



**Annual Press Conference 2010
Annual Analyst Meeting 2010
Friday, 26 March 2010, Frankfurt/Main**

Thomas Gabel, Chief Financial Officer

Revisions reserved – check against delivery!

Ladies and Gentlemen,

I now have the pleasure to take you through the figures for the financial year 2009. In doing so, I will not discuss all the charts included in your documents in detail as the sales and earnings figures have already been mentioned.

I would like to start with a summary. Mr. Werner already mentioned that, for Praktiker, securing earnings and liquidity was the top priority in the financial year 2009. Not only did operating earnings last year – as we always put it – reach a ‘reasonable’ level, but all three segments also achieved a positive result. We had stressed this target time and again in the course of the year. And we also achieved it.

We even outperformed the originally planned liquidity target of 200 to 250 million euro. Although in this regard we were supported by the issuance of a promissory note, even net of this loan our cash and cash equivalents came in within the targeted range at the end of the year. We maintained net debt nearly at the prior-year level. And, what is at least just as important: there were no refinancing needs in 2009 and there will not be any in the current financial year either.

There has been a lot of talk about equity in the context of the financial crisis. This is not a concern for us since our equity ratio remains unchanged at over 40 percent.

At the beginning of last year there had also been a lot of speculation whether we could be at risk of violating some of the conditions that are typically tied to the granting of commercial loans or credit lines, the so-called ‘covenants’. Today, I can note with satisfaction that this has not been the case in 2009 and that based on our planning we are also not expecting any violation of this kind in 2010.

On chart three you will find these statements confirmed by figures in the table comprising the key financial data. I will therefore refrain from discussing them in detail now.

In the same way, I would like to refrain from commenting once again on the distribution of sales between the segments as Mr. Werner has already done so and the sales figures should also be known since the publication of our Trading Statement in early January.

A look at the gross margin clearly shows where we felt the pinch in 2009. The group's gross margin declined by 1.1 percentage points. In absolute figures we were missing more than 120 million euro in gross profit on sales compared to the prior year. The main reason was that inventory levels at Praktiker in Germany were too high at the beginning of the year and we had to sell them at a discount. This effect could not be compensated anywhere else because there were no opportunities to raise prices neither in Germany nor in our international business.

However, we were able to absorb part of this decline in gross profit by cost reductions. We succeeded in bringing down operating expenses by 5.1 percent or around 64 million euro to 1.2 billion euro. Personnel expenses declined in line with the number of employees. We also made substantial savings regarding advertising expenses. And the rental expense only rose marginally despite the extension of our store portfolio. Overall, both the selling and also the administration expenses were curbed by more than 5 percent each. So it is not attributable to costs that operating earnings receded by more than half.

A look at the EBITA by segments once again clearly illustrates this. In the international segment our earnings collapsed as a consequence of the slump in sales due to cyclical and currency factors. If you bear in mind that most countries in Eastern Europe experienced the worst recession since the post-war period, this is still a respectable result. It would actually have been about one third or around 13 million euro higher if exchange rates had remained unchanged.

Due to the afore-mentioned discount campaigns in the first half of the year under review Praktiker in Germany was only able to break even. We cannot be satisfied with this result – there is no question about that. However, in the second half of the year we shifted our focus back on earnings and managed to again increase EBITA as compared to the previous year. This is the good news from an overall unsatisfactory year for Praktiker in Germany.

Max Bahr, by contrast, managed not only to meet expectations but it was the only segment to even increase its operating earnings year-on-year. Here, it paid off that, from the outset, we had geared the assortment changes and the complete marketing activities to maintaining the gross margin while at the same time adjusting the costs also in this segment. The EBITA margin continued to rise from 3.6 percent to 4.6 percent.

Let's get back to the Group as a whole and the financial result. The interest income declined as compared to the previous year because the interest on short-term cash deposits - and thus on the Group's liquid funds – was tending towards zero in 2009. Moreover and with a view to the financial crisis we placed more emphasis on the bank ratings for our deposits. Interest expenses increased by contrast because we issued promissory notes in the amount of 50 million euro in spring. Overall, the net financial income 2009 significantly improved over the year earlier. This was mainly attributable to the fact that the balance of currency gains and losses was not as negative as in the prior year. But, still, it continues to burden our financial income by almost 5 million euro.

After consideration of the net financial income we achieved earnings before taxes in the amount of 18.5 million euro.

Let us now look at the tax expenses incurred during the financial year under review. They came in at 27.8 million euro in 2009 and were thus higher than our earnings before taxes resulting in a net loss for the year of 9.3 million euro. Let me explain the key factors: some expense items that reduce the Group earnings stated according to IFRS do not have the same effect on the tax base in the country-specific annual statements

A similar effect is found in Germany regarding the trade tax. Irrespective of the earnings a relatively high amount of taxes is due here because lease expenses can only in part be acknowledged for tax purposes but fully affect operating earnings under IFRS. Also deferred tax expenses resulting from the reversal of temporary differences are due irrespective of the earnings level. Especially in the case of low earnings before taxes the above-mentioned effects will result in an over-proportionate rise in the tax rate.

Also, we did not capitalize some of the deferred tax on loss carry forwards. This would have reduced the tax burden. But the probability that we will be able to actually fully realise them, especially in countries with a time limit for their utilisation, is not particularly high from today's perspective. With this non-capitalisation we are thus following a conservative accounting approach.

Moreover, the Greek government in the framework of its efforts to stabilize public finances in November 2009 resolved to introduce an additional, retroactive tax on profits made in 2008. This resulted in an additional, one-off tax expense of 2.5 million euro.

You see that there are many factors that led to this paradox tax rate of 150.6 percent. But you have to remember that tax expenses is one thing and the actual amount of taxes paid is something different since actually only some 16 million euro of the tax expenses are cash-effective. More than one third of the tax expenses was thus non-cash.

This brings me to a topic that has already kept us busy last year and which I pointed out time and again. From my viewpoint as a CFO, the cash-effective transactions are decisive. But the financial result and the tax expenses in particular include some items that are not cash-effective. We have therefore netted the net profit for the year by these items which gives us the "cash earnings". The non-cash expenses in the amount of 9.6 million included in the financial result mainly relate to the afore-mentioned balance of currency gains and losses and to the increase of the fair value of liabilities resulting from the convertible bond. This effect results from the fact that we have to state higher interest expenses in our income statement than we actually pay. The non-cash tax expenses in the amount of 8.4 million euro result from deferred taxes.

Following this calculation, the financial year 2009 closed with a cash net income of 8.7 million euro and earnings per share of 13 cent.

Let us now move away from the income statement and take a look at capital expenditure. In total, capital expenditure declined from 117.6 million euro in 2008 to 73.3 million euro in 2009, which is still well above the capex level of the years prior to the company's going public in 2005. We had already announced this restraint at the beginning of the year because we wanted to limit the outflow of cash given the fact that 71.1 million euro were cash-effective. As you can see from the regional distribution, the capital expenditure in Germany came in at the prior-year level with 45.2 million euro. Abroad, it was reduced appreciably. This notwithstanding we continued to invest into the future also in a difficult year like 2009: we opened five new stores in Germany and three new stores abroad, at Max Bahr we mainly invested into assortment changes and we naturally also invested into the upkeep of our stores. In my opinion we managed to strike a good balance between securing liquidity and providing for the future.

I already mentioned the fact that, at 263 million euro, we had a higher amount of cash and cash equivalents at the close of the year 2009 than one year earlier. The cash flow statement shows the reasons for this increase. The cash flow from operating activities declined. This drop could for the most part be compensated though by improvements in the working capital.

The cash flow from investing activities reflects the reduced capital expenditure. Also in 2009 we managed to finance our capex from the cash flow from operating activities. And the swing in the cash flow from financing activities is mainly attributable to the fact that we issued the already mentioned promissory notes in the amount of 50 million euro in spring 2009.

At 196.7 million euro, the net debt remained almost unchanged year-on-year due to the positive development of the cash flow. The placement of the promissory notes raised liquidity and gross debt alike and thus had a neutral effect on the net debt. The liabilities against the convertible bond have increased, however, due to the increase in the fair value of the liabilities over time. The liabilities from finance leases by contrast declined on account of the pro rata temporis redemptions.

Allow me to remark in this context that the liabilities from finance leases are of a different nature than the financial liabilities from convertible bonds or promissory notes. The former represent the value of the future lease payments discounted to the present day which we have to remit every month under those lease agreements which are classified as finance leases. The financial debt, by contrast, represents the scheduled repayment obligations for a specific type of loan which we have taken out on the capital markets.

On account of this difference the liabilities from finance leases are not shown in the presentation of our financial headroom. This headroom remains invariably high. Cash and cash equivalents exceed the financial debt. In addition, we have access to a syndicated credit line in the amount of € 200 million with a term running largely until May 2013, and to rolling bilateral credit lines.

Another important aspect is that no debt is due this year. The next due date is September 2011. From my point of view this is a comfortable situation that gives us sufficient financial scope of around 500 million euro which we can use either for measures in the framework of the program "Praktiker 2013" or for acquisitions.

In the balance sheet it shows that we have improved our working capital as planned. Inventories declined faster than trade payables. And our equity ratio continues to stand at 42 percent – this, too, being an indicator for financial soundness.

This brings me to the end of my presentation of the figures of financial year 2009. What remains is the target for the current year. In my function as CFO, I expect operating earnings to rise in all three segments. For 2010, we anticipate a continued improvement in the financial result. The tax rate should return to a level slightly above 30 percent. Securing liquidity continues to be a high priority because it determines our financial flexibility and thus our financial headroom.

To safeguard the future, our capital expenditure in 2010 will be kept at a similar level as in 2009. Here, the task is to strike the already mentioned balance between a high level of cash and cash equivalents and investments into future earnings potentials. The net debt is to be significantly reduced.

All in all, this creates comfortable headroom for additional measures in the framework of the program “Praktiker 2013“ which we cannot substantiate at this point but which will be helpful and necessary to improve the processes and workflows in the Praktiker Group.