

Annual Financial Statements of Praktiker Bau- und Heimwerkermärkte Holding AG

Reasonable Earnings Achieved and Liquidity Increased

- **EBITA at 62.8 million euro within expectations**
- **Liquid funds increased to 263 million euro**
- **Dividend of 0.10 euro per share proposed**
- **Higher sales and distinctly better earnings expected in 2010**
- **Programme “Praktiker 2013” launched**

Frankfurt, 26 March 2010 – The Praktiker Group closed the crisis year 2009 – sales dropped by 6.2 percent to 3.663 billion euro – with operating earnings (EBITA) in the amount of 62.8 million euro. Although EBITA have halved over the prior-year record earnings, they are still within management expectations. At the same time, liquid funds increased to 263 million euro as at 31 December 2009. “Securing earnings and liquidity were our top priorities in the financial year under review” stressed the CEO of Praktiker Bau- und Heimwerkermärkte Holding AG, Wolfgang Werner, at the press conference in Frankfurt/Main. “We reached these two overriding targets and thereby maintained a sound financial position for the Group”. For the year 2010 Werner anticipates a positive development – moderate in terms of sales and distinct in terms of operating earnings.

To secure what has been achieved and sustainably strengthen the Group’s profitability, a comprehensive transformation programme to boost sales, gross profit and earnings was launched in autumn 2009 under the title “Praktiker 2013“. This programme was in a first phase rolled out at Praktiker in Germany but has in the meantime also spread to the domestic subsidiary Max Bahr and the international operations. The work of the programme was divided into numerous projects and sub-projects with clearly defined margin targets. Werner: “Latest by 2013, all entities of the Group are to again generate an EBITA margin corresponding to the one which the company had already achieved in good times. For the business activities in Germany this means a three before the decimal point at Praktiker, a four at Max Bahr and a six in our international segment”.



Group: sales and earnings marked by recession and currency effects

Financial year 2009 was strongly characterised by the effects of the global economic crisis – abroad even more than in Germany – and by the massive collapse of the exchange rates of most East European currencies. The Praktiker Group generated sales totalling 3.663 billion euro, 6.2 percent less than one year earlier (3.907 billion euro). How much the massive devaluation of the East European currencies affected sales is illustrated by the fact that, if exchange rates had remained the same, group sales would have only dropped by 3.3 percent.

The operating earnings (EBITA) at Group level came in at 62.8 million euro thereby distinctly falling short of the record value achieved one year earlier (128.8 million euro). This was attributable to the drop in sales, currency effects and a lower gross margin. Adjusted for the devaluation of the East European currencies EBITA would have been around 13 million euro higher. This notwithstanding and against the backdrop of the difficult economic situation the management considers the operating earnings to be reasonable. The EBITA margin in the financial year under review came in at 1.7 percent (previous year 3.3 percent).

Germany: Praktiker breaks even, Max Bahr remains profitable

Sales losses of the Praktiker Group in Germany were moderate: 1.8 percent in absolute terms, 2.2 percent like-for-like. Praktiker's sales came in at 1.835 billion euro in the year under review, those of Max Bahr stood at just under 691 million euro. This corresponds to a drop of 1.8 and 1.7 percent, respectively. Sales generated by the third, smaller sales division extra BAU+HOBBY, which is stated under Miscellaneous in the financial reports, including wholesale business receded by 3.3 percent to 91.4 million euro.

A different picture emerges for operating earnings: in the first half of 2009 the Praktiker brand had plunged into the red with 2.5 million euro because distinctly more promotion campaigns than one year earlier had been organised in part due to cyclical reasons and in part to reduce high inventory levels. Earnings clearly improved again in the second half compared to the same period in 2008 so that the losses incurred during the first six months could be compensated. At the close of the year Praktiker in Germany thus reported EBITA of 0.2 million euro (previous year 20.9 million euro).

Max Bahr, by contrast, benefited once again from its consistently margin-focused strategy which even resulted in an increase of earnings. In 2009, Max Bahr generated EBITA in the amount of 31.4 million euro which is 5.9 million euro more than in 2008. Here, the drop in sales was more than compensated by a stable gross profit margin and cost adjustments. "If it had needed more proof to substantiate our decision to acquire this company it would have been furnished right here and now", stressed Werner.



International: sales and earnings declining in nearly all countries

Due to the company's focus on the east and southeast European markets its International segment suffered from particularly strong economic distortions in 2009. At a total of 1.046 billion euro, international sales came in 15.7 percent below the corresponding year-earlier value. The cause for this drop was the weak demand owed to the recession but even more so the massive devaluation of the East European currencies. At constant exchange rates sales would only have given in by 6.8 percent.

The slump in sales had a negative effect on earnings despite the measures introduced at an early stage to reduce costs and secure earnings. As a consequence, EBITA dropped to 32.6 million euro (previous year 83.9 million euro). Adjusted for currency effects the operating earnings would have been around 13 million euro higher.

Countries like Hungary, Romania, Bulgaria and the Ukraine were particularly hard hit by recession and currency effects. In addition, there were also the effects of the escalating debt crisis in Greece towards the end of the year – a country that for many years has been generating the highest contributions to earnings in Praktiker's International segment. "But we have also seen some rays of light that make us feel positive", commented CEO Werner. Besides Luxembourg, this refers especially to Poland and Turkey. In both countries sales only receded slightly in 2009. Also the market entry into Albania in late October came up to business expectations. Werner: "The start-up costs are manageable and the store is expected to break even soon".

Store portfolio: investments into the future also in 2009

In financial year 2009 the Praktiker Group extended its store portfolio from 436 to 439 locations. In Germany, the number of Praktiker stores declined slightly to 239 (previous year 241 stores). Nonetheless, four smaller, outdated stores were replaced by modern, new stores and one existing store was converted and extended during the period under review. The portfolio of Max Bahr was extended by one store to 77. At the international level, the number of stores increased by one each in Romania, Turkey and Albania and a temporary outlet was opened in the Polish town of Zabrze to replace the Praktiker store that burnt down in late 2008. At the close of the financial year under review the international portfolio comprised 104 locations. This shows that Praktiker also used a weak year in terms of sales and earnings to invest into the quality of its store portfolio and into the expansion of its international market presence.



Dividend: 0.10 euro per share proposed

In view of the course of business and while duly considering all risks and opportunities, the management board and the supervisory board of Praktiker Bau- und Heimwerkermärkte Holding AG will propose to the Annual General Meeting on 21 May 2010 to pay an unchanged dividend of 0.10 euro per share for financial year 2009 and to appropriate the remaining net profit for the year to equity. "The dividend policy of the Praktiker Group will also in future follow the same criteria that have been used so far for making its decision", stressed Werner. The task was to always strike a new "reasonable balance between the expectations of the capital markets, the wish for maximum continuity, the present business situation, the anticipated financing needs and the debt situation".

Outlook: Operating earnings to "strongly increase" in 2010

Regarding financial year 2010 Werner said: "All things considered, we can optimistically look into the future. The German export industry is visibly recovering, the labour market has proven to be gratifyingly robust. And abroad there are many signs indicating that the recession should in the meantime have bottomed out". This is why the management expects "that the Praktiker Group will be able to again moderately increase sales and even strongly increase earnings in the current year".



Key Data Praktiker Group	2006	2007 ¹	2008 ¹	2009	Change in % y-o-y
Earnings Data					
Net sales in € m	3,162.1	3,945.0	3,906.8	3,663.4	-6.2
Germany	2,281.9	2,862.1	2,665.6	2,617.1	-1.8
<i>of which Praktiker</i>	2,170.1	2,070.3	1,868.8	1,835.2	-1.8
<i>of which Max Bahr</i>	-	688.2 ²	702.4	690.6	-1.7
<i>of which Miscellaneous</i>	111.7	103.6	94.5	91.4	-3.3
International	880.2	1,082.9	1,241.2	1,046.3	-15.7
International share in total sales in %	27.8	27.4	31.8	28.6	-
Like-for-like increase in sales in %	3.5	0.6	-6.0	-7.2	-
Germany	2.5	-3.6	-8.0	-2.2	-
<i>of which Praktiker</i>	2.5	-3.6	-8.8	-2.2	-
<i>of which Max Bahr</i>	-	-	-5.4	-2.1	-
International	6.2	11.4	-0.5	-19.0	-
Operating earnings (EBITA) in € m	111.1	104.9	128.8	62.8	-51.2
Germany	58.5	30.0	44.9	30.2	-32.7
<i>of which Praktiker</i>	53.4	12.6	20.9	0.2	-99.0
<i>of which Max Bahr</i>	-	17.3 ²	25.5	31.4	23.2
<i>of which Miscellaneous</i>	5.1	0.1	-1.6	-1.5	7.5
International	52.6	74.9	83.9	32.6	-61.2
EBITA margin in %	3.5	2.7	3.3	1.7	-
Net profit/loss for the year in € m	84.1	7.2	4.4	-9.3	-
Earnings per share € (basis 58 million shares)	1.43	0.11	0.06	-0.18	-
Dividend per share in € (proposed for 2009)	0.45	0.45	0.10	0.10	-
Operational Data					
Number of stores	341	425	436	439	0.7
Germany	268	337	336	335	-0.3
<i>of which Praktiker</i>	248	242	241	239	-0.8
<i>of which Max Bahr</i>	-	76	76	77	1.3
<i>of which Miscellaneous</i>	20	19	19	19	-
International	73	88	100	104	4.0
Employees, annual average on a full-time basis	17,600	22,448	23,632	22,490	-4.8
Germany	10,480	13,585	13,189	12,291	-6.8
<i>of which Praktiker</i>	10,029	9,931	9,640	8,877	-7.9
<i>of which Max Bahr</i>	-	3,239	3,134	3,009	-4.0
<i>of which Miscellaneous</i>	451	415	415	405	-2.4
International	7,120	8,863	10,443	10,199	-2.3
¹ Data adjusted according to publication under Sec. 37q para 2 sentence 1 WpHG [German Securities Trading Act] published in the German Electronic Federal Gazette on 1 Sep 2009, see also page 73 et seq. in the Annual Report 2009 ² February to December					