



**Half-year Financial Report and Quarterly Report 2 / 2008
Telephone Press Conference, Wednesday, July 23, 2008, 10:00 a.m.**

Statement Wolfgang Werner, Management Board Chairman

The spoken word is valid.

Ladies and Gentlemen:

Welcome to our phone conference on the occasion of our report on the course of business of the Praktiker Group in the second quarter and the first half of fiscal 2008. You have already had an opportunity today to read the report. To start with, I will briefly explain the most important key financials, afterwards Mr. Gabel and I will be pleased to answer any questions you may have.

Let me first highlight two crucial facts and the ensuing conclusions:

1. Although in the second quarter 2008, the Praktiker Group recorded only a slight increase in the sales volume, it achieved a strong increase in operating profit (EBITA).
2. This positive trend has also left its marks in the half year statement. Following a comparatively modest first quarter, Group sales were lifted to the prior-year level in the subsequent three months. What is more, EBITA was up a good 20 percent. In other words: we have succeeded in significantly improving our earnings quality.

The conclusion is: Praktiker Group is well on its way and on the right track. Half way through the fiscal year we do not have any reason to change our earnings expectations for the full 2008 fiscal year. This is a proud achievement considering the

much rougher economic climate which is particularly affecting the domestic business and might still curb the anticipated sales growth to a certain extent. It is a point to which I will revert later.

But first of all, I should comment on the key figures which corroborate our prognosis.

Sales

Group sales in the first half of 2008 ran up to around two billion euros – which is approximately up to the prior-year level. 1.42 billion euros were achieved in Germany, which is six percent below the mark of the first half of 2007. In the international business, we succeeded in lifting sales by 16.7 percent as a result of further expansion.

Like-for-like, Group sales declined by 5.9 percent in the first half of the year, but this is exclusively attributable to the sluggish domestic business trend, as in Germany, like-for-like sales fell short of the previous year's level by 8.4 percent. This is partly due to an impaired market environment, partly the result of the realignment of marketing activities for the Praktiker brand. It implied, among other aspects, a distinct reduction in the 20-percent discount campaigns. You will remember that we deliberately hazarded the resulting volume losses for the benefit of a better gross-profit margin. We will see this when looking at the EBITA.

In the International segment, a plus of 2.1 percent was accomplished in the first half-year on a like-for-like basis which means without considering the 18 stores newly opened outside Germany in the meantime. This is all the more noteworthy as in the first half of 2007, an increase in like-for-like sales of 15.3 percent was achieved creating an exceptionally challenging benchmark. So we can proudly say that we even succeeded once again in stepping up the productivity of our existing international stores.

Looking only at the second quarter 2008, the big picture looks like this: demand picked up throughout the Group, prompted by seasonal and weather influences. Sales clearly outperformed the first quarter, and compared with the second quarter

of the previous year, a slight increase by 4.7 million euros was recorded, to well over 1.13 billion euros. Domestic sales were recessionary even in this quarter, albeit not as drastically as in the first three months. 792.5 million euros in sales meant a minus of 5.5 percent as against the prior year. Like for like, the decrease was 4.4 percent.

Ladies and gentlemen, it is a pity that this decline did not show in the first two months of the second quarter. In April, when our industry as a whole already reported a harsh slump in sales in Germany, Praktiker was still posting a plus. And even in the subsequent month, earnings were fairly satisfactory, which I confirmed at the Annual General Meeting on 30 May. Unfortunately, the month of June – under the influence of the weather, but mainly for cyclical reasons – failed to meet our expectations. Sales declined by a low double-digit rate. Nonetheless, I dare say that even with these quarterly figures we are still in a better position than the industry on average. So my statement that the Praktiker brand launched a catch-up race in the second quarter can be confirmed.

International sales rose 17.6 percent, to 339.7 million euros in the period from April to June. This means that also the trend in international business was better in the second quarter 2008 than in the first three months when a 15.5 percent growth in sales was reported. Like for like, the sales contribution of our international companies increased by 2.8 percent – after 1.0 percent in the first quarter.

Earnings

This is what I had to report on the sales trend at the Group and its two segments, Domestic and International. We achieved these sales despite the fact that economic activity slowed worldwide in the past months, and especially in Germany the fear of inflation was damping the spending mood among consumers. Considering such an environment, the figures we achieved are not just to be taken for granted. But: the earnings quality we have accomplished in this difficult phase is even more respectable. As I said at the beginning, we are earning money – even and especially in Germany. And we manage to keep the right balance between the fight for market shares and the profitability of our business. This is of eminent significance in Germany in particular, as it continues to be our most important market.

Despite the decline in sales, the gross profit on sales increased seven percent in the first six months, to 665.7 million euros. This means that the upward trend of the first three months continues unbroken. The gross profit margin increased in the first half of the year by 2.3 percentage points, to 33.3 percent. In the second quarter, the increase was two percentage points with the margin up to 35.0 percent.

This positive development is mainly owed to the German market. It is related to the same factor which made a negative contribution to the sales trend: in line with the changed marketing strategy for the Praktiker brand, the number of the 20-percent campaign days was reduced by more than 40 percent. This means that the share of discount sales receded distinctly, and the earnings quality of the sales improved accordingly. In addition, the increase in the German VAT in 2007 led to certain losses in the gross profit margin because it was not possible to pass the higher tax directly on to the customers. These necessary price adjustments have meanwhile been made up for – independently of the current price reduction wave at Praktiker.

Let's now deal with the figure which is the most important one for our company, the operating profit EBITA. In the first half of the fiscal year, the Praktiker Group achieved EBITA in the amount of 59.2 million euros. This is 10.1 million euros or 20.5 percent more than a year earlier. This steep rise in profits was triggered by the satisfactory earning trend in the second quarter. In that period, EBITA of 80 million euros exceeded the respective prior-year period by around 11 million euros or 15.8 percent.

In the first half of 2008, the domestic business contributed 34.9 million euros of EBITA. This corresponds to an increase from the previous year by almost 50 percent. In the first quarter 2008 we still posted a loss. In the second quarter, the contribution to earnings was 57.0 million euros – around 31 percent up in year-on-year comparison.

These figures demonstrate that it was right to concentrate more on margins than on sales volumes in Germany. This holds true even when considering various one-off expenses. They make a comparison with the respective prior-year period difficult, but they neutralize each other for the most part. In the first quarter 2008, for example,

Max Bahr was consolidated for the first time as of January, a seasonally loss-prone month. This compared to one-off integration costs incurred a year earlier which did not apply anymore this time. Expenses for converting stores to the Easy-to-Shop format were accruing in the first quarter 2008 at a similar level to a year earlier. You will be aware that in the second quarter of the current fiscal year no further conversions took place. The year before, during the same period, about six million euros were spent on such measures. On the other hand, the result is now charged with a non-recurring addition to provisions of four million euros which became necessary because of an antitrust suit pending in Poland in which almost all major Polish DIY retailers are involved.

This addition to provisions is also the main reason why the contribution to EBITA by the International segment, of 23.0 million euros in the second quarter – and hence 24.3 million euros in the entire half-year – was slightly below the respective prior-year mark. Without this extraordinary burden, a distinctly better EBITA result would have been achieved for the first half of 2008. This operating performance was primarily accomplished in Bulgaria, Greece, Poland, Romania and Hungary. In Ukraine and in Albany, where the first store is to be opened still this year, the anticipated starting losses were incurred, also Turkey failed to reach breakeven in the reporting period.

Outlook

Ladies and gentlemen,

I am now getting to the last part of my presentation, the outlook. In this context, I should emphasize once again the following:

In the first six months of the current fiscal year, the Praktiker Group demonstrated that earnings can be improved despite stagnant sales. A waiving of promotion activities plus a sharper focus on the gross profit margin and a more adequate overall price level were the main contributors to this success in the German home market. In addition, synergy effects from the integration of Max Bahr and the concomitant gain in know how, efficiency and effectiveness are now bearing fruit.

We want to continue on this route in the second half-year. This is why in Germany the new marketing approach will be pursued further in the remaining months of the year. This is why margin will continue to have priority over volume. And this is why the commercial targets Praktiker has set with the introduction of the Easy-to-Shop concept will be retained unchanged. Easy-to-Shop is an investment into the future which will have to bring a return within a defined period of time. As the current concept has not yet fully met this expectation, it was decided not to continue its rollout before the concept had been optimized.

The decision to adjourn further conceptual changes for the time being will relieve the year 2008 from the expenses originally planned for this purpose. It became thus possible in the second quarter to compensate for the unexpected addition to provisions incurred in Poland. Moreover, the adjournment of further store changes allows preserving an additional degree of flexibility for price investments in case that harsher competition should enforce this on us. Otherwise we will retain potential for securing our profit.

I said at the beginning: in the opinion of Management the development of the first half-year does not give any reason for us to revise our appraisal of the earning trend for the full year. The positive developments of the first half of the year are expected to continue in the second half. Internationally, earnings will be driven by expansion, in Germany by the improvement of the gross profit margin.

As regards sales, it has become more difficult to make a resilient forecast. What is certain is that in Germany net sales will fall short of the previous year's figures both in absolute terms and like for like. As a matter of fact, the extent of the decline will naturally depend very much on the overall economic development in Germany. It cannot be disregarded to what degree the consumption climate in our country is affected by fear of inflation and that the population is in a gloomy mood. But a positive sentiment is an important prerequisite for a good economic climate. And a favorable economic climate is essential for business to prosper.

In this context, it is all the more important that sales in our international markets continue to grow at a two-digit rate. Praktiker's expansion strategy is a guarantor

for steady, profitable growth. So this strategy is bound to contribute the expected increases in sales. It is true that there are indicators for a certain economic slow-down in the international markets as well. But the success of new stores – mainly in Eastern Europe – frequently depends more on the competitive environment than on macroeconomic factors. As Praktiker continues to expand in regions where competitive pressure is low, even an economic slow-down should not be a hurdle to sustainable two-digit growth rates in sales.

Ladies and gentlemen:

As you will know from past reports, we have always attributed much importance to reliable prognoses. That is why for our forecast of the second half of the year we cannot disregard the changes in the economic climate having taken place in Europe and particularly on our domestic market. This entails a slight correction of our former sales guidance. To rule out any misunderstanding: for fiscal 2008 the Praktiker Group continues to forecast a growth in sales. But rather than a mid single-digit range, this growth should be expected to reach only a low single-digit rate. However, I should repeat that the targeted EBITA will be maintained even in consideration of the expenses incurred by the antitrust suit in Poland. Our EBITA will be in the range of 135 to 140 million euros and thus exceed by 10 to 15 million euros the result achieved by the Praktiker Group in 2007 before antitrust regulations. I think, this is the more important message of this financial report.

Before concluding I should add the information that we are also taking account of the changed situation in our capital expenditure plans. We have reviewed our budget in the middle of the year and slightly reduced the spending plans. We are now planning cash-effective investments in the amount of around 140 million euros for 2008. Lower capital expenditure has been envisioned for Germany, among other items in connection with the Easy-to-Shop rollout. No reductions are planned for the international business where we are stepping up our expansion efforts as planned, without any cutbacks.

I thank you for your attention and am now ready to answer your questions.