long way cover all of Germany's conurbations, its strategic planning therefore also includes extending its store portfolio. A new store was opened in Regensburg in 2009 with another firmly planned in for 2010 in Kamen and more to follow. The regions that appear lucrative for Max Bahr are those with above-average purchasing power as these are the regions where potential Max Bahr customers typically will live. However, any further feasible expansion of the store portfolio will be moderate, prudent and will only take place at locations where the density of competition is still relatively low.

Margins instead of volumes

The management expects that the German DIY market will not change greatly from 2009 to 2010. In a neutral growth environment, the Praktiker brand will focus more on margins than volume in line with its strategic objectives. The number of "20 percent on everything" offers will decline further in 2010, communications with target customers will vary more. This is why like-for-like sales for Praktiker Germany will decline slightly or at best stagnate in 2010. Sales are not expected to rise again until 2011 when the repositioning efforts take positive effect. This estimate is based on the assumption of a constant store portfolio. Should more stores be closed in 2010 or 2011 than currently anticipated as a result of changing circumstances, this forecast will have to be adapted accordingly.

Over the course of 2009, the Max Bahr brand has invested in revising its assortments and building up its service packages. As experience with new offerings has been positive to date, Max Bahr is forecasting a stable sales performance after adjustment for selling space in the sluggish market of 2010. This will be helped by the fact that Max Bahr has also further increased the share of its private labels in its assortments. Furthermore, Max Bahr is anticipating additional sales potential from the opening of new locations. The store opened in Regensburg at the end of 2009 will contribute fully to sales from 2010. A slight increase in sales on a like-for-like basis will then be realistic in the following year.

There are also prospects for an improvement in the earnings quality of both brands as procurement prices are expected to stick at a low level for the time being. However,

this expectation is partly dependent on whether commodities prices remain favourable and whether the euro retains its strength against the dollar. Against this background, a significant increase in operating earnings will be possible in Germany in both 2010 and 2011. The profitability of the Praktiker brand in Germany is expected to recover considerably and head back towards an EBITA margin of one to two percent by 2011. Max Bahr should also be able to keep its earnings power at the 2009 level.

International operations: the pioneer establishes itself

In part, the overriding conditions on the international markets are very different to those in Germany. One key difference is that these markets are far from the saturation levels. The need for renovation and modernisation is still high in Eastern Europe in particular after decades of systematic neglect of private property. People's desire to bring their standards of living in line with western Europe is correspondingly high.

While Praktiker has now grown out of its role as pioneer in the countries of Eastern Europe, the competitive landscape has picked up and the pioneer advantage of recent years is increasingly diminishing. From its pioneering years Praktiker has developed the strength of a brand known throughout the country as standing for solution expertise, advice and high-quality products. This position offers attractive opportunities for shaping the future. The store network is scheduled to grow further so that customers have even less far to go. The goods on offer and the assortment structure are also adapting to changing trends in demands. In broad terms this means that ranges of building materials and chemicals are getting smaller and the ranges in the sanitary goods, flooring, decoration and garden equipment areas are growing more. Consumers in Eastern Europe have become much more price-sensitive as a result of the economic crisis. Praktiker intends to make the best of this opportunity by expanding its offering of private labels – a goal that has therefore been put near the top of the agenda. The transfer of the brand image to the private label should be even easier here than in Germany as Praktiker is already known and enjoyed throughout Eastern Europe as a quality provider.

Following the sharp slump in sales in 2009, the Praktiker Group is forecasting sales growth again in its international operations in the coming years as the economies recover and exchange rates continue to stabilise. There will also be the additional sales contribution of the new stores opened in 2009 and those scheduled to open in 2010. On the basis of these factors, sales are expected to rise not just in absolute figures over the next two years but after adjustment for selling space as well.

Praktiker expects the potential demand for DIY industry products to remain high and attractive in the coming years. It will therefore be investing more in new stores again from 2010 and thereby consolidate or even expand its leading

market position. The longer some competitors put their own expansion plans on ice the more successful this will be. There are plans for six new stores focusing on countries that Praktiker believes will recover fastest from the economic crisis like Poland and Romania or on countries where the existing market leadership can be further expanded like Greece. Even though the planning for 2011 is not yet binding, a further, even stronger expansion of the store portfolio can be expected. Should an opportunity arise to acquire existing locations of other providers, this would be considered as an alternative to purely organic growth.

In planning new locations Praktiker is still using a store concept based on two modules: in addition to standard stores with a selling space of around 6,500 to 8,500 square metres a compact format has also been developed for around 4,000 square metres. This concept enables the company to be represented in smaller catchment areas or more sparsely populated regions. This is a key feature that differentiates Praktiker from competitors that operate only large-scale stores and therefore an advantage when competing for customers.

Margins come before sales in international business as well. However, it would be foolish to just hope that business will pick up by itself as the economies recover. This is why efforts to strengthen the gross profit margin and lower costs will also continue outside Germany.

The decision to bundle the purchasing volumes of foreign stores as much as possible in a central procurement organisation will trigger its first synergy effects as early as 2010. In the international business too, one target is to achieve a greater penetration of private labels in the assortments. To date they account for only a very small portion of goods and services. A first step was taken in this direction in 2009 when paint was offered in Greece and Albania under the Praktiker private label.

Under these circumstances, operating earnings outside Germany will rise again in both 2010 and 2011. Given optimistic assumptions and a further appreciation of the Eastern European currencies against the euro, past earnings power could even be regained in a period of two years.

Keeping capital expenditure stable

From the current perspective – and before considering future decisions arising from “Praktiker 2013” – the Praktiker Group intends to keep capital expenditure in 2010 and 2011 at the 2009 level. However, the focus of investment activities will shift compared to 2009. There are plans to open more new stores again in international operations. This will require higher capital expenditure than in 2009. Investment focus will also be on the IT infrastructure and the IT needed for improved processes. However, capital expenditure in German locations (extension, modernisation, conversion to Easy-to-Shop) will probably be lower in 2010 and 2011 than in 2009. The intention is to finance all capital expenditure from cash flow.

No financing requirements before September 2011

Increased earnings, improved working capital and relatively restrained capital expenditure planning create the scope for an increase in operating cash flow and in cash and cash equivalents. Thus, the conditions will be established to pay back a portion of the convertible bonds from own funds when it matures in September 2011. If this is not possible in full or seems unreasonable for other reasons, Praktiker will ensure follow-up finance at the appropriate time. Until then the Group has no further refinancing requirements according to current plans.

Net financial result getting better, tax rate falling

The net financial result reacts erratically to exchange rate changes in Eastern European currencies. If the zloty, leu, forint and Turkish lira appreciate in the coming years as anticipated or at least remain stable, the net financial result will be spared negative currency effects and could even benefit from positive ones. If one also assumes that interest rates around the world will rise over time – a realistic assumption given the current generous supply of cash by central banks – this should also benefit interest income on cash and cash equivalents, invested in the short-term money markets. As financial liabilities will remain unchanged and have a fixed interest rate, an ongoing improvement in the net financial result fits with the expected set of general conditions.

As earnings start to rise the tax rate will gradually return to a normal level of 30 percent or slightly higher.

Criteria of dividend policy unchanged

The dividend policy of the Praktiker Group will in future be based on the same criteria that have played a key role in decision-making to date. As always, the aim is to find a reasonable balance between the expectations of the capital markets, the desire for as great a degree of continuity as possible, the current business situation, the expected financing requirements and the debt situation.

Management continues to be based on EVA

The key control parameter and, at the same time, the crucial criterion for the value-based management of the Praktiker Group is economic value added (EVA®). EVA responds to changes in operating earnings and in capital intensity. The measures described above should help to improve operating earnings. However, Praktiker is still aiming to reduce its capital employed over the next two years. To this end, inventories will be optimised further, inventory turnover accelerated and payment conditions improved.

Total planning pervaded by flexibility

Basing planning on guidelines should not be mistaken for rigidity. It is therefore a deliberate component of the strategy of the Praktiker Group to always have the necessary flexibility and courage to change plans if they prove unrealistic or no longer practical. Management therefore attaches great importance to keeping the period between planning and execution as short as possible. Among other things, this means keeping expense positions as flexible as possible, planning capital expenditure at short notice in line with operating cash flow and always maintaining liquidity at a high level/ or having sufficient access to the capital market to leverage opportunities to acquire valuable assets at any time. For management it is also of great importance not to allow today's decisions to compel it to follow a predetermined path of development but instead to always have the flexibility to deviate from this path if the overall economic situation or the industry environment develops differently from current expectations.

The desire for a high level of flexibility is largely due to the characteristics of the sector in which the Praktiker Group operates. Sales in retail can depend on rapidly changing consumer behaviour. The retail sector does not have a reliable economic indicator for the future development of sales and earnings as there is no lead-time before customer orders, no long production times and no income stream from ongoing service agreements.

Summary

If the expectations for the business development of Praktiker Germany, Max Bahr and the international business are correct, consolidated sales can be expected to rise again slightly in 2010 and then more noticeably in 2011.

Operating earnings before extraordinary factors, mainly from the programme “Praktiker 2013” should increase much more strongly and again reach a three digit million amount in 2011 at the latest.

As uncertainty regarding economic developments is still high, Praktiker is striving to remain as flexible as possible in the next two years to adjust its expenses and investments in line with current business developments in the short term and to maintain a stable financial position.

The effects that may arise in connection with the “Praktiker 2013” programme have not been taken into consideration in this overall assessment.

“Praktiker 2013” – programme for long-term earnings increase launched

The “Praktiker 2013” programme is a comprehensive endeavor to optimise the positioning of brands, to increase customer loyalty further, to improve the product on offer in order to be better aligned with the respective value propositions, and to improve all internal processes concerning merchandise management and logistics. Its purpose is to bundle all the initiatives that had already been set up to improve the earnings situation and to develop additional initiatives. “Praktiker 2013” is designed as a far-reaching transformation programme covering the entire Group with the aim of stabilising the market share and enhancing earnings. The central importance of this programme to the Praktiker Group can be derived from the fact that the Chairman of the management board has taken direct responsibility for it.

The necessary changes also entail expenses. Moreover, decisions are expected that may require certain lead costs or investments in the years 2010, 2011 or beyond. The aim of these measures will be to sustainably increase the Group’s earnings power and to do so as quickly as possible. It can therefore also be expected that 2010 and, to a greater degree, 2011 will profit from a number of optimisation activities. However, the anticipated effects on sales, expenses and earnings have not yet been specifically defined or individually quantified. They have therefore not been included in the outlook described. But the stated aim of these activities is to sustainably increase the earnings power of the Group.

The first stage of the programme focuses on the Praktiker brand in Germany as the potential for earnings improvement is the greatest here given the current weakness in 2009. So far, the development of Praktiker Germany’s business model was continued as part of the programme: Praktiker Germany is intended to rise from being just the price leader to being the “value for money leader” over the coming years. For customers this means that prices will be better and service and product quality will be as good as competitors’. The core value of the brand will therefore be retained but it will be developed further with by focussing more on quality.

The starting shot for project work was fired in January 2010. Among other things this includes:

- the further development of the price, promotion and marketing strategy,
- making shopping easier still for customers,
- increasing the availability of core products and services,
- improving processes in logistics, in stores and in administration,
- considering new distribution channels, e.g. an online shop,
- revising assortments and increasing the share of private labels,
- further centralising procurement,

- enhancing the efficiency of the corporate organisation and management and
- reducing the heterogeneity of the store network.

Eight individual projects have been derived from these goals and a member of the management board and a division head are responsible for each of them. Each of the projects is also broken down into up to six sub-projects.

Within the projects and sub-projects measures are being developed to achieve the prescribed improvements in sales, the gross profit margin or the expense lines – each with a different weighting and different main thrust. It is clear, for example, that the “purchasing” project aims to improve the gross profit margin, that the “central functions” project is primarily geared towards more efficient and more effective processes and that the “sales efficiency” project largely focuses on increasing sales. In turn, a project such as “logistics, supply chain, IT” combines all three aspects: sales, margin and expenses.

The projects and sub-projects are assigned highly specific tasks detailed in circulars. They are steered, guided and controlled by a new programme office that systematically tracks all the measures introduced with the help of special controlling tools and monitors them through to implementation. This has created a homogeneous project landscape that will be extended throughout the Group over the first half of the year to also include Max Bahr and international operations.

Sub-projects will devise new approaches to inventory management and logistics, merchandise management and the harmonisation of processes in the Group before the end of this year that will bring appreciable synergies and cost savings in future. The exact impact of these measures cannot be quantified yet. The management of the Praktiker Group is prepared to invest in these processes if a positive return can be expected in the medium term.

The aim of this programme is also unmistakably clear. By 2013 at the latest, all parts of the Group must again achieve an EBITA margin in line with what the company has already achieved in the past. At Praktiker in Germany this means an EBITA margin of 3.x percent, at Max Bahr a minimum of 4.x percent and internationally an EBITA margin of 6.x percent.

REPORT ON SUBSEQUENT EVENTS

Key events that would have had a significant impact on income, financial and asset position of Praktiker Group did not occur after the end of the financial year under review.



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**CONSOLIDATED INCOME STATEMENT FOR THE FINANCIAL YEAR
FROM 1 JANUARY TO 31 DECEMBER 2009**

in € thousands	2009	2008	Note/Page
Net sales	3,663,401	3,906,776	1/95
Cost of goods sold	-2,471,389	-2,592,684	2/95
Gross profit on sales	1,192,012	1,314,092	
Other operating income	69,720	77,522	3/95
Selling expenses	-1,126,802	-1,187,537	4/96
Administrative expenses	-70,542	-74,821	5/96
Other operating expenses	-1,604	-481	6/96
Operating earnings (EBITA)	62,784	128,775	
Financial income	22,689	36,479	
Financial expenses	-66,994	-85,796	
Net financial result	-44,305	-49,317	7/97
Earnings before taxes	18,479	79,458	
Income taxes	-27,826	-75,027	8/98
Group net loss/income	-9,347	4,431	
thereof allocable to minority interests	1,219	1,085	9/99
thereof allocable to owners of the company	-10,566	3,346	
	-9,347	4,431	

Earnings per share (€)			10/99
Basic earnings per share	-0.18	0.06	
Dilutive effect	-	-	
Diluted earnings per share	-0.18	0.06	

Previous year partly adjusted (see page 73 et seq.)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

in € thousands	31/12/2009	31/12/2008	01/01/2008	Note/Page
Non-current assets				
Goodwill	192,682	192,682	192,682	15/104
Other intangible assets	70,646	71,027	68,943	15/104
Property, plant and equipment	493,892	495,790	469,677	16/106
Other financial assets	12	14	122	19/112
Other receivables and other assets	12,481	6,875	6,541	20/113
Deferred income tax assets	149,014	162,928	215,329	21/113
	918,727	929,316	953,294	
Current assets				
Inventories	806,784	888,271	809,686	22/115
Trade receivables	14,431	16,282	24,993	23/115
Other receivables and other assets	76,629	77,178	89,255	20/113
Income tax receivables	3,091	1,969	1,420	24/115
Cash and cash equivalents	262,977	233,321	270,769	25/116
	1,163,912	1,217,021	1,196,123	
Total assets	2,082,639	2,146,337	2,149,417	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

in € thousands	31/12/2009	31/12/2008	01/01/2008	Note/Page
Equity				26/116
Share capital	58,000	58,000	58,000	
Reserves	711,348	703,926	705,231	
Balance sheet profit	107,634	135,669	170,567	
	876,982	897,595	933,798	
Minority interests	1,621	1,503	1,504	
	878,603	899,098	935,302	
Non-current liabilities				
Provisions for pensions	721	726	695	27/119
Other provisions	53,458	58,665	49,666	28/122
Financial commitments	442,636	406,087	400,974	29/123
Other liabilities	5,805	6,068	7,516	30/124
Deferred income tax liabilities	110,929	112,786	111,241	31/125
	613,549	584,332	570,092	
Current liabilities				
Other provisions	31,121	34,268	42,938	28/122
Financial commitments	17,077	16,517	16,851	29/123
Trade payables	457,610	519,402	463,806	32/125
Other liabilities	75,459	82,609	105,534	30/124
Current income tax liabilities	9,220	10,111	14,894	33/125
	590,487	662,907	644,023	
Total equity and liabilities	2,082,639	2,146,337	2,149,417	

Previous year consolidated statement of financial position partly adjusted (see page 73 et seq.)

STATEMENT OF COMPREHENSIVE INCOME

in € thousands	2009	2008
Group net loss/income	-9,347	4,431
Loss from currency translation recognised directly in equity	-4,360	-13,059
Gain/loss from cash flow hedges recognised directly in equity (after taxes)	113	-390
Other comprehensive income	-4,247	-13,449
Comprehensive income	-13,594	-9,018
thereof allocable to minority interests	1,219	1,085
thereof allocable to owners of the company	-14,813	-10,103
	-13,594	-9,018

Previous year partly adjusted (see page 73 et seq.)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in € thousands	Share capital	Capital reserves	Other reserves				Balance sheet profit	Owners of the company	Minority interests	Total equity
			Other comprehensive income			Total				
			Currency translation	Cash flow hedges (after taxes)	Sundry other reserves					
31/12/2007	58,000	822,685	-665	0	-116,789	-117,454	176,707	939,938	1,504	941,442
Correction according to IAS 8						-6,140	-6,140			-6,140
31/12/2007 adjusted	58,000	822,685	-665	0	-116,789	-117,454	170,567	933,798	1,504	935,302
Transactions directly recognised in equity			-13,059	-390		-13,449		-13,449		-13,449
Payments to owners of the company						-26,100	-26,100			-26,100
Allocation to other revenue reserves					12,144	12,144	-12,144	0		0
Payments to minority interests								-1,102		-1,102
Group net income							6,052	6,052	1,085	7,137
Correction group net income according to IAS 8							-2,706	-2,706		-2,706
Other changes in minority interests									16	16
31/12/2008	58,000	822,685	-13,724	-390	-104,645	-118,759	135,669	897,595	1,503	899,098
Transactions directly recognised in equity			-4,360	113		-4,247		-4,247		-4,247
Payments to owners of the company						-5,800	-5,800			-5,800
Allocation to other revenue reserves					11,669	11,669	-11,669	0		0
Payments to minority interests								-1,101		-1,101
Group net loss							-10,566	-10,566	1,219	-9,347
31/12/2009	58,000	822,685	-18,084	-277	-92,976	-111,337	107,634	876,982	1,621	878,603

CONSOLIDATED CASH FLOW STATEMENT

in € thousands	01/01 – 31/12/2009	01/01 – 31/12/2008	Note/Page
Earnings before taxes	18,479	79,458	
Depreciation and amortisation (+) / Reversal of impairment losses (-)	66,312	70,502	
Decrease (in previous year increase) in provisions	-8,359	360	
Loss from the disposal of fixed assets	1,065	15	
Exchange-rate-related effects	4,710	6,871	
Decrease (in previous year increase) in inventories	81,486	-78,585	
Decrease (in previous year increase) in trade payables	-61,792	55,595	
Other non-cash transactions	531	-5,868	
Changes in current other assets and liabilities	-4,634	-2,138	
Changes in non-current other assets and liabilities	-5,868	-1,782	
Income taxes paid	-19,427	-22,197	
Interest expenses from finance leases	-25,248	-25,618	
Interest result	33,635	26,077	
Interest received	2,370	9,313	
Cash flow from operating activities	83,260	112,003	34a/126
Proceeds from disposals of fixed assets	92	2,400	
Cash outflow for investing activities	-71,139	-100,455	
Cash flow from investing activities	-71,047	-98,055	34b/126
Interest paid	-6,104	-4,925	
Payments to minority interests	-1,101	-1,102	
Payments to owners of the company	-5,800	-26,100	
Principal of liabilities from finance leases	-16,483	-16,328	
Received payments from promissory note loans	50,000	0	
Repurchases of convertible bonds	-2,149	0	
Cash flow from financing activities	18,363	-48,455	34c/127
Change in cash and cash equivalents (aggregated)	30,576	-34,507	
Effect of foreign exchange rate changes	-920	-2,941	
Cash and cash equivalents at beginning of period (aggregated)	233,321	270,769	
Cash and cash equivalents at end of period (aggregated)	262,977	233,321	34d/127

Previous year partly adjusted (see page 73 et seq. and page 126)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Introductory remarks

Praktiker Bau- und Heimwerkermärkte Holding AG (“Praktiker Holding AG”) is a stock corporation under German law and is based in Kirkel, Saarland, Federal Republic of Germany. The responsible central register court is located in Saarbrücken. Praktiker Holding AG and its subsidiaries (together the “Praktiker Group”) operate as a supplier with a full assortment in the do-it-yourself market, offering goods for the areas of construction, renovation, home repairs, home improvement, gardening and leisure. Currently the Praktiker Group operates in Germany and nine other countries, primarily in eastern and south-eastern Europe.

The shares of Praktiker Holding AG have been traded publicly since November 2005 (entering into the MDAX in March 2006).

The financial year corresponds to the calendar year. The consolidated financial statements have been drawn up in € thousand.

The items shown in the statement of financial position differentiate between non-current and current assets and liabilities, which are set out partly in detail in the notes to the financial statements. The income statement was prepared using the cost of sales format.

Due to rounding, there may be slight variations in the current report in totals and in calculating percentage figures.

On 17 March 2010, these consolidated financial statements for the financial year from 1 January to 31 December 2009 are to be submitted by the management board to the supervisory board of Praktiker Holding AG after their preparation for acceptance and publication.

Accounting principles

Basic comments

The consolidated financial statements of Praktiker Holding AG were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, which have been adopted under Articles 2, 3 and 6 of the Regulation (EC) No. 1606/2002 of the European Parliament and the European Council of July 19, 2002 and the complementary commercial regulations according to Sec. 315a para. 1 HGB (German Commercial Code).

The regulations of the International Financial Reporting Standards (IFRS) that were applied – under consideration of the aforementioned regulation (EC) – were those that were obligatory as per the balance sheet date of 31 December 2009.

The consolidated financial statements were drawn up on the basis of historical costs, supplemented via the market valuation of financial assets available for sale as well as via the valuation at fair value through profit or loss of financial assets and financial liabilities (including derivative financial instruments).

Standards, interpretations and amendments issued requiring mandatory application in 2009

The following standards, interpretations and amendments to existing standards require mandatory application for the first time for reporting periods which begin on 1 January 2009:

IFRS 1 (amended), “First-time adoption of International Financial Reporting Standards”, and IAS 27 (amended), “Consolidated and Separate Financial Statements”: The change makes it possible for companies to determine the costs of an investment either in the amount of the fair value or the carrying amount in line with the previously applied national accounting regulations when using IFRS for the first time in their IFRS individual financial statements. The obligation to write down purchase costs for distribution of retained earnings that were set up before the acquisition of the shares was also removed from IAS 27.

IFRS 2 (amended), “Share-based Payment”: The change makes it clear that vesting conditions are only success-linked and performance-linked conditions. Other elements of a share-based remuneration are not vesting conditions. The change also clarifies that cancellations made by parties other than the company must be presented in the same way as cancellations made by the company.

IFRS 7 (amended), “Financial Instruments: Disclosures”: The changes stipulate that more detailed information on the valuation of financial instruments at fair value and on liquidity risks must be provided. In particular, a three-level hierarchy is introduced for disclosures on fair value, upon which the extent of additional disclosure requirements depends. The change in IFRS 7 resulted in additional disclosures in these notes to the financial statements.

IFRS 8 (new), “Operating Segments”: The standard replaces IAS 14, “Segment Reporting”, and requires segment information to be published on the same basis as that used for internal reporting to the entity’s chief operating decision makers. The application of IFRS 8 led to an increase in reportable segments at the Praktiker Group and changes/additions to information in the notes to the financial statements.

IAS 1 (revised), “Presentation of Financial Statements”: The change relates primarily to the presentation of the income and expenses recognised directly in equity. These components of the result are now to be shown in a reconciliation from the result according to the income statement to the comprehensive result of the relevant period. Such a reconciliation is included in the current annual report on page 66. Furthermore, the revised standard requires the separate disclosure of changes in a company’s equity resulting from transactions with owners and includes increased disclosure requirements.

IAS 23 (revised), “Borrowing Costs”: The revised standard requires the mandatory capitalisation as a portion of the acquisition or production costs of the external capital costs that can be attributed to a qualified asset. Previously, this was optional. This did not have any effect on these notes to the financial statements. However, in the future there could be individual cases of capitalising borrowing costs as a result of this change in methods.

IAS 32 (amended), “Financial Instruments: Presentation” and IAS 1 (amended), “Presentation of Financial Statements”: The changes mainly relate to issues surrounding the definition of equity and credit and allow, under certain circumstances, deposits not previously classified as equity to be reported in equity. These include, for example, shares in partnerships and cooperatives.

IFRIC 9 (amended), “Reassessment of Embedded Derivatives” and IAS 39 (amended), “Financial Instruments: Recognition and Measurement”: The change in IFRIC 9 requires an assessment of whether an embedded derivative must be separated from the host contract if a company reclassifies a hybrid financial asset from the category of financial instruments recognised at fair value through profit and loss. IAS 39 states that in cases where the fair value of an embedded derivative cannot be reliably determined, the entire structured instrument must remain classified as recognised at fair value through profit and loss. The change in the standard clarifies that an assessment of embedded derivatives is also mandatory when financial assets are reclassified.

IFRIC 13 (new), “Customer Loyalty Programmes”: IFRIC 13 clarifies that sales of goods and services in connection with a customer loyalty programme are to be considered as multiple element agreements. Benefits granted to customers are to be reported as sales in their own right measured at fair value, separately from the transaction in connection with which they were granted. The fair value attributed to the loyalty award credits is to be deferred and recognised as income in the period in which the loyalty award credits are redeemed. The clarification by IFRIC did not have any material impact on these consolidated financial statements, since a corresponding deferral of sales revenues had taken place previously.

IFRIC 14 (new), “IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”: IFRIC 14 provides general guidelines for determining the upper limit of the surplus amount of a pension fund that can be carried as an asset in accordance with IAS 19. The interpretation also explains how statutory or contractual minimum funding requirements can impact on planned assets or liabilities.

In May 2008, the IASB also published a collective standard to change various standards with the main aim of eliminating inconsistencies and clarifying formulations. This improvement process gave rise to changes to the following standards:

Standard/ Interpretation	Title	Applicable for reporting periods from
IFRS 7	Financial Instruments: Disclosures	01/01/2009
IAS 1	Presentation of Financial Statements	01/01/2009
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	01/01/2009
IAS 10	Events after the Reporting Period	01/01/2009
IAS 16	Property, Plant and Equipment	01/01/2009
IAS 18	Revenue	01/01/2009
IAS 19	Employee Benefits	01/01/2009
IAS 20	Accounting for Government Grants and Disclosures of Government Assistance	01/01/2009
IAS 23	Borrowing Costs	01/01/2009
IAS 27	Consolidated and separate Financial Statements	01/01/2009
IAS 28	Investments in Associates	01/01/2009
IAS 29	Financial Reporting in hyperinflationary Economies	01/01/2009
IAS 34	Interim Financial Reporting	01/01/2009
IAS 36	Impairment of Assets	01/01/2009
IAS 38	Intangible Assets	01/01/2009
IAS 39	Financial Instruments: Recognition and Measurement	01/01/2009
IAS 40	Investment Property	01/01/2009
IAS 41	Agriculture	01/01/2009

Unless otherwise indicated for the individual changes, the application of the new and amended standards and interpretations has no significant effect on the asset, financial and income position or the cash flow of the Praktiker Group.

Standards, interpretations and amendments issued which do not yet require mandatory application and which have already been adopted by the EU

The following standards, interpretations and amendments to existing standards were published by the IASB and have already been adopted by the EU (as at 31 December 2009). However, they only require mandatory application for later reporting periods. The date indicated in brackets refers to the beginning of the relevant financial year. The company decided to refrain from exercising its right of choice in respect of the premature application of the above for the current consolidated financial statements.

IFRS 1 (revised and effective from 1 January 2010), “First-time adoption of IFRS”: The change relates exclusively to the formal structure of the standard. The general and specific regulations of the standard are separated from one another in order to improve understandability and to allow future changes to be included more easily.

IFRS 3 (revised and effective from 1 July 2009), “Business Combinations” and IAS 27 (revised), “Consolidated and Separate Financial Statements”: The application of the purchase method in the case of business combinations is subject to new regulation in the revised IFRS 3. The main reforms relate to the measurement of minority shares, the recognition of successive company acquisitions and the treatment of contingent purchase price components and ancillary purchase costs. According to the new regulations, the minority shares are measured either at fair value (full goodwill method) or at the fair value of the pro rata identifiable net assets. For successive company acquisitions, this would be a revaluation recognised in profit or loss at the fair value of the shares held at the time of the transfer of control. An adjustment of contingent purchase price components reported at the time of the acquisition as a liability must in future be recognised in income. Ancillary purchase costs are recognised as an expense at the time they occur. The changes in IAS 27 lead in particular to changes regarding transaction costs with minority interests and losses attributable to minority interests in the consolidated financial statements. The Praktiker Group will apply IFRS 3 (revised) prospectively for all business combinations from 1 January 2010. The same applies for IAS 27 (revised) with regard to potential transactions with non-controlling interests.

IFRS 5 (amended as part of the 2008 improvement process and effective from 1 July 2009), “Non-current Assets Held for Sale and Discontinued Operations” (and resulting changes to IFRS 1, “First-time Adoption of IFRS”): If a subsidiary is held for sale, all assets and liabilities must be classified as held for sale in line with IFRS 5, even if the company wishes to retain a share in the subsidiary without a controlling influence after the sale. If this subsidiary fits the definition of discontinued operations, corresponding information must be disclosed. A resulting change to IFRS 1 states that these changes must be applied prospectively from the time of the transition to IFRS. The Praktiker Group will apply IFRS 5 (amended) prospectively for all partial disposals of subsidiaries from 1 January 2010.

IAS 32 (amended and effective from 1 February 2010), “Financial Instruments: Presentation”: If a company grants subscription rights, options or warrants for a fixed number of its own shares in a currency other than its functional currency, these rights were previously to be recognised as financial liabilities. The IASB has supplemented IAS 32 to the effect that subscription rights, options and warrants for a fixed number of own shares against a fixed amount in any currency must be reported as equity instruments, provided these are granted proportionately to all existing shareholders of the same class.

IAS 39 (amended and effective from 1 July 2009), “Financial Instruments: Recognition and Measurement”: The change specifies how the principles of hedge accounting given in IAS 39 are to be applied to particular matters. For example, inflation risks can be hedged only if payments are linked directly to an inflation index.

IFRIC 12 (new and effective from 1 April 2009), “Service Concession Arrangements”: This interpretation regulates the recognition and measurement of obligations and rights at service concession operators from so-called service concession arrangements.

IFRIC 15 (new and effective from 1 January 2010), “Agreements for the Construction of Real Estates”: The interpretation contains guidelines for when the sale of real estate falls within the scope of application of IAS 11 (“Construction Contracts”) and when it comes under IAS 18 (“Revenue”).

IFRIC 16 (new and effective from 1 July 2009), “Hedges of a Net Investment in a Foreign Operation”: IFRIC 16 clarifies what is to be regarded as a risk in the case of a hedge of a net investment in a foreign operation and where the hedging instrument for reducing this risk may be held within the Group.

IFRIC 17 (new and effective from 1 November 2009), “Distributions of Non-cash Assets to Owners”: IFRIC 17 regulates how a company will measure other assets as cash and cash equivalents that it transfers to the shareholders as a profit distribution. The dividend obligation must be recognised at the fair value of the net assets to be transferred. The difference between dividend obligation and the carrying amount of the asset to be transferred must be recognised in the income statement.

IFRIC 18 (new and effective from 1 November 2009), “Transfers of Assets from Customers”: The interpretation is applied in cases where a company receives from a customer an item of property, plant, and equipment in order to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). The regulations included in IFRIC 18 are relevant primarily to utilities.

The application of the new and amended standards and interpretations is not expected to have a significant effect on the asset, financial and income position or the cash flow of the Praktiker Group in the future.

Standards, interpretations and amendments issued which do not yet require mandatory application and which have not yet been adopted by the EU

The following standards, interpretations and amendments of existing standards have already been published by the IASB, but have not yet been adopted by the EU and only require mandatory application for later reporting periods (as at 31 December 2009).

IFRS 1 (amended and effective from 1 January 2010), “First-time adoption of IFRS”: The change introduces additional exceptions to the essentially mandatory retrospective application of all standards and interpretations applicable at the reporting date for the first IFRS financial statements.

IFRS 2 (amended and effective from 1 January 2010), “Share-based Payment”: The change clarifies the reporting of share-based remuneration in the Group. It specifies that a company which receives goods or services as part of a share-based remuneration agreement must report these, irrespective of which group company fulfils the associated obligation and of whether the obligation is fulfilled in shares or in cash. As part of the change to IFRS 2, the regulations of IFRIC 8, “Scope of IFRS 2”, and IFRIC 11, “IFRS 2 – Group and Treasury Share Transactions”, were integrated into the standard. The IASB has therefore withdrawn both interpretations.

IFRS 9 (new and effective from 1 January 2013), “Financial Instruments”: The new standard fundamentally changes the previous regulations on categorising and measuring financial instruments, with IFRS 9 currently limited exclusively to financial assets. It is intended to supplement IFRS 9 with new regulations on the classification and measurement of financial liabilities, the derecognition of financial instruments, impairment and hedge accounting in 2010. By the end of 2010, IFRS 9 is to be available in full to replace IAS 39.

IAS 24 (revised and effective from 1 January 2011), “Related Party Disclosures”: The change in the standard involved in particular fundamentally revising the definition of related parties and making adjustments regarding the definition of transactions requiring disclosure.

IFRIC 14 (amended and effective from 1 January 2011), “IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”: The changes are of relevance when a pension plan specifies a minimum funding requirement and the company makes advance contributions to this. In comparison to existing regulations, the economic benefit from advance contributions by the company which reduce future contributions on the basis of the minimum funding requirement is capitalised as an asset.

IFRIC 19 (new and effective from 1 July 2010), “Extinguishing Financial Liabilities with Equity Instruments”: The interpretation is applied in cases where the renegotiated terms and conditions of a financial liability allow the debtor to extinguish the financial liability in whole or in part by issuing its own equity instruments.

In 2009, too, the IASB published a collective standard to change various standards with the main aim of eliminating inconsistencies and clarifying formulations. The 2009 improvement process, which at present has not yet been adopted by the EU, will result in changes to the following standards:

Standard/ Interpretation	Title	Applicable for reporting periods from
IFRS 2	Share-based Payment	01/07/2009
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	01/01/2010
IFRS 8	Operating Segments	01/01/2010
IAS 1	Presentation of Financial Statements	01/01/2010
IAS 7	Statement of Cash Flows	01/01/2010
IAS 17	Leases	01/01/2010
IAS 18	Revenue	01/01/2010
IAS 36	Impairment of Assets	01/01/2010
IAS 38	Intangible Assets	01/07/2009
IAS 39	Financial Instruments: Recognition and Measurement	01/01/2010
IFRIC 9	Reassessment of embedded Derivatives	01/07/2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	01/07/2009

The application of the new and amended standards and interpretations which have not yet been adopted by the EU is not expected to cause significant changes in the asset, financial and income position or the cash flow of the Praktiker Group in the future.

Adjustment in accordance with IAS 8

The Praktiker consolidated financial statements and the Praktiker Group Management Report for the 2007 financial year were subject to random sampling (audit without particular cause) by the German Financial Reporting Enforcement Panel (FREP). This resulted in findings which triggered a notification requirement by the German Federal Financial Supervisory Authority in accordance with Sec. 37q para. 2 sent. 1 WpHG (German Securities Trading Act). The publication was made on 1 September 2009 in the electronic Federal Gazette and in the *Börsen-Zeitung* on 28 August 2009.

The findings of the FREP lead to differing measurements of individual balance sheet items in the 2007 consolidated financial statements. Essentially they relate to the first-time consolidation of Max Bahr Holzhandlung GmbH & Co. KG ("Max Bahr") as of 1 February 2007. The consolidated financial statements for the 2007 and 2008 financial years and the consolidated interim financial statements were thus changed in accordance with the regulations of IAS 8. They have only an immaterial impact on future consolidated financial statements.

The following findings were made, triggering an adjustment in accordance with the regulations of IAS 8:

- Inventories

In the context of the purchase price allocation in connection with the acquisition of Max Bahr, the measurement for inventories was € 10,776 thousand too low. As the goods acquired were entirely turned over in the course of the financial year, the measurement of the cost of goods sold was € 10,776 thousand too low in the 2007 income statement and the posted earnings before tax were correspondingly too high. The methodology used for measuring the merchandise acquired is not in accordance with IFRS 3. App B.16 (d).

- Leasing

When assessing the purchase price allocation from the acquisition of Max Bahr as of 1 February 2007, the measurement of leasing assets was € 6,098 thousand too low. The calculation of the value of the leasing assets was not in accordance with IFRS 3.36. Updating the leasing assets resulted in a measurement which was € 5,811 thousand too low as at 31 December 2007.

- Goodwill

As a result of the changed measurements of inventories and leasing assets, goodwill from the Max Bahr acquisition as of 1 February 2007 was too high. Considering tax effects, it was lower by a total of € 21,939 thousand.

- Income taxes

In the 2007 consolidated financial statements, tax expenses are too low and the deferred tax assets € 3,890 thousand too high, as expenses at Max Bahr were incorrectly considered in calculating tax expenses which was contrary to the regulations of IAS 12.12. In addition, the deferred tax expenses were € 2,214 thousand too low and the deferred tax assets were higher by the same amount, as deferred tax assets were recognised on a temporary difference which did not exist, contrary to the regulations of IAS 12.24. Furthermore, as of 31 December 2006, no deferred tax assets were recognised in connection with a provision for onerous rental contracts. As a result of the proportionate reversal of the subsequently posted deferred tax assets, tax expenses in 2007 were € 1,176 thousand too low and the deferred tax assets as well as the balance sheet profit as of 31 December 2007 € 9,103 thousand too low. This was an infringement of IAS 12.24.

The quantitative impacts of the adjustments on the financial statements are shown in the following tables:

Correction consolidated statement of financial position according to IAS 8

in € thousands	31/12/2008 before correction	Correction according to IAS 8	31/12/2008 after correction	01/01/2008 before correction	Correction according to IAS 8	01/01/2008 after correction
Assets						
Goodwill	214,621	-21,939	192,682	214,621	-21,939	192,682
Property, plant and equipment	490,292	5,498	495,790	463,866	5,811	469,677
Deferred income tax assets	153,654	9,274	162,928	203,567	11,762	215,329
Other non-current and current assets	1,294,937	0	1,294,937	1,271,729	0	1,271,729
Total assets	2,153,504	-7,167	2,146,337	2,153,783	-4,366	2,149,417
Equity and liabilities						
Equity	907,944	-8,846	899,098	941,442	-6,140	935,302
Deferred income tax liabilities	111,107	1,679	112,786	109,467	1,774	111,241
Other non-current and current liabilities	1,134,453	0	1,134,453	1,102,874	0	1,102,874
Total equity and liabilities	2,153,504	-7,167	2,146,337	2,153,783	-4,366	2,149,417

Correction consolidated income statement according to IAS 8

in € thousands	01/01 – 31/12/2008 before correction	Correction according to IAS 8	01/01 – 31/12/2008 after correction	01/01 – 31/12/2007 before correction	Correction according to IAS 8	01/01 – 31/12/2007 after correction
Cost of goods sold	-2,592,684	0	-2,592,684	-2,670,725	-10,776	-2,681,501
Gross profit on sales	1,314,092	0	1,314,092	1,274,273	-10,776	1,263,497
Selling expenses	-1,187,224	-313	-1,187,537	-1,151,493	-287	-1,151,780
Operating earnings (EBITA)	129,088	-313	128,775	115,964	-11,063	104,901
Earnings before taxes	79,771	-313	79,458	93,450	-11,063	82,387
Income taxes	-72,634	-2,393	-75,027	-69,790	-5,356	-75,146
Group net income	7,137	-2,706	4,431	23,660	-16,419	7,241
thereof allocable to minority interests	1,085	0	1,085	1,078	0	1,078
thereof allocable to owners of the company	6,052	-2,706	3,346	22,582	-16,419	6,163
	7,137	-2,706	4,431	23,660	-16,419	7,241

Earnings per share (€)						
Basic earnings per share	0.10	-0.04	0.06	0.39	-0.28	0.11
Dilutive effect	-	-	-	-	-	-
Diluted earnings per share	0.10	-0.04	0.06	0.39	-0.28	0.11

Scope of consolidated companies

a) General remarks

Besides Praktiker Holding AG, the consolidated financial statements comprise fourteen domestic subsidiaries (fourteen in the previous year) and twenty foreign subsidiaries (seventeen in the previous year) in which Praktiker Holding AG directly or indirectly holds the majority of voting rights.

Subsidiaries are all companies controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of a company while regularly holding a share of more than 50 percent of the voting rights. The assessment of whether a controlling position exists takes account of the existence and impact of such potential voting rights as are currently exercisable or convertible.

The results of subsidiaries are included in the consolidated financial statements (full consolidation) from the date on which control is transferred to the Group. They are deconsolidated as of the date on which control ceases.

b) Changes to the scope of consolidated companies

The following changes occurred to the scope of consolidated companies of the Praktiker Group over the reporting year:

On 13 February 2009, BMH Baumarkt Holding GmbH, Kirkel, decided to establish the wholly-owned subsidiary Praktiker DIJ DOOEL, Skopje (Macedonia). The company was founded on 30 March 2009, paying capital of € 5,000. The main purpose of the company is sales of DIY/hardware store products.

On 13 February 2009, Praktiker Grundstücksbeteiligungsgesellschaft mbH, Kirkel, decided to establish the wholly-owned subsidiary Praktiker RES DOOEL, Skopje (Macedonia), which took place on 30 March 2009. The share capital of Praktiker RES DOOEL totals € 5,000. The main purpose of the company is the leasing, acquisition and sale of land and buildings.

By memorandum of association dated 18 May 2009, Praktiker Real Estate Polska Sp. z o.o., Warsaw (Poland) was founded in which Praktiker Grundstücksbeteiligungsgesellschaft mbH, Kirkel, holds a 99 percent stake and BMH Baumarkt Holding GmbH, Kirkel, a 1 percent stake. The share capital of Praktiker Real Estate Polska Sp. z o.o. totals PLN 5,000. The main purpose of the company is the leasing, acquisition and sale of land and buildings.

At the Extraordinary General Meeting of Praktiker Bau- und Heimwerkermärkte AG on 28 July 2009, it was resolved to transform Praktiker Bau- und Heimwerkermärkte AG into a limited liability company. The company is now called "Praktiker Deutschland GmbH". The relevant entries were recorded in the commercial register on 11 September 2009.

At the Shareholders' Meeting of Küchen DIY-Vertriebs GmbH, Kirkel on 1 October 2009, it was decided to change the name and purpose of the company. The company is now called Max Bahr Objektgesellschaft mbH. The main purpose of the company is the acquisition of land and the construction of buildings by third parties, as well as the administration, renting and leasing of this property. The changes were entered in the commercial register on 5 November 2009.

The following overview shows the scope of consolidated companies in the consolidated financial statements of Praktiker Holding AG as per 31 December 2009:

Name and location of the company	Share of equity
Germany	31/12/2009
Praktiker Bau- und Heimwerkermärkte Holding AG, Kirkel	100.00 %
Praktiker Deutschland GmbH, Kirkel	100.00 %
Praktiker Services GmbH, Kirkel	100.00 %
Max Bahr Holzhandlung GmbH & Co. KG, Hamburg	100.00 %
Praktiker GmbH, Kirkel	100.00 %
Praktiker Baumärkte GmbH, Kirkel	100.00 %
Praktiker Vierte Baumärkte GmbH, Kirkel	100.00 %
BMH Baumarkt Holding GmbH, Kirkel	100.00 %
Calixtus Grundstücksverwaltungsgesellschaft mbH, Kirkel	94.81 %
KIG GmbH, Kirkel	100.00 %
Praktiker Grundstücksbeteiligungsgesellschaft mbH, Kirkel	100.00 %
MAX der kleine Baumarkt GmbH, Hamburg	100.00 %
Antenor Vermögensverwaltungsgesellschaft mbH, Hamburg	100.00 %
Praktiker Objektgesellschaft mbH, Kirkel	100.00 %
Max Bahr Objektgesellschaft mbH, Kirkel	100.00 %
International	
Praktiker Finance B. V., Amsterdam (Netherlands)	100.00 %
Bätiself S.A., Foetz-Mondercange (Luxembourg)	62.00 %
Praktiker HELLAS A.E., Tavros (Greece)	100.00 %
Praktiker Polska Sp. z o.o., Warsaw (Poland)	100.00 %
Praktiker Ungarn Kft., Budapest (Hungary)	100.00 %
Praktiker Romania S.R.L., Voluntari (Romania)	100.00 %
Praktiker EOOD, Sofia (Bulgaria)	100.00 %
Praktiker Yapi Marketleri A.S., Istanbul (Turkey)	100.00 %
Praktiker Ukraine TOV, Kiev (Ukraine)	100.00 %
Praktiker Albanien Sh.p.k., Tirana (Albania)	100.00 %
Praktiker Moldova SRL, Chisinau (Moldova)	100.00 %
Praktiker DIJ DOOEL, Skopje (Macedonia)	100.00 %
Praktiker International AG, Chur (Switzerland)	99.99 %
Praktiker Group Buying HK Ltd., Hong Kong (China)	100.00 %
Praktiker Real Estate Polska Sp. z o.o., Warsaw (Poland)	100.00 %
Praktiker Real Estate Kft., Budapest (Hungary)	100.00 %
Praktiker Real Estate Romania S.R.L., Voluntari (Romania)	100.00 %
Praktiker Real Estate EOOD, Sofia (Bulgaria)	100.00 %
Praktiker Real Estate Moldova SRL, Chisinau (Moldova)	100.00 %
Praktiker RES DOOEL, Skopje (Macedonia)	100.00 %

No stakes in associated companies were held during the reporting period.

Consolidation principles

The financial statements of German and foreign group companies included in the consolidated financial statements are prepared according to uniform accounting methods pursuant to IAS 27.

The acquisition of subsidiaries is accounted for using the purchase method. The cost of acquisition equates to the fair value of assets provided, equity instruments issued and liabilities incurred or assumed on the date of exchange plus any costs directly attributable to the acquisition. In the context of a corporate merger, identifiable assets, liabilities and contingent liabilities are recognised at their fair values on the acquisition date, irrespective of the size of the minority interests. The surplus of the purchase cost of the acquisition over the Group's interest in the net assets recognised at fair value is reported as goodwill. If the purchase costs are less than the net assets of the subsidiary acquired recognised at fair value, the difference impacts directly on the income statement.

Goodwill must be tested for impairment regularly once a year – or more frequently if changes in circumstances indicate a possible impairment – and, if applicable, written down to the lower recoverable amount.

Intra-group profits and losses, sales revenues, expenses and income as well as receivables and payables or liabilities among consolidated subsidiaries are eliminated. Third-party liabilities are consolidated to the extent that the prerequisites for such consolidations are met. The accounting and valuation methods applied by subsidiaries were amended, where necessary, in order to guarantee standard accounting practices.

Currency translation

a) Functional currency and reporting currency

The consolidated financial statements are compiled in euro, the company's functional and reporting currency.

b) Transactions and balances

In the consolidated companies' separate financial statements, foreign currency transactions are translated at the rates of exchange prevailing on the dates of the transactions. Exchange differences incurred on the translation of receivables and liabilities up to the balance sheet date are recognised in equity. Gains and losses from exchange rate changes are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

c) Group companies

The year-end financial statements of such foreign subsidiaries that have a functional currency deviating from the (group) reporting currency are converted into euro as per the concept of functional currency in accordance with the provisions set out under IAS 21. As all consolidated companies run their businesses autonomously in financial, economic and organisational terms, the given national currency is the functional currency. The results and balance sheet items of all group companies with a functional currency differing from the euro are converted into euro as follows:

- Assets, liabilities and equity for each statement of financial position presented are translated at the closing rate as of the date of the statement of financial position concerned;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as separate items in equity under other reserves.

Goodwill and adjustments of the fair value arising from the acquisition of a foreign company are treated as assets and liabilities of the foreign company and translated at the exchange rate prevailing on the balance sheet date.

The exchange rates for currency translation of operating companies of the Praktiker Group which have a functional currency other than the euro developed as follows:

1 € =	Average exchange rate		Year-end exchange rate	
	2009	2008	31/12/2009	31/12/2008
Polish zloty	4.32590	3.51577	4.16800	4.13875
Hungarian forint	280.30095	251.61974	273.37000	266.06000
Romanian leu	4.23647	3.68301	4.23666	4.01540
Bulgarian lev	1.95583	1.95583	1.95583	1.95583
Ukrainian hryvnia	11.24898	7.70346	11.49690	10.81480
Turkish lira	2.16179	1.90754	2.16430	2.14680
Albanian leke	132.10888	122.75177	137.62000	124.02000

Accounting and measurement methods

The key accounting and valuation methods that were applied in the preparation of these consolidated financial statements are set out in the following. The described methods were applied consistently for the given reporting periods in the absence of any indications to the contrary.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of the acquisition.

After initial recognition, the goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. If the costs of the business combination are lower than the net fair value of the identifiable assets, liabilities and contingent liabilities, the remaining amount is recognised on the income statement.

Goodwill is tested for impairment once a year – or more frequently if changes in circumstances indicate a possible impairment – and, if applicable, written down to the recoverable amount. Impairment losses on goodwill may not be reversed.

To this end, the carrying amount is compared with the recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and its value in use. The determination of the value in use is calculated as the cash value of expected future cash flows. If the recoverable amount is lower than the carrying amount, the difference is written down.

The underlying planning period comprises three years. It is followed by a reconciliation to perpetuals. For goodwill accounting, the individual operating segments under IFRS 8 are treated as a cash-generating unit (CGU).

On disposal of a company, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Other intangible assets

a) Software

Acquired software licences are capitalised at the cost incurred in their acquisition plus the cost of implementation. These costs are amortised over their estimated useful lives (three to five years).

Costs relating to the maintenance of software are recognised as expenses at the time they arise. Development costs which are directly attributable to the development and review of identifiable, individual software products controlled by the Group are recognised as intangible assets if they meet the following criteria:

- The completion of the software products is technically feasible.
- The management intends to complete the software product and to use or sell it.
- There is an ability to use or sell the software product.
- It can be proven that the software product is likely to generate future economic benefits.
- Adequate technical, financial and other resources are available to complete the development and to use or sell the software product.
- The expenditure attributable to the software product during its development can be measured reliably.

The directly attributable costs chiefly include personnel costs.

Capitalised development costs for software are amortised over their estimated useful lives (max. five years).

b) Concessions, rights, licences, brand names

Concessions, rights, licences and brand names are recognised at cost plus the cost of implementation. They are measured at cost less cumulative amortisation. Depreciation is written off on a straight-line basis over the probable useful economic life of the item concerned, which lies between three and fifteen years. Borrowing costs are not capitalised. The acquired brand Max Bahr has an unlimited useful life and is tested for impairment every year.

In the reporting year, no costs for research and development were recognised as expense.

Property, plant and equipment

Tangible assets used in business operations for a period of more than one year are recognised at cost less scheduled, usage-based depreciation. The acquisition or production costs include direct costs. However, financing costs are not capitalised as part of acquisition or production costs.

Subsequent costs are recognised only as a portion of the acquisition or production costs of the asset or, where relevant, as a separate asset, if and when it is likely that the Group will draw future economic benefits from this and that the cost of the asset can be reliably determined. All other repair and maintenance costs are reported as expense during the fiscal year in which they arise.

The residual carrying amount and useful economic lives are examined at each financial year-end and adjusted if required. If there are any indications of impairment and if the recoverable amount is lower than the carrying amount, the assets are subjected to impairment charges. Impairment losses are reversed when indications for impairment no longer exist.

Land is not depreciated. All other assets are depreciated on a straight-line basis, whereby the acquisition and production costs are written down to the residual carrying amount over the expected useful life of the given asset as follows:

Useful life of property, plant and equipment	
Buildings	25 to 50 years
Plant, machinery and equipment	3 to 11 years
Fixtures, furniture and office equipment	3 to 11 years
Shop fittings	8 years
Vehicles	2 to 5 years

Leasehold improvements are written down over the respective rental contract duration.

Property, plant and equipment will be derecognised either when disposed of or when no more economic use is expected from further use or sale of the asset. Gains and losses from asset disposals are determined as the differential value between the sale proceeds and the carrying amount and recognised in income in the period in which the asset is derecognised.

Impairment of non-financial assets

Intangible assets with an indefinite useful life are not amortised, but tested for impairment regularly once a year. Assets subject to scheduled depreciation are tested for impairment if the relevant events or changes in circumstances indicate that the carrying amount may no longer be recoverable. An impairment loss is recognised to the extent by which the carrying amount exceeds the recoverable amount.

Leasing relationships

The Group leases certain fixed asset items (leasing objects). Leasing contracts concerning fixed asset items, in the case of which the Group carries the key risks and enjoys the benefits of ownership in respect of the given leasing object, are classed as finance lease contracts.

Finance lease assets are capitalised at the time of the lease's commencement at the lower of the fair value of the leased property and the cash value of the minimum lease payments. A leasing liability is then recorded as a deferred item for the same amount under non-current liabilities. Each lease instalment is split into an interest component and a repayment component in order to keep the interest charged on the leasing liability at a constant level. The interest component of the leasing instalment is recorded in the income statement as expenditure.

The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Financial assets

Financial assets are subdivided into the categories "financial assets at fair value through profit and loss", "loans and receivables" and "financial assets available for sale". The categorisation depends on the respective purpose for which the financial assets were acquired. The management determines the categorisation of financial assets upon first-time recognition and reviews the categorisation at each balance sheet date. As in the previous year, the Group categorised no financial assets as "financial investments held to maturity" during the period under review.

a) Financial assets at fair value through profit and loss

Financial assets are recognised at fair value with a corresponding impact on income if the financial asset concerned is either held for trading purposes or designed to be recognised at fair value with the corresponding impact on income. A financial asset is classed as being held for trading purposes if it:

- was primarily acquired with the intention of selling it in the future on a short-term basis to realize a profit, or
- is a derivative that was not designed to be a hedge instrument and is not in use as hedge accounting

A financial asset, classed as not being held for trading purposes, can be recognised at fair value with the corresponding impact on income upon first-time recognition if:

- such a designation eliminates or significantly reduces valuation and recognition inconsistencies that would otherwise occur or
- the given financial asset is part of a group of financial assets and/or financial liabilities which are controlled in accordance with a documented risk management or investment strategy, whose value development is assessed on a fair value basis and information on the portfolio concerned is provided internally on this basis or
- it is part of a contract including one or more embedded derivatives and pursuant to IAS 39 “Financial Instruments: Recognition and Valuation” the entire, structured product (asset or liability) can be recognised at fair value with the corresponding impact on income.

Financial assets recognised at fair value with the corresponding impact on income are carried at fair value. All gains and losses resulting from the valuation are reported with the corresponding impact on income. The net gain or loss includes any dividends and interest relevant to the financial asset concerned.

Fair value disclosures for financial assets and liabilities are categorised based on a three-level hierarchy. This hierarchy reflects the market proximity of the data used in the calculation:

- Level 1: Stock exchange price or market price on an active market (without adjustments or changed composition)
- Level 2: Stock exchange price or market price on a fictitious market for similar assets or liabilities or other measurement methods for which the significant input parameters are based on observable market data
- Level 3: Measurement methods for which the significant input parameters are not based on observable market data

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or definable payments that are not listed on an active market. They are classified as current assets insofar as their term to maturity does not exceed 12 months after the balance sheet date. Those that exceed a term of maturity of 12 months are recognised as non-current assets. Loans and receivables are included under financial loans, trade receivables and other receivables in the statement of financial position. Loans and receivables are recognised at the amortised cost of purchase using the effective interest method minus any impairment costs.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that were either designated as such or not designated to any of the aforementioned categories. They are recognised as non-current assets if and when the management group does not intend selling them within 12 months after the balance sheet date.

Available-for-sale financial assets are included under the item financial investments (stakeholdings) in the statement of financial position.

d) Measurement of financial assets

Regular purchases or sales of financial assets are recognised on the day of trading, the day on which the company commits to the purchase or sale of the asset. All financial assets – except for derivatives – are initially measured at fair value plus directly attributable transaction costs. They are derecognised when the rights to payments from the investment have expired or have been transferred and the Group has substantially transferred all risks and opportunities of ownership. Loans and receivables and financial investments held to maturity are recognised at amortised cost using the effective interest method.

Changes in the fair value of securities classified as financial assets available for sale are recognised in equity. If such securities classified as financial assets available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains or losses from investment assets.

If such securities as are classified as financial assets available for sale are sold or impaired, the accumulated fair value changes previously recognised in equity are to be included in the income statement under other income as gains/losses from securities. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payments is established.

The fair value of listed shares is based on the current stock exchange price. If an active market does not exist for financial assets or if the assets in question are unlisted assets, the fair values are determined based on suitable measurement methods. These comprise references to recent transactions between independent business partners, the use of the current market prices of other assets that bear a large similarity to the asset in question, discounted cash flow methods and option pricing models that give due consideration to the specific circumstances of the issuer. The above mentioned models are based on current market parameters.

e) Impairment of financial assets

Tests are carried out as of each balance sheet date to ascertain whether there are any objective indications of an impairment of a financial asset or group of financial assets. Objective indications of an impairment can take the following form:

- significant financial difficulties of the counterparty
- failure to make or delay in making interest payments or loan repayments or
- enhanced probability that insolvency proceedings or other restructuring proceedings will be initiated vis-à-vis the debtor

In the case of certain categories of financial assets, e.g. trade receivables, assets for which no impairment is identified on an individual basis are subjected to impairment tests on a portfolio basis. An objective indication of an impairment of a portfolio of receivables could take the form of experience gathered by the Group in terms of payments received in the past, a rise in the frequency of payment defaults and observable changes in the national or local economic environment to which non-payment of receivables could be made attributable.

In the case of financial assets valued at amortised purchase cost, the impairment expense equates to the difference between the carrying amount of the given asset and the cash value of the anticipated future cash flow determined via the original effective interest rate of the financial asset concerned.

Impairment leads to the direct reduction in the carrying amount of all the financial assets affected with the exception of those trade receivables whose carrying amount is reduced via an impairment account. In the event that a trade receivable is classed as being irrecoverable, its use is recognised via the impairment account. The subsequent receipt of payments of amounts that have already been written off are also set off against the impairment account. Changes in the carrying amount of the impairment account are recognised in the income statement with the corresponding impact on income.

In the case of equity instruments, which are categorised as available-for-sale financial assets, a substantial or sustained decline in the fair value below the acquisition cost of these equity instruments is taken into consideration in impairment terms. If there is an indication of such an impairment of available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition costs and the current fair value less impairment losses previously recognised in respect of the financial asset concerned – is booked out of equity and charged to the income statement. Impairment losses once recognised in profit or loss for equity instruments are not subsequently reversed through profit or loss.

f) Derecognition of financial assets

The Group abandons a financial asset only if the contractual rights to cash flows from a financial asset expire or the financial asset and all major risks and opportunities connected with the ownership of the given asset are transferred to a third party. If the Group does not transfer all the major risks and opportunities connected with the ownership and continues to retain the authority to dispose of the transferred asset, the Group recognises its remaining share in the asset and a corresponding liability equating to the amounts possibly requiring payment. In the event that the Group retains all the major risks and opportunities of a transferred asset connected with its ownership, the Group must continue to recognise the asset and a collateralised loan for the consideration received.

Deferred taxes

Deferred taxes are determined through the liabilities method, according to which tax assets and liabilities are recognised for temporary differences between the carrying amounts of assets or liabilities in the IFRS consolidated financial statements and their tax base. However, the deferred income tax is not accounted for at the time of initial recognition or thereafter if it arises from the initial recognition of an asset or liability in a transaction other than a corporate merger that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets in respect of deductible temporary differences and tax loss carry-forwards exceeding the deferred tax liabilities in respect of taxable temporary differences are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

The carrying amount of the deferred tax assets is tested on every balance sheet date and reduced to the extent that it is no longer probable that a sufficient taxable result will be available against which the deferred tax asset can at least be partly applied. Non-recognised deferred tax assets are tested on every balance sheet date and recognised to the extent that it has become probable that taxable result in the future allows the realisation of deferred tax assets.

Deferred taxes are measured in accordance with the tax rates (and tax regulations) that apply on the balance sheet date or have been legislated to a substantial measure and are anticipated to be applicable at the time of the realisation of the deferred tax assets or the redemption of the deferred tax liabilities.

While domestic loss carry-forwards may be carried forward without restrictions, the frequent country-specific limitations of loss carry-forwards have been appropriately considered in the measurement.

Deferred tax liabilities arising from temporary differences in connection with investments in subsidiaries and associated companies are recognised except in cases where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future for the same reason.

Deferred tax assets and deferred tax liabilities are offset against each other if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and if they relate to taxes on the same tax object levied by the same tax authorities.

Value-added tax

Sales revenues, expenses and assets are recognised after deduction of the value-added tax, unless value-added tax incurred on the sale of assets or services cannot be collected by the tax authorities. It is then recognised as part of the asset's acquisition or production costs or as part of the expenses. The value-added tax amount refunded by or transferred to the tax authorities is recognised in the consolidated financial statements as a receivable or a liability.

Inventories

Merchandise carried as inventories is stated at the lower of purchase cost and net realisable value. Purchase cost is determined retroactively and includes directly attributable personnel costs as well as other costs directly attributable to the acquisition. The acquisition costs do not include borrowing costs. Net realisable value represents the estimated selling price achievable by way of normal business development less all such variable sale costs as are necessary.

When merchandise has been sold, the carrying amount of this merchandise is recognised as an expense during the reporting period in which the related revenues have been realised. Any impairment of inventories to the net realisable value and all losses on inventories are recorded as expenses during the period in which the impairment or the losses occurred. All reversals of inventory write-downs resulting from an increase in the net realisable value are recognised as impairments of material costs during the period in which the write-down reversal occurs.

When the reasons for a write-down of the merchandise have ceased to exist, the write-down is appropriately reversed.

Trade receivables

Trade receivables are initially recognised at their fair values and subsequently at amortised purchase cost using the effective interest method and by deduction of impairment. An impairment of trade receivables is recognised if objective indications show that the receivables cannot be fully recovered. Significant financial difficulties of the debtor, the enhanced probability that the debtor will enter bankruptcy or be subjected to other restructuring proceedings, and a failure to make or delay in making payments are considered indicators that the trade receivable is impaired. The amount of the impairment is recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, sight deposits, other current, highly liquid financial assets with an original term to maturity of no more than three months and open credits. Bank overdrafts are shown as liabilities vis-à-vis banks under current financial liabilities on the statement of financial position.

Equity

Common shares are classed as equity.

Costs that are directly allocable to the issuance of new shares or options are recognised in equity as a deduction, net of tax, from the issue proceeds.

Combined financial instruments

The components of a combined instrument issued by the Group are stated separately in accordance with the economic content of the agreement as a financial liability and equity. At the time of issuance, the fair value of the external capital component is determined on the basis of the market interest rate applicable to a comparable non-convertible instrument. This amount is carried as a financial liability on the basis of the amortised cost of purchase using the effective interest method up until the time of fulfilment i.e. when the instrument is converted or becomes due. The determination of the equity component occurs via the subtraction of the value of the equity components from the fair value of the instrument as a whole. The resultant value minus the impact on income tax is recognised as part of equity and is thereafter not subject to valuation.

Financial commitments

Financial commitments are recognised initially at fair value, net of the transaction costs incurred. The recognition of derivatives is carried out without transaction costs. They are subsequently stated at amortised purchase cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

The fair value of the external capital component of convertible bonds is determined using a market interest rate for equivalent non-convertible bonds. This amount is recorded as a liability on an amortised purchase cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds equates to the value of the conversion right. This is recognised in equity after deduction of income tax.

Loan liabilities are classified as current liabilities insofar as the Group does not have the unconditional right to delay the settlement of the liability until at least 12 months after the balance sheet date.

Financial liabilities from leases are carried as liabilities insofar as the economic ownership of the leased objects is allocable to the companies of Praktiker Holding AG Group and capitalised under tangible investments (finance leases). The leasing liabilities are initially recognised at fair value or at the lower cash value of the lease payments to ensure that the financing costs are spread across the term of the lease and produce a constant rate of interest on the residual lease finance liability (annuity character of the liability).

The Group books out a financial liability in cases where the Group's liability has been settled, cancelled or has expired.

Financial assets and liabilities are set off only if there is a right at the present time to offset the reported amounts against each other and the intention is to settle on a net basis or to settle the associated liability simultaneously with the realisation of the asset.

Benefits to employees

a) Pensions and similar commitments

The Group carries commitments from regulations regarding company pensions, salary waivers, early retirement and part-time work for older workers, severance pay, death and anniversary benefits.

The valuation of pension provisions and similar commitments is effected in accordance with the projected unit credit method for defined old age pension plans stipulated by IAS 19, taking account of future pay and pension increases.

These measurements are based on the legal, economic and tax parameters in the respective country. Commitments affecting exclusively the European economic region are recognised at an actuarial interest rate of 6.1 percent (6.5 percent in the previous year), a wage and salary trend of 2.0 percent (2.25 percent in the previous year) and a pension trend of 2.0 percent (2.25 percent in the previous year). Employee fluctuation is determined at the individual plant level in consideration of age and length of service. The actuarial measurements are based largely on country-specific mortality tables.

A defined benefit plan is a pension plan that prescribes a pension benefit volume that an employee will receive upon retirement and whose size typically depends on one or several factors such as age, length of service and salary. The plan relevant to Praktiker Group is not fund-based.

The provisions for defined benefit plans in the statement of financial position correspond to the cash value of the defined benefit obligation (DBO) on the balance sheet date, adjusted for cumulative, non-recorded actuarial gains and losses and non-recorded past service cost that must be accounted for. The DBO is calculated annually in an independent actuarial evaluation by applying the projected unit credit method. The cash value of the DBO is calculated by discounting projected future benefits using rates based on high-quality corporate bonds denominated in the currency in which the benefits are paid and whose maturities correspond to the term of the pension commitments.

Actuarial gains and losses arising from experience-based adjustments and changes in actuarial assumptions in excess of the greater of 10 percent of the fair value of plan assets or 10 percent of the cash value of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives (corridor ruling). The commitments concerned are valued annually by independent, qualified actuarial experts.

Past service costs are recognised immediately in income unless the changes to the pension plan are conditional on the employees' remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

b) Termination benefits

Termination benefits are made when an employee voluntarily ends an employment contract in return for a severance payment. The Group recognises severance payments if it is demonstrably committed either to terminating the employment of an employee in accordance with an irreversible, detailed formal plan or to providing termination benefits as a result of an offer made in order to encourage voluntary redundancy. Where termination benefits fall due more than 12 months after the balance sheet date, they are discounted to their cash value.

c) Profit sharing and bonus schemes

A commitment and expense determined in consideration of the profit due to group shareholders after certain adjustments is carried as a liability for bonus payments and profit sharing. The company recognises a provision under liabilities only if it has a contractual obligation or a de facto obligation based on past business practice.

d) Share-linked remuneration

In 2006, a share bonus programme designed to run for five years was introduced, starting in August 2006. The programme concerned comprises five tranches that are awarded annually, whereby the target parameters are worked out separately for each tranche. The last tranche is set to be awarded in 2010. The target parameters are worked out four weeks after the Annual General Meeting held by Praktiker Bau- und Heimwerkermärkte Holding AG (cut-off date for the approval of the share bonus).

Payment of the individual annual share bonuses automatically occurs in cash in the month following the expiry of the three-year term of the given tranche, provided the conditions to which payment is subject have been fulfilled. Payment of the 2007 tranche, for instance, will occur in 2010, if the payment requirements are fulfilled, and payment of the final tranche from 2010 correspondingly in 2013. Derivative hedging instruments were concluded in 2008, to cover the 2008 tranche. More information on this can be found under item no. 29.

The level of the given bonus is initially determined via the ratio of the base price against the target price of the shares. The starting price per tranche equates to the arithmetical average of the final prices of Praktiker shares in the 20 last consecutive stock market trading days prior to the cut-off date (four weeks after the given Annual General Meeting). The target share price per tranche, in the case of the attainment of which the full bonus is awarded, is calculated on the basis of the starting price, whereby a price rise of 15 percent is set over a period of three years.

The level of the bonus concerned also depends on the performance of Praktiker shares as compared with that of the shares of other relevant trading companies listed on the stock exchange. For comparison purposes, the MDAX and the Dow Jones Euro Stoxx "General Retailers" are used. They permit the valuation of the price development in Praktiker shares on a national or Europe-wide basis. Should the development in Praktiker shares with effect of the cut-off date not deviate by more than ten percent from the average value of both indices, the share bonus is paid out in full. In the event that the price

development in Praktiker shares exceeds the average value by more than 10 percent (outperformance), the amount paid out as a share bonus is increased to a total of 120 percent. However, should it fall short of the average value of the indices mentioned by more than 10 percent (underperformance), the level of the share bonus is reduced to 80 percent.

The share bonus is only awarded if, at the point in time of it becoming due, the contract of employment at Praktiker Group has neither been terminated nor has a mutually agreed cancellation of the contractual relationship occurred. Payment of the share bonus is limited to the current, individually agreed basic annual salary (gross).

Obligations arising from the share bonus programme are measured at fair value at financial year-end. This amount is deferred on a pro-rata basis over the period up until payment of the given tranche is made. This resulted in personnel expenses amounting to € 327 thousand in the year under review (previous year € 57 thousand). The reversal of provisions from the share bonus scheme resulted in income of € 79 thousand in the year under review (previous year € 261 thousand). The provisions set aside amounted to € 400 thousand as of 31 December 2009 (previous year € 149 thousand).

For each tranche, the number of options and the fair value is determined using a valuation model based on the Monte Carlo simulation method. This results in the following values:

	Number of options	Fair value (€ thousands)
2nd tranche (year of issue 2007 – year of payment 2010)	217,000	0
3rd tranche (year of issue 2008 – year of payment 2011)	528,922	443
4th tranche (year of issue 2009 – year of payment 2012)	1,149,425	1,375

The following parameters are also included in the calculation:

- Risk-free interest rate: the zero rates based on the swap curve were used for the purpose of risk-free interest rates.
- Volatility: the volatilities were calculated on the basis of the daily constant returns on the prices, whereby the records go back in accordance with the residual term. The daily volatilities are scaled up to annual volatilities via multiplication to the root of 250, whereby 250 stands for the number of trading days per year.
- Residual term: the residual term to maturity equates to the difference between the valuation cut-off date and the expiry date of the tranche.
- Dividend yield: the future dividend yield is calculated on the basis of the current market expectation and the Group's assessment for the respective tranche.
- Share price: this is based on the target share prices, the starting prices and the spot price at 31 December 2009.

The following parameters provide the basis for calculation of the individual tranches:

	Risk-free interest rate (%)	Volatility (%)	Residual term (years)	Dividend yield (%)	Target share price (€)	Starting price (€)	Spot price 31/12/2009 (€)
2nd tranche	0.90	47.59	0.46	1.29	35.26	30.66	7.75
3rd tranche	1.51	82.16	1.50	1.29	17.03	14.81	7.75
4th tranche	2.08	71.96	2.48	1.29	8.00	6.96	7.75

Provisions

Provisions are recognised if and when legal or de facto obligations to third parties that are based on past business transactions or events will more likely than not result in a cash outflow and can be reliably determined. They are stated at the anticipated settlement amount with due regard to all identifiable risks attached and are not offset against any claims to recourse.

Where several of the same obligations exist, the likelihood of an outflow of funds based on this group of obligations is determined. A provision is also carried as a liability when the likelihood of an outflow of funds with respect to individual obligations included in this group is low.

Provisions are valued at the cash value of the anticipated costs, whereby a value-added tax rate is raised taking account of current market expectations in respect of the impact of interest and of risks specific to the obligation concerned. Any increases in provisions resulting exclusively from the compounding of interest are recorded in the income statement as interest expenses with the corresponding impact on income.

Location risks can arise from leased objects. Provisions for deficient rental cover are determined based on a consideration of individual locations. This also applies to locations where operations are continued if and when a comparison of unavoidable costs and planned sales in current corporate planning yields a deficient rental cover during the rental term. The provision may be valued no higher than the deficient rental cover remaining after a possible subleasing. In 2009 for the time after the three-year planning horizon an increase in sales revenue, personnel costs and material costs of 1 percent is applied in relation to the German locations. For the locations in other countries, the level of this increase ranges between 0 percent in Greece and 7.0 percent in the Ukraine. The discount rate depends on the country, varying between 3.82 percent in Germany and 29.0 percent in the Ukraine in the year under review. The reversal of the provisions occurs against the corresponding expense item.

Trade payables

Trade payables are recognised at amortised purchase cost. Their carrying amounts correspond largely to their fair values. They are due within one year.

Contingent liabilities

Contingent liabilities are possible or existing obligations that arise from past events for which an outflow of resources is not considered probable. According to IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), such liabilities should not be recognised in the balance sheet but disclosed in the notes.

Income and expense realisation

a) Net sales

Sales revenues comprise the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Sales revenues are shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

Income is realised as follows:

a1) Sale of goods – wholesale

Revenues from the sale of merchandise as wholesalers are recognised when a group company has supplied products to a customer, the customer has accepted the products and the recoverability of the respective liability can be considered reasonably certain.

a2) Sale of merchandise – retailing

Revenues from the sale of merchandise are recognised when a group company sells products to a customer. Retail sales are generally settled in cash or by credit card. The recorded sales correspond to the gross revenues from the sale including any transaction-related credit card fees. These fees are recognised under sales costs.

Expenses for the formation of provisions for discounts are considered during the period in which the sales are realised in line with statutory provisions. Sales revenues are reduced by the amounts concerned. Revenues from vouchers are realised at the time of their redemption. Merchandise remuneration claims are recognised as income or expense after the relevant invoices have been checked.

There are several customer loyalty programmes in the Group under which customers can “acquire” price reductions for later purchases depending on the level of sales they effect. The portion of the consideration attributed to these award credits is recognised in sales revenues only when the credits are redeemed and the company has fulfilled its obligations to grant the loyalty awards.

b) Other income and expense realisation

Other operating income is realised at the time of the provision of the given service or the transfer of risk to the customer.

Operating expenses are recognised in income at the time the given service is made use of or caused.

Lease income and rental expenses are adjusted in line with the economic substance of the relevant agreements and recognised on a pro rata basis.

Income from dividends is recognised once the legal claim to payment has arisen.

Management of financial risks

a) Financial risk factors

Through its business activities, the Group is exposed to various financial risks – market risk (including currency risk, fair value interest risk and market price risk), credit risk, liquidity risk and cash flow risk. The Group’s overarching risk management system focuses on the unpredictable nature of financial market developments and aims to minimise the potentially negative effect on the Group’s financial situation. The Group uses financial derivatives to hedge against certain risks.

During the reporting year, risk management was handled by the central finance department of Praktiker Group, which identifies, assesses and hedges financial risks in accordance with intra-group guidelines.

The central finance department identifies, assesses and hedges financial risks in close cooperation with the operative units of the Group. This is based on the principles laid down in writing by the management board for cross-divisional risk management purposes as well as on guidelines existing for specific divisions. In line with these guidelines, there is no speculative trade in derivatives. Financial instruments, particularly derivatives, were concluded only to reduce the basic risk.

a1) Credit risk

No significant concentrations with respect to possible creditworthiness and default risks exist within the Group. Sales to customers are settled in cash or via commonly used credit cards. In individual cases, target credit sales are made for major customers, although only following a creditworthiness test. The maximum counterparty default risk is limited to the carrying amounts reported under item no. 18 and item no. 29 in the notes. Risks arising from the full or partial default of counterparties in connection with money investments or derivative financial instruments with positive market values are minimised via the stipulation and monitoring of individual maximum limits. The maximum limits concerned are based essentially on the ratings set by international agencies, whereby the maximum credit risk equates to the carrying amount of the items concerned. The reduction of the upper limits – i.e. the distribution of short-term investments in smaller amounts across a larger number of banks with the highest credit ratings – began at the start of the second half of 2008 and was also maintained in 2009.

a2) Liquidity risk

Praktiker Deutschland GmbH acts as a liquidity depot within the Group. The multi-stage planning process ranges from a rolling three-year plan through to short-term planning specific to a given day. Any available liquidity surpluses are invested in short-term money market transactions with European banks.

In May 2007, Praktiker agreed a syndicated credit facility under the management of ABN Amro Bank N.V., Dresdner Kleinwort and WestLB AG. The credit facility originally provided for credit totalling € 200 million for a basic term of 5 years. In 2008, the first of two extension options granted was taken up, meaning that there is now a total term of 6 years, although the credit volume is to be reduced by € 30 million to € 170 million in the sixth year. The syndicated credit facility serves as an additional general cash reserve and extends the liquidity range of the Praktiker Group. For the purpose of the partial funding of the acquisition of Max Bahr, convertible bonds for € 150 million and a term to maturity of 5 years were placed on the capital market in September 2006.

To strengthen its capital basis and to diversify its financing structure, Praktiker Holding AG took up promissory note loans for € 50 million in the second quarter of 2009. These loans with a term of three years were placed with German and international investors in the banking sector.

The financial liabilities under IAS 39 are shown under item no. 29.

Both the syndicated credit facility and the promissory note loans include financial covenants at usual market terms and do not have a negative impact on the Group's financial ability to act.

Capital management pursues the goal of maintaining comfortable financial scope for action. To monitor adherence to certain minimum capital requirements, the management board receives a monthly report on the basis of rolling 12-month liquidity planning. The main indicators are the equity ratio and the net debt.

In terms of equity, it must be ensured – among other things – that the Group equity before minority interests is at least 27 percent of Group total assets. As at 31 December 2009, the equivalent equity ratio was 42.1 percent (previous year 41.8 percent). The target was thus achieved. In order to adhere to this ratio, there is the possibility – among other things – of carrying out capital increases: the management board of the parent company was authorised to do this by the Annual General Meeting (see item no. 26).

With regard to debt capital, there is an objective of keeping the ratio of net debt to EBITDA within a certain range. Net debt is defined as non-current and current financial liabilities less the available level of cash and cash equivalents. As at 31 December 2009, net debt amounted to € 196.7 million (previous year € 189.3 million). The increase results from the placement of the promissory notes, which had a higher volume than the increase in cash and cash equivalents at the balance sheet date and the decrease in liabilities from finance leases.

As in the previous years, the existing minimum capital requirements were achieved as at 31 December 2009.

a3) Market risk

a3.1) Interest risk

The Praktiker Group is subject to interest risk primarily in relation to financial assets and liabilities with terms of more than one year. In the case of fixed-income financial instruments, the risk of changes in market interest rates results in a fair value risk, as fair values fluctuate depending on interest rates. In the case of floating-rate financial instruments, there is a cash flow risk, since the interest payments could increase in the future.

The Praktiker Group's interest risk is analysed centrally and managed by the Group's Finance department.

In line with the previous year, the Group primarily has finance lease liabilities as well as non-current liabilities from the issuance of convertible bonds with a total maturity of 5 years and a fixed interest rate for this period.

To reduce the risk of changing interest rates arising from the six-month interest rate adjustment periods for the promissory note loans, corresponding interest rate swaps were concluded as hedging instruments and designated as cash flow hedges. An interest swap of this kind has the effect of converting floating-rate loan liabilities into fixed-income loan liabilities and a fixed interest rate over the entire term which reduces the interest risk resulting from the promissory note loans. A hypothetical change of +/-10 bp in all interest rates relevant at the reporting date from the hedge relationship of the promissory note loans would only have led to a change in equity of +/-€ 95 thousand.

Moreover, in both the year under review and the previous year, no further cash flow interest risks or fair value interest risks of any significance existed.

a3.2) Currency risk

As an internationally active group, Praktiker Holding AG is exposed to currency risks deriving from fluctuations in the exchange rates of various foreign currencies. Currency risk results from anticipated future transactions, assets and liabilities carried in the statement of financial position as well as net investments in foreign operations.

A currency risk arises when future business transactions as well as assets and liabilities carried in the statement of financial position are denominated in a currency other than the company's functional currency. However, the Group sources the majority of its products that are sold in foreign-based outlets in the same country, which in most cases creates a form of "natural hedging". The currency risk to which the Group is exposed is largely attributable to the conversion of financial liabilities denominated in a currency other than the company's functional currency. This relates mainly to the item liabilities from finance leases in Romania, Ukraine, Poland and Hungary. The leasing obligations concerned are denominated in euro and amounted to € 114,344 thousand as of financial year-end on 31 December 2009 (previous year € 118,266 thousand). Conversion of this amount in the local financial statements into the relevant functional currency of the country concerned can result in high foreign exchange gains or losses.

The following table shows the sensitivity of consolidated earnings before taxes seen against the background of a reasonably expectable and fundamentally possible change in the conversion rate of the respective country currencies:

in € thousands		Effect on the earnings before taxes	
		2009	2008
Currency development euro/Romanian leu	+10 %	-9,019	-9,290
	-10 %	9,019	9,290
Currency development euro/Polish zloty	+10 %	-1,034	-1,065
	-10 %	1,034	1,065
Currency development euro/Hungarian forint	+10 %	-746	-775
	-10 %	746	775
Currency development euro/Ukrainian hryvnia	+10 %	-635	-697
	-10 %	635	697
Total	+10 %	-11,434	-11,827
	-10 %	11,434	11,827

The currency risk arising from the conversion of liabilities from finance leases remains unsecured as a general rule. This also applies to risks attributable to the conversion of assets and liabilities held by foreign-based company units into the currency of the Group under review, as they do not impact on the Group's cash flows.

b) Derivative financial instruments and hedge accounting

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value applying on the given cut-off date. The method for the recognition of gains and losses depends on whether the derivative was qualified as a hedging instrument and, if this is the case, on the hedged item. The Group designates certain derivatives either as fair value hedges of the carried asset, of a liability or of a fixed corporate obligation or as cash flow hedges relating to transactions that are considered highly probable.

When concluding transactions, the Group documents the nature of the hedge relationship between the hedge instrument and the underlying transaction, as well as the objective of the risk management and the underlying strategy. Moreover, at the start of the hedge relationship and, thereafter, on an ongoing basis, the Group documents its estimate as to whether the derivatives used in the given hedge relationship are highly effective in compensating for the changes in the fair value or cash flows of the underlying transaction.

The fair values of the various derivative instruments used for hedging purposes are disclosed in Note 29. Movements on the cash flow hedge reserve are shown under "Changes in Equity". The full fair value of the derivative financial instrument designated as a hedge derivative is recognised as a non-current asset or liability insofar as the residual term to maturity of the hedged underlying transaction is more than twelve months after the balance sheet date and as a current asset or liability insofar as the residual term to maturity is less than twelve months.

Hedges which are designated as hedge accounting are carried as follows:

b1) Fair value hedge

Changes in the fair value of derivatives designated and qualified as fair value hedges are recognised in the profit and loss statement together with the changes in the fair value of the hedged asset or liability that are allocable to the hedged risk.

b2) Cash flow hedge

The effective portion of changes in the fair value of derivatives designated and qualified as cash flow hedges is recognised in equity. The ineffective share of value changes, in turn, is directly recognised in the income statement.

Amounts recognised in equity are transferred to the income statement and recognised as income or expenses during the period in which the hedged underlying transaction has an effect on income (e.g. at the time that the future, hedged sale takes place). If, however, a hedged future transaction results in the recognition of a non-financial asset (e.g. inventory assets) or a liability, the gains and losses that were previously recognised in equity are included in the initial valuation of the purchase cost of the asset or liability concerned.

When a hedging instrument expires, is sold or the hedging transaction no longer fulfils the criteria for hedge accounting, the cumulative gain or loss remains in equity, and is only recognised in profit or loss when the underlying transaction is effected. If future transactions are no longer expected to occur, the cumulative gains or losses that were recognised as equity must be transferred immediately to the income statement.

c) Fair value determination

The fair value of derivatives traded in an active market (e.g. publicly traded derivatives and available-for-sale securities) is based on the stock market price as of the balance sheet date. The relevant stock market price of financial assets is the bank buying rate. The appropriate stock market price for financial liabilities is the bank selling rate.

The fair value of foreign currency forward contracts and of interest swaps is calculated using present value models and current market parameters as at the balance sheet date.

In the case of trade receivables and liabilities, it is assumed that the nominal value less impairment corresponds to the fair value. The fair value of financial liabilities stated in the notes is determined by discounting future contractually agreed cash flows at the current market interest rate that the company would receive for comparable financial instruments.

Usage of management assumptions and estimates

The consolidated financial statements are prepared partly on the basis of assumptions and estimates that affect the level and disclosure of assets and liabilities, income and expenses and contingent liabilities carried during the relevant reporting periods.

The assumptions and estimates refer largely to the assessment of the recoverability of asset values, the determination of economic useful life-periods and the collectability of receivables as well as the recognition and valuation of provisions.

The assumptions and estimates are based on premises resting on the current state of knowledge at the time. In particular, expectations of future business developments were based on the circumstances prevailing as of the respective balance sheet date as well as on expectations of future global and sector developments considered to be realistic.

Changes in the above parameters deviating from these assumptions and over which the management has no influence may cause actual amounts to differ from the original estimates. If actual developments deviate from expected developments, the premises and, if necessary, the carrying amounts of the affected assets and liabilities will be adjusted accordingly.

It is the view of the management that the underlying assumptions and estimates were as a general rule not subject to significant risks – with the exception of the explanations in the following section – which means that a substantial adjustment of the carrying amounts of assets and liabilities in the statement of financial position during the following financial year is unlikely, seen from the current perspective.

The uncertainty over whether the global downturn caused by the financial crisis is actually permanently over at present, and what individual growth rates a recovery of the global economy will lead to, has also made it more difficult to determine assumptions and estimates in preparing the current consolidated financial statements. This applies above all to the planning figures. However, in this connection, the management assumes that the forecasted results can also be generated. On the one hand, this estimation is based on the fact that the planning was made on the basis of very conservative premises, but also on the knowledge shared by all the management that appropriate countermeasures would be necessary in the event of negative development in sales. Nonetheless, due to the economic uncertainties, it cannot be precluded that actual amounts will differ from the original assumptions and estimates in individual cases during the 2010 fiscal year, which may require a substantial adjustment of the carrying amount of the respective assets or liabilities.

This could affect, in particular, the following types of assets and liabilities (carrying amounts listed as of 31 December 2009) – goodwill (€ 192,682 thousand), tangible assets (€ 493,892 thousand), deferred tax assets (€ 149,014 thousand), other long-term provisions (€ 53,458 thousand) and other short-term provisions (€ 31,121 thousand).

Assumptions and estimates are also included in the measurement of the inventories balance sheet item (carrying amount at 31 December 2009 € 806,784 thousand). This chiefly relates to estimates with regard to the net realisable value.

The estimations and assumptions, which are associated with a significant risk in the form of a material adjustment of the carrying amount of the assets and liabilities within the next fiscal year, are explained in the following:

a) Goodwill impairment

The Group examines annually whether there is an impairment of goodwill. The recoverable amount of cash generating units (CGUs) is determined on the basis of value in use calculations. These calculations are necessarily based on assumptions (see item no. 17).

Even if the cash flows of the coming three years were 10 percent lower than management estimated in its three year plan (given otherwise unchanged planning premises), the carrying amount of the goodwill would not have to undergo downward revision.

The same would apply if the expected discount rate applied in the calculation of the values in use were 10 percent higher than management's estimate.

b) Deferred income tax assets

Deferred tax assets are recognised only if it is probable that they can be utilised in the future. The realisation depends, in particular, on the future development of earnings and the realisation of additional tax saving potential. Based on current planning, there arose an impairment requirement for the deferred income tax assets from loss carryforwards in the amount of € 462 thousand and for deferred taxes for temporary differences in the amount of € 400 thousand (see item no. 21). In addition, it was decided not to capitalise deferred tax assets from tax losses incurred in the 2009 financial year in the amount of € 7,646 thousand.

All estimates and assessments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the given circumstances.

Notes to the consolidated income statement

1. Net sales

Net sales result exclusively from supplies and show the following breakdown:

in € thousands	2009	2009	2008	2008
Germany		2,617,135		2,665,619
Praktiker	1,835,158		1,868,778	
Max Bahr	690,610		702,374	
Miscellaneous	91,367		94,467	
International		1,046,266		1,241,157
Greece	273,537		285,358	
Romania	247,725		292,386	
Poland	188,097		257,464	
Hungary	121,684		166,237	
Turkey	88,324		92,139	
Bulgaria	70,178		93,982	
Luxembourg	38,915		39,735	
Ukraine	15,827		13,856	
Albania	1,979		0	
		3,663,401		3,906,776

2. Cost of goods sold

The cost of goods sold includes expenses for purchasing merchandise with which net sales are generated.

3. Other operating income

in € thousands	2009	2008
Central A/P clearing for sales division	21,994	20,734
Income from supplier fees	15,241	14,293
Lease/rental income	12,789	13,356
Income from indemnities	4,497	8,729
Income from reversal of impairment losses	2,650	1,190
Other income	12,549	19,220
	69,720	77,522

The decline in other operating income was caused in particular by a decrease in income from indemnities and other income.

Income from indemnities is predominantly the result of insurance payments during the reporting year in connection with a fire damage in the store in Zabrze (Poland). In the previous year, income from indemnities was chiefly influenced by indemnity payments due to a fire damage in the store in Thessalonica (Greece). Due to the fact that the store in Thessalonica generates more earnings, the indemnity payments were higher in the previous year than in the year under review.

Other income includes for the most part commercial earnings.

4. Selling expenses

The selling expenses comprise all expenses directly related to the sale of merchandise. The key components of selling expenses are shown in the table below:

in € thousands	2009	2008
Personnel expenses	446,254	470,500
Expenses for running the stores	457,185	452,160
Advertising expenses	119,886	140,255
Other selling expenses	103,477	124,622
	1,126,802	1,187,537

Previous year partly adjusted (see page 73 et seq.)

The decrease in selling expenses was mainly caused by lower personnel and advertising costs.

5. Administrative expenses

Administrative expenses include all expenses which are not directly connected with selling merchandise or running the stores. The main components of administrative expenses are personnel costs, occupancy costs, depreciation and consulting costs.

In the year under review, administrative expenses were € 4,279 thousand lower than in the previous year. This decrease did not result from any one particular expense item, but rather it reflects the cost reduction measures initiated in the year under review.

6. Other operating expenses

Other operating expenses for the most part include losses from the disposal of fixed assets amounting to € 1,543 thousand (previous year € 466 thousand).

7. Net financial result

in € thousands	2009	2008
Financial income		
Investment income	65	61
Other interest and similar income	3,799	9,313
Interest income	3,799	9,313
Exchange gains	18,399	26,198
Valuation gains from derivatives	339	885
Miscellaneous financial income	87	22
Other financial income	18,825	27,105
Total financial income	22,689	36,479
Financial expenses		
Interest expenses from finance leases	-25,248	-25,618
Accumulation of liabilities from convertible bonds	-4,118	-3,930
Other interest and similar expenses	-8,068	-5,842
Interest expenses	-37,434	-35,390
Exchange losses	-23,225	-44,836
Valuation losses from derivatives	-1,803	-1,603
Miscellaneous financial expenses	-4,532	-3,967
Other financial expenses	-29,560	-50,406
Total financial expenses	-66,994	-85,796
Net financial result		
Net investment result	65	61
Net interest result	-33,635	-26,077
Net other financial result	-10,735	-23,301
Net financial result	-44,305	-49,317

In accordance with IAS 17, leased assets are recognised as tangible assets where the underlying rental or lease contracts are finance leases. In the reporting year, the translation of liabilities from finance leases of international subsidiaries resulted in non-cash exchange gains of € 7,820 thousand (previous year € 16,413 thousand) and non-cash exchange losses of € 13,424 thousand (previous year € 31,158 thousand).

In the period under review, the borrowing rates on the basis of local currencies ranged between 1.50 percent and 21.00 percent, and the creditor interest rates on the basis of local currencies ranged between 0.00 percent and 16.50 percent.

8. Income taxes

in € thousands	2009	2008
Current taxes	-15,917	-22,870
thereof Germany	-2,682	-3,671
thereof International	-13,235	-19,199
Deferred taxes	-11,909	-52,157
thereof Germany	-12,801	-55,714
thereof International	892	3,557
	-27,826	-75,027

Previous year partly adjusted (see page 73 et seq.)

Income taxes accrued in Germany as well as in Greece, Luxembourg, Romania, Hungary, Poland, Bulgaria, Switzerland, Albania, the Netherlands and Hong Kong.

Income taxes include taxes paid or due in the individual countries as well as deferred taxes. The German companies of the Praktiker Group are subject to an average trade tax of approximately 14.7 percent of trade income. This amount cannot be deducted when calculating corporate income tax. The corporate income tax amounts to a standard rate of 15 percent, plus a 5.5 percent solidarity surcharge on statutory corporate income tax. The applicable income tax rate is 30.53 percent.

Deferred taxes are determined on the basis of the tax rates expected to apply in each country upon realisation. In principle, the rates applied are those contained in currently valid laws or legislation that has been substantially enacted at the time of the balance sheet date.

Current income taxes of the foreign group companies are calculated on the basis of the respective laws and regulations applying in the individual countries. The income tax rates applied to foreign companies vary in a range from 0.00 percent in Moldova to 30.34 percent in Luxembourg.

Income and expenses recognised directly in equity resulted in deferred tax income of € 121 thousand in the period under review.

Please refer to item no. 21 and 31 for details regarding the development of deferred tax assets and deferred tax liabilities.

The actual tax expenses of € 27,826 thousand are € 22,184 thousand higher than the estimated income tax expenses of € 5,642 thousand, which would have resulted if the German income tax rate had been applied to the Group's taxable income for the year.

A reconciliation of estimated to actual income tax expense as per the consolidated income statement is shown in the table below:

in € thousands	2009	2008
Group earnings before taxes	18,479	79,458
Applicable income tax rate	30.53 %	30.53 %
Expected income tax expenses	-5,642	-24,259
Effects of differing tax rates	-1,008	4,919
Tax effects of		
Tax-free income	392	648
Trade tax additions and deductions	-6,645	-6,704
Non-deductible business expenses	-1,879	-2,920
Valuation allowance		
deferred tax assets on loss carry-forwards corporate tax	-462	-52,666
deferred tax assets on loss carry-forwards trade tax	0	-1,201
deferred tax on temporary differences	-400	0
Unrecognised deferred tax assets on loss carry-forwards corporate tax	-7,631	0
Unrecognised deferred tax assets on loss carry-forwards trade tax	-15	0
Adjustments to tax expenses of prior periods	-2,701	13,235
Adjustments by reason of tax rate changes	-34	-263
Other deviations	-1,801	-3,423
Correction according to IAS 8	0	-2,393
Total tax effects	-21,176	-55,687
Actual tax expenses	-27,826	-75,027

Previous year partly adjusted (see page 73 et seq.)

9. Minority interests

The Group net income allocable to minority interests of € 1,219 thousand (previous year € 1,085 thousand) relates almost exclusively to minority shareholders of Bâtiself S.A.

10. Earnings per share

a) Basic

Basic earnings per share are calculated by dividing the earnings attributable to the shareholders of the Praktiker Group by the average number of shares issued during the financial year.

	2009	2008
Earnings per share		
Earnings allocable to shareholders (in € thousands)	-10,566	3,346
Average number of shares issued (in thousands)	58,000	58,000
Basic earnings per share (€ per share)	-0.18	0.06

Previous year partly adjusted (see page 73 et seq.)

b) Diluted

When determining the diluted earnings per share, the profit attributable to shareholders is adjusted to take account of changes in expenses and income which would arise from the conversion of those potential ordinary shares with a diluting impact. The only potentially diluting effects concern the convertible bonds issued by the Praktiker Group in September 2006. The average number of shares issued during the reporting period is supplemented by the number of such additional ordinary shares that would have been in circulation if all those potential ordinary shares with a diluting impact had been converted.

In the reporting period, as in the corresponding period of the previous year, there would have been a higher result per share taking into account the potential common shares. The convertible bonds thus offer protection against dilution and have therefore not to be included in the determination of the diluted earnings per share in line with IAS 33.41. The diluted earnings per share in the 2008 and 2009 financial years thus correspond to the basic earnings per share as given in the table above.

Additional information to the income statement

11. Dividend, appropriation of net income and balance sheet profit

The basis for the distribution of a dividend is the balance sheet profit of Praktiker Holding AG (in its separate financial statements), which is calculated in accordance with the accounting principles of German Commercial Code.

A dividend of € 0.10 per share, equivalent to a total amount of € 5,800 thousand, was distributed for 2008 by resolution of the 2009 Annual General Meeting.

Based on a resolution of the management and supervisory boards of Praktiker Holding AG an amount of € 11,669 thousand from the net income resulting from the separate financial statements of Praktiker Holding AG of € 23,339 thousand was transferred to other revenue reserves according to Sec. 58 para. 2 AktG (German Stock Corporation Act).

The management board of Praktiker Holding AG proposes paying a dividend of € 0.10 per share of the balance sheet profit of € 11,909 thousand to the company's shareholders, transferring an amount of € 6,000 thousand to revenue reserves and to carry forward the remaining amount of € 109 thousand to new account. The sum totals of the dividend, of the amount to be transferred to revenue reserves and of the amount carried forward as profit are each based on the company's share capital, currently amounting to € 58,000,000 and divided into 58,000,000 individual bearer-denominated shares, that has vote and dividend entitlements on the date that the Annual General Meeting for 2010 is convened. To the extent that the number of shares with dividend entitlements changes during the period up until the date of the Annual General Meeting, the proposed resolution concerning the appropriation of the balance sheet profit is to be modified such that the dividend amount per share remains unchanged while the amount of total dividend payout, the amount to be transferred to revenue reserves and the amount carried forward as profit is to be adjusted accordingly.

12. Depreciation and impairment

Depreciation on tangible assets amounts to € 62,594 thousand (previous year € 62,704 thousand), depreciation on intangible assets amounts to € 6,218 thousand (previous year € 5,113 thousand). Impairment of fixed assets amounting to € 151 thousand (previous year € 3,881 thousand) accrued.

13. Personnel expenses

Personnel expenses can be broken down as follows:

in € thousands	2009	2008
Wages and salaries	442,062	464,097
Social security payments, expenses for pensions and related employee benefits	93,712	97,050
thereof pension expenses	252	219
	535,774	561,147

Personnel expenses include employer contributions to state pension insurance of € 48,996 thousand (previous year € 50,160 thousand).

Please refer to item no. 27 for details on expenses related to provisions for pensions.

Annual average number of group employees:

Number of employees	2009	2008
White collar	24,757	26,541
Blue collar	1,874	2,014
Apprentices/trainees	740	799
	27,371	29,354

The above figure includes an absolute number of 9,584 (previous year 10,953) part-time employees. On the basis of full-time equivalents, the percentage of employees working outside Germany rose to 45 percent from 44 percent the year before.

14. Other taxes

Other taxes of € 2,089 thousand (previous year € 2,788 thousand) are shown under selling expenses and administrative expenses. They include real property tax, motor vehicle tax and excise and transaction taxes.

Notes to the consolidated statement of financial position

Non-current assets

The fixed assets included in non-current assets developed as follows during the fiscal year:

in € thousands	Intangible assets	Property, plant and equipment	Financial assets	Total
Cost of acquisition				
As at 01/01/2009	293,764	888,167	14	1,181,945
Currency translation	-190	-10,575	0	-10,765
Additions	5,906	67,431	0	73,337
Disposals	1,358	12,414	2	13,774
Transfers	148	-148	0	0
As at 31/12/2009	298,270	932,461	12	1,230,743
Depreciation				
As at 01/01/2009	30,055	392,377	0	422,432
Currency translation	-57	-2,559	0	-2,616
Additions, scheduled	6,218	62,594	0	68,812
Additions, impairment loss	0	151	0	151
Disposals, scheduled	1,274	11,158	0	12,432
Disposals, impairment loss	0	186	0	186
Reversal of impairment loss	0	2,650	0	2,650
As at 31/12/2009	34,942	438,569	0	473,511
Book value at 31/12/2009	263,328	493,892	12	757,232
Book value at 31/12/2008	263,709	495,790	14	759,513

Scheduled depreciations are stated in the income statement under selling expenses (€ 63,850 thousand), administrative expenses (€ 4,837 thousand) and cost of goods sold (€ 125 thousand). No hypothecation or collateralisation exists.

The reversal of impairment losses to property, plant and equipment amounting € 2,650 thousand and impairment losses amounting € 151 thousand resulted from the impairment tests on property, plant and equipment. Impairments are shown under selling expenses; reversals of impairments are shown under other operating income.

As at 31 December 2009, intangible assets include internally generated assets under development (see item no. 15).

The fixed assets included in non-current assets developed as follows during the previous year:

in € thousands	Intangible assets	Property, plant and equipment	Financial assets	Total
Cost of acquisition				
As at 01/01/2008	289,511	869,527	127	1,159,165
Currency translation	-474	-29,112	-2	-29,588
Additions	7,506	110,126	0	117,632
Disposals	2,759	62,701	111	65,571
Transfers	-20	327	0	307
As at 31/12/2008	293,764	888,167	14	1,181,945
Depreciation				
As at 01/01/2008	27,886	399,850	5	427,741
Currency translation	-405	-12,249	0	-12,654
Additions, scheduled	5,113	62,704	0	67,817
Additions, impairment loss	0	3,881	0	3,881
Disposals, scheduled	2,539	60,404	0	62,943
Disposals, impairment loss	0	215	0	215
Reversal of impairment losses	0	1,190	5	1,195
As at 31/12/2008	30,055	392,377	0	422,432
Book value at 31/12/2008	263,709	495,790	14	759,513
Book value at 31/12/2007	261,625	469,677	122	731,424

Amounts partly adjusted (see page 73 et seq.)

15. Goodwill and other intangible assets

The other intangible assets include brand names, concessions, industrial property rights and similar rights as well as licenses for such rights and values.

The additions to other intangible assets include additions of internally generated assets in the amount of € 357 thousand in the year under review. These relate to development costs for the implementation of a system for automated supplier regulation. There was no depreciation on internally generated intangible assets in 2009. In the previous year, no internally generated intangible assets were included.

The other additions to other intangible assets relate exclusively to purchased software.

The brand Max Bahr has an unlimited useful life while the other intangible assets have a limited useful life. The estimation of an unlimited useful life regarding Max Bahr is based primarily on the fact that this is a company brand which is thus associated with the company rather than with a product. As such, it is not subject to any product lifecycle with a time limit, or to any type of obsolescence.

in € thousands	Goodwill	Brand Max Bahr	Other intangible assets	Total
Cost of acquisition				
As at 01/01/2009	192,682	56,766	44,316	293,764
Currency translation	0	0	-190	-190
Additions	0	0	5,906	5,906
Disposals	0	0	1,358	1,358
Transfers	0	0	148	148
As at 31/12/2009	192,682	56,766	48,822	298,270
Depreciation				
As at 01/01/2009	0	0	30,055	30,055
Currency translation	0	0	-57	-57
Additions, scheduled	0	0	6,218	6,218
Disposals, scheduled	0	0	1,274	1,274
As at 31/12/2009	0	0	34,942	34,942
Book value at 31/12/2009	192,682	56,766	13,880	263,328
Book value at 31/12/2008	192,682	56,766	14,261	263,709

The intangible assets included in non-current assets developed as follows during the previous year:

in € thousands	Goodwill	Brand Max Bahr	Other intangible assets	Total
Cost of acquisition				
As at 01/01/2008	192,682	56,766	40,063	289,511
Currency translation	0	0	-474	-474
Additions	0	0	7,506	7,506
Disposals	0	0	2,759	2,759
Transfers	0	0	-20	-20
As at 31/12/2008	192,682	56,766	44,316	293,764
Depreciation				
As at 01/01/2008	0	0	27,886	27,886
Currency translation	0	0	-405	-405
Additions, scheduled	0	0	5,113	5,113
Disposals, scheduled	0	0	2,539	2,539
As at 31/12/2008	0	0	30,055	30,055
Book value at 31/12/2008	192,682	56,766	14,261	263,709
Book value at 31/12/2007	192,682	56,766	12,177	261,625

Amounts partly adjusted (see page 73 et seq.)

16. Property, plant and equipment

In the fiscal year under review property, plant and equipment developed as follows:

in € thousands	Buildings, fixtures, land	Other plant, business and office equipment	Assets under construction	Total
Cost of acquisition				
As at 01/01/2009	550,014	326,572	11,581	888,167
Currency translation	-7,547	-2,856	-172	-10,575
Additions	13,704	37,856	15,871	67,431
Disposals	6,105	6,003	306	12,414
Transfers	7,964	4,958	-13,070	-148
As at 31/12/2009	558,030	360,527	13,904	932,461
Depreciation				
As at 01/01/2009	195,242	197,135	0	392,377
Currency translation	-1,266	-1,293	0	-2,559
Additions, scheduled	26,332	36,262	0	62,594
Additions, impairment loss	14	137	0	151
Disposals, scheduled	5,399	5,759	0	11,158
Disposals, impairment loss	0	186	0	186
Transfers	14	-14	0	0
Reversal of impairment loss	35	2,615	0	2,650
As at 31/12/2009	214,902	223,667	0	438,569
Book value at 31/12/2009	343,128	136,860	13,904	493,892
Book value at 31/12/2008	354,772	129,437	11,581	495,790

Property, plant and equipment included in non-current-assets developed as follows in the previous year:

in € thousands	Buildings, fixtures, land	Other plant, business and office equipment	Assets under construction	Total
Cost of acquisition				
As at 01/01/2008	510,742	356,068	2,717	869,527
Currency translation	-17,044	-11,920	-148	-29,112
Additions	49,003	42,425	18,698	110,126
Disposals	946	61,473	282	62,701
Transfers	8,259	1,472	-9,404	327
As at 31/12/2008	550,014	326,572	11,581	888,167
Depreciation				
As at 01/01/2008	172,348	227,502	0	399,850
Currency translation	-3,612	-8,637	0	-12,249
Additions, scheduled	26,872	35,832	0	62,704
Additions, impairment loss	0	3,881	0	3,881
Disposals, scheduled	311	60,093	0	60,404
Disposals, impairment loss	0	215	0	215
Transfers	151	-151	0	0
Reversal of impairment loss	206	984	0	1,190
As at 31/12/2008	195,242	197,135	0	392,377
Book value at 31/12/2008	354,772	129,437	11,581	495,790
Book value at 31/12/2007	338,394	128,566	2,717	469,677

Amounts partly adjusted (see page 73 et seq.)

Land and buildings are recognised exclusively at their amortised cost of purchase/construction.

The purchase obligations entered for tangible assets are listed under item no. 36.

Assets that are available to Praktiker Group under a finance lease are included in tangible assets under buildings and fixtures with carrying amounts of € 210,779 thousand (previous year € 232,581 thousand) and relate to leased buildings.

Finance leases generally have initial terms of between 10 and 33 years with options upon expiry to extend them at least once for five years. The interest rates in the leases vary by market and date of signing between 4.1 percent and 20.3 percent.

In addition to finance leases, Praktiker Group has also signed other types of leases classified as operating leases based on their economic value. The initial term ranges between one year and 20 years. Some operating leases include contract extension options of between one year and 20 years as well as price adjustment clauses.

Payments under finance and operating leases become due in the following periods as follows:

in € thousands	up to 1 year	1 to 5 years	over 5 years	Total
Finance leases				
Future lease payment due	41,148	158,161	244,103	443,412
thereof from sale-and-lease-back transactions	710	0	0	710
Financing expenses	24,071	80,025	69,086	173,182
Present value	17,077	78,136	175,017	270,230
Operating leases				
Future lease payment due	287,634	994,423	1,108,043	2,390,100
Future lease payments anticipated from subleases	6,121	11,008	3,028	20,157

The figures relate above all to rental contracts for rented buildings.

The expenses shown in the income statement include € 314,938 thousand from operating leases (previous year € 309,441 thousand) and € 6,334 thousand from finance leases (previous year € 6,053 thousand). These figures also includes conditional lease payments which, however, only account for a small portion of total lease payments.

Capitalised assets under finance leases include fixtures, furniture and office equipment amounting to € 3,405 thousand (previous year € 7,756 thousand), which were accounted as part of sale-and-lease-back transactions.

Income from the subleases of assets shown in the income statement amounted to € 9,678 thousand (previous year € 10,204 thousand).

17. Impairment tests

a) concerning goodwill

The goodwills allocable to Max Bahr Holzhandlung GmbH & Co. KG with a carrying amount of € 76,092 thousand, Praktiker Baumärkte GmbH with a carrying amount of € 60,154 thousand, and Praktiker GmbH with a carrying amount of € 54,736 thousand are of material importance to the Praktiker Group.

In connection with the first-time implementation of IFRS 8, "Operating Segments", and the resulting change in the definition of segments, there was also a corresponding adjustment in determining the cash-generating units (CGUs) for impairment tests of goodwill. The new method of determination is based on the reporting to the full management board of Praktiker Holding AG as the chief operating decision maker, which is the basis for its strategic decisions. In this case, the impairment test was thus carried out for the CGUs "Praktiker Germany" and "Max Bahr".

For the purpose of impairment testing, a part of the goodwill of Max Bahr Holzhandlung GmbH & Co. KG was – according to IAS 36.80 – also assigned to the segment, which also benefits from the synergies of the merger. Accordingly, an amount of € 44,565 thousand was assigned to the "Praktiker Germany" segment. The basis for this allocation was the CGUs' proportion of net sales.

The brand Max Bahr was completely assigned to the CGU "Max Bahr".

The goodwill of Praktiker Baumärkte GmbH and of Praktiker GmbH is allocated in full to the "Praktiker Germany" segment in the context of the impairment test.

The recoverable amounts of the CGUs are based on a calculation of their value in use. These calculations are based on projected cash flows derived from the management's three-year operating plan. Cash flows after this three-year period are extrapolated on the basis of the following data:

In the case of the two CGUs mentioned above, growth of 1 percent was assumed for the periods beyond those for which a concrete planning exists (2010 to 2012). The management's assessment is based on past developments and anticipated future market developments.

The calculation of values in use for the two CGUs mentioned was based on a discount rate of 8.3 percent (previous year 8.5 percent), which reflects the specific risks of the two cash generating units.

Based on the impairment tests of goodwill and brand Max Bahr, no impairment occurred.

b) concerning other intangible assets as well as property, plant and equipment

Impairment tests on fixed asset items occur on a store level, whereby the individual store is considered to be a CGU. On a per-location basis, the planned sales revenues over the basic rental term are compared with the planned costs, whereby the latter include appropriate central cost components, which are necessary for the operation of the individual stores. Should the planned costs exceed the planned sales revenues, corresponding impairment on the given fixed asset items is undertaken.

In 2009 for the time after the three-year planning horizon an annual increase in sales revenue as well as in direct personnel costs and material costs of 1 percent was applied in relation to the German locations. In other countries, the level of the increase ranges between 0 percent in Greece and 7 percent in the Ukraine. Future cash flows were discounted at risk-free market interest rates varying between 3.82 percent for locations in Germany and 29.0 percent for locations in the Ukraine.

The management's assessment is based on past developments and anticipated future market developments.

Based on the impairment tests carried out, impairment on property, plant and equipment occurred amounting to € 4,157 thousand (previous year € 7,285 thousand). Reversals of impairment losses in the year under review resulted from changes in planning premises as compared to the previous valuation date.

18. Financial instruments

Category allocation of the financial instruments to the respective balance sheet items as of 31 December 2009 is shown in the following table:

in € thousands	Loans and receivables	Financial assets held for trading	Derivatives designated as hedge accounting	Available-for-sale financial assets	Total
Assets as at 31/12/2009	LaR	FAHfT	n/a	AfS	
Other Financial assets				12	12
Cash and cash equivalents	262,977				262,977
Receivables	74,184				74,184
thereof trade receivables	14,431				
thereof other receivables and other assets	59,753				
Derivative financial assets		438			438
	337,161	438	0	12	337,611
	Financial liabilities measured at amortised cost	Financial liabilities held for trading	Derivatives designated as hedge accounting	Finance lease	Total
Equity and liabilities as at 31/12/2009	FLAC	FLHfT	n/a	n/a	
Financial commitments	189,483			270,230	459,713
Trade payables	457,610				457,610
Other liabilities	17,414				17,414
Derivative financial liabilities			398		398
	664,507	0	398	270,230	935,135

In the case of trade receivables, other receivables and other assets, cash and cash equivalents, as well as trade payables and other liabilities, the carrying amounts approximately equates to the market values.

Other financial assets include an investment for which there is no active market, where the fair value cannot be reliably determined and which is therefore carried at amortised cost.

The carrying amounts of the financial liabilities equate approximately to their respective fair values.

The fair value of the financial commitments including finance leases amounted at the closing date to € 546,038 thousand (previous year € 399,214 thousand).

The value adjustments of the “Receivables” class logged on a dedicated value adjustment account developed as follows:

in € thousands	2009	2008
Allowances of the class “Receivables” as at 01/01	7,808	7,931
Currency translation adjustments	-14	-71
Additions	1,697	2,147
Used	-2,039	-1,972
Reversal	-663	-272
Reclassification	191	45
Allowances of the class “Receivables” as at 31/12	6,980	7,808

Net gain or loss (-) from financial instruments, subdivided according to the individual valuation categories of IFRS 7, is as follows:

in € thousands		Net gain/loss	
		2009	2008
Loans and Receivables	LaR	1,543	7,403
Available-for-Sale Financial Assets	AfS	65	61
Financial Assets/Liabilities Held for Trading	FAHFT/FLHFT	-1,348	-718
Financial Liabilities Measured at Amortised Cost	FLAC	-19,318	-15,650

Net results from financial instruments include measurement results, amortisation and reversals, results from currency translation and interest, dividends and all other effects on income from financial instruments. The financial instruments at fair value through profit and loss item include only results from those instruments which are not designated as hedging instruments as part of a hedging relationship in line with IAS 39.

Total interest income in the amount of € 2,980 thousand (previous year € 9,312 thousand) and total interest expense in the amount of € 10,516 thousand (previous year € 8,296 thousand) related to financial instruments which are not measured at fair value through profit and loss.

Please refer to item no. 29 for further details concerning derivative financial instruments.

19. Other financial assets

The other financial assets include a non-listed holding of Praktiker Polska Sp. z o.o. in MGL METRO Group Logistics Polska Sp. z o.o.i. Spółka Sp.K amounting to PLN 50,000 (3.7 percent), which is recognised as an available-for-sale financial asset. Converted into euro, there is a share value of € 12 thousand at the balance sheet date (previous year € 12 thousand).

20. Other receivables and other assets

in € thousands	31/12/2009	31/12/2008
Other assets (gross)	93,979	89,261
Allowance	-4,869	-5,208
Other assets (net)	89,110	84,053

From the allowance of the previous year, € 1,014 thousand (previous year € 342 thousand) were used, € 293 thousand (previous year € 210 thousand) were released and € 786 thousand (previous year € 1,088 thousand) reallocated in the reporting period.

Of the total amount of the other receivables and other assets, € 3,766 thousand (previous year € 2,095 thousand) has a residual term of more than 5 years.

The other receivables and other assets comprise financial assets in the amount of € 60,191 thousand (previous year € 65,159 thousand) and non-financial assets of € 28,918 thousand (previous year € 18,894 thousand).

Other financial assets comprise merchandise commission claim vis-à-vis suppliers of € 35,214 thousand (previous year € 33,546 thousand) and derivative financial instruments of € 438 thousand (previous year € 972 thousand). Please refer to item no. 29 for further details concerning derivative financial instruments.

The other non-financial assets include prepaid expenses of € 13,504 thousand (previous year € 8,907 thousand) and other tax refund claims of € 8,407 thousand (previous year € 5,927 thousand).

The carrying amounts of the monetary assets included in these items correspond to their market values. As in the previous years, there are no limitations to the title or right to dispose of the other receivables or other assets shown in this section.

21. Deferred income tax assets

Based on existing planning figures for the coming years, the management assumes that the deferred tax assets recognised as of 31 December 2009 can be realised in the future. These planning figures take account of the fact that past tax losses are partly based on irregularly recurring negative income effects. In addition, there are planning opportunities not reflected in the existing planning figures through which loss carry-forwards could be made utilisable during the realisation period.

According to IAS 12.34, a deferred tax asset for as yet unused tax losses must be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. The certainty of a forecast decreases the further the realisation period lies in the future. Therefore, for the period beyond the periods for which there is a specific planning (2010 to 2012), the taxable profit was continued with probability discounts which rise with increasing time. Accordingly to this in the financial year 2009 there was a realisation period of 9 years. The allowance on deferred tax assets for loss carry-forwards amounts to € 462 thousand in the year under review. In addition, it was decided not to capitalise deferred tax assets from tax losses incurred in the 2009 financial year in the amount of € 7,646 thousand.

So potential corporate tax benefits totalling € 70,390 thousand (previous year € 62,485 thousand) were thus not capitalised as the underlying loss carry-forwards are unlikely to be utilised (€ 60,804 thousand; previous year € 53,798 thousand) or can no longer be utilised due to time limits for carrying them forward (€ 9,586 thousand; previous year € 8,687 thousand). This corresponds to € 424,019 thousand (previous year € 378,677 thousand) in unutilisable loss carry-forwards. In case of the trade tax potential tax benefits totalling € 1,241 thousand (previous year € 1,228 thousand) were thus not capitalised as the underlying loss carry-forwards are unlikely to be utilised. This corresponds to € 8,442 thousand (previous year € 8,348 thousand) in unutilisable loss carry-forwards.

The majority of this non-capitalisation relates to Group companies based in Germany. There is currently no time limit for carrying forward tax losses in Germany. Furthermore, tax profit result in Germany will be negatively impacted by goodwill amortisation until 2022, which will no longer be incurred from 2023 on. These factors tend to indicate the recoverability of the deferred tax assets.

The recoverability of deferred tax assets is checked regularly on the basis of budget and planning figures. Continued target/performance comparisons to ensure planning quality are carried out, and planning premises are adjusted regularly. These calculations are based on a three-year medium-term plan.

In the case of the deferred tax assets for temporary differences, a valuation allowance of € 400 thousand was made in 2009.

The deferred tax assets apply to the following balance sheet items:

in € thousands	31/12/2009	31/12/2008
Goodwill	23,392	27,666
Other fixed assets	2,445	3,899
Property, plant and equipment	585	426
Inventories	3,970	3,994
Other receivables and assets	2,813	3,804
Loss carry-forwards on corporate taxes	25,040	25,189
Loss carry-forwards on trade taxes	16,548	19,626
Provisions for pensions and similar commitments	1,306	1,218
Other provisions	11,303	11,813
Liabilities from finance leases	57,357	60,963
Other liabilities	4,142	3,673
Interest carry-forwards on interest stripping rule	113	657
	149,014	162,928

Previous year partly adjusted (see page 73 et seq.)

Deferred tax assets from deductible temporary differences and tax loss carry-forwards that exceed deferred tax liabilities from taxable temporary differences are recognised only if and when it is more than likely that the company will generate sufficient taxable income to realise the respective benefit.

Deferred tax assets developed as follows:

in € thousands	2009	2008
As at 01/01	162,928	215,329
Currency translation	-913	-1,596
Recognised directly in equity	121	0
Expenses in income statement	-13,122	-50,805
As at 31/12	149,014	162,928

Previous year partly adjusted (see page 73 et seq.)

Of the total amount of deferred tax assets, an amount of € 19,161 thousand (previous year € 20,991 thousand) will be realised within a period of 12 months and an amount of € 129,853 thousand (previous year € 141,937 thousand) after more than 12 months.

22. Inventories

Inventories comprise exclusively merchandise.

Breakdown of inventories by country:

in € thousands	31/12/2009	31/12/2009	31/12/2008	31/12/2008
Germany		592,024		670,060
Praktiker	389,468		449,556	
Max Bahr	184,069		201,515	
Miscellaneous	18,487		18,989	
International		214,760		218,211
Romania	55,913		50,526	
Poland	42,110		45,521	
Greece	33,685		36,659	
Hungary	27,007		32,180	
Turkey	19,619		17,994	
Bulgaria	19,396		20,880	
Ukraine	7,401		7,281	
Luxembourg	6,442		7,170	
Albania	3,187		0	
		806,784		888,271

The purchase cost of inventories is recognised as expense at the time of revenue recognition and is included in the cost of goods sold at a value of € 2,421,064 thousand (previous year € 2,546,057).

During the reporting year, reversals of valuation allowances on inventories of € 2,680 thousand (previous year € 37 thousand) and impairment of € 3,808 thousand (previous year € 7,110 thousand) were included in the cost of goods sold.

Because the net realisable value actually achieved was in some cases higher than the net realisable value as estimated at the previous valuation date, income of € 2,680 thousand was generated.

23. Trade receivables

All trade receivables have a remaining term of up to one year. The fair values of the trade receivables correspond to their carrying amounts.

There is no concentration of creditworthiness risks with respect to trade receivables as the Group has a large number of customers at different international locations.

in € thousands	31/12/2009	31/12/2008
Trade receivables (gross)	16,542	18,882
Allowance	-2,111	-2,600
Trade receivables (net)	14,431	16,282

From the value allowance of the previous year, € 1,025 thousand (previous year € 1,630 thousand) were used, € 370 thousand (previous year € 62 thousand) were released and € 911 thousand (previous year € 1,059 thousand) reallocated in the reporting period.

24. Income tax receivables

€ 2,504 thousand (previous year € 1,667 thousand) of the income tax receivables relate to corporate tax and € 587 thousand (previous year € 302 thousand) relate to trade tax.

25. Cash and cash equivalents

in € thousands	31/12/2009	31/12/2008
Bank/cash on hand	61,848	103,935
Cash on deposit	201,129	129,386
	262,977	233,321

The effective interest rates for bank deposits vary between 0.10 percent and 16.50 percent, the terms range from 1 to 90 days.

As in the previous year, no pledges exist in respect of the credit balances held by banks.

26. Equity

a) Share capital

The share capital is divided into 58,000,000 (previous year 58,000,000) individual bearer shares with a respective notional value in the share capital of € 1.00 (previous year € 1.00). Total share capital thus amounts to € 58,000,000.

As per year-end, five institutions held shares of voting rights subject to mandatory reporting requirements of more than 3 or 5 percent:

On 26 January 2009, Eric M. Mindich (USA), Eton Park Capital Management L.L.C., New York (USA), Eton Park Capital Management L.P., New York (USA), Eton Park Capital Limited, London (Great Britain), and Eton Park International LLP, London (Great Britain), notified us that their voting rights exceeded the 3 percent and 5 percent thresholds of the voting rights on 21 January 2009, and totalled 8.39 percent on this date (this corresponds to 4,863,330 voting rights).

Mackenzie Financial Corporation, Toronto (Canada) and Mackenzie Cundill Investment Management Ltd., Vancouver (Canada), exceeded the 5 percent voting rights threshold on 11 August 2008 and held at that time 5.09 percent of the voting rights. This is equivalent to 2,952,106 voting rights for Mackenzie Financial Corporation and 2,950,000 voting rights for Mackenzie Cundill Investment Management Ltd.

On 5 March 2009, Odey Asset Management LLP, London (Great Britain), notified us that its voting rights fell below the threshold of 5 percent of the voting rights on 25 February 2009, and were 4.72 percent on that date (this corresponds to 2,738,674 voting rights).

On 3 March 2009, on behalf of Artisan Funds, Inc., Milwaukee (USA), we were notified that its voting rights exceeded the threshold of 3 percent of the voting rights on 27 February 2009, and were 3.05 percent on that date (this corresponds to 1,771,822 voting rights). On 12 June 2009, we were notified as follows on behalf of and by order of the parties specified below: On 8 June 2009, the voting rights of Artisan Partners Limited Partnership (previously operating as NewCo LP), Milwaukee (USA) exceeded the threshold of 3 percent of the voting rights and were at 3.86 percent on that date (this corresponds to 2,241,210 voting rights). In accordance with Sec. 22 para. 1 sent. 1 no. 6 WpHG, these voting rights are attributable to Artisan Partners Limited Partnership. 3.63 percent of the voting rights (this corresponds to 2,108,074 voting rights) are based on shares held by Artisan Funds, Inc. On 8 June 2009, Artisan Investments GP LLC exceeded the threshold of 3 percent of the voting rights and was 3.86 percent on that date (this corresponds to 2,241,210 voting rights). In accordance with Sec. 22 para. 1 sent. 1 no. 6 WpHG in combination with Sec. 22 para. 1 sent. 2 and 3 WpHG, these voting rights are attributable to Artisan Investments GP LLC. 3.63 percent of the voting rights (this corresponds to 2,108,074 voting rights) are based on shares held by Artisan Funds, Inc. The limited partnership, which previously operated as Artisan Partners Limited Partnership, was renamed Artisan Partners Holdings LP and now directly controls Artisan Investments GP LLC and indirectly controls Artisan Partners Limited Partnership.

General Capital Group Fund Advisor N.V., Curacao (Netherlands Antilles), the GCG Germany Fund I, George Town (Cayman Islands) and Dr. Hubertus Hoffmann (UK) – notified us that their voting rights exceeded the threshold of 3 percent on 8 October 2008, and is now 3.01 percent. This corresponds to 1,747,000 voting rights.

The shares are not considered to be in fixed ownership in accordance with the definition prescribed by Deutsche Börse AG. As such, 100 percent of the shares of the company under review were considered to be in free float as of 31 December 2009.

b) Authorised capital

The Annual General Meeting of Praktiker Holding AG of 26 September 2005 authorised the management board to increase the company's share capital, with the prior approval of the supervisory board, by issuing new shares in exchange for cash contributions or non-cash contributions in one or several tranches for a total maximum of € 25,000,000 until 25 September 2010 (authorised capital). By resolution of the Annual General Meeting, the authorised capital may be used through the issuance of new shares in exchange for cash contributions up to an amount of € 25,000,000, whereby a subscription right is to be granted to existing shareholders in principle.

A portion of the authorised capital may be used up to an amount of € 5,000,000 through the issuance of new shares in exchange for non-cash contributions. A subscription right for shareholders is excluded here.

A portion of the authorised capital up to an amount of € 5,000,000 may be used through the issuance of new shares in exchange for cash contributions for the purpose of issuing shares to employees of the company or of companies under its control. A subscription right for shareholders is excluded here.

Within the limits of authorised capital, each of the above-mentioned capital increases may be used only up to the stated limit. The sum total of all above-mentioned capital increases must not exceed the total amount of authorised capital. The management board is authorised to determine all further details relevant to share rights and the terms to which the issuing of shares is subject with the prior approval of the supervisory board.

The resolution of the Annual General Meeting of 26 September 2005 to create authorised capital was entered into the commercial register on 2 November 2005.

c) Contingent capital for the issue of convertible bonds and warrant-linked bonds

The Annual General Meeting of 27 June 2006 approved a new authorisation of the company's management board to issue warrant-linked and/or convertible bonds and created new contingent capital for this purpose. The maximum admissible par value of the warrant-linked and/or convertible bonds amounts to € 600,000,000 and the new contingent capital amounts to € 29,000,000. Moreover, the management board was to be authorised by the Annual General Meeting of 27 June 2006 to issue warrant-linked and/or convertible bonds until 26 June 2011 subject to approval by the supervisory board. With the coming into effect of this resolution, the existing authorisation and the corresponding contingent capital were to be waived.

In the event that the issue of option warrants and/or convertible bonds is made in return for non-cash contributions, the management board undertakes to make use of its authorisation to exclude shareholder subscription rights to the given option warrants and/or convertible bonds only up to an amount equating to 20 percent of the share capital existing at the time of the authorisation coming into effect or at the time of the authorisation being exercised, should the value of the latter be less. As such, the increase in contingent capital for the purposes of servicing such option warrants and/or convertible bonds as are issued in return for non-cash contributions is limited to an amount totalling max. € 11,600,000 or the equivalent of 11,600,000 no-par bearer shares.

d) Authorisation to acquire treasury shares

The company was authorised via the resolution passed by the Annual General Meeting held on 27 May 2009 to acquire company shares up until 26 November 2010. The authorisation is limited to the acquisition of the company's own shares with a notional stake in share capital of a total of maximum € 5,800,000. The authorisation can be exercised in one go or in instalments on one or multiple occasions.

The acquisition can occur via the stock market or via a public repurchase offer.

Should the acquisition of shares take place via the stock market, the price per share paid by the company (excluding ancillary purchase costs) must not exceed or fall short of the opening price determined in Xetra trading (or via a functionally comparable successor system replacing the Xetra system) on the Frankfurt stock exchange by more than 10 percent on the given trading day.

Should the acquisition take place via a public repurchase offer addressed to all company shareholders, the offered purchase price per share (excluding ancillary purchase costs) must not exceed or fall short of the

final auction price in Xetra trading (or via a functionally comparable successor system replacing the Xetra system) on the Frankfurt stock exchange by more than 20 percent on the 4th to 10th trading day prior to the date of the publication of the offer. The volume of the offer can be limited. If the overall subscription of the offer exceeds this volume, the acceptance declarations are as a general rule to be considered proportionately. The preferential acceptance of smaller units of up to 100 shares per shareholder can be envisaged.

In addition, authorisation by the Annual General Meeting of 27 May 2009, was given to deploy equity derivatives in the context of acquiring own shares pursuant to Sec. 71 para. 1 no. 8 AktG. The acquisition of own shares may be implemented using call or put options. The management board was authorised 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 € 2.9 million. 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 26 November 2010.

e) Convertible bonds

As per 28 September 2006, Praktiker Finance B.V. issued convertible bonds totalling a nominal amount of € 150,000,000 that was subject to a warrant by Praktiker Bau- und Heimwerkermärkte Holding AG. The bonds were denominated in units of € 100,000 and a term to maturity until 28 September 2011 (due date). The bonds are accompanied by an option for conversion into no-par shares bearing the name of the stockholder Praktiker Bau- und Heimwerkermärkte Holding AG, with a notional value in the company's share capital of € 1.00 each, which, according to the discretionary power of the respective stakeholder, may be exercised from 8 November 2006 until 19 September 2011, in accordance with the loan terms at a conversion price set at issuance of € 33.77 (subject to possible adjustments for dividend payouts and capital changes). The convertible bonds are to carry a 2.25 percent annual interest on their nominal value. These interest payments are to be made retrospectively every year on the interest payment date. The first interest payment is due on 28 September 2007.

The bonds shall be paid on the due date at their nominal value together with the accrued interest, provided that they have not already been paid back, converted or bought back and cancelled. The issuer is entitled to cancel the bonds in full or in part, provided a notice of cancellation of no less than 15 days and no more than 30 days is given. A precondition for cancellation is that the share price has exceeded 130 percent of the conversion price, applicable on the respective trading day, for a minimum of 20 trading days within a period of 40 consecutive trading days, starting on or after 28 September 2009. In this case, the issuer shall pay back the cancelled bonds on the chosen payback date at their nominal amount, along with the interest accrued by the end of the day immediately preceding the chosen repayment date.

Pursuant to IAS 32.29, the carrying amount of the convertible bond at the time of issuance was divided into financial liability and equity components. The fair value of the liability component and that of the equity component were determined with effect of the issuing date of the convertible bond.

The fair value of the liability component recorded under non-current liabilities was calculated on the basis of the market interest rates for equivalent non-convertible bonds (5.45 percent) and amounted to € 129,475 thousand at the time of issuance. The residual value (€ 20,525 thousand) representing the conversion rights is reported under capital reserves in equity.

The financial liability increases over time, with an effect on net income, and comes to an amount equalling the difference between the effective interest paid and the hypothetical market rate of interest. The increase concerned amounted to € 4,118 thousand in the 2009 fiscal year with the result that the liability component of the convertible bonds is accounted for at a value of € 139,483 thousand with effect of 31 December 2009, thus equating to its fair value determined via discounting cash flows at 5.45 percent.

Transaction costs associated with the issuance were classified as credit capital components or equity components of the convertible bond proportional to the allocation of raised capital in accordance with IAS 32.38. The portion of transaction costs relating to equity components amounts to € 256 thousand.

At the time the convertible bonds were issued, the granted conversion rights would have corresponded to around 4.4 million non-par shares from the contingent capital.

No use was made of the conversion option up to the end of the period under review.

In April 2009 the Praktiker Group bought back a partial amount of the convertible bonds with a nominal value of € 2,900 thousand. Since there is a notional value of zero for the conversion privileges on the bought-back bonds, the buyback does not lead to any change in capital reserves.

f) Reserves

The development of the reserves, which consist of capital reserves and other reserves, is outlined in the “Consolidated statement of changes in equity” section.

The equity components of the convertible bonds as described in item no. 26e) are also shown under the capital reserves.

Among other items, the other reserves include the changes recognised directly in equity from currency conversions and cash flow hedges.

The legal reserves amount to € 22,879 thousand in the year under review (previous year € 19,860 thousand).

g) Balance sheet profit

The balance sheet profit comprises the aggregated earnings attributable to the shareholders of the Group, less the dividend payments and the allocation to other revenue reserves.

h) Minority interests

Minority interests comprise third-party stakeholdings in the equity of consolidated subsidiaries. An overview of minority interests and the changes in them is shown in the table below.

in € thousands	Stake of minority interests (%)	31/12/2009	31/12/2008
Bätiself S.A.	38.00	1,618	1,502
Calixtus Grundstücksverwaltungsgesellschaft mbH	5.19	3	1
		1,621	1,503

The increase of € 118 thousand results from a higher profit at companies where minority interests exist.

27. Provisions for pensions

The amount set aside for provisions in the statement of financial position is determined as follows:

in € thousands	2009	2008
Defined benefit obligation (DBO)	521	545
Unrecognised actuarial gain	200	181
Provisions as at 31/12	721	726

Pension expenses can be broken down as follows:

in € thousands	2009	2008
Interest expenses	33	35
Recognised actuarial gains	-26	-3
Service cost	5	10
Expenditure for pensions	12	42

Pension expenses from direct and indirect company pensions include the service costs and the actuarial losses, which are included in the cost of sales, selling expenses and general administrative expenses, as well as in the interest expense, which is shown in the net financial result. The provisions shown in the statement of financial position developed as follows:

in € thousands	2009	2008
Provision as at 01/01	726	695
Interest expenses	33	35
Recognised actuarial gains	-26	-3
Service cost	5	10
Pension payments	-17	-11
Provision as at 31/12	721	726

Payments of € 17 thousand from the reported provisions are expected in 2010. Actuarial gains and losses were considered on the basis of the corridor approach.

The development of the defined benefit obligation is shown on the following chart:

in € thousands	2009	2008
Defined benefit obligation (DBO) as at 01/01	545	651
Interest expenses	33	35
Actuarial gains	-45	-140
Service cost	5	10
Pension payments	-17	-11
Defined benefit obligation (DBO) as at 31/12	521	545

Matching, non-pledged reinsurance policies are in place for the pension entitlements relating to the Max Bahr segment. The resulting reimbursement rights were recognised as a separate asset in line with IAS 19.104A. The fair value of the reimbursement rights developed as follows:

in € thousands	2009	2008
Reimbursement rights as at 01/01	159	147
Expected return on reimbursement right	8	8
Loss (previous year gain) from reimbursement right	-1	1
Grants	3	3
Reimbursements rights as at 31/12	169	159
Actual return on reimbursement	7	9

Furthermore, there are pension payments due to deferred compensation commitments in the Praktiker Group, which are secured with matching, pledged reinsurance policies.

The resulting DBO and the corresponding plan assets developed as follows:

in € thousands	2009	2008
Defined Benefit Obligation (DBO) as at 01/01	247	253
Interest expenses	9	13
Actuarial gains	-1	-19
Defined Benefit Obligation (DBO) as at 31/12	255	247

in € thousands	2009	2008
Plan assets as at 01/01	247	253
Expected return on plan assets	9	13
Loss from plan assets	-1	-19
Plan assets as at 31/12	255	247

The fair values of the funded DBO and of the experience-based adjustments developed as follows:

in € thousands	2009	2008	2007	2006
Funded Defined Benefit Obligation (DBO)	255	247	253	-
Plan assets	255	247	253	-
Deficit- (+)/surplus(-)	0	0	0	-
Unfunded Defined Benefit Obligation (DBO)	521	545	651	628
Experience adjustments gains from Defined Benefit Obligation (DBO)	46	155	144	50
Experience adjustments losses(-)/gains(+) from plan assets	-2	-19	1	0

28. Other provisions

The other provisions developed as follows during the reporting year:

in € thousands	Personnel related obligations	Real estate related obligations	Obligations from merchandise trading	Other obligations	Total	thereof with a term of up to 1 year
As at 01/01/2009	12,827	44,370	7,310	28,426	92,933	34,269
Addition	2,631	7,551	3,927	6,567	20,676	14,575
Release	325	2,690	543	5,041	8,599	4,595
Utilisation	1,355	6,922	5,005	8,142	21,424	13,397
Currency translation	-5	0	0	-46	-51	-45
Transfer	500	-85	-50	-41	324	314
Accrued interest	385	335	0	0	720	0
As at 31/12/2009	14,658	42,559	5,639	21,723	84,579	31,121

Personnel-related obligations essentially encompass obligations arising from anniversaries, severance and part-time work. It is expected that an amount totalling € 853 thousand will be used for the 2010 financial year.

Real-estate related obligations relate for the most part to provisions for location risks. Long-term provisions were discounted at a rate of 4.5 percent. It is expected that an amount totalling € 11,706 thousand will be used in 2010.

Obligations from merchandise trading result from guarantee obligations and provisions for discounts to major customers. It is expected that an amount totalling € 4,628 thousand will be used in 2010.

On the balance sheet date, the other provisions include for the most part obligations from store closures of € 3,457 thousand (previous year € 1,166 thousand) as well as process and supplier risks and matters relating to fiscal law of € 9,115 thousand (previous year € 12,455 thousand). This item also includes an amount for € 4,703 thousand as a result of a fine for alleged price collusion levied by the Polish antitrust authorities against the Polish group company Praktiker Polska Sp. z o.o., as is the case with almost all other large DIY retailers in Poland. Praktiker Polska Sp. z o.o. is currently contesting this fine in legal proceedings. It is expected that an amount totalling € 9,365 thousand from other provisions will be used in the 2010 financial year.

The addition of accrued interest on long-term rental provisions resulted in interest expenses of € 335 thousand (previous year € 365 thousand).

Provisions with a term of more than five years totalling € 5,337 thousand (previous year € 6,513 thousand) are attributable to real estate-related liabilities.

29. Financial commitments and derivative financial instruments

As at 31 December 2009 and 31 December 2008, the following maturities existed in respect of the financial liabilities in line with IAS 39:

in € thousands		31/12/2009	31/12/2008
Liabilities from bonds	< 1 year	0	0
	1 – 5 years	139,483	138,089
	> 5 years	0	0
Liabilities from promissory note loans	< 1 year	0	0
	1 – 5 years	50,000	0
	> 5 years	0	0
Liabilities from finance leases	< 1 year	17,077	16,517
	1 – 5 years	78,136	73,897
	> 5 years	175,017	194,101
Trade payables	< 1 year	457,610	519,402
	1 – 5 years	0	0
	> 5 years	0	0
Other liabilities	< 1 year	17,351	14,447
	1 – 5 years	398	0
	> 5 years	63	51

The level of the expected cash flows from financial liabilities under IAS 39 and from derivative liabilities as at 31 December 2009 and 31 December 2008 is shown in the tables below:

in € thousands	Cash flow 2010	Cash flow 2011–2014	Cash flow 2015 ff.
Financial liabilities			
Liabilities from bonds	3,310	149,557	–
Liabilities from promissory note loans	2,706	54,217	–
Liabilities from finance leases	41,148	158,161	244,103
Trade payables	457,610	–	–
Other liabilities (without derivatives)	17,414	–	–
Derivative financial liabilities			
Forward exchange transactions designated as cash flow hedge	–	–	–
Interest swaps designated as cash flow hedge	393	9	–

in € thousands	Cash flow 2009	Cash flow 2010–2013	Cash flow 2014 ff.
Financial liabilities			
Liabilities from bonds	3,375	155,881	–
Liabilities from promissory note loans	–	–	–
Liabilities from finance leases	41,897	159,603	281,160
Trade payables	519,402	–	–
Other liabilities (without derivatives)	14,108	–	–
Derivative financial liabilities			
Forward exchange transactions designated as cash flow hedge	390	–	–
Interest swaps designated as cash flow hedge	–	–	–

Trade payables are basically due without interest and within one year. The carrying amount of trade payables therefore corresponds to the total of future cash flows.

The same applies to the other liabilities item (without derivatives) reported in the above tables, which contain exclusively financial liabilities within the meaning of IAS 39.

Derivatives are included with their net cash flows if they have negative market values and thus represent liabilities. Derivatives with positive market values are assets and are therefore not included.

The derivative financial instruments are recognised at their market values at level 2 of the fair value hierarchy.

Forward currency transactions were concluded to hedge group-internal loans denominated in foreign currencies, resulting in a short-term asset amounting to € 186 thousand (previous year € 581 thousand) as of financial year-end, included in the balance sheet item other receivables and other assets. The forward currency transactions were not designated as hedge accounting. They generated income amounting to € 339 thousand (previous year € 885 thousand) in the period under review as well as expenses of € 1,547 thousand (previous year € 553 thousand).

Derivative financial instruments were also concluded during the previous year to hedge the third tranche of payment from the share bonus scheme in 2011. It was reported in the statement of financial position with effect of 31 December 2009 under the balance sheet item other receivables and other assets at the fair value of € 251 thousand (previous year € 391 thousand). In this case too, there was no designation as hedge accounting. The expense from the valuation as of financial year-end of € 140 thousand (previous year € 1,050 thousand) was therefore recorded with the corresponding impact on income.

From the currency forward contracts concluded as cash flow hedge accounting in the 2008 financial year, € 390 thousand was transferred from equity to property, plant and equipment in the year under review, not affecting net income. In addition, expenses of € 116 thousand from discontinued hedge accounting relationships were recognised in the income statement in the year under review.

To hedge the risk of increasing interest rates, in the period under review, the Praktiker Group hedged the variable interest payments for the promissory note loans issued in the second quarter of 2009 in the amount of € 50,000 thousand with interest swaps, designated as cash flow hedges. The interest swaps have a term until April 2012 and a 6-month interest rate adjustment. As of 31 December 2009, this resulted in financial liabilities of € 398 thousand. An equal amount was posted to reserves, reducing equity.

An overview of the market and nominal values of the derivative financial instruments designated as cash flow hedge accounting is shown in the table below:

in € thousands	Nominal value		Market value	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
Forward exchange transactions	–	–5,782	–	–390
Interest swaps	–50,000	–	–398	–

30. Other liabilities

Other liabilities are recognised at amortised cost. They can be broken down as follows:

in € thousands	31/12/2009	31/12/2008
Payroll liabilities	25,648	36,897
Tax liabilities	24,621	20,510
Liabilities related to social insurance	2,600	2,870
Prepayments received on orders	4,901	7,128
Deferred income	5,681	6,774
Miscellaneous other liabilities	17,813	14,498
	81,264	88,677

The miscellaneous other liabilities comprise a multitude of individual items.

The balance sheet items listed under other liabilities reflect the fair values of these liabilities.

31. Deferred tax liabilities

The deferred tax liabilities are allocated to the following items of the statement of financial position:

in € thousands	31/12/2009	31/12/2008
Goodwill	23,947	19,797
Building finance lease	45,917	51,502
Other fixed assets	24,251	22,437
Inventories	11,707	13,433
Other receivables and assets	659	126
Provisions for pensions and similar commitments	583	545
Other provisions	1,494	1,310
Financial commitments	2,371	3,636
	110,929	112,786

Previous year partly adjusted (see page 73 et seq.)

Deferred tax liabilities developed as follows:

in € thousands	2009	2008
As at 01/01	112,786	111,241
Currency translation	-644	193
Income (previous year expenses) in income statement	-1,213	1,352
As at 31/12	110,929	112,786

Previous year partly adjusted (see page 73 et seq.)

Of the total deferred tax liabilities, an amount of € 12,599 thousand (previous year € 13,793 thousand) will be realised within a period of 12 months and an amount of € 98,330 thousand (previous year € 98,993 thousand) after more than 12 months.

32. Trade payables

All key trade liabilities have a remaining term to maturity of up to one year.

33. Current income tax liabilities

This item relates to corporate tax liabilities of € 6,071 thousand (previous year € 7,018 thousand) as well as trade tax liabilities of € 3,149 thousand (previous year € 3,093 thousand).

Notes to the consolidated cash flow statement

34. Cash flow statement

The consolidated cash flow statement has been drawn up in accordance with the provisions set out under IAS 7 as per the indirect method and structured by payment flow arising from operating activities, investing activities and financing activities.

To improve the transparency of the cash flow statement, we have adjusted its structure slightly. Firstly, the profits/losses from cash flow hedges recognised directly in equity are no longer reported as a separate item in the cash flow from financing activities, but instead are included in the “Other non-cash transactions” item in the cash flow from operating activities. In addition, there is an adjustment to the recognition of other assets and other liabilities within the cash flow from operating activities. In the previous year, separate presentation of these items for assets and for liabilities was still used. In this annual report, the changes in other assets and liabilities are both reported in one item, although now a distinction is made between short-term and long-term changes in other assets and liabilities. Changes in trade receivables, other current receivables and other assets, minority interests and other current liabilities are reported in the “Changes in current other assets and liabilities” item. The “Changes in non-current other assets and liabilities” item includes the changes in other non-current receivables and other non-current assets, as well as other non-current liabilities.

In the period under review, non-cash additions amounting to € 2,198 thousand (previous year € 17,177 thousand) were reported as fixed assets from finance leases. In the year under review, as in the previous year, there were no non-cash disposals from finance lease assets and also no non-cash disposals from finance lease liabilities.

a) Cash flow from operating activities

The basis for calculating the cash flow from operating activities is earnings before taxes. This is adjusted for non-cash expenses and income and for net interest income, and added to this are income taxes paid, the change in provisions and the change in net assets. Net assets comprise inventories, trade payables and other assets and liabilities. Interest expense from finance leases is also shown as a cash outflow from operating activities at this point, since this is a de facto part of the lease payments.

In the period under review, the cash inflow from operating activities amounts to € 83,260 thousand, representing a decrease of € 28,743 thousand in comparison to the previous year (€ 112,003 thousand). The decrease in earnings before taxes was considerably higher at € 60,979 thousand. Here, in particular the improvement in net assets as against the previous year contributed to a comparatively moderate decrease in the cash inflow from operating activities. Whereas the change in net assets in the previous year still led to a cash outflow of € 26,910 thousand, in the year under review there was a cash inflow of € 9,192 thousand from net assets, particularly from the decrease in inventories and trade payables.

The net amount from depreciation and reversals of impairment losses on fixed assets – the most important item of non-cash expenses and income – decreased from € 70,502 thousand to € 66,312 thousand.

b) Cash flow from investing activities

The cash flow from investing activities is made up of the net amount of proceeds from disposals of fixed assets and investments in fixed assets. The cash outflow amounted to € 71,047 thousand in the period under review and was thus € 27,008 thousand lower than the figure in the previous year (€ 98,055 thousand). The decrease results from a considerable decline in investments in fixed assets. These fell from € 100,455 thousand in 2008 to € 71,139 thousand in 2009. Proceeds from disposals of fixed assets were also down year-on-year, decreasing from € 2,400 thousand to € 92 thousand.

c) Cash flow from financing activities

The cash flow from financing activities shows a cash inflow of € 18,363 thousand. In the previous year there was a cash outflow of € 48,455 thousand. The improvement results from taking up promissory note loans of € 50,000 thousand in 2009. In addition, cash outflows decreased considerably in the year under review due to a lower dividend payment of € 5,800 thousand (previous year € 26,100 thousand). The largest individual item in the cash outflows is now the repayment of liabilities from finance leases, which increased slightly from € 16,328 thousand to € 16,483 thousand. Interest paid amounted to € 6,104 thousand and was thus higher than in the previous year (€ 4,925 thousand), primarily due to interest payments for the promissory note loans. There were further cash outflows from the payments to minority interests, which remained virtually unchanged at € 1,101 thousand, and from the buyback of a portion of the convertible bond in the amount of € 2,149 thousand.

d) Cash and cash equivalents

The level of cash and cash equivalents increased by € 29,656 thousand year-on-year to € 262,977 thousand at the end of period under review. It includes bank balances of € 249,452 thousand (previous year € 223,318 thousand) and cash on hand of € 13,525 thousand (previous year € 10,003 thousand). It corresponds to the "Cash and cash equivalents" item shown on the consolidated statement of financial position. The Group can access all cash and cash equivalents; these are thus not pledged. As at the balance sheet date, there were no overdrafts at banks.

Notes to the segment data

35. Segment information

a) Principles

The segment information is presented in line with IFRS 8. IFRS 8 “Operating Segments” replaces IAS 14 “Segment Reporting” for financial years commencing on or after 1 January 2009.

In line with the requirements of IFRS 8, the operating segments were determined according to the reports which are regularly presented to the chief operating decision maker – the management board of Praktiker Holding AG – and which the management board uses to make its strategic decisions. In this internal reporting there is no classification of various product groups and services, nor of customer groups. Reporting takes place exclusively in line with the different retail chains in Germany and international business.

The basis for the sales revenues generated by all reportable operating segments is primarily the sale of goods for the areas of construction, renovation, home repairs, home improvement, gardening and leisure.

The following reportable operating segments are reported separately:

- “Praktiker Germany”: this segment consists of the operating business of the 239 Praktiker outlets operated in Germany at the balance sheet date. In addition, the earnings and the assets and liabilities of the foreign-based Praktiker Finance B.V. (Netherlands) were allocated to this segment, as is the case in internal reporting.
- “Max Bahr”: this segment comprises the activities of the stores operated in Germany in this retail chain. There were 77 of these stores at 31 December 2009.
- “International”: the international segment comprises the operating activities in Luxembourg, Greece, Poland, Hungary, Turkey, Romania, Bulgaria, the Ukraine and Albania. At the end of 2009, there were 104 stores in this segment. Moldova und Macedonia, where there are currently no operating activities, are also allocated to this segment.

On account of the fact that they do not reach the relevant size criteria, the “Extra integrated stores”, “Extra wholesale” and the cross-divisional service company Praktiker Group Buying HK Ltd. (Hong Kong) units are combined into a compound account – the “Segment Miscellaneous”. Here the “Extra integrated stores” unit comprises the operating business of the 19 stores of the extra Bau+Hobby retail chain. “Extra wholesale” bundles the franchise business of the extra Bau+Hobby brand, which covers 8 franchisees with 10 locations as well as the activities for cooperation partners in purchasing and marketing. Praktiker Group Buying HK Ltd. no longer practises any operating activities and is currently in liquidation.

The earnings, assets and liabilities of Praktiker International AG, which assumes the settlement of supplier invoices, are distributed to the individual segments in line with their share in the central A/P clearing for sales divisions, as is the case in the modified internal reporting.

Transfers between the different segments are carried out at arm’s length prices. Management services are generally calculated as cost allocations with a mark-up which is usual in the market.

The effects of consolidation measures between the segments are stated separately in the “Reconciliation” column.

The key earnings parameter for assessing the economic success and allocating resources in the Praktiker Group is earnings before interest, taxes and amortisation (EBITA).

In the year under review and in the previous year, there were no customers with whom more than 10 percent of the Praktiker Group’s total sales revenue was generated. Therefore the Group is not dependent on any individual customer.

Segment information for the years 2009 and 2008 are shown in the following tables:

in € thousands	Praktiker Germany 2009	Max Bahr 2009	Inter- national 2009	Total of reportable segments 2009	Segment Miscel- laneous 2009	Recon- ciliation 2009	Total 2009
Net sales from external customers	1,835,158	690,610	1,046,266	3,572,034	91,367	0	3,663,401
Net sales from other segments	4,327	0	0	4,327	0	-4,327	0
Net sales total	1,839,485	690,610	1,046,266	3,576,361	91,367	-4,327	3,663,401
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	27,630	43,782	61,504	132,916	-1,170	0	131,746
Depreciation and impairment	-27,412	-12,333	-28,926	-68,671	-291	0	-68,962
thereof depreciation	-27,380	-12,333	-28,807	-68,520	-291	0	-68,811
thereof asset impairment	-32	0	-119	-151	0	0	-151
Earnings before interest, taxes and amortisation (EBITA)	218	31,449	32,578	64,245	-1,461	0	62,784
Investments	29,572	15,528	28,156	73,256	81	0	73,337
Segment assets	750,124	353,015	521,622	1,624,761	29,887	4,052	1,658,700
Segment liabilities	258,722	154,031	205,438	618,191	34,174	-60,594	591,771
Operating locations (number)	239	77	104	420	19	0	439
Selling space in 1,000 sq m	1,425	621	721	2,767	70	0	2,837
Employees at 31/12 (full time basis/ excl. trainees)	8,224	2,783	9,874	20,881	392	0	21,273

in € thousands	Praktiker Germany 2008	Max Bahr 2008	Inter- national 2008	Total of reportable segments 2008	Segment Miscel- laneous 2008	Recon- ciliation 2008	Total 2008
Net sales from external customers	1,868,778	702,374	1,241,157	3,812,309	94,467	0	3,906,776
Net sales from other segments	4,407	0	0	4,407	0	-4,407	0
Net sales total	1,873,185	702,374	1,241,157	3,816,716	94,467	-4,407	3,906,776
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	47,870	38,386	115,220	201,476	-1,004	0	200,472
Depreciation and impairment	-26,938	-12,850	-31,334	-71,122	-575	0	-71,697
thereof depreciation	-24,807	-12,431	-30,043	-67,281	-535	0	-67,816
thereof asset impairment	-2,131	-419	-1,291	-3,841	-40	0	-3,881
Earnings before interest, taxes and amortisation (EBITA)	20,932	25,536	83,886	130,354	-1,579	0	128,775
Investments	40,177	7,691	69,654	117,522	110	0	117,632
Segment assets	816,111	340,686	539,026	1,695,823	31,805	13,541	1,741,169
Segment liabilities	321,643	136,772	215,505	673,920	34,925	-36,383	672,462
Operating locations (number)	241	76	100	417	19	0	436
Selling space in 1,000 sq m	1,412	612	696	2,720	70	0	2,790
Employees at 31/12 (full time basis/ excl. trainees)	8,919	2,764	10,966	22,649	395	0	23,044

Amounts partly adjusted (see page 73 et seq.)

The investments relate to tangible and intangible assets.

Of the goodwill stated as per 31 December 2009 (€ 192,682 thousand), € 114,890 thousand relates to the “Praktiker Germany” segment, € 76,092 thousand to the “Max Bahr” segment, and € 1,700 thousand to the “International” segment.

In 2009 (2008), there were reversals of impairments of € 1,862 thousand (€ 0 thousand) for the “Praktiker Germany” segment, of € 538 thousand (€ 943 thousand) for the “Max Bahr” segment, and of € 250 thousand (€ 247 thousand) for the non-reportable “Miscellaneous” segment. In contrast, there were no reversals of impairments in the “International” segment in either year.

Reconciliation of earnings before interest, taxes and amortisation (EBITA) to earnings before taxes (EBT) and to the 2009 consolidated result:

in € thousands	Praktiker Germany 2009	Max Bahr 2009	Interna- tional 2009	Total of reportable segments 2009	Segment Miscel- laneous 2009	Recon- ciliation 2009	Total 2009
Earnings before interest, taxes and amortisation (EBITA)	218	31,449	32,578	64,245	-1,461	0	62,784
Goodwill amortisation	0	0	0	0	0	0	0
Earnings before interest and taxes (EBIT)	218	31,449	32,578	64,245	-1,461	0	62,784
Net financial result							-44,305
Earnings before taxes (EBT)							18,479
Income taxes							-27,826
Group net loss							-9,347

Reconciliation of earnings before interest, taxes and amortisation (EBITA) to earnings before taxes (EBT) and to the 2008 consolidated result:

in € thousands	Praktiker Germany 2008	Max Bahr 2008	Interna- tional 2008	Total of reportable segments 2008	Segment Miscel- laneous 2008	Recon- ciliation 2008	Total 2008
Earnings before interest, taxes and amortisation (EBITA)	20,932	25,536	83,886	130,354	-1,579	0	128,775
Goodwill amortisation	0	0	0	0	0	0	0
Earnings before interest and taxes (EBIT)	20,932	25,536	83,886	130,354	-1,579	0	128,775
Net financial result							-49,317
Earnings before taxes (EBT)							79,458
Income taxes							-75,027
Group net income							4,431

Amounts partly adjusted (see page 73 et seq.)

Net financial result and income taxes are reported to the chief operating decision maker only on a Group basis, meaning that there is no allocation to the individual operating segments.

Segment assets comprise current and non-current assets, adjusted for other financial assets, tax receivables, liquid funds, receivables from financial transactions and deferred tax assets.

Reconciliation of segment assets of the reportable segments to assets reported in the consolidated statement of financial position:

in € thousands	31/12/2009	31/12/2008
Segment assets of reportable segments	1,624,761	1,695,823
Segment assets of non-reportable segments	29,887	31,805
Reconciliation	4,052	13,541
Assets not allocated on segments		
Other financial assets	12	14
Tax receivables	11,498	7,896
Cash and cash equivalents	262,977	233,321
Financial receivables	438	1,009
Deferred tax assets	149,014	162,928
Assets according to the statement of financial position	2,082,639	2,146,337

Previous year partly adjusted (see page 73 et seq.)

The segment liabilities comprise current and non-current liabilities, adjusted for provisions for tax-risks, tax liabilities, interest bearing financial liabilities, liabilities from other financial transactions and deferred tax liabilities.

Reconciliation of segment liabilities of the reportable segments to liabilities reported in the consolidated statement of financial position:

in € thousands	31/12/2009	31/12/2008
Segment liabilities of reportable segments	618,191	673,920
Segment liabilities of non-reportable segments	34,174	34,925
Reconciliation	-60,594	-36,383
Liabilities not allocated on segments		
Tax risk provisions	5,822	7,499
Liabilities from finance leases	270,230	284,514
Liabilities from bonds	139,483	138,089
Liabilities from promissory loans	50,000	0
Liabilities from other financial transactions	1,959	1,268
Tax liabilities	33,842	30,621
Deferred tax liabilities	110,929	112,786
Liabilities according to the statement of financial position	1,204,036	1,247,239

Previous year partly adjusted (see page 73 et seq.)

b) Information on geographical areas

Of the sales revenues generated with external customers in 2009, € 2,617,135 thousand (2008 € 2,665,619 thousand) relate to Group companies based in Germany and € 1,046,266 thousand (2008 € 1,241,157 thousand) relate to Group companies based in other countries.

Of the non-current assets, an amount of € 487,086 thousand (previous year € 481,055 thousand) is attributable to the Group companies based in Germany in the year under review. An amount of € 270,134 thousand (previous year € 278,444 thousand) relates to Group companies based in other countries in the year under review. The non-current assets are made up of goodwill, other intangible assets and property, plant and equipment.

Other notes

36. Contingent liabilities and other financial obligations

Purchasing obligations were made for tangible assets amounting to € 13,829 thousand (previous year € 8,277 thousand).

The Praktiker Group has made purchasing commitments for non-capitalisable consumer goods of € 401 thousand (previous year € 427 thousand).

Please refer to the obligations from finance and operating leases listed under item no. 16.

37. Related party transactions

IAS 24 requires the presentation of the most important related party transactions. Related parties are considered to be companies or persons that can be influenced by the reporting group or that can influence the Group.

The Praktiker Group did not enter into any transactions with related parties as defined by IAS 24 during the period under review and in this respect has no reporting obligations.

Related parties include members of management in key positions. With regard to the Praktiker Group, these are the members of the management board and the supervisory board. As in 2008, companies in the Praktiker Group did not enter into any transactions subject to mandatory reporting requirements with members of the management board or supervisory board or their relatives during the year under review.

With regard to the remuneration of members of the management board and supervisory board, please refer to item no. 42 and the remuneration report within management reporting.

38. Auditor's fees

Following auditor's fees were recognised as expenses in fiscal year 2009:

in € thousands	2009
Financial statements auditing	626
Audit related services and other audit work	164
Other services	205
	995

39. Statement of compliance with the German Corporate Governance Code

In the period under review on 27 May 2009, and subsequently on 27 January 2010, the management board and the supervisory board of Praktiker Holding AG issued statements of compliance with the recommendations of the government's German Corporate Governance Code commission pursuant to Sec. 161 AktG which relate to the period under review, and published these on the Internet home page of Praktiker Holding AG.

40. Election to be exempt from Sec. 264 para. 3 and Sec. 264b HGB

The following domestic subsidiaries in the legal form of stock corporations or partnerships as defined in Sec. 264a HGB have elected to be exempt from disclosing their annual financial statements as well as from preparation of the notes and/or the management report (according to HGB) for the fiscal year 1 January to 31 December 2009, in accordance with Sec. 264 para. 3 rep. Sec. 264b HGB:

- Praktiker Deutschland GmbH, Kirkel
- Praktiker Baumärkte GmbH, Kirkel
- Praktiker GmbH, Kirkel
- Praktiker Vierte Baumärkte GmbH, Kirkel
- BMH Baumarkt Holding GmbH, Kirkel
- Calixtus Grundstücksverwaltungsgesellschaft mbH, Kirkel
- Praktiker Grundstücksbeteiligungsgesellschaft mbH, Kirkel
- Praktiker Services GmbH, Kirkel
- KIG GmbH, Kirkel
- MAX der kleine Baumarkt GmbH, Hamburg
- Antenor Vermögensverwaltungsgesellschaft mbH, Hamburg
- Praktiker Objektgesellschaft mbH, Kirkel
- Max Bahr Objektgesellschaft mbH, Kirkel
- Max Bahr Holzhandlung GmbH & Co. KG, Hamburg

41. The management and supervisory boards of Holding AG

Members of the management board are:

Name	Division
Wolfgang Werner Chairman	<ul style="list-style-type: none"> • Distribution Praktiker Germany (until 31/12/2009) • Location Management Germany (until 31/12/2009) • Business Development/Strategy (Strategy since 01/01/2010) • Internal Auditing • extra Bau+Hobby (until 31/12/2009) • Communication/Public Relations (since 01/01/2010) • Praktiker 2013 (since 01/01/2010)
Michael Arnold	<ul style="list-style-type: none"> • International Business • Internationalisation • Location Management Germany and International (Germany since 01/01/2010)
Thomas Gabel	<ul style="list-style-type: none"> • Finance • Legal Affairs and Contractual Matters, Compliance (Compliance since 01/01/2010) • M&A • Investor Relations/Public Relations (Public Relations until 31/12/2009) • Controlling • Accounting/Taxes • Coaching Max Bahr (until 31/12/2009)
Karl-Heinz Stroh Labour director	<ul style="list-style-type: none"> • Personnel • Praktiker Services GmbH (until 31/12/2009 Coaching Praktiker Services GmbH)
Pascal Warnking	<ul style="list-style-type: none"> • Procurement (until 31/12/2009, since 01/01/2010 Corporate Procurement) • Category Management (until 31/12/2009, since 01/01/2010 Corporate Procurement) • Corporate Procurement (since 01/01/2010) • Marketing • Praktiker Germany (since 01/01/2010) • Max Bahr (since 01/01/2010) • extra Bau+Hobby (since 01/01/2010)

Members of the supervisory board are:

Name	Professions/Other mandates
Dr. Kersten v. Schenck (Chairman)	Attorney at law and notary public a) Chairman of the Supervisory board of Praktiker Deutschland GmbH (until 11/09/2009: Praktiker Bau- und Heimwerkermärkte AG) Member of the supervisory board of ThyssenKrupp AG
Marliese Grewenig ¹ (Vice Chairwoman)	Chairwoman of the General Workers Council of Praktiker Deutschland GmbH and of the Group Workers Council of Praktiker Bau- und Heimwerkermärkte Holding AG a) Vice Chairwoman of the supervisory board of Praktiker Deutschland GmbH (until 11/09/2009: Praktiker Bau- und Heimwerkermärkte AG)
Dr. Norbert Bensel	Management consultant and Founding Master of Hochschule für Internationale Wirtschaft und Logistik a) Member of the supervisory board of DB Regio AG (until 31/05/2009) Member of the supervisory board of DB Services Immobilien GmbH (until 31/05/2009) Chairman of the supervisory board of Railion Deutschland AG (until 31/05/2009) Chairman of the supervisory board of Schenker AG (until 31/05/2009) Chairman of the supervisory board of Schenker Deutschland AG (until 31/05/2009) Member of the supervisory board of DEVK Deutsche Eisenbahn Versicherung Sach- und HUK-Versicherungsvereins a.G. Member of the supervisory board of DEVK Rückversicherungs- und Beteiligungs-AG Member of the supervisory board of Praktiker Deutschland GmbH (until 11/09/2009: Praktiker Bau- und Heimwerkermärkte AG) Member of the supervisory board of Sparda Bank Berlin eG (until 25/06/2009) Member of the supervisory board of TransCare AG (since 01/10/2009) b) Chairman of the supervisory board of Schenker & Co. AG, Austria (until 31/05/2009)
Ulrich Grillo	Chairman of the management board of Grillo-Werke AG a) Member of the supervisory board of IKB Deutsche Industriebank AG Member of the supervisory board of mateco AG Member of the supervisory board of Praktiker Deutschland GmbH (until 11/09/2009: Praktiker Bau- und Heimwerkermärkte AG)
Dr. Kay Hafner	Managing Partner of HAFNER & CIE. Corporate Advisory Services GmbH a) Member of the supervisory board of Praktiker Deutschland GmbH (until 11/09/2009: Praktiker Bau- und Heimwerkermärkte AG) b) Member of the supervisory board of Dietz Immobilien AG
Ebbe Pelle Jacobsen	Chairman of the management board („PDG“) of Delsey SA, France a) Member of the supervisory board of Praktiker Deutschland GmbH (until 11/09/2009: Praktiker Bau- und Heimwerkermärkte AG) b) Vice Chairman of the supervisory board („Nästformand for Bestyrelsen“) of BoConcept A/S, Denmark Chairman of the supervisory board („Styreformand“) of HAG/RH/RBM Group, Norway Member of the supervisory board („Bestyrelsesmedlem“) of KVIK A/S, Denmark Chairman of the supervisory board („Ordförande“) of NetonNet AB, Sweden
Anja Keuche ¹ (until 30/11/2009)	Trade union secretary in the Admission office of the ver.di union, district Hamburg a) Member of the supervisory board of Stadtreinigung Hamburg, Anstalt des öffentlichen Rechts (since 01/01/2009) Member of the supervisory board of Praktiker Deutschland GmbH (until 11/09/2009: Praktiker Bau- und Heimwerkermärkte AG) (until 30/11/2009)
Ulrich Kruse ¹	Chairman of the General Workers Council of Max Bahr Holzhandlung GmbH & Co. KG a) Member of the supervisory board of Praktiker Deutschland GmbH (until 11/09/2009: Praktiker Bau- und Heimwerkermärkte AG)
Johann C. Lindenberg	Businessman a) Member of the supervisory board of BDO Deutsche Warentreuhand AG Wirtschaftsprüfungsgesellschaft Member of the supervisory board of Esso Deutschland GmbH Member of the supervisory board of ExxonMobil Central Europe Holding GmbH Member of the supervisory board of Gruner & Jahr AG & Co KG Chairman of the supervisory board of Hamburg Messe und Congress GmbH Chairman of the supervisory board of J.J. Darboven Holding Verwaltungs AG (until 31/01/2009) Member of the supervisory board of Praktiker Deutschland GmbH (until 11/09/2009: Praktiker Bau- und Heimwerkermärkte AG) b) Chairman of the supervisory board of Elbphilharmonie Hamburg Bau GmbH & Co. KG

Name	Professions/Other mandates
Alexander Michel ¹	Department head of Praktiker Deutschland GmbH a) Member of the supervisory board of Praktiker Deutschland GmbH (until 11/09/2009: Praktiker Bau- und Heimwerkermärkte AG)
Zygmunt Mierdorf	Member of the management board of METRO AG a) Chairman of the supervisory board of Adler Modemärkte GmbH (until 06/03/2009) Member of the supervisory board of Praktiker Deutschland GmbH (until 11/09/2009: Praktiker Bau- und Heimwerkermärkte AG) Member of the supervisory board of Real Holding GmbH Member of the supervisory board of TÜV Süd AG b) Member of the supervisory board of LP Holding GmbH Member of the administrative council of Wagner International AG, Switzerland
Rigobert Rumpf ¹	Department head of Praktiker Deutschland GmbH Vice Chairman of the General Workers Council of Praktiker Deutschland GmbH a) Member of the supervisory board of Praktiker Deutschland GmbH (until 11/09/2009: Praktiker Bau- und Heimwerkermärkte AG)
Ernst Schauff ¹	Chairman of the General Workers Council of Praktiker Baumärkte GmbH a) Member of the supervisory board of Praktiker Deutschland GmbH (until 11/09/2009: Praktiker Bau- und Heimwerkermärkte AG)
Hans-Josef Schmitz ¹	Chairman of the General Workers Council of the head office of Max Bahr Holzhandlung GmbH & Co. KG a) Member of the supervisory board of Praktiker Deutschland GmbH (until 11/09/2009: Praktiker Bau- und Heimwerkermärkte AG)
Jörg Wiedemuth ¹ (since 10/12/2009)	Trade union secretary in the national administrative office of the ver.di union a) Member of the supervisory board of Kaiser's Tengemann AG (since 01/10/2009) Member of the supervisory board of Praktiker Deutschland GmbH (since 14/12/2009)
Prof. Dr. Harald Wiedmann	Attorney at law, tax adviser, auditor a) Member of the supervisory board of Merz GmbH & Co. KGaA Member of the supervisory board of Praktiker Deutschland GmbH (until 11/09/2009: Praktiker Bau- und Heimwerkermärkte AG) Member of the supervisory board of Prime Office AG Member of the supervisory board of ProSiebenSat.1 Media AG Member of the supervisory board of Senator GmbH & Co. KGaA Member of the supervisory board of Wincor Nixdorf AG Member of the supervisory board of Wincor Nixdorf International GmbH b) Chairman of the administrative board of Berenberg Bank Joh. Berenberg, Gossler & Co. KG
Rüdiger Wolff ¹	Trade union secretary in the national administrative office of the ver.di union a) Member of the supervisory board of Galeria Kaufhof GmbH Member of the supervisory board of Praktiker Deutschland GmbH (until 11/09/2009: Praktiker Bau- und Heimwerkermärkte AG)

¹Employee representative

a) member of other statutory supervisory boards of domestic companies
 b) member of comparable German and foreign boards of business enterprises

42. Compensation of the supervisory board and the management board

Total compensation of the members of the management board amounted to € 3,406 thousand for the 2009 fiscal year (€ 3,353 thousand for the 2008 fiscal year). The members of the supervisory board received total compensation of € 841 thousand for the 2009 fiscal year (€ 1,161 thousand for the 2008 fiscal year). The details in respect of the above required under Sec. 314 para. 1 no. 6 let. a sent. 5 to 8 HGB are included in the Group management report in accordance with the provisions set out under Sec. 315 para. 2 no. 4 HGB.

Assurance of legal representatives

“To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report 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.”

Kirkel, Germany, 26 February 2010

The management board

Wolfgang Werner Michael Arnold Thomas Gabel Karl-Heinz Stroh Pascal Warnking

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by the Praktiker Bau- und Heimwerkermärkte Holding AG, Kirkel, comprising the statement of financial position, the statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from 1 January to 31 December 2009. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit 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 audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, Germany, 26 February 2010

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Philip Marshall
Wirtschaftsprüfer
(German Public Auditor)

Dr. Ulrich Störk
Wirtschaftsprüfer
(German Public Auditor)



OTHER DATA

REPORT OF THE SUPERVISORY BOARD
DECLARATION AND REPORT ON CORPORATE GOVERNANCE



REPORT OF THE SUPERVISORY BOARD FOR THE YEAR 2009



DR. KERSTEN v. SCHENCK
Chairman of the supervisory board

The 2009 financial year at Praktiker Bau- und Heimwerkermärkte Holding AG was marked by the global financial and economic crisis which also and above all, affected Eastern Europe. This subject was reflected in the work of the supervisory board which, in particular, dealt with the direction of the operative business in Germany and abroad as well as with essential individual measures.

Supervision of the management board

During the period under review, the supervisory board regularly monitored and advised the management board in line with relevant statutory requirements and the company statutes as well as by way of the execution of its duties in accordance with the German Corporate Governance Code. In this respect, the supervisory board was directly involved in all decisions of significant relevance for Praktiker Bau- und Heimwerkermärkte Holding AG and the Group via the personal presentations and written reports of the management board and the circulation procedures. The reports made by the management board were transmitted in time and complied with the requirements set out under Sec. 90 AktG (German Stock Corporation Act). The positioning of the company and the Group, the planned corporate strategy and business prospects both at home and abroad, as well as any developments in business deviating from the set plans and targets, together with the reasons for the developments concerned were explained to the supervisory board by the management board and discussed with it.

The chairman of the supervisory board was in constant contact with the management board. He was continuously informed about the current development in the company's business position, important business transactions and

management board decisions via the submission of minutes of the management meetings held regularly, via personal meetings and information provided by telephone, as well as promptly informed about the development in the sales and earnings situation.

Supervisory board meetings

The supervisory board held ordinary meetings on 19 March, 27 May, 16 September, and 17 December 2009. No extraordinary meetings were convened in 2009. No supervisory board member attended less than half of the meetings.

At these meetings, the current business development and the company's risk position underwent intense discussion as did the reports and documents submitted to the supervisory board. Any investment and disinvestment issues in the period under review were discussed with regard to their strategic aspects and their socio-political impact. The supervisory board, in particular, satisfied itself that the management board took appropriate measures with regard to risk management and compliance.

Discussions and resolutions focused primarily on the following areas:

- Corporate strategy, planning, business development and economic situation including account being taken of current developments in eastern and south eastern Europe
- Adoption of the annual and financial statements for the company and the Group and review of the management reports for the company and the group for 2008
- Management board's proposal on the allocation of net profit for 2008
- Presentation to the supervisory board of an election proposal for the appointment of the auditor by the annual general meeting and assigning of the audit contract in accordance with the resolution of the annual general meeting
- Continuation of the bundling of Group procurement in the central procurement division
- Continuation of the international expansion of the Praktiker Group
- Continuation and optimisation of the Easy-to-Shop concept
- Status of the implementation of the price and promotion strategy as orientation of the marketing concept with the objective of a more intensively profit-directed price and campaign policy
- Preparation of the annual general meeting 2009
- New version of management board's plan for the allocation of responsibilities
- 2010 budget and 2011/2012 plan, against the background of the latest macro-economic developments
- Compliance with the recommendations of the German Corporate Governance Code

- New requirements with respect to the VorstAG (Act on the Appropriateness of the management board remuneration) and structure of the management board remuneration
- Personnel strategy
- The taking of debenture loans of 50 million euro
- Partial repurchase of convertible bonds issued in 2006
- Transformation of the subsidiary Praktiker Bau- und Heimwerkermärkte AG into Praktiker Deutschland GmbH
- Programme „Praktiker 2013“ (bundling and optimisation of the measures towards medium-term and sustained increase in profitability)

All matters requiring the approval of the supervisory board were examined with particular care. The by-laws governing the actions of the management board and supervisory board are designed such that all decisions of particular importance, in particular the company's asset, income and risk position or decisions that are beyond the company's normal business operations, require supervisory board approval. The matters requiring approval were submitted to the supervisory board by the management board and discussed – to the extent they were not decided outside of meetings – in the presence of the management board. All proposed resolutions submitted in circulation procedures were preceded by introductory explanations in all cases. Any questions arising from the above were addressed to and answered by the management board and/or relevant members of the Group's staff. Matters requiring approval in the financial year 2009 included, in particular, measures linked to the continuation of the expansion of the Praktiker Group, the taking of debenture loans of 50 million euro and the transformation of the subsidiary Praktiker Bau- und Heimwerkermärkte AG. All proposals received supervisory board approval. No objections were raised concerning the activities of the management board.

At the supervisory board meetings, the exchange of thoughts on business development and the company's position was completed by extensive discussions about financial, capital expenditure and personnel planning. Moreover, potential conflicts of interest were discussed. None could be identified on the side of members of the supervisory board.

Supervisory board committee meetings

The supervisory board has four committees with equal representation of shareholders and employees, namely the supervisory board presidium (four members), the audit committee (six members), the personnel committee (four members) and the committee in accordance with Sec. 27 para. 3 MitbestG (German Co-Determination Act) (four members). There is also a nomination committee filled with representatives of the shareholders (three members), which is intended to propose suitable candidates to the supervisory board for the election proposals it submits to the annual general meeting.

The supervisory board presidium met four times during the period under review, namely on 19 March, 27 May, 16 September, and 17 December 2009 and held a telephone conference on 17 February 2009. The members of the supervisory board presidium are Dr. Kersten v. Schenck (chairman), Ms. Marliese Grewenig, Mr. Alexander Michel, and Mr. Zygmunt Mierdorf. The main items under discussion included:

- The payment of the dividend for 2008,
- Mandating the law firm Clifford Chance of which the chairman of the supervisory board was a partner until 30 June 2009 and for which he acts as “of counsel” since then, and
- Management board matters.

The audit committee convened at five meetings – partially also as telephone conferences – namely on 18 March, 20 April, 20 July, 21 October, and 16 December 2009. The members of the audit committee are Prof. Dr. Harald Wiedmann (chairman), Mr. Ulrich Grillo, Mr. Johann C. Lindenberg, and Mr. Ernst Schauff, Mr. Hans-Josef Schmitz, and Mr. Rüdiger Wolff. The main items under discussion included:

- The audited annual financial statements for the company and the group, the reviewed half-year financial statements and quarterly reports as well as the discussion with the management board and the auditors,
- Preparation of the supervisory board's decision concerning the approval of the individual and consolidated financial statements,
- The review of the management reports for the company and the group and the management board's proposal on the allocation of net profit,
- The qualification and independence of the auditor and the additional services rendered by the auditor,
- The preparation of an election proposal to the supervisory board for the appointment of the auditor,
- The preparation of the mandate to the auditor and the fee agreement,
- Preparation of the main areas of the audit and the audit report of the supervisory board,
- Monitoring of the accountancy system, the effectiveness of the internal controlling system, the risk management system and the internal audit system,
- Monitoring the effectiveness of the compliance system,
- The risk position,
- The audit procedure of the Deutsche Prüfstelle für Rechnungslegung DPR e.V.,
- Compliance with the recommendations of the German Corporate Governance Code, and
- Consolidated budget for 2010, planning for 2011/2012, and finance planning.

The nomination committee, which consists of Dr. Kersten v. Schenck (chairman), Mr. Johann C. Lindenberg and Mr. Zygmunt Mierdorf, did not convene in the period under report.

The personnel committee met four times, namely on 19 March, 27 May, 16 September, and 17 December 2009 and held a telephone conference on 17 February 2009. The members of the personnel committee are Dr. Kersten v. Schenck (chairman), Ms. Marliese Grewenig, Mr. Alexander Michel and Mr. Zygmunt Mierdorf. The main items under discussion included:

- Discussion of the contractual relationship between the company and the management board members, and
- Discussion and preparation of amendments to the management board remuneration structure.

The committee set up in accordance with Sec. 27 para. 3 MitbestG, comprising Dr. Kersten v. Schenck (chairman), Mr. Zygmunt Mierdorf, Ms. Marliese Grewenig, and Mr. Ulrich Kruse had no cause to convene in the financial year 2009.

The supervisory board plenary body was promptly informed about the items and issues discussed in the various committees by the chairman of the committees concerned.

Corporate governance

The corporate governance at Praktiker Bau- und Heimwerkermärkte Holding AG is explained in the declaration on corporate governance according to Sec. 289a HGB (German Commercial Code). Both the management board and the supervisory board in the period under report on 27 May 2009 and on 27 January 2010 issued an updated declaration of conformity in accordance with Sec. 161 AktG and made it accessible to the shareholders on the company's Internet site. For details, please see the explanations on corporate governance in the declaration on corporate governance according to Sec. 289a HGB on pages 143 to 150 of this annual report.

Personnel matters

The employee representative on the supervisory board of Praktiker Bau- und Heimwerkermärkte Holding AG, Ms. Anja Keuchel, resigned her office with effect on the expiry of 30 November 2009. By decision of the Amtsgericht Saarbrücken on 10 December 2009, Mr. Jörg Wiedemuth was appointed to the supervisory board of Praktiker Bau- und Heimwerkermärkte Holding AG.

Annual and consolidated financial statements for 2009

The annual financial statements of Praktiker Bau- und Heimwerkermärkte Holding AG were drawn up in accordance with the HGB (German Commercial Code). The consolidated financial statements were drawn up in accordance with Sec. 315a HGB on the basis of the IFRS (International Financial

Reporting Standards) as they are to be applied in the European Union.

The auditor of the financial statements, PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, audited the annual consolidated financial statements and group management report as well as the annual financial statements and management report of Praktiker Bau- und Heimwerkermärkte Holding AG, all of which received unqualified certification.

The main audit items in the year under review included:

- Review of the additional data according to the BilMoG (Accountancy Modernisation Act) in the Praktiker Bau- und Heimwerkermärkte Holding AG report to the extent that audit is obligatory,
- Reviewing the impairment of assets and goodwill in accordance with IAS 36,
- Inventory valuation,
- Identification of onerous contracts (according to IAS 37),
- Implementation of the new segment reporting according to IFRS 8,
- Estimate, evaluation and showing (incl. notes) of latent taxes,
- Accountancy-related internal controlling system with emphasis on purchasing,
- VAT compliance,
- Finance plan/budgeting 2010.

The financial statements and management reports as well as the audit reports on these statements and reports were distributed to the supervisory board members in good time prior to the accounts review meeting of the supervisory board.

The documents concerned were discussed in depth and reviewed at the accounts review meeting of the supervisory board and, previously, at a meeting of the audit committee that was also attended by the auditor of the financial statements. The auditor reported on the essential results of his audit and that no significant weaknesses in the internal controlling and risk management systems existed and made himself available to the audit committee and supervisory board to answer questions and provide any supplementary information required. The supervisory board declared itself to be in agreement with the results of the audit by the auditor, which contains no objections.

In accordance with Sec. 171 AktG, the supervisory board reviewed the annual financial statements of the company and the group prepared by the management board together with the management reports also with respect to the appropriateness of the accounting policy measures applied. Following the final results of the review, no objections are to be raised. In particular, the supervisory board shares the assessment of the management board contained in the management report and the Group management report. The supervisory board

DECLARATION AND REPORT ON CORPORATE GOVERNANCE

approved both the company's annual financial statements and the Group's annual consolidated financial statements. The annual financial statements of Praktiker Bau- und Heimwerkermärkte Holding AG thus are adopted.

In its individual financial statements for the financial year 2009, Praktiker Bau- und Heimwerkermärkte Holding AG reports a net income of 23,338,594.67 euro and a profit shown on the balance sheet amounting to 11,908,452.61 euro. The supervisory board after review consents to the proposal of the management board for the allocation of profits. The supervisory board regards the management board's proposal on the allocation of profits as reasonable. In accordance with this, the profit shown on the balance sheet is to be allocated as follows:

- Distribution of a dividend of 0.10 euro per share entitled to dividends totalling with respect to 58,000,000 shares: 5,800,000.00 euro
- Transfer to revenue reserves: 6,000,000.00 euro
- Profit carried forward: 108,452.61 euro.

The supervisory board thanks the management board, the members of the work council and all employees of Praktiker Bau- und Heimwerkermärkte Holding AG as well as its associated companies in Germany and abroad for their commitment, the hard work put in and the success that thus became possible in a difficult environment.

Kirkel, Germany, March 2010

The supervisory board

Dr. Kersten v. Schenck
Chairman

The following pages contain the declaration on corporate governance according to Sec. 289a HGB (German Commercial Code). This declaration also contains the report on corporate governance according to Clause 3.10 of the DCGK (German Corporate Governance Code) as amended on 18 June 2009.

Declaration of conformity to the German Corporate Governance Code according to Sec. 161 AktG

The management board and the supervisory board of Praktiker Bau- und Heimwerkermärkte Holding AG declared on 27 May 2009 that the recommendations of the German Corporate Governance Code (hereinafter referred to as DCGK) as amended on 6 June 2008 promulgated by the Federal Ministry of Justice in the official part of the Electronic Federal Gazette were complied with, with the following exceptions:

- In the variable remuneration of management board members according to the "Economic Value Added" (EVA) remuneration model agreed at Praktiker Bau- und Heimwerkermärkte Holding AG, a later change to targets in the case of extraordinary events is possible in deviation from Clause 4.2.3 para. 3 sent. 3 DCGK. Grounds: extraordinary events arising during the year not yet foreseeable in the planning are intended to be taken into account in the calculation of remuneration, as the case may be.
- For extraordinary, unforeseeable developments, the supervisory board has, in deviation from Clause 4.2.3 para. 3 sent. 4 DCGK, not agreed any direct caps on the variable remuneration of the management board members according to EVA. Grounds: the remuneration system according to EVA applied at Praktiker is a traditional system which has not yet been adjusted and is at present undergoing revision.

On 27 January 2010, the management board and the supervisory board of Praktiker Bau- und Heimwerkermärkte Holding AG declared on the recommendations of the "Government Commission German Corporate Governance Code" according to Sec. 161 AktG:

1. Between the time of the issuance of the declaration of 27 May 2009 and the announcement on 5 August 2009 by the Federal Ministry of Justice in the official part of the Electronic Federal Gazette of the German Corporate Governance Code (hereinafter referred to as DCGK) as amended on 18 June 2009, the recommendations of the DCGK as amended on 6 June 2008 have been complied with, with the following exceptions:

- In the variable remuneration of management board members according to the “Economic Value Added“ (EVA) remuneration model agreed at Praktiker Bau- und Heimwerkermärkte Holding AG, a later change to targets in the case of extraordinary events was possible in deviation from Clause 4.2.3 para. 3 sent. 3 DCGK. Grounds: extraordinary events arising during the year not yet foreseeable in the planning were intended to be taken into account in the calculation of remuneration, as the case may be.
 - For extraordinary, unforeseeable developments, the supervisory board had, in deviation from Clause 4.2.3 para. 3 sent. 4 DCGK, not agreed any direct caps on the variable remuneration of members of the management board according to EVA. Grounds: the remuneration system according to EVA applied at Praktiker is a traditional system which had not yet been adjusted.
2. Since the announcement on 5 August 2009 of the DCGK as amended on 18 June 2009 up to the date of today’s declaration, the recommendations of the DCGK have been complied with, with the following exception:
- In the variable remuneration of management board members according to the “Economic Value Added“ (EVA) remuneration model agreed at Praktiker Bau- und Heimwerkermärkte Holding AG, a later change to targets in the case of extraordinary events was possible in deviation from Clause 4.2.3 para. 3 sent. 3 DCGK. Grounds: extraordinary events arising during the year not yet foreseeable in the planning were intended to be taken into account in the calculation of remuneration, as the case may be.
3. In future, all recommendations of the DCGK as amended on 18 June 2009 will be complied with.

Corporate governance practices applied beyond the statutory requirements

Praktiker Bau- und Heimwerkermärkte Holding AG is committed to the principles of good and responsible corporate governance. A close, constructive and trusting cooperation between supervisory board and management board is a particular element therein, in the interests of sustainable value creation and a culture of open communication and intensive customer care.

The management board and the supervisory board of Praktiker Bau- und Heimwerkermärkte Holding AG comply voluntarily and with conviction with the principles of good corporate governance as expressed in the recommendations of the German Corporate Governance Code. As already stated in the above declarations of conformity, in the period under report only an exception to the recommendations in 4.2.3

para. 3 sent. 3 and 4 DCGK arose. Since the issuance of the latest declaration on 27 January 2010, all recommendations of the German Corporate Governance Code as amended on 18 June 2009 will be complied with.

The suggestions contained in the German Corporate Governance Code are as unbinding as the recommendations contained therein. The management board and the supervisory board are not obliged according to Sec. 161 AktG to declare either to what extent they comply with the suggestions of the DCGK. The management board and the supervisory board of the company nevertheless observe the suggestions of the German Corporate Governance Code insofar as this appears them to be appropriate in the interests of the company and its shareholders.

The German Corporate Governance Code as amended on 18 June 2009 was promulgated by the Federal Ministry of Justice on 5 August 2009 in the Electronic Federal Gazette and is publicly accessible on the Internet site www.corporate-governance-code.de.

The significant or relevant recommendations and suggestions to which the management board and supervisory board of the company conform, are presented below briefly under the appropriate headings.

Management board and supervisory board

The supervisory board observes diversity in the composition of the management board and together with the management board ensures a long-term succession planning. It has set an age limit of 65 years for management board members.

Care is taken in the case of proposals for election of supervisory board members, that supervisory board has at all times members with the knowledge, abilities and professional experience necessary for the proper performance of its duties. The international business of the company, potential conflicts of interest and an age limit to be determined for supervisory board members as well as diversity are considered in that respect. Elections to the supervisory board are carried out by individual election. Proposals of candidates for the chairmanship of the supervisory board will be notified to the shareholders. The supervisory board has, with respect to its total number of members, a sufficient number of independent members. No supervisory board member exercises an executive or supervisory or consultative function at a significant competitor of Praktiker Bau- und Heimwerkermärkte Holding AG or the Group.

To the extent a member of the management board is subject to a conflict of interests, he shall disclose it without undue delay to the supervisory board through the chairman of the supervisory board and inform the other management board members. Significant transactions between Praktiker Bau- und Heimwerkermärkte Holding AG and the Group on the one part and a management board member or related person or enterprise on the other part require the approval

of the supervisory board. Sidelines, in particular supervisory board positions outside the company, are taken by management board members only with the approval of the supervisory board. Every supervisory board member also discloses conflicts of interest to the supervisory board. Conflicts of interest of members of the management or supervisory boards which are subject to disclosure to the supervisory board have not arisen.

Consultancy or other service and work contracts between members of the supervisory board and the company exist exclusively indirectly with regard to Dr. Kersten v. Schenck, who was a partner in the international law firm Clifford Chance until 30 June 2009 and since then works for that firm as “of counsel”. To the extent the law firm Clifford Chance acted for the company by providing legal advice, the supervisory board approved the mandate in each case. In the year under report, the law firm received a total of 563,369.67 euro (net) for its advisory services for the Praktiker Group.

In the structuring of the remuneration of the management board which contains fixed and variable elements, both positive and negative developments are taken into account. In the conclusion of management board contracts, it is also the practice that payments to a management board member on the occasion of premature ending of the management board function without good cause, including ancillary, payments do not exceed twice the annual remuneration and do not include remuneration for more than the remaining term of the contract. The chairman of the supervisory board informs the general meeting on the principles of remuneration of the management board and changes thereto.

On the subject of remuneration of the management board and the supervisory board, we refer to the separate remuneration report in the management report (cf. pages 45 to 48 of the annual report).

General meeting

The shareholders exercise their rights in the general meeting, which takes place annually, and can speak there on all items on the agenda and ask questions on affairs of the company and make relevant applications. The general meeting resolves on all matters specified by statute with binding effect for all shareholders and the company. The management board presents the annual financial statements and the consolidated group financial statements to the general meeting. The general meeting decides on the appropriation of the balance sheet profit and the discharge of the management board and the supervisory board. It elects the representatives of the shareholders on the supervisory board and the auditor. In addition, the general meeting decides, in particular, on amendments to the Articles of Association and significant business measures such as inter-company agreements and transformations, the issue of new shares and of convertible and option bonds and on the authorisation of the company to acquire its own shares. The shareholders have,

in principle, a pre-emption right in the event of the issue of new shares in proportion to their shares in the basic capital.

Each share of the company carries one vote. Every shareholder who applies in time is entitled to participate in the general meeting. Shareholders who cannot participate personally may have their voting rights exercised by a financial institution, an association of shareholders, a proxy nominated by the company and bound by the voting instructions, or another authorised person of their choice.

The chairman of the supervisory board is, in principle, chairman of the general meeting. He ensures the expeditious conduct of the general meeting and is guided thereby by the suggestions in Clause 2.2.4 DCGK that an ordinary general meeting should be ended at the latest after four to six hours.

The invitation to the general meeting and the reports and documents to be made accessible to the general meeting are published in accordance with the provisions of the Stock Corporation Act and, including the annual report, are made available on the Internet page of the company.

Risk management

Dealing responsibly with business risks belongs to the principles of good corporate governance. The management board ensures appropriate risk management and risk controlling in the company. Comprehensive group and company reports and control systems are available to the management board and the management of the Praktiker Group facilitating the recording, assessment and direction of these risks. The systems are continually developed, adjusted to changed general conditions and reviewed by the auditor. The management board regularly informs the supervisory board on existing risks and their development.

Details on risk management are presented in the risk report on pages 50 to 55 of the annual report. This also contains the report on the accountancy-related internal control and risk management system.

Compliance

The activities of the Praktiker Group are subject to the most varied legal provisions the application of which differ not only according to the various divisions of the business but also according to the various national markets in which the group is present. Against this background, a compliance department with competence over the entire group was established in the first quarter of the year under report. It supports the management board in the introduction and monitoring of an effective compliance management, coordinates all compliance activities in the enterprise and reports regularly to the management board and the chairman of the supervisory board. This is intended to ensure that the Praktiker Group as well as its corporate bodies and employees act in accordance with the applicable regulations – both the statutory regulations and those to which the Praktiker Group

voluntarily submits. The compliance department coordinates all compliance issues throughout the group and is intended to be extended in accordance with the group structure.

The main elements of compliance management are a reporting system for compliance breaches and a code of conduct. The reporting system, which was introduced throughout the group in 2009, provides employees, business partners, customers and other third parties with the opportunity to report any suspicion of a compliance breach. For this purpose, in addition to the Chief Compliance Officer, external lawyers as ombudsmen are available to the person making the report – also anonymously if desired. The code of conduct was prepared in 2009 and is intended to be introduced throughout the Group in 2010 in information events and training sessions. Therein, the employees will be encouraged to act on their own responsibility and at the same time the limits of their scope of action will be communicated. In particular, the code of conduct contains the objectives and principles for commercial activity which the Praktiker Group expects from all members of its management bodies and from all employees. Emphasis is laid on the observance of fair working conditions, non-discrimination, data protection, dealing with conflicts of interests, prevention of corruption, observance of anti-trust provisions and correct treatment of business information.

In addition, the compliance department provides a comprehensive information, training and advisory service for corporate bodies, managers and employees. Until the introduction of the compliance department, training measures were coordinated by the legal department. In particular, the compliance training programme previously dealt with by the legal department was transferred to the compliance department and is further developed by it.

Transparency

Shareholders, analysts, investors and the public are informed regularly and topically by Praktiker Bau- und Heimwerkermärkte Holding AG on the situation of the enterprise and on significant business changes. The annual report, the half-year financial report and the quarterly reports are published within the specified time. Press releases and ad hoc announcements, as the case may be, provide information on all topical events and new developments.

A central information platform is provided by the internet site www.praktiker.com. Apart from the articles of association and information about the management board and the supervisory board, in particular documents on the general meeting, financial reports and details of the business activities are included on this Internet page. The dates for the regular financial reporting are contained in this annual report, are listed with adequate prior notice on our Internet page (www.praktiker.com – Investor Relations – Financial calendar) and were passed on to the Frankfurt stock exchange and a national and international media cluster.

Matters not publicly known which could considerably influence the price of Praktiker shares will be announced without undue delay in ad hoc announcements unless the company in individual cases is exempted from the publication duty. All persons working for the enterprise and who have authorised access to insider information are and will be informed of the duties arising from the law on insiders. If it becomes known to the company that anyone by purchase, sale or in any other manner reaches, exceeds or falls below 3, 5, 10, 15, 20, 25, 30, 50 or 75 percent of the voting rights in the company, the company will publish this without undue delay.

The statutory requirements for publications and announcements and the obligations to transmit information and documents to the BaFin (Federal Financial Supervisory Authority) and the public registers have been and will be observed.

Directors' dealings

According to Sec. 15a WpHG (German Securities Trading Act), the members of the management board and of the supervisory board and persons closely related to them are obliged by law to disclose the acquisition and sale of shares of Praktiker Bau- und Heimwerkermärkte Holding AG or of financial instruments relating thereto if the value of the transactions conducted by them within a calendar year reaches or exceeds 5,000.00 euro. The company was, within the period under report, informed of the following transaction:

Mrs. Anette Michel, wife of supervisory board member Alexander Michel, on 15 October 2009 sold 1,010 shares at 10.33 euro per share at a total price of 10,433.30 euro.

The members of the management board and of the supervisory board neither individually nor together hold shares of the company or financial instruments relating thereto which directly or indirectly amount to more than 1 % of the shares issued by the company.

Accountancy and auditing

The accountancy of the Praktiker Group is conducted according to IFRS as applied in the European Union. The annual financial statements (individual financial statements) of Praktiker Bau- und Heimwerkermärkte Holding AG are prepared according to the provisions of the Commercial Code. The individual financial statements and the consolidated group financial statements are prepared by the management board and audited by the auditor and reviewed by the supervisory board. The quarterly reports and the half-year financial reports are discussed by the audit committee with the management board prior to publication. The consolidated group accounts are accessible within ninety days after year's end, the interim reports within forty-five days after the ending of the period under report.

PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, audited the consolidated Group

financial statements and the individual financial statements. It also conducted the audit review of the half-year financial report. The auditor is independent. The focus of the audit was determined together with the auditor and it was, *inter alia*, agreed that possible exclusion or prejudicial grounds occurring during the audit would be resolved or notified without undue delay. The supervisory board also agreed that the auditor reports on all determinations and events significant for the duties of the supervisory board, which may arise during the conduct of the audit, without undue delay and that the auditor informs it or notes in the audit report when he finds facts in the course of the audit which result in the declaration on the German Corporate Governance Code made by the management board and the supervisory board being incorrect.

The company also publishes a list of third-party enterprises in which it holds an interest not insignificant for the company, stating the name and registered office of the company, the amount of the interest, the amount of the equity capital and the result of the last financial year.

Working methods of the management board and supervisory board and composition and working methods of its committees

Praktiker Bau- und Heimwerkermärkte Holding AG is a company under German law. A fundamental principle of the German law on stock corporations is the dual management system with the bodies management board and supervisory board.

The management board and the supervisory board work closely together in the interests of the enterprise. In particular, the management board consults with the supervisory board on the enterprise strategy and its implementation and regularly discusses with it the state of the implementation of the strategy. The management board informs the supervisory board regularly, within a short time and comprehensively on all questions of planning relevant for the company, the development of the business, the risk position, the risk management, and compliance and deals in detail, in its reporting to the supervisory board, with deviations of the course of business from the plans and targets set, stating grounds therefore. The chairman of the supervisory board is in regular contact with the management board, in particular the chairman of the management board, and discusses the strategy, the business development and the risk management of the company with him. The chairman of the supervisory board is informed by the management board or the chairman of the management board of important events of significance for the assessment of the situation and development and for the management of the company or one of its subsidiaries without undue delay. The management board and the supervisory board discuss openly and in the awareness that the necessary confidentiality between them is comprehensively maintained.

Management board

The management board directs the enterprise with the objective of sustainable value creation on its own responsibility and in the interests of the company, i.e. taking into account the interests of the shareholders, its employees and other groups bound to the enterprise. The management board is collectively responsible for the management of the transactions of the company. It decides on fundamental questions of business policy and corporate strategy and their implementation as well as on the annual and multi-annual planning. It also ensures an appropriate risk management and risk controlling in the enterprise.

The members of the management board, in the exercise of the management and even outside their working duties, do not pursue any conflicting interests. To the extent a management board member is subject to a conflict of interests, he must abstain from voting at the meeting of the management board at which the matter which could relate to his personal interests is decided.

The management board of Praktiker Bau- und Heimwerkermärkte Holding AG consists of five members and has a chairman. Further details on the members of the management board can be found on pages 8, 9 and 133 of the annual report.

The chairman of the management board coordinates the activities of the management board within the strategy set down by the management board – in accordance with the resolutions of the supervisory board – and works towards a uniform management direction of all management board members. The chairman of the management board can assign special duties, which are outside the scope of the responsibility assignment or are not stipulated, to individual members of the management board. The chairman of the management board represents the body externally and performs in particular the reporting duty of the management board to the supervisory board.

The members of the management board work collegially together and inform each other mutually of important measures and events within their business areas. Each member is obliged to bring about a resolution of the management board in the event of serious reservations with regard to a matter from another business area if the reservations cannot be removed by a discussion with the relevant management board member. The chairman of the management board can demand information from each management board member on individual matters within his business area and determine that he is to be informed in advance about certain types of transactions.

Every member of the management board manages the business area allotted to him by the supervisory board on the proposal of the management board independently in his own responsibility and in the context of coordination by the chairman of the management board. A management board member is entitled to issue instructions only within

his business area – except if there is imminent danger. Measures which affect the business area of another management board member may be taken by him only after the responsible management board member has been called for discussion and decision. Instructions issued in the event of imminent danger may not go beyond what is necessary in conscientious discretion to prevent the danger. The members of the management board are to be informed without undue delay.

Apart from all matters in which the law, the Articles of Association or the rules of procedure provide for a decision of the management board or require the approval of the supervisory board, the competence of the entire management board covers in particular compliance with statutory provisions and the internal guidelines (“Compliance”) which it recognises as binding and the observance of which it also pursues in group enterprises as well as all other matters of fundamental or general significance.

Management board meetings must take place at least twice monthly and will be called by the chairman. An agenda will, in principle, be made known in good time in advance. Every management board member is entitled to make applications to the agenda. The meetings of the management board will be prepared by the chairman of the management board, conducted by him and the results recorded in minutes. A copy of the minutes approved by the management board is passed to the chairman of the supervisory board without undue delay.

The management board can only pass resolutions if the subject-matter was made known in advance by means of the agenda, more than half of all management board members, including the member whose business area is affected, are present or no management board member objects to the voting. The decisions of the management board are made in management board meetings or – if no management board member objects to this procedure – in written circulation procedure or by other means of telecommunication. Resolutions of the management board, unless the law or the rules of procedure mandatorily provide otherwise, are passed with a simple majority of the votes cast. Abstentions are not deemed as voting. Every management board member has one vote. In the event of a tie, the vote of the chairman of the management board counts twice.

The approval of the supervisory board is required by the management board in particular for the implementation of decisions of particular significance particularly for the asset, profit or risk situation of the company or which are outside the normal course of the business of the company.

The management board has no committees.

Supervisory board

The main task of the supervisory board is to regularly advise and supervise the management board in its management of the company. The supervisory board is involved in

decisions of fundamental significance. It is responsible for the appointment of members of the management board, the assignment of their areas of responsibility and the determination of their remuneration. It discusses the quarterly and half-year financial reports and reviews and approves the annual financial statements of the company and of the group, taking into account the reports of the auditor and the results of the review by the audit committee. The supervisory board specifies the information and reporting duties of the management board in detail. In regular exchanges of views with the management board, the supervisory board is always informed of the business policy, the corporate planning and the strategy. The supervisory board also approves the annual planning and the financing framework. It determines the overall remuneration of individual management board members on the proposal of the personnel committee and resolves on the remuneration system of the management board which is regularly reviewed. The remuneration structure is directed at a sustained development of the company.

Each member of the supervisory board is committed to the interests of the enterprise. Neither personal interests nor business opportunities to which the company is entitled may be used in his decision by any member of the supervisory board for himself or for related persons or enterprises. The members of the supervisory board are obliged to observe secrecy about confidential data and secrets of the company, namely operating and business secrets of which they learn through their activities on the supervisory board. They are, in particular, subject to confidentiality about confidential reports received and confidential consultations. The obligation continues to apply even after the ending of the office as supervisory board member.

The supervisory board consists of sixteen members, whereby eight representatives are elected by the shareholders and by the employees respectively. Their names, exercised professions and memberships in other supervisory boards to be formed by statute in domestic companies or in comparable domestic and foreign supervisory committees of business enterprises are shown on the table on pages 134 and 135 of this annual report.

The board has a sufficient number of independent members without any business or personal relations to the company or its management board. No former management board members belong to the supervisory board.

The chairman of the supervisory board coordinates the work of the board, conducts the meetings and administers the interests of the board externally. He speaks for and guides the contact of the supervisory board with the management board and its members and arranges the details of the cooperation. The chairman of the supervisory board is regularly in contact with the management board, in particular the chairman of the management board, and discusses with them the strategy, business development and risk management of the enterprise. He will be informed of important

events of considerable significance for the assessment of the position and development and the management of the enterprise without undue delay by the chairman of the management board. He informs the supervisory board immediately and if necessary calls an extraordinary meeting of the supervisory board.

The meetings of the supervisory board are called by the chairman in writing, by fax or by e-mail with notice of at least two weeks, stating the place and time of the meeting and the items of the agenda with proposed resolutions. In urgent cases, he can reduce the period to three days and call the meeting orally or by telephone. If an item on the agenda has not properly been announced, a resolution may only be taken thereon if no supervisory board member objects.

The meetings of the supervisory board are prepared by the representatives of the shareholders and of the employees separately in each case, with members of the management board as the case may be. If necessary, the supervisory board meets without the management board.

The chairman of the supervisory board chairs the meetings of the supervisory board and determines the order in which the items on the agenda are dealt with as well as the way and order of the voting. The supervisory board has a quorum if at least half of the members of which it must totally consist of participate in the voting. An absent member can have his written vote submitted by another supervisory board member.

In urgent cases, resolutions can be passed outside of meetings in writing, by fax or by e-mail if no supervisory board member objects to this procedure within a reasonable time for voting set by the chairman of the supervisory board.

Resolutions of the supervisory board are, unless otherwise mandatorily provided, be passed by a simple majority of the votes cast, abstentions not being deemed as voting. If a vote leads to a tie, the chairman, but not his deputy, shall have two votes in a new vote on the same matter if there is also a tie in that vote. To the extent a member of the supervisory board is subject to a conflict of interests, he must abstain from voting.

Minutes are to be made of meetings and resolutions of the supervisory board, signed by the chairman of the meeting, and a copy is to be provided to all supervisory board members.

Committees of the supervisory board

The supervisory board has formed four equal committees from among its members, namely the supervisory board presidium, the audit committee, the personnel committee and the committee according to Sec. 27 para. 3 MitbestG (German Co-Determination Act). In addition, the supervisory board has formed a nomination committee consisting of representatives of the shareholders. Each of the committees also has a sufficient number of independent members

who have no business or personal relationship to the company or its management board. The chairman of the supervisory board belongs to all committees apart from the audit committee and also is their chairman.

Dr. Kersten v. Schenck, Ms. Marliese Grewenig, Mr. Alexander Michel and Mr. Zygmunt Mierdorf belong to the supervisory board presidium. The supervisory presidium is called to prepare the supervisory board meetings – insofar as the chairman considers this necessary – and deals, in particular, with the assessment of operative strength, the efficiency and the potential of Praktiker Bau- und Heimwerkermärkte Holding AG and the Group against the background of the strategy and planning presented by the management board and, in compliance with Sec. 107 para. 3 sent. 3 AktG, also deals with resolutions in such matters in which, for the avoidance of significant disadvantages to the company, a postponement to the next meeting of the supervisory board appears not to be justifiable and a decision of the supervisory board cannot be brought about by voting in the circulation procedure within the deadline indicated. The decision is to be reported in the next supervisory board meeting. In addition, the supervisory board presidium deals with other matters assigned to it by the supervisory board by resolution.

Prof. Dr. Harald Wiedmann as chairman, Mr. Ulrich Grillo, Mr. Johann C. Lindenberg, Mr. Ernst Schauff, Mr. Hans-Josef Schmitz and Mr. Rüdiger Wolff belong to the audit committee. The chairman is independent, is not a former member of the management board of the company and has special knowledge and experience in the application of accountancy principles and internal controlling procedures. The audit committee deals, in particular, with questions of accountancy, compliance, the necessary independence of the auditor, the commissioning of the audit to the auditor, the determination of the focus points of the audit and the remuneration agreement. In addition, the audit committee deals with the effectiveness of the internal control system, the internal audit system and the risk management system. It prepares a proposal of the supervisory board to the general meeting on the election of the auditor. The audit committee also supervises the accountancy process, discusses and reviews the annual and group financial statements prepared by the management board and the summarised management report as well as the quarterly and half-yearly financial reports. On the basis of the report of the auditor, the committee makes proposals for the approval of the annual financial statements and the consolidated group financial statements by the supervisory board. The management board or the Chief Compliance Officer regularly report to the audit committee on the compliance organisation and inform it of any compliance cases arising. Likewise, the head of internal audit regularly reports to the audit committee.

Dr. Kersten v. Schenck, Ms. Marliese Grewenig, Mr. Alexander Michel and Mr. Zygmunt Mierdorf belong to the personnel committee. The personnel committee prepares

proposals on the remuneration system of the management board including the essential elements of the employment contracts and transmits these to the supervisory board for final determination. The chairman of the personnel committee informs the supervisory board annually on the structure of the remuneration system of the management board and gives it the opportunity to consult thereon, to review the structure of the remuneration system of the management board and to adjust as the case may be. In addition, the personnel committee resolves in lieu of the supervisory board, if the supervisory board does not have the competence, on personnel matters of the management board and other legal transactions of the company with the management board members described in more detail in the rules of procedure of the supervisory board.

Dr. Kersten v. Schenck, Mr. Zygmunt Mierdorf, Ms. Marliese Grewenig and Mr. Ulrich Kruse belong to the committee according to Sec. 27 para. 3 MitbestG. In co-determined enterprises such as Praktiker Bau- und Heimwerkermärkte Holding AG, the members of the management board are, in accordance with Sec. 31 para. 2 MitbestG, appointed by the supervisory board with a majority which must comprise at least two thirds of the votes of its members. If a majority of two thirds is not achieved, the committee according to Sec. 27 para. 3 MitbestG must, according to Sec. 31 para. 3 MitbestG, make a proposal for the appointment within a month after the vote; this proposal does not exclude other proposals. In the subsequent second vote, a candidate is elected if he achieves the absolute majority of the votes. The actual number of members of the supervisory board is decisive. If the absolute majority is not achieved in the second vote, a third vote can be conducted in which the chairman of the supervisory board has two votes and the supervisory board is not bound by the proposals of the previous votes.

Dr. Kersten v. Schenck, Mr. Johann C. Lindenberg and Mr. Zygmunt Mierdorf belong to the nominating committee which has the task of proposing suitable candidates to the supervisory board for its proposal for election at the general meeting.

The provisions made for the supervisory board in the Articles of Association and the rules of procedure for the supervisory board apply in principle accordingly to the internal order of the committees. This covers also the working methods of the committees. In particular, the chairman of each committee has two votes in the event of a tie if a second vote on the same matter also produces a tie. The committee according to Sec. 27 para. 3 MitbestG is excluded from this provision.

Further information on the activities of the supervisory board and the cooperation between the management board and the supervisory board are contained in the report of the supervisory board on pages 140 to 143 of the annual report.

Publisher

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Disclaimer – forward-looking statements

This annual report contains certain statements that are neither reported financial results nor other historical information. These forward-looking statements are subject to risk and uncertainties. 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. Therefore it cannot be ruled out that actual events may differ not just insignificantly from the forward-looking statements made in this annual report. If the statements made in this annual report therefore prove to be incorrect, the actual events or results could differ significantly from the results which are included directly or indirectly in the forward-looking statements made here. 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 annual report is legally binding. The company cannot be held responsible for any misunderstandings or misinterpretations arising from this translation.

The Praktiker Group, with its head office in Kirkel (Saarland, Germany), operates DIY stores in ten European countries. Praktiker offers a full assortment of products and services for a wide range of applications including construction, renovation, home repairs, home improvement, gardening and leisure. In Germany, the Group provides its DIY expertise through two brands, Praktiker and Max Bahr. Praktiker offers all of its customers, from price-conscious occasional do-it-yourselfers to quality-focused professional craftsmen, a comprehensive range of products that is structured in line with demand. The product range includes both high-quality items from well-known brand manufacturers and private labels, characterised by a particularly favourable cost/benefit ratio. The wide variety of products is complemented by a range of services, spanning from wood cutting to trailer rental. Praktiker looks back over a thirty-year history, while Max Bahr will celebrate its 130th anniversary in 2009. With its competence and many years of experience in the DIY business, the Group has achieved a very high level of brand awareness in all countries in which it operates. Over 100 million customer contacts and an extensive market presence are evidence of the outstanding position occupied by the Praktiker Group in Germany and abroad.

Financial calendar 2010	
Annual report 2009	26 March 2010
First quarter report 2010	29 April 2010
Annual General Meeting 2010	21 May 2010
Half year report 2010	22 July 2010
Third quarter report 2010	27 October 2010



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