



**Speech by Markus Schürholz,  
CFO of Praktiker Bau- und Heimwerkmärkte Holding AG**

**on the occasion of the presentation of the financial  
results of the first quarter 2011**

**29 April 2011**

*The spoken word is valid.*

Good morning ladies and gentlemen,

Welcome to our telephone conference on the results of the first quarter 2011.

The Praktiker Group posted net sales of 666 million euro in the first quarter 2011 - a decline of 10.9 percent in absolute terms and 11.6 percent in like-for-like terms.

At Praktiker Germany, we stopped all open discounting in terms of 20 percent on everything for everybody. In the first quarter of the previous year we still had 15 days on which we offered this particular promotion. As a result of this change in promotional activities, sales declined by 18.9 percent, very much in line with our expectations by the way.

We had indicated earlier that we see the first quarter as a transitory phase between the end of our former marketing strategy and the repositioning of the brand which has started in April.

So far we can say that the new concept helps to bring customers to our stores. The increased marketing spend has a positive effect on frequency. But it is also clear that the repositioning takes time before it turns into strong sales growth.

Max Bahr, on the other hand, had a solid start into the year. A sales growth of 5.5 percent reflects an early start into the gardening season as gardening has the largest share of all assortments in total sales at Max Bahr even in the first quarter. Likewise, Max Bahr regained market share as the industry, according to preliminary figures, has grown by around 2 percent only.

In the international segment, sales declined by 8.0 percent in the first quarter. While sales in Turkey and the Ukraine increased and sales in Luxembourg, Poland and Hungary were more or less at previous year's level, the sales declines in Bulgaria, Greece and Romania in particular were so strong that, overall, a decline in international sales was registered. As such, we are still waiting for the turnaround in our international activities.

Gross profit declined with sales, even though less severe at 8.7 percent and stood at 205.2 million euro in the first quarter. Gross profit margin increased because discounting at Praktiker Germany was strongly reduced and open discounting in terms of 20 percent on everything for everybody was abandoned. Gross profit margin therefore increased by 0.7 percentage points to 30.8 percent in the group.

Work on "Praktiker 2013" did continue in the first quarter 2011 and led to a total of 4.9 million euro in extraordinary effects. The bulk of these, 3.6 million euro, were used at Praktiker Germany, mostly for the repositioning, 0.6 million euro were spent on the Online Shop which is part of the "Miscellaneous" segment, 0.3 million euro were allocated to Max Bahr, 0.4 million euro to International.

In total and including extraordinary effects, selling expenses declined by 1.1 percent, while administrative expenses increased partly due to an increase in redundancy payments abroad and the build-up of our own procurement organisation in Hong Kong.

Gross profit margin improvement and further cost control were not sufficient to compensate the negative volume effects on earnings in the first quarter. EBITA is

stated at minus 71.6 million euro as against a minus of 52.1 million euro in the previous year.

Changes in exchange rates had practically no effects on EBITA in the first quarter.

Before extraordinary effects EBITA reached minus 66.7 million euro as against minus 50.7 million euro in the corresponding quarter of the prior year.

As far as the segments are concerned: Praktiker Germany saw an EBITA of minus 49.3 million euro in the current business year. In the first quarter of the previous year a minus of 35.8 million euro was stated. EBITA at Max Bahr improved to minus 0.9 million euro this year from minus 1.4 million euro last year. And in the international business, an operating loss of 18.9 million euro was posted in Q1 2011 as opposed to a loss of 11.6 million euro last year.

Net result for the first quarter 2011 came to minus 15.5 million euro as against minus 37.5 million euro in the same period one year earlier.

The improvement in the net result against previous year was due to the fact that a different tax rate had to be applied. As the tax rate for the full year is expected to be 80 percent, this rate had to be applied to the first quarter result as well. In the first quarter of last year a rate of 33 percent was applied reflecting the expectation of the 2010 tax rate at the time. Therefore this year's tax benefit was much higher leading to an improvement of the net result for the first three months period.

The financial result came in at minus 6.0 million euro this year as against minus 3.9 million euro in the first quarter of the previous year. The change was mainly due to a decline in the interest result reflecting the fact that we had issued a corporate bond of 250 million euro in the middle of February. It has partly been used to cancel and pay back the promissory notes prematurely in February. As it will also be used to pay back the convertible bonds in September, we had to and - until September - will have to pay interest on both with the corresponding impact on the interest result.

Coming now to financial indicators.

Inventories came in at 961.6 million euro, up 60.2 million euro against the figure reported at the end of the first quarter 2010.

There are three major reasons for this increase: As the garden season had started earlier this year, sales volumes in this particular assortment were much higher too. Plants are procured on very short notice. As a result the inventories of seasonal products happened to be much higher on the reporting day this year.

Second, the new marketing campaign was started at Praktiker Germany at the beginning of the second quarter. In order to prepare for an increase in demand and in order to be able to use new marketing features, inventories were stepped up. We expect this increase to be largely temporary.

And third: As three new international stores were opened in April, the corresponding build-up on inventories had already taken place at the end of March.

The increase in inventories had an impact on working capital too. It increased by 62.4 million euro to 405.3 million euro.

Cash and cash equivalents increased by 93.8 million euro to 341.5 million euro following the already mentioned issue of the corporate bond in February.

As some of the additional cash coming from the bond issue was absorbed by the increase in inventories, net debt was up to 305.6 million euro from 213.9 million euro one year earlier.

Capex reached 18.1 million euro in the first quarter, up from 16.1 million euro in the first quarter of the previous year. 8.6 million euro were used at Praktiker Germany, mostly for store refurbishments in connection with the repositioning.

Ladies and gentlemen, let me sum up.

In the first quarter, group sales were down. In Germany, Praktiker went through a transition phase and prepared for the repositioning which started in the second quarter. Max Bahr outperformed the market on account of its strength in the gardening business. International sales still suffered from weaknesses in the general economic settings in Bulgaria, Greece and Romania in particular.

As general open discounts were essentially stopped at Praktiker Germany, gross profit margin increased further in the Group.

Expenses were moderately down, extraordinary expenses in the framework of "Praktiker 2013" were up on last year.

EBITA came in below the corresponding figure of last year.

On the balance sheet we have seen a substantial increase in inventories for the reasons mentioned before.

This increase also had a negative impact on working capital and, as it absorbed cash, on net debt.

Nevertheless, cash and cash equivalents were up due to the placement of a corporate bond in mid February.

The sales and earnings performance of the first quarter clearly does not make it easier to reach the targets for the year. Everything will depend on the question, whether the repositioning of Praktiker Germany will yield the expected results and whether the general economic settings in Eastern and South-eastern Europe will improve in the course of the year. As we have just entered the quarter which is, earnings-wise, the most important for the year it is still too early to say whether we are heading the right way or not.

With these remarks I am at the end of my presentation. Thank you for your attention. I am happy to answer your questions now.