

Praktiker Group

Interim report

H1/11



KEY DATA

	Q2 2011	Q2 2010	Change in %	H1 2011	H1 2010	Change in %
Profit & loss data						
Net sales in € m	956.6	1,038.9	-7.9	1,623.0	1,786.8	-9.2
Germany	697.4	756.4	-7.8	1,187.3	1,312.2	-9.5
<i>thereof Praktiker Germany</i>	466.6	525.6	-11.2	781.5	913.7	-14.5
<i>thereof Max Bahr</i>	203.6	204.2	-0.3	359.8	352.2	2.1
<i>thereof Miscellaneous</i>	27.3	26.6	2.6	46.0	46.3	-0.8
International	259.2	282.5	-8.3	435.8	474.5	-8.2
Like-for-like sales growth in %	-8.7	-7.6	-	-9.9	-7.6	-
Germany	-7.9	-8.2	-	-9.6	-7.7	-
<i>thereof Praktiker Germany</i>	-11.1	-8.6	-	-14.3	-8.0	-
<i>thereof Max Bahr</i>	0.3	-7.4	-	2.3	-7.0	-
International	-10.7	-5.8	-	-10.7	-7.3	-
Gross profit on sales in € m	341.1	357.1	-4.5	546.4	582.0	-6.1
Gross profit margin on sales in %	35.7	34.4	1.3 PP	33.7	32.6	1.1 PP
EBITA in € m	-72.0	52.2	-	-143.5	0.1	-
Germany	-38.4	52.3	-	-91.1	11.8	-
<i>thereof Praktiker Germany</i>	-47.8	32.2	-	-97.1	-3.6	-
<i>thereof Max Bahr</i>	9.7	19.0	-48.7	8.8	17.6	-49.8
<i>thereof Miscellaneous</i>	-0.4	1.1	-	-2.9	-2.3	-28.3
International	-33.5	-0.1	-	-52.4	-11.7	-
Net financial result in € m	-18.2	-21.8	16.8	-24.2	-25.8	6.1
Earnings before taxes in € m	-249.6	30.4	-	-327.2	-25.6	-
Net income/loss in € m	-307.1	25.8	-	-322.6	-11.8	-
Earnings per share in €	-5.30	0.43	-	-5.58	-0.22	-
Balance sheet data						
Cash and cash equivalents in € m				301.1	293.1	2.7
Net cash in € m				-350.4	-163.2	-
Net working capital in € m				454.9	337.0	35.0
Further financial data						
Capital expenditure in € m				38.2	31.4	21.7
Cash flow from operating activities in € m				-117.7	74.5	-
Operative data						
Number of stores				441	440	0.2
Germany				331	333	-0.6
<i>thereof Praktiker Germany</i>				236	238	-0.8
<i>thereof Max Bahr</i>				78	78	0.0
<i>thereof Miscellaneous</i>				17	17	0.0
International				110	107	2.8
Number of employees, yearly average on a full-time basis (01/01 – 30/06)				20,446	21,862	-6.5
Germany				11,376	12,031	-5.4
<i>thereof Praktiker Germany</i>				8,087	8,571	-5.6
<i>thereof Max Bahr</i>				2,915	3,075	-5.2
<i>thereof Miscellaneous</i>				374	385	-2.9
International				9,070	9,831	-7.7

Discrepancies in totals and in percentage figures may occur due to rounding differences.

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THE FIRST SIX MONTHS 2011 – SUMMARY

The Praktiker Group saw a slight improvement in its sales trend in the second quarter, but no turn around yet. Consolidated sales were still down on the same quarter of the previous year.

The repositioning of the Praktiker brand in Germany was initiated in April. It became clear that customers must first get used to the changes in market presence and that a modified marketing concept does not immediately result in positive sales effects. However, the decline in sales in the second quarter was significantly less than in the first three months, in which the former marketing concept was discontinued but the new one had not yet been introduced. The repositioning, including the new advertising campaign, has already had a positive impact on the image of the Praktiker brand in Germany, but has not yet stimulated sales to the anticipated extent.

In the consistently positive consumer environment of the German market, the Max Bahr brand kept sales stable in the second quarter. However, the strong growth rates of the first quarter could not be maintained as advertising activities were not used to the same extent as in the first quarter to strengthen earnings.

In the second quarter, international business was again marked by tough overall economic conditions, most markedly in countries that are especially important for the sales and earnings of the Praktiker Group. Percentage sales dropped, particularly in Romania and Bulgaria. The sales decline in Greece was noticeably less than in the first quarter – in spite of the escalating financing problems of the Greek state, the general consumer restraint and the many protests and strikes that at times brought public life to a standstill.

The Group's gross profit margin improved further, but not sufficiently to keep earnings stable as against the previous year. The volume effect of the sales decline was too strong.

As sales and earnings failed to meet expectations in both the second quarter and the first half of the year, management has adjusted the outlook for the current business year and the years to come.

Management now expects a negative sales development also in the second half of the year. Operating earnings in the second half will likewise not reach the level of the corresponding prior year period.

"PRAKTIKER 2013" – PRAKTIKER GERMANY REPOSITIONED

In 2011, the work of the "Praktiker 2013" programme mainly involved the implementation of the measures already resolved for Praktiker Germany, finalising plans for the measures under preparation for Max Bahr and Praktiker International and then gradually implementing them. In the first three months of the current financial year, particular attention was paid to the preparation for the repositioning of Praktiker Germany, which became visible to customers at the start of the second quarter with changes in stores and a new market presence.

Praktiker Germany with new concept

Since the start of the second quarter, Praktiker Germany has been presenting itself in a different way. Shopping has become even easier, service has been increased and perception of staff availability has improved. Praktiker stands out from its competitors thanks to its "Praktiker" private label, which has become established as the "smart choice" at the medium price level in the first product ranges. This also applies to the customer greeter, who meets customers at the entrance of all stores to show them the way or to answer questions.

The conceptual changes have already had a positive effect on the image of Praktiker. However, this has not been enough to reach the sales and earnings targets for the second quarter. Management was therefore forced to lower its forecast in terms of sales and earnings for Praktiker Germany.

Nevertheless, management is determined not to veer in essence from the course it has taken with "Praktiker 2013". Indeed, several measures will be stepped up or even accelerated. The entire advertising campaign will be rethought again in the second half of the year, the number of "Triples" – a particularly effective form of in-store product presentation – will be increased further.

The repositioning has entailed various extraordinary expenses, such as those for conceptual support, renovation work, product range adjustments, the introduction of the "Praktiker" private label, the necessary training for sales staff and the additional advertising campaign with Boris Becker. On 17 February 2011, Praktiker opened an online shop in Germany. It generated sales of 1.5 million euro by the end of the second quarter. The expenses and capex needed to develop the necessary shop infrastructure were recognised as extraordinary effects as well as the start-up losses incurred so far.

Logistics concept under implementation

The planned changes to logistics concepts were advanced further in the second quarter. The necessary HR policy requirements for separating store personnel into in-house logistics and sales have been established. A redundancy scheme will regulate the salary plan for employees set to work on in-store logistics in future as well as potential severance payments.

The work on automatic re-ordering and central warehouse logistics is proceeding in line with planning and both projects are expected to be ready for launch in 2012.

Procurement organisation opened in Hong Kong

As at the end of the second quarter, in line with planning, the Praktiker procurement organisation began its work in Hong Kong. Over the course of the second half of the year, it will gradually take over the handling of procurement activities in Asia from the current third-party service provider.

Extraordinary effects "Praktiker 2013"

in € m

	Q2 2011	Q2 2010	Change	H1 2011	H1 2010	Change
Praktiker Group	-22.6	-3.4	-19.3	-27.6	-4.8	-22.8
Germany	-22.1	-3.4	-18.7	-26.6	-4.8	-21.8
Praktiker Germany	-20.1	-3.4	-16.8	-23.7	-4.8	-19.0
Max Bahr	-0.2	-	-0.2	-0.5	-	-0.5
Miscellaneous	-1.7	-	-1.7	-2.4	-	-2.4
International	-0.6	-	-0.6	-1.0	-	-1.0

Staff numbers reduced

Overall, the different measures relating to structural and organisational changes have led to a significant reduction in the number of employees. In the first half of 2011, measured in full-time equivalents, the Praktiker Group employed 6.5 percent fewer people than the year before.

High extraordinary effects in the second quarter

In the second quarter of 2011, extraordinary expenses relating to the measures of the "Praktiker 2013" programme amounted to 22.6 million euro (half-year 27.6 million euro). Praktiker Germany accounted for 20.1 million euro of the total (half-year 23.7 million euro), for the implementation of the new concept at the Praktiker stores in Germany, for measures to improve sales efficiency, central purchasing and the work in the programme office including third-party consulting.

20.9 million euro (half-year 24.1 million euro) of these extraordinary expenses were allocated to selling expenses and 1.8 million euro (half-year 3.4 million euro) to administrative expenses in the second quarter.

In the previous year, extraordinary expenses of 3.4 million euro were incurred in the second quarter and 4.8 million euro in the first six months.

The implementation of the measures for the "Praktiker 2013" programme required capital expenditure of 3.5 million euro in the second quarter (half-year 12.1 million euro), most of which was for store conversions at Praktiker Germany. No comparable investments were incurred in the same period of the previous year.

ADJUSTMENTS OF FUTURE PLANNING LEAD TO FURTHER EXTRAORDINARY EFFECTS

In the financial statements for the first half of the year, the Praktiker Group recognised impairment losses on non-current assets of 43.7 million euro, added 47.3 million euro to provisions for onerous contracts and impaired existing goodwill by 159.5 million euro. In total, EBIT was impacted by a non-recurring expense of 250.5 million euro.

Impairment on non-current assets/additions to provisions for onerous contracts

Non-current assets are tested for impairment at store level. The individual store is regarded as a cash-generating unit. Each individual store is tested to determine whether, given the current remaining term of its rental agreement, the forecast future discounted cash flows at least cover its non-current assets. If not, the non-current assets must be written down accordingly.

Furthermore, each rental agreement is examined to determine whether the unavoidable costs of satisfying the contractual obligations are greater than the expected benefit, i.e. whether the store will generate sufficient cash flows over the term of its rental agreement to satisfy its contractually agreed rent obligations. If not, corresponding provisions for onerous contracts must be recognised. If necessary, the impairments on non-current assets described above are recognised to prevent double recognition as expenses.

This does not automatically mean that the total store portfolio is also sliding into negative territory. These impairment losses and additions to provisions are based on certain expectations. They reflect the current impression of the future, which is dominated by the knowledge that neither the recovery process in Southeast and Eastern Europe nor the repositioning of Praktiker Germany is having as rapid an effect as initially anticipated. Whether these expectations prove to be accurate, however, will only become evident in the future.

Goodwill

Goodwill is tested for impairment once per year (as at 31 December). It is also tested whenever there are indications that it may have become impaired.

Goodwill has arisen from prior acquisitions. In the case of the Praktiker Group – as at 31 December 2010 – 114.9 million euro related to the acquisition of various store portfolios operated under the Praktiker brand. These acquisitions go back to the time when Praktiker was still part of the Metro Group. 76.1 million euro of the total goodwill recognised in the statement of financial position of the Praktiker Group at the end of 2010 related to the

acquisition of Max Bahr in 2007. As Praktiker Germany also benefits from the synergies of this acquisition, this goodwill was distributed between the Praktiker Germany and Max Bahr segments. 31.5 million euro were allocated to Max Bahr, 44.6 million euro to Praktiker Germany. In total, the goodwill posted to the Praktiker Germany segment therefore amounted to 159.5 million euro.

The impairment test analyses whether forecast future cash flows from the respective segments at the relevant date are sufficient to cover the carrying amount of the segment (i.e. its operative net assets plus the allocated goodwill).

If the forecast future cash flows of the segment are not sufficient to cover its recognised net assets, the goodwill must be adjusted accordingly. Impairment on goodwill therefore means that a segment's earnings prospects have deteriorated, but not necessarily that this segment will generate losses in the longer term. Unlike impairment losses on, for example, non-current assets, impairment on goodwill cannot be reversed in future. Therefore, if the earnings prospects improve again in future, corresponding goodwill cannot be recognised again.

Deferred tax assets

The impairment losses on goodwill and non-current assets and the provisions for onerous contracts also resulted in adjustments to deferred tax assets (21.4 million euro) and deferred tax liabilities (29.9 million euro). The reassessment of future earnings prospects also led to write-down requirements on deferred tax assets on tax loss carryforwards (13.7 million euro) and temporary differences (15.3 million euro). The details of this can be found in the notes to the financial statements on page 31.

H1 Extraordinary effects (extr. eff.)

in € m	Praktiker Group		Praktiker Germany		Max Bahr		Miscellaneous		International	
	H1 2011	H1 2010	H1 2011	H1 2010	H1 2011	H1 2010	H1 2011	H1 2010	H1 2011	H1 2010
EBITA before extr. eff	-25.0	14.4	-32.1	1.2	16.6	17.6	-0.5	-2.3	-8.9	-2.2
Extr. eff. "Praktiker 2013"	-27.6	-4.8	-23.7	-4.8	-0.5	0.0	-2.4	0.0	-1.0	0.0
EBITA after extr. eff. "Praktiker 2013"	-52.5	9.6	-55.9	-3.6	16.1	17.6	-2.9	-2.3	-9.9	-2.2
Extr. eff. from impairments on non-current assets and additions to provisions for onerous contracts	-91.0	-9.5*	-41.2	0.0	-7.3	0.0	0.0	0.0	-42.5	-9.5*
EBITA (reported)	-143.5	0.1	-97.1	-3.6	8.8	17.6	-2.9	-2.3	-52.4	-11.7
Extr. eff. from impairments on goodwill	-159.5	0.0	-159.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	-303.0	0.1	-256.5	-3.6	8.8	17.6	-2.9	-2.3	-52.4	-11.7

*thereof 9.5 m euro extraordinary effects from additions to provisions for anti-trust risks in Poland

Q2 Extraordinary effects (extr. eff.)

in € m	Praktiker Group		Praktiker Germany		Max Bahr		Miscellaneous		International	
	Q2 2011	Q2 2010	Q2 2011	Q2 2010	Q2 2011	Q2 2010	Q2 2011	Q2 2010	Q2 2011	Q2 2010
EBITA before extr. eff	41.7	65.1	13.6	35.6	17.3	19.0	1.3	1.1	9.5	9.4
Extr. eff. "Praktiker 2013"	-22.6	-3.4	-20.1	-3.4	-0.2	0.0	-1.7	0.0	-0.6	0.0
EBITA after extr. eff. "Praktiker 2013"	19.0	61.7	-6.6	32.2	17.0	19.0	-0.4	1.1	9.0	9.4
Extr. eff. from impairments on non-current assets and additions to provisions for onerous contracts	-91.0	-9.5*	-41.2	0.0	-7.3	0.0	0.0	0.0	-42.5	-9.5*
EBITA (reported)	-72.0	52.2	-47.8	32.2	9.7	19.0	-0.4	1.1	-33.5	-0.1
Extr. eff. from impairments on goodwill	-159.5	0.0	-159.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	-231.4	52.2	-207.2	32.2	9.7	19.0	-0.4	1.1	-33.5	-0.1

*thereof 9.5 m euro extraordinary effects from additions to provisions for anti-trust risks in Poland

INCOME, FINANCIAL AND ASSET POSITION

Q2 Profit & loss data			
in € m			
	Q2 2011	Q2 2010	Change in %
Net sales	956.6	1,038.9	-7.9
Gross profit on sales	341.1	357.1	-4.5
Gross profit margin on sales in %	35.7	34.4	1.3 PP
Other operating income	15.4	18.0	-14.4
Selling expenses	408.8	303.7	34.6
Administrative expenses	19.4	18.8	3.3
EBITDA	-9.3	70.0	-
EBITA	-72.0	52.2	-
EBIT	-231.4	52.2	-
Net financial result	-18.2	-21.8	-16.8
Earnings before taxes	-249.6	30.4	-
Net loss/income	-307.1	25.8	-

H1 Profit & loss data			
in € m			
	H1 2011	H1 2010	Change in %
Net sales	1,623.0	1,786.8	-9.2
Gross profit on sales	546.4	582.0	-6.1
Gross profit margin on sales in %	33.7	32.6	1.1 PP
Other operating income	29.5	33.4	-11.9
Selling expenses	680.9	578.9	17.6
Administrative expenses	37.9	35.7	6.2
EBITDA	-62.7	35.3	-
EBITA	-143.5	0.1	-
EBIT	-303.0	0.1	-
Net financial result	-24.2	-25.8	6.1
Earnings before taxes	-327.2	-25.6	-
Net loss	-322.6	-11.8	-

Income position

Store portfolio

At the end of the first half of the year, the Praktiker Group operated a total of 441 stores, one more than at the same time a year ago. The Group's selling space was 0.7 percent larger than one year before and Praktiker was represented at three more locations abroad and two fewer in Germany, year on year.

Number of stores			
	30/06/2011	30/06/2010	Change
Praktiker Group	441	440	1
Germany	331	333	-2
Praktiker Germany	236	238	-2
Max Bahr	78	78	0
extra BAU+HOBBY	17	17	0
International	110	107	3

Weighted selling space			
in 1,000 sq m			
	30/06/2011	30/06/2010	Change in %
Praktiker Group	2,888.8	2,868.2	0.7
Germany	2,116.1	2,115.9	0.0
Praktiker Germany	1,424.0	1,423.9	0.0
Max Bahr	627.8	627.8	0.0
extra BAU+HOBBY	64.3	64.1	0.4
International	772.7	752.3	2.7

Net sales

In the second quarter of 2011, the Praktiker Group did not match the sales level achieved in the same period of the previous year. However, at 7.9 percent, the sales decline was significantly less than in the first three months of the current financial year, when sales decreased by 10.9 percent.

In international business, the sales in the second quarter declined at a similar rate to that at the start of the year – in Romania and Bulgaria it reached double digits again. In Greece, however, the sales decline slowed markedly as against the first three months – despite the escalating financial problems of the Greek state and the resulting adverse macroeconomic environment.

Since the start of the second quarter, the Praktiker brand has undergone a repositioning in Germany. However, this has not been reflected directly in rising sales. In the previous year, in the second quarter all customers were still offered “20 percent off everything” on ten days and “25 percent off everything with/without a plug” on twelve days. No such special offers were made in 2011.

The Max Bahr brand kept its sales stable year-on-year in the second quarter.

Overall, the Praktiker Group ended the first half of the year with a disappointing decline in sales of 9.2 percent. At 2.1 percent, only the Max Bahr brand posted an increase.

Praktiker International achieved only 91.8 percent of its prior-year sales figure, Praktiker Germany 85.5 percent.

Exchange rate effects again had a slightly negative impact on sales in the second quarter but played an insignificant role in the first half of the year overall. Assuming unchanged exchange rates, consolidated sales would have been 3.8 million euro or 0.8 percent higher in the first six months.

Q2 Net sales			
in € m			
	Q2 2011	Q2 2010	Change in %
Praktiker Group	956.6	1,038.9	-7.9
Germany	697.4	756.4	-7.8
Praktiker Germany	466.6	525.6	-11.2
Max Bahr	203.6	204.2	-0.3
Miscellaneous	27.3	26.6	2.6
International	259.2	282.5	-8.3

H1 Net sales			
in € m			
	H1 2011	H1 2010	Change in %
Praktiker Group	1,623.0	1,786.8	-9.2
Germany	1,187.3	1,312.2	-9.5
Praktiker Germany	781.5	913.7	-14.5
Max Bahr	359.8	352.2	2.1
Miscellaneous	46.0	46.3	-0.8
International	435.8	474.5	-8.2

Q2 Net sales			
Change in % against previous year			
		Q2 2011	Q2 2010
Praktiker Group	absolute (in €)	-7.9	-5.6
	like-for-like (in €)	-8.7	-7.6
	absolute (in local currency)	-7.8	-6.4
	like-for-like (in local currency)	-8.4	-8.4
Germany	absolute	-7.8	-7.2
	Praktiker Germany	-11.2	-8.4
	Max Bahr	-0.3	-4.2
	like-for-like	-7.9	-8.2
International	absolute (in €)	-8.3	-1.0
	like-for-like (in €)	-10.7	-5.8
	absolute (in local currency)	-7.4	-4.3
	like-for-like (in local currency)	-9.9	-8.9
Germany	absolute	-9.5	-6.6
	Praktiker Germany	-14.5	-7.5
	Max Bahr	2.1	-4.4
	like-for-like	-9.6	-7.7
International	absolute (in €)	-8.2	-3.5
	like-for-like (in €)	-10.7	-7.3
	absolute (in local currency)	-7.4	-7.0
	like-for-like (in local currency)	-9.9	-10.8

H1 Net sales			
Change in % against previous year			
		H1 2011	H1 2010
Praktiker Group	absolute (in €)	-9.2	-5.8
	like-for-like (in €)	-9.9	-7.6
	absolute (in local currency)	-9.0	-6.7
	like-for-like (in local currency)	-9.7	-8.5
Germany	absolute	-9.5	-6.6
	Praktiker Germany	-14.5	-7.5
	Max Bahr	2.1	-4.4
	like-for-like	-9.6	-7.7
International	absolute (in €)	-8.2	-3.5
	like-for-like (in €)	-10.7	-7.3
	absolute (in local currency)	-7.4	-7.0
	like-for-like (in local currency)	-9.9	-10.8

Q2 Customer contacts and average purchase				
	Customer contacts		Average purchase	
	in million	Change in % to Q2/2010	in €	Change in % to Q2/2010
Praktiker Group	35.6	-5.9	26.77	-2.0
Germany	26.0	-6.8	26.60	-1.0
Praktiker Germany	17.7	-8.5	26.37	-2.6
Max Bahr	7.5	-2.6	27.32	1.9
Miscellaneous	0.8	-5.5	25.12	9.1
International	9.5	-3.5	27.24	-4.6

Gross profit on sales

In the second quarter, the Group's gross profit margin rose by 1.3 percentage points year-on-year to 35.7 percent. It increased by 1.1 percentage points to 33.7 percent in the first half of the year. The improvement of the gross profit margin is essentially due to the fact that Praktiker Germany offered substantially fewer discounts as part of its repositioning, the open, general discount campaigns like "20 percent off everything" were even abolished. While the gross profit margin improved, the gross profit itself remained below the previous year's figure on account of the decline in sales.

Other operating income

Other operating income continued to decrease slightly in the second quarter, it was therefore also down in the first half of the year. In the previous year, this figure still included insurance payments totalling 2.1 million euro, which primarily served to compensate the expenses and loss of income arising from the destruction by fire of the Praktiker store in Zabrze (Poland) in late 2008. These payments were not incurred again in 2011.

Extraordinary effects within selling and administrative expenses

In the second quarter, impairment on non-current assets and additions to provisions for onerous contracts amounted to 91.0 million euro. These expenses were not cash effective (see also pages 7 and 8).

The transformation programme "Praktiker 2013" also resulted in extraordinary expenses in the second quarter. At 22.6 million euro, these were significantly higher than in the first quarter (4.9 million euro) as anticipated. In the first half of the year, they totalled 27.6 million euro (see also pages 5 and 6).

Selling expenses

In the second quarter, selling expenses increased by 105.1 million euro to 408.8 million euro. The increase in the first half of the year was 102.0 million euro. The sharp rise is predominantly due to the measurement issues described.

The selling expenses for the second quarter also include expenses of 20.9 million euro classified as extraordinary effects in connection with "Praktiker 2013". Cumulatively, these amounted to 24.1 million euro in the first six months. These extraordinary expenses were essentially connected to the repositioning of Praktiker Germany, the upgrade of the logistics systems, additional provisions for further headcount adjustments and the expenses for the programme of- fice including third-party consultants. Wages and salaries were down as a result of the substantial job cuts. However, as total staff costs also include provisions for possible redundancy payments in connection with the separation of sales and in-house logistics in Praktiker stores in Germany, they are higher overall than in the previous year.

After adjustment for the additions to provisions, impairment of non-current assets and the extraordinary effects of "Praktiker 2013", selling expenses for the second quarter increased by 1.6 percent only as against the same period of the previous year.

The same calculation for the first half of the year shows a decline of 0.3 percent.

Administrative expenses

Administrative expenses increased by 3.3 percent in the second quarter. These, too, were again influenced by extraordinary effects. Before extraordinary expenses, they were up 2.0 percent on the same quarter of the previous year. There was an increase of 6.2 percent for the first half of the year and of 5.3 percent before extraordinary effects.

Operating earnings (EBITA)

Operating earnings of the Praktiker Group were reported at minus 72.0 million euro for the second quarter and minus 143.5 million euro for the first half of the year. After adjustment for all the extraordinary effects described above, namely the impairment losses on non-current assets, the additions to provisions for onerous contracts and the expenses in connection with "Praktiker 2013", EBITA amounted to 41.7 million euro in the second quarter and minus 25.0 million euro in the first half of the year. Calculated in the same way, earnings had amounted to 65.1 million euro in the second quarter of the previous year and 14.4 million euro in the first half of the previous year. In the opinion of management, this comparison provides a more accurate impression of the purely operative change in earnings power than the reported earnings.

At 9.7 million euro, only Max Bahr generated positive EBITA in the second quarter (half-year 8.8 million euro). Praktiker Germany ended the second quarter with EBITA of minus 47.8 million euro (half-year minus 97.1 million euro), Praktiker International with minus 33.5 million euro (half-year minus 52.4 million euro).

However, before extraordinary effects, all business segments generated positive EBITA in the second quarter. In international business it matched the previous year's level, at Max Bahr it was moderately down year-on-year, at Praktiker Germany it fell significantly short of the previous year's level.

Exchange rate effects did not have a material impact on EBITA, neither in the second quarter nor in the first half of the year. After the end of the first six months, EBITA would have been almost 0.3 million euro higher had exchange rates remained the same.

Q2 Other operating income, selling and administrative expenses, EBITA			
in € m			
	Q2 2011	Q2 2010	Change
Gross profit on sales	341.1	357.1	-15.9
Other operating income	15.4	18.0	-2.6
Selling expenses	408.8	303.7	105.1
herein included extraordinary effects	111.9	11.4	100.5
Administrative expenses	19.4	18.8	0.6
herein included extraordinary effects	1.8	1.5	0.3
EBITA	-72.0	52.2	-124.2
herein included extraordinary effects	-113.6	-12.9	100.8
EBITA before extraordinary effects	41.7	65.1	-23.4

H1 Other operating income, selling and administrative expenses, EBITA			
in € m			
	H1 2011	H1 2010	Change
Gross profit on sales	546.4	582.0	-35.6
Other operating income	29.5	33.4	-4.0
Selling expenses	680.9	578.9	102.0
herein included extraordinary effects	115.1	11.4	103.8
Administrative expenses	37.9	35.7	2.2
herein included extraordinary effects	3.4	2.9	0.5
EBITA	-143.5	0.1	-143.6
herein included extraordinary effects	-118.5	-14.3	104.2
EBITA before extraordinary effects	-25.0	14.4	-39.4

Goodwill impairment

The reassessment of the future prospects of the individual divisions resulted in goodwill impairment of 159.5 million euro (see also pages 7 and 8). Correspondingly, earnings before interest and taxes (EBIT) for the first half of 2011 amounted to minus 303.0 million euro (previous year 0.1 million euro). EBIT amounted to minus 231.4 million euro in the second quarter of 2011 (previous year 52.2 million euro).

Net financial result

The net financial result for the second quarter also reflects the fact that financing instruments were restructured at the start of the year. The corporate bond placed in February will be used, among other things, for the repayment of the convertible bond in September 2011. There will be a corresponding negative effect on the net interest result until this date. By contrast, the other financial result was better than in the previous year. This is due to the decline in finance lease liabilities and the positive effect of exchange rate changes, particularly the appreciation of the Romanian lei as at the end of the reporting period. This improvement fully transferred directly to the net financial result for the first half of the year.

Q2 Net financial result			
in € m			
	Q2 2011	Q2 2010	Change
Financial income	3.4	5.1	-1.7
thereof interest income	1.0	0.4	0.6
thereof exchange gains and derivatives	2.4	4.7	-2.3
Financial expenses	21.5	26.9	-5.4
thereof interest expenses from finance lease	5.8	6.0	-0.2
thereof accumulation of liabilities from convertible bonds	1.3	1.1	0.2
thereof other interest and similar expenses	5.5	2.0	3.5
thereof exchange losses and derivatives	8.0	16.5	-8.5
Net financial result	-18.2	-21.8	3.7

H1 Net financial result			
in € m			
	H1 2011	H1 2010	Change
Financial income	14.6	15.8	-1.2
thereof interest income	1.6	0.6	0.9
thereof exchange gains and derivatives	12.9	15.1	-2.2
Financial expenses	38.8	41.6	-2.8
thereof interest expenses from finance lease	11.6	12.2	-0.5
thereof accumulation of liabilities from convertible bonds	2.5	2.1	0.3
thereof other interest and similar expenses	9.7	4.0	5.8
thereof exchange losses and derivatives	12.6	21.0	-8.4
Net financial result	-24.2	-25.8	1.6

Net loss for the period

The adjustment of the forecast for the current financial year and additional extraordinary effects have also weighted on the tax result. The effects of the impairment losses on goodwill and property, plant and equipment and the additions to provisions for onerous contracts on deferred taxes were taken into account when incurred and have therefore already been included in the half-year financial statements. Overall, there was tax income of 4.6 million euro, corresponding to a notional tax rate of 1.4 percent. At the end of the first quarter, the tax rate had been estimated at 80 percent. The change is due to the fact that moderate, but positive, pre-tax earnings had been anticipated three months ago, but now the result is expected to be highly negative on account of

the greater extraordinary effects. Furthermore, deferred tax assets were written down or were not recognised in full on account of the adjusted earnings prospects. After taking taxes into account, the net loss for the period therefore amounts to 307.1 million euro for the second quarter and 322.6 million euro for the first half of the year.

Earnings per share

The undiluted earnings per share for the second quarter are reported at minus 5.30 euro (previous year 0.43 euro) and minus 5.58 euro for the first half of the year (previous year minus 0.22 euro).

Financial position

Capital expenditure

Capital expenditure in the second quarter of 2011 totalled 20.1 million euro (previous year 15.3 million euro) bringing the capital expenditure for the first half of the year to 38.2 million euro (previous year 31.4 million euro).

The increase in the second quarter is due to the measures of the "Praktiker 2013" programme, such as investments in stores as part of the repositioning of the Praktiker brand in Germany. Capital expenditure also increased in the international segment. Three new stores were opened in the second quarter and several underwent thorough renovation, particularly in Greece.

Q2 Capital expenditure			
in € m			
Total	20.1		
Germany	9.5	10.6	International
Cash	14.8	5.3	Non-cash
Maintenance	11.8	8.3	Expansion

H1 Capital expenditure			
in € m			
Total	38.2		
Germany	22.2	16.0	International
Cash	31.3	6.9	Non-cash
Maintenance	27.8	10.4	Expansion

Financing

Cash and cash equivalents were influenced by the restructuring of financial instruments. On 10 February 2011, the Praktiker Group successfully placed a corporate bond with a volume of 250.0 million euro. The bond has a term of five years and an interest coupon of 5.875 percent. Less the discount and ancillary costs, the Praktiker Group received cash and cash equivalents of 246.7 million euro as a result.

Praktiker thus obtained the funds to refinance the convertible bonds maturing in September 2011 (147.1 million euro) earlier than required. Praktiker also prematurely cancelled and repaid promissory notes of 50.0 million euro early in February.

The syndicated credit facility of 200.0 million euro previously in place was also cancelled in February 2011. Since this date, the cash and cash equivalents available and the additional unutilised bilateral credit facilities have served to secure the Group's liquidity requirements.

None of the financing instruments were subject to financial covenants that would have entitled creditors to cancel them in the event of non-compliance.

Statement of cash flows

In the first half of the year, the operating cash flow was down significantly year-on-year at minus 117.7 million euro (previous year 74.5 million euro). This mainly reflected the deterioration in earnings. Owing to the weak sales performance, the Group was also unable to reduce inventories to a level appropriate to the season at the half year stage. They were 134.9 million euro higher than at the start of the year. Trade payables increased by only 74.1 million euro as against the beginning of the year, a significantly lower rise than in the previous year. This reflects the adjustment of order volumes in line with sales performance.

At 30.8 million euro, net cash used in investing activities was up year-on-year in the first six months. The increase is essentially due to capex in the Praktiker stores in Germany as well as renovations and expansion in international business.

Cash flow from financing activities increased to 178.4 million euro in the first half of the year. A cash inflow of 246.7 million euro resulted from the issue of the corporate bond. This was partly offset by the early repayment of the promissory notes in the amount of 50.0 million euro in the first quarter.

At the end of the period under review, the Praktiker Group held liquid funds of 296.4 million euro (previous year 292.2 million euro).

Cash flow statement

Cash flow statement			
in € m			
	H1 2011	H1 2010	Change
Earnings before taxes	-327.2	-25.6	-301.5
Cash flow from operating activities	-117.7	74.5	-192.2
Cash flow from investing activities	-30.8	-27.6	-3.2
Cash flow from financing activities	178.4	-17.5	196.0
Liquid funds at 30/06	296.4	292.2	4.1

Net assets

Statement of financial position

As against the previous year, the Praktiker Group's statement of financial position decreased by 181.3 million euro or 8.3 percent as at 30 June 2011. On the assets side, goodwill was down owing to the impairment losses on goodwill at Praktiker Germany. The carrying amount of non-current assets fell significantly on account of the impairment requirements. At 301.1 million euro, cash and cash equivalents were slightly up on the previous year's figure. Deferred tax assets also declined, having been remeasured in light of the reassessment of future prospects in the Group. By contrast, inventories increased.

On the equity and liabilities side, equity in particular diminished. This is a result of the heavy losses that resulted from the impairment of assets. Other changes as against the same period of the previous year arose in connection with the corporate bond issued in February, as a result of which financial liabilities – after the repayment of promissory notes – increased by almost 200 million euro. Finance lease obligations continued to decline as they are subject to regular amortization and hence are automatically reduced unless new locations are required to be classified as finance leases under IFRS. Non-current provisions increased on account of the addition to provisions for onerous contracts.

The impairment losses on goodwill and non-current assets and the provisions for onerous contracts also resulted in adjustments to deferred tax assets and liabilities. The reassessment of future earnings prospects led to write-down requirements on deferred tax assets both on tax loss carry-forwards and on temporary differences.

Balance sheet			
in € m			
	30/06/2011	30/06/2010	Change
Equity	509.2	863.3	-354.1
Balance sheet total	2,014.3	2,195.6	-181.3
Net cash	-350.4	-163.2	-187.3
Net working capital	454.9	337.0	117.9

Net debt

The deterioration in earnings, the rise in inventories and higher capital expenditure as against the previous year tied up more cash in 2011 than in the previous year. Accordingly, net debt amounted to 350.4 million euro at the end of the reporting period, significantly higher than the figure for the same period of the previous year (163.2 million euro).

Financial liabilities included finance lease liabilities of 255.1 million euro (previous year 263.8 million euro), the corporate bond placed in February 2011 (246.9 million euro), the convertible bonds due in September of this year in the amount of 146.0 million euro (previous year 141.6 million euro) and current liabilities to banks of 3.5 million euro (previous year 0.9 million euro). Net debt amounted to 184.7 million euro as at the end of the 2010 financial year.

Net working capital

Net working capital amounted to 454.9 million euro as at the end of the first half of the year (previous year 337.0 million euro). The increase is essentially due to the rise in inventories coupled with the reduction in trade payables.

MARKET ENVIRONMENT GERMANY

Good general economic settings

In the first half of the year, the German DIY market profited from the fact that the economy and private consumer spending developed positively. While estimates put growth at 3 percent for the period, second-quarter growth is expected to have been slightly higher than in the first quarter. A further positive factor was that demand for plants and garden items increased on account of the largely clement weather.

SEGMENT REPORT PRAKTIKER GERMANY

Q2 Key data Praktiker Germany

Net sales, gross profit, EBITA and capital expenditure in € m			
	Q2 2011	Q2 2010	Change in %
Net sales	466.6	525.6	-11.2
Like-for-like sales growth in %	-11.1	-8.6	-
Gross profit on sales	167.1	177.7	-5.9
Gross profit margin on sales in %	35.8	33.8	2.0 PP
EBITA	-47.8	32.2	-
in % of net sales	-10.2	6.1	-
Capital expenditure	8.1	5.8	40.4

H1 Key data Praktiker Germany

Net sales, gross profit, EBITA and capital expenditure in € m			
	H1 2011	H1 2010	Change in %
Net sales	781.5	913.7	-14.5
Like-for-like sales growth in %	-14.3	-8.0	-
Gross profit on sales	254.7	278.0	-8.4
Gross profit margin on sales in %	32.6	30.4	2.2 PP
EBITA	-97.1	-3.6	-
in % of net sales	-12.4	-0.4	-
Capital expenditure	19.6	8.4	-
Number of stores (30/06)	236	238	-0.8
Selling space in 1,000 sq m (30/06)	1,424.0	1,423.9	0.0
Number of employees, yearly average on a full-time basis (01/01 – 30/06)	8,087	8,571	-5.6

Net sales

The repositioning of Praktiker Germany was launched at the start of the second quarter. Since then, its market presence, customer approach and central advertising campaigns have been very different from the past. Since the start of the year, Praktiker Germany has abolished its open, general discount offers that granted general discounts on everything for everyone following the pattern of the “20 percent off everything” slogan since the beginning of the year. Instead it has supplemented its marketing activities with a TV campaign featuring Boris Becker from the beginning of the second quarter on. Since then, customers have been discovering the new Praktiker with even simpler in-store navigation, a clearer price and quality hierarchy in its assortments and a greater emphasis on service.

The repositioning has not led directly to a stabilisation in sales, let alone an increase, as this takes time to communicate to customers. In the second quarter, sales at Praktiker Germany were down 11.2 percent on the same quarter of the previous year. In the first quarter the figure had been 18.9 percent.

The drop in sales is disappointing, particularly as this does not reflect the positive sector environment. However, it should also be noted that customers were still offered “20 percent off everything” on ten days and “25 percent off everything with/without a plug” on twelve days in the same quarter of the previous year. There have been no such promotional campaigns in 2011.

There are also other indications that customers are already perceiving individual elements of the repositioning positively. For example, private label sales have performed better than overall sales. Advertising effectiveness analyses have shown that the image of Praktiker has improved and awareness has risen sharply as a result of the advertising campaign with Boris Becker. Younger people in particular are perceiving Praktiker more positively. The first changes have also been discerned in the regular “Kundenmonitor” market survey. Praktiker is already being rated considerably better in service-based criteria such as staff availability and friendliness.

However, these first changes to the positive have not been enough to sufficiently compensate the substantial sales decline resulting from abolishing open discount campaigns in the second quarter.

Gross profit

When the number of discount offers was reduced, it was expected that the gross margin would improve significantly. This expectation has proved realistic. In the second quarter, Praktiker Germany generated a gross margin of 35.8 percent, 2.0 percentage points more than in the same quarter of the previous year. In the first half of the year, the gross margin was 32.6 percent, an increase of 2.2 percentage points.

Extraordinary effects

The majority of the extraordinary effects caused by the “Praktiker 2013” programme in the second quarter of 2011 were again incurred at Praktiker Germany. In similar fashion to the first quarter, the focus was placed on the new market presence, complemented by expenses for measures to improve logistics processes and corporate procurement as well as for the work of the programme office including third-party consulting. In total, extraordinary expenses of 20.1 million euro were incurred for “Praktiker 2013” in the second quarter. In the first half of the year, they totalled 23.7 million euro.

In addition to these extraordinary effects caused by the “Praktiker 2013” programme, the segment recognised impairment losses on non-current assets of 14.2 million euro and additions to provisions for onerous contracts of 27.0 million euro.

From January to June 2011, total extraordinary expenses therefore amounted to 64.9 million euro (previous year 4.8 million euro) and 61.3 million euro in the second quarter (previous year 3.4 million euro).

Operating earnings (EBITA)

In the second quarter, Praktiker Germany generated operating earnings before extraordinary effects of 13.6 million euro, clearly down on the previous year (35.6 million euro). At the same time, this result fell considerably short of the company’s own expectations. This triggered the reassessment of future prospects and the associated impairments.

Taking all extraordinary effects into account, operating earnings for the second quarter amounted to minus 47.8 million euro (previous year 32.2 million euro).

EBITA before extraordinary effects for the first half of the year amounted to minus 32.1 million euro, which deteriorated to the reported result of minus 97.1 million euro on account of the extensive extraordinary effects.

Goodwill impairment

In addition to the extraordinary effects on EBITA described above, the reassessment of future prospects also resulted in impairment losses on goodwill of 159.5 million euro (see also pages 7 and 8).

Capital expenditure

In the first half of the year, capital expenditure was dominated by the repositioning of Praktiker Germany, which included new signs, new shopping carts and the need for shelf conversions. However, there were also investments in other areas, such as renovation, modification and IT infrastructure. In total, 19.6 million euro was invested in Praktiker Germany in the first half of the year (previous year 8.4 million euro). A total of 0.5 million euro was spent on expansion.

In the second quarter, capital expenditure at Praktiker Germany amounted to 8.1 million euro (previous year 5.8 million euro).

As at the end of the first half of the year, Praktiker Germany operated 236 stores, two fewer than at the same date in the previous year.

SEGMENT REPORT MAX BAHR

Q2 Key data Max Bahr			
Net sales, gross profit, EBITA and capital expenditure in € m			
	Q2 2011	Q2 2010	Change in %
Net sales	203.6	204.2	-0.3
Like-for-like sales growth in %	0.3	-7.4	-
Gross profit on sales	78.8	81.8	-3.7
Gross profit margin on sales in %	38.7	40.1	-1.3 PP
EBITA	9.7	19.0	-48.7
in % of net sales	4.8	9.3	-
Capital expenditure	1.3	3.3	-58.6

H1 Key data Max Bahr			
Net sales, gross profit, EBITA and capital expenditure in € m			
	H1 2011	H1 2010	Change in %
Net sales	359.8	352.2	2.1
Like-for-like sales growth in %	2.3	-7.0	-
Gross profit on sales	136.3	139.4	-2.2
Gross profit margin on sales in %	37.9	39.6	-1.7 PP
EBITA	8.8	17.6	-49.8
in % of net sales	2.5	5.0	-
Capital expenditure	2.2	6.9	-67.0
Number of stores (30/06)	78	78	0.0
Selling space in 1,000 sq m (30/06)	627.8	627.8	0.0
Number of employees, yearly average on a full-time basis (01/01 – 30/06)	2,915	3,075	-5.2

Net sales

Max Bahr was unable to leverage its traditional strength in garden business as expected in the second quarter of the current financial year, but kept its sales stable year-on-year. However, Max Bahr also exercised more restraint in marketing activities than in the previous year or than in the first quarter 2011. As a result, Max Bahr increased its sales by 2.1 percent in the first six months.

Max Bahr continued to update individual assortments and product ranges in the second quarter of 2011, focusing on building materials. New ideas were also incorporated into customer communications, such as information walls with advice, samples and examples of applications.

In the second quarter, Max Bahr launched a co-operation with a provider of decorative items, which initially took over the decorative range at the flagship store in Hamburg Stellingen, redesigning it and giving it a higher quality focus. The co-operation is boosting competence in the range of items that make living at home more pleasant. If successful,

this will be extended to other stores in future. Max Bahr is also living up to its reputation as a provider of high-quality products by adding a premium range of products to its garden assortment, such as a selection of high-quality composts and fertilisers. In addition, turf was added to the range for the first time – a product that entails particular logistical challenges as it has to be harvested and brought directly from the supplier to the customer in specially temperature-controlled lorries.

Gross profit

In the second quarter, the gross profit margin failed to remain at the same level as the previous year, mainly because write-downs were higher this year than in the comparable period one year earlier. Nonetheless, at 38.7 percent (previous year 40.1 percent), Max Bahr also generated a better gross margin than the Praktiker Group as a whole in the second quarter. In the first half of the year the gross margin was 37.9 percent (previous year 39.6 percent), following the intensification of direct communications with loyalty card customers. This was in the form of seasonal campaigns and resulted in a 2.1 percentage point lower profit margin in the first quarter.

Extraordinary effects

The work as part of “Praktiker 2013” resulted in expenses of 0.2 million euro at Max Bahr in the second quarter and 0.5 million euro in the first half of the year. These mainly related to adjustments in product ranges and expenses for ongoing programme work.

In addition to these extraordinary effects caused by “Praktiker 2013”, the segment also recognised impairment losses on non-current assets and additions to provisions for onerous contracts of 7.3 million euro.

The total extraordinary expenses for the first half of 2011 amounted to a total of 7.8 million euro of which 7.5 million euro fell into the second quarter.

Operating earnings (EBITA)

In the second quarter, Max Bahr generated operating earnings of 9.7 million euro, 9.3 million euro less than in the previous year (19.0 million euro). In the first half of the year, EBITA amounted to 8.8 million euro (previous year 17.6 million euro). In addition to the extraordinary effects, the decline in earnings is essentially due to a lower gross margin and the fact that a low single digit million euro amount was recognised from the derecognition of lapsed liabilities in the previous year, which was not repeated in the current financial year.

Before extraordinary effects, Max Bahr generated operating earnings of 17.3 million euro (previous year 19.0 million euro) in the second quarter, in the first half of the year this figure was 16.6 million euro (previous year 17.6 million euro).

Capital expenditure

Capital expenditure at Max Bahr amounted to 1.3 million euro in the second quarter (previous year 3.3 million euro). Cumulatively, capital expenditure totalled 2.2 million euro in the first half of the year (previous year 6.9 million euro). The decline is due to the fact that Max Bahr invested significantly more in product ranges in the previous year, such as the development of the “Dream Bathrooms” concept. As at 30 June 2011, Max Bahr operated a total of 78 stores – exactly the same number as in the previous year.

SEGMENT REPORT MISCELLANEOUS

The Miscellaneous segment comprises the German sales line extra BAU+HOBBY, two cross-divisional service companies of the Praktiker Group and, since the end of 2010, the Praktiker Online Shop in Germany as well. Since opening in February, the online shop has generated sales of 1.5 million euro.

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

MARKET ENVIRONMENT INTERNATIONAL

Still mixed

The economic environment in international business continued to stay mixed in the second quarter of 2011. It ranged from countries with high economic growth such as Turkey to countries with lingering economic difficulties and massive fiscal problems such as Greece. Here, like in Romania or Bulgaria, private consumer spending and retail sales continued to decline.

in Poland. Since then, this country reaches its customers via an additional sales channel with growth potential.

In addition, costs have been reduced further in all countries, largely as a result of measures designed within the framework of "Praktiker 2013". Furthermore, after the first six months, 7.7 percent fewer people were employed in the International segment than one year ago, thereby reducing personnel expenses.

SEGMENT REPORT INTERNATIONAL

Q2 Key data International

Net sales, gross profit, EBITA and capital expenditure in € m			
	Q2 2011	Q2 2010	Change in %
Net sales	259.2	282.5	-8.3
Like-for-like sales growth in %	-10.7	-5.8	-
Gross profit on sales	87.0	90.3	-3.7
Gross profit margin on sales in %	33.6	32.0	1.6 PP
EBITA	-33.5	-0.1	-
in % of net sales	-12.9	0.0	-
Capital expenditure	10.6	6.1	71.5

H1 Key data International

Net sales, gross profit, EBITA and capital expenditure in € m			
	H1 2011	H1 2010	Change in %
Net sales	435.8	474.5	-8.2
Like-for-like sales growth in %	-10.7	-7.3	-
Gross profit on sales	141.3	151.8	-6.9
Gross profit margin on sales in %	32.4	32.0	0.4 PP
EBITA	-52.4	-11.7	-
in % of net sales	-12.0	-2.5	-
Capital expenditure	16.0	16.0	0.0
Number of stores (30/06)	110	107	2.8
Sellingspace in 1,000 sq m (30/06)	772.7	752.3	2.7
Number of employees, yearly average on a full-time basis (01/01 – 30/06)	9,070	9,831	-7.7

Measures to stabilise sales and earnings

In the first six months, Praktiker International took a wide range of measures to stabilise sales and earnings. The product ranges in many countries were revised and revitalised with the addition of new, attractive products. In Greece, Praktiker Hellas gave its older stores a facelift. This has made their internal and external appearance significantly more attractive. As in Germany, an online shop was opened

Net sales

Business remained in decline in the International segment in the second quarter as well. The drop was almost as high as in the first quarter. However, the momentum in sales changed in some countries. In Turkey and Ukraine, where strong increases had been recorded in the first quarter, this was no longer the case in the second quarter. The changes in exchange rates and, in the case of Turkey, the closure of one location in the second half of 2010 played a key role here. In their respective currencies and on a like-for-like basis, both countries continued to generate sales growth in the second quarter. In Greece, the most important country in Praktiker's international portfolio, the decline was more moderate. A positive performance was also posted in Poland with the moderate growth rate accelerating in the second quarter. In Romania and Bulgaria, the negative trend continued at a virtually unchanged pace.

The figures for the first half of the year show a sales decline of 8.2 percent. Only Poland and Ukraine generated sales growth in the first six months.

Exchange rate effects did not have a significant effect on sales development – neither in the second quarter, nor in the first half of the year. Overall, changes in exchange rates adversely affected sales in the International segment by 0.8 percent (3.8 million euro).

Gross profit

The general economic environment in most countries of Southeast and Eastern Europe in which Praktiker operates is dominated by persistently weak demand and consequently a greater price sensitivity among customers. In Greece and Romania, VAT was also increased from the middle of 2010 – the first half of 2011 is therefore being compared to a period in which the former VAT rates were still in effect. Nonetheless, Praktiker succeeded in increasing its gross profit margin by revising its product ranges, adjusting prices and renegotiating contracts with suppliers, thereby offsetting some of the decline in sales. In the second quarter, the gross margin was 33.6 percent, 1.6 percentage points more than in the same quarter of the previous year. After the first six months, it was 32.4 percent (previous year 32.0 percent).

Extraordinary effects

The work of the programme office generated extraordinary expenses of 0.6 million euro in the second quarter and 1.0 million euro in the first half of the year. In the previous year, the non-recurring effect of additions to provisions for anti-trust risks in Poland had reduced earnings by 9.5 million euro. There was no such expense in 2011.

In addition to the extraordinary effects caused by the “Praktiker 2013” programme, the segment recognised impairment losses on non-current assets of 22.9 million euro and additions to provisions for onerous contracts of 19.6 million euro. These became necessary after the earnings forecasts for individual locations were reassessed on account of the lingering difficulties in the general economic conditions of the respective countries.

The total extraordinary effects therefore amounted to 43.5 million euro in the first six months of 2011 (previous year 9.5 million euro). From April to June 2011, they amounted to 43.1 million euro (previous year 9.5 million euro).

Operating earnings (EBITA)

In the second quarter, Praktiker generated operating earnings of minus 33.5 million euro in international business. In the previous year it had reported a figure of minus 0.1 million euro. However, before extraordinary effects, the International segment generated operating earnings of 9.5 million euro from April to June (previous year 9.4 million euro). EBITA before extraordinary effects therefore remained at the previous year’s level in spite of the decline in sales. This is essentially due to the fact that the measures described helped to keep operating earnings in Greece stable and to counteract the ongoing negative developments in Romania and Turkey with earnings improvements in Poland, Hungary and Ukraine.

As at the end of the first half of the year, an operating loss of 52.4 million euro remained; this compares with a loss of 11.7 million euro for the same period in the previous year. Before extraordinary effects, EBITA amounted to minus 8.9 million euro in the first half of 2011 (previous year minus 2.2 million euro).

Capital expenditure

In the second quarter of 2011, Praktiker invested a total of 10.6 million euro outside Germany (previous year 6.1 million euro), three quarters of which went to expansion and one quarter to the maintenance and renovation of existing stores. Capital expenditure amounted to 16.0 million euro in the first half of the year, thus meeting exactly the level of the previous year.

A new location was opened in Opole (Poland) in the first quarter. This was followed by new stores in Pila and Leszno (both Poland) and Xanthi (Greece) in the second quarter. One

of the two stores in Szekesfehervar (Hungary) was closed. As a result, the number of stores in international business increased to 110.

Q2 International – the countries

	Net sales in € m	Change in % in €		Change in % in local currency	
		absolute	like-for-like	absolute	like-for-like
Luxembourg	10.1	-2.9	-2.9	-2.9	-2.9
Greece	65.6	-3.3	-10.0	-3.3	-10.0
Poland	59.3	5.4	-3.3	4.0	-4.8
Hungary	29.7	-4.8	0.2	-7.0	-2.9
Turkey	29.3	-9.2	-7.0	2.1	6.6
Romania	42.9	-28.3	-29.7	-28.7	-30.6
Bulgaria	13.9	-12.3	-12.3	-12.3	-12.3
Ukraine	7.4	-7.4	-2.8	1.6	10.9
Albania	1.2	1.2	1.2	4.3	4.3
International¹	259.2	-8.3	-10.7	-7.4	-9.9

¹Consolidated

H1 International – the countries

	Net sales in € m	Change in % in €		Change in % in local currency		Number of stores
		absolute	like-for-like	absolute	like-for-like	
Luxembourg	18.4	-2.0	-2.0	-2.0	-2.0	3
Greece	112.0	-6.4	-13.0	-6.4	-13.0	13
Poland	98.9	2.6	-3.6	1.3	-4.7	24
Hungary	49.6	-3.7	-2.5	-4.5	-3.7	19
Turkey	51.4	-2.0	1.4	6.5	11.5	10
Romania	68.7	-28.8	-30.3	-28.3	-30.1	27
Bulgaria	22.4	-11.8	-11.8	-11.8	-11.8	9
Ukraine	12.5	5.3	5.4	10.7	13.7	4
Albania	2.0	-12.5	-12.5	-10.8	-10.8	1
International¹	435.8	-8.2	-10.7	-7.4	-9.9	110

¹Consolidated

RISK REPORT

Risks

The Praktiker Group reported extensively on the various risks to which the Group is exposed in the 2010 annual report. Some of these risks occurred in the second quarter.

Countries such as Greece and Romania were massively shaken by general economic and fiscal problems. As a result, private consumer spending – and with it demand for DIY products – diminished substantially. Moreover, there is no short-term improvement in sight.

The 2010 annual report indicated that the repositioning of the Praktiker brand in Germany will fundamentally change its market appearance. In future customer communication, Praktiker will no longer use its “20 percent off everything” slogan that has been so successful in the past. While Praktiker expected that the new advertising campaign would attract customers to Praktiker in a similar way, there was no guarantee. Even though the management is convinced that Praktiker is developing in the right direction in Germany in terms of concept, the sales and earnings performance in the second quarter has shown that it will take longer to convince customers of its new market positioning.

As current business developments have fallen short of the planned targets, future forecasts have also had to be adjusted. This resulted in impairment losses on non-current assets and goodwill, additions to provisions for onerous contracts and adjustments to deferred tax assets and liabilities. The reassessment of future earnings prospects also led to write-down requirements on deferred tax assets both on tax loss carryforwards and on temporary differences.

Opportunities

The longer the crisis conditions persist in countries in the international portfolio, the greater the likelihood of a recovery. The same also applies to the repositioning of Praktiker Germany. Over time, the probability that the business will stabilise and sales will rise again increases. This applies all the more as the first results from advertising effectiveness analyses and customer surveys show that the repositioning of Praktiker Germany is being perceived positively.

In addition, the measures of the “Praktiker 2013” programme are opening a wealth of cost-cutting potential, though this will only unfurl its full positive effect on earnings performance over time.

OUTLOOK

Although the sales and earnings development was unsatisfactory in the first half of the current financial year, the management is determined not to veer in essence from the course it has taken with “Praktiker 2013”. Indeed, several measures will be stepped up or even accelerated. The entire advertising campaign will be rethought again in the second half of the year, the number of “Triples” – a particularly effective form of in-store product presentation – will be increased further. Max Bahr will continue to focus on activities for the development and revitalisation of its product ranges. In international business, structural adjustments, cost reductions and downsizing in conjunction with product range harmonisation, a broadening of the private label offer and the optimisation of logistics structures will ensure earnings stability until sales pick up again as part of a general recovery.

As sales and earnings failed to meet expectations in both the second quarter and the first half of the year, management has adjusted the outlook for the current business year and the years to come.

Management now expects a negative sales development also in the second half of the year. Likewise, operating earnings in the second half will not reach the level of the corresponding prior year period.

Capital expenditure plans have also been revised on account of the unsatisfactory business situation.

The impairments on non-current assets, goodwill and deferred taxes as well as the provisions for onerous contracts arose because the future earnings potential of the segments and the individual locations were reassessed in light of the current sales and earnings performance.

This also means that Praktiker has changed its medium-term margin targets. While the management still considers the “Praktiker 2013” programme’s margin targets to be realistic and attainable in the longer term, they will, however, not be achievable by 2013.

The forecasts made in the 2010 annual report for 2012 must also be adjusted accordingly. On the basis of the adjusted forecasts for 2011, the management expects that the Group’s sales and operating earnings (EBITA) before extraordinary effects resulting from measurement issues will stabilise in 2012 and improve in 2013.

REPORT ON SUBSEQUENT EVENTS

On 20 July 2011, the chairman of the management board of Praktiker AG, Wolfgang Werner, resigned from office. The chairman of the supervisory board has asked Mr. Werner to continue to perform his functions until the supervisory board has appointed a successor.

CONSOLIDATED INCOME STATEMENT FOR THE SECOND QUARTER 2011

in € thousands	01/04 – 30/06/2011	01/04 – 30/06/2010
Net sales	956,629	1,038,909
Cost of goods sold	-615,504	-681,849
Gross profit on sales	341,125	357,060
Other operating income	15,380	17,971
Selling expenses	-408,776	-303,720
Administrative expenses	-19,394	-18,771
Other operating expenses	-292	-307
Operating earnings before goodwill impairment (EBITA)	-71,957	52,233
Goodwill impairment	-159,454	0
Operating earnings after goodwill impairment (EBIT)	-231,411	52,233
Financial income	3,371	5,104
Financial expenses	-21,527	-26,936
Net financial result	-18,156	-21,832
Earnings before taxes	-249,567	30,401
Income taxes	-57,497	-4,648
Group net loss/income for quarter	-307,064	25,753
thereof allocable to minority interests	596	633
thereof allocable to owners of the company	-307,660	25,120

Earnings per share		
in €	01/04 – 30/06/2011	01/04 – 30/06/2010
Basic earnings per share	-5.30	0.43
Dilutive effect	-	-
Diluted earnings per share	-5.30	0.43

STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND QUARTER 2011

in € thousands	01/04 – 30/06/2011	01/04 – 30/06/2010
Group net loss/income for quarter	-307,064	25,753
Loss from currency translation recognised directly in equity	-1,166	-48
Gain from cash flow hedges recognised directly in equity (after taxes)	206	130
Other comprehensive income	-960	82
Comprehensive income	-308,024	25,835
thereof allocable to minority interests	596	633
thereof allocable to owners of the company	-308,620	25,202

CONSOLIDATED INCOME STATEMENT FOR THE FIRST HALF-YEAR 2011

in € thousands	01/01 – 30/06/2011	01/01 – 30/06/2010
Net sales	1,623,025	1,786,769
Cost of goods sold	-1,076,671	-1,204,802
Gross profit on sales	546,354	581,967
Other operating income	29,456	33,419
Selling expenses	-680,926	-578,941
Administrative expenses	-37,894	-35,686
Other operating expenses	-525	-644
Operating earnings before goodwill impairment (EBITA)	-143,535	115
Goodwill impairment	-159,454	0
Operating earnings after goodwill impairment (EBIT)	-302,989	115
Financial income	14,618	15,820
Financial expenses	-38,810	-41,572
Net financial result	-24,192	-25,752
Earnings before taxes	-327,181	-25,637
Income taxes	4,625	13,844
Group net loss for half-year	-322,556	-11,793
thereof allocable to minority interests	824	856
thereof allocable to owners of the company	-323,380	-12,649

Earnings per share		
in €	01/01 – 30/06/2011	01/01 – 30/06/2010
Basic earnings per share	-5.58	-0.22
Dilutive effect	-	-
Diluted earnings per share	-5.58	-0.22

STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST HALF-YEAR 2011

in € thousands	01/01 – 30/06/2011	01/01 – 30/06/2010
Group net loss for half-year	-322,556	-11,793
Loss (previous year gain) from currency translation recognised directly in equity	-1,614	3,897
Gain (previous year loss) from cash flow hedges recognised directly in equity (after taxes)	545	-363
Other comprehensive income	-1,069	3,534
Comprehensive income	-323,625	-8,259
thereof allocable to minority interests	824	856
thereof allocable to owners of the company	-324,449	-9,115

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – ASSETS AS AT 30 JUNE 2011

in € thousands	30/06/2011	31/12/2010	30/06/2010
Goodwill	33,228	192,682	192,682
Other intangible assets	71,744	72,809	70,317
Property, plant and equipment	441,687	482,107	487,168
Other financial assets	13	13	12
Other receivables and other assets	9,679	11,813	12,316
Deferred tax assets	124,980	132,711	149,301
Non-current assets	681,331	892,135	911,796
Inventories	924,238	789,340	859,835
Trade receivables	12,019	12,462	17,571
Other receivables and other assets	92,930	68,502	92,914
Income tax receivables	2,700	2,224	20,367
Cash and cash equivalents	301,090	266,292	293,130
Current assets	1,332,977	1,138,820	1,283,817
Total assets	2,014,308	2,030,955	2,195,613

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES AS AT 30 JUNE 2011

in € thousands	30/06/2011	31/12/2010	30/06/2010
Share capital	58,000	58,000	58,000
Reserves	712,149	713,218	714,882
Balance sheet loss/profit	-262,153	67,027	89,185
Equity allocable to owners of the company	507,996	838,245	862,067
Minority interests	1,239	1,642	1,251
Equity	509,235	839,887	863,318
Provisions for pensions	527	531	715
Other provisions	106,193	59,394	58,093
Financial liabilities	482,566	238,728	438,178
Other liabilities	3,214	3,817	4,352
Deferred tax liabilities	81,455	111,211	110,745
Non-current liabilities	673,955	413,681	612,083
Other provisions	36,855	31,709	30,022
Financial liabilities	168,972	212,269	18,148
Trade payables	524,906	450,827	572,506
Other liabilities	81,175	76,565	93,632
Current income tax liabilities	19,210	6,017	5,904
Current liabilities	831,118	777,387	720,212
Total equity and liabilities	2,014,308	2,030,955	2,195,613

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							
			Currency translation	Cash flow hedges (after taxes)	Sundry other reserves	Total				
31/12/2009	58,000	822,685	-18,084	-277	-92,976	-111,337	107,634	876,982	1,621	878,603
Transactions directly recognised in equity			3,897	-363		3,534		3,534		3,534
Payments to owners of the company							-5,800	-5,800		-5,800
Payments to minority interests									-1,242	-1,242
Group net loss							-12,649	-12,649	856	-11,793
Other changes in minority interests									16	16
30/06/2010	58,000	822,685	-14,187	-640	-92,976	-107,803	89,185	862,067	1,251	863,318
31/12/2010	58,000	822,685	-15,980	-511	-92,976	-109,467	67,027	838,245	1,642	839,887
Transactions directly recognised in equity			-1,614	545		-1,069		-1,069		-1,069
Payments to owners of the company							-5,800	-5,800		-5,800
Payments to minority interests									-1,243	-1,243
Group net loss							-323,380	-323,380	824	-322,556
Other changes in minority interests									16	16
30/06/2011	58,000	822,685	-17,594	34	-92,976	-110,536	-262,153	507,996	1,239	509,235

CONSOLIDATED CASH FLOW STATEMENT FOR THE FIRST HALF-YEAR 2011

in € thousands	01/01 – 30/06/2011	01/01 – 30/06/2010
Earnings before taxes	-327,181	-25,637
Depreciation and amortisation	37,189	34,907
Asset impairment	43,695	0
Goodwill impairment	159,454	0
Increase in provisions	51,941	3,530
Gain from the disposal of fixed assets	-3	-99
Exchange-rate-related effects	-3,398	6,213
Increase in inventories	-134,898	-53,051
Increase in trade payables	74,079	114,896
Other non-cash transactions	-7,184	-2,479
Changes in current other assets and liabilities	-19,375	-1,252
Changes in non-current other assets and liabilities	1,129	-1,658
Income taxes paid	-5,286	-6,921
Interest expenses from finance leases	-11,623	-12,152
Interest result	22,253	17,628
Interest received	1,557	614
Cash flow from operating activities	-117,651	74,539
Proceeds from disposal of fixed assets	475	1,479
Cash outflow for investing activities	-31,306	-29,061
Cash flow from investing activities	-30,831	-27,582
Interest paid	-2,159	-1,766
Payment to minority interests	-1,243	-1,242
Payment to owners of the company	-5,800	-5,800
Principal of liabilities from finance leases	-9,043	-8,718
Received payments from corporate bonds	246,677	0
Repayment of promissory note loans	-50,000	0
Cash flow from financing activities	178,432	-17,526
Change in cash, cash equivalents and bank overdrafts (aggregated)	29,950	29,431
Effect of foreign exchange rate changes	124	-166
Liquid funds at beginning of period (aggregated)	266,292	262,977
Liquid funds at end of period (aggregated)	296,366	292,242

in € thousands	30/06/2011	30/06/2010
Reconciliation of liquid funds		
Liquid funds at beginning of period (total) according to consolidated cash flow statement	266,292	262,977
Change in cash and cash equivalents	33,496	30,319
Change in bank overdrafts	-3,546	-888
Effect of foreign exchange rate changes	124	-166
Liquid funds at end of period (total) according to consolidated cash flow statement	296,366	292,242
Restraint on disposal of cash and cash equivalents at end of period	1,178	0
Liquid funds at end of period (total) according to consolidated statement of financial position	297,544	292,242
thereof cash and cash equivalents	301,090	293,130
thereof bank overdrafts	-3,546	-888

EXPLANATORY NOTES

Introductory remarks

Praktiker AG is a stock corporation under German law and is based in Kirkel, Saarland, Federal Republic of Germany. Praktiker 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 Southeastern Europe.

The shares of Praktiker AG have been traded publicly since November 2005.

These half-year financial statements for the first six months of 2011 were subject to an audit review.

Discrepancies in totals and in percentage figures may occur due to rounding differences.

This quarterly financial report was approved for publication by the management board on 26 July 2011.

Accounting principles

Basic comments to the consolidated interim financial statements

In line with the regulations of Sec. 37y WpHG (German Securities Trading Act) in conjunction with Sec. 37w para. 2 WpHG, the half-year financial report of Praktiker AG as of 30 June 2011 contains consolidated interim financial statements and an interim Group management report as well as the assurance of legal representatives in line with Sec. 297 para. 2 sent. 4 HGB (German Commercial Code) and Sec. 315 para. 1 sent. 6 HGB. It was prepared in line with the regulations of IAS 34 and in accordance with Sec. 315a HGB (German Commercial Code) in line with the regulations of the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) valid on the reporting date and recognised by the European Union. The consolidated interim financial statements must be read in context with the IFRS consolidated financial statements published by the Praktiker Group for the 2010 financial year. With the exception of the facts described in more detail below, the same accounting, valuation and calculation methods were applied as in the consolidated financial statements as of 31 December 2010 (these are presented in the 2010 annual report from page 59 onwards).

Valuation of the income tax expense

A weighted annual rate of income tax is calculated on the basis of the best possible estimate of forecast earnings before taxes and forecast income taxes, which are determined taking into account the individual earnings and tax rates of the individual countries. Individual effects that can be clear-

ly assigned to individual periods are taken into account in the period in which they are incurred. This tax rate is applied to the earnings before income taxes for the period under review.

New standards, interpretations and amendments to published standards requiring mandatory application since 2011

With respect to the further context on new standards and interpretations as well as amendments to existing standards, we refer to our comments in the 2010 annual report on pages 60 and 61. The following interpretations and amendments to existing standards became mandatory for the Praktiker Group at the beginning of the 2011 financial year:

- IFRS 1 (amendment), “First-time Adoption of IFRS” and IFRS 7 (amendment), “Financial Instruments: Disclosures”
- IAS 24 (revised), “Related Party Disclosures”
- IAS 32 (amendment), “Financial Instruments: Presentation”
- IFRIC 14 (amendment), “IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”
- IFRIC 19 (new), “Extinguishing Financial Liabilities with Equity Instruments”

The following standards, interpretations and amendments to existing standards have been endorsed by the EU since the preparation of the consolidated financial statements as of 31 December 2010:

In May 2010, the IASB published a collective standard to change various standards with the main aim of eliminating inconsistencies and clarifying formulations (improvement process 2010 – the standards concerned are listed on page 61 of the 2010 annual report). The amendment was endorsed by the EU on 18 February 2011 by way of Regulation (EU) No. 149/2011.

The application of the new or amended standards and interpretations has no significant impact on the net assets, financial position and results of operations or the cash flow of the Praktiker Group.

Scope of consolidated companies

In addition to Praktiker AG, the consolidated interim financial statements also include the subsidiaries in which Praktiker AG directly or indirectly holds a majority of voting rights and controls the financial and operating policies.

In the reporting period, changes only affected the names of individual companies included in the scope of consolidation, which are explained in more detail overleaf:

By way of resolution of the Annual General Meeting of Praktiker Bau- und Heimwerkermärkte Holding AG dated 27 May 2011, the name of the company was changed to “Praktiker AG”. This was entered in the commercial register on 21 June 2011.

By resolution of the Shareholders’ Meeting on 14 February 2011, BMH Baumarkt Holding GmbH, Kirkel, changed its name. The company now trades under the name “Praktiker International GmbH”. The new name was entered in the commercial register on 15 March 2011.

The name of Praktiker GmbH was changed by way of resolution of the Shareholders’ Meeting on 19 April 2011. The name of the company is now “Praktiker DIY GmbH”. The responsible court of registration entered this in the commercial register on 9 May 2011.

Other important events in the interim reporting period

Restructuring of financial instruments

On 10 February 2011, the Praktiker Group successfully placed a corporate bond with a volume of € 250.0 million. The bond has a term of five years and an interest coupon of 5.875 percent. In accordance with IAS 39.43, the corporate bond is carried at fair value in the amount of the proceeds less transaction costs.

With the issue of the corporate bond, the Group obtained the funds to refinance the convertible bonds maturing in September 2011 at an early stage. This will result in a cash outflow of € 147.1 million. Praktiker also terminated and repaid the existing promissory notes with a volume of € 50.0 million early in February 2011. The amount raised in excess of the refinancing volume of around € 50 million will be used as a general flexibility reserve.

The existing syndicated credit facility of € 200.0 million was also cancelled in February 2011. The existing cash and cash equivalents and extended, but unutilised bilateral credit facilities serve to secure the Group’s liquidity requirements.

Online shop opened in Germany

On 17 February 2011, Praktiker opened an online shop in Germany. Meanwhile, the online shop has a range of around 8,000 items that can be ordered by customers and delivered to their homes.

Notes to the consolidated income statement

Selling and administrative expenses

In the first half-year 2011 the “Praktiker 2013” programme incurred expenses amounting to € 27,551 thousand thereof € 24,144 thousand are allocated within the selling expenses and € 3,406 thousand within the administrative expenses. The expenses incurred by the “Praktiker 2013” programme in the months April to June 2011 amounted to € 22,649 thousand. An amount of € 20,860 thousand related to selling expenses and € 1,789 thousand to administrative expenses.

Severance pay

Personnel expenses for the first half-year 2011 include severance pay in the amount of € 9,098 thousand (previous year € 3,917 thousand). € 7,430 thousand of this related to the second quarter 2011 (previous year € 641 thousand).

Breakdown of the net financial result

The financial result for the second quarter breaks down as follows:

in € thousands	01/04 – 30/06/2011	01/04 – 30/06/2010
Interest and similar income	976	370
Income from exchange gains	2,363	2,425
Valuation gains from derivatives	3	2,235
Miscellaneous financial income	29	74
Financial income	3,371	5,104
Interest and similar expenses	– 12,564	– 9,120
Expenses from exchange losses	– 5,540	– 15,723
Valuation losses from derivatives	– 2,464	– 795
Miscellaneous financial expenses	– 959	– 1,298
Financial expenses	– 21,527	– 26,936
Net interest result	– 11,588	– 8,750
Net other financial result	– 6,568	– 13,082
Net financial result	– 18,156	– 21,832

The breakdown of the net financial result for the first half-year is shown in the table below:

in € thousands	01/01 – 30/06/2011	01/01 – 30/06/2010
Interest and similar income	1,557	614
Income from exchange gains	12,377	12,846
Valuation gains from derivatives	516	2,274
Miscellaneous financial income	168	86
Financial income	14,618	15,820
Interest and similar expenses	-23,810	-18,242
Expenses from exchange losses	-9,844	-17,473
Valuation losses from derivatives	-2,756	-3,532
Miscellaneous financial expenses	-2,400	-2,325
Financial expenses	-38,810	-41,572
Net interest result	-22,253	-17,628
Net other financial result	-1,939	-8,124
Net financial result	-24,192	-25,752

In the reporting period, the translation of liabilities from finance leases of international subsidiaries resulted in non-cash exchange gains of € 6,774 thousand (reporting period of the previous year € 5,551 thousand) and non-cash exchange losses of € 5,894 thousand (reporting period of the previous year € 7,490 thousand).

Income taxes

Overall, a notional income tax rate of 2.41 percent is anticipated for 2011. Taking into account the effects of impairment on goodwill and non-current assets, the additions to provisions for onerous contracts and the remeasurement of deferred tax assets on loss carryforwards and temporary differences, which resulted in deferred tax income of € 22,274 thousand, the reported tax income for the first half of 2011 amounts to € 4,625 thousand. This corresponds to a tax rate of 1.41 percent.

The reassessment of the future earnings prospects led to a write-down requirement on deferred tax assets on tax loss carryforwards of € 13,650 thousand in Germany. In addition, deferred tax assets on temporary differences of € 15,337 thousand were also written down. The impairment losses due to the remeasurement of other intangible assets and property, plant and equipment, goodwill and the addition to provisions for onerous contracts resulted in deferred tax assets of € 39,607 thousand, € 21,397 thousand of which was recognised after impairment testing. The remaining € 18,210 thousand of deferred tax assets was not recognised.

In addition, the impairment due to the remeasurement of goodwill resulted in a reduction of deferred tax liabilities of € 29,864 thousand. In net terms, this led to deferred tax income of € 22,274 thousand.

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 reporting period.

From this result the following basic earnings per share for the second quarter:

	01/04 – 30/06/2011	01/04 – 30/06/2010
Earnings allocable to shareholders (in € thousands)	-307,660	25,120
Average number of shares issued (in thousands)	58,000	58,000
Basic earnings per share (in €)	-5.30	0.43

For the first half-year the basic earnings per share calculate in the following way:

	01/01 – 30/06/2011	01/01 – 30/06/2010
Earnings allocable to shareholders (in € thousands)	-323,380	-12,649
Average number of shares issued (in thousands)	58,000	58,000
Basic earnings per share (in €)	-5.58	-0.22

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 first half-year 2011, 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 thus correspond to the basic earnings per share as given in the foregoing table. The same also applies to the second quarter of the reporting year and the previous year.

Notes to the consolidated statement of financial position

Goodwill impairment

Goodwill is tested for impairment once per year as at 31 December. It is also tested whenever there are indications that it may have become impaired – as for the financial statements as at 30 June 2011. The Group's impairment tests for goodwill and the Max Bahr brand as a further intangible asset with an indefinite useful life are based on the calculations of value in use applying the discounted cash flow method. The basic method for the performance of the impairment test as at 30 June 2011 was unchanged as against 31 December 2010.

The fact that sales and earnings fell short of expectations in both the second quarter and the first half of 2011 prompted the management to perform an impairment test as at 30 June 2011. In particular, the fact that the second quarter of 2011 was highly disappointing – namely after the Praktiker Germany segment switched to the new concept – also played a part in this.

The definition of the cash-generating units (CGUs) and the allocation of goodwill to Max Bahr Holzhandlung GmbH & Co. KG have not changed since 31 December 2010. Accordingly, impairment tests were performed for the CGU “Praktiker Germany” with total goodwill of € 159,454 thousand and for the CGU “Max Bahr” with total goodwill of € 31,528 thousand.

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. The last three-year plan was approved on 15 November 2010, the next will not be presented until 7 November 2011. However, the highly disappointing business performance in the first half of 2011 made it clear that the earnings forecast in last year's planning will not be achieved. The management therefore decided to adjust its planning on the basis of the best possible estimate at the current time.

The basis for calculating the future cash flows was a reassessment of the earnings for the 2011 financial year. Based on this reassessment the earnings had been adjusted for the planning period until 2014.

Growth of 1.5 percent was assumed for both CGUs for the period after 2014.

The calculation of values in use for the two CGUs was based on a discount rate updated as at 30 June 2011 of

8.83 percent (31 December 2010: 8.60 percent), which reflects the specific risks of the two cash generating units.

As a result of the impairment tests, the management recognised an impairment loss for the CGU “Praktiker Germany” of € 159,454 thousand. This is equal to the full value of the goodwill previously assigned to this segment.

The management did not identify any impairment requirements for the CGU Max Bahr. However, if the cash flows in the planning period had been ten percent less than the management estimate (with all other planning premises unchanged), it would have been necessary to adjust the carrying amount of goodwill downwards by € 16,132 thousand. If the forecast discount rate applied in the calculation of value in use had been 0.5 percentage points higher than the management estimate (with all other premises unchanged), the carrying amount of goodwill would have been reduced by € 5,594 thousand.

Impairment of other intangible assets and property, plant and equipment

Property, plant and equipment are tested for impairment at store level. The individual store is regarded as a CGU. For each location, the planned costs are compared against the sales planned in the basic rent period. These costs include appropriate portions of the central costs needed for the operation of individual stores. If the planned costs exceed the planned sales, property, plant and equipment is written down accordingly.

As with the impairment tests for goodwill, this was based on a reassessment of the earnings for the 2011 financial year. Based on this reassessment the planning for the German stores had been adjusted. Growth of 1.5 percent was assumed for all CGUs for the period after 2014.

This reassessment of the earnings for the financial year 2011 also led to an adjustment of the planning for the International stores. For the period from 2014 onwards, growth rates between 1.5 percent and 5.0 percent are assumed depending on the country. Future cash flows were discounted at risk-free, matched-term market interest rates. Over a horizon of ten years, for example, these were between 2.5 percent for locations in Germany and Luxembourg and 19.3 percent for locations in Ukraine.

Resulting from these impairment tests, total impairment losses of € 43,695 thousand were recognised on property, plant and equipment and intangible assets with a limited useful life as at 30 June 2011. € 22,921 thousand of this related to the International segment, € 14,174 thousand to Praktiker Germany and € 6,600 thousand to Max Bahr.

Provisions for onerous contracts

The adjustment of the forecast for future business performance also had significant effects on the amount of provisions for onerous contracts. As at 30 June 2011, a total of € 47,300 thousand was recognised as an expense on account of additions to provisions for onerous contracts. € 19,574 thousand of this related to the International segment, € 27,026 thousand to Praktiker Germany and € 700 thousand to Max Bahr.

Breakdown of financial liabilities

Non-current financial liabilities have a term of more than one year and are broken down as follows:

in € thousands	30/06/2011	31/12/2010	30/06/2010
Liabilities from bonds	246,904	0	141,603
Liabilities from promissory note loans	0	0	50,000
Liabilities from finance leases	235,662	238,728	246,575
Non-current financial liabilities	482,566	238,728	438,178

Financial liabilities due within the next 12 months are reported as current liabilities. Current financial liabilities are broken down as follows:

in € thousands	30/06/2011	31/12/2010	30/06/2010
Bank overdrafts	3,546	0	888
Liabilities from bonds	146,027	143,797	0
Liabilities from promissory note loans	0	50,000	0
Liabilities from finance leases	19,399	18,472	17,260
Current financial liabilities	168,972	212,269	18,148

Other notes

Dividend payment

On 27 May 2011, the Annual General Meeting of the company under review resolved to allocate the balance sheet profit of Praktiker AG (separate financial statements) for the 2010 financial year in the amount of € 5,917 thousand as follows: a dividend of € 0.10 per share will be paid, resulting in a total dividend sum of € 5,800 thousand. The remaining amount of € 117 thousand will be carried forward to new account.

Acquisition of real estate

In the first half-year of 2011, the Praktiker Group started project planning for a new property in ownership. This property and the continued development of existing DIY store projects taken into ownership resulted in additions to property, plant and equipment of € 373 thousand in the period under review.

Material changes in contingent liabilities and other financial obligations

Payments under finance and operating leases are due in subsequent periods as shown below:

in € thousands		30/06/2011	31/12/2010	30/06/2010
Operating leases	< 1 year	290,408	290,125	288,849
	1 – 5 years	957,820	977,113	983,578
	> 5 years	980,462	981,090	1,049,023
	Total	2,228,690	2,248,327	2,321,450
Finance leases	< 1 year	42,058	41,392	40,699
	1 – 5 years	158,698	157,605	158,406
	> 5 years	198,431	209,212	226,454
	Total	399,187	408,209	425,559

Related party transactions

In the period under review – as in the equivalent period of the previous year – the Praktiker Group had no reportable related party transactions.

Seasonality

Parts of the assortment of goods traded by the Praktiker Group are subject to seasonal fluctuations. Sales of garden and building materials in particular are highest in the second and third quarter of the financial year. This is due to the favourable weather conditions. The results achieved in the first half-year were dominated by seasonal effects and cannot necessarily be used as a basis for business forecasts over the rest of the year.

Important events after the end of the interim reporting period

On 20 July 2011, the chairman of the management board of Praktiker AG, Wolfgang Werner, resigned from office. The chairman of the supervisory board has asked Mr. Werner to continue to perform his functions until the supervisory board has appointed a successor.

Notes to the consolidated cash flow statement

The consolidated statement of cash flows was prepared in accordance with IAS 7 and is broken down into cash flows from operating activities (calculated indirectly), investing and financing activities (calculated directly).

Cash includes cash and cash equivalents that can be used by the Group without restriction less current liabilities to banks, which constitute cash management. The cash and cash equivalents consist of bank balances and cash on hand.

In the period under review, non-cash additions of € 6,905 thousand (previous year € 2,323 thousand) were reported as non-current assets from finance leases. For the period under review and the same period of the previous year, there were no non-cash disposals from finance lease assets and no non-cash disposals from finance lease liabilities.

The cash and cash equivalents reported in the consolidated statement of financial position as at 30 June 2011 include a restriction on disposal of € 1,178 thousand in connection with customer receivables from gift cards at Praktiker Germany.

Notes to the segment information

Segment information for the second quarter 2011 and the second quarter 2010 are shown in the following tables:

in € thousands	Praktiker Germany 01/04 – 30/06/2011	Max Bahr 01/04 – 30/06/2011	International 01/04 – 30/06/2011	Total of reportable segments 01/04 – 30/06/2011	Miscel- laneous 01/04 – 30/06/2011	Recon- ciliation 01/04 – 30/06/2011	Total 01/04 – 30/06/2011
Net sales from external customers	466,608	203,561	259,209	929,378	27,251	0	956,629
Net sales from other segments	934	0	0	934	3	-937	0
Net sales total	467,542	203,561	259,209	930,312	27,254	-937	956,629
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	-25,825	19,758	-2,928	-8,995	-261	0	-9,256
Depreciation and impairment	-21,928	-10,009	-30,594	-62,531	-170	0	-62,701
thereof depreciation	-7,754	-3,409	-7,673	-18,836	-170	0	-19,006
thereof asset impairment	-14,174	-6,600	-22,921	-43,695	0	0	-43,695
Earnings before interest, taxes and amortisation (EBITA)	-47,753	9,749	-33,522	-71,526	-431	0	-71,957
Goodwill impairment	-159,454	0	0	-159,454	0	0	-159,454
Earnings before interest and taxes (EBIT)	-207,207	9,749	-33,522	-230,980	-431	0	-231,411
Net financial result							-18,156
Earnings before taxes (EBT)							-249,567
Income taxes							-57,497
Group net loss for quarter							-307,064

in € thousands	Praktiker Germany 01/04 – 30/06/2010	Max Bahr 01/04 – 30/06/2010	International 01/04 – 30/06/2010	Total of reportable segments 01/04 – 30/06/2010	Miscel- laneous 01/04 – 30/06/2010	Recon- ciliation 01/04 – 30/06/2010	Total 01/04 – 30/06/2010
Net sales from external customers	525,584	204,220	282,535	1,012,339	26,570	0	1,038,909
Net sales from other segments	828	0	0	828	0	-828	0
Net sales total	526,412	204,220	282,535	1,013,167	26,570	-828	1,038,909
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	39,081	22,283	7,450	68,814	1,147	0	69,961
Depreciation and impairment	-6,874	-3,262	-7,530	-17,666	-62	0	-17,728
thereof depreciation	-6,865	-3,262	-7,530	-17,657	-62	0	-17,719
thereof asset impairment	-9	0	0	-9	0	0	-9
Earnings before interest, taxes and amortisation (EBITA)	32,207	19,021	-80	51,148	1,085	0	52,233
Earnings before interest and taxes (EBIT)	32,207	19,021	-80	51,148	1,085	0	52,233
Net financial result							-21,832
Earnings before taxes (EBT)							30,401
Income taxes							-4,648
Group net income for quarter							25,753

Segment information for the first half-year 2011 and the first half-year 2010 are shown in the following tables:

in € thousands	Praktiker Germany 01/01 – 30/06/2011	Max Bahr 01/01 – 30/06/2011	International 01/01 – 30/06/2011	Total of reportable segments 01/01 – 30/06/2011	Miscel- laneous 01/01 – 30/06/2011	Recon- ciliation 01/01 – 30/06/2011	Total 01/01 – 30/06/2011
Net sales from external customers	781,506	359,779	435,769	1,577,054	45,971	0	1,623,025
Net sales from other segments	2,532	0	0	2,532	3	-2,535	0
Net sales total	784,038	359,779	435,769	1,579,586	45,974	-2,535	1,623,025
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	-67,876	22,204	-14,363	-60,035	-2,617	0	-62,652
Depreciation and impairment	-29,183	-13,360	-38,031	-80,574	-309	0	-80,883
thereof depreciation	-15,009	-6,760	-15,110	-36,879	-309	0	-37,188
thereof asset impairment	-14,174	-6,600	-22,921	-43,695	0	0	-43,695
Earnings before interest, taxes and amortisation (EBITA)	-97,059	8,844	-52,394	-140,609	-2,926	0	-143,535
Goodwill impairment	-159,454	0	0	-159,454	0	0	-159,454
Earnings before interest and taxes (EBIT)	-256,513	8,844	-52,394	-300,063	-2,926	0	-302,989
Net financial result							-24,192
Earnings before taxes (EBT)							-327,181
Income taxes							4,625
Group net loss for half-year							-322,556

in € thousands	Praktiker Germany 01/01 – 30/06/2010	Max Bahr 01/01 – 30/06/2010	International 01/01 – 30/06/2010	Total of reportable segments 01/01 – 30/06/2010	Miscel- laneous 01/01 – 30/06/2010	Recon- ciliation 01/01 – 30/06/2010	Total 01/01 – 30/06/2010
Net sales from external customers	913,694	352,225	474,527	1,740,446	46,323	0	1,786,769
Net sales from other segments	2,006	0	6	2,012	0	-2,012	0
Net sales total	915,700	352,225	474,533	1,742,458	46,323	-2,012	1,786,769
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	10,175	24,068	3,216	37,459	-2,158	0	35,301
Depreciation and impairment	-13,756	-6,432	-14,874	-35,062	-124	0	-35,186
thereof depreciation	-13,738	-6,432	-14,874	-35,044	-124	0	-35,168
thereof asset impairment	-18	0	0	-18	0	0	-18
Earnings before interest, taxes and amortisation (EBITA)	-3,581	17,636	-11,658	2,397	-2,282	0	115
Earnings before interest and taxes (EBIT)	-3,581	17,636	-11,658	2,397	-2,282	0	115
Net financial result							-25,752
Earnings before taxes (EBT)							-25,637
Income taxes							13,844
Group net loss for half-year							-11,793

The segment information is presented in line with 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 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 comprises the activities of the Praktiker outlets operating in Germany as well as the results of Praktiker AG and Praktiker Services GmbH. In addition, the result of Praktiker Finance B.V. (Netherlands) is also allocated to this segment in line with internal reporting.
- “Max Bahr”: this segment covers the activities of the stores operated in Germany in this retail chain.
- “International”: the international segment comprises the operating activities in Luxembourg, Greece, Poland, Hungary, Turkey, Romania, Bulgaria, the Ukraine and Albania, Moldova and Macedonia, where there are

currently no operating activities, are also allocated to this segment.

On account of the fact that they do not match the relevant size criteria, the “Extra integrated stores”, “Extra wholesale” and “Praktiker Online GmbH” units are combined into a compound item “Miscellaneous”.

The results of the cross-divisional service company Praktiker Group Buying HK Ltd. (Hong Kong) attributable to Germany are also allocated to the compound item “Miscellaneous”. The results of this company attributable to countries outside Germany are allocated to the “International” segment. This allocation reflects the presentation applied in internal reporting.

The results of Praktiker International AG (Switzerland), which regulates supplier invoices, are distributed among the individual segments in line with their share in the central A/P clearing for sales divisions, as in amended 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 main income statement performance indicator by which the Praktiker Group measures the earnings strength of its segments is IFRS earnings before interest, taxes and amortisation (EBITA).

ASSURANCE OF LEGAL REPRESENTATIVES

“To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management

report of the Group 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 for the remaining months of the financial year.”

Kirkel, Germany, 26 July 2011

The management board

Wolfgang Werner

Michael Arnold

Markus Schürholz

Pascal Warnking

REVIEW REPORT

To Praktiker AG, Kirkel

We have reviewed the condensed consolidated interim financial statements – comprising the condensed statement of financial position, condensed income statement, condensed statement of comprehensive income, condensed statement of cash flows, condensed statement of changes in equity and selected explanatory notes – and the interim group management report of Praktiker AG, Kirkel, for the period from 1 January to 30 June 2011 which are part of the half-year financial report pursuant to § (Article) 37w WpHG (“Wertpapierhandelsgesetz”: German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company’s Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review 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 review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Frankfurt am Main, Germany, 26 July 2011

PricewaterhouseCoopers

Aktiengesellschaft

Wirtschaftsprüfungsgesellschaft

Philip Marshall	Dr. Ulrich Störk
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Disclaimer – forward-looking statements

This interim report contains certain statements that are neither reported financial results nor other historical information. These forward-looking statements are subject to risk and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. 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. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this presentation. 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 interim report is legally binding. The company cannot be held responsible for any misunderstandings or misinterpretations arising from this translation.