



## 2<sup>nd</sup> Quarter 2011 of Praktiker AG

# Sales and Earnings below Prior Year Level

## Extraordinary effects burden operating profit – Guidance revised

**Kirkel – July 27, 2011.** In the second quarter 2011, the Praktiker Group experienced a decline in sales compared to the same prior-year period and – despite further improvements in gross profit margin – it posted an operating loss. This is attributable to the situation that the new marketing strategy of Praktiker Germany has not yet fully deployed the anticipated positive effect while at the same time important submarkets in the international business continue sluggish. Against this backdrop, management adjusted its forecast for the full year.

“The second quarter took a disappointing course for the Praktiker Group”, stressed the resigning Chairman and CEO of Praktiker AG, Wolfgang Werner, on the occasion of the publication of the Interim Financial Report. “The international business is not picking up yet and the repositioning of Praktiker Germany did not deploy its effects on sales and earnings as expected so far”. However, there was a “clearly positive feedback” from customers and objectively measurable improvements of the image values of the Praktiker brand. So it was the right policy “not only to continue consistently on the route of strategic and structural renewal with the ‘Praktiker 2013’ programme, but even to step up its pace and readjust it here or there”.

## Domestic and international sales declined

Although with respect to business progress of the Praktiker Group, the second quarter saw a slight improvement in the sales trend, a turnaround was not achieved. The Group’s sales amounting to 956.6 million euro fell short of the comparable prior-year quarter (1,038.9 million euro) by 7.9 percent. In the first three months, net sales had still receded by 10.9 percent. For the entire first half-year, sales reached 1,623.0 million euro – 9.2 percent less than in the first half of 2010.

Since the beginning of the second quarter, the Praktiker brand has been repositioned in Germany in addition to a new advertising approach. However, this has not yet reflected in a rise in sales, all the more so as business in the comparable prior-year period had been massively driven by open, general discount campaigns, which were completely waived this year. As a result, in the second quarter sales of Praktiker Germany missed the comparable prior-year mark by 11.2 percent. At the same time, the Max Bahr brand succeeded in maintaining its sales constant. For the domestic business, this added up to quarterly sales of



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697.4 million euro, corresponding to a 7.8 percent decline. The Praktiker Group in Germany thus closed the first half of its financial year with a decrease in sales by 9.5 percent to 1,187.3 million euro.

In the international business, sales figures in the second quarter receded similarly to the first three months – in Romania and Bulgaria even again at double-digit percentage rates. In Greece, by contrast, the decline in sales was less pronounced than in the first three months of the year despite the sharpening financial crisis. A gratifying sales growth was recorded in Poland whilst the positive trend of prior months in the Ukraine did not prove to be sustainable because of weaker foreign exchange rates. Like-for-like, Hungary and Albania, too, reported a slight plus in sales.

All in all - driven by the course of business in the important Praktiker countries Greece and Romania - international sales dropped 8.3 percent to 259.2 million euro in the second quarter. In the entire first half of the financial year, sales fell 8.2 percent to 435.8 million euro. Poland and the Ukraine were the only countries to increase net sales during the period under review.

### **Gross profit margin increased**

In the second quarter, the gross profit margin climbed by 1.3 percentage points, year on year, to 35.7 percent. At 33.7 percent, the first half-year closed with a plus of 1.1 percentage points. This improvement was decisively driven by the waiver of virtually all open, general discount campaigns at Praktiker in Germany.

### **Operating result (EBITA) distorted by extraordinary effects**

The operating result of the Group in the second quarter was distorted by substantial extraordinary expenses, valuation adjustments and additions to provisions. As a result of these extraordinary effects, EBITA of minus 72.0 million euro had to be posted, resulting in a total operating loss of 143.5 million euro for the period from January through June. Max Bahr was the only entity to achieve positive EBITA in the second quarter. It reported 9.7 million euro (8.8 million euro for the first six-month period). Praktiker Germany showed minus 47.8 million euro EBITA in the second quarter (minus 97.1 million euro for the first half of the financial year). In the second quarter, domestic business as a whole saw an operating loss of 38.4 million euro and closed the first half of 2011 at minus 91.2 million euro. Praktiker International reported minus 33.5 million euro for the second quarter and minus 52.4 million euro for the half-year.

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The extraordinary effects for the implementation of the “Praktiker 2013” programme alone amounted to 22.6 million euro in the second quarter – following 4.9 million euro in the first quarter. Valuation adjustments of non-current assets and allocations to provisions for devalued contracts resulting from a re-appraisal of the future prospects of the individual markets burdened the consolidated EBITA with 91.0 million euro in the second quarter. Thereof, 42.5 million euro were attributable to the international business and the balance mainly to the Praktiker sales division in Germany.

Net of extraordinary effects, all business segments achieved positive EBITA in the second quarter amounting to 41.7 million euro (previous year: 65.1 million euro) at Group level. Outside Germany, EBITA at 9.5 million euro even slightly exceeded the previous year’s mark whilst the operating profit reported by Max Bahr, of 17.3 million euro, was moderately below the prior-year level and Praktiker Germany missed this mark distinctly, at 13.6 million euro.

Besides the aforementioned extraordinary effects, below the EBITA, impairment of goodwill of Praktiker Germany took place in the amount of 159.5 million euro. These items – in the same way as the valuation adjustments of non-current assets and additions to provisions for devalued contracts amounting to a total of 91.0 million euro – were not cash-effective, i.e. they did not cause an impairment of the sound financial position of the Praktiker Group.

## **Guidance for the current financial year revised**

The operating profit before extraordinary effects clearly fell short of expectations for the second quarter. This caused management to revise the guidance given so far for the full year, as already announced ad hoc: it must now be anticipated that not only group sales but also the operating profit before extraordinary effects will come in below the prior-year mark.

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## Interim Report Q 2 - 2011 / H1 - 2011

in €m	Q2 / 11	Q2 / 10	Change in %	H1 / 11	H1 / 10	Change in
<b>Net sales</b>	<b>956.6</b>	<b>1,038.9</b>	<b>-7.9</b>	<b>1,623.0</b>	<b>1,786.8</b>	<b>-9.2</b>
Germany	697.4	756.4	-7.8	1,187.3	1,312.2	-9.5
thereof Praktiker	466.6	525.6	-11.2	781.5	913.7	-14.5
thereof Max Bahr	203.6	204.2	-0.3	359.8	352.2	2.1
thereof Miscellaneous	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
<b>EBITA before extraordinary effects<sup>1</sup></b>	<b>41.7</b>	<b>65.1</b>	<b>-35.9</b>	<b>-25.0</b>	<b>14.4</b>	<b>-</b>
Germany before extraordinary effects <sup>1</sup>	32.2	55.7	-42.2	-16.1	16.3	-
thereof Praktiker before extraordinary effects <sup>1</sup>	13.6	35.6	-61.8	-32.1	1.2	-
thereof Max Bahr before extraordinary effects <sup>1</sup>	17.3	19.0	-8.9	16.6	17.6	-5.7
thereof Miscellaneous before extraordinary effects <sup>1</sup>	1.3	1.1	18.2	-0.5	-2.3	-
International before extraordinary effects <sup>1</sup>	9.5	9.4	1.1	-8.9	-2.2	-
<b>EBITA</b>	<b>-72.0</b>	<b>52.2</b>	<b>-</b>	<b>-143.5</b>	<b>0.1</b>	<b>-</b>
Germany	-38.4	52.3	-	-91.1	11.8	-
thereof Praktiker	-47.8	32.2	-	-97.1	-3.6	-
thereof Max Bahr	9.7	19.0	-48.9	8.8	17.6	-49.8
thereof Miscellaneous	-0.4	1.1	-	-2.9	-2.3	-28.3
International	-33.5	-0.1	-	-52.4	-11.7	-
<b>Net income / loss</b>	<b>-307.1</b>	<b>25.8</b>	<b>-</b>	<b>-322.6</b>	<b>-11.8</b>	<b>-</b>
<b>Earnings per share in €<sup>2</sup></b>	<b>-5.30</b>	<b>0.43</b>	<b>-</b>	<b>-5.58</b>	<b>-0.22</b>	<b>-</b>
<b>Capital expenditure</b>	<b>20.1</b>	<b>15.3</b>	<b>31.2</b>	<b>38.2</b>	<b>31.4</b>	<b>21.7</b>

<sup>1</sup> mainly relating to „Praktiker 2013“ and re-evaluation of future prospects

<sup>2</sup> basic