Praktiker Group
Annual Report 2012

KEY DATA

	2008	2009	2010	2011	2012	Change in %
Profit & loss data						
Net sales in € m	**3,906.8**	**3,663.4**	**3,448.3**	**3,183.0**	**3,003.2**	**–5.6**
Germany	2,665.6	2,617.1	2,452.2	2,288.8	2,191.4	–4.3
thereof Praktiker Germany	1,868.8	1,835.2	1,680.1	1,506.9	1,408.6	–6.5
thereof Max Bahr	702.4	690.6	685.5	694.8	699.9	0.7
thereof Miscellaneous	94.5	91.4	86.6	87.1	83.0	–4.8
International	1,241.2	1,046.3	996.1	894.2	811.8	–9.2
Like-fo-like sales growth in %	**–6.0**	**–7.2**	**–7.3**	**–8.4**	**–5.5**	–
Germany	–8.0	–2.2	–7.0	–6.8	–3.5	–
thereof Praktiker Germany	–8.8	–2.2	–8.7	–10.2	–3.0	–
thereof Max Bahr	–5.4	–2.1	–2.7	1.3	–3.7	–
International	–0.5	–19.0	–8.2	–12.4	–10.5	–
Gross profit on sales in € m	**1,314.1**	**1,192.0**	**1,164.6**	**976.6**	**942.4**	**–3.5**
Gross profit margin on sales in %	33.6	32.5	33.8	30.7	31.4	0.7 PP
EBITA in € m	**128.8**	**62.8**	**35.3**	**–375.1**	**–128.8**	**65.7**
Germany	44.9	30.2	24.2	–291.0	–111.3	61.8
thereof Praktiker Germany	20.9	0.2	–1.2	–262.5	–90.8	65.4
thereof Max Bahr	25.5	31.4	29.2	–20.9	–14.5	30.8
thereof Miscellaneous	–1.6	–1.5	–3.8	–7.6	–6.0	21.2
International	83.9	32.6	11.1	–84.1	–17.5	79.2
Net financial result in € m	**–49.3**	**–44.3**	**–41.0**	**–59.8**	**–35.8**	**40.1**
Earnings before taxes in € m	**79.5**	**18.5**	**–5.7**	**–594.3**	**–164.6**	**72.3**
Net income/loss in € m	**4.4**	**–9.3**	**–33.6**	**–554.7**	**–188.9**	**65.9**
Earnings per share in €	0.06	–0.18	–0.60	–9.58	–3.13	67.4
Dividend per share in €	0.10	0.10	0.10	0.00	0.00[1]	–
Balance sheet data						
Total assets in € m	2,146.3	2,082.6	2,031.0	1,514.0	1,476.2	–2.5
Equity in € m	899.1	878.6	839.9	278.6	135.5	–51.3
Equity ratio in % of total assets	41.9	42.2	41.4	18.4	9.2	–9.3 PP
Cash and cash equivalents in € m	233.3	263.0	266.3	148.0	82.3	–44.4
Net financial position in € m	–189.3	–196.7	–184.7	–351.1	–491,0	–39.8
Net working capital in € m	411.6	393.9	383.3	347.2	270.1	–22.2
Other financial data						
Capital expenditure in € m	117.6	73.3	62.1	70.6	87.7	24.2
Cash flow from operating activities in € m	112.0	83.3	90.6	–79.2	–114.7	–44.8
Operative data						
Number of stores	**436**	**439**	**438**	**439**	**427**	**–2.7**
Germany	336	335	331	330	316	–4.2
thereof Praktiker Germany	241	239	236	235	197	–16.2
thereof Max Bahr	76	77	78	78	105	34.6
thereof Miscellaneous	19	19	17	17	14	–17.6
International	100	104	107	109	111	1.8
Number of employees, yearly average on full-time basis	**23,632**	**22,490**	**21,463**	**20,000**	**19,523**	**–2.4**
Germany	13,189	12,291	11,811	11,239	11,128	–1.0
thereof Praktiker Germany	9,640	8,877	8,426	8,008	7,589	–5.2
thereof Max Bahr	3,134	3,009	3,014	2,874	3,188	10.9
thereof Miscellaneous	415	405	371	357	352	–1.1
International	10,443	10,199	9,652	8,761	8,395	–4.2

Due to rounding, slight discrepancies in totals and percentage figures may occur.
[1]Proposal

TO OUR SHAREHOLDERS

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Ladies and Gentlemen,

2012 was an extremely turbulent year for Praktiker AG, with even the future of the Group as a going concern at stake for a time. In view of the difficult economic situation, there were several changes in the management, far-reaching interventions in existing organisational structures, and changes in the strategic orientation of operating activities and in the financing concept for the ongoing restructuring programme. These changes were accompanied by rumours of all kinds that considerably unsettled employees, customers and business partners at times.

I cannot and do not wish to keep looking back. I took up my position in October 2012 with the aim of securing and shaping the future of Praktiker AG. For this reason, I am looking forward and counting on finally regaining continuity at Praktiker AG in our strategy, orientation and management.

There are positive signs of this. In its new line-up, the management board successfully implemented the planned capital increase representing the final major component of the overall financing for the reorganisation in December 2012. This paved the way to some extent for continuing to successfully implement this repositioning. We have already started on this. Alongside the turbulence described above, there was also one constant last year: the implementation of the planned measures to reduce costs and enhance efficiency, which had been intended from the outset as accompanying measures and even as prerequisites for the strategic reorientation.

These measures included the merger of the Group head offices in Hamburg, the traditional headquarters of the future primary sales line Max Bahr, as well as renegotiations of rental agreements with our real estate partners. This will bring us savings in the tens of millions in 2013. Another example is the closure of stores, beginning with 14 locations in 2012 and to be continued with another ten stores in 2013, thus having a significant positive impact on earnings. In 2012 we also concluded a collective agreement for restructuring, under which all employees in Germany will waive five percent of their gross annual salary for a period of three years. Last but not least, we started on the reorganisation of our store portfolio. This forms the centrepiece of the entire restructuring programme. Max Bahr is to become the primary sales line in Germany. We already began converting a number of Praktiker stores into Max Bahr in 2012. And in 2013, a few more will be converted each week. This shows that we are serious about reorganising our domestic portfolio. In early 2013, we also took the first step in adjusting our international business and decided to withdraw from Turkey. We simply cannot afford the losses there any longer.

We are on schedule with these measures and have therefore moved a good step forwards in the direction we had resolved to take. We now intend to keep moving forward along this path is in a resolut manner and without respite. We cannot and do not want to allow ourselves to take a break. You as our equity investors, and likewise our debt capital investors, are entitled to see us employ the fresh funds to generate profits. Further conversions of Praktiker stores to the sales line Max Bahr are therefore planned for 2013. This year will also be a time for giving our international portfolio fresh impetus. And we must ensure that we regain the full trust of our suppliers and trade indemnity insurance providers. Relations with these partners – the most important for day-to-day business – had suffered considerably in the past year. In the third quarter in particular, the deterioration of these relationships had led to significant gaps in the availability of goods. In the meantime, however, we have already come a good way towards returning to normality.

It is now up to us again to convince customers and suppliers that Praktiker AG, with its two sales lines Max Bahr and Praktiker, is a proficient and reliable partner. We are back at the helm and do not intend to leave again. We owe this to you as our shareholders. We also owe it to our employees, who continue to work with great dedication for the company in spite of all the difficulties and setbacks.

2013 will be a year of reorientation and change. Once our plans come to fruition, in the coming years we will already be able to recuperate much of the value that has been lost in this company. That, at least, is my view of the situation. Had I seen things differently, I would not have chosen to become Chairman of the management board.

We on the management board are well aware that we have yet to deliver success. Until then, I would ask you – also on behalf of my colleagues – to extend to us the trust we need to conclude the repositioning of Praktiker AG that we have launched with the aim of sustainably increasing earnings.

Yours sincerely,

Armin Burger
Chairman of the management board
Hamburg, Germany, March 2013

MEMBERS OF THE MANAGEMENT BOARD

ARMIN BURGER
Chief Executive Officer
Labour Director
(since 16 October 2012)

Divisions
Distribution Praktiker Germany
Distribution Max Bahr
extra BAU+HOBBY
Praktiker International
Human Resources
Internal Audit
Real Estate Management
Corporate Development
Corporate Communication

MARKUS SCHÜRHOLZ

Divisions
Controlling
Accounting
Financing
Legal Affairs, Compliance
Mergers & Acquisitions
Investor Relations
IT

THOMAS HEINITZ

(since 16 September 2012)

Divisions
Category Management, Procurement, Marketing Max Bahr
Category Management, Procurement, Marketing Praktiker Germany
Praktiker Online Shop
Praktiker Group Buying
Logistics

"2012 was an extremely turbulent year for Praktiker AG, but we have now regained the necessary stability in our management and strategic orientation. We have therefore established a good foundation for making Praktiker AG profitable again by 2014."

"In 2012, we secured the financing for our reorientation. Our lenders thereby indicated to us that they have confidence in the turnaround. With this backing, we can now focus on our operational tasks to be completed by 2014."

"In 2012, we decided to make Max Bahr our primary sales line in Germany. In doing so, we are focusing on a stable and successful business model that will make Max Bahr one of the leading vendors in the German DIY sector by 2014."

GROUP MANAGEMENT REPORT

BUSINESS-SPECIFIC AND GENERAL ECONOMIC SETTINGS

RESTRUCTURING PROGRAMME

INCOME, FINANCIAL AND ASSET POSITION

SEGMENT REPORTING

DATA AND REPORT ACCORDING TO SEC. 315 PARA. 4 HGB

PERSONNEL REPORT

ENVIRONMENTAL REPORT

REMUNERATION REPORT

RISK REPORT

OUTLOOK

REPORT ON SUBSEQUENT EVENTS

RESTRUCTURING PROGRAMME

Restructuring concept refocused

The Praktiker Group found itself in an operational and financial crisis in 2012. To improve sales and the results of operations, a restructuring concept was developed in spring 2012, which adopted an entirely different course in its strategic focus, but which focused on an earlier programme in the measures to reduce costs and to change the structure. The measures designed to reduce costs were implemented without delay. By contrast, the strategic repositioning could not be tackled until the second half of the year once the planned financing measures had been successfully implemented.

Focal point of the new strategic direction

The Praktiker Group has designed the restructuring concept as a comprehensive restructuring programme, which is to drive a sustained improvement in sales and profits over the next few years. The plan to develop the Max Bahr sales line into one of Germany's leading DIY chains by 2014 lies at the heart of the programme. Cost-reduction measures, changes to the organisational structure and improvements in processes will provide the material basis for this new direction.

The new strategic direction encompasses the following cornerstones:

- Max Bahr is to become the main sales line in Germany. The two brand stretegy has been reworked with respect to the fact that Max Bahr proved more stable in terms of sales and earnings than the Praktiker brand in the past. Accordingly, around 120 Praktiker stores are to be converted to the service and quality-oriented Max Bahr format. Since Max Bahr has traditionally achieved better gross and EBITA margins than Praktiker, this change of direction is linked to the expectation that the converted stores can also benefit from this positive difference. The switch started in August 2012 with the conversion of the first seven stores. The conversion always follows the same pattern: following a closing sale, the Praktiker store is redeveloped within a period of not more than four weeks. In this period, in which the external appearance, store layout, the product range and services are adapted to the Max Bahr standard, the store staff are also given intensive product and service training. The opening of the new store under the Max Bahr brand is then supported with special activities to mark the opening. In the converted stores – at the end of 2012 these numbered 27, of which 24 were already trading and three were still under reconstruction - the customers find a better-value DIY store with an extended range of goods and services for all aspects of living, construction, renovation and gardening.
- At the same time, Max Bahr is being developed as a service and quality-oriented provider to hone the profile of a service and quality-oriented provider further. The measures are concentrated on improving employee training in the areas of selling and product knowledge. In this way, the Max Bahr brand is to be further distinguished from the sector, which is traditionally known for its poor level of customer advice. As a result, the Max Bahr brand will remain positioned as a competent purchasing resource, which serves discerning DIY customers, offering them individual advice and a specialist service.
- Praktiker will be developed further as a "lean" provider for DIY products. The strategic concept for the Praktiker brand aims at the role of a low-cost, simple and convenient retailer for traditional DIY products. In Germany, Praktiker will therefore concentrate on the original brand core of offering very competitive prices, a differentiation which customers still associate with the brand. Praktiker will retain its presence in Germany with stores of up to 5,000 square metres that present themselves more as local suppliers, focusing their reduced product range on the most common items. They will appeal more strongly than before to the target groups of price-sensitive DIYers and craftspeople through selected promotions. The conceptual adjustments have already been set. A pilot store is set to be launched in May 2013, which will provide a model for the future operation of around 90 stores under the "lean DIY" format.
- The Praktiker Group's international business will be refocused. Until the financial crisis in 2008, it was the Group's main growth driver but since then sales in the International segment have fallen year after year. The company remains convinced that the markets in Eastern Europe, in particular, will return to growth. Despite this, the restructuring concept also focuses on consolidating the international portfolio. This may involve the complete or partial withdrawal from individual countries in some cases. The first decision was implemented at the beginning of 2013: Praktiker's withdrawal from the Turkish market.
- To improve its terms and conditions of purchase, Praktiker AG is joining a strategic procurement partnership. The relevant preparations for this were initiated in 2012. In January 2013, an agreement to this effect

was signed with “Hellweg Die Profi-Baumärkte GmbH & Co KG”.

Cost reduction to increase profitability

The strategic changes will be accompanied by intensive measures aimed at changing structures and reducing various expense items. The majority of these has already been implemented, but the full effect of the savings will not be felt until years in the future.

- The relocation of the Group headquarters to Hamburg, which had been decided in the previous year, was completed in the third quarter of 2012. IT/logistics, finance, accounting and payroll accounting remain in a branch office at the former location in Kirkel/Saarland. All other central departments have found their new home in the Hanseatic town. The merger involves improvements in efficiency and will reduce personnel expenses and material expenses in future. According to the planning figures, the savings should amount to a low double-digit million euro sum.
- Praktiker AG and the ver.di trade union signed a collective agreement for restructuring at the end of October 2012. It included a salary waiver limited to three years, which equates to around five percent of every employee’s annual salary. Together with cuts to benefits for employees who are not on collective agreements, this will lower personnel expenses in Germany by a good 17 million euro annually in 2012, 2013 and 2014. This saving will be achieved primarily by waiving Christmas bonuses and bonus payments. In return, the employees shall receive a comprehensive employment guarantee during the term of the collective restructuring agreement.
- The restructuring programme envisages the closure of 24 unprofitable Praktiker stores in the years 2012 to 2015. Eleven were surrendered during the year. Eight stores are earmarked to close in 2013. The negative contribution to EBITA of all stores earmarked for closure in 2011 accounted for a low double-digit million euro amount. The operating profit will be increased by this amount in future.
- Since the beginning of the year, Praktiker has been negotiating improvements in its rental conditions with landlords in Germany and abroad. These negotiations were concluded for over half the stores at the end of the year. The renegotiations are expected to result in a reduction in rental payments in the low double-digit millions in both 2013 and 2014.

Financing largely secured

According to the restructuring programme, financing totalling 160 million euro was needed to implement the operational measures resulting from the restructuring concept. To obtain these funds, Praktikter AG adopted the following financing measures:

On 2 October 2012, negotiations on debt financing the restructuring and the reorganisation of Praktiker AG in central segments were concluded successfully. An investor group advised by the Austrian private bank Semper Constantia granted a secured loan of 40 million euro. In addition, Praktiker received a binding commitment from the Royal Bank of Scotland to provide an additional 20 million euro in 2013 after a successful capital increase.

On 12 October 2012, negotiations on a loan of 15 million euro, to be granted by a private investor, were concluded successfully. Its structure and the agreed conditions are based on the loan arranged by the Austrian private bank Semper Constantia at the beginning of October.

On 5 October 2012, Praktiker AG agreed a backstop with two potential investors. These investors had pledged to the company and the issuing bank that in the upcoming capital increase they would purchase unsubscribed new shares at a subscription price of 1.08 euro in an amount of up to 40 million euro.

On 19 November 2012, i.e. just before the capital increase, the composition and scope of this agreement changed. One of the investors withdrew, Donau Invest Beteiligungs Ges.m.b.H extended its existing commitment to purchase unsubscribed new shares to 35 million euro. Berenberg Bank, as the underwriting bank, also declared its willingness to purchase new shares up to a total value of 25 million euro. This meant that the entire amount of the planned capital increase was secured.

On 18 December 2012, as the last component of the funding concept, the capital increase was successfully concluded following the new shares’ admission to trading on the stock exchange for the first time. As planned, 55.6 million new shares were placed at a subscription price of 1.08 euro each during the subscription period, which ended on 13 December 2012. 30.6 million of these shares were allocated to holders of subscription rights. This equated to a subscription ratio of 55 percent. The remaining 25.0 million shares, for which subscription rights were not exercised, were acquired by Donau Invest Beteiligungs Ges.m.b.H at the subscription price in accordance with the above-mentioned backstop agreement.

As a result, Praktiker AG received gross proceeds of 60 million euro. Praktiker AG’s share capital increased from 58,000,000 euro to 113,555,556 euro.

The successful capital increase also meant that the key precondition for Praktiker AG being able to draw on the committed loan of 20 million euro from Royal Bank of Scotland in 2013 was fulfilled.

The same was true of the existing credit line of 40 million, which was committed for three years under the lead management of Commerzbank AG on 2 October 2012, 10 million euro of which Praktiker could access only following the successful capital increase. The credit line will not be used to finance restructuring measures but solely to finance working capital.

Praktiker AG issued option bonds in connection with the capital increase. They accrued to the providers of secured loans and the parties who had agreed to acquire the shares not allocated via subscription rights. The holders of these options were also granted protection against dilution for the capital increase. They made use of this to a minor extent only, namely 469,402 shares. As a result, the total number of shares increased to 114,024,958 and the share capital to 114.0 million euro.

The procurement of debt and equity needed for the restructuring measures was successfully implemented, as described, in the past financial year. The only component still missing from the concept to finance the restructuring is funding of some 30 million euro, which Praktiker AG aims to achieve in the course of the 2013 financial year through adjustments to the international portfolio or other means. Here, the conceivable spectrum ranges from the proceeds of sales to the reduction of losses and cash outflows through closures, agreements of joint ventures or other measures. The annual cash outflow has been reduced by a figure in the low double-digit millions simply by abandoning activities in Turkey, as was decided at the beginning of 2013.

New appointments to the management board and supervisory board

The restructuring has changed not only the organisational structure and the strategic positioning of Praktiker AG significantly, but has also led to changes in the membership of the management board and supervisory board.

In September 2011, the restructuring experts Thomas Fox and Josef Schultheis were appointed to the management board with the aim of putting Praktiker AG back on a sound financial footing. Their role ended in May 2012. The – up to then – member of the supervisory board Dr Kay Hafner was tasked with the role of Chairman of the management board on a temporary basis.

In mid-September Thomas Heinitz was appointed as an additional member of the company's management board, which has consisted of three members since that date. Heinitz has many years' experience in the operational DIY business and is responsible for Category Management/Procurement, Marketing and Logistics. He has been appointed for a period of three years.

On 11 October 2012, the long-standing Chairman of the supervisory board, Dr Kersten v. Schenck, stepped down from his office. On 12 October, Dr Erhard F. Grossnigg, who has been a member of this body since 2 August 2012, assumed the Chairmanship by resolution of the supervisory board.

At the same time, Dr Kay Hafner, since May the interim, since July the acting Chairman of the management board, asked to have his contract terminated. The supervisory board subsequently appointed Armin Burger as Dr Hafner's successor with effect from 16 October 2012. Like Grossnigg, Burger was appointed to the supervisory board of Praktiker AG on 2 August and resigned his supervisory board seat prior to being appointed Chairman of the management board.

On August 22, Ulrich Grillo resigned his supervisory board seat, followed by Zygmunt Mierdorf and Johann C. Lindenberg in mid November. The following persons were then appointed as new members of the supervisory board by resolution of the court until the annual general meeting in 2013: Alexander Eichner, Transition Manager, Duisburg, Dr Susan Hennersdorf, Member of the Management Board of Vodafone D2 GmbH, Düsseldorf, Dr Collin Schmitz-Valckenberg, Member of the Management Board of Blue Colibri Capital SARL, Luxembourg, Prof Dr Utho Creusen, entrepreneur, Ingolstadt, Dr Michael Schädlich, entrepreneur, Düsseldorf. Dr Michael Schädlich resigned his seat again in December. Ms Martina Dobringer, entrepreneur, Vienna, was appointed as supervisory board member in his place again by resolution of the court. In February 2013, Alexander Eicher resigned his supervisory board seat again; a replacement had not yet been nominated when this report went to press.

Repositioning measures again trigger extraordinary effects

In total, net extraordinary expenses of 29.6 million euro were incurred within the Praktiker Group in connection with the restructuring and its financing in 2012, which is far less than in the previous year (473.0 million euro).

Expenses related to restructuring measures totalled 59.4 million euro. Contained herein were the planned closures of stores up to 2014 which triggered provisions of 17.6 million euro in Germany and of 2.4 million euro abroad. Expenses were also incurred for the conversion of the first 27 stores from Praktiker to Max Bahr, which

accounted for extraordinary expenditure of 8.1 million euro. This also includes the additional cost of advertising the new stores. Moving the headquarters to Hamburg resulted in extraordinary expenses of 1.4 million euro. Further expenses were incurred for the ongoing project work including external consulting.

These expenses were offset by extraordinary effects of 30.9 million euro, which will increase earnings. They are the result of reversing provisions created in 2011 for certain measures relating to the original restructuring programme. Because the reasons for creating them no longer applied following the new version of the programme in May 2012, they were reversed accordingly. In essence, they were provisions for personnel measures and rental provisions for the head office buildings, which did not need to be used to the extent originally envisaged.

In addition, the change in corporate planning led to impairments of fixed assets and provisions for onerous contracts, which amounted to a net figure of 1.1 million euro within the Group. This balance contains extraordinary effects with a positive impact on earnings stemming from impairment tests, 13.4 million euro of which are accounted for in other operating income.

The following table shows how the extraordinary effects are distributed among the individual segments.

In the previous year, extraordinary expenses also resulted from the first-time adoption of a new method of valuing inventories. This expense was reflected in gross profit. Since this method has also been applied unchanged in 2012, no further extraordinary effects have arisen. Goodwill was also impaired in 2011 because of changes in corporate planning. There was no parallel to this either in 2012.

Reconciliation of consolidated income statement

in € m	reported 2012	reported 2011	reported Change in %	extraordinary effects 2012	extraordinary effects 2011	adjusted 2012	adjusted 2011	adjusted Change in %
Net sales	**3,003.2**	**3,183.0**	**–5.6**	–	–	**3,003.2**	**3,183.0**	**–5.6**
Costs of goods sold	2,060.9	2,206.3	–6.6	–	69.8	2,060.9	2,136.5	–3.6
Gross profit on sales	**942.4**	**976.6**	**–3.5**	–	**–69.8**	**942.4**	**1,046.5**	**–9.8**
Gross profit margin on sales in %	31.4	30.7	0.7 PP	–	–	31.4	32.9	–1.5 PP
Other operating income	84.0	68.1	23.3	–13.4	–	70.6	68.1	**–3.7**
Selling expenses	1,067.2	1,329.5	–19.7	23.4	224.5	1,043.8	1,104.9	–5.7
Administrative expenses	85.0	89.3	–4.7	19.6	19.1	65.4	70.1	–6.7
Other operating expenses	2.9	1.1	**169.8**	–	–	2.9	1.1	163.6
Operating earnings (EBITA)	**–128.8**	**–375.1**	**65.7**	**29.6**	**313.5**	**–99.1**	**–61.6**	**–60.9**
EBITA-margin on sales in %	–4.3	–11.8	7.5 PP	–	–	–3.3	–1.9	–1.4 PP
Impairment on goodwill	0.0	159.5	–	–	159.5	0.0	0.0	
EBIT	**–128.8**	**–534.6**	**75.9**	**29.6**	**473.0**	**–99.1**	**–61.6**	**–60.9**

Extraordinary effects per segment

in € m	Praktiker Group 2012	Praktiker Group 2011	Praktiker Germany 2012	Praktiker Germany 2011	Max Bahr 2012	Max Bahr 2011	Miscellaneous 2012	Miscellaneous 2011	International 2012	International 2011
EBITA (reported)	**–128.8**	**–375.1**	**–90.8**	**–262.5**	**–14.5**	**–20.9**	**–6.0**	**–7.6**	**–17.5**	**–84.1**
Impairment on inventories	–	69.8	–	29.0	–	22.1	–	1.7	–	17.1
Other operating income	–13.4	–	–4.0	–	**–1.7**	–	–	–	–7.7	–
Extraordinary expenses restructuring programme	28.5	95.8	10.8	79.5	12.1	0.4	3.2	0.1	2.4	15.9
Impairment on property, plant and equipment and additions to provisions for onerous contracts	14.5	147.9	1.4	74.5	10.9	14.7	–1.0	–0.1	3.2	58.8
EBITA before extraordinary effects	**–99.1**	**–61.6**	**–82.6**	**–79.6**	**6.8**	**16.3**	**–3.8**	**–6.1**	**–19.6**	**7.7**
Impairment on goodwill		159.5		159.5						
Extraordinary effects total	**29.6**	**473.0**	**8.2**	**342.4**	**21.3**	**37.2**	**2.2**	**1.6**	**–2.1**	**91.8**

BUSINESS-SPECIFIC AND GENERAL ECONOMIC SETTINGS

General economic settings

Economic output increased slightly in most countries in which the Praktiker Group operates in 2012. However, growth in gross domestic product did not exceed one percent in Germany and in many Eastern European countries. The economy grew more strongly solely in Poland and in Turkey. Economic output shrank slightly in Hungary and, at almost 5 percent, fell most sharply in Greece. In most countries, private consumer expenditure trended in line with macroeconomic output. Private consumption only increased far more rapidly than gross domestic product in the Ukraine. In Eastern Europe, expectations at the beginning of the year had suggested stronger growth in most cases, but the upturn failed to materialise in Eastern Europe in 2012. At the end of the year, the aggregated exchange rates of the currencies of relevance to Praktiker were above the level of the previous year, as an average over the year they were mainly below it. The euro therefore only weakened against most Eastern European countries in the latter part of the year.

German DIY market stable

The German DIY market has not expanded further in 2012. Indications to date make stagnation seem likely. In the first half, a rainy start to the summer prevented more rapid growth, while in the second half, it became clear that private consumption was losing momentum as the economy weakened. At the end of the third quarter, the first Praktiker stores were converted to Max Bahr. At the end of the year, Max Bahr had 27 more stores than at the same time in the previous year, of which 24 were already trading while three were under reconstruction. On account of this growth in its store portfolio, the Max Bahr brand increased its market share in Germany slightly. Praktiker has lost market share for the same reasons.

The number of DIY stores in Germany has decreased steadily since 2000. This trend stopped in 2012. The latest survey of the DIY sector by "Gesellschaft für Markt- und Betriebsanalyse" (gemaba) counted a total of 2,380 DIY stores, which in line with the definition of the industry association BHB had an internal selling space of more than 1,000 sqm, as at 1 January 2013. There was precisely one DIY store more in the previous year. Nevertheless, structural changes within this overall figure – newly opened stores are larger than those that closed – led to the industry's weighted selling space increasing slightly by 1.2 percent in 2012. Part of this growth is attributable to changes in the offer, such as the growth of gardening ranges or the focus on professional customers as is the case in the traditional building materials wholesale trade.

The competitive environment remained unchanged in 2012 in so far as there were no mergers among the competitors. However, the market share accounted for by the largest ten providers is likely to have increased slightly during the reporting year too.

Decline in most international markets

Indications available to date imply that demand for home improvement products fell in most international markets in which Praktiker operated in 2012. Specific figures for 2012 are not yet available for any country. Indications from the European industry association EDRA suggest that the DIY market only grew in the Ukraine. In Turkey, indications are that the market stagnated. In all other countries, namely in Bulgaria, Greece, Poland, Romania and Hungary, the DIY market is likely to have suffered declines in the moderate to high single digits. Over the course of the year, however, conditions in international business improved in as much as many currencies stopped falling or even appreciated slightly. Movements in exchange rates often indicate future economic developments. Should that be the case, expectations about the future will slowly brighten. However, in any case stronger currencies will contribute to the fact that sales and earnings that Praktiker AG achieves abroad will be translated into euro on more advantageous terms.

Changes to tax law

The tax conditions remained essentially unchanged in 2012.

Changes to product law

The final phase of a climate protection regulation by the EU Commission entered into effect on 1 September 2012. Since then, traditional light bulbs may no longer be sold irrespective of their wattage. All providers had to adjust their product ranges accordingly.

INCOME, FINANCIAL AND ASSET POSITION

Income position

Store portfolio downsized

At the end of the 2012 financial year, the Praktiker Group operated a total of 427 stores, twelve fewer than at the same date of the previous year. In Germany, eleven stores belonging to the Praktiker sales line were closed and three belonging to the Extra Bau & Hobby sales line, which is included in the Miscellaneous segment. The international portfolio increased by two stores. There were two new openings in the first quarter, one in Poland and one in Greece, while in the fourth quarter one new store was opened in Hungary and one store was closed in Turkey. The Group's selling space decreased by 2.1 percent in line with the number of stores. It fell by 3.2 percent in Germany and by 0.8 percent abroad.

Number of stores

by ownership structure	Property	Finance lease	Operating lease	Total
Praktiker Germany	3	32	162	**197**
Max Bahr		11	94	**105**
extra BAU+HOBBY (integrated stores)			14	**14**
Praktiker International	9	36	66	**111**
Praktiker Group	**12**	**79**	**336**	**427**
extra BAU+HOBBY Franchise[1] (informational)				**7**

[1]Not included in operating statistics

Number of stores

by countries	2012	2011	Change in %
Praktiker Germany	197	235	–16.2
Max Bahr	105	78	34.6
extra BAU+HOBBY	14	17	–17.6
Germany	**316**	**330**	**–4.2**
Bulgaria	9	9	0.0
Greece	14	13	7.7
Luxembourg	3	3	0.0
Poland	25	24	4.2
Romania	27	27	0.0
Turkey	9	10	–10.0
Ukraine	4	4	0.0
Hungary	20	19	5.3
International	**111**	**109**	**1.8**
Praktiker Group	**427**	**439**	**–2.7**

Weighted selling space

in 1,000 sq m	2012	2011	Change in %
Praktiker Germany	1,177.8	1,419.8	–17.0
Max Bahr	811.9	627.8	29.3
extra BAU+HOBBY	55.3	64.3	–14.1
Germany	**2,045.0**	**2,112.0**	**–3.2**
Bulgaria	52.8	52.8	0.0
Greece	84.8	81.4	4.2
Luxembourg	20.9	20.9	0.0
Poland	194.2	186.1	4.4
Romania	184.3	184.3	0.0
Turkey	72.8	79.6	–8.5
Ukraine	31.6	31.6	0.0
Hungary	130.1	129.0	0.8
International	**771.5**	**765.7**	**0.8**
Praktiker Group	**2,816.5**	**2,877.7**	**–2.1**

Net sales declined

The Praktiker Group generated net sales of 3,003.2 million euro in the 2012 financial year, down 5.6 percent on the previous year. Business in Germany declined by 4.3 percent to 2,191.4 million euro, while international business fell by 9.2 percent to 811.8 million euro. In Eastern European countries in particular, the general economic conditions remained unconducive to growth in disposable income, consumption and, specifically, demand for products in the DIY sector. In the first nine months of the year, weaker exchange rates on average also contributed to the fact that the sales generated in local currency were not transferred into euros to the same extent as in the previous year. Only towards the end of the year did some of the currencies important to Praktiker increase in value again. Over the year as a whole, the decline in sales outside Germany would have been 1.6 percentage points lower and the decline in consolidated sales 0.4 percentage points lower if exchange rates had remained constant.

In Germany, steep declines in sales were posted particularly at the beginning of the second quarter and in the third quarter. In April, the entire DIY sector suffered from a rainy start to the spring season. Gardening business did not take off, and it was not possible to make up for the sales lost here in the following months, either. In the third quarter, relationships with customers, suppliers and service providers were then increasingly overshadowed by questions of the company's future viability, as it took longer to procure the funds required for the implementation of the restructuring programme than had originally been expected. Cer-

tain suppliers were temporarily unwilling to deliver goods on the same scale or at the same conditions as before. The availability or goods in the stores was thus considerably reduced. Both German sales lines suffered from these adverse circumstances, but Praktiker to a much greater extent than Max Bahr.

Additional shifts in the share of sales generated by the sales lines occurred in the final months of the year under review as a result of the conversion of Praktiker stores into the Max Bahr sales line.

Net sales

in € m	2012	2011	Change in %
Praktiker Germany	1,408.6	1,506.9	−6.5
Max Bahr	699.9	694.8	0.7
Miscellaneous	83.0	87.1	−4.8
Germany	**2,191.4**	**2,288.8**	**−4.3**
International	**811.8**	**894.2**	**−9.2**
Praktiker Group	**3,003.2**	**3,183.0**	**−5.6**

Net sales

Change yoy in %		2012	2011
Praktiker Group	absolute (in €)	−5.6	−7.7
	like-for-like (in €)	−5.5	−8.4
	absolute (in local currency)	−5.2	−7.0
	like-for-like (in local currency)	−5.1	−7.7
Germany	absolute	−4.3	−6.7
	Praktiker	−6.5	−10.3
	Max Bahr	0.7	1.4
	like-for-like	−3.5	−6.8
	Praktiker	−3.0	−10.2
	Max Bahr	−3.7	1.3
International	absolute (in €)	−9.2	−10.2
	like-for-like (in €)	−10.5	−12.4
	absolute (in local currency)	−7.6	−7.8
	like-for-like (in local currency)	−9.2	−10.1

Fewer customers, stable average purchase

The decline in sales in 2012 is largely attributable to fewer customers choosing to buy from Praktiker or Max Bahr. Throughout the Group, the number of customer contacts fell by 4.8 percent to 115.9 million. In Germany, the Praktiker brand's general departure from its previously familiar advertising campaigns with global discounts also played a role here, in addition to the weather effects and the uncertainties described above. Furthermore, the 24 stores that were converted from Praktiker to Max Bahr over the course of the year (another three stores were in the process of conversion at the end of the year) remained closed for a good four weeks on average.

In international markets, many customers remained retentive since expenses for renovation or home improvement did not seem particularly urgent in light of the unpromising prospects. Together with continued price sensitivity, this is probably one of the main reasons why the average purchase value in international business was also 4.2 percent lower in 2012 than in the previous year, at 24.6 euro. By contrast, the average purchase value in the German market increased slightly by 0.6 percent to 26.4 euro, while in the Max Bahr sales line it rose by as much as 1.2 percent to 28.1 euro per purchase.

Customer contacts and average purchase 2012

	Customer contacts		Average purchase	
	in million	Change yoy in %	in €	Change yoy in %
Praktiker Germany	55.1	−6.4	25.6	−0.1
Max Bahr	25.3	−0.2	28.1	1.2
Miscellaneous	2.5	−6.6	24.7	4.2
Germany	**82.8**	**−4.6**	**26.4**	**0.6**
International	**33.0**	**−5.4**	**24.6**	**−4.2**
Praktiker Group	**115.9**	**−4.8**	**25.8**	**−0.8**

Gross profit on sales decreased

Along with sales, the gross profit on sales also declined. It amounted to 942.4 million euro in the year under review, 3.5 percent lower than in the previous year. This corresponds to a gross margin on sales of 31.4 percent, up 0.7 percentage points year-on-year.

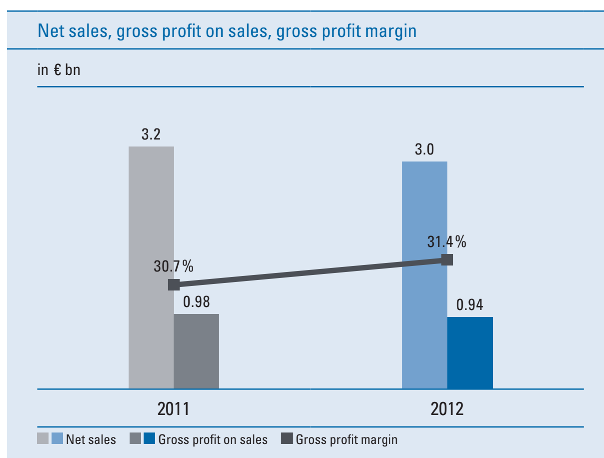
There were various reasons for the increase in the gross margin. In international business, customers remained sensitive to prices but price concessions were reduced rather than being increased further. Because the currencies of many countries strengthened as the year progressed, the pressure on import prices also decreased. And in contrast to the previous year, inventory management was much more conservative. Special measures to sell off stock therefore were not necessary again. Overall, these different influences had a positive impact on the gross margin generated in international business.

In Germany, the gross margin on sales of the Praktiker sales line decreased slightly as against the previous year. The main reasons for this related to the first half of the year. In particular, the adverse weather conditions in the second quarter resulted in a weak gardening season. In the second half of the year, the gross margin on sales was higher than

the previous year's figure again. This was partly due to the fact that excess inventory had been sold with high price concessions in the second half of the previous year. There were no comparable campaigns in 2012 – an effect that also applied to the Max Bahr sales line. However, in the Praktiker sales line this was not enough to compensate for the slump in the second quarter.

Despite weak gardening business here, too, the Max Bahr sales line increased its gross margin on sales as compared to the previous year. This was due, on the one hand, to Max Bahr consistently pursuing a strategy of modest but appropriate promotions throughout the year. In the final months of the year, the gross margin on sales was then given an additional boost, as the margin in the new stores transferred from the Praktiker sales line was higher than average due to suppliers supporting the new store openings.

Net sales, gross profit on sales, gross profit margin



Other operating income up on previous year

Other operating income relates mainly to retail business items: advertising expense allowances, central A/P clearing for sales lines, and rental income from subleases. It amounted to 84.0 million euro in the year under review and was thus higher than the previous year's figure of 68.1 million euro. There were two main reasons for this increase. Firstly, it is due to the higher advertising cost allowances granted by suppliers in connection with the conversion of Praktiker stores to the Max Bahr sales line – partly for the stores that were converted from Praktiker to Max Bahr. Secondly, in 2012 – unlike in the previous year – other operating income also included reversals of write-downs on fixed assets that resulted from the usual year-end impairment tests and are also allocated to extraordinary effects.

Decline in extraordinary effects

The 2012 financial year was influenced by extraordinary effects to a much lesser degree than the previous year. Extraordinary effects chiefly consisted of expenses for the conversion of Praktiker stores to the Max Bahr sales line, expenses for further planned store closures and the consulting expenses that were incurred in a comparatively high amount in 2012 due to the wide range of strategic and financing issues.

In contrast to the previous year, no expenses attributable to the cost of goods sold were incurred and there was no impairment of goodwill. However, the impairment tests resulted in effects with a positive impact on earnings in 2012, which were included in other operating income in some cases. In operating expenses, there were net extraordinary expenses totalling 43.0 million euro. In the previous year, operating expenses had included extraordinary effects in the amount of 243.7 million euro.

Operating expenses reduced

Operating expenses amounted to a total of 1,155.1 million euro in 2012, representing a decline of 264.8 million euro or 18.6 percent as against the previous year. This decrease therefore contributed substantially to the improvement in earnings.

However, the majority of the decrease is attributable to the change in extraordinary effects. Adjusted for the extraordinary expenses that occurred in each year, operating expenses were 64.0 million euro or 5.4 percent lower in 2012 than in the previous year. There were decreases here in all major expense items, such as personnel expenses, rental expenses and advertising expenses.

Selling expenses declined by 262.3 million euro or 19.7 percent to 1,067.2 million euro (previous year 1,329.5 million euro), and administrative expenses by 4.2 million euro or 4.7 percent to 85.0 million euro (previous year 89.3 million euro).

Other operating income, selling and administrative expenses, EBITA

in € m	2012	2011	Change
Gross profit on sales	**942.4**	**976.6**	**–34.3**
therein included extraordinary effects	0.0	–69.8	69.8
Other operating income	84.0	68.1	15.9
therein included extraordinary effects	13.4	–	13.4
Selling expenses	1,067.2	1,329.5	–262.3
therein included extraordinary effects	–23.4	–224.5	201.2
Administrative expenses	85.0	89.3	–4.2
therein included extraordinary effects	–19.6	–19.1	–0.5
EBITA	**–128.8**	**–375.1**	**246.3**
therein included extraordinary effects	–29.6	–313.5	283.9
EBITA before extraordinary effects	**–99.1**	**–61.6**	**–37.6**

Main expense items

in € m	2012	2011	Change
Selling and administrative expenses	**1,152.2**	**1,418.7**	**–266.5**
Personnel expenses incl. redundancy payments and social contributions	424.3	511.1	–86.8
Rents	314.4	320.7	–6.3
Marketing expenses	94.1	108.6	–14.5
Depreciation (ordinary)	61.9	75.8	–13.9
Energy expenses	47.3	47.4	–0.1
Maintenance	30.7	32.7	–2.0

Significant improvement in EBITA

At minus 128.8 million euro, EBITA was up significantly year-on-year (minus 375.1 million euro). However, this improvement is due solely to the reduction of extraordinary effects. EBITA before extraordinary effects decreased to minus 99.1 million euro (previous year minus 61.6 million euro). The negative effect on earnings from the decline in sales and gross profit could not be fully compensated for on the cost side. Changing exchange rates added to the deterioration in earnings only slightly in the amount of 0.1 million euro.

No goodwill impairment

Impairments of 159.5 million euro had been recognised on goodwill at Praktiker Germany in the previous year as a result of the modification of corporate planning. This impairment had reduced EBIT by a corresponding amount. No comparable expenses were incurred in 2012.

Net financial result improved due to currency effects

Interest expenses totalled 47.1 million euro in 2012, up only slightly as compared to the previous year (46.5 million euro).

Interest for finance leases amounted to 21.9 million euro, while interest expenses for corporate bonds came to 15.3 million euro. In October 2012, Praktiker AG collected secured loans totalling 55 million euro; these were reflected pro rata for the last three months in interest expenses.

At 0.9 million euro, interest income in the year under review was lower than in the previous year, as on average a lower level of funds was available for short-term investment. Overall, net interest decreased by 2.7 million euro to minus 46.2 million euro.

Other net financial result benefited substantially from changes in exchange rates in 2012. Increased year-end exchange rates resulted in a positive balance from currency gains and losses and therefore a positive other net financial result of 10.4 million euro (previous year minus 16.3 million euro). There was also a positive effect from the balance of income and expenses from the remeasurement of financial liabilities, as finance leases had to be remeasured as a result of the renegotiation of rents. The existing leases were reversed in income and the new ones were recognised as expense.

A net financial result of minus 35.8 million euro was reported for 2012, representing a year-on-year improvement of 23.9 million euro (previous year minus 59.8 million euro).

Net financial result

in € m	2012	2011	Change
Financial income	**56.7**	**27.8**	**28.9**
thereof interest income	0.9	3.0	–2.1
thereof exchange rate gains and valuation gains from derivatives	39.7	24.6	15.1
Financial expenses	**92.5**	**87.5**	**5.0**
thereof interest expenses from finance leases	21.9	23.1	–1.2
thereof interest expenses from convertible bonds	–	5.8	–5.8
thereof interest expenses from corporate bonds	15.3	13.6	1.7
thereof interest expenses from secured loans	2.2	–	2.2
thereof exchange rate losses and valuation losses from derivatives	31.0	37.2	–6.2
Net financial result	**–35.8**	**–59.8**	**23.9**

Taking the net financial result into account, EBT amounted to minus 164.6 million euro (previous year minus 594.3 million euro).

Earnings

in € m	2012	2011	Change
EBITA	– 128.8	– 375.1	246.3
Net financial result	– 35.8	– 59.8	23.9
EBT	– 164.6	– 594.3	429.7
Income taxes	– 24.3	39.6	63.9
Net loss	– 188.9	– 554.7	365.8
EPS in €	– 3.13	– 9.58	6.45

Income tax expense despite negative earnings before taxes

Income tax expense totalled 24.3 million euro in 2012 after a tax income of 39.6 million euro was generated in the previous year.

This income tax expense was incurred in spite of the negative operating earnings before taxes. Trade tax additions in Germany were incurred independently of earnings, and there were some expense items in the IFRS financial statements which reduce earnings before taxes but are not considered expenses in the country-specific tax accounts.

In addition, as a result of current taxation Praktiker incurred corresponding, cash-effective tax expense in the countries where a positive tax result was generated. An impairment requirement of 6.5 million euro was also recognised when measuring the deferred tax assets for as yet unused tax losses. Furthermore, it was decided not to capitalise deferred tax assets on tax losses incurred in the 2012 financial year in the amount of 56.5 million euro. More detailed information on this is included in the tax reconciliation in the notes (page 82).

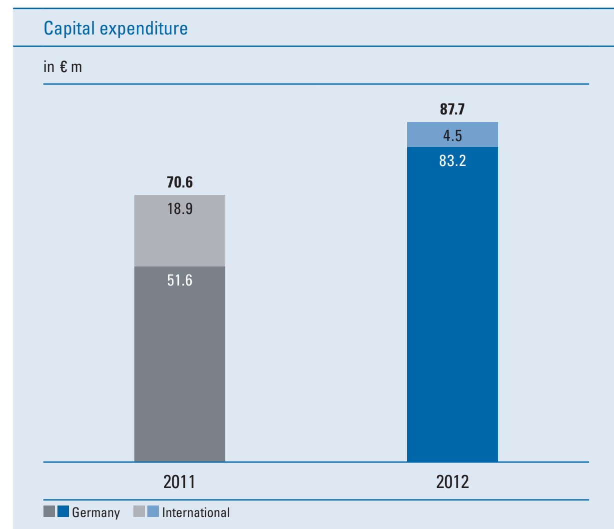
After deducting taxes, the net loss for the year amounted to 188.9 million euro. The basic loss per share (EPS) for 2012 was 3.13 euro (previous year loss of 9.58 euro).

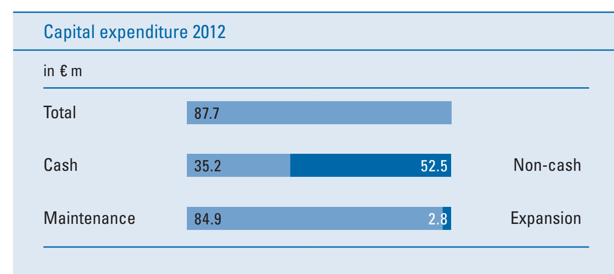
Financial position

Cash-effective capital expenditure down on previous year

The Group's capital expenditure amounted to 87.7 million euro in 2012, representing an increase of 17.1 million euro as against the previous year (70.6 million euro). However, this growth is attributable solely to non cash-effective capital expenditure, which totalled 52.5 million euro (previous year 8.0 million euro). Non cash-effective capital expenditure arises when new finance leasing locations are opened or when existing locations are reclassified. This may happen when rental agreements are extended. Praktiker agreed to such extensions in many cases as part of rent reduction negotiations to compensate for corresponding concessions in rents. The capital expenditure therefore results from the accounting treatment of changed contractual relationships as stipulated under IFRS, rather than from expansion of the store portfolio.

35.2 million euro of the total capital expenditure was cash-effective, considerably less than in the previous year (62.6 million euro). The aim was to implement the measures for the repositioning in Germany in line with planning, and otherwise to limit cash outflows for store maintenance and a functioning infrastructure, particularly with regard to IT, to the most necessary measures. The majority (16.2 million euro) of capital expenditure therefore related to the conversion of former Praktiker stores to the Max Bahr sales line. 9.3 million euro was invested in modernisation in Germany and abroad, and 2.8 million euro in new construction projects. Investments in expansion were reduced to the level that was unavoidable due to corresponding contractual obligations already in place.





Liquidity below previous year's level

At 82.3 million euro, cash and cash equivalents at the end of 2012 were significantly below the figure for the previous year (148.0 million euro). The cash outflow in operating business amounted to 114.7 million euro (previous year minus 79.2 million euro), mainly due to the negative overall business development.

By contrast, working capital improved because lower inventories were accompanied by higher trade payables than in the previous year.

There were various reasons for the increase in trade payables. On average, the former Praktiker stores that had been converted into Max Bahr were granted considerably longer payment terms by suppliers than is usual in normal operations. This was partly offset by reductions in payment terms granted by other suppliers that would otherwise have limited or even completely suspended their deliveries in view of Praktiker AG's tense economic situation. In addition, procurement of imported goods was better coordinated with the times they were required. As a result, the window of payments shifted in time and in 2012 also included the balance sheet date. In total, trade payables rose to 419.6 million euro (previous year 353.7 million euro).

Inventories amounting to 640.4 million euro were reported as of the end of the year under review (previous year 654.2 million euro). This decline corresponds with the reduction of the Group's store portfolio.

At 33.3 million euro, the liquid funds used in investing activities (capital expenditure minus sale of assets) were considerably lower than in the previous year (61.7 million euro). Investing activities focused on the conversion of former Praktiker stores to the Max Bahr sales line and the most necessary measures for store maintenance and functioning infrastructure.

Cash flow from financing activities recorded a positive balance of 65.2 million euro. It reflected the inflow of funds from the secured loans and the capital increase, which was partly offset by the repayment of finance lease liabilities and by interest payments. However, the positive external financing contribution could not offset the cash utilisation resulting from operating and investing activities.

Cash flow

in € m	2012	2011	Change
Earnings before taxes	– 164.6	– 594.3	429.7
Cash flow from operating activities	– 114.7	– 79.2	– 35.5
Cash flow from investing activities	– 33.3	– 61.7	28.4
Cash flow from financing activities	65.2	23.2	42.0
Cash and cash equivalents as at 31/12	65.6	148.0	– 82.4

Asset position

Total assets nearly unchanged

Total assets changed only slightly in 2012 as compared to the previous year. At 1,476.2 million euro, they were 2.5 percent lower than in the previous year. In the balance sheet structure, however, there were significant changes in a number of items.

On the assets side, property, plant and equipment climbed by 18.4 million euro to 407.2 million euro. This increase is partly due to the fact that, following changes in rental agreements, a number of stores that had previously been classified under operating leasing were then included among the finance leasing locations in accordance with the IFRS financial reporting standards. This entails capitalisation of the assets. In addition, the increase also reflects investments in the converted stores.

Inventories declined by 13.8 million euro to 640.4 million euro. This decline corresponds with the reduction of the store portfolio.

After financing the net losses, cash and cash equivalents were down 65.8 million euro year-on-year, amounting to 82.3 million euro at the end of the financial year.

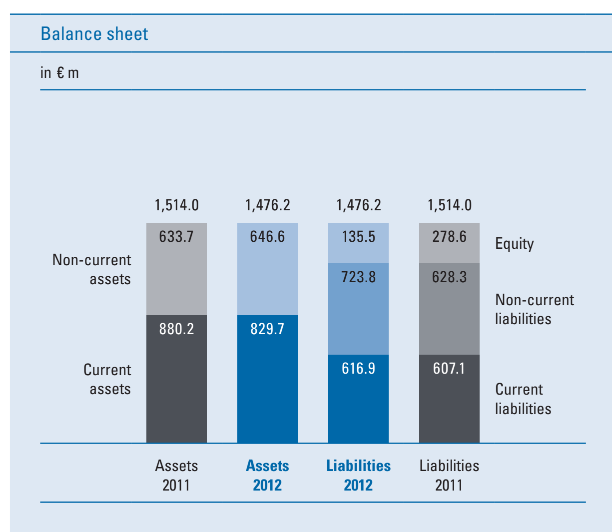
Under equity and liabilities, trade payables rose by 65.9 million euro to 419.6 million euro for the reasons described above. Total other provisions (short-term and long-term) decreased by 25.4 million euro to 191.8 million euro. This was primarily due to the reversal of provisions that had been recognised for measures from the original restructuring programme in 2011. These provisions had to be reversed because, following the shift in strategic alignment in May 2012, the reasons for recognising them no longer applied. This was accompanied by the utilisation of provisions for measures that were implemented as originally planned.

The total figure for current and non-current financial liabilities rose by 74.1 million euro to 573.2 million euro. Liabilities to banks increased by 49.1 million euro after the secured loans were collected in October. Financial liabilities from finance leases were up 23.0 million euro at 270.1 million euro due to the above-mentioned reclassification of rental agreements.

Equity absorbed the losses in the financial year and consequently declined to 135.5 million euro, corresponding to an equity ratio of 9.2 percent. The decline as against the comparable figure for the previous year was 143.0 million euro. By contrast, the share capital increased by 56.0 million euro to 114.0 million euro following the capital increase in the previous year.

Balance sheet

in € m



Net debt increased

Net debt amounted to 491.0 million euro as at the end of 2012 and exceeded the previous year's figure (351.1 million euro) as cash and cash equivalents declined by 65.7 million euro whereas financial liabilities increased by 74.1 million euro.

The main reason for the increase in financial liabilities to banks to 302.8 million euro was the secured loans collected in October. These were used to finance measures from the restructuring programme.

Finance lease liabilities rose by 23.0 million euro to 270.1 million euro, as the pro rata temporis redemption of existing liabilities was lower than the increase in liabilities resulting from the reclassification of 16 locations as finance leasing locations rather than operating leasing locations as a result of the renegotiation of rents. The financial liabilities resulting from finance leases accounted for almost half of all financial liabilities. Rental agreements classified as finance leases are accounted for as liabilities under IFRS, but the underlying contracts are rental agreements with current monthly rental payments. There are options to prolong rental agreements when they expire but no options or obligations to acquire the stores concerned.

With the capital increase at the end of the year, option bonds totalling 0.4 million euro were also issued, increasing financial liabilities by a corresponding amount.

Net debt

in € m	31/12/2012	31/12/2011	Change
Cash and cash equivalents	82.3	148.0	–65.7
Liabilities from corporate bonds	247.8	247.2	0.6
Liabilities from secured loans	49.1	0	49.1
Liabilities against financial institutions	5.9	4.9	1.0
Liabilities from finance leases	270.1	247.1	23.0
Liabilities from convertible bonds	0.4	0	0.4
Net debt	**–491.0**	**–351.1**	**–139.9**

Net working capital down

The financing needs for parts of the non-current assets (net working capital) amounted to 270.1 million euro in the financial year, a significant slide as against the previous year (347.2 million euro). Inventories declined in line with the reduction of the store portfolio, whereas trade payables increased for the reasons described above.

Financial position tense

The Praktiker Group reported cash and cash equivalents of 82.3 million euro as at the end of the 2012 financial year, which was significantly less than the previous year's figure (148.0 million euro) in spite of the inflow of funds from the secured loans and the capital increase. The Group also has credit facilities of 40 million euro available to it in Germany and credit facilities of 10.1 million euro abroad. In addition, in 2013 the Royal Bank of Scotland will grant the secured loan of 20 million euro that was contractually agreed in October 2012. This will be utilised gradually over the first half of 2013. The payout was subject to the precondition of a successful capital increase. Adjustments in international business and other measures are expected to result in additional liquidity of 30 million euro or more over the remainder of the year. The decision taken in early 2013 to withdraw from Turkey is already making a significant contribution to this.

Beyond current cash and cash equivalents and the lines of credit available, additional financial means can potentially be generated – partly with subscription rights exempted – by authorised capital as resolved by the 2010 annual general meeting (25 million new shares). In addition, there is the option to issue further convertible and warrant-linked bonds on the basis of the authorisation of the 2012 annual general meeting resolution, which would be covered by the contingent capital approved by the 2012 annual general meeting

resolution (250 million euro). Here, too, it is possible to exempt subscription rights for a partial amount.

EVA discontinued as key performance indicator

Starting from the 2012 financial year, the Praktiker Group will no longer report on the amount of or changes in economic value added (EVA®). In times of restructuring, securing liquidity and maintaining the company are the top priorities for the management. Trying to measure the success of having ensured Praktiker AG's survival in terms of changes in EVA would not make sense. The measurement of executives' variable remuneration components in line with this key performance indicator was also discontinued. Instead, an EBITA target was determined for 2012 and in the event that this is achieved the executives are granted a bonus payment specified as an absolute amount.

Overall performance impacted by restructuring

The 2012 financial year was dominated by changes in the strategic orientation and efforts to secure financing for the restructuring measures. The original objectives for 2012 could not be met, as they were based on prerequisites that proved over time to be unrealistic, namely continuing to develop the Praktiker brand in Germany with a focus on service, closing a large number of stores, and obtaining external funds for the restructuring in an amount exceeding the funds currently obtained by more than double.

Measured against these expectations, the development in the financial year was unsatisfactory. Nevertheless, based on the expectations that were formulated following the strategic reorientation based on making Max Bahr the primary sales line in Germany, the year essentially fulfilled these expectations. External funding was secured and the capital increase was implemented. The restructuring measures were also implemented step by step on schedule and in line with the adjusted planning. The fact that, in light of the uncertainties caused by the company's temporarily intransparent course, the economic results did not reach the level that would have been possible without these irritations, must be accepted as an unpleasant but unavoidable side effect. What appears more important, however, is that since the end of the year Praktiker AG has once again had a stable management, a clear plan for how to achieve a return to economic success, and the funds to finance this process. As such, in 2012 the company created the right conditions to regain, step by step, the economic strength that characterised this company in the past.

SEGMENT REPORTING

Germany

The German DIY market did not expand further in 2012. Indications to date make stagnation seem likely. Halfway through the year, the industry association BHB had still forecast growth of 1.1 percent but adverse weather conditions had a negative impact on spring business and prevented stronger growth. In the second half of the year, it became increasingly apparent that the economy as a whole was stagnating and consequently private consumption and demand for DIY products was suffering as well.

In this environment, the Max Bahr brand increased its market share slightly because its store portfolio expanded by 27 stores or a good third in the last months of the year as a result of former Praktiker stores being converted. Praktiker lost market share for the same reason.

Segment report Praktiker Germany

Fewer stores, fewer sales

At the end of the financial year, Praktitker operated a branch network of 197 stores in Germany. This was 38 stores fewer than at the same time in the previous year. Eleven loss-making stores were closed, 27 locations were converted to the Max Bahr sales line up to the end of the year three of which were still under reconstruction at year´s end.

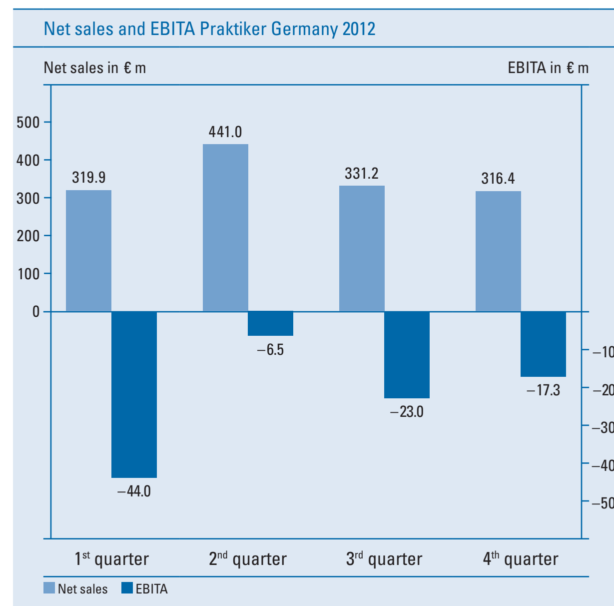
The reduction in the store portfolio is therefore a key reason for Praktiker Germany having to accept a decline in sales of 6.5 percent to 1,408.6 million euro in the past financial year (previous year 1,506.9 million euro). In like-for-like terms, the decrease was only 3.0 percent. With the like-for-like figure, it should be noted that Praktiker changed the calculation basis at the end of the year because of the conversion of approximately 120 stores, some of which have already been converted and some of which are still in the planning process. Only those stores, which are to retain the Praktiker brand in future and which therefore constitute the target portfolio, were taken into account under the Praktiker brand. This change seemed advisable as it will allow to report on the sales development of an unchanging store portfolio in future.

In the first six months, when Praktiker Germany was still pursuing a different strategic focus, the sales decline was kept within moderate limits, at 2.6 percent. A slump then occurred in the third quarter, which was unusually pronounced, at 15.2 percent. The strategic shift in favour of Max Bahr and, in particular, the previously unresolved question of financing the restructuring programme had led to considerable uncertainty regarding the company’s future among employees, suppliers and customers and consequently also to a marked fall in the availability of goods in the stores. This uncertainty gradually eased in the fourth quarter, when it became apparent that funding was secured and that the capital increase could be successfully implemented. To remind customers of the company, Praktiker also increased its marketing endeavours in the fourth quarter and consequently achieved a 7.0 percent like-for-like increase in sales in the remaining stores. At the end of the third quarter, the first seven Praktiker stores were converted to the Max Bahr sales line. A further 20 stores followed in the fourth quarter. For the Praktiker brand, sales were permanently lost to a corresponding degree.

Key data Praktiker Germany

Net sales, EBITA and capital expenditure in € m	2012	2011	Change in %
Net sales	1,408.6	1,506.9	−6.5
like-for-like sales growth in %	−3.0	−10.2	
Gross profit on sales	408.3	448.3	−8.8
Gross profit margin in %	29.0	29.7	−0.7 PP
EBITA	−90.8	−262.5	65.4
in % of net sales	−6.4	−17.4	11.0 PP
EBITA before extraordinary effects	−82.6	−79.6	−3.8
in % of net sales	−5.9	−5.3	−0.6 PP
Capital expenditure	63.6	45.7	39.1
Number of stores (31/12)	197	235	−16.2
Selling space in 1,000 sqm (31/12)	1,178	1,420	−17.0
Employees, yearly average on full-time basis	7,589	8,008	−5.2

Net sales and EBITA Praktiker Germany 2012



Gross profit on sales declined

The sales decline was inevitably associated with a reduction in gross profit on sales. It decreased by 8.8 percent to 408.7 million euro (previous year 448.3 million euro). The gross profit margin reached 29.0 percent, which is 0.7 percentage points less than in the previous year. The deterioration is mainly attributable to the second quarter. In spring, first and foremost adverse weather conditions in April caused a downturn in business, in which the garden range, in particular, could only be sold with substantial discounts. In the second half, the gross margin improved slightly compared with the previous year. However, it remained at a low level, especially as Praktiker focused increasingly on marketing campaigns to remind customers of the company following the slump in sales in the third quarter and to actively confront the persistent uncertainty about the company's future. These campaigns, which Praktiker also viewed as an investment in the future and a reduction in the risk of further negative sales development, were associated with increased price concessions to the detriment of the gross profit margin.

Extraordinary effects down

Extraordinary effects were far less significant in 2012 than in the previous year. They accounted for 8.2 million euro and were consequently 174.7 million euro below the same figure in the previous year (182.9 million euro). Impairments on inventories of 29.0 million euro, which had been caused by the first-time adoption of an amended valuation process, did not materialise again in 2012. Impairments on property, plant and equipment and provisions for onerous contracts, which are attributable to changes in corporate planning, amounted to 74.5 million euro in the previous year. By contrast, in 2012 a positive effect amounting to 2.6 million euro contributed to earnings. This resulted from the fact that stores left the Praktiker portfolio and consequently provisions for onerous contracts, which had previously been set up for these stores, could be reversed. The expenses for restructuring, which also contained expenses for advice on the various capital market-related aspects of the financing, reached 10.8 million in the Praktiker Germany segment in 2012. In the previous year, this type of expenses had amounted to 79.5 million euro.

Operating earnings (EBITA) also remained negative in 2012 but improved considerably compared with the previous year because of the reduction in extraordinary effects. They reached minus 90.8 million euro (previous year minus 262.5 million euro). Before extraordinary effects, EBITA remained nearly stable and reached minus 82.6 million euro (previous year minus 79.6 million euro). In the course of the year, eleven previously loss-making Praktiker stores were closed in total. However, since most markets did not cease trading until the third quarter, the closures did not result in any significant improvement in earnings in 2012.

Praktiker in transition period to reposition

Following the decision to make Max Bahr the main sales line in Germany, there have also been changes to the view of how the Praktiker brand is to be developed in future. The strategic concept for the Praktiker brand targets the role of a "streamlined" retailer for DIY products. In Germany, Praktiker will therefore concentrate on the original brand core of offering very competitive prices, a differentiating factor, which customers still associate with the brand.

The blueprint for a different image for the remaining Praktiker stores has already been drawn up. Praktiker will retain its presence in Germany with stores of up to 5,000 square metres that present themselves more as local suppliers, focusing their reduced product range on the most common items, and will appeal more strongly than before to the target groups of price-sensitive DIYers and craftspeople through selected promotions. The conceptual adjustments have already been set and will be implemented step-by-step in the remaining Praktiker stores over the course of 2013. The aim is to operate over 90 stores permanently under the "lean DIY" format.

However, for the customer, no visible steps were taken in this direction in 2012. These will not be taken until 2013. In the transition phase between the originally planned development of the brand, as was apparent at the beginning of the year in the stores in Heppenheim and Kaiserslauten, and the new orientation described above, Praktiker will focus on tried and tested sales patterns in 2013. At the end of the year, it reverted to forms of advertising recognisably associated with the previous campaign and discount-driven positioning. This will also be the case temporarily in 2013, until the advertising associated with the new image is fundamentally redesigned.

Ensuring customer loyalty across all brands

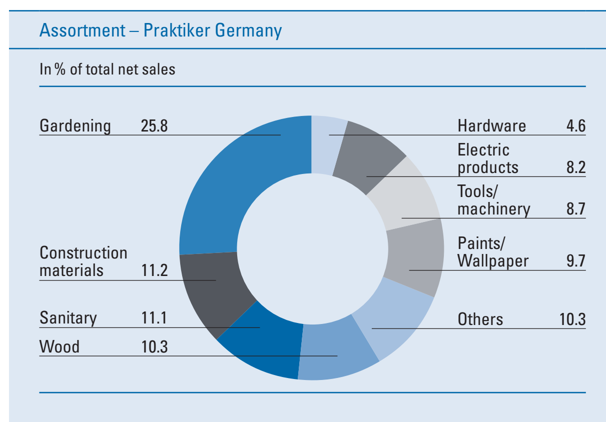
Praktiker aims to generate long-term customer loyalty to its brand. The most important instrument in this process is the customer card, which offers holders a wide range of benefits. To ensure a stable customer base in stores which will be converted from Praktiker to Max Bahr, holders of Praktiker customer cards will be offered the opportunity to switch to the Max Bahr customer card. The degree to which this offer has been accepted suggests that many former regular Praktiker customers can be persuaded to buy from Max Bahr at the same store in future. At the end of the year, there were more than 4 million Praktiker customer cards in circulation, of which a good 2.2 million cards were actively used in 2012. These loyal customer card holders accounted for almost 43 percent of sales at Praktiker in Germany.

Investment in repositioning stopped

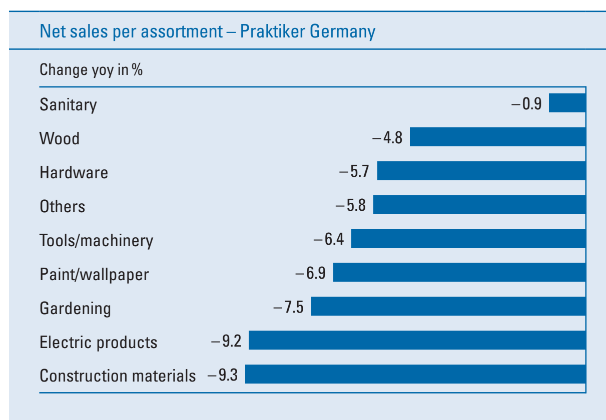
At the beginning of the financial year, Praktiker was still investing in the marketing concept, which was considered to offer a promising future at the time. Following the strategic decision to make Max Bahr the main sales line in Germany, however, this investment was stopped. Investment in the German Praktiker stores therefore only came to 11.1 million euro in 2012 (previous year 45.7 million euro) and was restricted to the repair and maintenance measures that were absolutely necessary.

However, 52.5 million euro of non-cash investments have to be added to these cash investments. They are the result of a reclassification of stores in the accounts. In some cases, renegotiation of the rental terms led to an extension of the tenancy agreements as compensation for a reduction in the rental. This meant that some stores, which had previously qualified as operating leasing, had to be reclassified as finance leasing stores. As a consequence of this, assets in these stores had to be capitalised in property, plant and equipment.

Assortment – Praktiker Germany



Net sales per assortment – Praktiker Germany



Segment report Max Bahr

Store network expanded

At the end of the 2012 financial year, Max Bahr operated 105 stores, 27 more than a year ago. The growth was the result of the strategic decision to make Max Bahr the Praktiker Group's main sales line in Germany. All 27 new stores previously belonged to the Praktiker sales line, 24 were already trading at the end of the year, while three were still being converted. The first converted stores were reopened at the end of September.

Sales increased and market share gained

The expansion in the store network led to a corresponding increase in sales. In 2012, Max Bahr achieved net sales of 699.9 million euro, 0.7 percent more than in the previous year (694.8 million euro). In a stagnant market, this also means that Max Bahr has probably gained a small amount of additional market share. In the first half of the year, Max Bahr's sales were still 0.2 percent up on the previous year following a sharp rise in sales in the first quarter and a weather-related slump in the second quarter. While the entire sector suffered from the cold, wet weather in April, Max Bahr was particularly hard hit because the garden range is one of it´s strengths. In the third quarter, Max Bahr was affected by its the same factors as Praktiker: the still unresolved question of financing the restructuring programme had led to considerable uncertainty regarding the company's future among employees, suppliers and customers and consequently also to a marked fall in the availability of goods in the stores. Sales fell noticeably. In the final months of the year, sales then rose sharply by 8.3 percent following the expansion of the store network. However, business also stabilised in the existing stores, although like-for-like sales were 2.4 percent down on the previous year in the fourth quarter. In essence, this reflected the trend in the sector as continuing economic problems and subdued consumption towards the end of the year meant that sales in the DIY sector as a whole fell by a comparable amount in the same period.

As far as the like-for-like figures are concerned, it should also be noted here that the calculation basis was changed at the end of the year because of the conversion of at least 120 stores, some of which have already been converted and some are still in the planning process. All the stores, which are to retain the Max Bahr brand in future and which, therefore, constitute the target portfolio, were taken into account for the first time under the Max Bahr brand at the end of the year. This change seemed advisable as it will allow to report on the sales development of an unchanging store portfolio in future. It was consciously accepted that the like-for-like development reported for Max Bahr for the year also includes stores that are still operated under the Praktiker brand. This will still be the case during 2013, although the proportion

will diminish from quarter to quarter as more stores are converted. This approach avoided a situation in which the 120 stores earmarked for conversion were excluded from the like-for-like consideration, which would necessarily have been the case if the calculation had followed the previous standard.

The converted stores contributed a total of 23.6 million euro to Max Bahr's annual sales.

Customer loyalty increased

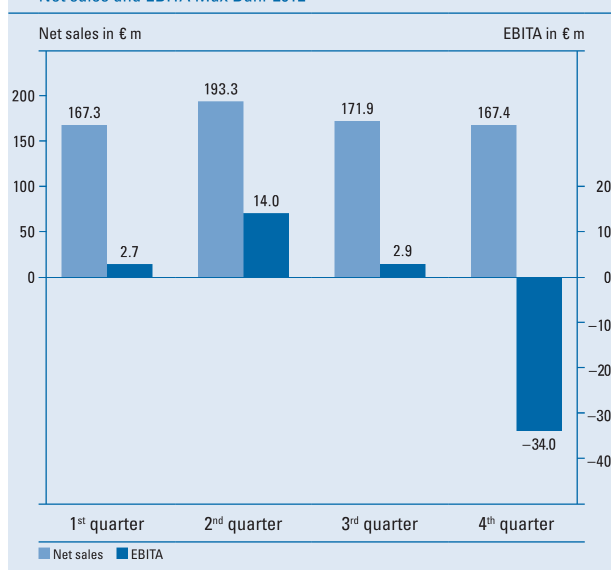
In 2012, Max Bahr again concentrated its marketing efforts on expanding its regular customer base. The customer card is the instrument used to generate customer loyalty. In December, the number of cardholders exceeded one million for the first time, of whom more than 70 percent were also used their cards in 2012. Part of the growth is attributable to the active acquisition of former Praktiker cardholding customers in the converted stores. The percentage of total sales handled via these cards increased by three percentage points to 40.2 percent in 2012.

In the final months of the year, Max Bahr was faced with the exceptional challenge of making the widest possible public aware of the new stores. To this end, it not only contacted cardholding customers from the former Praktiker stores, it also used unusual forms of advertising. They ranged from vouchers distributed in pedestrian areas to advertising messages, which were placed on transporters driven back and forth across the catchment area. Comprehensive introductory offers also contributed to increasing awareness. Just before Christmas, the special campaign to celebrate the opening of the 100th Max Bahr store generated considerable footfall.

Key data Max Bahr

Net sales, EBITA and capital expenditure in € m	2012	2011	Change in %
Net sales	699.9	694.8	0.7
thereof established stores	676.2	694.8	–2.7
Like-for-like sales growth in %	–3.7	1.3	
thereof established stores	–2.6	1.3	
Gross profit on sales	250.1	226.9	10.2
Gross profit margin in %	35.7	32.7	3.0 PP
EBITA	–14.5	–20.9	30.8
thereof established stores	3.7	–20.9	–
thereof converted stores	–18.2	–	–
in % of net sales	–2.1	–3.0	0.9 PP
EBITA before extraordinary effects	6.8	16.3	–58.1
thereof established stores	16.6	16.3	0.2
thereof converted stores	–9.7	–	–
in % of net sales	1.0	2.3	–1.3 PP
Capital expenditure	19.6	5.4	263.0
Number of stores (31/12)	105	78	34.6
Selling space in 1,000 sqm (31/12)	812	628	29.3
Employees, yearly average on full-time basis	3,188	2,874	10.9

Net sales and EBITA Max Bahr 2012



Gross profit on sales stable

As sales increased, so did the gross profit on sales, reaching 250.1 million euro, which equates to an increase of 10.2 percent compared with the previous year (226.9 million euro). The gross profit rose by 3.0 percentage points to 35.7 percent (previous year 32.7 percent). On the one hand, Max Bahr continued to observe the strategy of modest but appropriate promotions throughout the year. On the other

hand, excess inventory was sold at drastically reduced prices in the second half of the previous year. There were no comparable campaigns in 2012 – an effect, which applied to all sales lines. In the final months of the year, the gross profit margin received a further boost: the margin was above average in the new stores because suppliers also documented their interest in the new stores materially.

Existing stores report improved earnings, new stores with start-up losses

At minus 14.5 million euro, Max Bahr achieved better EBITA in 2012 than in the previous year (minus 20.9 million). However, extraordinary expenses have again pushed Max Bahr's operating earnings into negative territory. Before extraordinary effects, Max Bahr achieved an operating profit of 6.8 million euro. The fact that the previous year's figure (16.3 million euro) was not achieved was solely attributable to the unavoidable start-up losses of 9.7 million euro which the converted stores contributed to earnings as expected. On the other hand, the earnings contribution of stores that have continously operated under the Max Bahr brand increased slightly to 16.6 million euro (previous year 16.3 million euro).

In 2011, Max Bahr had to cope with extraordinary effects of 37.2 million euro and these fell to 21.3 million euro in 2012. The value of inventories was adjusted by 22.1 million euro in 2011 following the first-time adoption of a new valuation method. There were no comparable effects in the year under review. Changes to corporate planning triggered impairments to property, plant and equipment and allocations to provisions for onerous contracts totalling 14.7 million euro in the previous year. In 2012, the comparable extraordinary expenses amounted to 9.2 million euro. They were imported in part with the conversion of the former Praktiker stores. However, the extraordinary effects attributable to the restructuring programme increased. In essence, they relate to the expenses for converting the stores as well as pro rata consulting expenses and totalled 12.1 million euro. There was only a small amount, at 0.4 million euro, of this type of extraordinary effects in the previous year, because the restructuring was not focused on Max Bahr.

Max Bahr to become the main sales line in Germany

As a result of the strategic repositioning, the decision was taken to develop Max Bahr as the main sales line in Germany. This is why some 120 Praktiker stores are gradually to be converted to the Max Bahr brand. This conversion programme started in August 2012. The conversion always follows the same pattern: following a closing sale, the Praktiker store is redeveloped in a period of not more than four weeks. In this period, the external appearance, store layout, product range and services are adapted to the Max Bahr standard, the store staff are simultaneously given intensive product and service training and prepared for the changes in processes, such as at the point of sale or in ordering. They are supported in this process by partner stores from the existing Max Bahr store network. The opening of the new store under the Max Bahr brand is then accompanied by special activities to mark the opening. In the converted stores, customers find a better-value place to shop with an extended range of goods and services for all aspects of living, construction, renovation and gardening.

Service and quality as differentiating features

In the process, Max Bahr is developed as a service and quality oriented provider. New ideas are implemented in connection with the restructuring process to hone this profile further. The measures are concentrated on improving employee training in the areas of selling and product knowledge. In this way, the Praktiker Group intends to distinguish the Max Bahr brand from the sector, which is traditionally known for its poor level of customer advice.

This is why Max Bahr also started to introduce service elements to help the brand achieve a USP within the sector in 2012. The concept, with its "From person to person" slogan, was established in 36 stores in total at the end of the year, including all converted stores. In essence, it focuses on changing employees' attitudes when dealing with customers, making training and development a key element. New, visible service elements have also been developed to further improve in-store orientation and customer advice.

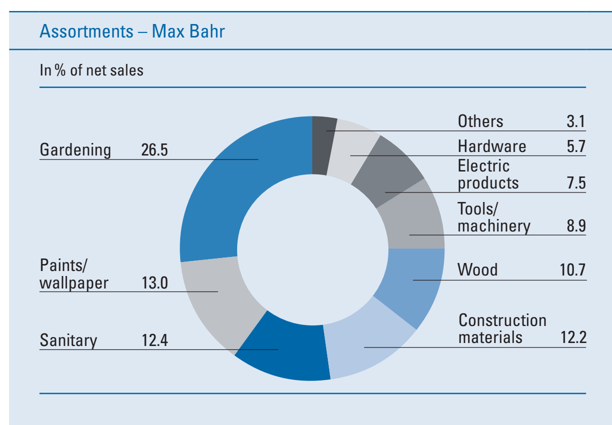
In addition to improving the service attitude, work on the ranges and the goods offered is, of course, ongoing. For instance, the collaboration with "Depot", a provider of home accessories, was strengthened, the "Dream Bathrooms" (Traumbäder) concept was refined and the concept of the "garden oasis" developed further in 2012.

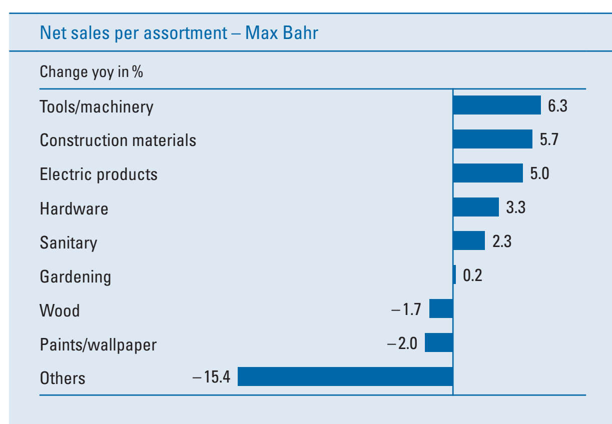
Certified quality available

The high levels of service and environmental awareness are documented through seals of quality from institutions authorised for this purpose. In 2012, Max Bahr again successfully passed the TÜV test for service quality and customer satisfaction.

Invested in new stores

In line with the new strategic focus, Max Bahr's investment was concentrated in the conversion of former Praktiker stores to its own sales line in 2012. This majority of this investment was incurred in the final months of the past financial year. In total, its capital expenditure amounted to 19.6 million euro in 2012 (previous year 5.4 million euro).





Segment report Miscellaneous

The segment Miscellaneous includes the German sales line extra BAU+HOBBY, a cross-divisional service company of the Praktiker Group and, since the end of 2010, the Praktiker Germany online shop as well.

Owing to the relative immateriality of the sales, earnings and assets of this segment, no detailed comments on the segment are provided. The corresponding data on the segment can be found in the notes on pages 102 to 106.

Segment report International

Moderate, selective expansion of the store network

At the end of the past financial year, Praktiker AG operated 111 stores outside Germany. This was two stores more than at the same time in the previous year: one each in Poland and Greece, which were opened in the first quarter. In the fourth quarter, a new store was opened in Hungary while one store was closed in Turkey. Expansion plans for additional new stores were not pursued because of the persistently difficult business climate.

Sales declined

Sales declined again in the International segment in 2012. This partly reflects the fact that many countries in which Praktiker operates are suffering from a persistent lack of growth or persistent consumer restraint, which had a negative impact on demand for DIY products. Part of the decline in sales (1.6 percentage points) is also attributable to adverse changes in exchange rates in countries which use a currency other than the euro. In total, the International segment achieved sales of 811.8 million euro in 2012, 9.2 percent less than a year ago. Calculated in local currency, the decline amounted to 7.6 percent. While Praktiker achieved a significant increase in sales in the Ukraine, sales fell in all other countries, with the most dramatic and sustained decrease being recorded in Greece due to the crisis-driven macroeconomic situation, as well as in Poland and Hungary. In Romania, the marked downturn in sales of recent years could be stopped.

Key data International

Net sales, EBITA and capital expenditure in € m	2012	2011	Change in %
Net sales	811.8	894.2	–9.2
Like-for-like sales growth in %	–10.5	–12.4	
Gross profit on sales	258.5	275.9	–6.3
Gross profit margin in %	31.8	30.9	0.9 PP
EBITA	–17.5	–84.1	79.2
in % of net sales	–2.2	–9.4	7.3 PP
EBITA before extraordinary effects	–19.6	7.7	–
in % of net sales	–2.4	0.9	–
Capital expenditure	4.5	19.0	–76.3
Number of stores (31/12)	111	109	1.8
Selling space in 1,000 sqm (31/12)	771	766	0.8
Employees, yearly average on full-time basis	8,395	8,761	–4.2

The negative trend weakened over the course of the year. While sales still fell by 12.1 percent in the first quarter, they declined by only 5.8 percent in the fourth quarter. This improving trend was particularly striking in two countries of importance for Praktiker: in Greece and in Romania. Having fallen by double-digit rates in the first nine months, the fall in sales in Greece in the fourth quarter was only in single digits. In Romania, even a slight increase over the same period in the previous year was achieved in the second half, at least in local currency.

It is difficult to comment on changes in market share in the individual countries as the relevant figures are not yet available. Praktiker has probably not lost any market share in countries such as Poland, Hungary, Bulgaria or the Ukraine but it has not won any either. In Romania, Praktiker maintained its position as number two although its market share is falling following further expansion by competitors. There has been a further clear-out in the Greek market, as large numbers of primarily smaller competitors have ceased trading. This is why the company may have succeeded in expanding its position as market leader further despite persistently declining demand.

International per country

		Change in %, in €		Change in %, in local currency		
	Net sales in € m	absolute	like-for-like	absolute	like-for-like	Number of stores
Bulgaria	46.1	–4.4	–4.4	–4.4	–4.4	9
Greece	195.2	–15.8	–17.5	–15.8	–17.5	14
Luxembourg	34.7	–4.1	–4.1	–4.1	–4.1	3
Poland	181.4	–7.8	–12.3	–6.4	–10.7	25
Romania	142.3	–6.6	–6.7	–1.8	–1.5	27
Turkey	89.1	–6.0	–7.2	–7.0	–8.1	9
Ukraine	31.2	15.1	15.7	7.6	7.5	4
Hungary	92.0	–10.7	–10.6	–7.6	–7.3	20
International[1]	**811.8**	**–9.2**	**–10.5**	**–7.6**	**–9.2**	**111**

[1]Consolidated

Gross margin on sales up on previous year

In the International segment, a gross profit on sales of 258.5 million euro was achieved in 2012. This equated to a decline of 6.3 percent. By contrast, the gross margin on sales improved by 0.9 percentage points year-on-year to 31.8 percent (previous year 30.9 percent).

In the process, the gross margin was influenced by various factors: demand in Eastern and South Eastern Europe remained weak even if it seemed to stabilise towards the end of the year in some countries such as Romania. Customers remained sensitive to prices, they refrained from spontaneous spending on major projects throughout the year. However, price concessions were not increased but reduced.

Market position International 2012

	Bulgaria	Greece	Luxembourg	Poland	Romania	Turkey	Ukraine	Hungary
Market size[1] in € bn	2.9	6.4	0.3	17.1	4.7	21.1	4.9	2.9
Net sales Praktiker in € m	46.1	195.2	34.7	181.4	142.3	89.1	31.2	92.0
Market share in %	3.7	3.1	10.2	1.1	3.4	0.4	0.6	3.6
Market position	1	1	2	4	2	4	3	2
Main competitors (market share[1] in %)	Mr. Bricolage (3.5)	Leroy Merlin (1.2)	Hela (11.7)	Castorama (7.4)	Dedeman (10.1)	Koctas (1.9)	Epicentre (20.9)	Obi (4.9)
	Baumax (3.1)		Cactus (9.8)	Leroy Merlin (4.2)	Bricostore (3.3)	Bauhaus (0.6)	Nova Liniya (5.9)	Baumax (2.9)
			Hornbach (8.3)	Obi (2.4)	Baumax (2.9)	Tekzen (0.5)	Obi (0.6)	Bricostore (1.5)

[1] Market size 2011; Source: Praktiker estimates

Since currencies in many countries strengthened over the latter part of the year, pressure on import prices eased simultaneously. Unlike in the previous year, inventory management was far more conservative. As a result, special measures to boost sales were not needed again. In total, these various factors had a positive impact on the gross margin.

Extraordinary effects improve the earnings situation

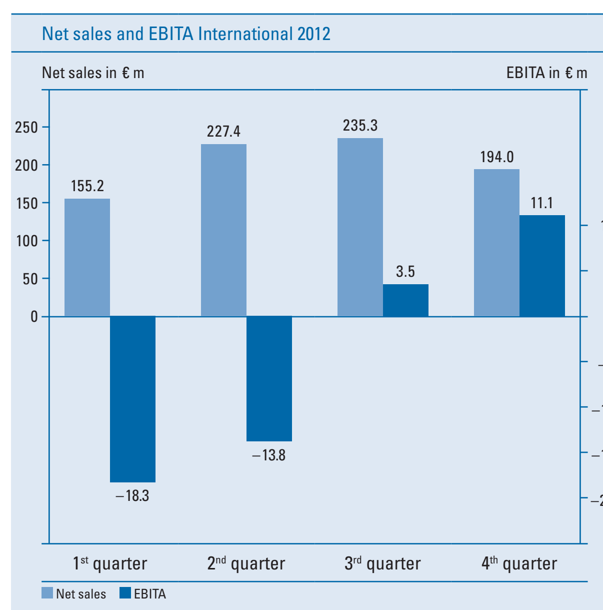
The International segment reported EBITA of minus 17.5 million euro in 2012. This was a considerable improvement on the previous year (minus 84.1 million euro), which is, however, solely attributable to changes in extraordinary effects. In 2012, extraordinary effects resulted in an improvement in net earnings of 2.1 million euro. By contrast, extraordinary effects depressed earnings by 91.8 million euro in the previous year. The improvement was the result of revaluations on fixed assets and the reversal of provisions for onerous contracts, which were associated with the regular modification of corporate planning. These positive effects accounted for 4.5 million euro in total and compensated for the other restructuring expenses of 2.4 million which were incurred in the International segment.

Taking account of extraordinary effects, EBITA of minus 19.6 million euro (previous year 7.7 million euro) was recorded. The decline in sales therefore affected operating earnings.

On the basis of reported earnings, Praktiker achieved the best and positive earnings in Greece and Luxembourg. Turkey contributed the largest loss in absolute figures.

Exchange rates had no material influence on the development of earnings in 2012. Had they remained unchanged, EBITA would have been 0.1 million euro higher.

Net sales and EBITA International 2012



Adjustments to the product offer

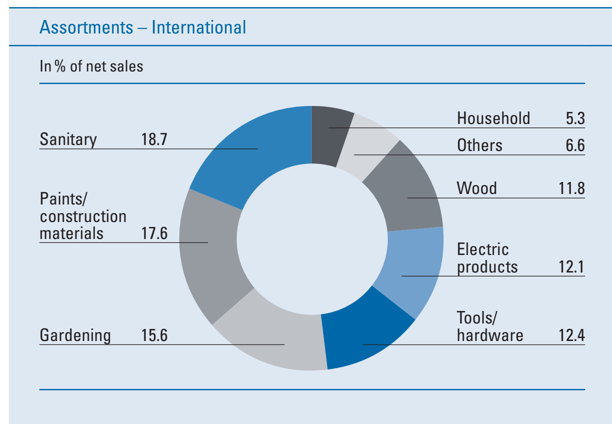
In Eastern European countries, Praktiker had to survive in a prevailing unfavourable market environment for retailers. The measures that were implemented in the individual countries to maintain earnings power were adjusted to the respective market conditions and therefore differed considerably: following a severe winter, which had led to substantial falls in sales in the first quarter, Praktiker started to optimise its ranges in Hungary and to adapt its stores to be more customer-focused. Price positioning was completely revised in Romania. By introducing “Best choice” products, Praktiker set visible price signals and focused on particular products across all ranges there. In Poland, a long-term, comprehensive, TV-based marketing offensive started under a new slogan. Over the rest of the year, a striking national promotion to mark the tenth anniversary of Praktiker’s market presence in Romania then garnered extra attention, for example. In Bulgaria, Praktiker opened an online shop, creating a new sales channel for the DIY sector in this country.

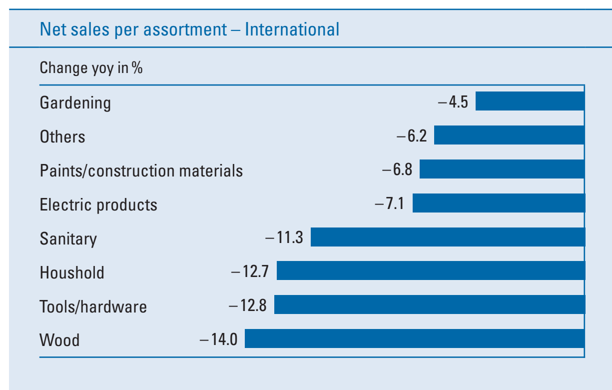
In addition logistics were simplified. To this end, a regional cross-docking station via which all shops in Hungary, Bulgaria and Romania will be supplied in future, started operating. This reduces the complexity of the procurement processes considerably and decreases procurement costs. Moreover, the reduction of costs was continued vigorously. The most visible sign of this was the ongoing downsizing of staff. During the year, on average 4.2 percent fewer people were employed in the International segment than in the previous year, resulting in a corresponding reduction in personnel expenses. Praktiker also continued its efforts to standardise ranges, harmonise processes, reduce the complexity of business overall and to renegotiate rental agreements.

Changes in the international portfolio are envisaged in the restructuring programme to boost earnings, avoid losses and reduce the outflow of liquidity in the Group. The decision taken at the beginning of 2013 to withdraw from Turkey is one of these changes. To fulfill the tasks associated with this extended spectrum, the management of the holding company responsible for international business, Praktiker International, has been strengthened.

Capital expenditure reduced

Capital expenditure fell following the early decision to stop international expansion. In 2012, total capital expenditure of 4.5 million euro was incurred outside Germany for new stores, renovation and modernisation work and replacement investments. This was far less than in the previous year (19.0 million euro). Of this figure, 1.8 million euro was available for the moderate, selective expansion of the store portfolio.





DATA AND REPORT ACCORDING TO SEC. 315 PARA. 4 HGB (GERMAN COMMERCIAL CODE)

Composition of subscribed capital

The share capital amounts to 114,024,958 euro and is divided into 114,024,958 million no-par-value bearer shares. All shares carry the same rights and obligations. Each share grants one vote.

Statutory provisions and provisions of the Articles of Association on the nomination and dismissal of members of the management board and the amendment of the Articles of Association

In accordance with Article 5 of the company's Articles of Association, the management board must consist of at least two persons. The supervisory board appoints the members of the management board and specifies the number of management board members and any deputy management board members. It can nominate a Chairman and a Deputy Chairman of the management board. The company is legally represented by two members of the management board or by one member of the management board together with an authorised signatory. The provisions of the German Stock Corporation Act (AktG), in particular Section 84 et seq. AktG, and the provisions of the German Co-Determination Act (MitBestG), in particular Section 30 et seq. MitBestG, apply otherwise.

In accordance with Article 10.2 of the Articles of Association, the supervisory board is entitled to make amendments to the Articles of Association which relate solely to their wording. In addition, Articles 4.3 and 4.4 of the Articles of Association authorise the supervisory board to adjust the wording of the Articles of Association to reflect the utilisation of authorised capital and the issue of shares from contingent capital. Sections 119(1) no. 5, 133, 179(1) and (2) AktG, according to which the annual general meeting is responsible for amendments to the Articles of Association, apply otherwise. In accordance with Article 18.1 of the Articles of Association, resolutions by the annual general meeting amending the Articles of Association require a simple majority of the votes cast and a simple majority of the share capital represented unless mandatory statutory provisions or the Articles of Association require a greater majority.

Management board authorisations to issue or buy back shares

Authorised capital

By way of resolution of the annual general meeting on 21 May 2010, the management board was authorised, with the approval of the supervisory board, to increase the share capital of the company by a total of up to EUR 25 million, either in part or in full, until 20 May 2015 by issuing up to 25 million new no-par-value bearer shares of the company on one or more occasions against cash or non-cash contributions (Authorised Capital 2010/I).

The shareholders have a subscription right as a matter of principle. The management board is authorised, with the approval of the supervisory board, to disapply shareholders' subscription rights in accordance with the provisions of Article 4.3 of the Articles of Association and, with the approval of the supervisory board, to determine the further details of the capital increase and the conditions of share issuance. To ensure that shareholders are protected against dilution, the management board of the company has undertaken, in accordance with the terms of a statement published on the company's website on 29 April 2010, to exercise its authorisation to disapply shareholders' pre-emption rights only up to a total of 20 percent of the share capital.

On 20 December 2012, the implementation of a capital increase from authorised capital with the disapplication of shareholders' pre-emption rights was entered in the commercial register. Following the related issue of 469,402 new shares, the Authorised Capital 2010/I currently amounts to EUR 24,530,598.00.

Contingent capital

The annual general meeting on 21 May 2010 authorised the management board, with the approval of the supervisory board, to issue warrant-linked and/or convertible bonds, profit participation rights and/or profit participation bonds (or combinations of these instruments – referred to collectively as "bonds") with a total nominal amount of up to EUR 500 million, dated or undated, on one or more occasions until 20 May 2015 and to grant the bondholders warrant or conversion rights to no-par-value bearer shares of the company in accordance with the terms of the bonds and to create the corresponding warrant or conversation obligations ("Bond Authorisation 2010"). The details of this Bond Authorisation 2010 can be found in agenda item 10 of the proposed resolution published in the Federal Gazette on 1 April 2010. On the basis of the Bond Authorisation 2010, on 3 July 2012 the company issued a total of 5,800,000 sub-option bonds with a total nominal value of EUR 580,000 initially connected with 5,800,000 warrants, each of which grant the right to subscribe to one no-par bearer share of the company worth a pro rata amount of the share capital of EUR 1.00 (the "option bond I").

Shareholders have a subscription right to the bonds as a matter of principle. However, the management board is authorised, with the approval of the supervisory board, to disapply shareholders' pre-emption rights as was the case with Option Bond I) and to determine the further details of the issue and the terms of the bonds with the approval of the supervisory board or in consultation with the executive bodies of the companies issuing the bonds in which the company holds a majority interest, either directly or indirectly.

To ensure that shareholders are protected against dilution, the management board of the company has undertaken, in accordance with the terms of a statement published on the company's website on 29 April 2010, to exercise its authorisation to disapply shareholders' pre-emption rights only up to a total of 20 percent of the share capital.

The Bond Authorisation 2010 was revoked by the resolution of the annual general meeting on 4 July 2012 and the related Contingent Capital 2006/I was revised by resolution of the annual general meeting on 4 July 2012. The management board is thus authorised, with the approval of the supervisory board, to issue warrant-linked and/or convertible bonds, profit participation rights and/or profit participation bonds (or combinations of these instruments) (referred to collectively as "bonds") with a total nominal amount of up to EUR 250 million, dated or undated, on one or more occasions until 3 July 2017 and to grant the bondholders warrant or conversion rights to no-par-value bearer shares of the company in accordance with the terms of the bonds and to create the corresponding warrant or conversation obligations ("Bond Authorisation 2012"). The details of this Bond Authorisation 2012 can be found in agenda item 9 of the proposed resolution published in the Federal Gazette on 25 May 2012.

In this context, the share capital of the company has been contingently increased by up to EUR 29 million by the issue of up to 29 million new no-par-value bearer shares with dividend rights from the start of the financial year in which they are issued (Contingent Capital). The purpose of the contingent capital increase is to issue shares to the holders or creditors of warrant-linked and/or convertible bonds, profit participation rights and/or profit participation bonds (or combinations of these instruments) issued on the basis of the authorisation by the annual general meeting on 21 May 2010 before 4 July 2012 or under the terms of the authorisation by the annual general meeting on 4 July 2012 (Bond Authorisation 2012) until 3 July 2017 by the company or by companies in which the company holds a majority interest, either directly or indirectly, providing that the bonds are issued against cash. The contingent capital increase will only be implemented to the extent that warrant or conversion rights under the terms of the aforementioned bonds are exercised, or warrant or conversion obligations under the terms of such bonds are fulfilled and no other forms of settlement are used to service these obligations. On the basis of the Bond Authorisation 2012, and on the basis of the resolutions of the management board and supervisory board on 23 November 2012, the company issued a total of 5,800,000 sub-option bonds with an total nominal value of EUR 580,000 initially connected with 5,800,000 warrants, each of which grant the right to subscribe to one nopart bear share of the company worth a pro rata amount of the share capital of EUR 1.00 (the "Option Bond II"). Shareholders' subscription rights were disapplied.

Authorisation to buy back treasury shares

The management board is authorised to buy back shares of the company with a pro rata amount of the share capital totalling up to 5.8 million euro until 20 May 2015. To the extent that treasury shares are purchased using equity derivatives, the authorisation is limited to a pro rata amount of share capital of 2.9 million euro. The details of the authorisation can be found in agenda items 7 and 8 of the proposed resolutions published in the Federal Gazette on 1 April 2010.

Material agreements subject to a change of control

The bond issued by the company on 10 February 2011 with a volume of 250.0 million euro contains a provision for the event of a change of control. In accordance with the terms of the bond, a change of control event arises if there is a change of control and the company's rating is downgraded within 90 days of the publication of a potential change of control or the occurrence of a change of control. A change of control occurs if one or more persons acting in concert within the meaning of Section 22(2) WpHG (German Securities Trading Act) or one or more third parties acting on behalf of the above persons acquire shares accounting for 50 percent or more of the voting rights, either directly or indirectly and irrespective of the approval of the management board or supervisory board. The rating is deemed to have been downgraded if one of the rating agencies defined in the terms of the bond withdraws a previously existing rating for the issuer or for outstanding long-term liabilities of the issuer or downgrades from an investment grade rating, if such a rating exists, to a non-investment grade rating or withdraws this rating from the issuer, or the issuer or the bond has not been granted an investment grade rating and following the change of control none of the above rating agencies grants the bond an investment grade rating within the change of control period, unless the issuer is unable to obtain an investment grade rating during the period of the change of control despite reasonable efforts and without this being due to the change of control or the credit rating of the issuer. If such a change of control event occurs, each creditor shall be entitled to recall all or some of their bonds, giving at least ten days' notice effective from the chosen repayment date, this being a business day determined by the issuer that is no less than 60 and no more than 90 days after the announcement of the change of control event, on the chosen repayment date at their nominal amount plus any interest accrued up until the chosen repayment date. In this case, the issuer must repay the relevant bonds at their nominal amount plus any interest accrued up until the chosen repayment date.

As other material agreements, Praktiker AG and certain Praktiker subsidiaries (borrowers) concluded a loan agreement for a revolving credit facility of 40.0 million euro (with

an option albeit not promised on a binding basis to increase the facility by 20.0 million euro) with Commerzbank AG and Raiffeisen Bank International AG (lenders) on 2 October 2012. As borrower, Baumarkt Max Bahr GmbH & Co. KG has also concluded additional loan agreements: a loan agreement for 40.0 million euro was concluded with Baumarkt Finance S.à.r.l. (originally with Joh. Berenberg, Gossler & Co. KG) on 23 September 2012; a loan agreement for 20.0 million euro was agreed with the Royal Bank of Scotland plc on 2 October 2012; a loan agreement for 15.0 million euro has been in place with Etris Bank GmbH since 12 October 2012.

Under these loan agreements, the lenders may terminate the respective credit facilities upon certain events, including a change of control, which will exist if the following conditions occur: (i) in the event of the disposal of all or significant amounts of assets of Praktiker AG and its subsidiaries as a whole to one or several parties acting in concert (ii) in the event of a transaction, as a result of which one or several parties acting in concert become the bearers indirectly or directly of more than 30 percent of shares in Praktiker AG or achieve control over such an amount (iii), only in respect of the 15.0 million euro loan agreement with Etris Bank GmbH, if certain persons are elected to the management board or supervisory board of Praktiker AG or become a member of the management of Baumarkt Max Bahr GmbH & Co. KG. Under the revolving credit facility of 40.0 million, persons acting in concert have the meaning stipulated in section 2 (5) of the German Securities Takeover Act (WpÜG). Under the other loan agreements, persons acting in concert are those, who coordinate their behaviour with regard to the indirect or direct acquisition of the Praktiker Group's assets or Praktiker AG's securities on the basis of an agreement or otherwise. If a change of control event occurs under the loan agreements, the respective lenders are entitled to declare the loans plus accrued interest due. In this case, Praktiker AG must repay the loans granted under the loan agreements plus accrued interest.

PERSONNEL REPORT

Human resource management influenced by the restructuring programme

In 2012, human resource management was strongly influenced by the restructuring programme. The key tasks were determined by the merger of the head offices in Germany, the preparations for store closures and the negotiations regarding temporary salary adjustments under the collective agreement for restructuring reached as part of the restructuring programme at the end of October.

Head offices merged

Once the management had decided to merge the head offices of Praktiker and Max Bahr, which had previously been run separately, in Hamburg, a compensation scheme (Sozialplan) and a reconciliation of interests had to be agreed with the co-determination bodies. This agreement was reached on 31 January 2012. The reconciliation of interests specified the changes in the personnel structures associated with the relocation of the Praktiker Group head office from Kirkel/Saarland to Hamburg. The compensation scheme stipulated the economic claims employees can assert when relocating or leaving the Group.

In February, all employees in Kirkel, whose jobs were affected by the relocation, i.e. everybody apart from the employees in IT, finance, payroll accounting, health and safety and accounting, were sent a letter of dismissal with an offer of continuing employment in Hamburg. However, only a few of those dismissed took advantage of this option. All the others were made redundant in accordance with the conditions agreed in the compensation scheme and left the company in the course of the year.

The relocation of the Group headquarters to Hamburg then took place in two waves halfway through the year and at the end of the third quarter.

The remaining vacancies then had to be filled as quickly as possible in Hamburg. During the year, a total of 235 new employees were recruited there. This significant exchange of personnel was a particular challenge for the entire company. It was not without its costs either. Nevertheless, thanks to the considerable extra effort on the part of all those involved, the functions and processes needed for our operating activities were maintained largely without any disruption.

At the end of the year, 877 employees were employed in head office functions in total.

Collective agreement for restructuring signed

The restructuring programme was based on the understanding that all groups, which have an interest in the existence of the Praktiker Group, should contribute to reducing costs. As a result, employees were also obliged to waive their salaries temporarily for the success of the restructuring programme and consequently contribute to keeping their jobs.

At the end of October, a collective agreement for restructuring was signed with the ver.di trade union as part of the restructuring programme which demanded a waiver of five percent of gross annual salary from all employees in Germany in 2012, 2013 and 2014. Together with a waiver of the same amount from those employees who are not on collective agreements, this results in a reduction in personnel expenses per year of 17.3 million euro.

In return, a comprehensive employment protection scheme was agreed, which guarantees in principle that no jobs will be lost while the collective agreement for restruc-

turing is in place. However, it does not cover jobs that are to be cut because of the 24 store closures envisaged in the restructuring concept.

Store closures prepared

This decision to close a total of 24 unprofitable stores in Germany by 2014 made negotiations with the co-determination bodies necessary to determine the conditions on which the inevitable reduction in employee numbers would take place. Agreement was also reached on this issue. Employees from the stores in question were and will be offered alternative employment where possible, otherwise they will receive the agreed redundancy benefits.

Eight Praktiker stores were closed in 2012 and three more stopped trading at the end of the year. In addition three stores of the sales line extra BAU+HOBBY were closed too. For another ten stores, 2013 will be their last year as part of the Praktiker Group, eight of them Praktiker stores, two of them extra BAU+HOBBY stores. The store management and employees have already been advised accordingly.

Number of employees down

The restructuring measures have necessarily led to a reduction in the number of people employed. At the end of 2012, 23,945 people were employed by the Praktiker Group in total, 1.8 percent fewer than at the same time in the previous year (24,382).

At the same time, the reduction in headcount was not limited to Germany. Fewer employees were also employed in the international business, partly because stores had been abandoned, as in Albania, partly because the headcount had to be adjusted to reduce costs against the backdrop of falling sales.

The ratio of part-time staff in the Praktiker Group changed only insignificantly. In Germany, it accounted for 57.1 percent (previous year 55.7 percent), while outside Germany, where the ratio has traditionally been significantly lower than in Germany, it was slightly down year-on-year at 5.6 percent (previous year 5.7 percent).

The reduction in headcount and structural changes had a perceptible impact on some personnel ratios. The fluctuation rate increased sharply in 2012 because of the large number of redundancies. However, any comparison with the previous year is not very meaningful because of the particular situation in which Praktiker found itself in 2012. The average age of the Group's employees was 39.3 (previous year 39.0). The Group still employs roughly the same number of men as women. Slightly more than half of the employees in Germany are female (51.9 percent), while male employees constitute a slight majority outside Germany (53.3 percent). The reduction in headcount did not change these proportions significantly as against the previous year.

Moderate wage increases

In 2012, wages and salaries again increased only moderately in almost all of the countries in which the Praktiker Group operates. In Germany, wage increases had been set in 2010 as part of a two-year collective agreement. Employees covered by the regional collective agreement received a pay rise of 2 percent on average in 2012, while employees covered by the corporate agreement received a 3.2 percent rise. Employees not covered by collective agreements waived similar, general salary increases on account of the tense economic situation of the company in 2012. Wage pressure was again relatively low in most countries of Eastern and South-eastern Europe in 2012. This was essentially due to pertaining high levels of unemployment. On average, wages and salaries outside Germany are likely to have risen by 1.0 percent in 2012.

Employee development and promotion of young talent still a high priority

In a year of radical change, as seen in 2012, key human resource management tasks such as the promotion of young talent take a back seat. However, Praktiker AG used the upheaval as an opportunity to revise the entire programme for promoting young talent. In 2013, the development of talented people in the Praktiker Group – from trainees to executives – will continue from where it was left before the restructuring with direct newcomer and employee development programmes. The aim is to ensure a Group-wide, i.e. multi-sales line system for training and promoting young talent. Despite all the constraints, however, the Group also prepared around 377 trainees in Germany for their vocational future in 2012.

Particularly in the second half of the year, training measures were concentrated on employees in those stores that had or were still to convert from Praktiker to Max Bahr. The period in which the store was being converted and not accessible to customers was used for this purpose. In intensive training sessions, former Praktiker employees familiarised themselves with the processes and the more service-oriented approach of Max Bahr. Each Praktiker store that was to be converted was also allocated a Max Bahr partner store to guide them through the process. There, employees at the stores earmarked for conversion had the opportunity to familiarise themselves with their future place of employment under normal working conditions. Training was provided by employees from the personnel development team or other Group employees qualified for this purpose.

In the entire Max Bahr sales line, attention was focused on the implementation of the new brand core "From person to person" including the service elements.

ENVIRONMENTAL REPORT

Environmental protection activities in 2012 remained focused on advising store employees on all matters relevant to the environment. As a result, Praktiker AG is pursuing a course that has proved its worth in the past.

Focus on electricity and heating consumption

Work in Germany to bring energy consumption and costs in stores to a lower level continued in 2012. Efforts concentrated on optimisation measures in lighting and installing building management systems in existing stores. As a result, electricity consumption was cut by 4.5 percent year-on-year. However, this reduction in consumption is not reflected to the same extent in electricity costs. They decreased by only 0.3 percent compared with 2011, because electricity prices continued to rise sharply on account of changes to the Energy Industry Act.

Consumption of heating energy was also positively influenced by the installation of building management systems in existing stores. Here, too, the measures followed the patterns successfully implemented in the previous year, i.e. the installation of control and regulation systems, which rapidly detect fluctuations in the consumption of heating and ventilation systems if they are inconsistent with weather conditions, and can correct them accordingly. Adjusted for weather conditions, heating energy consumption was 0.6 percent down on the figure for the previous year, the technical measures mentioned contributed accordingly to the reduction in the consumption of this type of energy. However, heating costs rose by 2.0 percent year-on-year. This reflects the fact that individual network operators raised the prices for using their networks, the purchase costs for district heating increased and that heating oil prices rose sharply.

REMUNERATION REPORT

In the remuneration report we provide a summary of the key principles applied in determining the remuneration of the management board and the supervisory board and also explain the structure and amount of the remuneration concerned.

The report contains disclosures that are to be included in the notes to the consolidated financial statements pursuant to Section 314 of the German Commercial Code (HGB) and in the Group management report pursuant to Section 315 HGB in accordance with the requirements of German commercial law. The information included in this report therefore is not additionally presented in the notes to the consolidated financial statements in accordance with Section 314 (1) No. 6 Sentences 5 to 8 HGB or in the Group management report in accordance with Section 315 (2) No. 4 HGB.

Remuneration of the management board

The composition and remuneration of the management board underwent a fundamental change again in the 2012 financial year. Three of the six members of the management board active in 2012 performed their activities on the basis of consultancy agreements in connection with the repositioning and restructuring of the Praktiker Group. Their consultancy agreements ended in 2012. Three members of the management board perform their activities in the context of an employment contract. Of these three, two management board members have been working for Praktiker since September and October 2012 respectively.

In the 2012 financial year, management board remuneration on the basis of consultancy agreements was paid in line with time worked only. No variable, performance-based remuneration was paid.

The remuneration of the management board under an employment agreement was redefined overall for the two members who joined the management board in 2012. It sets performance incentives for the implementation of the restructuring plan and for the long-term enhancement of enterprise value and consists of both fixed and variable components.

The overall structure and amount of management board remuneration is stipulated by the full supervisory board at the proposal of its personnel committee. Remuneration is based on the size and international orientation of the Group as well as its economic potential. Total remuneration and the individual remuneration components are appropriately proportionate to the duties and responsibilities of the given management board member, his personal performance, the performance of the management board as a whole and the economic situation within the Group.

The overall remuneration of the management board is performance-based. It consists of fixed components (salary, pension, benefits) and performance-based variable components (target bonus with short-term and long-term components). Any additional variable remuneration is granted at the discretion of the supervisory board. The variable remuneration components of the members of the management board are geared towards the implementation of the restructuring plan and sustainable corporate development.

The following criteria apply to the individual components of management board remuneration under an employment agreement:

- The fixed remuneration component is paid as a monthly salary taking into account non-cash remuneration. Fringe benefits include the use of company cars, Group accident insurance premiums and reimbursement of other expenses.
- Management board members receive pension benefits. An amount equal to that paid by management board members is paid to their pension provider. The company's annual contribution is limited to € 75 thousand per management board member and € 100 thousand for the Chairman.

The pension provider is an external pension fund. The pension plan is operated on a defined contribution basis. The pension provider concludes an insurance agreement in line with contractual conditions to achieve consistent financing for the agreed benefits and to fully finance the pension payments. Thus, the pension benefits of management board members affect the company's business and accounting only in the amount of the annual contributions paid.

- Variable, performance-based remuneration is mainly subject to the following prerequisites:
  - The targets for the short-term bonus are the planning for EBITA, free cash flow and gross profit II as stipulated by the supervisory board for the implementation of the restructuring plan.
  - The targets for the long-term bonus with regard to EBITA and free cash flow correspond to those for the short-term bonus. These entitlements are paid out only after three years.
  - The supervisory board has the opportunity to grant additional remuneration to individual management board members for exceptional performance if the remuneration granted in accordance with the remuneration regulations does not sufficiently reward this performance.
  - For the two management board members who began working for Praktiker in 2012, the short-term bonus for their first twelve months after joining the company was guaranteed, on a pro rata basis for the 2012 financial year.

No loans have been granted to management board members nor have any contingent liabilities been entered into on their behalf.

No compensation regulations have been agreed with the members of the management board for the event of their leaving the company or of a change in control. In the event of mutually agreed early termination of a management board member's employment contract, the compensation is limited to two annual salaries regardless of the remaining period of the contract, or no more than the remuneration for a shorter remaining term of the employment contract.

The following remuneration was paid or promised to individual management board members for their work in the 2012 financial year:

Remuneration of active members of the management board

	2012							2011
	Success-independant components				Success-dependant components	Components with long-term incentive		
in € k	Salary	Con-sultancy remun-eration	Pension benefits	Miscel-laneous	Target oriented bonus	Stock option programme	Total	Total
Armin Burger CEO (since 16/10/2012)	160	0	0	9	78	0	247	0
Dr Kay Hafner, CEO (from14/05/2012 until 14/10/2012, until 04/07/2012 as deputy following § 105 Abs. 2 AktG)	0	478	0	0	0	0	478	0
Thomas Fox, CEO (until 13/05/2012)	0	505	0	0	0	0	505	380
Thomas Heinitz (since 16/09/2012)	153	0	0	6	73	0	232	0
Josef Schultheis (until 13/05/2012)	0	510	0	0	0	0	510	475
Markus Schürholz	450	0	75	16	0	0	541	891
Total	**763**	**1,493**	**75**	**31**	**151**	**0**	**2,513**	**1,746**

The former members of the management board Mr Wolfgang Werner, Mr Michael Arnold und Mr Pascal Warnking received total remuneration in the previous year 2011 for their active work in the managment board of € 518 k (Mr Werner), € 505 k (Mr Arnold) and € 505 k (Mr Warnking).

Remuneration of retired members of the management board

	2012				2011
in € k	Remunera-tion based on employ-ment	Severance	Stock option programme	Total	Total
Michael Arnold	78	0	0	78	860
Thomas Ghabel	75	0	0	75	117
Pascal Warnking	75	0	0	75	188
Total	**228**	**0**	**0**	**228**	**1,165**

The retired members of the management board Mr Wolfgang Werner und Mr Karl-Heinz Stroh received a total remuneration in the previous year 2011 for their active work in the management board, severance payment and from the stock option programme of € 2.289 k (Mr Werner) und € 1 k (Mr Stroh).

The employment arrangement with the former member of the management board Thomas Ghabel ended on 31 March 2011. The company contributed its share to Mr Ghabel's pension by paying the pension provider € 75 thousand in 2012. Another payment of € 75 thousand will be made to the pension provider for Mr Ghabel in 2013.

The employment arrangement with the former member of the management board Pascal Warnking ended on 30 November 2011. His severance consisted of the ongoing payment of his past remuneration until March 2012 and an additional payment of € 113 thousand in April 2012, totalling € 225 thousand in 2012. The company contributed its share to Mr Warnking's pension by paying the pension provider € 75 thousand for 2012.

The employment agreement with the former management board member Michael Arnold was revoked effective 29 February 2012. In addition to the ongoing payment of his past remuneration until February 2012, Mr Arnold received the severance payment of € 894 thousand agreed in the previous year.

The members of the management board were not granted any share price-based remuneration under a share bonus scheme (share price performance bonus) in 2011 or 2012.

Remuneration of the supervisory board

The features of the remuneration system for the supervisory board have been determined by the annual general meeting at the proposal of the management board and the supervisory board and are a component of the articles of association. Supervisory board remuneration is based on the size and international orientation of the Group, the duties and responsibilities of the members of the supervisory board and the economic potential of the Group. It comprises a fixed remuneration component and a performance-based component based on consolidated earnings.

As part of the remuneration scheme of Praktiker AG, the positions of Chairman, Deputy Chairman together with Chairman and members of committees are awarded additional compensation. The Chairman of the supervisory board receives three times, the Deputy Chairman and the chairmen of the various committees receive two times, and the other committee members one and a half times the fixed and performance-based remuneration received by a member of the supervisory board without these special duties. If a member of the supervisory board holds a number of positions simultaneously, he or she receives the remuneration for only one position. If these positions receive varying amounts of remuneration, the highest amount is paid. All members are reimbursed for expenses arising in connection with their work on the supervisory board.

The performance-based remuneration component is based on the amount by which average consolidated earnings before taxes, minority interests and goodwill amortisation for the past financial year and the two preceding financial years exceed 25 million euro.

In addition, the company reimburses any value-added tax imposed on the supervisory board remuneration components.

The employee representatives on the supervisory board receive the same remuneration as similar employees for their work as employees.

No loans have been granted to supervisory board members nor have any contingent liabilities been entered into on their behalf.

There are no pension commitments for supervisory board members. Members of the supervisory board are not paid severance when they leave their positions.

The remuneration of the supervisory board members of the Praktiker Group for the 2012 financial year is as follows:

Remuneration of members of the supervisory board

	Praktiker Group				Praktiker AG (included in Group total remuneration)			
	2012			2011	2012			2011
in € k	Fixed	Variable	Total	Total	Fixed	Variable	Total	Total
Dr Erhard F. Grossnigg (since 26/07/2012) Chairman since 12/10/2012	19	0	19	0	16	0	16	0
Dr Kersten v. Schenck Chairman until 11/10/2012	50	0	50	65	42	0	42	54
Rüdiger Wolff Vice Chairman since 19/09/2012	35	0	35	30	30	0	30	25
Marliese Grewenig, Vice Chairwoman until 19/09/2012	38	0	38	45	31	0	31	36
Dr Norbert Bensel	23	0	23	23	18	0	18	18
Armin Burger (from 26/07/2012 until 15/10/2012)	5	0	5	0	4	0	4	0
Prof Dr Utho Creusen (since 16/11/2012)	4	0	4	0	3	0	3	0
Martina Dobringer (since 17/12/2012)	1	0	1	0	1	0	1	0
Alexander Eichner (since 09/11/2012)	4	0	4	0	4	0	4	0
Ulrich Grillo (until 22/08/2012)	21	0	21	32	17	0	17	27
Dr Kay Hafner (until 04/07/2012)	12	0	12	23	9	0	9	18
Dr Susan Hennersdorf (since 15/11/2012)	4	0	4	0	3	0	3	0
Ebbe Pelle Jacobsen (until 04/07/2012)	12	0	12	23	9	0	9	18
Gabriele Kanter	23	0	23	11	18	0	18	9
Ulrich Kruse	32	0	32	32	27	0	27	27
Johann C. Lindenberg (until 16/11/2012)	28	0	28	32	24	0	24	27
Alexander Michel	32	0	32	32	27	0	27	27
Zygmunt Mierdorf (until 15/11/2012)	28	0	28	32	23	0	23	27
Cora Peters	23	0	23	23	18	0	18	18
Rigobert Rumpf	32	0	32	32	27	0	27	27
Hans-Josef Schmitz (until 31/03/2011)	0	0	0	8	0	0	0	7
Dr Collin Schmitz-Valckenberg (since 09/11/2012)	4	0	4	0	4	0	4	0
Dr Michael Schädlich (from 17/11/2012 until 17/12/2012)	0	0	0	0	0	0	0	0
Jörg Wiedemuth	23	0	23	23	18	0	18	18
Prof Dr Harald Wiedmann	41	0	41	41	36	0	36	36
Total	**494**	**0**	**494**	**507**	**409**	**0**	**409**	**419**

RISK REPORT

Praktiker AG has a Group-wide risk management system that covers all corporate divisions including the Group companies. All discernible risks are regularly and systematically recorded, and measures are defined to reduce or eliminate risk as far as this is possible at an economically justifiable expense. Responsibility for the risk management system lies with the Controlling division. Risk management is characterised by a small number of clearly formulated guidelines. No action or decision may result in a situation that could jeopardise the continued existence of the Group. If risks are considered inevitable, they must be insured to the extent which is both possible and economically viable. Residual risks must be monitored and controlled using risk management tools.

The principles underpinning this risk management system are documented in a manual which contains the basic organisational and procedural principles applying both to the Group's German operations and its international subsidiaries. As such, the management board complies with its duty to determine the risk management principles and to design the organisation of the risk management system. In this context, the management board also assumes the responsibility of providing the supervisory board and the shareholders with the necessary information.

Below board level, a risk management officer coordinates all risk reporting activities throughout the Group. Above all, the risk management officer is responsible for the further development of the risk management system, for coordinating risk reporting and for preparing the monthly risk reports for the management board. These reports keep the management board informed of any key changes in the risk landscape, developments in risk management and the measures taken in terms of risk mitigation or prevention.

The respective heads of the divisions are responsible for identifying, tracking and measuring the risks to which their division is exposed. It is their duty to monitor the risks in their area and to manage the measures initiated to reduce these risks.

A standardised risk matrix is used throughout the whole Group and updated on an ongoing basis to track the various measures systematically. All key risks and their probability and potential financial impact are recorded and uniformly presented in this matrix. Countermeasures are designed for all risks in accordance with the guidelines mentioned above. The development of individual risks and the countermeasures taken are also documented. The risk management officer carries out a risk inventory every six months, taking into account all risk reports and changes in the respective risk assessment. The management board is informed of the key risks in the form of an excerpt from the risk inventory.

As the risk management system is of central importance to all decisions within the company, its functional capability is reviewed once a year by way of an internal audit. The risk management system is firmly established in all parts of the company and has become part of routine corporate activity. It is subdivided into the categories described below.

Dealing with risks is one of the management's main tasks. However, it is not always only a case of avoiding or reducing risks. Deciding on the extent to which risks are to be entered into to exploit the opportunities associated with a decision is also a fundamental management task. The risk management system does not provide any guidelines for such considerations.

Risks to the Group as a going concern

In May 2012, the management reorganised the restructuring programme with the aim of gradually improving earnings and achieving a positive EBITA margin of more than three percent in 2014. To this end, various measures for adjusting structures and expense items were established. The strategic core of the new programme is the conversion of around 120 selected Praktiker stores into the profitable concept of the Max Bahr brand (for further information, see pages 9 and 27). However, there is no guarantee that the measures set out in the restructuring programme will succeed or that, following successful implementation, they will also prove effective in achieving their intended goals of increasing earnings.

If the expectations associated with the restructuring measures in general and with the conversion of Praktiker stores into the Max Bahr sales line, in particular with regard to the sales and earnings development, are not fulfilled or are fulfilled only to a very limited extent, it is possible that the available liquidity may not be sufficient at all times to meet all payment obligations. In this case, it might not be possible to maintain a positive forecast as to the future of the enterprise as a going concern.

To finance these measures, Praktiker AG has taken out secured loans totalling 75 million euro, consisting of 55 million euro in 2012 and 20 million euro in 2013. The capital increase generated gross proceeds of another 60 million euro. In addition, Praktiker AG has access to a credit facility of 40 million euro to finance its operating activities.

The financing agreements include covenants which if not satisfied authorise the lender to call in the loans. This includes, for example, observance of a certain level of progress in the restructuring programme or compliance with certain business performance indicators related to liquidity, capital expenditure, gearing and earnings. These conditions will be reviewed on a quarterly basis.

If Praktiker AG cannot meet these conditions, there is a risk that loans will have to be repaid prematurely. If in such a case the lenders exercise their special termination rights, this would automatically also result in a special termination right for the creditors of the corporate bond issued in 2011. It currently seems unlikely that, if a complete termination of all existing financing agreements did actually occur, Praktiker would be able to obtain sufficient refinancing of the necessary financial resources in good time in order to maintain a positive forecast for the company as a going concern.

The loan agreements follow practices based on the internationally recognised standards of the Loan Market Association. They also stipulate that any further new debt exceeding a certain level requires the approval of individual or multiple lenders. Moreover, passing on the funds from the borrowing unit to other Group units is restricted in some cases too.

The refinancing concept is geared towards covering the maximum intra-year financing requirements arising up to 2014. The key parameters for the maximum financing requirements are the anticipated sales performance, the improvement in gross margins, the amount and timing of investments, the continued willingness of suppliers to extend payment terms, and further measures to secure the capacity to pay. The success of the store conversions from Praktiker to Max Bahr will be crucial to the sale performance. A timely rise in sales revenues in spring 2013 and 2014 as well as the consequent short-term realisation of the further measures will be highly important to the amount of the maximum financing requirements. If key parameters are not met, this would pose a direct risk to the Group's solvency and its future as a going concern.

Real collateral limits scope for further financing

The lenders of the secured loans demanded collateral for granting the loans. This mainly consists of Max Bahr and the Greek subsidiary. Other assets serve as collateral in connection with the credit facilities and trade indemnity insurance.

With regard to payment transactions between Praktiker and its suppliers, in most cases trade indemnity insurance providers ensure that the supplier is insured against a possible payment default. The credit rating of the Praktiker Group is therefore assessed by trade indemnity insurance providers. On the basis of this assessment, insurance companies determine the extent to which they insure suppliers' receivables from Praktiker and the terms on which they will do so.

In order to limit the risk of default or curtailment of such insurance while at the same time maintaining its own payment conditions, Praktiker regularly discusses its own economic situation with trade indemnity insurance providers, thereby establishing the necessary confidence-building transparency.

Since the economic situation was already tense in 2011, Praktiker had granted security rights to various assets – most notably, existing inventories – both to the banks providing lines of credit and to trade indemnity insurance providers in order to boost confidence. This practice was maintained in 2012. Praktiker has thus ensured that it can utilise the agreed lines of credit and that suppliers can also continue to rely on their trade receivables owed by Praktiker being covered by an insurance policy.

Overall, the Praktiker Group has pledged all material assets to lenders and trade indemnity insurance providers. In the event of additional funding requirements, Praktiker AG would therefore have great difficulty providing further collateral. This makes it considerably more difficult to borrow additional debt capital.

Higher interest burden and risk of interest rate increases

The Group's gearing ratio has increased significantly as against the previous year. In addition to the financial liabilities from the corporate bond in the amount of 250 million euro, secured loans totalling 75 million euro have also been taken out – 55 million euro of which by the end of the year under review and 20 million euro in 2013. This entails increased liquidity requirements for interest payments. Whether Praktiker AG will be able to sustain this additional burden depends on the success of the restructuring programme.

Furthermore, the interest on the secured loans – as well as on the credit facility – is based on the Euribor, the European interbank lending rate. This interest rate is subject to fluctuations. If it rises during the term of the loan agreements, this would also increase interest payments.

Greater influence of major shareholders

After the capital increase, two institutional investors each hold short of ten percent of the share capital each. If these shareholders combined their interests and held more than 25 percent of the shares of Praktiker AG as a result of further acquisitions, this would lead to a proportional loss of the existing tax loss carry-forwards (harmful acquisition). In the event of an acquisition of more than 50 percent of the shares, the tax loss carry-forwards would be lost completely. At the end of the 2012 financial year, corporation tax loss carry-forwards at Praktiker AG amounted to 100.2 million euro and trade tax loss carry-forwards amounted to 46.1 million euro.

Political and economic risks

The Praktiker Group counteracts political and economic risks primarily by conducting business in a diversified portfolio of countries. However, recent years have shown that the commitment in Eastern Europe is subject to a cluster risk because many countries are suffering similar macroeconomic problems at the same time. Triggered or exacerbated by corresponding fiscal measures, they have led to considerable consumer restraint and consequently also to falling demand for DIY products. It is essentially impossible to take preventive measures for such political and economic risks, in particular as Praktiker typically establishes its presence in a country for the long term, and fluctuations in sales and earnings therefore are recognised in the country-specific investment calculation.

If the general economic or political conditions offer little prospect of being able to make the business profitable, the option remains of withdrawing from regions or countries. Praktiker reached a decision of this kind regarding its presence in Albania in 2011. In early 2013, the company's activities in Turkey were also abandoned, as there was no prospect of successfully operating business in this country under the present conditions with regard to locations and rents. Other countries in the portfolio are still being reviewed.

Praktiker does not seek actively to influence political decisions but is a member of the industry association in Germany. The objective of this is to be heard, at least as part of the industry in the political process, and to influence the regulatory environment of the DIY industry in as advantageous a way as possible through the association's work.

Industry and market risks

The Praktiker Group counteracts industry and market risks primarily by ensuring that operating management constantly monitors the market, taking the planning and decisions of the competition into consideration in its own business policies and meeting changing conditions with a high degree of flexibility and adaptability. This applies in particular to tailoring our offer, the ranges, the product, quality and price hierarchy, the design of our stores and the level of service offered.

These aspects in particular played a key role in the reorganisation of the restructuring. Due to brand-specific differences, the conversion of Praktiker to Max Bahr will have corresponding effects on the product range that the Praktiker Group offers its customers. However, corresponding adjustments are also made abroad on a regular basis to satisfy the change in demand trends, most notably, the increase in price sensitivity among customers.

The risk of having articles in the assortment that can no longer be sold at the price originally expected due to changes in demand trends is countered by corresponding allowances on such inventories. In 2012, such allowances amounted to 83.4 million euro.

The risk of rising procurement prices can be only partly limited using risk management tools. It consists of changes in commodity prices, wage inflation in supplier countries and the exchange rate between the euro and the US dollar, since invoices are typically written in US dollars in key procurement markets in Asia. However, because this risk affects all competitors to a similar degree, there is a comparatively high chance of passing on price increases on the procurement side to customers.

General business risks

In principle, what is the true concerning general business risks also applies to market and industry risks: they are best countered by building on the routines and experience of operational management.

However, to exploit future opportunities, any company must also enter into risks – such as the conversion of less profitable Praktiker stores into Max Bahr, the sales line that has consistently generated much higher EBITA margins in the past years. The opportunity of significantly increasing the profitability of business in this way is countered by the risk that customers may stay away because they are not familiar with the new brand, miss Praktiker's previous special offers or do not find the new product range attractive enough.

As part of the mandatory impairment tests, the future prospects of each individual store are reassessed each year. The reorganisation of the restructuring programme, which is to make Max Bahr the primary sales line in the German market, plays a key role here. The impairment tests are carried out on the basis of whether expected cash inflows from future sales can cover the contractually agreed rental payments or not. If the expectation is that these will be only partly covered, the carrying amounts of these stores' fixed assets must be reduced and, if necessary, provisions must be set up for onerous contracts. The modifications of corporate planning in 2012 thus depressed operating earnings (EBITA) by 1.1 million euro in total.

As a retail company, Praktiker aims to have a wide range of products available to its customers. This explains why its procurement strategy includes working solely with suppliers that promise a high degree of reliability in supply. To ensure that losses from potential default risks are limited to the greatest possible extent, Praktiker takes care that no individual supplier accounts for more than 5 percent of the total procurement volume.

However, in 2012 Praktiker AG was in a weak position vis-à-vis the suppliers due to economic difficulties. The focus in terms of procurement was not on the risk of becoming dependent on one or more suppliers, but rather on efforts to retain existing suppliers as partners. In some cases, this was possible only through concessions in the payment conditions or by providing collateral to the trade indemnity insurance providers to cover the increased default risk.

The fact that all stores are insured against disruption of business operations is a matter of course when operating DIY stores, as is adhering to the local building regulations and all other municipal regulations, such as those governing environmental protection or proper waste disposal. Comprehensive measures to protect against theft are also standard policy.

The operation of DIY stores requires complex relations with suppliers, customers and a wide range of public institutions. In this varied network of relationships, legal disputes cannot always be avoided. Provisions for legal disputes are recognised in order to be sufficiently prepared for possible payments that may result. These totalled 4.0 million euro in the 2012 financial year. The “Compliance” department carries out regular training sessions in order to help employees conduct themselves in a way that complies with all legal and regulatory provisions as well as with all internal codes of conduct. By this means, the Praktiker Group counteracts the risk of employees breaching existing legal provisions or internal rules.

IT risks

The economic success of the Praktiker Group depends on a smoothly functioning IT infrastructure. The precautionary measures aimed at crisis prevention that were established in 2007 are regularly reviewed. As an independent Group company, Baumarkt Praktiker Services GmbH also fulfils its role of maintaining, harmonising and standardising IT within the Praktiker Group in accordance with the state of the art. Baumarkt Praktiker Services GmbH ensures that the operating tasks can be dealt with smoothly, data are adequately backed up and the possibility of abuse can be ruled out.

Financial and currency risks

There are significant credit risks within the Group resulting from the company’s refinancing. Reference may be made here to the section on “Risks to the Group as a going concern” in the risk report and to page 73 in the notes. These sections describe the contractual covenants that must complied with to prevent the various financing instruments from being called in.

By contrast, there are no credit risks resulting from operating activities. Sales to customers are generally settled in cash and only to a limited degree with commonly used payment and credit cards. Surplus liquidity typically occurs over the course of the year. It is invested in the short-term money market with reputable European banks according to clear internal regulations. Cash deposits or derivative financial instruments with positive market values at banks are subject to maximum limits based on the ratings published by international agencies.

At the end of the past financial year, the Praktiker Group reported cash and cash equivalents of 82.3 million euro. Credit facilities were also available in the amount of 25.0 million euro in Germany (plus 15.0 million euro in guarantees) and 6.0 million euro abroad. This ensured that the Group could bridge the period of low liquidity that usually occurs in February/March when sales volumes are seasonally low but at the same time the volume of incoming goods reaches its highest level in preparation for the gardening season starting in the second quarter,

Until 2011, the Praktiker Group had pursued a currency hedging policy that covered both the procurement of goods from the US dollar region and part of the rental obligations in countries that use a currency other than the euro. This policy was no longer pursued in 2012, as the Group chose not to enter into hedges of this kind in order to obtain liquidity. This decision was also taken in light of the fact that although hedges can delay the effects of changes in exchange rates, they cannot cancel them out.

On page 76, a sensitivity analysis shows how earnings before taxes react to changes in the respective exchange rates. As in the past, currency risks arising from the measurement of balance sheet items, particularly in connection with finance leases, were accepted as they cannot be hedged at an economically justifiable expense. In 2012, this risk was converted into income that was reflected in the currency gains and losses in the net financial result with a non-cash balance in the amount of 8.8 million euro.

In connection with Greece’s fiscal problems, the question of whether Greece would remain in the euro zone or return to its own currency was repeatedly discussed in political circles in 2012. Should the latter be the case one day, similar currency risks would arise in Greece as in other countries in which Praktiker operates and which use a currency other than the euro.

Organisational risks

The company's success is critically dependent on the quality of its employees, on their technical expertise and their commitment to standing up for the company's interests. This applies to all levels, from the management board to the customer advisor. Praktiker has worked on its image as an attractive employer since its IPO in 2005 – for example by offering extensive promotion and training programmes and by increasing its contact with schools and universities.

Nontheless, the economic difficulties that Praktiker AG is encountering have lessened its appeal as an employer. At the same time, the Group headquarters were combined as part of the restructuring programme. Only a limited number of employees chose to move with the company from Kirkel, Saarland, to Hamburg. It was therefore necessary to hire a large number of new employees in Hamburg to fill these positions. In such a process of upheaval, it cannot be ruled out that new employees may be selected with less care than in times of a steady business development. The fact that Praktiker AG can nonetheless capably refill key positions is shown in the reforming of the management board and the new appointments for a number of management positions.

Organisational risks may also arise from errors and defects that are possible in any organisation in which people with a wide range of skills are employed in various functions. However, the number of mistakes can be limited if employees are regularly trained and qualified. Errors can also be avoided when procedures are standardised and set out in writing and when they include test loops or are subject to regular spot checks. These and other preventive organisational measures are applied as standard to the extent that they are reasonable within a complex overall organisation. They are the responsibility of the respective management teams and are regularly adjusted to reflect changing requirements.

In 2008, a contingency plan was set up with the aim of enabling all key operational processes to be maintained even in the event that central offices cannot be used temporarily.

Description of the key features of the internal control and risk management system with regard to the Group accounting process (Sec. 315 para. 2 no. 5 HGB)

Specific risks to Group accounting

The basic features of the general control and risk management system within the Praktiker Group have already been described. With regard to accounting there is the risk in particular that the consolidated financial statements published contain errors affecting the presentation of asset, financial and income position of the Group. Above all, this risk lies in the presentation of unusual or complex transactions or other transactions that are not routine and therefore have a relatively high inherent risk. The discretion granted to employees by necessity in the recognition and measurement of assets and liabilities can lead to other Group accounting risks.

Basic regulation and controlling activities for ensuring the accuracy and reliability of Group accounting

The measures within the internal control system of the Praktiker Group geared towards the accuracy and reliability of Group accounting ensure that transactions are recorded in full and without delay in line with legal provisions. They also guarantee that inventories are conducted properly and that assets and liabilities are recognised, measured and reported appropriately in the consolidated financial statements. The regulation activities also ensure that accounting documentation provides information that is both reliable and comprehensible. Monitoring mechanisms integrated in processes and independent of processes form the key elements of the internal monitoring system in the Praktiker Group.

In addition to process controls performed by people – such as the dual control principle – control mechanisms embedded in the IT systems also form a key part of integrated measures. For example, there is a Group-wide, computer-aided workflow system for organising the flow of documents into which the Group's standardised guidelines for procurement and restriction of liability have been integrated. This ensures that central financial accounting is informed of the status of all documents without delay. At the same time this substantially reduces the risk that transactions are not fully recognised in accounting. Furthermore, integrated and independent monitoring is ensured by specific Group functions, such as the central legal and treasury departments.

The separation of functions and the dual control principle are compulsory and laid out officially in work instructions and manuals, reducing the opportunity for malicious activity. Internal auditing conducts regular audits at all subsidiaries in Germany and abroad. The internal control system also guarantees that changes in the business or legal environment of the Praktiker Group are detected and that new or amended legal provisions on Group accounting are applied

and complied with. Employees in accounting are regularly informed of such legal changes that could affect the preparation of the consolidated financial statements. In addition, sufficient copies of legal texts and related commentary are provided.

The supervisory board of Praktiker AG (referring here in particular to the audit committee), the internal audit department and the auditor of the consolidated financial statements are incorporated into the independent audit activities of the Praktiker Group's controlling environment. Accounting is monitored independently by having the consolidated financial statements and the standardised financial statements of the Group companies audited by the auditor. The separate and consolidated financial statements of the reporting company prepared as of year-end and the associated management reports are discussed and examined in depth in a meeting of the supervisory board and before this in a meeting of the audit committee in the presence of the said auditor. The audit committee held a total of six meetings in 2012 which focused, among other things, on the discussion of the interim report for the first half of 2012 and the quarterly reports for 2012 with the management board and the auditors.

Key structures, processes and controls in Group accounting and consolidation

The accounting division is responsible for preparing the consolidated financial statements. All the subsidiaries receive a shared and binding controlling and accounting calendar at the start of the financial year. Prior to the preparation of the (consolidated) quarterly and annual financial statements, the administrative and accounting managers of all the companies included in the consolidated financial statements are again informed in writing of the financial statement schedule and advised of all key matters relating to the preparation process. Furthermore, the heads of the central international controlling, finance and Group accounting and reporting divisions and the administrative heads of all foreign companies discuss these and similar issues before all annual financial statements and the quarterly financial statements.

In the first step, the subsidiaries prepare their separate financial statements in line with the provisions of local commercial law. These are then adjusted to International Financial Reporting Standards (IFRS) on the basis of the Group's standardised chart of accounts and its accounting manual, which is prepared centrally, updated regularly and applies throughout the Group. This guarantees the application of uniform accounting policies among the German and international companies included in the consolidated financial statements of Praktiker AG. The use of a standardised set of forms is also required to ensure that the information required to prepare the notes to the consolidated financial statements is complete.

After being adapted in line with the accounting policies of the parent company, the companies enter their financial statement data in a Group-wide IT system forming the basis for the preparation of the consolidated financial statements. Prior to consolidation, all intra-Group balances are centrally checked and coordinated using SAP software and on the basis of computer-aided, automatic processes. Deviations must be clarified and corrected before consolidation can begin. The consolidated financial statements and all the associated accounting entries for consolidation are prepared by the Group accounting and reporting department which belongs to the central accounting division. No sub-Group financial statements are prepared. Consolidation is carried out in a single process. The software used performs and simultaneously documents all consolidation processes to prepare the consolidated financial statements of Praktiker AG, such as the consolidation of equity, liabilities, expenses and earnings.

Consolidation activities are subject to a number of validation rules that prevent errors. In preparing the financial statements, central accounting is largely dependent on the data and information provided by other divisions. For example, the legal department provides information that forms the basis for the measurement of provisions for litigation risks. The planning figures prepared by the controlling division are also important for impairment analyses and reviewing the value of deferred tax assets. At Group level, the control activities to ensure the accuracy and reliability of

Group accounting include analysing and possibly correcting the separate financial statements submitted by the Group companies. This takes into account the assessments by the respective auditors.

There are various control mechanisms in the electronic consolidation system and technical plausibility checking which help to keep the error rate at a low level, select separate financial statements that contain errors and, if necessary, correct them at Group level. For example, the system implements validation rules which ensure that, if certain errors are detected, figures cannot be processed any further until these are remedied. The data entered in the electronic consolidation system also serve as the basis for internal reporting to the management board of Praktiker AG and thereby for segment reporting – which is a component of the Group's annual and quarterly financial statements.

The financial statement data entered by the individual companies are aggregated and consolidated at segment level to achieve this. Impairment testing for parts of the Group deemed cash generating units is conducted in line with uniform and standardised measurement criteria. In order to better control the risks this entails, decisions on valuation are not down to one person. Rather, they can be only made by arrangement between the heads of the central Group accounting and reporting division and of central accounting. Data for the preparation of information for external reporting in the notes and management report, including significant events after the balance sheet date, are also prepared and aggregated at Group level.

OUTLOOK

Moderate growth prospects

The prospects for growth in the countries in which Praktiker operates are moderate on the whole for 2013 and 2014. Low growth rates in the gross domestic product are expected for the majority of these countries. The forecasts range between zero and four percent, with Germany at the lower end and the Ukraine at the upper end. The only exception is Greece, where a further decline in economic output is anticipated for both years. The forecasts indicate that a pause in growth is to be expected in 2013 in the countries relevant to Praktiker. In 2014, most countries will then return to a course of somewhat stronger growth.

In addition, private consumption – the more important general economic aggregate with regard to demand for products in the DIY sector – is expected to support and generally follow the trend in the economic development in most countries. In Germany, Praktiker AG's domestic market, economists even expect private consumption to display a considerably more positive development than the economy as a whole.

In a macroeconomic environment of this kind, comparatively stable demand for DIY products can be anticipated in the majority of the countries. In countries where this is not yet the case in 2013, the demand situation should improve again by 2014 at the latest. Praktiker AG's planning for 2013 and 2014 is therefore based on a scenario in which most markets display little momentum, i.e. hardly any growth, but also do not decline further – or if they do, at least not to the extent seen in the past years.

Lower consolidated sales anticipated

Expectations for the future sales performance are determined not only by the general economic environment, however, but also by the restructuring measures. Eleven stores belonging to the Praktiker Germany sales line were already closed in 2012, and another eight are scheduled for closure in 2013, to be followed by seven more in 2014. At the same time, around 120 Praktiker stores in Germany are to be converted to the Max Bahr format. This will withdraw further sales from the Praktiker Germany sales line, although these sales will then accrue to the Max Bahr sales line after the conversion. In 2013 in particular, this will result in significant shifts in the distribution of sales between the sales lines in Germany.

However, Praktiker does not expect the conversion of stores to entail considerable sales declines. Although each store undergoing conversion will have to be closed for a short time and will not generate any sales during this period, this will be countered by the sale of the entire merchandise inventory prior to closure of the old store and by promotions bringing customers' attention to the new product range after the new store is opened.

Overall, Praktiker anticipates that sales in Germany will decline roughly in line with the store closures in 2013 and moderate growth will then be possible again in 2014.

The sales performance outside Germany will also be strongly influenced by anticipated changes in the overall portfolio. The closure or sale of loss-making stores or national organisations is carried out with the intention of underpinning earnings. However, the sales previously generated in these stores will inevitably be lost in future. At the beginning of 2013, for instance, Praktiker decided to discontinue its activities in Turkey. The stores here will be either sold or closed. In 2012, Turkey had contributed 11.0 percent of sales in the International segment. The discontinuation of activities in Turkey may therefore result in a corresponding decline in sales in 2013. Further changes in the international portfolio would also have an impact on the sales volumes achieved in the business outside Germany. In all remaining countries – with the exception of Greece – Praktiker anticipates a rise in sales in both of the years included in the forecast. Although the company currently plans to open up two new stores in both 2013 and 2014, the bulk of any positive development in sales would have to stem from the existing stores. This projection takes into account the expectation that the currencies in the countries outside the euro zone where Praktiker operates will remain stable.

Expected changes in gross domestic product (GDP) and private consumption

In %

	2013		2014	
	GDP	Private consumption	GDP	Private consumption
Bulgaria	1.5	2.4	2.3	2.9
Germany	0.6	1.4	1.9	2.3
Greece	–4.5	–5.4	– 1.3	–4.3
Luxembourg	1.2	0.5	2.0	1.4
Poland	1.5	1.1	2.9	2.3
Romania	1.5	1.9	2.6	3.0
Ukraine	2.2	4.1	3.6	4.8
Hungary	–0.1	–0.5	1.3	0.7

Source: Germany, Greece, Luxembourg: OECD, all other: Eastern European Concensus Forecast, Consensus Economics (as of February 2012)

Improvement in earnings due to reduced costs and increase in the gross margin

The restructuring measures are geared towards strategic reorientation of business in Germany with Max Bahr as the primary sales line, as well as earnings-based changes in the international portfolio and measures for structural adjustments and cost reduction in the Group. The goal the Group has set itself is to generate EBITA in the high tens of millions in 2014. This goal can be achieved if costs are adjusted and the gross margin increased to the extent specified in the planning.

Adjustment of costs: according to the current planning, no further restructuring expenses will be incurred in 2014 and therefore extraordinary effects as were reported in the past years will no longer apply. Furthermore, the main steps for the restructuring have already been taken: the head offices have been merged and the procurement function has been combined in organisational terms. The number of employees has been reduced significantly and a collective agreement for restructuring has been concluded. Rents have been renegotiated to a large extent and the first store closures have taken place as scheduled. Overall, these measures are expected to reduce expenses by a high double-digit million amount in 2014 as compared to the actual figures for 2011.

Increase in the gross margin: since becoming part of the Praktiker Group, the Max Bahr sales line has always generated a higher gross margin than the Praktiker sales line. For this reason, the conversion of Praktiker stores to the Max Bahr format is expected to result in an increase in the gross margin for the entire portfolio. At the same time, the service element is to be strengthened in the Max Bahr format and developed into a distinguishing feature. For Praktiker, a change in the direction of a discount format is planned and is being implemented. These measures are expected to bring about an increase in the gross margin and thus also in earnings power in the mid to high tens of millions in the next two years. The procurement cooperation that Praktiker entered into at the beginning of 2013 should also help strengthen the gross margin.

Together with the changes in international business that have already been resolved and are still being planned, these measures are expected to lead to growth in EBITA in an amount that appears realistic in view of the EBITA target for 2014.

In 2013, by contrast, it will not yet be possible to generate positive EBITA, as the conversion from Praktiker to Max Bahr will still be in full swing this year and the corresponding expenses will be incurred. Furthermore, it will take a certain length of time for converted stores to return to profitability and develop their full earnings power. Nonetheless, an improvement in EBITA is also anticipated in 2013 as compared to 2012, as initial cost savings are taking effect and the negative earnings contribution from the stores already closed also no longer exists.

Higher levels of capital expenditure in 2013

In order to implement the strategic reorientation with Max Bahr as the primary sales line in Germany, the remaining Praktiker stores scheduled for conversion, roughly 90 in number, are to be converted to the Max Bahr format in 2013. The total volume of capital expenditure planned for 2013 will consequently climb to over 100 million euro – a substantial increase as against the volume in 2012. In 2014, the volume of capital expenditure will then fall back to an amount in the mid double-digit millions amount. This would roughly correspond to the long-term average for capital expenditure that is required for upkeep of the infrastructure, renovation and maintenance.

Improvement in cash flow

Praktiker expects to generate improved cash flow in 2013, arising partly from a positive change in working capital. The cash flow will also be boosted by a reduction in losses in international business due to the withdrawal from Turkey and by the inflow of funds resulting from the targeted sale of parts of the international portfolio. A further improvement is expected in 2014, resulting from the anticipated increase in operating earnings and the normalisation of the volume of capital expenditure.

Net financial result reflects new financing structure

To finance the restructuring, Praktiker AG secured funds totalling 75.0 million euro in 2012. 55.0 million euro of this was paid out in 2012 and 20.0 million euro is to be paid in 2013. As the interest is based on the variable Euribor, it is not possible to make a precise forecast of the associated interest expenses. These are expected to amount to roughly 10.0 million euro per year, interest expenses will increase by this amount. The interest expenses for the corporate bond issued in 2011 are determined nominally and will not change over its term. According to the current planning, interest expenses attributable to finance leases also will not be subject to any major changes during the period covered by the forecast. Nonetheless, increases may arise if additional stores that are currently managed under operating leases have to be reclassified as finance leasing stores in the context of the continued conversion of Praktiker stores to the Max Bahr sales line. Due to the comparatively large proportion of finance leases in the Praktiker Group's store portfolio, changes in exchange rates also have an impact on the net financial result. As has been seen in the past, substantial changes in exchange rates may lead to a positive or negative impact on the net financial result in the tens of millions. However, it is impossible to forecast either the amount or the direction of the impact. Given relatively stable exchange rates, as Praktiker has assumed, only minor positive or negative impacts would be expected.

Tax rate difficult to forecast

The tax rate is very closely linked to the amount of pre-tax earnings. The lower the earnings before taxes in absolute terms, the greater will be the effects of the components within tax expenses that are not directly dependent on the generated earnings before taxes. As experience in recent years has shown, a reliable forecast of the tax rate is not possible.

Dividend not to be expected

The agreements for the secured loans stipulate that no dividend payments can be made to shareholders until the loans have been repaid. The contractually agreed repayment date is January 2016. Although it cannot be ruled out that Praktiker may repay the collateralised loans before this date, dividends for 2013 and 2014 still are not expected.

Restructuring programme provides firm orientation

It is a clearly expressed feature of the Praktiker Group's strategy to react flexibly to changes in market conditions. As a result, planning is adjusted when the need to do so arises. This flexibility emanates from entrepreneurial responsibility in an industry where short-term changes are the rule. The retail sector does not have a reliable indicator for future development in sales and earnings as there is no lead-time in customer orders, no extended production times and no continuous income stream from ongoing service agreements.

However, the financing for the restructuring measures is associated with contractual covenants which include achieving pre-defined levels of progress with the programme. Failure to achieve such milestones could result in these loans being called in. In both years of the forecast period, Praktiker will therefore have considerably less scope for decision-making than in previous years. As a result of these agreements, Praktiker is committed to implementing the restructuring as planned.

Summary

The Praktiker Group is facing dramatic changes in the orientation of its business. Store closures and the withdrawal from countries covered by the international portfolio will have a negative effect on sales and a positive effect on earnings. In the remaining store portfolio, Praktiker AG will focus on increasing productivity per store by means of moderate sales growth, both in Germany and abroad. In Germany, the conversion from Praktiker to Max Bahr in particular should contribute to an increase in the gross margin and thus in earnings power. As a result of the restructuring programme, jobs have already been reduced and expenses cut on a broad basis. Praktiker therefore expects to improve its operating earnings step by step and to return to profitability in 2014.

REPORT ON SUBSEQUENT EVENTS

A meeting of Praktiker AG's bondholders took place on 9 January 2013. Some of the bondholders had asked to have a joint representative appointed. The lawyer, Dr Ingo Scholz, was elected as the joint representative by a large majority of the bondholders present. His key tasks will include structuring and shaping the flow of information between the company and the bondholders.

The restructuring programme has also continued beyond the end of the year under review with activities being concentrated on converting the Praktiker stores to the Max Bahr sales line. At the end of February, a total of 42 stores had already switched brands. Twelve stores were being converted and are to be reopened before the start of the spring season. No conversions are planned during the second quarter when sales are normally strongest. The conversion programme will not restart until the third quarter.

The blueprint for the Praktiker brand's future image was prepared in 2012. In the meantime, work on the pilot store in Neumünster has started. When it reopens at the end of March 2013, for Praktiker Germany, this will also mark the beginning of the implementation phase of its new strategic focus on the target concept of a lean DIY store.

On 28 January 2013, Praktiker AG and "HELLWEG die Profi-Baumärkte GmbH & Co. KG" announced their intention of collaborating closely on procurement and purchasing stock via a joint procurement company. Both partners hold 50 percent of the shares in "DIYCO Einkaufsgesellschaft mbH", which was restructured for this purpose. The German Federal Cartel Office was also advised of this plan. Since no concerns under competition law were raised, the partnership started commenced in March 2013. HELLWEG and Max Bahr had already cooperated on procurement in the past. Both brands focus on a quality and service oriented corporate strategy and positioning. The joint procurement company is to achieve synergies by combining procurement volume and exploiting logistical advantages. The prices and conditions to be negotiated with the respective suppliers in master agreements are to apply in the same way for all the sales lines of the two companies in Germany and (in the case of HELLWEG) in Austria as well.

Praktiker expects this cooperation to lead to a rapid and permanent improvement in its terms and conditions of purchase.

On 25 January 2013, the management board of Praktiker AG decided to withdraw from business in Turkey and, in view of the sustained losses in this country, has suspended payments to the local subsidiary. Praktiker Yapi Marketleri A. S., which operates nine DIY stores throughout the country, subsequently applied for the initiation of orderly insolvency proceedings – an "insolvency postponement procedure" as it is known – at the competent court in Istanbul on 11 February 2013.

As part of this procedure the store portfolio is to be handed to third parties in whole or in part in accordance with a restructuring plan deposited with the court. Inventories will be marketed. In the course of winding up the business, Praktiker will strive to find the best solution with both suppliers and landlords in Turkey and to avert the threat to jobs or to reduce its impact on employees as far as possible.

In the past, the business in Turkey regularly reduced Praktiker AG's operating earnings by a figure in the low double-digit millions. This charge will no longer apply in future. It is possible that the withdrawal will still entail a charge on earnings.

There were no further material events that could have a significant impact on the income, asset and financial position of the Praktiker Group after the end of the financial year under review.

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CONSOLIDATED INCOME STATEMENT FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2012

Consolidated income statement

in € k	Note/Page	2012	2011
Net sales	1/79	**3,003,235**	**3,182,962**
Cost of goods sold	2/79	–2,060,874	–2,206,321
Gross profit on sales		**942,361**	**976,641**
Other operating income	3/79	83,978	68,060
Selling expenses	4/79	–1,067,204	–1,329,485
Administrative expenses	5/79	–85,017	–89,251
Other operating expenses	6/80	–2,901	–1,075
Operating earnings before goodwill impairment (EBITA)		**–128,783**	**–375,110**
Goodwill impairment	17/86	0	–159,454
Operating earnings after goodwill impairment (EBIT)		**–128,783**	**–534,564**
Financial income		56,718	27,769
Financial expenses		–92,542	–87,526
Net financial result	7/80	**–35,824**	**–59,757**
Earnings before taxes		**–164,607**	**–594,321**
Income taxes	8/81	–24,277	39,611
Group net loss for period		**–188,884**	**–554,710**
thereof allocable to minority interests	9/82	1,033	923
thereof allocable to owners of the company		–189,917	–555,633

Earnings per share

in €	Note/Page	2012	2011
Basic earnings per share	10a/82	**–3.13**	**–9.58**
Dilutive effect		–	–
Diluted earnings per share	10b/82	**–3.13**	**–9.58**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2012

Consolidated statement of comprehensive income

in € k	2012	2011
Group net loss for period	**–188,884**	**–554,710**
Loss from currency translation recognised directly in equity	–6,372	–939
Loss (previous year gain) from cash flow hedges recognised directly in equity (after taxes)	–831	1,342
Other comprehensive income	**–7,203**	**403**
Comprehensive income	**–196,087**	**–554,307**
thereof allocable to non-controlling interests	1,033	923
thereof allocable to shareholders of Praktiker AG	–197,120	–555,230

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – ASSETS AS AT 31 DECEMBER 2012

Consolidated statement of financial position – assets

in € k	Note/Page	31/12/2012	31/12/2011
Goodwill	15/84	33,228	33,228
Other intangible assets	15/84	71,021	73,459
Property, plant and equipment	16/85	407,244	388,849
Other financial assets	19/90	12	11
Other receivables and other assets	20/90	15,279	8,844
Deferred tax assets	21/90	119,787	129,331
Non-current assets		**646,571**	**633,722**
Inventories	22/92	640,420	654,246
Trade receivables	23/92	22,584	12,262
Other receivables and other assets	20/90	79,795	64,261
Income tax receivables	24/93	4,594	1,432
Cash and cash equivalents	25/93	82,275	148,042
Current assets		**829,668**	**880,243**
Total assets		**1,476,239**	**1,513,965**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES AS AT 31 DECEMBER 2012

Consolidated statement of financial position – equity and liabilities

in € k	Note/Page	31/12/2012	31/12/2011
Share capital	26a/93	114,025	58,000
Reserves	26e/95	704,366	713,621
Balance sheet loss	26f/96	-684,323	-494,406
Equity allocable to owners of the company		**134,068**	**277,215**
Minority interests	26g/96	1,476	1,339
Equity		**135,544**	**278,554**
Provisions for pensions	27/96	504	521
Other provisions	28/98	97,811	85,205
Financial commitments	29/99	547,132	474,187
Other liabilities	30/100	3,409	5,368
Deferred tax liabilities	21/90	74,973	63,023
Non-current liabilities		**723,829**	**628,304**
Other provisions	28/98	94,038	132,004
Financial commitments	29/99	26,106	24,949
Trade payables	31/100	419,607	353,700
Other liabilities	30/100	76,705	94,897
Current income tax liabilities	24/93	410	1,557
Current liabilities		**616,866**	**607,107**
Total equity and liabilities		**1,476,239**	**1,513,965**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated statement of changes in equity

in € k	Share capital	Capital reserves	Other reserves				Balance sheet profit/loss	Equity allocable to the shareholders of Praktiker AG	Non-controlling interests	Total equity
			Other comprehensive income							
			Currency translation	Cash flow hedges (after taxes)	Sundry other reserves	Total				
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			–939	1,342		403		403		403
Payments to shareholders of the company							–5,800	–5,800		–5,800
Payments to non-controlling interests									–1,243	–1,243
Group net loss							–555,633	–555,633	923	–554,710
Other changes in non-controlling interests									17	17
31/12/2011	**58,000**	**822,685**	**–16,919**	**831**	**–92,976**	**–109,064**	**–494,406**	**277,215**	**1,339**	**278,554**
Transactions directly recognised in equity			–6,372	–831		–7,203		–7,203		–7,203
Component of option bond directly recognised in equity		191						191		191
Capital increase due to issue of new shares	56,025	4,482						60,507		60,507
Cost of capital increase directly recognised in equity		–6,730						–6,730		–6,730
Payments to non-controlling interests									–901	–901
Group net loss							–189,917	–189,917	1,033	–188,884
Transactions with non-controlling interests					5	5		5	5	10
31/12/2012	**114,025**	**820,628**	**–23,291**	**0**	**–92,971**	**–116,262**	**–684,323**	**134,068**	**1,476**	**135,544**

CONSOLIDATED CASH FLOW STATEMENT FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2012

Consolidated cash flow statement

in € k	Note/Page	2012	2011
Earnings before taxes		–164,607	–594,321
Depreciation, amortisation and reversal of impairment loss		48,633	75,751
Impairment on tangible assets and other intangible assets		19,434	80,058
Goodwill impairment		0	159,454
Decrease (previous year increase) in provisions		–25,377	126,096
Loss from the disposal of fixed assets		1,272	32
Exchange-rate-related effects		–7,865	5,561
Decrease in inventories		13,826	135,094
Increase (previous year decrease) in trade payables		65,908	–97,127
Other non-cash expenses and incomes		–15,557	–10,915
Changes in current other assets and liabilities		–60,696	22,774
Changes in non-current other assets and liabilities		–8,257	4,218
Income taxes paid		–6,605	–9,272
Interest expenses from finance lease		–21,880	–23,052
Interest result		46,217	43,481
Interest received		889	2,972
Cash flow from operating activities	32a/101	**–114,665**	**–79,196**
Proceeds from disposal of fixed assets		1,876	907
Transactions with non-controlling interests		10	0
Cash outflow for investing activities		–35,209	–62,608
Cash flow from investing activities	32b/101	**–33,323**	**–61,701**
Interest paid		–17,716	–6,112
Payment to non-controlling interests		–901	–1,243
Payments to shareholders of the company		0	–5,800
Principal of liabilities from finance leases		–20,193	–18,075
Received payments from borrowing		2,944	4,865
Repayment of borrowings		–1,944	0
Received payment from loans		48,664	0
Received payment from capital increase		53,777	0
Received payment from option bond		580	0
Received payments from corporate bonds		0	246,677
Repayment of convertible bonds		0	–147,100
Repayment of promissory note loans		0	–50,000
Cash flow from financing activities	32c/101	**65,211**	**23,212**
Change in cash, cash equivalents and bank overdrafts (aggregated)		**–82,777**	**–117,685**
Effect of foreign exchange rate changes		363	–565
Cash and cash equivalents at beginning of period		148,042	266,292
Cash and cash equivalents at end of period (aggregated)	32d/101	**65,628**	**148,042**

Reconciliation of liquid funds to consolidated statement of financial position

in € k	31/12/2012	31/12/2011
Liquid funds at beginning of period (total) according to consolidated cash flow statement	**148,042**	**266,292**
Restraint on disposal of cash and cash equivalents at beginning of period	0	0
Liquid funds at beginning of period (total) according to consolidated statement of financial position	148,042	266,292
Change in cash and cash equivalents	−82,777	−117,685
Effect of foreign exchange rate changes	363	−565
Change in restraint on disposal of cash and cash equivalents	0	0
Liquid funds at end of period (total) according to consolidated cash flow statement	**65,628**	**148,042**
Restraint on disposal of cash and cash equivalents at end of period	16,647	0
Liquid funds at end of period (total) according to consolidated statement of financial position	**82,275**	**148,042**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Introductory remarks

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

The responsible central register court is located in Saarbrücken. Praktiker AG and its subsidiaries (together the "Praktiker Group") operate DIY stores 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 eight other countries, primarily in Eastern and Southeastern Europe.

The shares of Praktiker AG have been traded publicly since November 2005, entering into the MDAX in March 2006. Praktiker AG has been listed on the SDAX since September 2011.

The financial year corresponds to the calendar year. The consolidated financial statements have been drawn up in € thousand.

The items shown in the statement of financial position differentiate between non-current and current assets and liabilities, which are set out partly in detail in the notes to the financial statements. The income statement was prepared using the cost of sales format.

Due to rounding, there may be slight variations in the current report in totals and in calculating percentage figures.

On 4 March 2013, these consolidated financial statements for the financial year from 1 January to 31 December 2012 were submitted – after their preparation by the management board – to the supervisory board of Praktiker AG for acceptance and publication.

Accounting principles

Basic comments to the consolidated financial statements

The consolidated financial statements of Praktiker AG were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, which have been adopted under Articles 2, 3 and 6 of the Regulation (EC) No. 1606/2002 of the European Parliament and the European Council of 19 July 2002 and the complementary commercial regulations according to Sec. 315a para. 1 HGB (German Commercial Code).

The regulations of the International Financial Reporting Standards (IFRS) that were applied – under consideration of the aforementioned regulation (EC) – were those that were obligatory as per the closing date of 31 December 2011.

The consolidated financial statements were drawn up on the basis of historical costs, supplemented via the market valuation of financial assets available for sale as well as via the valuation at fair value through profit or loss of financial assets and financial liabilities (including derivative financial instruments).

The management applied the going concern principle in the preparation of the financial statements. This assumption is based on all the information available about the future. The funds required to implement a restructuring plan produced by Roland Berger Strategy Consultants were secured through granting senior secured term loans, the extension of existing credit facilities, and a capital increase performed in December 2012.

In a worst case scenario, the Group may be unable to implement the measures intended in the restructuring programme successfully and therefore fail to generate the anticipated earnings improvements. This could lead to it being unable to maintain a positive forecast as a going concern.

Standards, interpretations and amendments issued requiring mandatory application in 2012

The following standards, interpretations and amendments to existing standards require mandatory application for the first time for reporting periods which begin on 1 January 2012:

IFRS 7 (amendment, effective from 1 July 2011), "Financial Instruments: Disclosures": The amendments specify new and extensive qualitative and quantitative disclosures regarding transferred financial assets that have not been derecognised, and regarding any ongoing involvement in transferred financial assets as at the balance sheet date. These amendments will widen the scope of disclosures to be made regarding financial instruments further. However, they will not affect the recognition and measurement of assets and liabilities in the consolidated financial statements or results in future financial years.

Unless otherwise indicated for the individual changes, the application of the new and amended standards and interpretations has no significant effect on the net assets, financial position and results of operations or the cash flow of the Praktiker Group.

Standards, interpretations and amendments issued which do not yet require mandatory application

The following standards, interpretations and amendments to existing standards were published by the IASB and have already been adopted by the EU (as at 31 December 2012). However, they only require mandatory application for later reporting periods. The date indicated in brackets refers to the beginning of the relevant financial year. The company decided to refrain from exercising its right of choice in respect of the premature application of the above for the current consolidated financial statements.

IAS 1 (amendment, effective from 1 July 2012), "Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income": The amendments introduce new provisions for the presentation of other comprehensive income.

IAS 12 (amendment, effective from 1 January 2013), "Income Taxes": The amendment offers a solution for the issue of whether the carrying amount of an asset will be recovered through use or sale.

IAS 32 (amendment, effective from 1 January 2014), "Financial Instruments: Presentation" and IFRS 7 (amendment, effective from 1 January 2013), "Financial Instruments: Disclosures": These amendments clarify details for the offsetting of financial assets and liabilities and require additional supplementary disclosures. However, the current prohibition on offsetting will not be amended fundamentally. In future, IFRS 7 will require supplementary disclosures on the gross and net amounts involved in offsetting and the amounts for offsetting rights that do not satisfy accounting offsetting criteria.

IFRS 1 (amendment, effective from 1 January 2013), "First-time Adoption of IFRS": Amendment to the application guidance for the presentation of financial statements compliant with IFRS when a company was unable to apply IFRS regulations for a period because its functional currency was subject to hyperinflation. The amendment also replaces the references to the fixed transition date for the derecognition of financial assets and liabilities and for requirements concerning the recognition of gains or losses on the date of acquisition in accordance with IFRS 1 with the 'date of transition' to IFRS.

IFRS 10 (new, effective from 1 January 2014), "Consolidated Financial Statements": The new standard replaces the regulations regarding consolidated financial statements in IAS 27 Consolidated and Separate Financial Statements and the interpretation SIC-12 Consolidation – Special Purpose Entities. IFRS 10 establishes a uniform control concept applicable to all companies including special purpose entities. According to IFRS 10, control exists if the following three requirements have been met on a cumulative basis: (a) a company must be able to exercise power over the investee; (b) it must be exposed to variable returns from its involvement with the investee and (c) it must be able to affect those returns through its power over the investee. The standard also includes extensive guidance regarding the implementation of complex issues.

IFRS 11 (new, effective from 1 January 2014), "Joint Arrangements": The core principle of IFRS 11 is that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement.

IFRS 12 (new, effective from no later than 1 January 2013), "Disclosure of Interests in Other Entities": The standard is intended to enable users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IFRS 13 (new, effective from 1 January 2013), "Fair Value Measurement": IFRS 13 defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements.

IAS 19 (amendment, effective from 1 January 2013), "Employee Benefits": The amendments implemented a range of basic changes, e. g. with regard to determining the expected return on plan assets and eliminating the corridor method, which served to spread or smooth out volatility resulting from pension obligations over time, right up to clarifications and rewordings. Elimination of the corridor method will mean that the amount set aside for pensions will always reflect the full defined benefit obligation and that actuarial gains and losses will no longer be recognised on a pro rata basis through profit or loss, and will instead be recognised in full in other comprehensive income during the period they arise. This will generally lead to higher volatility of provisions and equity.

The amendments to IAS 19 are to be applied on a retrospective basis. Based on a preliminary assessment, the management board assumes that the first-time application of the revised version of IAS 19 in the 2013 financial year will lead to a € 18 thousand reduction in Group earnings after taxes and a € 139 thousand reduction in other comprehensive income for the current financial year.

IFRIC 20 (new, effective from 1 January 2013), "Stripping Costs in the Production Phase of a Surface Mine": The interpretation clarifies the conditions under which stripping costs can be recognised as an asset and how to measure these both initially and subsequently.

IAS 27 (revised, effective from 1 January 2014), "Separate Financial Statements": The revised IAS 27 has the objective of setting standards to be applied in accounting for investments in subsidiaries, jointly controlled entities, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.

IAS 28 (revised, effective from 1 January 2014), "Investments in Associates": The objective of the revision of this standard is to define accounting for investments in associates and to stipulate regulations for the application of the equity method to account for investments in associates and joint ventures.

The application of the new and amended standards and interpretations which have not yet been adopted by the EU is not expected to cause significant changes in the net assets, financial position and results of operations or the cash flow of the Praktiker Group in the future.

Standards, interpretations and amendments issued which do not yet require mandatory application and which have not yet been adopted by the EU

The following standards, interpretations and amendments of existing standards have already been published by the IASB, but have not yet been adopted by the EU and only require mandatory application for later reporting periods (as at 31 December 2012).

IFRS 9 (new, effective from 1 January 2015), "Financial Instruments": The new standard fundamentally amends the current provisions on the categorisation and measurement of financial instruments and will replace IAS 39. The IASB has divided this project into three phases. The first phase in November 2009 provided new accounting regulations for financial assets. In December 2011, the IASB resolved to postpone the effective date for first-time adoption from 1 January 2013 to 1 January 2015. This is due to the fact that the second and third phases of the project are still being discussed. Phase 2 concerns accounting for financial liabilities and the derecognition of financial assets, while phase 3 is intended to cover hedge accounting.

IFRS 1 (amendment, effective from 1 January 2013), "First-time Adoption of IFRS": Amendment with regard to government loans with a below-market rate of interest.

In May 2012, the IASB published its annual improvements in a collective standard in order to amend various IFRSs with the main aim of eliminating inconsistencies and clarifying formulations. The amendments are applicable to financial years beginning on or after 1 January 2013. The following are the main standards affected by the amendments: IFRS 1 "First-time Adoption of IFRS", IAS 1 "Presentation of Financial Statements", IAS 16 "Property, Plant and Equipment", IAS 32 "Financial Instruments", IAS 34 "Interim Financial Reporting".

IFRS 10, IFRS 11 and IFRS 12 (amendment, effective from 1 January 2013), "Clarification of Transition Guidance in IFRS 10". These amendments clarify the transition guidance in IFRS 10 and accord additional facilities in all three standards.

IFRS 10, IFRS 12 and IAS 27 (amendment, effective from 1 January 2014), "Investment Entities". The aim of this project is to create an exception to the requirement to consolidate subsidiaries for qualified investment entities.

The application of the new and amended standards and interpretations which have not yet been adopted by the EU is not expected to cause significant changes in the net assets, financial position and results of operations or the cash flow of the Praktiker Group in the future.

Scope of consolidated companies

a) General remarks

Besides Praktiker AG, the consolidated financial statements comprise 18 domestic subsidiaries (previous year 14) and 19 foreign subsidiaries (previous year 20) in which Praktiker AG directly or indirectly holds the majority of voting rights.

Subsidiaries are all companies controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of a company while regularly holding a share of more than 50.0 percent of the voting rights. The assessment of whether a controlling position exists takes account of the existence and impact of such potential voting rights as are currently exercisable or convertible.

The results of subsidiaries are included in the consolidated financial statements (full consolidation) from the date on which control is transferred to the Group. They are deconsolidated as of the date on which control ceases.

b) Changes to the scope of consolidated companies

There were the following changes in the basis of consolidation of the Praktiker Group in the reporting year.

As the sole shareholder, Baumarkt Praktiker Deutschland GmbH, Hamburg, resolved to form Baumarkt MB Vertriebs GmbH, Hamburg, on 8 August 2012. The company was formed by way of a capital contribution of € 1,000,000 on 24 August 2012. The purpose of the company is essentially trading in DIY items.

As the sole shareholder, Baumarkt Praktiker Deutschland GmbH, Hamburg, resolved to form Baumarkt Praktiker Zweite Warenhandels GmbH, Hamburg, on 8 August 2012 and was formed by way of a capital contribution of € 1,000,000 on 24 August 2012. The purpose of the company is essentially the performance of services for the procurement of raw materials, products, equipment and other merchandise intended for construction and interior and exterior decorating.

Max der kleine Baumarkt GmbH changed its name by way of resolution of the Shareholders' Meeting on 8 August 2012. The company now trades under the name "Baumarkt Max Bahr Warenhandels GmbH". The new name was entered in the commercial register on 29 August 2012.

Baumarkt Max Bahr Praktiker Einkaufs GmbH, Hamburg, was formed by way of charter on 30 August 2012. Its shareholders are Baumarkt Max Bahr Warenhandels GmbH, Hamburg, which holds 51.0 percent, and Baumarkt Praktiker Warenhandelsgesellschaft mbH, Hamburg, which holds 49.0 percent. The share capital of Baumarkt Max Bahr Praktiker Einkaufs GmbH amounts to € 100,000. The main purpose of the company is the performance of services for the procurement of raw materials, products, equipment and other merchandise intended for construction and interior and exterior decorating.

As the sole shareholder, Praktiker AG, Kirkel, resolved to form Baumarkt Max Bahr Geschäftführungs GmbH, Hamburg, on 19 September 2012. The company was formed by way of a capital contribution of € 25,000 on 24 September 2012. The purpose of the company is essentially to assume personal liability and management of Baumarkt Max Bahr GmbH & Co. KG.

By way of purchase and transfer agreement of 27 September 2012, Praktiker AG sold a 0.01 percent share in the fixed capital of Baumarkt Max Bahr GmbH & Co. KG worth a nominal amount of € 4,500 to a non-Group company.

Praktiker Finance B.V., Amsterdam was liquidated and deconsolidated as at 31 December 2012. The company had already ceased operations during 2012. Deconsolidation did not have a significant impact on the net assets, financial position and results of operations or the cash flow of the Praktiker Group.

The following companies based in Germany were included in the consolidated financial statements as at 31 December 2012 in addition to Praktiker AG:

Group companies located in Germany

Share of equity (in %)	31/12/2012
Praktiker AG, Kirkel/Hamburg	100.00
Baumarkt Max Bahr GmbH & Co. KG, Hamburg	99.99
Baumarkt Praktiker GmbH, Hamburg	100.00
Baumarkt Praktiker Deutschland GmbH, Hamburg	100.00
Baumarkt Praktiker DIY GmbH, Hamburg	100.00
Baumarkt Praktiker Grundstücksbeteiligungsgesellschaft mbH, Hamburg	100.00
Baumarkt Praktiker International GmbH, Hamburg	100.00
Baumarkt KIG GmbH, Hamburg	100.00
Baumarkt Praktiker Objektgesellschaft mbH, Hamburg	100.00
Baumarkt Praktiker Online GmbH, Hamburg	100.00
Baumarkt Praktiker Services GmbH, Hamburg	100.00
Baumarkt Praktiker Vierte GmbH, Hamburg	100.00
Baumarkt Praktiker Warenhandelsgesellschaft mbH, Hamburg	100.00
Calixtus Grundstücksverwaltungsgesellschaft mbH, Kirkel	100.00
Baumarkt Max Bahr Warenhandels GmbH	100.00
Baumarkt MB Vertriebs GmbH, Hamburg	100.00
Baumarkt Praktiker Zweite Warenhandels GmbH, Hamburg	100.00
Baumarkt Max Bahr Praktiker Einkaufs GmbH, Hamburg	100.00
Baumarkt Max Bahr Geschäftführungs GmbH, Hamburg	100.00

From the start of the year, all Category Management, Procurement and Marketing activities in Germany were bundled in one company, Baumarkt Praktiker Warenhandelsgesellschaft mbH. This company therefore represented the heart of retail business for the Praktiker Germany and Max Bahr sales line.

Owing to the separation of the goods flows of Praktiker and Max Bahr required in connection with the financing, Baumarkt Max Bahr Praktiker Einkaufs GmbH was then also set up. Founded as a joint venture by both companies, Baumarkt Max Bahr Praktiker Einkaufs GmbH performs services for the procurement of goods required for the operating activities of both trading companies for reasons of synergy.

As at the end of the reporting period on 31 December 2012, the following companies headquartered abroad were included in the consolidated financial statements of Praktiker AG:

Group companies located abroad

Share of equity (in %)	31/12/2012
Bâtiself S.A., Foetz-Mondercange (Luxembourg)	62.00
Praktiker Albanien Sh.p.k., Tirana (Albania)	100.00
Praktiker EOOD, Sofia (Bulgaria)	100.00
Praktiker HELLAS A.E., Tavros (Greece)	100.00
Praktiker DIJ DOOEL, Skopje (Macedonia)	100.00
Praktiker Moldova SRL, Chisinau (Moldova)	100.00
Praktiker Polska Sp. z o.o., Warschau (Poland)	100.00
Praktiker Romania S.R.L., Voluntari (Romania)	100.00
Praktiker Yapi Marketleri A.S., Istanbul (Turkey)	100.00
Praktiker Ukraine TOV, Kiew (Ukraine)	100.00
Praktiker Ungarn Kft., Budapest (Hungary)	100.00
Praktiker Real Estate EOOD, Sofia (Bulgaria)	100.00
Praktiker RES DOOEL, Skopje (Macedonia)	100.00
Praktiker Real Estate Moldova SRL, Chisinau (Moldova)	100.00
Praktiker Real Estate Polska Sp. z o.o., Warschau (Poland)	100.00
Praktiker Real Estate Romania S.R.L., Voluntari (Romania)	100.00
Praktiker Real Estate Kft., Budapest (Hungary)	100.00
Praktiker Group Buying HK Ltd., Hongkong (China)	100.00
Praktiker International AG, Chur (Switzerland)	100.00

No stakes in associated companies were held during the reporting period.

Consolidation principles

The financial statements of German and foreign Group companies included in the consolidated financial statements are prepared according to uniform accounting methods pursuant to IAS 27.

The acquisition of subsidiaries is accounted for using the purchase method. The cost of acquisition equates to the fair value of assets provided, equity instruments issued and liabilities incurred or assumed on the date of exchange plus any costs directly attributable to the acquisition.

The costs associated with acquisition are expensed in the period in which they are incurred. In the context of a corporate merger, identifiable assets, liabilities and contingent liabilities are recognised at their fair values on the acquisition date, irrespective of the size of the minority interests. The surplus of the purchase cost of the acquisition over the Group's interest in the net assets recognised at fair value is reported as goodwill. If the purchase costs are less than the net assets of the subsidiary acquired recognised at fair value, the difference impacts directly on the income statement.

Goodwill must be tested for impairment regularly once a year – or more frequently if changes in circumstances indicate a possible impairment – and, if applicable, written down to the lower recoverable amount.

Intra-Group profits and losses, sales revenues, expenses and income as well as receivables and payables or liabilities among consolidated subsidiaries are eliminated. Third-party liabilities are consolidated to the extent that the prerequisites for such consolidations are met. The accounting and valuation methods applied by subsidiaries were amended, where necessary, in order to guarantee standard accounting practices.

Currency translation

a) Functional currency and reporting currency

The consolidated financial statements are compiled in euro, the company's functional and reporting currency.

b) Transactions and balances

In the consolidated companies' separate financial statements, foreign currency transactions are translated at the rates of exchange prevailing on the dates of the transactions. Exchange differences incurred on the translation of receivables and liabilities up to the balance sheet date are recognised in equity. Gains and losses from exchange rate changes are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

c) Group companies

The year-end financial statements of such foreign subsidiaries that have a functional currency deviating from the (Group) reporting currency are converted into euro as per the concept of functional currency in accordance with the provisions set out under IAS 21. As all consolidated companies run their businesses autonomously in financial, economic and organisational terms, the given national currency is the functional currency. The results and balance sheet items of all Group companies with a functional currency differing from the euro are converted into euro as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate as of the date of the statement of financial position concerned;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as separate items in equity under other reserves.

Goodwill and adjustments of the fair value arising from the acquisition of a foreign company are treated as assets and liabilities of the foreign company and translated at the exchange rate prevailing on the balance sheet date.

The average exchange rates for currency translation of operating companies of the Praktiker Group with a functional currency other than the euro are shown in the following table:

Average exchange rates

1 € =		2012	2011
Albania	ALL	139.05727	140.38519
Bulgaria	BGN	1.95583	1.95583
Poland	PLN	4.18437	4.12150
Romania	RON	4.45673	4.23786
Turkey	TRY	2.31499	2.33911
Ukraine	UAH	10.3921	11.11917
Hungary	HUF	289.22816	279.34850

The reference date rates for currency translation as at the end of the respective reporting periods were as follows:

Year-end exchange rates

1 € =		31/12/2012	31/12/2011
Albania	ALL	140.20	138.64000
Bulgaria	BGN	1.95583	1.95583
Poland	PLN	4.0805	4.47560
Romania	RON	4.4459	4.30033
Turkey	TRY	2.3687	2.44810
Ukraine	UAH	10.6244	10.38890
Hungary	HUF	291.36	315.15000

Accounting and valuation methods

The key accounting and valuation methods that were applied in the preparation of these consolidated financial statements are set out in the following. The described methods were applied consistently for the given reporting periods in the absence of any indications to the contrary.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of the acquisition.

After initial recognition, the goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. If the costs of the business combination are lower than the net fair value of the identifiable assets, liabilities and contingent liabilities, the remaining amount is recognised on the income statement.

Goodwill is tested for impairment once a year – or more frequently if changes in circumstances indicate a possible impairment – and, if applicable, written down to the recoverable amount. Impairment losses on goodwill may not be reversed.

To this end, the carrying amount is compared with the recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and its value in use. The determination of the value in use is calculated as the cash value of expected future cash flows. If the recoverable amount is lower than the carrying amount, the difference is written down.

The underlying planning period comprises three years. A perpetuity is determined on the basis of the last planning year. For goodwill accounting, the individual operating segments under IFRS 8 are treated as a cash-generating unit (CGU).

On disposal of a company, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Other intangible assets

a) Software

Acquired software licences are capitalised at the cost incurred in their acquisition plus the cost of implementation. These costs are amortised over their estimated useful lives (three to five years).

Costs relating to the maintenance of software are recognised as expenses at the time they arise. Development costs which are directly attributable to the development and review of identifiable, individual software products controlled by the Group are recognised as intangible assets if they meet the following criteria:

- The completion of the software products is technically feasible.
- The management intends to complete the software product and to use or sell it.
- There is an ability to use or sell the software product.
- It can be proven that the software product is likely to generate future economic benefits.

- Adequate technical, financial and other resources are available to complete the development and to use or sell the software product.
- The expenditure attributable to the software product during its development can be measured reliably.

The directly attributable costs chiefly include personnel costs.

Capitalised development costs for software are amortised over their estimated useful lives (max. five years).

b) Concessions, rights, licences, brand names

Concessions, rights, licences and brand names are recognised at cost plus the cost of implementation. They are measured at cost less cumulative amortisation. Depreciation is written off on a straight-line basis over the probable useful economic life of the item concerned, which lies between three and fifteen years. The acquired brand Max Bahr has an unlimited useful life and is tested for impairment every year.

In the reporting year as in the previous year, no costs for research and development were recognised as expense.

Property, plant and equipment

Tangible assets used in business operations for a period of more than one year are recognised at cost less scheduled, usage-based depreciation. The acquisition or production costs include direct costs. However, financing costs are not capitalised as part of acquisition or production costs.

Subsequent costs are recognised only as a portion of the acquisition or production costs of the asset or, where relevant, as a separate asset, if and when it is likely that the Group will draw future economic benefits from this and that the cost of the asset can be reliably determined. All other repair and maintenance costs are reported as expenses during the fiscal year in which they arise.

The residual carrying amount and useful economic lives are examined at each financial year-end and adjusted if required. If there are any indications of impairment and if the recoverable amount is lower than the carrying amount, the assets are subjected to impairment charges. Impairment losses are reversed when indications for impairment no longer exist, but not exceeding the amount that would have been determined if no impairment loss been recognised in prior years.

There is no scheduled depreciation on land. All other assets are depreciated regularly on a straight-line basis, whereby the acquisition and production costs are written down to the residual carrying amount over the expected useful life of the given asset as follows:

Useful life of property, plant and equipment

in years	
Buildings	20 to 50
Plant, machinery and equipment	3 to 15
Fixtures, furniture and office equipment	3 to 15
Shop fittings	3 to 15
Vehicles	3 to 5

Leasehold improvements are written down over the respective rental contract duration.

Property, plant and equipment will be derecognised either when disposed of or when no more economic use is expected from further use or sale of the asset. Gains and losses from asset disposals are determined as the differential value between the sale proceeds and the carrying amount and recognised in income in the period in which the asset is derecognised.

Leasing relationships

The Group leases certain fixed asset items (leasing objects). Leases for property, plant and equipment for which the Group bears the risks and rewards of ownership of the leased asset are classified as finance leases. Finance lease assets are capitalised at the time of the lease's commencement at the lower of the fair value of the leased property and the cash value of the minimum lease payments. A leasing liability is then recorded as a deferred item for the same amount under financial liabilities. Each lease instalment is split into an interest component and a repayment component in order to keep the interest charged on the leasing liability at a constant level. The interest component of the leasing instalment is recorded in the income statement as expenditure.

The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Financial assets

Financial assets are subdivided into the categories "financial assets at fair value through profit and loss", "loans and receivables" and "financial assets available for sale". The categorisation depends on the respective purpose for which the financial assets were acquired. The management determines the categorisation of financial assets upon first-time recognition and reviews the categorisation at each balance sheet date. As in the previous year, the Group categorised no financial assets as "financial investments held to maturity" during the period under review.

a) Financial assets at fair value through profit and loss

Financial assets are recognised at fair value with a corresponding impact on income if the financial asset concerned is either held for trading purposes or designed to be recognised at fair value with the corresponding impact on income. A financial asset is classed as being held for trading purposes if it:

- was primarily acquired with the intention of selling it in the future on a short-term basis to realise a profit, or
- is a derivative that was not designed to be a hedge instrument and is not in use as hedge accounting

Financial assets recognised at fair value with the corresponding impact on income are carried at fair value. All gains and losses resulting from the valuation are reported with the corresponding impact on income. The net gain or loss includes any dividends and interest relevant to the financial asset concerned.

Fair value disclosures for financial assets and liabilities are categorised based on a three-level hierarchy. This hierarchy reflects the market proximity of the data used in the calculation:

- Level 1:
  Stock exchange price or market price on an active market (without adjustments or changed composition)
- Level 2:
  Stock exchange price or market price on a fictitious market for similar assets or liabilities or other valuation methods for which the significant input parameters are based on observable market data
- Level 3:
  Valuation methods for which the significant input parameters are not based on observable market data

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or definable payments that are not listed on an active market. They are classified as current assets insofar as their term to maturity does not exceed twelve months after the balance sheet date. Those that exceed a term of maturity of twelve months are recognised as non-current assets. Loans and receivables are included under financial loans, trade receivables and other receivables in the statement of financial position. Loans and receivables are recognised at the amortised cost of purchase using the effective interest method minus any impairment costs.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that were either designated as such or not designated to any of the aforementioned categories. They are recognised as non-current assets if and when the management group does not intend selling them within twelve months after the balance sheet date. Available-for-sale financial assets are included under the item financial investments (stakeholdings) in the statement of financial position.

d) Valuation of financial assets

Regular purchases or sales of financial assets are recognised with respective value on the day of trading, the day on which the company commits to the purchase or sale of the asset. All financial assets – except for derivatives – are initially measured at fair value plus directly attributable transaction costs. They are derecognised when the rights to payments from the investment have expired or have been transferred and the Group has substantially transferred all risks and opportunities of ownership.

The fair value of listed shares is based on the current stock exchange price. If an active market does not exist for financial assets or if the assets in question are unlisted assets, the fair values are determined based on suitable valuation methods. These comprise references to recent transactions between independent business partners, the use of the current market prices of other assets that bear a large similarity to the asset in question, discounted cash flow methods and option pricing models that give due consideration to the specific circumstances of the issuer. The above mentioned models are based on current market parameters.

Changes in the fair value of securities classified as financial assets available for sale are recognised in equity. If such securities classified as financial assets available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains or losses from investment assets. If such securities as are classified as financial assets available for sale are sold or impaired, the accumulated fair value changes previously recognised in equity are to be included in the income statement under other income as gains/losses from securities. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payments is established.

Loans and receivables and financial investments held to maturity are recognised at amortised cost using the effective interest method.

As described above, no financial assets were categorised as held to maturity in the period under review.

Financial assets and financial liabilities are only offset if there is a currently enforceable legal right to offset the recognised amounts and it is intended either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

e) Impairment of financial assets

Tests are carried out as of each balance sheet date to ascertain whether there are any objective indications of an impairment of a financial asset or group of financial assets. Objective indications of an impairment can take the following form:

- significant financial difficulties of the counterparty,
- failure to make or delay in making interest payments or loan repayments, or
- enhanced probability that insolvency proceedings or other restructuring proceedings will be initiated vis-à-vis the debtor.

Financial assets in the loans and receivables category, such as trade receivables, for which impairment is not identified individually, are tested for impairment on a portfolio basis. An objective indication of an impairment of a portfolio of receivables could take the form of experience gathered by the Group in terms of payments received in the past, a rise in the frequency of payment defaults and observable changes in the national or local economic environment to which non-payment of receivables could be made attributable.

In the case of financial assets valued at amortised purchase cost, the impairment expense equates to the difference between the carrying amount of the given asset and the cash value of the anticipated future cash flow determined via the original effective interest rate of the financial asset concerned.

Impairment leads to the direct reduction in the carrying amount of all the financial assets affected with the exception of those trade receivables whose carrying amount is reduced via an impairment account. In the event that a trade receivable is classed as being irrecoverable, its use is recognised via the impairment account. The subsequent receipt of payments of amounts that have already been written off are also set off against the impairment account. Changes in the carrying amount of the impairment account are recognised in the income statement with the corresponding impact on income.

In the case of equity instruments, which are categorised as available-for-sale financial assets, a substantial or sustained decline in the fair value below the acquisition cost of these equity instruments is taken into consideration in impairment terms. If there is an indication of such an impairment of available-for-sale financial assets, the cumulative loss is booked out of equity and charged to the income statement. This loss is measured as the difference between the acquisition costs and the current fair value less impairment losses previously recognised in respect of the financial asset concerned. Impairment losses once recognised in profit or loss for equity instruments are not subsequently reversed through profit or loss.

f) Derecognition of financial assets

The Group abandons a financial asset only if the contractual rights to cash flows from a financial asset expire or the financial asset and all major risks and opportunities connected with the ownership of the given asset are transferred to a third party. If the Group does not transfer all the major risks and opportunities connected with the ownership and continues to retain the authority to dispose of the transferred asset, the Group recognises its remaining share in the asset and a corresponding liability equating to the amounts possibly requiring payment. In the event that the Group retains all the major risks and opportunities of a transferred asset connected with its ownership, the Group must continue to recognise the asset and a collateralised loan for the consideration received. No such case is present within the Praktiker Group.

Deferred taxes

Deferred taxes are determined through the liabilities method, according to which tax assets and liabilities are recognised for temporary differences between the carrying amounts of assets or liabilities in the IFRS consolidated financial statements and their tax base. However, the deferred income tax is not accounted for at the time of initial recognition or thereafter if it arises from the initial recognition of an asset or liability in a transaction other than a corporate merger that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets from deductible temporary differences and tax loss carry-forwards exceeding the deferred tax liabilities from temporary differences are recognised only to the extent that it is likely that the respective company will generate sufficient taxable income to use them.

The carrying amount of the deferred tax assets is tested on every balance sheet date and reduced to the extent that it is no longer probable that a sufficient taxable result will be available against which the deferred tax asset can at least be partly applied. By contrast, non-recognised deferred tax assets are tested on every balance sheet date and recognised to the extent that it has become probable that a taxable result in the future allows the realisation of deferred tax assets. Deferred taxes are measured in accordance with the tax rates (and tax regulations) that apply on the balance sheet date or have been legislated to a substantial measure and are anticipated to be applicable at the time of the realisation of the deferred tax assets or the redemption of the deferred tax liabilities.

While domestic loss carry-forwards may be exercised without restrictions, the frequent country-specific limitations of loss carry-forwards have been appropriately considered in the measurement.

Deferred tax liabilities arising from temporary differences in connection with investments in subsidiaries and associated companies are recognised except in cases where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future for the same reason.

Deferred tax assets and deferred tax liabilities are offset against each other if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and if they relate to taxes on the same tax object levied by the same tax authorities.

Value-added tax

Sales revenues, expenses and assets are recognised after deduction of the value-added tax, unless value-added tax incurred on the sale of assets or services cannot be collected by the tax authorities. It is then recognised as part of the asset's acquisition or production costs or as part of the expenses. The value-added tax amount refunded by or transferred to the tax authorities is recognised in the consolidated financial statements as a receivable or a liability.

Inventories

Merchandise carried as inventories is stated at the lower value of purchase cost and net realisable value. Purchase cost is determined by using the average cost method and includes directly attributable personnel costs as well as other costs directly attributable to the acquisition. The acquisition costs do not include borrowing costs. Net realisable value represents the estimated selling price achievable by way of normal business development less all such variable sales costs as are necessary.

When merchandise has been sold, the carrying amount of this merchandise is recognised as costs of goods sold during the reporting period in which the related revenues have been realised. Any impairment of inventories to the net realisable value and all losses on inventories are recorded as expenses during the period in which the impairment or the losses occurred. All reversals of inventory write-downs resulting from an increase in the net realisable value are recognised as reductions of material costs during the period in which the write-down reversal occurs.

When the reasons for a write-down of the merchandise have ceased to exist, the write-down is appropriately reversed, but maximal to the amount of the initial acquisition costs. This reversal of write-downs is recognised as a reduction in the cost of goods sold in the period in which the reversal occurs.

Trade receivables

Trade receivables are initially recognised at their fair values and subsequently at amortised purchase cost using the effective interest method and by deduction of impairment.

An impairment of trade receivables is recognised if objective indications show that the receivables cannot be fully recovered. Significant financial difficulties of the debtor, the enhanced probability that the debtor will enter bankruptcy or be subjected to other restructuring proceedings, and a failure to make or delay in making payments, are considered indicators that the trade receivable is impaired. The amount of the impairment is recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, sight deposits, other current, highly liquid financial assets with an original term to maturity of no more than three months and open credits. Bank overdrafts are shown as liabilities vis-à-vis banks under current financial liabilities on the statement of financial position.

Equity

Common shares are classed as equity.

Costs that are directly allocable to the issuance of new shares or options are recognised in equity as a deduction, net of tax, from the issue proceeds.

Combined financial instruments

The components of a combined instrument issued by the Group are stated separately in accordance with the economic content of the agreement as a financial liability and equity. At the time of issuance, the fair value of the liability component is determined on the basis of the market interest rate applicable to a comparable non-convertible instrument.

This amount is carried as a financial liability on the basis of the amortised cost of purchase using the effective interest method up until the time of fulfilment i.e. when the instrument is converted or becomes due. The determination of the equity component occurs via the subtraction of the value of the liability component from the fair value of the instrument as a whole. The resultant value minus the impact on income tax is recognised as part of equity and is thereafter not subject to valuation.

Financial liabilities

Original financial liabilities are recognised initially at fair value, net of the transaction costs incurred. The recognition of derivatives is carried out without transaction costs. They are subsequently stated at amortised purchase cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. By contrast, transaction costs are not deducted when recognising derivative financial liabilities. They are also measured at fair value in subsequent periods.

The largest financial liability items of Praktiker AG are described below:

The fair value of the external capital component of convertible bonds is determined using a market interest rate for equivalent non-convertible bonds. This amount is recorded as a liability upon an amortised purchase cost basis until extinguished upon conversion or maturity of the bonds. The difference between the market interest rate and the contractually agreed interest rate embodies the value of the conversion right. This is recognised in equity after deduction of income tax. The convertible bonds issued by the Group on 28 September 2006 were repaid in September 2011 without the bearers having exercised their conversion rights.

Loan liabilities are classified as current liabilities insofar as the Group does not have the unconditional right to delay the settlement of the liability until at least twelve months after the balance sheet date.

Financial liabilities from leases are carried as liabilities inasmuch as as the economic ownership of the leased objects is allocable to the companies of Praktiker Group and capitalised under tangible investments (finance leases). The leasing liabilities are initially recognised at fair value or at the lower cash value of the lease payments to ensure that the financing costs are spread across the term of the lease and produce a constant rate of interest on the residual lease finance liability (annuity character of the liability).

Financial liabilities are derecognised when the Group's liability has been settled, cancelled or has expired. Financial assets and liabilities are set off only if there is a right at the present time to offset the reported amounts against each other and the intention is to settle on a net basis or to settle the associated liability simultaneously with the realisation of the asset.

The fair value of the external capital component of option bonds is determined using a market interest rate for equivalent non-convertible bonds. This amount is recorded as a liability upon an amortised purchase cost basis until extinguished upon conversion or maturity of the bonds. The difference between the market interest rate and the contractually agreed interest rate embodies the value of the conversion right. This is recognised in equity after deduction of income tax.

Benefits to employees

a) Pensions and similar commitments

The Group carries commitments from regulations regarding company pensions, salary waivers, early retirement and part-time work for older workers, severance pay, death and anniversary benefits.

The valuation of pension provisions and similar commitments is effected in accordance with the projected unit credit method for defined old age pension plans stipulated by IAS 19, taking account of future pay and pension increases.

These measurements are based on the legal, economic and tax parameters in the respective country. The commitments exclusively affect the European economic region and are measured with the following parameters:

Parameter pension commitments

in %	2012	2011
Actuarial interest rate	2.55/3.13	4.90/5.90
Wage and salary trend	2.00/2.10	2.00/3.16
Pension trend	2.00	2.00
Expected income from plan assets	3.13	4.00

Employee fluctuation is determined at the individual plant level in consideration of age and length of service. The actuarial measurements are based largely on country-specific mortality tables.

The provisions for defined benefit plans in the statement of financial position correspond to the cash value of the defined benefit obligation (DBO) less existing plan assets on the balance sheet date, adjusted for cumulative, non-recorded actuarial gains and losses and non-recorded past service cost that must be accounted for. The DBO is calculated annually in an independent actuarial evaluation by applying the projected unit credit method. The cash value of the DBO is calculated by discounting projected future benefits using rates based on high-quality corporate bonds denominated in the currency in which the benefits are paid and whose maturities correspond to the term of the pension commitments.

Actuarial gains and losses arising from experience-based adjustments and changes in actuarial assumptions in excess of the greater of 10 percent of the fair value of plan assets or 10 percent of the cash value of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives (corridor ruling). The commitments concerned are valued annually by independent, qualified actuarial experts.

Past service costs are recognised immediately in income unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

b) Termination benefits

Termination benefits are made when an employee voluntarily ends an employment contract in return for a severance payment. The Group recognises severance payments if it is demonstrably committed either to terminating the employment of an employee in accordance with an irreversible, detailed formal plan or to providing termination benefits as a result of an offer made in order to encourage voluntary redundancy. Where termination benefits fall due more than twelve months after the balance sheet date, they are discounted to their cash value.

c) Profit sharing and bonus schemes

A commitment and expense determined in consideration of the profit due to Group shareholders after certain adjustments is carried as a liability for bonus payments and profit sharing. The company recognises a provision under liabilities only if it has a contractual obligation or a de facto obligation based on past business practice.

d) Share-linked remuneration

A first, five-year share bonus programme was introduced in 2006, starting in August 2006 ("SBP I"). Members of the management board and the second management level were entitled to participate. The programme comprises five tranches granted each year with the target parameters for each tranche calculated separately. The last tranche of this first programme was granted in 2010. The target parameters are determined four weeks after the annual general meeting of Praktiker AG (cut-off date for the approval of the share bonus).

In 2011, a second, five-year share bonus programme ("SBP II") was launched, in which members of the management board and the second management level were entitled to participate. The members of the management board did not participate in this programme for 2011. The term of each individual tranche is four years. The target parameters are determined using the same methods as the first programme.

The individual annual share bonuses are paid automatically in cash in the month after the end of the term of the respective tranche if the payment conditions have been met.

The term of the 2010 tranche is three years for participants in the second management level and four years for members of the management board. The term for the 2011 tranche and for all other tranches of SBP II is four years for all participants. For example, the 2009 tranche will be paid out in 2012 if the payment conditions are met and the last 2015 tranche under SBP II will be paid out in 2019. Derivative financial instruments were concluded in 2008 and 2010 to secure the tranches. Further information on this can be found in note 29.

The level of the given bonus is initially determined via the ratio of the base price against the target price of the shares. The starting price per tranche equates to the arithmetical average of the final prices of Praktiker shares in the 20 last consecutive stock market trading days prior to the cut-off date (four weeks after the given annual general meeting).

The target share price per tranche, in the case of the attainment of which the full bonus is awarded, is calculated on the basis of the starting price, whereby a price rise of 15.0 percent is set over a period of three years or 20.0 percent over a period of four years.

The level of the bonus concerned also depends on the performance of Praktiker shares as compared with that of the shares of other relevant trading companies listed on the stock exchange. For comparison purposes two indices are used, the German stock index in which Praktiker AG is listed and the Dow Jones Euro Stoxx "General Retailers". They permit the valuation of the price development in Praktiker shares on a national or Europe-wide basis. Should the development in Praktiker shares with effect of the cut-off date not deviate by more than 10.0 percent from the average value of both indices, the share bonus is paid out in full. In the event that the price development in Praktiker shares exceeds the average value by more than 10.0 percent (outperformance), the amount paid out as a share bonus is increased to a total of 120.0 percent. However, should it fall short of the average value of the indices mentioned by more than 10.0 percent (underperformance), the level of the share bonus is reduced to 80.0 percent.

Payment of the share bonus is limited to the current, individually agreed basic annual salary (gross).

Obligations arising from the share bonus programme are measured at fair value at financial year-end. This amount is deferred on a pro rata basis over the period up until payment of the given tranche is made. This resulted in personnel expenses amounting to € 1 thousand in the year under review (previous year € 7 thousand). The reversal of provisions from the share bonus scheme resulted in income of € 3 thousand in the year under review (previous year € 676 thousand). The provisions set aside amounted to € 10 thousand as of 31 December 2012 (previous year € 12 thousand).

For each tranche, the number of options and the fair value is determined using a valuation model based on the Monte-Carlo simulation method. This results in the following values:

Valuation model according to Monte Carlo simulation

	SBP I 5th tranche	SBP I 5th tranche	SBP II 1st tranche
Term (in years)	3	4	4
Number of options	396,825	87,302	496,278
Fair value (in € k)	0	2	23

The following parameters are also included in the calculation:

- Risk-free interest rate: the zero rates based on the swap curve were used for the purpose of risk-free interest rates.
- Volatility: the volatilities were calculated on the basis of the daily constant returns on the prices, whereby the records go back in accordance with the residual term. The daily volatilities are scaled up to annual volatilities via multiplication to the root of 250, whereby 250 stands for the number of trading days per year.
- Residual term: the residual term to maturity equates to the difference between the valuation cut-off date and the expiry date of the tranche.
- Dividend yield: the future dividend yield is calculated on the basis of the current market expectation and the Group's assessment for the respective tranche.
- Share price: this is based on the target share prices, the starting prices and the spot price at 31 December 2012.

The following parameters provide the basis for calculation of the individual tranches:

Parameter for calculation of share-linked remuneration

	SBP I 5th tranche	SBP I 5th tranche	SBP II 1st tranche
Term (in years)	3	4	4
Risk-free interest rate (in %)	0.26	0.34	0.41
Volatility (in %)	60.07	79.11	68.75
Residual term (in years)	0.39	1.39	2.41
Dividend yield (in %)	0.00	0.00	0.00
Target share price (in €)	7.25	7.56	7.25
Starting price (in €)	6.30	6.30	6.05
Spot price 31/12/2012 (in €)	1.15	1.15	1.15

Provisions

Provisions are recognised if and when legal or de facto obligations to third parties that are based on past business transactions or events will more likely than not result in a cash outflow and can be reliably determined. They are stated at the anticipated settlement amount with due regard to all identifiable risks attached and are not offset against any claims to recourse.

Where several of the same obligations exist, the likelihood of an outflow of funds based on this group of obligations is determined. In this case a provision is also carried as a liability when the likelihood of an outflow of funds with respect to individual obligations included in this group is low.

Provisions are valued at the cash value of the anticipated costs, whereby an interest rate before taxes is raised taking account of current market expectations in respect of the impact of interest and of risks specific to the obligation concerned. Any increases in provisions resulting exclusively from the compounding of interest are recorded in the income statement as interest expenses with the corresponding impact on income.

Location risks can arise for leased properties. Provisions for insufficient rental cover are calculated by analysing the individual locations. This also applies to locations where operations are ongoing if a comparison of the unavoidable costs and planned sales in current company planning shows a deficit in cover over the basic term of the lease. The provision is in the amount of the maximum deficit in cover from possible subletting. For the German locations in 2012, a growth rate of 1.5 percent (previous year 1.5 percent) has been applied to sales after the three-year planning horizon. Cost increases of 1.5 percent (previous year 1.0 percent) were assumed for the costs of materials respectively at German locations.

The growth rates after the planning period for locations in other countries vary between 1.5 percent in Luxembourg (previous year 1.0 percent in Greece) and 7.5 percent in Turkey (unchanged in comparison to previous year).

Rises of between 1.5 percent in Greece (previous year 1.0 percent) and 5.0 percent in Turkey (unchanged in comparison to previous year) were assumed respectively in costs of materials. The discount rate depends on the country, varying between 2.25 percent (previous year 3.25 percent) in Germany and 11.55 percent in the Ukraine in the year under review (previous year 17.95 percent in Greece). Provisions are reversed against the corresponding expense item.

Trade payables

Trade payables are payment obligations for goods and services acquired in the ordinary course of business.

They are recognised at amortised purchase cost. Their carrying amounts correspond largely to their fair values. Trade payables are due within one year.

Contingent liabilities

Contingent liabilities are defined as possible or existing obligations that arise from past events for which an outflow of resources is not considered probable or for which the amount of the obligation cannot be estimated with sufficient reliability. According to IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), such liabilities should not be recognised in the balance sheet but disclosed in the notes.

Income and expense realisation

a) Net sales

Sales revenues comprise the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Sales revenues are shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

Income is realised as follows:

a1) Sale of goods – wholesale

Revenues from the sale of merchandise as wholesalers are recognised when a Group company has supplied products to a customer, the customer has accepted the products and the recoverability of the respective liability can be considered reasonably certain.

a2) Sale of merchandise – retailing

Revenues from the sale of merchandise are recognised when a Group company sells products to a customer. Retail sales are generally settled in cash or by using standard payment and credit cards. The recorded sales correspond to the gross revenues from the sale including any transaction-related credit card fees. These fees are recognised under sales costs. Expenses for the formation of provisions for discounts are considered during the period in which the sales are realised in line with statutory provisions. Sales revenues are reduced by the amounts concerned while revenues from vouchers are realised at the time of their redemption. Merchandise remuneration claims are recognised as income or expense after the relevant invoices have been checked.

There are several customer loyalty programmes in place in the Group under which customers can "acquire" price reductions for later purchases depending on the level of sales they effect. The portion of the consideration attributed to these award credits is recognised in sales revenues only when the credits are redeemed and the company has fulfilled its obligations to grant the loyalty awards.

b) Other income and expense realisation

Other operating income is realised at the time of the provision of the given service or the transfer of risk to the customer.

Operating expenses affect the income at the time the given service is made use of or caused.

Lease income and rental expenses are adjusted in line with the economic substance of the relevant agreements and recognised on a pro rata basis.

Income from dividends is recognised once the legal claim to payment has arisen.

Both interest income and interest expenses are recognised in line with the effective interest method.

Introductory remarks on the "Management of financial risks" chapter

In the period under review, the management of financial risks was dominated by the implementation of the financing concept, which formed the basis for carrying out restructuring in the Group. For this reason, the restructuring concept and the financial instruments used to implement the concept are explained in the following.

a) Overhaul of the restructuring concept

A restructuring concept which was originally developed in 2012 met with no approval from potential investors and thus proved to be impossible to finance. An alternative restructuring plan was approved by the supervisory board at an extraordinary meeting on 13 May 2012.

The main points of the alternative concepts are as follows:

- Significant course correction of the previous two-brand strategy in Germany with a profiling and reweighting of the two brands Praktiker and Max Bahr. By the end of 2013, around 120 Praktiker stores are to be converted to Max Bahr, 27 of which were already converted by 31 December 2012.
- Non-profitable stores will not be closed until their rental agreements expire. The previous restructuring programme also envisaged store closures ahead of schedule.
- Personnel adjustments at the stores, which also included adjustments to collective agreements and expanding part time employment, will not be carried out on the scale originally intended.
- Other points of the original restructuring concept such as moving the Group headquarters to Hamburg, examining the international portfolio, entering into a collective agreement for restructuring, or reducing rent payments remained in place.

b) Financing concept

In order to finance the planned restructuring measures, the Praktiker Group utilised the following financing instruments in 2012, which mainly consisted of three collateralised loans (senior term loan facilities) totalling € 75,000 thousand and a capital increase with gross issue proceeds of € 60,000 thousand. One of the collateralised loans in the amount of € 20,000 thousand will not be paid out until 2013 (RBS Senior Term Facility Agreement, described in sub-chapter b3).

b1) Senior Term Loan Facilities

The collateralised loans that were already paid out in the reporting year totalling € 55,000 thousand comprised a loan arranged by Semper Constantia Privatbank AG in the amount of € 40,000 thousand (paid out on 2 October 2012) and a loan granted by Etris Bank GmbH (paid out on 15 October 2012) in the amount of € 15,000 thousand. In accordance with IAS 39.43, the collateralised loans were carried at fair value including transaction costs which are directly attributable to the issuance of the liability. The transaction costs totalled € 6,336 thousand. The loans mature on 31 January 2016. The interest rate was agreed at EURIBOR plus a margin of 12.5 percent p.a.. Among other eventualities, in the event of a change in control at one of the companies of the Praktiker Group, the lenders can demand the immediate repayment of the outstanding amount. The Praktiker Group and Baumarkt Max Bahr GmbH & Co. KG must comply with certain financial covenants for the term of the loan and provide evidence of this each quarter. These include minimum liquidity, maximum financial liabilities in relation to EBITDA before extraordinary effects, a minimum EBITDA before extraordinary effects in relation to interest expenses, a maximum cash-effective capital expenditure and a minimum EBITDA before extraordinary effects. The lenders can recall the loan on non-compliance with these covenants. The same also applies in the occurrence of certain events, including non-compliance with the restructuring concept designed by Roland Berger Strategy Consultants on which the loans are based or non-compliance with the milestones defined therein, the non-implementation of the organisational separation of the Max Bahr Group from the rest of the Praktiker Group (ring-fencing), a change of control in the Praktiker Group, the insolvency of certain companies of the Praktiker Group, the non-implementation of the capital increase by 20 December 2012, the non-issuance of option bond II and the failure to transfer option bond I. The security for the loans (including the RBS Senior Term Facility Agreement, described in sub-chapter b3) includes various equity holdings in Group companies (including the equity holding in Baumarkt Max Bahr GmbH & Co. KG), the inventory of the Max Bahr Group, various brand rights and internal loan receivables of the Group. Until the repayment of the loans, profit distributions from Baumarkt Max Bahr GmbH & Co. KG to Praktiker AG are prohibited. However, the entitlement of Praktiker AG remains in place.

b2) Capital increase

As a further component of the restructuring concept, the ordinary annual general meeting on 4 July 2012 authorised the company to increase its share capital from € 58,000,000 by up to € 57,142,858 to up to € 115,142,858 in exchange for cash contributions by issuing 57,142,858 new no-par value bearer shares (shares) each with a notional interest of € 1.00 in the share capital. The new shares were issued at a minimum issue price of € 1.00 per share and are entitled to profit-sharing from 1 January 2012. The resolution of the annual general meeting was entered in the appropriate commercial register on 26 November 2012. The € 55,555,556 in shares issued were admitted to the Frankfurt stock exchange on 17 December 2012 at a subscription price of € 1.08 and a ratio of subscription by current shareholders of 55 percent. The gross issue proceeds totalled € 60,000 thousand. Transaction costs of € 6,730 thousand which were directly attributable to the capital increase were recognised as a deduction from equity in accordance with IAS 32.37. The total number of voting rights of Praktiker AG as at 31 December 2012 amounted to € 114,024,958 in shares, as an additional € 469,402 in new shares were issued to holders of option bond II in order to protect against dilution.

b3) RBS Senior Term Facility Agreement

On 2 October 2012, a further collateralised loan with a maximum total volume of € 20,000 thousand was concluded with the Royal Bank of Scotland plc in order to finance rent liabilities of the Praktiker Group. This loan is paid out pro rata starting from January 2013 and thus after the period under review. The structure and terms of this loan are based on the senior term loan facilities described above.

b4) Option bonds

Back in mid-2012, an option bond (option bond I) was issued with a volume of € 580 thousand, but its value date was not fixed until 4 January 2013, and therefore after the period under review.

A further option bond (option bond II) with the same volume was issued on 28 November 2012. Both option bonds are divided into 5,800,000 sub-option bonds, each of which is provided with an option to subscribe to one share. The subscription price per share is € 1.05 for option bond I, and € 1.08 for option bond II.

Option bond II bears the sixth-month Euribor interest rate plus a margin of 12.5 percent p.a. on its nominal amount. Interest is payable every six months, on 29 May and 29 November of each year. The bond is to be repaid at nominal amount plus interest accrued on 31 January 2016. Early repayment is possible on each interest payment date. Subject to certain

exceptions, the option can be exercised on any banking day in the period from 29 November 2012 up to and including 30 June 2018.

Pursuant to IAS 32.29, the carrying amount of option bond II at the time of issuance was divided into financial liability and equity components. The fair value of the liability component and that of the equity component were determined with effect of the issuing date of the option bond. The fair value of the liability component recorded under non-current liabilities was calculated on the basis of market interest rates for an equivalent non-convertible bond (29.5 percent) and amounted to € 389 thousand at the time of issuance. The residual value (€ 191 thousand) representing the conversion rights is reported under capital reserves in equity. Over time, the financial liability will grow in profit or loss in the amount of the difference between the effective interest expense and the hypothetical market rate of interest.

IAS 32.38 stipulates that transaction costs associated with the issuance of compound financial instruments of liability and equity components must be allocated on a proportional basis. However, there were no costs to be allocated to this transaction.

b5) Bank credit facilities

The existing bilateral credit facilities were transferred to a joint loan agreement (revolving credit facility) in 2012. By means of the agreement concluded on 2 October 2012, Commerzbank AG and Raiffeisen Bank International AG consented to provide a revolving credit facility of € 40,000 thousand until 31 December 2015. The credit facility has been secured partly by pledging the shares in Baumarkt Max Bahr Vertriebsgesellschaft mbH and by locations owned, various brand rights and some of the inventory assets of Praktiker Germany.

Management of financial risks

a) Financial risk factors

The Group is exposed to various financial risks as a result of its business activities: market risk (including interest, currency and other market price risks), credit risk and liquidity risk. The Group's overarching risk management system focuses on the unpredictable nature of financial market developments and any deviations from planning in operating activities, and aims to minimise the potentially negative effect on the Group's financial situation. In the year under review, risk management was performed by the central finance department of the Praktiker Group, which identifies, measures and, where possible, develops measures to counteract financial risks in close cooperation with the management board and the operating units of the Group. This is based on the principles laid down in writing by the management board for cross-divisional risk management purposes as well as on guidelines existing for specific divisions. Further financial risk factors have been added, primarily interest rate risks, in connection with the extensive financing measures implemented in the past financial year.

a1) Credit risk

No significant concentrations with respect to possible creditworthiness and default risks exist within the Group from trade receivables and money investments. Sales to customers are settled in cash or via commonly used payment and credit cards. In individual cases, target credit sales are made for major customers, although only following a creditworthiness check. The maximum counterparty default risk is limited to the carrying amounts reported under item no. 18 and item no. 29 in the notes. Risks arising from the full or partial default of counterparties in connection with money investments or derivative financial instruments with positive market values are minimised via the stipulation and monitoring of individual maximum limits. The maximum limits concerned are based essentially on the ratings set by international agencies, whereby the maximum credit risk equates to the carrying amount of the items concerned.

The reduction of the upper limits – i.e. the distribution of short-term investments in smaller amounts across a larger number of banks with the highest credit ratings – began at the start of the second half of 2008 and was also maintained in 2012.

a2) Liquidity risk

The existing joint cash pool of the Group to date, in which Baumarkt Praktiker Deutschland GmbH served as a liquidity depot for the Group as a whole, was split up during the past financial year as part of the ring-fencing described above. As well as the continued joint cash pool of Praktiker Germany and the international subsidiaries, a second cash pool was set up for the companies involved in the ring-fencing.

The multi-stage planning process ranges from a rolling three-year plan through to short-term planning specific to a given day. Any available liquidity surpluses are invested in short-term money market transactions with European banks. The goal of capital management is to ensure business operations and to maintain financial scope. To monitor compliance with certain minimum capital requirements, the management board receives a weekly report based on rolling 26-week liquidity planning. The management board manages cash flows within the Group on the basis of this information and gears its financing accordingly. An up-to-date overview of cash and short-term planning specific to a given day now forms a fixed component of reports submitted daily by the finance department to sections of the management board. This ensures that even fluctuations in liquidity that arise at short notice can be identified sufficiently in advance and operations can be promptly adjusted to this as necessary.

The cash and cash equivalents available, the existing credit agreements (revolving credit facility) and bilateral credit facilities within the individual national companies serve to secure liquidity requirements within the Group arising from typical seasonal developments in sales and incoming goods in the first quarter of the year in particular. The financing agreements include covenants, which if not satisfied authorise the lender to call in the loans. This includes, for example, observance of a certain level of progress in the restructuring programme or compliance with certain business performance indicators related to liquidity, capital expenditure, gearing and earnings. These conditions are reviewed on a quarterly basis. If Praktiker AG cannot meet these conditions, there is a risk that loan amounts will have to be repaid prematurely. In such a case, the company's continuation as a going concern would only be secured if enough cash and cash equivalents were available. If in such a case the lenders exercise their special termination rights, this would automatically also result in a special termination right for the creditors of the corporate bond issued in 2011. It currently seems unlikely that, if a complete termination of all existing financing agreements did actually occur, Praktiker would be able to obtain sufficient refinancing of the necessary financial resources in good time in order to maintain a positive forecast for the company as a going concern. Moreover, special rights of termination exist which apply particularly in the event of a change of control.

The general reduction in payment terms by suppliers resulted in a further liquidity risk in the past financial year. General uncertainty regarding the future of the Group meant that the majority of suppliers would only agree to supply the company if the payment deadlines were adjusted. Faster settlement of outstanding invoices led to a temporary cash flow disadvantage in the Group. Following the successful capital increase at the end of the period under review and the associated decrease in uncertainty, suppliers were once again prepared to return to their original payment terms.

a3) Market risk

a3.1) Interest risk

The Praktiker Group is subject to interest risk primarily in relation to financial assets and liabilities with terms of more than one year. In the case of fixed-income financial instruments, the risk of changes in market interest rates results in a fair value risk, as fair values fluctuate depending on interest rates. In the case of floating-rate financial instruments, there is a cash flow risk, since the interest payments could increase in the future.

The Praktiker Group's interest risk is analysed centrally and managed by the Group's finance department.

The Praktiker Group implemented a range of capital measures in the past financial year in order to finance the restructuring programme (see above). In this process, an interest risk arose as a result of variable interest rates. This is tied to changes in Euribor, the European interbank lending rate for the corresponding period. A rise in Euribor would automatically increase Praktiker AG's interest payable. The same applies to the joint credit facilities.

As in the previous year, the Group also reports finance lease liabilities and liabilities from the corporate bond issued in 2011 maturing in February 2016 with a fixed interest rate of 5.875 percent p.a. for this period. There were no further significant cash flow interest rate risks or fair value interest rate risks in the year under review.

a3.2) Currency risk

As an internationally active group, Praktiker AG is exposed to currency risks deriving from fluctuations in the exchange rates of various foreign currencies. Currency risk results from anticipated future transactions, assets and liabilities carried in the statement of financial position as well as net investments in foreign operations.

A currency risk arises when future business transactions as well as assets and liabilities carried in the statement of financial position are denominated in a currency other than the company's functional currency. However, the Group sources the majority of its products that are sold in foreign based outlets in the same country, which in most cases creates a form of "natural hedging".

A high currency risk arises in non-euro zone countries due to the fact that the respective rent payments are made in euros or US dollars, or in national currency, albeit pegged to the applicable euro exchange rate.

The Praktiker procurement organisation commenced operations in Hong Kong as at the end of the second quarter 2011.

In the second half of the year, the company gradually assumed the handling of procurement work in Asia from the current third-party service provider. There is a corresponding exchange rate risk in this regard as purchases are predominantly settled in US dollars although the Group does not generate any sales in US dollars.

Finance lease obligations amounted to € 98,545 thousand as at 31 December 2012 (previous year € 109,091 thousand). The translation of this amount into the functional currency of the respective country in the local financial statements can result in high exchange rate gains or losses. This mainly relates to the countries of Romania, the Ukraine, Poland and Hungary.

The following table shows the sensitivity of consolidated earnings before taxes seen against the background of a reasonably expectable and fundamentally possible change in the currency conversion rate of the respective country:

Exchange rate influence on earnings before taxes

in € k		2012	2011
Exchange rate change Romania (EUR/RON)	+10 % –10 %	–7,561 7,561	–8,292 8,292
Exchange rate change Poland (EUR/PLN)	+10 % –10 %	–1,357 1,357	–1,436 1,436
Exchange rate change Hungary (EUR/HUF)	+10 % –10 %	–509 509	–680 680
Exchange rate change Ukraine (EUR/UAH)	+10 % –10 %	–428 428	–501 501
Total	**+10 %** **–10 %**	**–9,855** **9,855**	**–10,909** **10,909**

The currency risk resulting from the translation of finance lease liabilities is not hedged. The risks relating to the translation of the assets and liabilities of foreign company units into the Group's reporting currency are also not hedged as they do not affect the Group's cash flows.

b) Derivative financial instruments and hedge accounting

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value applying on the given cut-off date. The method for the recognition of gains and losses depends on whether the derivative was qualified as a hedging instrument and, if this is the case, on the hedged item. The Group designates certain derivatives either as fair value hedges of the carried asset, of a liability or of a fixed corporate obligation or as cash flow hedges relating to transactions that are considered highly probable. A distinction must be made between whether certain derivatives are designated to hedge the fair value of a recognised asset, liability or fixed corporate obligation (fair value hedge) or a transaction considered highly probable (cash flow hedge).

When concluding transactions, the Group documents the nature of the hedge relationship between the hedge instrument and the underlying transaction, as well as the objective of the risk management and the underlying strategy. Moreover, at the start of the hedge relationship and, thereafter, on an ongoing basis, the Group documents its estimate as to whether the derivatives used in the given hedge relationship are highly effective in compensating for the changes in the cash flows of the underlying transaction.

The fair values of the various derivative instruments used for hedging purposes are disclosed in Note 29. Movements on the cash flow hedge reserve are shown under "Changes in Equity". The full fair value of the derivative financial instrument designated as a hedge derivative is recognised as a non-current asset or liability insofar as the residual term to maturity of the hedge is more than twelve months after the balance sheet date, and as a current asset or liability insofar as the residual term to maturity is less than twelve months.

Hedges which are designated as hedge accounting are carried as follows:

Cash flow hedge

The effective portion of changes in the fair value of derivatives designated and qualified as cash flow hedges is recognised in equity. The ineffective portion of value changes, in turn, is directly recognised in the income statement.

Amounts recognised in equity are transferred to the income statement and recognised as income or expenses during the period in which the hedged underlying transaction will have an effect on income. If a hedged future transaction results in the recognition of a non-financial asset (for example inventory assets) or a liability, the gains and losses that were previously recognised in equity are included in the initial valuation of the purchase cost of the asset or liability concerned.

Amounts recognised in equity are transferred to the income statement and recognised as income or expenses during the period in which the hedged underlying transaction has an effect on income (e.g. at the time that the future, hedged sale takes place). If, however, a hedged future transaction results in the recognition of a non-financial asset (for example inventory assets) or a liability, the gains and losses that were previously recognised in equity are included in the initial valuation of the purchase cost of the asset or liability concerned.

c) Fair value determination

The fair value of derivatives is determined using measurement models (discounted cash flow method) and current market parameters. The fair value of derivatives traded in an active market (e.g. publicly traded derivatives and available-for-sale securities) is based on the stock market price as of the balance sheet date. The relevant stock market price of financial assets is the bank buying rate. The appropriate stock market price for financial liabilities is the bank selling rate.

In the case of trade receivables and liabilities, it is assumed that the nominal value less impairment corresponds to the fair value. The fair value of financial liabilities stated in the notes is determined by discounting future contractually agreed cash flows at the current market interest rate that the company would receive for comparable financial instruments.

Usage of management assumptions and estimates

The consolidated financial statements are prepared partly on the basis of assumptions and estimates that affect the level and disclosure of assets and liabilities, income and expenses and contingent liabilities carried during the relevant reporting periods.

The assumptions and estimates refer largely to the assessment of the recoverability of asset values, the determination of economic useful life-periods and the collectability of receivables as well as the recognition and valuation of provisions.

The assumptions and estimates are based on premises resting on the current state of knowledge at the time. In particular, expectations of future business developments were based on the circumstances prevailing as of the respective balance sheet date as well as on expectations of future global and sector developments considered to be realistic.

Changes in the above parameters deviating from these assumptions and over which the management has no influence may cause actual amounts to differ from the original estimates. If actual developments deviate from expected developments, the premises and, if necessary, the carrying amounts of the affected assets and liabilities will be adjusted accordingly.

A significant adjustment of the carrying amounts of assets and liabilities recognised in the statement of financial position is not currently assumed. It was assumed when preparing current medium-term planning, which is the basis for accounting as at 31 December 2012, that the restructuring programme will be implemented successfully. In a worst case scenario, the targeted income development would fail to materialise, which would in turn impact the amount of assets and liabilities reported in the consolidated statement of financial position. Substantial adjustment of the carrying amount of the respective assets or liabilities could also arise from the European debt crisis which has not yet been overcome on a lasting basis; this would have a negative impact primarily on forecast income of the foreign Group companies.

As a result, this could affect, in particular, the following types of assets and liabilities (carrying amounts listed as of 31 December 2012): goodwill (€ 33,228 thousand), tangible assets (€ 407,244 thousand), deferred tax assets (€ 119,787 thousand), other long-term provisions (€ 97,811 thousand) and other short-term provisions (€ 94,038 thousand).

Assumptions and estimates were also taken into account in the valuation of the inventories item of the statement of financial position (carrying amount at 31 December 2012 € 640,420 thousand). Above all, this affects the determination of the net realisable value, for which future changes in costs and prices must be estimated, for example.

a) Goodwill impairment

The Group examines annually whether there is an impairment of goodwill. The recoverable amount of cash generating units (CGUs) is determined on the basis of value in use calculations. These calculations are necessarily based on assumptions (see item no. 17).

On the basis of these assumptions, goodwill impairment amounted to € 159,454 thousand for the previous period under review.

The residual goodwill, most of which relates to the Max Bahr segment, amounted to € 33,228 thousand as at the end of the reporting period 2012 as in the previous year.

However, if the cash flows in the planning period of three years had been 10 percent less than the management estimate in its three-year plan (with all other planning premises unchanged), the carrying amount of goodwill would not have had to be adjusted further downwards.

The same would apply if the forecast discount rate applied in the calculation of value in use had been 0.5 percentage points higher than the management estimate. Based on our experience to date, we consider fluctuations in cash flows and discount rates in excess of this to be unlikely.

b) Impairment of other intangible assets and property, plant and equipment

The Praktiker Group tested property, plant and equipment and other intangible assets for impairment as at 31 December 2012 based on current planning. This required a number of assumptions (see note 17).

Based on these assumptions, impairment of € 19,433 thousand (previous year € 80,058 thousand) was recognised for other intangible assets and property, plant and equipment in the 2012 financial year. If the growth rates assumed in the impairment test for the period after 2015 had been 10 percent higher (lower) than the actual values applied, impairment would have been € 681 thousand lower (€ 739 thousand higher).

If the forecast discount rate applied in the calculation of value in use had been 0.5 percentage points higher (lower) than the management estimate, impairment would have been € 409 thousand higher (€ 100 thousand lower).

c) Provisions for onerous contracts

Provisions for onerous contracts arise almost exclusively from rental agreements. The growth rates assumed when calculating provisions are the same as those taken as a basis when testing for impairment of other intangible assets and property, plant and equipment.

As at 31 December 2012, € 4,952 thousand was recognised as income from the reversal of provisions for onerous contracts (netted against expenses from additions to provisions for onerous contracts).

If the growth rates assumed for the period after 2015 had been 10 percent higher (lower) than the actual values applied, the earnings from decomposition of provisions would have been € 2,391 thousand higher (€ 554 thousand lower).

Had the forecast discount rate applied in the calculation been 0.5 percentage points higher (lower) than the management estimate, the earnings from decomposition of provisions would have been € 1,469 thousand higher (€ 1,279 thousand lower).

d) Inventories

Inventory assets within the Praktiker Group are measured on the basis of the inventory management on an article-basis. Here, individual items are assigned to different depreciation grades depending on their sensitivity to technological progress, fashion and best before dates. Based on these depreciation grades, the sale price of each item is assigned a discount depending on its age and stock turn rate for the purpose of determining its net realisable value. This discount is significantly affected by management assumptions and estimates.

The write-down requirements for the Group’s inventories amounted to € 83,357 thousand as at 31 December 2012 (previous year € 93,728 thousand).

e) Deferred tax assets

Deferred tax assets are recognised only if it is probable that they can be utilised in the future. The realisation depends, in particular, on the future development of earnings and the realisation of additional tax saving potential. Based on current planning, deferred tax assets on loss carry-forwards were increased by € 6,487 thousand on the one hand, while € 3,085 thousand on deferred taxes for temporary differences were recognised on the other (see note 21). In addition, it was decided not to capitalise deferred tax assets from tax losses and the interest stripping rule incurred in the 2012 financial year in the amount of € 56,509 thousand (previous year € 63,683 thousand).

All estimates and assessments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the given circumstances. A positive forecast as to the future of the enterprise as a going concern is assumed.

Notes to the consolidated income statement

1. Net sales

Net sales result exclusively from supplies and break down as follows:

Breakdown net sales

in € k	2012	2011
Praktiker Germany	1,408,562	1,506,894
Max Bahr	699,872	694,784
Miscellaneous	82,985	87,132
Germany	**2,191,419**	**2,288,810**
Albania	0	4,195
Bulgaria	46,074	48,255
Greece	195,153	231,489
Luxembourg	34,738	36,228
Poland	181,368	196,700
Romania	142,260	152,339
Turkey	89,018	94,749
Ukraine	31,227	27,123
Hungary	91,978	103,074
International	**811,816**	**894,152**
Net sales	**3,003,235**	**3,182,962**

2. Cost of goods sold

The cost of goods sold includes expenses for purchasing merchandise with which net sales are generated.

The costs of goods sold declined to a greater extent than sales as against the previous year. This led to an improvement in the consolidated gross profit margin.

3. Other operating income

Breakdown other operating income

in k €	2012	2011
Income from supplier fees	30,668	20,554
Central A/P clearing for sales division	16,226	19,962
Income from reversal of impairment losses	13,372	40
Lease/rental income	10,442	11,715
Income from customer repairs	2,354	2,755
Other income	10,916	13,034
Other operating income	**83,978**	**68,060**

The increase in other operating income was primarily the result of the reversal of write-downs on fixed assets and a rise in income from supplier fees. These reversals of write-downs were attributable to the results of impairments tests on other intangible assets and property, plant and equipment.

Other income includes for the most part commercial earnings.

4. Selling expenses

The selling expenses comprise all expenses directly related to the sale of merchandise. The key components of selling expenses are shown in the table below:

Breakdown selling expenses

in k €	2012	2011
Personnel expenses	395,562	472,971
Expenses for store operations	472,292	638,384
Advertising expenses	94,095	108,618
Other selling expenses	105,255	109,512
Selling expenses	**1,067,204**	**1,329,485**

All cost categories contributed to the decline in selling expenses, of which the decline in the costs for store operations was the most significant at € 166,092 thousand. Expenses within this item were higher in the previous year, which was mainly due to impairment on fixed assets and higher rents in the same period of the previous year totalling € 89,690 thousand. In the period under review, impairment on fixed assets resulted in expenses of € 19,433 thousand (previous year € 80,018 thousand), while the development of provisions for onerous contracts led to a € 4,952 thousand reduction in selling expenses (expenses of € 68,292 thousand in the previous year).

Personnel costs declined in the period under review, which was due to wage cuts arising from a collective agreement for restructuring concluded during the year under review and a further headcount reduction. Furthermore, personnel costs in the previous year were impacted by the recognition of a provision in the amount of € 39,240 thousand, which was recognised due to the restructuring programme planned at that time.

5. Administrative expenses

Administrative expenses include all expenses that do not relate directly to the sale of merchandise or the running of stores.

Administrative expenses break down into the following components:

Breakdown administrative expenses

in k €	2012	2011
Personnel expenses	28,725	38,120
Lease/rental expenses	5,749	14,855
Depreciation	3,673	4,176
Other administrative expenses	46,870	32,100
Administrative expenses	**85,017**	**89,251**

Personnel costs and lease/rental expenses were € 4,234 thousand lower than in the previous year; in 2011 it had almost solely the result of expenses in connection with the recognition of provisions due to the restructuring programme planned at that time and was replaced with an alternative programme over the course of the year under review.

The rise in other administrative expenses was primarily due to the significant increase in consulting expenses, particularly those in connection with the financing measures implemented in 2012.

6. Other operating expenses

Other operating expenses include items that cannot be directly assigned to selling or administrative expenses. They break down as follows:

Breakdown other operating expenses

in k €	2012	2011
Loss from disposal of non-current assets	1,591	527
Miscellaneous other operating expenses	1,310	548
Other operating expenses	**2,901**	**1,075**

7. Net financial result

Net financial income breaks down as follows:

Breakdown net financial income

in k €	2012	2011
Investment income	**0**	**7**
Interest income	**908**	**3,049**
Exchange gains	39,620	20,526
Earnings from revaluations of financial liabilities	15,980	0
Valuation gains from derivatives	97	4,059
Miscellaneous financial income	113	128
Other financial income	**55,810**	**24,713**
Financial income	**56,718**	**27,769**

The individual components of financing costs are shown in the table below:

Breakdown financial expenses

in k €	2012	2011
Interest expenses from finance leases	**21,880**	**23,052**
Interest expenses on bonds	15,317	19,351
Interest expenses on accumulation of onerous contracts	2,931	0
Interest expenses to credit institutions	2,182	370
Interest expenses froam loans	1,724	0
Other interest and similar expenses	3,091	3,757
Interest expenses	**47,125**	**46,530**
Exchange losses	30,902	30,447
Valuation losses from derivatives	53	6,802
Expenses from revaluations of financial liabilities	8,333	0
Miscellaneous financial expenses	6,129	3,747
Other financial expenses	**45,417**	**40,996**
Financial expenses	**92,542**	**87,526**

The netting of financial income and financial expenses lead to the following net financial results:

Breakdown net financial result

in k €	2012	2011
Net investment result	0	7
Net interest result	–46,217	–43,481
Net other financial result	10,393	–16,283
Net financial result	**–35,824**	**–59,757**

In accordance with IAS 17, leased assets are recognised as tangible assets where the underlying rental or lease contracts are finance leases. In the reporting year, the translation of liabilities from finance leases of international subsidiaries resulted in non-cash exchange gains of € 15,006 thousand (previous year € 11,238 thousand) and non-cash exchange losses of € 15,684 thousand (previous year € 14,175 thousand).

In the period under review, the borrowing rates on the basis of local currencies ranged between 1.82 percent and 29.00 percent, and the creditor interest rates on the basis of local currencies ranged between 0.0 percent and 6.5 percent.

8. Income taxes

Income taxes include current income taxes paid or owed in the individual countries and deferred taxes. They break down for Germany and abroad as follows:

Breakdown income taxes

in k €	2012	2011
Germany	–255	–490
International	–1,933	–5,795
Current taxes	**–2,188**	**–6,285**
Germany	–20,842	49,823
International	–1,247	–3,927
Deferred taxes	**–22,089**	**45,896**
Income taxes	**–24,277**	**39,611**

Income taxes accrued in Germany as well as in Greece, Luxembourg, Hungary, Bulgaria and in Switzerland.

The German companies of the Praktiker Group are subject to an average trade tax of approximately 14.43 percent of trade income. The corporate income tax amounts to a standard rate of 15.00 percent, plus 5.50 percent solidarity surcharge on statutory corporate income tax. The applicable income tax rate for the period under review is 30.26 percent (previous year 30.53 percent).

Current income taxes of the foreign Group companies are calculated on the basis of the respective laws and regulations applying in the individual countries. The income tax rates applied to foreign companies vary in a range from 0.00 percent in Moldova to 31.05 percent in Luxembourg.

Deferred taxes are determined on the basis of the tax rates expected to apply in each country upon realisation. In principle, the rates applied are those contained in currently valid laws or in legislation that has been substantially enacted at the time of the balance sheet date.

The following table shows a breakdown of current income taxes according to the year in which they arose:

Breakdown current taxes according to year of causation

in k €	2012	2011
Current taxes from the current fiscal year	–2,083	–6,489
Current taxes from previous years	–105	204
Current taxes	**–2,188**	**–6,285**

Deferred taxes break down into the following components:

Breakdown deferred taxes

in k €	2012	2011
Deferred taxes from temporary differences	–20,607	57,143
Deferred taxes from loss carry-forwards	–1,482	–11,200
Deferred taxes from interest stripping rule	0	–47
Deferred taxes	**–22,089**	**45,896**

Please refer to item no. 21 for details regarding the development of deferred taxes.

The actual tax expenses are € 24,277 thousand.

If the applicable income tax rate had been applied to earnings before taxes it would have resulted in an expected income tax income of € 49,810 thousand.

The following table shows the reconciliation of expected to actual income taxes as per the income statement:

Reconciliation from expected to actual income taxes

in k €	2012	2011
Group earnings before taxes	**–164,607**	**–594,321**
Applicable income tax rate	30.26 %	30.53 %
Expected income tax income	**49,810**	**181,446**
Tax effects of		
Differing tax rates of foreign companies	–5,442	–17,620
Tax-free income	1,538	302
Trade tax additions and deductions	–5,838	–6,301
Non-deductible business expenses	–3,105	–4,182
Valuation allowance of deferred tax assets on		
loss carry-forwards corporate tax	–4,853	–10,618
loss carry-forwards trade tax	–1,634	–150
interest carry-forwards (interest stripping rule)	0	–47
temporary differences	3,085	–39,447
Unrecognised deferred tax assets on loss carry-forwards corporate tax	–33,181	–36,784
Unrecognised deferred tax assets on loss carry-forwards trade tax	–19,452	–23,443
Unrecognised deferred tax assets on interest carry-forwards (interest stripping rule)	–3,876	–3,456
Adjustments to tax expenses of prior periods	–131	228
Adjustments by reason of tax rate changes	–2,041	–290
Other deviations	843	–27
Total tax effects	**–74,087**	**–141,835**
Actual tax expense (previous year tax income)	**–24,277**	**39,611**
Effective tax rate (in %)	–14.75	6.66

Income and expenses recognised directly in equity resulted in deferred tax expenses of € 159 thousand in the period under review (previous year income of € 364 thousand).

9. Minority interests

The Group net income allocable to minority interests of € 1,033 thousand (previous year € 923 thousand) relates almost exclusively to minority shareholders of Bâtiself S.A.

10. 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 financial year.

Basic earnings per share

	2012	2011
Earnings allocable to shareholders (in € thousands)	–189,917	–555,633
Average number of shares issued (in thousands)	60,756	58,000
Basic earnings per share (in €)	**–3.13**	**–9.58**

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 option bond issued by the Praktiker Group in November 2012. 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 reporting period, as in the same period of the previous year, there would have been better earnings per share taking into account the potential ordinary shares in connection with the option bonds than without taking the option bonds into consideration. However, this is solely due to the fact that negative earnings were generated both in the year under review and in the previous year. The option bond thus offers protection against dilution and is 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 are therefore equal to the basic earnings per share as shown in the tables above.

11. Dividend, appropriation of net result and balance sheet loss

The basis for the distribution of a dividend is the balance sheet profit of Praktiker AG (in its separate financial statements), which is calculated in accordance with the accounting principles of German Commercial Code.

The balance sheet loss as at 31 December 2012 amounted to minus € 993,497 thousand. The management board of Praktiker AG proposes to carry the balance sheet loss forward in full to new account.

Additional information to the consolidated income statement

12. Depreciation, amortisation and impairment

Depreciation on tangible assets amounts to € 56,693 thousand (previous year € 70,570 thousand), depreciation on intangible assets amounts to € 5,313 thousand (previous year € 5,220 thousand). In addition, impairment losses of € 19,363 thousand (previous year € 78,971 thousand) were recognised on tangible assets and of € 70 thousand (previous year € 1,087 thousand) on other intangible assets.

Depreciation relates to the following items in the income statement:

Breakdown depreciation to P&L positions

in k €	2012	2011
Selling expenses	58,270	71,577
Administrative expenses	3,673	4,136
Cost of goods sold	63	77
Depreciation	**62,006**	**75,790**

13. Personnel expenses

Personnel expenses break down as follows:

Breakdown personnel expenses

in k €	2012	2011
Wages and salaries	384,236	468,017
Social security payments, expenses for pensions and related employee benefits	86,783	91,317
thereof pension expenses	313	335
Personnel expenses	**471,019**	**559,334**

Personnel expenses include employer contributions to state pension insurance of € 43,555 thousand (previous year € 44,604 thousand).

Severance pay as part of termination benefits amounted to € 13,043 thousand in the reporting period (previous year € 14,453 thousand).

Annual average number of Group employees:

Number of employees

	2012	2011
White collar	21,818	21,879
Blue collar	2,165	2,197
Apprentices/trainees	346	439
Number of employees	**24,329**	**24,515**

The above figure includes an absolute number of 9,285 (previous year 8,927) part-time employees. On the basis of full-time equivalents, the average percentage of employees working outside Germany for the year was 43.0 percent (previous year 43.8 percent).

14. Other taxes

Other taxes of € 2,655 thousand (previous year € 2,873 thousand) are shown under selling expenses and administrative expenses. They include real property tax, motor vehicle tax and excise and transaction taxes.

Notes to the consolidated statement of financial position

15. Goodwill and other intangible assets

The main items within intangible assets are goodwill and the Max Bahr brand (see note 17a). Other intangible assets also include concessions, industrial and similar rights and licenses in such rights and assets.

The other intangible assets include internally generated assets of € 155 thousand in the year under review (previous year € 233 thousand). Depreciation on internally generated assets amounted to € 78 thousand in 2012 (previous year € 77 thousand).

As at 31 December 2012 as well as in the previous year, other intangible assets do not include any internally generated assets under development.

Additions to other intangible assets relate exclusively to purchased software.

The brand Max Bahr has an unlimited useful life while the other intangible assets have a limited useful life. The estimation of an unlimited useful life regarding Max Bahr is based primarily on the fact that this is a company brand which is thus associated with the company rather than with a product. As such, it is not subject to any product lifecycle with a time limit, or to any type of obsolescence.

The Max Bahr brand, with a carrying amount of € 54,766 thousand[1], was pledged as collateral for refinancing as well as various Praktiker brand rights with a carrying amount totalling € 1,883 thousand as of 31 December 2012.

The intangible assets included in non-current assets developed as follows:

Development of goodwill and other intangible assets

in € k	Goodwill	Brand Max Bahr	Other intangible assets	Total
Cost of acquisition 31/12/2010	**192,682**	**54,766**	**56,826**	**304,274**
Currency translation	0	0	–557	–557
Additions	0	0	7,185	7,185
Disposals	0	0	–2,191	–2,191
Transfers	0	0	–51	–51
Cost of acquisition 31/12/2011	**192,682**	**54,766**	**61,212**	**308,660**
Currency translation	0	0	226	226
Additions	0	0	2,908	2,908
Disposals	0	0	–325	–325
Transfers	0	0	0	0
Cost of acquisition 31/12/2012	**192,682**	**54,766**	**64,021**	**311,469**
Depreciation 31/12/2010	**0**	**0**	**38,783**	**38,783**
Currency translation	0	0	–383	–383
Additions, impairment loss	159,454	0	1,087	160,541
Additions, scheduled	0	0	5,220	5,220
Disposals, scheduled	0	0	–2,188	–2,188
Depreciation 31/12/2011	**159,454**	**0**	**42,519**	**201,973**
Currency translation	0	0	160	160
Additions, impairment loss	0	0	70	70
Additions, scheduled	0	0	5,313	5,313
Disposals, scheduled	0	0	–296	–296
Depreciation 31/12/2012	**159,454**	**0**	**47,766**	**207,227**
Book value 31/12/2010	**192,682**	**54,766**	**18,043**	**265,491**
Book value 31/12/2011	**33,228**	**54,766**	**18,693**	**106,687**
Book value 31/12/2012	**33,228**	**54,766**	**16,255**	**104,249**

[1] Owing to an editorial error, an amount of € 56,766 thousand was reported in the notes to the consolidated financial statements for the financial years 2008 to 2011. However, the carrying amount of the overall "Other intangible assets" item in the respective statements of financial position was correct and unaffected by this.

16. Property, plant and equipment

Property, plant and equipment developed as follows:

Development of property, plant and equipment

in € k	Buildings, fixtures, land	Other plant, business and office equipment	Assets under con-struction	Total
Cost of acquisition 31/12/2010	**581,119**	**393,961**	**4,007**	**979,087**
Currency translation	–6,620	–9,080	–70	–15,770
Additions	11,252	47,754	4,363	63,369
Disposals	–414	–10,725	–560	–11,699
Transfers	1,556	4,060	–5,565	51
Cost of acquisition 31/12/2011	**586,893**	**425,970**	**2,175**	**1,015,038**
Currency translation	63	3,972	25	4,060
Additions	53,696	27,022	4,058	84,776
Disposals	–6,245	–13,599	–5	–19,849
Transfers	464	736	–1,205	–5
Cost of acquisition 31/12/2012	**634,871**	**444,101**	**5,048**	**1,084,020**
Depreciation 31/12/2010	**240,773**	**256,207**	**0**	**496,980**
Currency translation	–2,014	–7,988	0	–10,002
Additions, scheduled	28,469	42,101	0	70,570
Additions, impairment loss	34,679	44,292	0	78,971
Disposals, scheduled	–306	–9,939	0	–10,245
Disposals, impairment loss	0	–36	0	–36
Transfers	–50	41	0	–9
Reversal of impairment loss	0	–40	0	–40
Depreciation 31/12/2011	**301,551**	**324,638**	**0**	**626,189**
Currency translation	–661	3,657	0	2,996
Additions, scheduled	26,114	30,579	0	56,693
Additions, impairment loss	3,315	16,048	0	19,363
Disposals, scheduled	–3,963	–11,057	0	–15,020
Disposals, impairment loss	0	–67	0	–67
Transfers	665	–665	0	0
Reversal of impairment loss	–6,174	–7,198	0	–13,372
Depreciation 31/12/2012	**320,847**	**355,935**	**0**	**676,782**
Book value 31/12/2010	**340,346**	**137,754**	**4,007**	**482,107**
Book value 31/12/2011	**285,342**	**101,332**	**2,175**	**388,849**
Book value 31/12/2012	**314,024**	**88,166**	**5,048**	**407,238**

Land and buildings are recognised exclusively at their amortised cost of purchase/construction.

The reversal of impairment losses to property, plant and equipment of € 13,372 thousand (previous year € 40 thousand) and the impairment losses of € 19,363 thousand (previous year € 78,971 thousand) resulted from the impairment tests of property, plant and equipment. The impairment losses were recognised almost exclusively in selling expenses and to a very minor degree in administrative expenses; reversals of impairment losses were recognised in other operating income. Further information on the methods applied in the impairment testing of property, plant and equipment can be found in note 17b.

The purchase obligations entered for tangible assets are listed under item no. 34.

Two German property locations are encumbered with land charges totalling € 18,622 thousand.

Furthermore, property, plant and equipment with a carrying amount of € 24,464 thousand was assigned as security at the end of the period under review.

Assets that are available to Praktiker Group under a finance lease are included in tangible assets under buildings and fixtures with carrying amounts of € 209,426 thousand (previous year € 177,055 thousand) and relate to leased buildings.

Finance leases generally have initial terms of between ten and 33 years with options upon expiry to extend them at least once for five years. The interest rates in the leases vary by market and date of signing between 4.10 percent and 20.45 percent.

In addition to finance leases, Praktiker Group has also signed other types of leases classified as operating leases based on their economic value. The initial term ranges between one year and 20 years. Some operating leases include contract extension options of between one year and 20 years as well as price adjustment clauses.

Payments under finance leases for rented stores become due in the periods as set out below:

Maturity of payments from finance leases

in k €	up to 1 year	1 to 5 years	over 5 years	Total
Future lease payments due	49,225	186,351	239,122	**474,698**
Financing expenses	28,983	94,201	81,449	**204,633**
Present value	20,242	92,150	157,673	**270,065**

Payments under operating leases for rented stores become due in the periods as set out below:

Maturity of payments from operating leases

in k €	up to 1 year	1 to 5 years	over 5 years	Total
Future lease payments due	265,921	867,460	1,007,481	**2,140,862**
Future lease payments anticipated from subleases	4,781	6,718	786	**12,285**

The rental expenses shown in the income statement include € 319,159 thousand from operating leases (previous year € 344,930 thousand) and € 6,597 thousand from finance leases (previous year € 6,365 thousand). The latter mentioned figure also includes contingent lease payments which account for a small portion of total lease payments. The rental expenses of € 325,755 thousand contain not only expenses for rented stores but also, among others, expenses for rented vehicles and IT equipment.

As in the previous year, capitalised assets from finance leases do not include any assets from sale-and-lease-back transactions. Accordingly, there were no future obligations from sale-and-lease-back transactions as at the end of the reporting period.

Income from the subleases of assets shown in the income statement amounted to € 8,061 thousand (previous year € 9,213 thousand).

17. Impairment tests

a) concerning goodwill

The determination of cash generating units (CGUs) for the impairment tests of goodwill is oriented towards the reporting to the full management board of Praktiker AG as the chief operating decision maker, which is basis for its strategic decisions.

In the Praktiker Group impairment tests are therefore performed for only one CGU. This goodwill in the amount of € 31,528 thousand belongs to the Max Bahr CGU.

The Max Bahr brand, with a carrying amount of € 54,766 thousand[1], was assigned in full to the Max Bahr CGU.

Goodwill is normally tested for impairment once per year as at the end of the reporting period. Testing also takes place when circumstances suggest that assets may have been impaired.

The recoverable amount of the Max Bahr CGU was determined by a calculation of its value in use as at the end of the reporting period. This calculation was based on the forecast cash flows for operating earnings derived from the medium-term planning for the years 2013 to 2015 adopted

[1]Owing to an editorial error, an amount of € 56,766 thousand was reported in the notes to the consolidated financial statements for the financial years 2008 to 2011. However, the carrying amount of the overall "Other intangible assets" item in the respective statements of financial position was correct and unaffected by this.

by the management in January 2013. A growth rate of 1.5 percent was assumed for cash flows beyond this three-year period. This management assessment is based on past developments and anticipated future market developments.

A discount rate of 6.2 percent, which reflects the specific risks of the cash generating unit, was applied in the calculation of the value in use.

The impairment test performed as at the end of the reporting period for the goodwill of the Max Bahr CGU and the Max Bahr brand did not result in any impairment requirements as at 31 December 2012.

Further goodwill in the amount of € 1,700 thousand arose from the Group company Praktiker HELLAS A.E., Greece. No impairment requirements were identified here in the year under review.

b) concerning other intangible assets as well as property, plant and equipment

Impairment tests on fixed asset items occur on a store level, whereby the individual store is considered to be a CGU. On a per-location basis, the planned sales revenues over the basic rental term are compared with the planned costs, whereby the latter include appropriate central cost components, which are necessary for the operation of the individual stores. Should the planned costs exceed the planned sales revenues, corresponding impairment on the given fixed asset items is undertaken.

As with goodwill, other intangible assets and property, plant and equipment were also tested for impairment as at 31 December 2012. Therefore planning for the German locations was adjusted. Growth of 1.5 percent was assumed for all CGUs for the period after 2015.

The planning for the international locations also underwent adjustment. Growth rates of between 1.5 percent and 7.5 percent were applied for the period after 2015 depending on the country. Future cash flows were discounted at risk-free, matched-term market interest rates. Over an horizon of ten years, for example, these were between 1.5 percent for locations in Germany and Luxembourg and 10.8 percent for locations in the Ukraine.

The management's assessment is based on past developments and anticipated future market developments.

Resulting from these impairment tests, total impairment losses of € 19,433 thousand were recognised on property, plant and equipment and intangible assets with a limited useful life as at 31 December 2012.

€ 3,315 thousand of this impairment related to buildings, fixtures and land (including € 826 thousand of impairment losses from finance leases), € 16,048 thousand to other equipment, operating and office equipment, and € 70 thousand to other intangible assets (leasehold interests and rights of use).

These impairment tests also led to reversals of impairment losses in the amount of € 13,372 thousand, which were distributed among property, plant and equipment as follows: € 6,174 thousand relating to buildings, fixtures and land (€ 2,923 thousand in reversals of impairment losses from finance leases), and € 7,198 thousand relating to other plant, business and office equipment.

Reversals of impairment losses were recognised in other operating income.

18. Financial instruments

The Group categorises its financial instruments into different classes based on their characteristics. The following classes of financial assets and liabilities were recognised as at the end of the reporting period:

- other financial assets
- cash and cash equivalents
- trade receivables
- other receivables and other assets
- financial liabilities from finance leases
- loans
- financial liabilities from bonds
- financial liabilities from warrant bonds
- trade payables
- other financial liabilities
- other liabilities

The classes of financial instruments allocated to the categories of financial instruments as at 31 December 2012 can be seen in the following table:

Categorisation and classification of financial instruments as at 31/12/2012

	Allocation category					
in k €	Loans and receivables (LaR)	Financial assets held for trading (FAH fT)	Derivatives designated for hedge accounting (n/a)	Available-for-sale financial assets (AfS)	Book value total	Fair value total
Other financial assets	–	–	–	12	12	12
Cash and cash equivalents	82,275	–	–	–	82,275	82,275
Receivables	84,077	–	–	–	84,077	–
thereof trade receivables	22,583	–	–	–	–	22,583
thereof other receivables and other assets	61,494	–	–	–	–	61,494
Derivative financial assets	–	–	–	–	–	–
Derivative financial assets designated for hedge accounting	–	–	–	–	–	–
Assets 31/12/2012	**166,352**	**–**	**–**	**12**	**166,365**	**166,365**

	Allocation category					
	Financial liabilities measured at amortised cost (FLAC)	Financial liabilities held for trading (FLHfT)	Derivatives designated for hedge accounting (n/a)	Finance lease (n/a)	Book value total	Fair value total
Financial liabilities from finance leases	–	–	–	270,065	270,065	423,170
Financial liabilities from bonds	247,819	–	–	–	247,819	141,875
Financial liabilities from warrant bonds	393	–	–	–	393	393
Loans	49,097	–	–	–	49,097	49,097
Trade payables	419,607	–	–	–	419,607	419,607
Other financial liabilities	5,864	–	–	–	5,864	5,864
Other liabilities	26,723	–	–	–	26,723	26,723
Liabilities 31/12/2012	**749,503**	**–**	**–**	**270,065**	**1,019,568**	**1,066,729**

The held-to-maturity measurement category is not currently used in the Praktiker Group. Financial liabilites from warrant bonds are initially recognised at fair value.

In the case of trade receivables, other receivables and other assets, cash and cash equivalents, as well as trade payables and other liabilities, the book values approximately equate to the fair values.

Other financial assets include an investment which is not listed on an active market and whose fair value cannot be determined because there are no assignable cash flows. The investment, therefore, is recognised at amortised cost.

The categorisation and classification of financial instruments as at 31 December 2011 can be seen in the following table:

Categorisation and classification of financial instruments as at 31/12/2011

in k €	Allocation category: Loans and receivables (LaR)	Financial assets held for trading (FAH fT)	Derivatives designated for hedge accounting (n/a)	Available-for-sale financial assets (AfS)	Book value total	Fair value total
Other financial assets	–	–	–	11	11	11
Cash and cash equivalents	148,042	–	–	–	148,042	148,042
Receivables	64,416	–	–	–	64,416	–
thereof trade receivables	12,262	–	–	–	–	12,262
thereof other receivables and other assets	52,154	–	–	–	–	52,040
Derivative financial assets	–	0	–	–	0	0
Derivative financial assets designated for hedge accounting	–	–	987	–	987	987
Assets 31/12/2011	**212,458**	**0**	**987**	**11**	**213,456**	**213,342**

	Allocation category: Financial liabilities measured at amortised cost (FLAC)	Financial liabilities held for trading (FLHfT)	Derivatives designated for hedge accounting (n/a)	Finance lease (n/a)	Book value total	Fair value total
Financial liabilities from finance leases	–	–	–	247,072	247,072	319,456
Financial liabilities from bonds	247,200	–	–	–	247,200	112,500
Trade payables	353,700	–	–	–	353,700	353,700
Other financial liabilities	4,865	–	–	–	4,865	4,865
Other liabilities	25,962	–	–	–	25,962	25,962
Derivative financial liabilities	–	0	–	–	0	0
Derivative financial liabilities designated for hedge accounting	–	–	5	–	5	5
Liabilities 31/12/2011	**631,727**	**0**	**5**	**247,072**	**878,804**	**816,488**

The following table shows an analysis of the receivables as at the reporting date of the year under review and of the previous year:

Maturity analysis receivables

in k €	Book value	thereof neither impaired nor past due	thereof not impaired but past due: ≤ 90 days	> 90 ≤ 180 days	> 180 ≤ 270 days	> 270 ≤ 360 days	> 360 days	thereof impaired
Receivables 31/12/2012	**84,077**	65,516	7,408	1,847	272	2,297	4,984	1,754
Receivables 31/12/2011	**64,416**	39,963	10,621	658	635	1,738	6,522	4,279

With regard to those receivables which are neither impaired nor past due, there are no indications as at the balance sheet date that the debtors will fail to meet their payment obligations.

The value adjustments of the "Receivables" class logged on a dedicated value adjustment account developed as follows:

Development allowances of the class "Receivables"

in k €	2012	2011
Allowances of the class "Receivables" 01/01	**6,088**	**6,200**
Currency translation adjustments	29	–81
Additions	2,034	1,577
Utilisation	–662	–703
Reversal	–446	–722
Reclassification	–3	–183
Allowances of the class "Receivables" 31/12	**7,040**	**6,088**

Net gain or loss (–) from financial instruments, subdivided according to the individual valuation categories of IFRS 7, is as follows:

Breakdown net result from financial instruments by valuation categories

in k €	2012	2011
Loans and receivables (LaR)	4,659	–594
Available-for-sale financial assets (AfS))	0	7
Financial assets/liabilities held for trading (FAH fT/FLHfT)	44	–2,742
Financial liabilities measured at amortised cost (FLAC)	–20,936	–31,116

Net results from financial instruments include valuation results, amortisation and reversals, results from currency translation and interest, dividends and all other effects on income from financial instruments.

Total interest income in the amount of € 881 thousand (previous year € 3,029 thousand) and total interest expense in the amount of € 18,268 thousand (previous year € 20,754 thousand) related to financial instruments which are not measured at fair value through profit and loss.

Please refer to item no. 29 for further details concerning derivative financial instruments.

19. Other financial assets

The other financial assets include a non-listed holding of Praktiker Polska Sp. z o.o. in MGL METRO Group Logistics Polska Sp. z o.o.i. Spólka Sp.K amounting to PLN 50,000 (3.7 percent), which is recognised as an available-for-sale financial asset. Converted into euro, there is a share value of € 12 thousand as at the balance sheet date (previous year € 11 thousand).

20. Other receivables and other assets

Other assets

in k €	31/12/2012	31/12/2011
Other assets (gross)	100,139	97,336
Allowance	–5,065	–4,559
Other assets (net)	**95,074**	**92,777**

From the allowance of the previous year, € 347 thousand (previous year € 317 thousand) were used, € 244 thousand (previous year € 319 thousand) were released and € 1,053 thousand (previous year € 722 thousand) reallocated in the reporting period.

Of the total amount of the other receivables and other assets, € 2,971 thousand (previous year € 3,222 thousand) has a residual term of more than five years.

The other receivables and other assets comprise financial assets in the amount of € 62,522 thousand (previous year € 53,141 thousand) and non-financial assets of € 32,552 thousand (previous year € 19,964 thousand).

Other financial assets comprise merchandise commission claims vis-à-vis suppliers of € 31,844 thousand (previous year € 39,033 thousand).

The other non-financial assets include prepaid expenses of € 8,911 thousand (previous year € 9,725 thousand) and other tax refund claims of € 13,769 thousand (previous year € 7,293 thousand).

The carrying amounts of the monetary assets included in these items correspond to their market values. As in the previous years, there are no limitations to the title or right to dispose of the other receivables or other assets reported.

21. Deferred taxes

Deferred tax assets from deductible temporary differences and tax loss carry-forwards exceeding the deferred tax liabilities from taxable temporary differences are recognised only to the extent that it is likely that sufficient taxable income will be generated to use them.

Deferred tax assets are regularly tested for impairment using budget and planning figures. Ongoing variance analysis is used to ensure planning quality and planning premises are adjusted regularly. These calculations are based on three-year medium-term planning.

Based on these planning figures, the management assumes that it will be possible to utilise the deferred tax assets recognised as at 31 December 2012 in future. The planning figures also do not include tax optimisation options that would result in a shorter utilisation period for loss carry-forwards.

Under IAS 12.34, a deferred tax asset for as yet unused tax losses must be recognised to the extent that it is probable that future taxable profit will be available against which

the unused tax losses can be utilised. Forecasting accuracy decreases, the further the utilisation period lies in the future. Therefore, in line with the procedure used in previous years, probability deductions that increase over time were charged to taxable earnings for the period beyond the three subsequent years for which there is detailed planning. It was also taken into account that the measures of the restructuring programme had a strong influence on current planning. Although the management is confident that these measures will result in the planned effects, this cannot be guaranteed. The 2012 financial year had a utilisation period of five years and impairment requirements of € 6,487 thousand. Impairment requirements in the previous year amounted to € 10,815 thousand.

In addition, deferred tax assets from tax losses incurred in the 2012 financial year and unutilised interest expenses owing to the interest expenses disallowance rule totalling € 56,509 thousand (previous year € 63,683 thousand) were not capitalised due to a lack of feasibility.

Reversals of write-downs previously recognised on deferred tax assets from loss carry-forwards in the amount of € 19 thousand (previous year: no reversals) were reported in the period under review.

The majority of deferred tax assets on tax loss carry-forwards not capitalised or written down relates to Group companies based in Germany. There is currently no time limit for carrying forward tax losses in Germany. Furthermore, taxable earnings in Germany will be negatively impacted until 2022 by write-downs of goodwill, which will no longer be incurred from 2023 onwards. These factors can result in additions to deferred tax assets in future.

As at the end of the reporting period, the tax loss carry-forwards in the Group not yet utilised amounted to € 1,426,945 thousand (previous year € 1,088,356 thousand). € 1,023,483 thousand (previous year € 818,077 thousand) of this relates to corporation tax loss carry-forwards and € 403,462 thousand (previous year € 270,349 thousand) to trade tax loss carry-forwards. This results in potential deferred tax assets of € 219,736 thousand (previous year € 169,323 thousand), € 162,405 thousand of which (previous year € 129,568 thousand) relates to corporation tax and € 57,330 thousand (previous year € 39,755 thousand) to trade tax.

Furthermore, unutilised interest expenses owing to the interest expenses disallowance rule of € 27,573 thousand (previous year € 13,045 thousand) resulted in a potential deferred tax asset of € 7,369 thousand (previous year € 3,503 thousand).

On account of the write-downs recognised to date, deferred tax assets on loss carry-forwards amount to a total of € 18,545 thousand as at 31 December 2012 (previous year € 25,579 thousand). € 6,141 thousand (previous year € 10,525 thousand) of this relates to corporation tax loss carry-forwards and € 12,404 thousand (previous year € 15,054 thousand) to trade tax loss carry-forwards.

With deferred tax assets on temporary differences there was a reversal of € 3,085 thousand in the reporting year (previous year write-down of € 39,447 thousand).

The deferred tax assets relate to the following items of the statement of financial position:

Allocation deferred taxes to items of the statement of financial position

	31/12/2012		31/12/2011	
in k €	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Goodwill	25,143	0	32,097	0
Property, plant and equipment finance lease	1,292	50,705	1,124	39,046
Other fixed assets	15,756	18,272	15,850	18,701
Inventories	4,537	2,905	6,727	1,953
Receivables and other assets	435	330	927	153
Provisions for pensions	1,220	101	832	294
Other provisions	27,336	1,446	30,736	2,011
Liabilities from finance leases	62,614	0	53,760	11
Other financial liabilities	355	709	0	854
Other liabilities	0	505	2,199	0
Allowance/not capitalisation deferred taxes from temporary differences	–37,446	0	–40,500	0
Deferred taxes from temporary differences	**101,242**	**74,973**	**103,752**	**63,023**
Loss carry-forwards on corporate taxes	6,141	0	10,525	–
Loss carry-forwards on trade taxes	12,404	0	15,054	–
Interest carry-forwards on interest stripping rule	0	0	0	–
Deferred taxes	**119,787**	**74,973**	**129,331**	**63,023**

Deferred taxes developed as follows:

Development deferred taxes

in k €	Deferred tax assets 2012	Deferred tax assets 2011	Deferred tax liabilities 2012	Deferred tax liabilities 2011
Deferred taxes 01/01	**129.331**	**132.711**	**63.023**	**111.211**
Currency translation	313	−1,050	−122	−326
Recognised directly in equity	0	−216	−159	148
Result on income statement	−9,857	−2,114	12,231	−48,010
Deferred taxes 31/12	**119,787**	**129,331**	**74,973**	**63,023**

The maturities of deferred taxes were as follows as at the end of the reporting period:

Maturity structure deferred taxes

in k €		31/12/2012	31/12/2011
Deferred tax assets	≤ 1 year	14,393	10,226
	> 1 year	105,394	119,105
Deferred tax liabilities	≤ 1 year	8,578	6,628
	> 1 year	66,395	56,395

22. Inventories

Inventories include merchandise only and break down as follows:

Breakdown inventories

in k €	31/12/2012	31/12/2011
Praktiker Germany	250,320	316,742
Max Bahr	209,602	148,462
Miscellaneous	12,297	14,631
Germany	**472,219**	**479,835**
Albania	0	0
Bulgaria	13,242	13,240
Greece	30,671	28,387
Luxembourg	5,810	5,457
Poland	40,004	46,467
Romania	31,967	35,232
Turkey	17,314	18,656
Ukraine	7,989	8,332
Hungary	21,204	18,640
International	**168,201**	**174,411**
Inventories	**640,420**	**654,246**

The purchase cost of inventories is recognised as expense at the time of revenue recognition and is included in the cost of goods sold at a value of € 2,009,692 thousand (previous year € 2,158,525 thousand).

In the previous year, new regulations for the method of determining net realisable value and the high level of old inventories had resulted in write-downs on inventories in the amount of € 93,728 thousand (netted against reversals of impairment losses). Impairment requirements declined significantly in the year under review. The sell-off of stock in stores which were converted from Praktiker to Max Bahr in the reporting year – in addition to the general method of increasingly selling off old merchandise – led to a stock rejuvenation, which in turn counteracted a write-down requirement at the end of the year, as well as the € 13,826 thousand reduction in inventories as at 31 December 2012 compared with inventories as at the end of 2011.

Write-downs on the Group's inventories, netted against reversals of write-downs, amounted to € 83,357 thousand as at 31 December 2012, a reduction of € 10,371 thousand compared with the end of the previous year.

Security has been assigned to various credit insurers for the inventories attributable to the German companies in the amount of € 472,219 thousand.

23. Trade receivables

All trade receivables have a remaining term of up to one year. The fair values of the trade receivables correspond to their carrying amounts.

There are no concentrations of credit risks within trade receivables as the Group has a large number of customers at different international locations who, if they do not pay in cash, pay using standard payment and credit cards.

Trade receivables

in k €	31/12/2012	31/12/2011
Trade receivables (gross)	24,559	13,823
Allowance	−1,975	−1,561
Trade receivables (net)	**22,584**	**12,262**

From the value allowance of the previous year € 315 thousand (previous year € 387 thousand) were utilised, in the reporting period € 244 thousand (previous year € 404 thousand) were released and € 981 thousand (previous year € 855 thousand) reallocated.

24. Current income taxes

Current income tax assets and liabilities break down by type of tax as follows:

Development current income taxes

	Current income tax assets		Current income tax liabilities	
in k €	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Corporate taxes	2,417	1,170	301	154
Trade taxes	2,177	262	109	1,403
Current income taxes	**4,594**	**1,432**	**410**	**1,557**

25. Cash and cash equivalents

Breakdown cash and cash equivalents

in k €	31/12/2012	31/12/2011
Bank/cash on hand	72,551	57,146
Cash on deposit	9,724	90,896
Cash and cash equivalents	**82,275**	**148,042**

The effective interest rates for bank deposits vary between 0.00 percent and 6.5 percent, coupled with terms which range from zero to 90 days.

Of these cash and cash equivalents, a partial amount of € 16,647 thousand has been pledged. This involves the accounts of Baumarkt Max Bahr GmbH & Co. KG, Baumarkt Max Bahr Warenhandels GmbH and Baumarkt Max Bahr Geschäftsführungs GmbH (pledgors). These liens are used to secure the senior term loan facilities. However, the pledgors may have the pledge account credit available at their disposal until revoked.

26. Equity

a) Share capital

As at 31 December 2012, the issued capital amounted to € 114,024,958 (€ 58,000,000 as at 31 December 2011) and is divided into 114,024,958 bearer shares with a notional share of capital of € 1.00 per share. The issued capital therefore increased by € 56,024,958 in the current period under review.

On 18 December 2012, Praktiker AG placed 55,555,556 new no-par value bearer shares each with a notional interest of € 1.00 in the share capital. The subscription price was € 1.08 per share, resulting in gross proceeds of € 60,000 thousand. Having deducted costs of € 6,730 thousand incurred in connection with the capital increase and taking into account the associated income tax effect, € 53,270 thousand was recorded as an addition to equity.

Praktiker AG issued option bonds in connection with the capital increase, which granted the holders of these options contractual protection against dilution for the capital increase. Some option holders made use of this, which led to a further issue of 469,402 shares at a subscription price of € 1.08 per share, each with a notional interest of € 1.00 in the share capital. This resulted in an addition to equity in the amount of € 507 thousand.

The new shares are fully entitled to profit-sharing from 1 January 2012, i.e. for the entire 2012 financial year and all subsequent financial years. Each Praktiker AG share entitles the shareholder to one vote in the company's annual general meeting. There are no restrictions with regard to the free transferability of the shares.

As at the end of the reporting period, six institutions held a reportable share of voting rights of more than three or five percent:

On December 18, 2012, Donau Invest Beteiligungs Ges.m.b.H., Vienna, Austria, informed Praktiker according to Sec. 21, para. 1 of the WpHG that via shares its voting rights on Praktiker AG, Kirkel, Germany, exceeded the 3.0 percent and 5.0 percent threshold of the voting rights on December 18, 2012 and on that day amounted to 9.99 percent (this corresponds to 11,344,208 voting rights).

On December 20, 2012, Semper Constantia Invest GmbH, Vienna, Austria, informed Praktiker according to Sec. 21, para. 1 of the WpHG that via shares its voting rights on Praktiker AG, Kirkel, Germany, exceeded the 3.0 percent threshold of the voting rights on December 18, 2012 and on that day amounted to 3.34 percent (this corresponds to 3,796,776 Voting Rights). According to Sec. 22, para. 1, sent. 1, No. 6 of the WpHG, 2.24 percent of the voting rights (this corresponds to 2,543,362 voting rights) is to be attributed to the company.

On September 28, 2012, Maseltov Ltd, Limassol, Cyprus, informed Praktiker according to Sec. 21, para.1 of the WpHG that via shares its voting rights on Praktiker AG, Kirkel, Germany, fell below the 10 percent threshold of the voting rights on September 24, 2012 and on that day amounted to 9.61 percent (this corresponds to 5,571,072 voting rights). On September 28, 2012, Ms Isabella de Krassny, Austria, informed Praktiker according to Sec. 21, para. 1 of the WpHG that via shares her voting rights on Praktiker AG, Kirkel, Germany, fell below the 10 percent threshold of the voting rights on September 24, 2012 and on that day amounted to 9.61 percent (this corresponds to 5,571,072 voting rights). According to Sec. 22, para. 1, sent. 1, No. 1 of the WpHG, 9.61 percent of the voting rights (this corresponds to 5,571,072 voting rights) is to be attributed to Ms de Krassny from Maseltov Ltd.

On February 23, 2012, Dimensional Holdings Inc., Austin, Texas, USA, informed Praktiker according to sec. 21 para. 1 of the WpHG that via shares its voting rights on Praktiker AG, Kirkel, Germany exceeded the 3.0 percent threshold of the voting rights on February 20, 2012 and on that day

amounted to 3.05 percent (this corresponds to 1,769,224 voting rights). According to sec. 22 para. 1 sent. 1 No. 6 in connection with sent. 2 of the WpHG, 3.05 percent of the voting rights (this corresponds to 1,769,224 voting rights) is to be attributed to the company.

On April 26, 2012, the Goldman Sachs Group, Inc., New York, USA informed Praktiker according to sec. 21 para. 1 of the WpHG that via shares its voting rights on Praktiker AG, Kirkel, Germany exceeded the 3.0 percent threshold of the voting rights on 20 April, 2012 and on that day amounted to 4.86 percent (this corresponds to 2,819,051 voting rights).

Apart from the shares held by Maseltov Ltd. and Donau Invest Beteiligungs Ges.m.b.H. , the shares are not considered to be in fixed ownership in accordance with the definition of Deutsche Börse AG. As such, 80.40 percent of the shares of the company were in free float as at 31 December 2012.

b) Authorised capital

At the same time as revoking the existing authorised capital in the same amount and unutilised as at that date (Authorised Capital 2010/1), the annual general meeting of the company on 21 May 2010 authorised the management board, with the approval of the supervisory board, to increase the share capital of the company on one or several occasions by up to a total amount of € 25,000,000 by issuing up to 25,000,000 new bearer shares in the company against cash and non-cash contributions until 20 May 2015 (Authorised Capital 2010/I).

The shareholders have a subscription right as a matter of principle. The management board is authorised, with the approval of the supervisory board, to disapply shareholders' subscription rights in accordance with the provisions of Article 4.3 of the Articles of Association and, with the approval of the supervisory board, to determine the further details of the capital increase and the conditions of share issuance.

The management board of the company is also required, in accordance with the details of a statement published on the company's website on 29 April 2010, to only exercise its authorisation to disapply shareholders' subscription rights only up to a total of 20 percent of the share capital.

On 20 December 2012, the implementation of a capital increase from authorised capital with the disapplication of shareholders' pre-emption rights was entered in the commercial register. Following the related issue of 469,402 new shares, the Authorised Capital 2010/I currently amounts to € 24,530,598.00.

c) Contingent capital

The annual general meeting on 21 May 2010 authorised the management board, with the approval of the supervisory board, to issue warrant-linked and/or convertible bonds, profit participation rights and/or profit participation bonds (or combinations of these instruments) (referred to collectively as "bonds") with a total nominal amount of up to 500 million euro, dated or undated, on one or more occasions until 20 May 2015 and to grant the bondholders warrant or conversion rights to no-par-value bearer shares of the company in accordance with the terms of the bonds and to create the corresponding warrant or conversation obligations ("Bond Authorisation 2010"). The details of this Bond Authorisation 2010 can be found in agenda item 10 of the proposed resolution published in the Federal Gazette on 1 April 2010. On the basis of the Bond Authorisation 2010, on 3 July 2012 the company issued a total of 5,800,000 sub-option bonds with a total nominal value of € 580,000 initially connected with 5,800,000 warrants, each of which grant the right to subscribe to one no-par bearer share of the company worth a pro rata amount of the share capital of € 1.00 (the "option bond I").

Shareholders have a subscription right to the bonds as a matter of principle. However, the management board is authorised, with the approval of the supervisory board, to disapply shareholders' pre-emption rights (as was the case with Option Bond I) and to determine the further details of the issue and the terms of the bonds with the approval of the supervisory board or in consultation with the executive bodies of the companies issuing the bonds in which the company holds a majority interest, either directly or indirectly. To ensure that shareholders are protected against dilution, the management board of the company has undertaken, in accordance with the terms of a statement published on the company's website on 29 April 2010, to exercise its authorisation to disapply shareholders' pre-emption rights only up to a total of 20 percent of the share capital.

The Bond Authorisation 2010 was revoked by the resolution of the annual general meeting on 4 July 2012 and the related Contingent Capital 2006/I was revised by resolution of the annual general meeting on 4 July 2012. The management board is thus authorised, with the approval of the supervisory board, to issue warrant-linked and/or convertible bonds, profit participation rights and/or profit participation bonds (or combinations of these instruments) (referred to collectively as "bonds") with a total nominal amount of up to € 250 million, dated or undated, on one or more occasions until 3 July 2017 and to grant the bondholders warrant or conversion rights to no-par-value bearer shares of the company in accordance with the terms of the bonds and to create the corresponding warrant or conversation obligations ("Bond Authorisation 2012"). The details of this Bond Authorisation 2012 can be found in agenda item 9 of the proposed resolution published in the Federal Gazette on 25 May 2012.

In this context, the share capital of the company has been contingently increased by up to € 29 million by the issue of up to 29 million new no-par-value bearer shares with dividend rights from the start of the financial year in which

they are issued (Contingent Capital). The purpose of the contingent capital increase is to issue shares to the holders or creditors of warrant-linked and/or convertible bonds, profit participation rights and/or profit participation bonds (or combinations of these instruments) issued on the basis of the authorisation by the annual general meeting on 21 May 2010 before 4 July 2012 or under the terms of the authorisation by the annual general meeting on 4 July 2012 (Bond Authorisation 2012) until 3 July 2017 by the company or by companies in which the company holds a majority interest, either directly or indirectly, providing that the bonds are issued against cash. The contingent capital increase will only be implemented to the extent that warrant or conversion rights under the terms of the aforementioned bonds are exercised, or warrant or conversion obligations under the terms of such bonds are fulfilled and no other forms of settlement are used to service these obligations. On the basis of the Bond Authorisation 2012, and on the basis of the resolutions of the management board and supervisory board on 23 November 2012, the company issued a total of 5,800,000 sub-option bonds with a total nominal value of € 580,000 initially connected with 5,800,000 warrants, each of which grant the right to subscribe to one no-par bearer share of the company worth a pro rata amount of the share capital of € 1.00 (the "Option Bond II"). Shareholders' subscription rights were disapplied.

d) Authorisation to acquire treasury shares

The company was authorised by way of resolution of the annual general meeting of 21 May 2010 to acquire shares in the company until 20 May 2015. The authorisation is limited to the acquisition of the company's treasury shares with a pro rata share of capital of up to € 5,800,000. The authorisation cannot be used by the company for the purpose of trading in its own shares.

The authorisation can be exercised fully or in partial amounts on one or more occasions. The shares acquired together with other treasury shares held by the company or attributable to it in accordance with Sec. 71a ff. AktG (German Stock Corporation Act) cannot account for more than 10 percent of the share capital at any time. At the discretion of the management board, the shares are to be acquired on the stock market or by way of a public purchase offer to all shareholders.

If acquired on the stock market, the price paid by the company per treasury share (not including incidental costs of acquisition) must be within 10 percent in either direction of the opening price in Xetra trading (or a functionally similar successor system that has replaced the Xetra system) on the Frankfurt stock exchange on the given trading day.

If acquired by way of a public offer to all shareholders, the purchase price offered per treasury share (not including incidental costs of acquisition) must not exceed the final auction price in Xetra trading (or a functionally similar successor system that has replaced the Xetra system) by more than 10 percent or be more than 20 percent lower than this same price on the Frankfurt stock exchange on the 4th to 10th trading days prior to the date of the publication of the offer.

The volume of the offer can be limited. If total subscriptions exceed this volume, the declarations of acceptance are to be considered in proportion to the number of shares offered. Preferential acceptance of smaller units of up to 100 shares per shareholder can be permitted.

Furthermore, the management board was authorised by the annual general meeting on 21 May 2010 to acquire treasury shares using call or put options. The management board was authorised to sell put options, buy call options and buy treasury shares using a combination of put and call options.

All acquisitions of shares using put options, call options or a combination of put and call options are limited to treasury shares accounting for a proportionate amount of share capital of up to € 2,900,000. The term of the options must be chosen so that the acquisition of treasury shares resulting from the exercise of options takes place before the end of 20 May 2015. The acquisition of treasury shares by way of exercising the options can only take place if the option terms ensure that the options can be satisfied with shares acquired in compliance with the principle of equal treatment. Option transactions must be concluded with a bank or company operating in line with Sec. 53 para. 1 sent. 1 or Sec. 53b para. 1 sent. 1 or para. 7 KWG (German Banking Act). A right of shareholders to conclude such option transactions with the company is excluded.

The unutilised authorisations of 27 May 2009 to acquire treasury shares in the same amount were revoked by the annual general meeting of 21 May 2010.

e) Reserves

The development of the reserves, which consist of capital reserves and other reserves, is outlined in the "Consolidated statement of changes in equity" section.

Among other items, the other reserves include the changes recognised directly in equity from currency conversions and cash flow hedges.

The legal reserves amounted to € 6,565 thousand in the year under review (previous year € 6,617 thousand).

f) Balance sheet loss

The balance sheet loss comprises the cumulative earnings attributable to the shareholders of the Group, less the dividend payments and the appropriation to other retained earnings.

g) Minority interests

Minority interests comprise third-party stakeholdings in the equity of consolidated subsidiaries. An overview of minority interests and the changes in them is shown in the table below.

As at the end of the reporting period there were non-controlling interests in Bâtiself S.A. of 38.0 percent with an absolute value of € 1,476 thousand (previous year € 1,339 thousand).

27. Provisions for pensions

The amount set aside for provisions in the statement of financial position is determined as follows:

Determination provisions for pensions

in k €	31/12/2012	31/12/2011
Non-pledged defined benefit obligation (DBO)	514	366
Pledged defined benefit obligation (DBO)	478	462
Plan assets	–478	–462
Unrecognised actuarial losses (previous year gains)	–10	155
Provisions for pensions	**504**	**521**

The expenses and income of pension commitments break down as follows:

Expenditure and income from pensions

in k €	2012	2011
Interest expenses	40	38
Recognised actuarial gains	–25	–15
Expected return on plan assets	–19	–19
Service cost	3	3
Expenditure (+)/Income (–) from pensions	**–1**	**7**

Pension expenses from direct and indirect company pensions include the service costs and the actuarial losses, which are included in the cost of sales, selling expenses and general administrative expenses, as well as in the interest expense, which is shown in the net financial result.

The provisions shown in the statement of financial position developed as follows:

Development provisions for pensions

in k €	2012	2011
Provisions for pensions 01/01	**521**	**531**
Interest expenses	21	19
Recognised actuarial gains	–25	–15
Service cost	3	3
Pension payments	–16	–16
Provisions for pensions 31/12	**504**	**521**

Payments of € 20 thousand from the reported provisions are expected in 2013. Actuarial gains and losses were considered on the basis of the corridor approach.

The development of the defined benefit obligation is shown on the following chart:

Development present value of non-pledged defined benefit obligations

in k €	2012	2011
Present value non-pledged defined benefit obligation (DBO) 01/01	**366**	**420**
Interest expenses	21	19
Actuarial losses (previous gains)	140	–60
Service cost	3	3
Pension payments	–16	–16
Present value non-pledged defined benefit obligation (DBO) 31/12	**514**	**366**

As there were only matching, pledged insurance policies for these pension commitments from 2010, the plan assets were recognised as a deduction on the corresponding obligation in line with IAS 19.102. Moreover, there are further pension payments due to deferred compensation commitments in the Praktiker Group, which are secured with matching, pledged reinsurance policies.

The resulting DBO and the corresponding plan assets developed as follows:

Development fair value of pledged defined benefit obligations

in k €	2012	2011
Fair value pledged defined benefit obligations (DBO) 01/01	**462**	**441**
Addition actual year	0	0
Interest expenses	19	19
Service cost	0	0
Actuarial gains (previous year losses)	–3	2
Fair value pledged defined benefit obligations (DBO) 31/12	**478**	**462**

The development of the corresponding plan assets is shown in the table below:

Development fair value plan assets

in k €	2012	2011
Fair value plan assets 01/01	**462**	**441**
Addition actual year	0	0
Expected return on plan assets	19	19
Losses (previous year gains) from plan assets	–3	2
Fair value plan assets 31/12	**478**	**462**

The present values of the DBOs and the fair values of plan assets developed as follows as at the end of the reporting periods:

Present value DBO and fair value plan assets

in k €	31/12/2012	31/12/2011	31/12/2010	31/12/2009	31/12/2008
Present value funded defined benefit obligation (DBO)	478	462	441	255	247
Fair value plan assets	478	462	441	255	247
Deficit (+)/surplus (–)	**0**	**0**	**0**	**0**	**0**
Present value unfunded defined benefit obligation (DBO)	514	366	420	521	545

The following experience-based adjustments were made to the present values of the DBOs and their fair values in the years 2008 to 2012:

Experience-based adjustments DBO and plan assets

in k €	31/12/2012	31/12/2011	31/12/2010	31/12/2009	31/12/2008
Experience-based adjustment from defined benefit obligation (DBO)	–137	57	–54	46	155
Experience-based adjustment of plan assets	–3	2	–3	–2	–19

28. Other provisions

The other provisions developed as follows during the reporting year:

Development other provisions

in k €	Personnel related obligations	Real estate related obligations	Merchandise trading obligations	Other provisions	Total	thereof with a term of up to 1 year
Other provisions 01/01/2012	**54,356**	**120,595**	**2,834**	**39,424**	**217,209**	**132,004**
Addition	3,447	27,286	2,712	17,934	51,379	28,260
Release	–24,091	–12,693	–358	–3,224	–40,366	–27,796
Utilisation	–7,974	–30,660	–2,105	–4,955	–45,694	–39,303
Currency translation	97	1,098	0	1,089	2,284	–52
Transfer	–1,138	1,387	0	1,689	1,938	49
Accrued interest	473	3,241	0	1,385	5,099	876
Other provisions 31/12/2012	**25,170**	**110,254**	**3,083**	**53,342**	**191,849**	**94,038**

Personnel-related obligations essentially encompass obligations arising from anniversaries, severance and part-time work. The high additions relate to the forthcoming restructuring measures in particular. Utilisation of € 11,177 thousand is anticipated for the 2013 financial year.

The real estate and personnel-related obligations are essentially provisions for location risks in connection with onerous contracts and planned store closures. In the period under review, the change in the direction of the restructuring concept and the associated departure from the store personnel adjustments intended in the original concept (see “Overhaul of the restructuring concept” section in “Introductory remarks on the ‘Management of financial risks’ chapter”) led to the reversal of provisions totalling € 23,370 thousand which had been recognised as at 31 December 2011. This course correction generally resulted in a rise in the provisions for onerous contracts and impairment losses on other intangible assets and property, plant and equipment as the projected results of the stores affected will no longer benefit from the originally planned reduction of staff costs. Utilisation of € 42,656 thousand of real estate-related provisions is expected in the 2013 financial year. Obligations from merchandise trading result from guarantee obligations and provisions for discounts to major customers. It is expected that an amount totalling € 2,630 thousand will be used in 2013.

On the balance sheet date, the other provisions include for the most part obligations from store closures of € 23,536 thousand (previous year € 15,955 thousand) as well as process and supplier risks and matters relating to fiscal law of € 23,135 thousand (previous year € 19,637 thousand). This item includes an amount of € 13,315 thousand as a result of a fine for alleged price collusion levied by the Polish antitrust authorities against the Polish Group company Praktiker Polska Sp. z o.o., as is the case with almost all other large DIY retailers in Poland. These include a total of three notifications of fines, one of which was received in 2009 and two in 2010.

It is expected that an amount totalling € 37,574 thousand from other provisions will be used in the 2013 financial year.

The addition of accrued interest on long-term provisions resulted in interest expenses of € 5,099 thousand (previous year € 1,720 thousand).

Provisions with a term of more than five years totalling € 11,586 thousand (previous year € 8,999 thousand) are attributable to real estate-related liabilities.

The other provisions developed as follows in the same period of the previous year:

Development other provisions

in k €	Personnel related obligations	Real estate related obligations	Merchandise trading obligations	Other provisions	Total	thereof with a term of up to 1 year
Other provisions 01/01/2011	**18,970**	**41,888**	**4,699**	**25,546**	**91,103**	**31,709**
Addition	42,448	88,615	5,193	18,075	166,540	120,841
Release	–3,321	–4,090	–515	–1,328	–9,254	–8,216
Utilisation	–2,509	–3,064	–2,982	–2,225	–24,989	–6,677
Currency translation	–148	–1,145	–1	–1,017	–2,311	–50
Transfer	–1,385	–25	–3,560	–630	–5,600	–5,610
Accrued interest	301	416	0	1,003	1,720	7
Other provisions 31/12/2011	**54,356**	**120,595**	**2,834**	**39,424**	**217,209**	**132,004**

29. Financial commitments and derivative financial instruments

As at 31 December 2012 and 31 December 2011, the following maturities existed in respect of the financial liabilities in line with IAS 39:

Breakdown financial liabilities following maturity

in k €		31/12/2012	31/12/2011
Liabilities from bonds	< 1 year	0	0
	1 – 5 years	248,212	247,200
	> 5 years	0	0
Liabilities from loans	< 1 year	0	0
	1 – 5 years	49,098	0
	> 5 years	0	0
Liabilities from finance leases	< 1 year	20,242	20,084
	1 – 5 years	92,150	89,542
	> 5 years	157,673	137,445
Trade payables	< 1 year	419,607	353,700
	1 – 5 years	0	0
	> 5 years	0	0
Other financial liabilities	< 1 year	32,523	30,774
	1 – 5 years	0	0
	> 5 years	64	53

The level of the expected cash flows from original financial liabilities under IAS 39 as at 31 December 2012 is shown in the table below:

Expected cash flows from original financial liabilities 31/12/2012

in k €	Cash flow 2013	Cash flow 2014–2017	Cash flow 2018 ff.
Liabilities from bonds	14,762	294,804	0
Liabilities from finance leases	49,225	186,351	239,123
Trade payables	419,607	0	0
Other financial liabilities (without derivatives)	32,523	0	64
Loans	5,882	74,081	0

Losses from cash flow hedges incurred in the period under review totalled € 831 thousand (previous year gain of € 1,342 thousand) and were recognised in selling expenses.

As there were no derivative financial instruments within the Praktiker Group as of the balance sheet date, future cash flows resulting from these have not been presented in table format. As at 31 December 2011 the following cash flows from original financial liabilities under IAS 39 were expected:

Expected cash flows from original financial liabilities 31/12/2011

in k €	Cash flow 2012	Cash flow 2013–2016	Cash flow 2017 ff.
Liabilities from bonds	14,688	308,750	0
Liabilities from finance leases	41,906	157,688	180,515
Trade payables	353,700	0	0
Other financial liabilities (without derivatives)	30,774	0	53

Cash flows resulting from derivative financial liabilities as at 31 December 2011 are expected as follows:

Expected cash flows from derivative financial liabilities 31/12/2011

in k €	Cash flow 2012	Cash flow 2013–2016	Cash flow 2017 ff.
Forward exchange transactions designated as cash flow hedge	106	0	0
Interest swaps designated as cash flow hedge	0	0	0

Trade payables are, in principle, due without interest and within one year. The carrying amount of trade payables therefore corresponds to the total of future cash flows.

The same applies to the other liabilities item (without derivatives) reported in the above table, which contains exclusively financial liabilities within the meaning of IAS 39.

An overview of the market and nominal values of the derivative financial instruments designated as cash flow hedge accounting is shown in the table below:

Nominal and market value of derivative financial instruments designated as cash flow hedge accounting

	Nominal value		Market value	
in k €	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Forward exchange transactions	0	28,624	0	982
Interest swaps	0	0	0	0

30. Other liabilities

Other liabilities are recognised at amortised cost. They can be broken down as follows:

Breakdown other liabilities

in k €	31/12/2012	31/12/2011
Payroll liabilities	18,947	28,206
Tax liabilities	14,992	26,661
Liabilities related to social insurance	2,194	2,357
Prepayments received on orders	5,151	4,644
Deferred income	12,108	12,430
Miscellaneous other liabilities	26,722	25,967
Other liabilities	**80,114**	**100,265**

The miscellaneous other liabilities comprise a multitude of individual items.

The balance sheet items listed under other liabilities reflect the fair values of these liabilities.

31. Trade payables

The € 65,907 thousand increase in trade payables is due to several factors. For example, suppliers granted longer payment terms for goods supplied for new openings of stores converted from Praktiker to Max Bahr. Another significant factor was that the procurement of imported goods was better coordinated with the times they were required and, as such, the share of trade payables resulting from imported goods as at 31 December 2012 was considerably higher than the end of the previous year.

All key trade liabilities have a remaining term to maturity of up to one year.

Notes to the consolidated cash flow statement

32. Cash flow statement

The 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).

No changes were made in the structure of the cash flow statement as against the previous year.

In the period under review, non-cash additions amounting to € 52,476 thousand (previous year € 7,947 thousand) were reported as fixed assets from finance leases. Similarly in 2012, there were non-cash disposals from finance lease assets amounting to € 1,641 thousand and also non-cash disposals from finance lease liabilities in the same amount.

Other non-cash expenses and incomes include effects arising from non-cash interest expenses in the amount of € −7,510 thousand.

a) Cash flow from operating activities

The basis for calculating the cash flow from operating activities is earnings before taxes. This is adjusted for non-cash expenses and income, and for net interest income; added to this are income taxes paid, the change in provisions and the change in net assets. Net assets comprise inventories, trade payables and other assets and liabilities. Interest expense from finance leases is also shown as a cash outflow from operating activities at this point, since this is a de facto part of the lease payments.

The cash used in operating activities in the reporting period amounted to € 114,665 thousand. This is € 35,469 thousand higher than in the same period of the previous year (outflow of € 79,196 thousand).

The main reason for the negative cash flow from operating activities is negative earnings before taxes generated in 2012 of € −164,607 thousand. The cumulative effect of changes in inventories and trade payables in the amount of € 79,734 thousand was the main positive factor. The main overriding factor was the change in current other assets and liabilities, which was primarily due to a rise in trade receivables and tax receivables and a decline in tax liabilities and wage and salary liabilities.

b) Cash flow from investing activities

The cash flow from investing activities is made up of the net proceeds from disposals of non-current assets and investments in non-current assets. The net cash outflow amounted to € 33,323 thousand in the period under review, € 28,378 thousand lower than the figure for the same period of the previous year (€ 61,701 thousand). Reluctance to invest is mainly due to the fact that the financing measures were only completed at the end of the period under review.

c) Cash flow from financing activities

The cash flow from financing activities shows a cash inflow of € 65,211 thousand (previous year cash inflow of € 23,212 thousand).

This was chiefly due to the proceeds from financing measures described previously which were implemented towards the end of the reporting year (taking up loans and capital increase).

The largest individual item in the cash outflows is the repayment of liabilities from finance leases, which increased from € 18,075 thousand to € 20,193 thousand. At € 17,716 thousand, interest paid was considerably higher than in the previous year (€ 6,112 thousand) as the interest for 2011 relating to the corporate bond was not paid until the start of 2012.

d) Liquid funds

The level of liquid funds decreased by € 82,414 thousand year-on-year to € 65,628 thousand at the end of period under review. It includes bank balances of € 56,755 thousand (previous year € 133,130 thousand) and cash on hand of € 8,873 thousand (previous year € 14,912 thousand).

As at 31 December 2012, a partial amount of € 16,647 thousand from the overall "Cash and cash equivalents" item reported in the consolidated statement of financial position was pledged. This was not assigned to the "Cash and cash equivalents" item in the cash flow statement, but to the cash flow from operating activities. Here it was allocated to the item "Changes in current other assets and liabilities".

Notes to the segment data

33. Segment information

a) Principles

In line with the requirements of 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 (including Praktiker AG and Praktiker Services GmbH). In addition, the results of Praktiker Finance B.V., Amsterdam (deconsolidated as at 31 December 2012) were also allocated to this segment in line with internal reporting. From the start of 2012, Category Management, Procurement and Marketing activities in Germany were bundled in one company, Baumarkt Praktiker Warenhandelsgesellschaft mbH. From the start of the fourth quarter, Baumarkt Praktiker Warenhandelsgesellschaft mbH only performed services for stores operated as part of the Praktiker Germany sales line and all former Praktiker stores operated as part of the company Baumarkt MB Vertriebs GmbH from the start of the fourth quarter. In the 2012 financial year, this segment was characterised by the reduction of the store portfolio, either due to store closures (11) or the conversion of available stores (27) from the Praktiker sales line to the Max Bahr sales line.

The results of Baumarkt Praktiker Zweite Warenhandels GmbH, which was founded in the third quarter of 2012, will continue to be attributed to this segment.

- Max Bahr: this segment covers the activities of the stores operated in Germany under this sales line. At the start of the fourth quarter, procurement activities were bundled in Baumarkt Max Bahr Warenhandels GmbH. This segment also includes Baumarkt Max Bahr Warenhandels GmbH, the purpose of which is to procure goods for stores assigned to the Max Bahr brand up to the end of the third quarter. At the start of the fourth quarter, the activities of stores converted from Praktiker to Max Bahr were bundled in Baumarkt MB Vertriebs GmbH, which added 27 former Praktiker stores to its store portfolio.

At the start of the fourth quarter, it was necessary to separate the goods flow between Praktiker and Max Bahr. Baumarkt Max Bahr Praktiker Einkaufs GmbH was established for this reason. Founded as a joint venture, Baumarkt Max Bahr Praktiker Einkaufs GmbH performs services for the procurement of goods required for the operating activities of both trading companies for reasons of synergy. The company is assigned to the Max Bahr segment in segment reporting.

- International: this segment comprises the operating activities in Luxembourg, Greece, Poland, Hungary, Turkey, Romania, Bulgaria and the Ukraine. Albania, Moldova and Macedonia, where there are currently no operating activities, are also allocated to this segment which additionally contains the results of the cross-divisional service company Praktiker Group Buying HK Ltd., Hong Kong attributable to countries outside Germany.
- Miscellaneous: on account of the fact that they do not fulfil the relevant size criteria, the “Extra integrated stores”, “Extra wholesale” and “Praktiker Online GmbH” units are assigned to this segment.

The domestic part of the result generated by the cross-divisional Praktiker Group Buying HK Ltd., Hong Kong is assigned to the omnibus “Miscellaneous” item. The part of the result which falls upon the other countries is assigned to the International segment. This is in line with the internal reporting.

The results of Praktiker International AG, 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).

Net financial result and income taxes are reported to the chief operating decision maker only on a Group basis, meaning that there is no allocation to the individual operating segments.

Segment assets and segment liabilities are not reported internally and do not form the basis for strategic decisions concerning the segments by the chief operating decision maker. Thus, segment assets and segment liabilities are not reported here.

In the year under review and in the previous year, there were no customers accounting for more than 10 percent of

Praktiker Group's total sales. Therefore, the Group is not dependent on any single customer.

The previous year's figures were not adjusted based on the change in the store portfolio of the Praktiker and Max Bahr sales lines. This is mainly due to the gradual reallocation of former Praktiker stores to the Max Bahr segment from the middle of 2012 onwards. As this reallocation was carried out at different times, adjusting the previous year's figures would not be expedient and would involve a great deal of work. For this reason, both closed stores and stores converted to the Max Bahr brand were contained in the "Praktiker Germany" segment in the segment data for 2011.

Stores converted to the Max Bahr sales line were not shown under the Praktiker sales line in the segment data for 2012, as these were reported to the chief operating decision maker as a component of the Max Bahr segment. As explained above, this would not promote transparency and would be labour and time intensive.

The effect of the conversion of these 27 stores was € 23,629 thousand on sales revenues, € −18,190 thousand on EBIT, € −16,345 thousand on EBITDA, € 806 thousand on depreciation and € 1,039 thousand on impairment.

The following tables show segment information for the years 2012 and 2011:

Segment data 2012

in € k	Praktiker Germany 2012	Max Bahr 2012	International 2012	Total of reportable segments 2012	Miscellaneous 2012	Reconciliation 2012	Total 2012
Net sales from external customers	1,408,561	699,872	811,817	2,920,250	82,986	0	3,003,236
Net sales from other segments	778	7,299	0	8,077	0	−8,077	0
Net sales total	**1,409,339**	**707,171**	**811,817**	**2,928,327**	**82,986**	**−8,077**	**3,003,236**
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	−55,478	5,128	8,388	−41,962	−5,382	0	−47,344
Depreciation and impairment	−35,300	−19,592	−25,914	−80,806	−633	0	−81,440
thereof depreciation	−25,292	−12,414	−23,681	−61,387	−619	0	−62,006
thereof asset impairment	−10,008	−7,178	−2,233	−19,420	−14	0	−19,434
Earnings before interest, taxes and amortisation (EBITA)	**−90,778**	**−14,464**	**−17,526**	**−122,769**	**−6,015**	**0**	**−128,783**
Goodwill impairment	0	0	0	0	0	0	0
Earnings before interest and taxes (EBIT)	**−90,778**	**−14,464**	**−17,526**	**−122,769**	**−6,015**	**0**	**−128,783**
Investments	11,107	19,573	4,521	35,201	7	0	35,208
Operating locations (number)	197	105	111	413	14	0	427
Selling space in 1,000 sq m	1,178	812	772	2,761	55	0	2,816

Segment data 2011

in € k	Praktiker Germany 2011	Max Bahr 2011	Inter-national 2011	Total of reportable segments 2011	Miscel-laneous 2011	Recon-ciliation 2011	Total 2011
Net sales from external customers	1,506,894	694,784	894,152	3,095,830	87,132	0	3,182,962
Net sales from other segments	3,254	0	0	3,254	7	–3,261	0
Net sales total	**1,510,148**	**694,784**	**894,152**	**3,099,084**	**87,139**	**–3,261**	**3,182,962**
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	–203,928	1,950	–10,363	–212,341	–6,921	0	–219,262
Depreciation and impairment	–58,574	–22,847	–73,710	–155,131	–717	0	–155,848
thereof depreciation	–31,495	–13,647	–29,943	–75,085	–705	0	–75,790
thereof asset impairment	–27,079	–9,200	–43,767	–80,046	–12	0	–80,058
Earnings before interest, taxes and amortisation (EBITA)	**–262,502**	**–20,897**	**–84,073**	**–367,472**	**–7,638**	**0**	**–375,110**
Goodwill impairment	–159,454	0	0	–159,454	0		–159,454
Earnings before interest and taxes (EBIT)	**–421,956**	**–20,897**	**–84,073**	**–526,926**	**–7,638**	**0**	**–534,564**
Investments	45,713	5,410	18,936	70,059	496	0	70,555
Operating locations (number)	235	78	109	422	17	0	439
Selling space in 1,000 sq m	1,420	628	766	2,814	64	0	2,878

The investments relate to tangible and intangible assets.

Of the goodwill stated as per 31 December 2012 (€ 33,228 thousand), € 31,528 thousand relates to the Max Bahr segment and € 1,700 thousand to the International segment.

In 2012, reversals of impairment losses amounted to € 13,372 thousand, which were distributed among the Praktiker Deutschland segment (€ 3,992 thousand), Max Bahr segment (€ 1,651 thousand) and International segment (€ 7,729 thousand). In the previous year, reversals of impairment losses in the Group totalled € 40 thousand, all of which were assigned to the omnibus “Miscellaneous” item.

The following tables show the reconciliation from EBITA to EBT and to the consolidated net result for the reporting year and the previous year:

Reconciliation from EBITA to EBT and Group net result 2012

in € k	Praktiker Germany 2012	Max Bahr 2012	Inter-national 2012	Total of reportable segments 2012	Miscel-laneous 2012	Recon-ciliation 2012	Total 2012
Earnings before interest, taxes and amortisation (EBITA)	**–90,778**	**–14,464**	**–17,526**	**–122,769**	**–6,015**	**0**	**–128,783**
Goodwill amortisation	0	0	0	0	0	0	0
Earnings before interest and taxes (EBIT)	**–90,778**	**–14,464**	**–17,526**	**–122,769**	**–6,015**	**0**	**–128,783**
Net financial result	–	–	–	–	–	–	–35,824
Earnings before taxes (EBT)	**–**	**–**	**–**	**–**	**–**	**–**	**–164,607**
Income taxes	–	–	–	–	–	–	–24,277
Group net loss	**–**	**–**	**–**	**–**	**–**	**–**	**–188,884**

Reconciliation from EBITA to EBT and Group net result 2011

in € k	Praktiker Germany 2011	Max Bahr 2011	Inter-national 2011	Total of reportable segments 2011	Miscel-laneous 2011	Recon-ciliation 2011	Total 2011
Earnings before interest, taxes and amortisation (EBITA)	**–262,502**	**–20,897**	**–84,073**	**–367,472**	**–7,638**	**0**	**–375,110**
Goodwill amortisation	–159,454	0	0	–159,454	0	0	–159,454
Earnings before interest and taxes (EBIT)	**–421,956**	**–20,897**	**–84,073**	**–526,926**	**–7,638**	**0**	**–534,564**
Net financial result	–	–	–	–	–	–	–59,757
Earnings before taxes (EBT)	–	–	–	–	–	–	**–594,321**
Income taxes	–	–	–	–	–	–	39,611
Group net loss	–	–	–	–	–	–	**–554,710**

The following tables show the reconciliation from EBITA before extraordinary effects to EBITA after extraordinary effects.

Reconciliation EBITA before extraordinary effects to EBITA after extraordinary effects

in € k	Praktiker Germany 2012	Max Bahr 2012	Inter-national 2012	Total of reportable segments 2012	Miscel-laneous 2012	Recon-ciliation 2012	Total 2012
Earnings before interest, taxes and amortisation (EBITA) before extra ordinary effects	**–90,778**	**–14,464**	**–17,526**	**–122,769**	**–6,015**	**0**	**–128,783**
Impairment on inventories	0	0	0	0	0	0	0
Other operating income	–3,992	–1,651	–7,730	–13,373	0	0	–13,373
Extraordinary expenses “Praktiker 2013”	0	0	0	0	0	0	0
Extraordinary expenses restructuring programme	10,788	12,083	2,440	25,311	3,224	0	28,535
Impairment on property and equipment and additions to provisions for onerous contracts	1,396	10,869	3,210	15,475	–994	0	14,481
Earnings before interest, taxes and amortisation (EBITA) after extraordinary effects	**–82,585**	**6,836**	**–19,606**	**–95,355**	**–3,785**	**0**	**–99,140**
Goodwill impairment	0	0	0	0	0	0	0
Extraordinary effects total	**8,193**	**21,301**	**–2,080**	**27,413**	**2,230**	**0**	**29,643**

Reconciliation EBITA before extraordinary effects to EBITA after extraordinary effects

in € k	Praktiker Germany 2011	Max Bahr 2011	International 2011	Total of reportable segments 2011	Miscellaneous 2011	Reconciliation 2011	Total 2011
Earnings before interest, taxes and amortisation (EBITA) before extra ordinary effects	**–262,502**	**–20,897**	**–84,073**	**–367.472**	**–7,638**	**0**	**–375,110**
Impairment on inventories	28,953	22,112	17,125	68,189	1,658	0	69,847
Other operating income	0	0	0	0	0	0	0
Extraordinary expenses "Praktiker 2013"	32,857	406	1,627	34,889	0	0	34,889
Extraordinary expenses restructuring programme	46,618	0	14,242	60,860	60	0	60,920
Impairment on property and equipment and additions to provisions for onerous contracts	74,505	14,700	58,822	148,027	–144	0	147,883
Earnings before interest, taxes and amortisation (EBITA) after extraordinary effects	**–79,570**	**16,321**	**7,742**	**–55,507**	**–6,065**	**0**	**–61,571**
Goodwill impairment	159,454	0	0	159,454	0	0	159,454
Extraordinary effects total	**342,386**	**37,218**	**91,815**	**471,419**	**1,574**	**0**	**472,993**

b) Information on geographical areas

Of the sales revenues generated with external customers in the period under review, € 2,191,419 thousand (previous year period € 2,288,809 thousand) relate to Group companies based in Germany and € 811,817 thousand (previous year period € 894,152 thousand) relate to Group companies based in other countries.

Of the non-current assets, an amount of € 325,990 thousand (previous year € 295,202 thousand) is attributable to the Group companies based in Germany in the year under review. An amount of € 185,503 thousand (previous year € 200,363 thousand) relates to Group companies based in other countries in the year under review. The non-current assets are made up of goodwill, other intangible assets and property, plant and equipment.

OTHER NOTES

34. Contingent liabilities and other financial obligations

The purchase obligations entered into as at the end of the reporting period break down as follows:

Breakdown purchase obligations

in € k	31/12/2012	31/12/2011
Property, plant and equipment	2,068	1,170
Non-capitalisable consumer goods	9,941	147
Intangible assets	109	208
Purchase obligations	**12,118**	**1,525**

Please also refer to the obligations from finance and operating leases listed under item no. 16.

The Romanian antitrust authorities are currently investigating accusations against several companies, including Praktiker Romania, of possible anti-competitive conduct. The investigations are expected to be concluded in spring 2013. The company has already been questioned in this regard and is now conducting its own investigation.

According to a report by the Romanian antitrust authorities, if they actually come to the conclusion that Praktiker Romania was allegedly involved in anti-competitive conduct, fines of up to 8 percent of total revenue for the past financial year could be imposed for each company involved and therefore possibly Praktiker Romania as well.

However, the antitrust authorities have not yet presented the findings of their investigation or their subsequent analysis. Thus, a reliable assessment of the outcome of the proceedings or of any liability is not possible at this time.

35. Related party transactions

IAS 24 requires the presentation of the most important related party transactions. Related parties are considered to be companies or persons that can be influenced by the reporting Group or that can influence the Group.

The Praktiker Group did not enter into any transactions with related parties as defined by IAS 24 during the period under review and in this respect has no reporting obligations.

Related parties include members of management in key positions. With regard to the Praktiker Group, these are the members of the management board and the supervisory board.

As in 2011, companies in the Praktiker Group did not enter into any transactions subject to mandatory reporting requirements with members of the management board or supervisory board or their relatives during the year under review.

The management board and the supervisory board members received the following remuneration:

Breakdown total compensation management and supervisory board members

in € k	2012	2011
Salaries and other payments due at short-term	2,513	3,781
Post-employment benefits	0	75
Termination benefits	0	3,673
Share-linked remuneration	0	−406
Total compensation	**2,513**	**7,123**

In addition to their executive remuneration, the employee representatives on the supervisory board received total remuneration of € 239 thousand in their function as employees of the Praktiker Group.

With regard to the remuneration of members of the management board and supervisory board, please refer to item no. 41 and the remuneration report within management reporting.

36. Auditor's fees

The following auditor's fees were recognised as expenses in fiscal year 2012:

Breakdown auditor's fees

in € k	2012	2011
Financial statement auditing	750	917
Audit related advisory	0	228
Other audit services	0	24
Tax advisory	0	60
Other services	0	513
Auditor's fees	**750**	**1,742**

This is a disclosure in accordance with Sec. 314 para. 1 no. 9 HGB.

37. Declaration of compliance with the German Corporate Governance Code

In the period under review on 25 January 2012, and subsequently on 24 January 2013, the management board and the supervisory board of Praktiker AG issued declarations of compliance with the recommendations of the "Government Commission on the German Corporate Governance Code" pursuant to Sec. 161 AktG which relate to the period under review, and published these on the Internet home page of Praktiker AG.

38. Election to be exempt from Sec. 264 para. 3 and Sec. 264b HGB

The following domestic subsidiaries in the legal form of stock corporations or partnerships as defined in Sec. 264a HGB have elected to be exempt from disclosing their annual financial statements as well as from preparation of the notes and/or the management report (according to HGB) for the fiscal year 1 January to 31 December 2012, in accordance with Sec. 264 para. 3 resp. Sec. 264b HGB:

- Baumarkt Max Bahr GmbH & Co. KG, Hamburg
- Baumarkt Praktiker GmbH, Hamburg
- Baumarkt Praktiker Deutschland GmbH, Hamburg
- Baumarkt Praktiker DIY GmbH, Hamburg
- Baumarkt Praktiker Grundstücksbeteiligungsgesellschaft mbH, Hamburg
- Baumarkt Praktiker International GmbH, Hamburg
- Baumarkt KIG GmbH, Hamburg
- Baumarkt Praktiker Objektgesellschaft mbH, Hamburg
- Baumarkt Praktiker Online GmbH, Hamburg
- Baumarkt Praktiker Services GmbH, Hamburg
- Baumarkt Praktiker Vierte GmbH, Hamburg
- Baumarkt Praktiker Warenhandelsgesellschaft mbH, Hamburg
- Baumarkt Praktiker Zweite Warenhandels GmbH, Hamburg
- Calixtus Grundstücksverwaltungsgesellschaft mbH, Kirkel
- Baumarkt Max Bahr Warenhandels GmbH, Hamburg
- Baumarkt MB Vertriebs GmbH, Hamburg
- Baumarkt Max Bahr Geschäftsführungs GmbH, Hamburg
- Baumarkt Max Bahr Praktiker Einkaufs GmbH, Hamburg

39. Total compensation of the supervisory board and the management board

Total compensation of the members of the management board amounted to € 2,513 thousand for the 2012 fiscal year (€ 3,274 thousand for the 2011 fiscal year). Remuneration was not paid to former members of the management board in the reporting year (€ 3,342 thousand for the 2011 financial year). The members of the supervisory board received total compensation of € 494 thousand for the 2012 fiscal year (€ 507 thousand for the 2011 fiscal year). The details in respect of the above required under Sec. 314 para. 1 no. 6 let. a sent. 5 to 8 HGB are included in the Group management report in accordance with the provisions set out under Sec. 315 para. 2 no. 4 HGB.

40. Events after the balance sheet date

The value date of an option bond with a nominal amount of € 580 thousand was fixed on 4 January 2013. Further details can be found on pages 65 and 66. The partial amount which is to be allocated to equity is still being determined at present. This is expected to stand at between € 250 thousand and € 350 thousand.

The Turkish Group company Praktiker Yapi Marketleri A.S. applied for the initiation of orderly insolvency proceedings – an "insolvency postponement procedure" as it is known – at the competent court in Istanbul on 11 February 2013. In this process, the existing stores will initially continue to be run on the basis of a restructuring plan deposited with the court, in order to be subsequently handed to third parties in whole or in part within a specific period of time. The stock will be marketed at the same time.

The application for insolvency became necessary following the resolution made by the management board of Praktiker AG on 11 February 2013 to cease payments to the Turkish company with immediate effect. As it is not yet possible to tell whether the restructuring plan can be implemented in full, it is not possible at present to make a reliable statement as to how this matter will affect future consolidated financial statements.

Members of the management board and the supervisory board of Praktiker AG

41. Members and mandates of the management board

List of the management board members of Praktiker AG and their departments:

Armin Burger (since 16/10/2012)

Chief Executive Officer

Labour director

- Business Development
- Corporate Communication
- Internal Auditing
- Human Resources
- Real Estate Management
- Praktiker Germany Sales
- Max Bahr Sales
- extra BAU+HOBBY
- Praktiker International

Markus Schürholz

- Controlling
- Accounting
- Finance
- Mergers & Acquisitions
- Investor Relations
- IT
- Legal & Compliance (since 14/05/2012)
- Internal Auditing (until 14/02/2012)

Thomas Heinitz (since 16/09/2012)

- Max Bahr Category Management, Procurement and Marketing (since 19/09/2012)
- Praktiker Category Management, Procurement and Marketing (since 19/09/2012)
- Logistics (since 19/09/2012)
- Praktiker Group Buying (since 19/09/2012)
- Praktiker Online Shop (since 19/09/2012)

Dr. Kay Hafner (from 14/05/2012 to 14/10/2012)

Chief Executive Officer

- Business Development
- Corporate Communication
- Internal Auditing
- Human Resources
- Real Estate Management
- Praktiker Germany Sales
- Max Bahr Sales
- extra BAU+HOBBY
- Praktiker International
- Restructuring

Thomas Fox (until 13/05/2012)

Chief Executive Officer

- Business Development
- Corporate Communication
- Praktiker Germany
- Praktiker International
- Max Bahr
- extra BAU+HOBBY
- Praktiker Online Shop
- Internal Auditing

Josef Schultheis (until 13/05/2012)

Labour director

- Restructuring
- Human Resources
- Legal Affairs
- Compliance
- Real Estate Management

Mr Armin Burger is a member of the administrative boards of Victualia GmbH, Austria, of Vienna Estate SE, Austria and is a member of the supervisory boards of MTH Retail Group Holding GmbH, Austria, and LLC Fresh Market, Russia.

Other than this, the members of the management board had no mandates on supervisory boards or similar executive bodies in Germany or abroad in accordance with Sec. 285 no. 10 HGB in the reporting period.

42. Members and mandates of the supervisory board

There follows a list of members of the supervisory board of Praktiker AG and their mandates in statutory supervisory boards (shown under lit. a) and similar executives bodies in Germany and abroad (shown under lit. b) in accordance with Sec. 285 no. 10 HGB:

Dr Erhard F. Grossnigg (member since 2/8/2012 and Chairman since 12/10/2012)

Managing Director of E. F. Grossnigg Finanzberatung und Treuhandgesellschaft m.b.H.

a) Baumarkt Praktiker Deutschland GmbH (member since 26/7/2012 and Chairman since 12/10/2012)

b) Binder+Co AG, Austria
Custom Produce Inc., Japan
dpi GmbH, Austria (Chairman)
EFKON AG, Austria (until 6/6/2012)
Fabric Frontline AG, Switzerland (Chairman)
Funder America Inc., USA
Huber Holding AG, Austria (until 25/7/2012)
Ochsner Wärmepumpen GmbH, Austria
RAIL Holding AG, Austria
Semper Constantia Privatbank AG, Austria (Chairman)
S&T AG, Austria (Chairman)

Rüdiger Wolff[1] (Vice Chairman)

Trade union secretary in the national administrative office of the ver.di union

a) Baumarkt Praktiker Deutschland GmbH (Vice Chairman)
Galeria Kaufhof GmbH

Dr Norbert Bensel

Managing partner of NB Consulting & Beteiligungs GmbH
President of the Hochschule für Internationale Wirtschaft und Logistik

a) Baumarkt Praktiker Deutschland GmbH
Compass Group Deutschland GmbH (since 30/1/2012)
DEVK Deutsche Eisenbahn Versicherung Sach- und HUK-Versicherungsverein a.G. Betriebliche Sozialeinrichtung der Deutschen Bahn (until 21/5/2012)
ecotel communications AG
TransCare AG (Chairman)

b) BLG Logistics Group AG & Co. KG (until 23/3/2012)
BREUER Nachrichtentechnik GmbH
IQ Martrade Holding- und Managementgesellschaft GmbH
Qnamic AG, Switzerland (until 30/9/2012)
Tectum Consulting GmbH (until 21/11/2012)

Armin Burger (from 2/8/2012 until 15/10/2012)
Businessman
a) Baumarkt Praktiker Deutschland GmbH
b) Victualia GmbH, Austria
Vienna Estate SE, Austria
MTH Retail Group Holding GmbH, Austria
LLC Fresh Market, Russia

Prof Dr Utho Creusen (since 16/11/2012)
Independent business consultant
a) Baumarkt Praktiker Deutschland GmbH (since 10/12/2012)
b) Dixons Retail plc, London
M.video OAO, Moscow

Martina Dobringer (since 17/12/2012)
Entrepreneur
a) Baumarkt Praktiker Deutschland GmbH (since 19/12/2012)
b) Coface Central Europe Holding AG
Vienna Insurance Group AG
Wilfried Heinzel AG

Alexander Eichner (from 9/11/2012 to 11/2/2013)
Transition Manager
a) Baumarkt Praktiker Deutschland GmbH (from 10/12/2012 to 15/1/2013)
b) Sonne und Wind AG (until 30/4/2012)

Marliese Grewenig[1]
Member of the General Workers' Council of Baumarkt Praktiker Deutschland GmbH and of the Workers' Council of Praktiker AG (since 7/2012)
a) Baumarkt Praktiker Deutschland GmbH

Ulrich Grillo (until 22/8/2012)
Chairman of the management board of Grillo-Werke AG
a) Baumarkt Praktiker Deutschland GmbH (until 22/8/2012)
IKB Deutsche Industriebank AG
Klöckner & Co SE (since 25/5/2012)
mateco AG (until 31/12/2012)

Dr Kay Hafner (until 4/7/2012)
Managing Partner of HAFNER & CIE. Corporate Advisory Services GmbH
a) Baumarkt Praktiker Deutschland GmbH (since 13/5/2012)
b) Dietz Aktiengesellschaft
L. Stroetmann GmbH & Co. KG
proFagus GmbH

Dr Susan Hennersdorf (since 15/11/2012)
Managing Director of Vodafone GmbH
a) Baumarkt Praktiker Deutschland GmbH (since 10/12/2012)

Ebbe Pelle Jacobsen (until 4/7/2012)
CEO Delsey Holding International, France
a) Baumarkt Praktiker Deutschland GmbH (until 4/7/2012)
b) BoConcept A/S, Denmark (Chairman)
KVD Kvarndammen AB, Sweden (Chairman)
Morpol ASA, Poland (Chairman, until 9/1/2012)
Scandinavian Business Seating AS (formerly: HAG/RH/RBM Group), Norway (Chairman)
Sportamore AB, Sweden

Gabriele Kanter[1]
Business employee and Workers' Council Chairwoman of the Schwerin branch of Baumarkt Max Bahr GmbH & Co. KG
a) Baumarkt Praktiker Deutschland GmbH

Ulrich Kruse[1]
Chairman of the General Workers' Council of Baumarkt Max Bahr GmbH & Co. KG
a) Baumarkt Praktiker Deutschland GmbH

Johann C. Lindenberg (until 16/11/2012)
Businessman
a) Baumarkt Praktiker Deutschland GmbH (until 16/11/2012)
BDO Deutsche Warentreuhand AG Wirtschaftsprüfungsgesellschaft (Chairman)
Esso Deutschland GmbH
ExxonMobil Central Europe Holding GmbH
Gruner & Jahr AG & Co KG
Hamburg Messe und Congress GmbH (Chairman)
b) Elbphilharmonie Hamburg Bau GmbH & Co. KG (Chairman)

Alexander Michel[1]
Department head of Praktiker AG
a) Baumarkt Praktiker Deutschland GmbH

Zygmunt Mierdorf (until 15/11/2012)
Management Consultant
a) Baumarkt Praktiker Deutschland GmbH (until 15/11/2012)
b) Wagner International AG, Switzerland

Cora Peters[1]
Dispatcher and Chairwoman of the General Workers' Council in the outlet Braunschweig (Kurze Kampstraße) of Baumarkt Praktiker GmbH
Deputy Chairwoman of the General Workers' Council of Baumarkt Praktiker GmbH
a) Baumarkt Praktiker Deutschland GmbH

Rigobert Rumpf[1]
Employee in the outlet Kaiserslautern of Baumarkt Praktiker Deutschland GmbH
a) Baumarkt Praktiker Deutschland GmbH

Dr Michael Schädlich (from 17/11/2012 to 17/12/2012)
Entrepreneur
a) Baumarkt Praktiker Deutschland GmbH (from 10/12/2012 to 17/12/2012)
Franz Haniel & Cie. GmbH
WERU GmbH

Dr Kersten v. Schenck (Chairman until 11/10/2012)
Attorney at law and notary public
a) Baumarkt Praktiker Deutschland GmbH (Chairman until 11/10/2012)
ThyssenKrupp AG

Dr Collin Schmitz-Valckenberg (since 9/11/2012)
Member of the management board of Blue Colibri Capital S.à r.l
a) Baumarkt Praktiker Deutschland GmbH (since 10/12/2012)

Jörg Wiedemuth[1]
Trade union secretary in the national administrative office of the ver.di union
a) Baumarkt Praktiker Deutschland GmbH
Kaiser's Tengelmann GmbH

Prof Dr Harald Wiedmann
Attorney at law, tax advisor, auditor
a) Baumarkt Praktiker Deutschland GmbH
Merz GmbH & Co. KgaA (until 30/6/2012)
Prime Office AG
ProSiebenSat.1 Media AG
Senator GmbH & Co. KgaA (until 30/6/2012)
b) Berenberg Bank Joh. Berenberg, Gossler & Co. KG (Chairman)
FMS Wertmanagement AöR

43. Committees of the supervisory board
List of the committees of the supervisory board of Praktiker AG and their members in the reporting period:

Executive Committee
- Dr Kersten v. Schenck (Chairman until 11/10/2012)
- Dr Erhard F. Grossnigg (Chairman since 12/10/2012)
- Marliese Grewenig [1] (until 19/09/2012)
- Alexander Michel[1]
- Zygmunt Mierdorf (until 15/11/2012)
- Prof Dr Utho Creusen (since 16/11/2012)
- Rüdiger Wolff[1] (since 19/09/2012)

Audit Committee
- Prof Dr Harald Wiedmann (Chairman)
- Alexander Eichner (17/11/2012 until 11/02/2013)
- Ulrich Grillo (until 22/08/2012)
- Ulrich Kruse[1]
- Johann C. Lindenberg (until 16/11/2012)
- Rigobert Rumpf[1]
- Dr Collin Schmitz-Valckenberg (since 12/11/2012)
- Rüdiger Wolff[1]

Personnel Committee
- Dr Kersten v. Schenck (Chairman until 11/10/2012)
- Dr Erhard F. Grossnigg (Chairman since 12/10/2012)
- Dr Norbert Bensel (seit 16/11/2012)
- Marliese Grewenig[1] (until 19/09/2012)
- Alexander Michel[1]
- Zygmunt Mierdorf (until 15/11/2012)
- Rüdiger Wolff[1] (since 19/09/2012)

Committee under Sec. 27 para. 3 MitbestG
- Dr Kersten v. Schenck (Chairman until 11/10/2012)
- Dr Erhard F. Grossnigg (Chairman since 12/10/2012)
- Marliese Grewenig[1] (until 19/09/2012)
- Dr Susan Hennersdorf (since 16/11/2012)
- Ulrich Kruse[1]
- Zygmunt Mierdorf (until 15/11/2012)
- Rüdiger Wolff[1] (since 19/09/2012)

Nomination Committee
- Dr Kersten v. Schenck (Chairman until 11/10/2012)
- Dr Erhard F. Grossnigg (Chairman since 12/10/2012)
- Dr Norbert Bensel (since 16/11/2012)
- Alexander Eichner (since 17/11/2012 until 11/02/2013)
- Johann C. Lindenberg (until 16/11/2012)
- Zygmunt Mierdorf (until 15/11/2012)

Financing Committee
- Dr Kersten v. Schenck (Chairman until 11/10/2012)
- Dr Erhard F. Grossnigg (Chairman since 12/10/2012)
- Ulrich Kruse[1]
- Prof Dr Harald Wiedmann
- Rüdiger Wolff[1]

Strategy Committee
- Dr Susan Hennersdorf
- Prof Dr. Utho Creusen
- Ulrich Kruse[1]
- Cora Peters[1]
- Dr Collin Schmitz-Valckenberg
- Jörg Wiedemuth[1]

[1]W

ASSURANCE OF LEGAL REPRESENTATIVES

“To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report gives a true and fair view of the course of business, including the business result, and the situation of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.”

Kirkel, Germany, 04 March 2013

The management board

Armin Burger Thomas Heinitz Markus Schürholz

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by Praktiker AG, Kirkel, – comprising the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes to the consolidated financial statements – as well as the group management report for the business year from 1 January 2012 to 31 December 2012. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB („German Commercial Code") are the responsibility of the parent Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of Praktiker AG, Kirkel, comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development.

Without qualifying this opinion, we draw attention, in line with our professional duty, to the explanations given by management concerning matters threatening the continuing existence of the group contained in the section "Risks to the Group as a going concern" of the risk report included in the group management report. Herein it is reported that the continued existence of the group is dependent on the successful implementation of the newly designed restructuring programme. A significant element of the programme is the transformation of approximately 120 Praktiker stores to the Max Bahr brand, which is, in the opinion of management, more profitable. The agreements which have been entered into in order to finance these measures contain certain conditions – in particular with regard to the implementation of the restructuring concept as planned – which, if not fulfilled, entitle the lenders to demand repayment of the loans. This in turn would trigger an automatic special termination right of the creditors of the corporate bond issued in 2011. The refinancing concept is intended to cover the maximum expected financing requirement in the course of the year. The key parameters influencing the maximum financing requirement are the expected development of revenues, an improvement in gross profit margins, the amount and timing of investments, the continuing willingness of suppliers to grant extended payment terms and further measures to ensure the ability to settle the liabilities of the group as they fall due. Of critical significance to the amount of the maximum financing requirement are in particular the occurrence of the planned increase in sales in the second quarter, and the consistent short term implementation of the further measures. If the key parameters are not met, the ability of the group to settle its liabilities as they fall due and its future as a going concern are directly threatened.

Frankfurt am Main, 8 March 2013

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

Kompenhans	Schmidt
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

OTHER DATA

REPORT OF THE SUPERVISORY BOARD

REPORT AND DECLARATION ON CORPORATE GOVERNANCE

REPORT OF THE SUPERVISORY BOARD FOR THE 2012 FINANCIAL YEAR

DR ERHARD F. GROSSNIGG
Chairman of the Supervisory Board
(since 12 October 2012)

Ladies and Gentlemen,

The past 2012 financial year was dominated by the Group's fight for survival, which meant that we did not have the opportunity to meet our target for 2012 of stabilising business operations.

Back in the 2011 financial year, it was announced that the Group's main focus would be on consolidating business in order to gear it towards the future, primarily in Germany. After the restructuring concept developed by Roland Berger Strategy Consultants was presented in the second quarter of 2012, the management board and supervisory board were occupied in the months running up to the end of the year with negotiations aimed at financing this programme. This chiefly included negotiations with potential investors and approving loan agreements, the financing structure, store conversions and the required capital measures. It was therefore possible to give the all-clear at the end of 2012 once both debt financing and equity financing had been secured, albeit to an extremely marginal extent.

The conversion of certain stores from Praktiker to Max Bahr began in August and the first converted stores reopened on 27 September 2012. This conversion is ongoing, which will enable an even clearer strategic positioning of the Max Bahr brand. The Praktiker brand will be given a new strategic focus, which is still being fine-tuned. However, rigid measures are necessary and planned abroad in order to plug sources of losses.

Strengthening the Max Bahr brand has also made it possible to enter into a procurement cooperation with improved terms and conditions of purchase.

The supervisory board advised the management board on its management of the company during this difficult phase and monitored it in accordance with the tasks assigned to it under the law, Articles of Association and Rules of Procedure. In turn, the management board kept the supervisory board regularly and extensively informed of business developments and the economic situation of the company in meetings and conference calls, by means of written and verbal reports, and through intensive contact with the Chairman of the supervisory board – as the spokesperson between the management board and supervisory board. The supervisory board was involved in all key decisions made by the management board.

Four ordinary meetings of the supervisory board took place in the 2012 financial year, on 15 March, 3 July, 19 September and 20 December 2012. The supervisory board held nine extraordinary meetings as required. Moreover, 22 supervisory board conference calls took place. No supervisory board member attended fewer than half of the meetings.

In these meetings we examined the economic situation of the company in depth on the basis of verbal and written reports and presentations given by the management board. We held intensive discussions on restructuring and refinancing, negotiations with potential investors, the approval of loan agreements and the financing structure, store conversions and capital measures in consultation with the management board. The supervisory board granted the necessary approvals following thorough examination and discussion of the proposals made by the management board. The supervisory board also discussed at length the preparation of the 2013 budget, the huge interventions in the company that this will involve, and planning for 2014/2015.

Five decisions were also brought about by means of the circulation procedure.

The main subjects covered in discussions and resolutions included:

- refinancing and restructuring, and associated negotiations with potential investors, banks and trade credit insurance providers
- the strategic realignment of the “Praktiker” brand
- the adoption of the annual financial statements and consolidated financial statements and the review of the management report and the Group management report for 2011
- the submission of a proposal to the annual general meeting for the appointment of the auditor and the awarding of the audit mandate in accordance with the resolution of the annual general meeting
- the preparation for the annual general meeting 2012
- the amendment of the Rules of Procedure of the supervisory board
- the capital increase
- the budget for 2013 and planning for 2014/2015
- the appointment of new members on the committees, and
- miscellaneous management board matters

Meetings of the committees of the supervisory board

The supervisory board has six committees with equal representation of shareholders and employees. These are the Executive Committee (four members), the Audit Committee (six members), the Personnel Committee (four members), the Financing Committee (four members) and the Committee in Accordance with Section 27(3) MitBestG (four members), as well as a Strategy Committee (six members) which was created at the end of 2012 and commenced activities in January 2013. There is also a Nomination Committee consisting of shareholder representatives (three members), which is intended to propose suitable supervisory board candidates to the supervisory board which it submits to the annual general meeting. Please refer to the report and declaration on corporate governance (see page 119 of the annual report) for the composition of these committees.

The Executive Committee met six times in the period under review, on 17 January, 15 March, 3 May, 29 July, 19 September and 12 December 2012. The main focus of discussions held by the Executive Committee was refinancing and restructuring Praktiker AG.

The Audit Committee held five meetings and one extraordinary meeting – in some cases in the form of conference calls – on 14 March, 25 April, 25 July, 24 October and 19 December 2012. The extraordinary meeting also took place on 25 July 2012. The Chairman of the Executive Committee, Mr Harald Wiedmann, has special knowledge and experience in the application of accounting policies and internal controlling procedures. The main subjects discussed included:

- the liquidity position and refinancing
- the annual financial statements and the consolidated financial statements following their audit, the six-month and quarterly financial reports, each after being audited, and the discussion of the documents submitted with the management board and the representatives of the respective auditing companies
- the preparation for the supervisory board’s decision on the adoption of the separate and consolidated financial statements for 2011, and the review of the management report of the company and the Group management report
- the independence of the auditor
- the preparation of a proposal to the supervisory board for a resolution on the appointment of the auditor for the annual financial statements for 2012 and the audit review of the 2012 half year financial report
- the preparation for the granting of the audit mandate and the fee agreement
- the monitoring of the accounting system, the effectiveness of the internal controlling system, the risk management system and the internal audit system

- the monitoring of the compliance system and the antitrust prevention measures
- the capital increase, and
- the budget for 2013 and planning for 2014/2015

The Nomination Committee met three times in the period under review, on 17 October, 23 October and 23 November 2012. Its main points of discussion were the changes in the composition of the supervisory board.

The Personnel Committee met on 20 December 2012 and consulted in writing on several occasions. The main subjects discussed were management board matters.

The Financing Committee met four times, on 26 April, 27 April, 2 May and 29 August 2012. This committee predominantly examined financing and restructuring and made preparations for supervisory board discussions.

Corporate Governance

The management board and the supervisory board of Praktiker AG issued a declaration of compliance in accordance with Section 161 AktG on 25 January 2012 and on 24 January 2013 and made this accessible to the shareholders on the company's Internet site.

The details of corporate governance at Praktiker AG can be found in the corporate governance report (see page 119 of this annual report).

Personnel matters

The supervisory board

On 4 July 2012, shareholder representatives Mr Kay Hafner and Mr Ebbe Pelle Jacobsen resigned from the supervisory board of Praktiker AG. Mr Erhard F. Grossnigg joined the supervisory board of Praktiker AG on 2 August 2012 and has been Chairman of the supervisory board since 12 October 2012. Mr Armin Burger was a member of the supervisory board from 2 August 2012 to 15 October 2012. Mr Ulrich Grillo resigned from office effective end of 22 August 2012 and Mr Kersten v. Schenck effective end of 11 October 2012. Mr Zygmunt Mierdorf announced his resignation as of 15 November 2012 and Mr Johann C. Lindenberg as of 16 November 2012.

Mr Collin Schmitz-Valckenberg has been a member of the supervisory board since 9 November 2012. Ms Susan Hennersdorf has been a member of the supervisory board since 15 November 2012 and Mr Utho Creusen since 16 November 2012.

Mr Alexander Eichner was a member of the supervisory board from 9 November 2012 to 11 February 2013.

Mr Michael Schädlich was a member of the supervisory board from 17 November 2012 to 17 December 2012.

Ms Martina Dobringer has been a member of the supervisory board since 17 December 2012.

The management board

Mr Thomas Fox and Mr Josef Schultheis resigned as Chief Executive Officer and member of the management board of Praktiker AG on 13 May 2012.

Mr Kay Hafner was Chief Executive Officer of Praktiker AG from 14 May 2012 to 14 October 2012. In accordance with Section 105 (2) AktG, Mr Kay Hafner was appointed as a substitute for absent management board members in the period from 14 May 2012 to 4 July 2012. He was then appointed as CEO in the ordinary manner.

Mr Thomas Heinitz has been a member of the management board since 16 September 2012. Mr Armin Burger has been CEO of Praktiker AG since 16 October 2012.

Annual and consolidated financial statements for 2012

The annual financial statements (separate financial statements) of Praktiker AG were prepared in accordance with the provisions of the German Commercial Code. The consolidated financial statements were prepared in accordance with Section 315a HGB on the basis of the International Financial Reporting Standards (IFRS) as applicable in the European Union.

The auditor of the financial statements, Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, audited the consolidated financial statements and Group management report in addition to the annual financial statements and management report of Praktiker AG, and issued them with unqualified audit opinions.

The financial statements, management reports and audit reports on these statements and reports were submitted to the members of the supervisory board in a timely manner before the accounts meeting of the supervisory board. The documents concerned were discussed and examined in detail at the accounts meeting of the supervisory board and prior to this at the meeting of the Audit Committee that was also attended by the auditor. The auditor's representatives

reported on the main findings of the audit and were available to the supervisory board to answer any questions and provide additional information.

The supervisory board agreed with the findings of the audit conducted by the auditor, the findings contain no objections.

In accordance with Section 171 AktG, the supervisory board audited the annual financial statements of the company and the consolidated financial statements prepared by the management board together with the management reports, including with respect to the appropriateness of the accounting policy measures applied. The supervisory board raised no objections after making their final findings. The supervisory board approved both the annual financial statements and the consolidated financial statements. The annual financial statements of Praktiker AG are thereby adopted.

Outlook

With sales of € 3,003 million, the consolidated financial statements for 2012 conclude with negative earnings before taxes of € 164.6 million. As the market environment appears cautious in Germany, and particularly here in the east, it is necessary to take successful, decisive business measures in order to achieve our targets. This will place great demands on all bodies and employees of the company.

The Praktiker Group is therefore facing dramatic changes in the orientation of its business. Store closures and the withdrawal from countries covered by the international portfolio will have a negative effect on sales and a positive effect on earnings. In the remaining store portfolio, Praktiker AG will focus on increasing productivity per store by means of moderate sales growth, both in Germany and abroad. In Germany, the conversion from Praktiker to Max Bahr in particular should contribute to an increase in the gross margin and thus in earnings power. As a result of the restructuring programme, jobs have already been reduced and expenses cut on a broad basis. Praktiker therefore expects to improve its operating earnings step by step and to return to profitability in 2014. The 2013 budget reflects these expectations.

In this context, I would like to thank all stakeholders, particularly our employees and workforce representatives, for the loyalty they have shown during this difficult time for the company.

Vienna, Germany, March 20, 2013

The supervisory board

Dr Erhard F. Grossnigg
Chairman

REPORT AND DECLARATION ON CORPORATE GOVERNANCE

The following pages contain the corporate governance declaration in accordance with Section 289a of the German Commercial Code (HGB), which is a part of the management report, and the corporate governance report in accordance with Item 3.10 of the German Corporate Governance Code as amended 15 May 2012.

Corporate governance declaration

Declaration of compliance with the German Corporate Governance Code in accordance with Section 161 AktG of 25 January 2012

In accordance with Section 161 AktG, the management board and the supervisory board of Praktiker AG issue the following declaration on the recommendations of the Government Commission on the German Corporate Governance Code:

Since issuing its declaration of compliance of 26 January 2011, all recommendations of the German Corporate Governance Code (GCGC) as amended on 26 May 2010 and published on 2 July 2010 have been and will be complied with barring the following deviation:

In deviation from Item 4.2.3 (4) sentence 2 GCGC, in the employment agreements with the members of the management board except Mr Fox and Mr Schultheis, the calculation of the severance cap for variable remuneration is based not on the past and current financial year but the nominal amount of the target bonus. This prevents the target bonus, which can amount to up to three times its nominal amount depending on the results for the year, resulting in excessive severance pay.

Declaration of compliance with the German Corporate Governance Code in accordance with Section 161 AktG of 24 January 2013

In accordance with Section 161 AktG, the management board and the supervisory board of Praktiker AG issue the following declaration on the recommendations of the Government Commission on the German Corporate Governance Code published by the Federal Ministry of Justice in the official section of the Federal Gazette:

Since issuing its declaration of compliance of 25 January 2012, all recommendations of the German Corporate Governance Code (GCGC) as amended on 15 May 2012 have been and will be complied with barring the following deviation:

In accordance with Item 5.6, the supervisory board is to carry out a regular review of the efficiency of its activities.

The supervisory board of Praktiker AG did not perform an efficiency review in 2012. In view of the appointment of new members to the supervisory board, most of which took place in the last quarter, such a review did not appear appropriate at this stage.

The latest declaration of compliance of the management board and supervisory board can be found on the company's website (www.praktiker.com; Investor Relations; Corporate Governance).

Corporate governance practices that exceed statutory requirements

German Corporate Governance Code

Praktiker AG is committed to the principles of good and responsible corporate governance. In particular, this includes a close, constructive and trusting cooperation between the supervisory board and the management board dedicated to creating sustainable value added plus a culture of open corporate communications and intensive customer care.

The management board and the supervisory board of Praktiker AG comply with the principles of good corporate governance as expressed in the recommendations of the German Corporate Governance Code voluntarily and through conviction.

In addition, the German Corporate Governance Code also contains suggestions, on the compliance with which no declaration needs to be issued. The suggestions are as non-binding as the recommendations. Nevertheless, the management board and the supervisory board of the company comply with the suggestions of the German Corporate Governance Code insofar as this appears appropriate in the interests of the company and its shareholders. The German Corporate Governance Code as amended on 15 May 2012 is publicly accessible on the Internet at www.corporate-governance-code.de.

Compliance Office

The activities of the Praktiker Group are subject to a wide range of national and international legal provisions and the Group's own code of conduct. The central task of the Compliance Office established in 2009 is to ensure compliance with these regulations across the company – by Group bodies and each individual employee. The compliance measures developed for this purpose are based on a Group-wide compliance strategy, which follows a preventive approach.

As well as routine employee training on issues such as antitrust law, anti-corruption and data protection, a central element of our compliance management system is the regular exchange of information on current compliance issues in the Compliance Management Committee, a whistleblower system and the code of conduct adopted in 2011. The latter is primarily intended to serve as a basis for fair, constructive and productive dealings during everyday working life by setting out Group requirements for the conduct of its employees. As such, integrity in day-to-day business activities and respectful cooperation are expected at all company levels.

Breaches of the code of conduct or a suspected breach of the code of conduct can be reported to the Compliance Office or the external ombudsman via a comprehensive whistleblower system, including anonymously. Each lead is examined in detail. If a suspicion is confirmed, the Group initiates the appropriate consequences immediately. The management board and supervisory board are regularly informed of the latest developments in the Group.

In 2012, the Compliance Office was integrated into the legal department as part of restructuring. This now means that the specialist knowledge of both departments can be fully exploited on a more effective basis and also reduces the level of complexity. Since this integration, the Chief Compliance Officer reports directly to and is subordinate to the Chief Financial Officer.

The provision of advice and staff training will remain a key component of the compliance strategy of the Praktiker Group in 2013. Attention will also be paid to reviewing and revising or adapting the existing compliance management system in order to improve this in light of current developments. There are plans for a stronger "top-down" approach, a communication campaign and the optimisation of procedures. In this process, internal findings as well as comparison and exchange with other systems contribute to the continual development of our compliance management system.

Procedures of the management board and supervisory board and the composition and procedures of its committees

Praktiker AG is a company under German law. A fundamental principle of the German law on stock corporations is the dual management system with a management board and a supervisory board.

The management board and the supervisory board work together closely for the good of the enterprise. In particular, the management board consults with the supervisory board on business strategy and its implementation and discusses this with it at regular intervals. The management board informs the supervisory board comprehensively, regularly and in a timely manner on all matters of planning, the development of the business, the risk situation, risk management and compliance relevant to the company and describes deviations in business developments from planning and targets, including the reasons for this, in its reports to the supervisory board. The Chairman of the supervisory board maintains regular contact with the management board, particularly the Chairman of the management board, and discusses the strategy, business development and risk management of the company with him. The Chairman of the supervisory board is informed by the management board or the Chairman of the management board of key events of significance for the assessment of the situation and development, and for the management of the company or one of its subsidiaries without delay. The Chairman of the supervisory board then immediately informs the supervisory board and calls an extraordinary meeting of the supervisory board if necessary.

The management board and the supervisory board discuss matters openly. Full confidentiality is therefore of crucial importance.

The management board

The management board of Praktiker AG has three members, one of who is also the Chairman. Further details on the members of the management board can be found on pages 6, 108 and 109 of this annual report.

The management board manages the company on its own responsibility and in the interests of the company, i.e. taking into account the interests of its shareholders, employees and other groups affiliated with the company, with the aim of creating sustainable value added. The management board is collectively responsible for the management of the company's business. It makes decisions on basic matters of business policy and corporate strategy, their implementation and annual and multi-year planning. It also ensures appropriate risk management and risk controlling within the company.

In exercising their management duties and even outside work, the members of the management board do not pursue any interests that conflict with those of the company. If a member of the management board is subject to a conflict of interests, he/she discloses this immediately to the supervisory board and informs the other management board members.

Furthermore, the member must abstain from the decision making of the management board where a decision is made on the matter that could relate to his personal interests. There were no conflicts of interest reportable to the supervisory board on the part of the members of the management board in the period under review. Legal transactions between Praktiker AG or one of its subsidiaries, on the one hand, and members of the management board and related parties to the management board or the company, on the other, require the approval of the supervisory board. Management board members can only take on sideline work, in particular supervisory board positions outside the company, with the approval of the supervisory board.

The Chairman of the management board coordinates the activities of the management board within the framework of the strategy stipulated by the management board – in accordance with the resolutions of the supervisory board – and works to establish a consistent management approach among all management board members. The Chairman of the management board can assign special duties that fall outside the scope of the allocation of responsibilities or that are not regulated to individual members of the management board. The Chairman of the management board represents the body externally and, in particular, exercises the reporting duty of the management board to the supervisory board.

The members of the management board work together collegially and inform each other mutually of important measures and events within their business areas. Each member is obliged to bring about a resolution of the management board in the event of serious reservations with regard to a matter from another business area if the reservations cannot be resolved through discussion with the relevant management board member. The Chairman of the management board can demand information from each management board member on individual matters within his business area and stipulate if he is to be informed in advance of certain types of transactions.

Each member of the management board manages the business area assigned to them by the supervisory board in coordination with the Chairman of the management board on their own responsibility. A management board member is only entitled to issue instructions within his own business area – except in exigent circumstances. Measures that affect the business area of another management board member can only be taken after the management board member responsible has been consulted with and a resolution has been passed. Instructions issued in exigent circumstances cannot go beyond what is considered essential under due discretion to prevent risks. The members of the management board must be informed immediately.

In addition to all matters in which the law, the Articles of Association or the Rules of Procedure require a decision by the management board or the approval of the supervisory board, the responsibility of the management board as a whole includes, in particular, compliance with statutory provisions and the internal guidelines that it recognises as binding and the compliance with which it also ensures in Group companies and all other matters of fundamental or general importance.

Management board meetings must be held at least twice per month and are convened by the Chairman. An agenda is announced in good time in advance. Each member of the management board is authorised to apply for items to be added to the agenda. The meetings of the management board are prepared and chaired by the Chairman of the management board and the results of the meetings are recorded in the minutes. A copy of the minutes approved by the management board is forwarded to the Chairman of the supervisory board immediately.

The management board can only pass resolutions if the subject matter was made known in advance in the agenda, more than half of all management board members, including the member whose business area is affected, are present or no management board member objects to the vote. The decisions of the management board are made in management board meetings or – if no management board member objects to this procedure – in writing by way of circulation procedure or by other means of telecommunication. Resolutions of the management board, unless stated otherwise by the law or the Rules of Procedure, are passed with a simple majority of the votes cast. Abstentions do not count as a cast vote. Each member of the management board has one vote. In the event of a tie, the vote of the Chairman of the management board counts twice.

In particular, the management board requires the approval of the supervisory board to implement decisions of particular significance to the net assets, income and risk situation of the company, or decisions that are beyond the scope of the company's normal operations.

The management board has no committees.

The supervisory board

The supervisory board has sixteen members, eight of whom are elected by the shareholders and eight of whom by the employees. Their names, professions and memberships in other supervisory boards required by law in German companies or in similar German and foreign supervisory committees of business enterprises are listed on pages 109, 110 and 111 of this annual report.

The main task of the supervisory board is to regularly advise and monitor the management board in its management of the company. The supervisory board is involved in decisions of fundamental significance. It is responsible for appointing members of the management board, establishing their areas of responsibility and determining their remuneration. It discusses the quarterly and half-yearly financial reports and audits, and approves the annual financial statements of the company and the Group, taking into account the reports of the auditor and the results of the Audit Committee's audit. The supervisory board specifies the information and reporting requirements of the management board in detail. In regular exchanges of ideas with the management board, the supervisory board is always informed of business policy, corporate planning and strategy. The supervisory board also approves the annual planning and the financing framework. It determines the overall remuneration of individual management board members at the proposal of the Personnel Committee and resolves on the remuneration system of the management board, which is regularly reviewed. The remuneration structure is geared towards the sustainable development of the company.

Members of the supervisory board are required to observe secrecy regarding confidential data and company secrets, namely operating and business secrets that become known to them through their work on the supervisory board or its committees. In particular, they must observe secrecy regarding confidential reports received and confidential discussions, voting, the course of debate, opinions and other personal comments by the individual members of the supervisory board. The obligation continues to apply even after their term in office as supervisory board members.

Each member of the supervisory board has an obligation to the interests of the company. It must not take advantage of personal interests or business opportunities available to the company for its own behalf or on behalf of related parties or enterprises in its decisions. Each supervisory board member must also disclose conflicts of interest to the supervisory board. There were no conflicts of interest reportable to the supervisory board on the part of the members of the supervisory board in the period under review.

The Chairman of the supervisory board coordinates the work of the body, chairs its meetings and manages its concerns externally. He guides the supervisory board's interactions with the management board and its members and regulates the details of their cooperation.

The meetings of the supervisory board are convened by the Chairman in writing, by fax, by e-mail or means of an alternative method of electronic communication, giving notice of at least two weeks, stating the place and time of the meeting and the items of the agenda with proposed resolutions. In urgent cases, this period can be reduced appropriately and the meeting can be convened verbally or by telephone. If an item on the agenda has not properly been announced, a resolution on it can only be passed if no supervisory board member objects.

The meetings of the supervisory board are prepared by the shareholder and employee representatives separately, possibly with members of the management board. If necessary, the supervisory board meets without the management board.

The Chairman of the supervisory board chairs the meetings of the supervisory board and determines the order in which the items on the agenda are dealt with plus the manner and sequence of votes. The supervisory board is quorate if its members were invited at the last known address and at least half of the members of which it must consist in total participate in the resolution. An absent member can have his/her written vote submitted by another supervisory board member.

In urgent cases, resolutions can be passed outside meetings in writing, by fax or by e-mail if no supervisory board member objects to this procedure within a reasonable voting period set by the Chairman of the supervisory board.

Unless stated otherwise, resolutions of the supervisory board are passed by a simple majority of the votes cast, whereby abstentions do not count as a cast vote. If a vote leads to a tie, the Chairman, but not the Deputy Chairman, has two votes in a further vote on the same matter if this vote also ends in a tie. If a member of the supervisory board is subject to a conflict of interests, he must abstain from voting.

Minutes must be taken of meetings and resolutions of the supervisory board, signed by the Chairman of the meeting, and a copy must be issued to all supervisory board members.

Committees of the supervisory board

The supervisory board has formed six committees from its own members with equal representation of shareholders and employees. These are the Executive Committee, the Audit Committee, the Personnel Committee, the Financing Committee and the Committee in Accordance with Section 27(3) MitBestG, as well as a Strategy Committee which was created at the end of 2012 and commenced activities in January 2013. Furthermore, the supervisory board has formed a Nomination Committee consisting of shareholder representatives. Each of the committees has a sufficient number of independent members. The Chairman of the supervisory board is on all committees (except the Audit Committee and the Strategy Committee) and chairs them. At the time the accounts were prepared, the composition of the committees of the supervisory board was as follows:

The members of the Executive Committee are Dr Erhard F. Grossnigg (from 12 October 2012), Mr Rüdiger Wolff (from 19 September 2012), Prof Dr Utho Creusen (from 16 November 2012) and Mr Alexander Michel. During the period under review, Dr Kersten v. Schenck (up to 11 October 2012), Ms Marliese Grewenig (up to 19 September 2012) and Mr Zygmunt Mierdorf (up to 15 November 2012) were also members of this committee. The Executive Committee is convened to prepare the meetings of the supervisory board if the Chairman considers this necessary. It deals, in particular, with the assessment of the operative strength, efficiency and potential of Praktiker AG and the Group, based on the strategy and planning presented by the management board. In compliance with Section 107(3) sentence 3 AktG, it also passes resolutions in cases in which, in order to prevent significant disadvantage to the company, it does not appear reasonable to wait until the next meeting of the supervisory board and a decision by the supervisory board cannot be brought about by voting in the circulation procedure within the time available. Decisions must be reported to the supervisory board in the following meeting. The Executive Committee also deals with other matters transferred to it by way of resolution by the supervisory board.

The members of the Audit Committee are Prof Dr Harald Wiedmann (Chairman), Dr Collin Schmitz-Valckenberg (from 12 November 2012), Mr Ulrich Kruse, Mr Rigobert Rumpf and Mr Rüdiger Wolff. During the period under review, Mr Ulrich Grillo (up to 22 August 2012), Mr Johann C. Lindenberg (up to 16 November 2012) and Mr Alexander Eichner (from 17 November 2012 to 11 February 2013) were also members of the Audit Committee. The Chairman is independent, is not a former member of the management board of the company and, as an auditor, has special knowledge and experience in the application of accounting policies and internal controlling procedures. The Audit Committee deals with matters of monitoring the accounting process, the effectiveness of the internal control system,

the risk management system, the internal audit system and the audit of the financial statements, including in particular the independence of the auditor and the additional services performed by the auditor. It discusses and reviews the annual and consolidated financial statements prepared by the management board, the combined management report and the quarterly and half-yearly financial reports. On the basis of the auditor's report, the Committee makes proposals for the approval of the annual financial statements and the consolidated financial statements by the supervisory board. The Committee also deals with compliance, the engagement of the auditor, the determination of the focus of the audit and the fee agreement. It prepares the proposal of the supervisory board to the annual general meeting on the election of the auditor. The management board or the Chief Compliance Officer regularly report to the Audit Committee on the compliance organisation and inform it of any compliance matters arising. Likewise, the head of Internal Audit regularly reports to the Audit Committee.

The members of the Personnel Committee are Dr Erhard F. Grossnigg (from 12 October 2012), Dr Norbert Bensel (from 16 November 2012), Mr Alexander Michel and Mr Rüdiger Wolff (from 19 September 2012). During the period under review, Dr Kersten v. Schenck (up to 11 October 2012), Ms Marliese Grewenig (up to 19 September 2012) and Mr Zygmunt Mierdorf (up to 15 November 2012) were also members of the Personnel Committee. The Personnel Committee prepares proposals on the remuneration system of the management board including the key elements of their employment contracts and, in turn, submits these to the supervisory board for final determination.

It also consults with independent remuneration experts for this purpose. The Chairman of the Personnel Committee informs the supervisory board annually of the structure of the remuneration system of the management board and gives it the opportunity to discuss this, review the structure of the remuneration system of the management board and to adjust it if appropriate. In addition, in lieu of the supervisory board if the supervisory board is not responsible, the Personnel Committee resolves personnel matters of the management board and other legal transactions of the company with the management board members described in more detail in the Rules of Procedure of the supervisory board.

The members of the Committee in Accordance with Section 27 (3) MitbestG are Dr Erhard F. Grossnigg (from 12 October 2012), Dr Susan Hennersdorf (from 16 November 2012), Mr Ulrich Kruse and Mr Rüdiger Wolff (from 19 September 2012). During the period under review, Dr Kersten v. Schenck (up to 11 October 2012), Ms Marliese Grewenig (up to 19 September 2012) and Mr Zygmunt Mierdorf (up to 15 November 2012) were also members of this committee. In co-determined enterprises such as Praktiker AG, the members of the management board are appointed by the supervisory board with a majority of at least two thirds of the votes of its members in accordance with Section 31(2) MitBestG. If a majority of two thirds is not achieved, the committee in accordance with Section 27(3) MitBestG must, under Section 31(3) MitBestG, make a proposal for appointment within a month of the vote; this proposal does not preclude other proposals. In the subsequent second vote, a candidate is elected if he/she achieves the absolute majority of the votes. The actual number of members of the supervisory board is decisive in this matter. If the absolute majority is not achieved in the second vote, a third vote can be conducted in which the Chairman of the supervisory board has two votes and the supervisory board is not bound by the proposals of the previous votes.

The members of the Nomination Committee are Dr Erhard F. Grossnigg (from 12 October 2012), Dr Norbert Bensel (from 16 November 2012) and Mr Alexander Eichner (from 17 November 2012 to 11 February 2013). The Nomination Committee is responsible for proposing suitable candidates to the supervisory board for the election of new supervisory board members at the annual general meeting. During the period under review, Dr Kersten v. Schenck (up to 11 October 2012), Mr Johann C. Lindenberg (up to 16 November 2012) and Mr Zygmunt Mierdorf (up to 15 November 2012) were also members of the Nomination Committee.

The members of the Financing Committee are Dr Erhard F. Grossnigg (from 12 October 2012), Mr Ulrich Kruse, Prof Dr Wiedmann and Mr Rüdiger Wolff. Dr Kersten v. Schenck was a member of this committee until 11 October 2012. The Financing Committee deals with matters of refinancing and restructuring. Lastly, the members of the Strategy Committee formed at the end of 2012 are Dr Susan Hennersdorf, Prof Dr Utho Creusen, Mr Ulrich Kruse, Ms Cora Peters, Dr Collin Schmitz-Valckenberg and Mr Jörg Wiedemuth. This committee deals with Group strategy.

The regulations that apply to the internal order of the supervisory board also apply accordingly to the internal order of the committees. This includes the methods of the committees. In particular, the Chairman of each committee has two votes in the event of a tie if a second vote on the same matter also results in a tie. The does not include the Committee in Accordance with Section 27(3) MitBestG.

Further information on the work of the supervisory board and the cooperation between the management board and the supervisory board can be found in the report of the supervisory board on pages 115 to 118 of the annual report

Further information on corporate governance

Avoiding conflicts of interest

The supervisory board has, in its own assessment, an appropriate number of independent members who have no business or personal relationship with the company, its bodies, a controlling shareholder or a company associated with this shareholder, who can justify a conflict of interests of a significant and non-temporary nature. No former management board member has a seat on the supervisory board. No supervisory board member exercises an executive or consultative position at a significant competitor of Praktiker AG or the Group

Deductible in D&O insurance

In accordance with legal provisions, Praktiker Holding AG has concluded liability insurance for financial losses ("D&O insurance") for the members of its management board. A D&O insurance policy with a deductible has also been concluded for the members of the supervisory board in accordance with the German Corporate Governance Code, which corresponds to that of the members of the management board.

Appointment to and remuneration of management board positions

The supervisory board ensures long-term succession planning together with the management board. In the event of prospective changes in the management board, the supervisory board also strives for diversity and, in particular, the appropriate representation of women. The supervisory board is aware that there are extremely few women in executive positions in German retailing to date. Hence it appears difficult to require the company to appoint a certain number or percentage of women to the management board by a set date. The supervisory board has set an age limit of 65 for management board members.

In designing the remuneration of the management board, which contains fixed and variable components, both positive and negative developments are taken into account. When concluding management board contracts it is also ensured that payments, including benefits, to a management board member in the event of early termination of a position on the management board without good cause, do not exceed twice the annual remuneration and are not paid for more than the remaining term of the contract.

The Chairman of the supervisory board informs the annual general meeting of the principles of the remuneration of the management board and changes to them. For more information on the remuneration of the management board and the supervisory board, refer to the separate remuneration report in the management report (pages 37 to 40 of the annual report).

Election to the supervisory board and goals for its composition

Candidates are elected to the supervisory board individually while shareholders are duly notified of proposals for candidates for Chairmanship of the supervisory board.

When proposing candidates for election to the supervisory board, care is taken with regard to the composition to ensure that its members collectively have the knowledge, abilities and professional experience needed to perform its duties. Up to now the Nomination Committee should only nominate candidates for election to the supervisory board who are not 65 by the time of their election. The age limit specified above is to be amended as of now such that candidates for election to the supervisory board are not to have reached the age of 70 by the time of their election. The international activities of the company, potential conflicts of interest and the number of independent supervisory board members should be taken into account when selecting candidates. Assuming that the employee representatives also meet the independence criteria as defined in Item 5.4.2 GCGC, the specific target given for the composition of the supervisory board is at least twelve independent supervisory board members. Otherwise, the target specified by the supervisory board for the composition of shareholder representatives is at least four independent supervisory board members. The supervisory board already meets the aforementioned target in its current composition and will continue to meet this target in the future when selecting candidates it put forward for election by the 2013 annual general meeting.

In the last elections to the supervisory board in 2008, the supervisory board already gave consideration to the concept of diversity and deliberately searched for female and international candidates to propose to the annual general meeting for election. Due to various appointments of new members to the supervisory board, two female candidates for election to the supervisory board as shareholder representatives were appointed in the period under review. The aim to propose one, if not two, women for election to the supervisory board while maintaining the current size of the supervisory board has therefore already been achieved. Assuming that the female candidates proposed by the supervisory board are elected and the size of the supervisory board remains constant, the number of women on the supervisory board is then to be increased further when reassigning seats or electing new members. The supervisory board is unable to issue statements on the supervisory board representatives to be elected by the employees as the supervisory board has no influence on the selection of candidates by employees. However, as there have almost always been at least two women – three at present – on the supervisory board as employee representatives since November 2005, there is reason to expect that this number will at least be retained in future, if not increased further.

Annual general meeting

The shareholders exercise their rights within the framework provided for by the Articles of Association before or during the annual general meeting held annually, and can speak there on all items on the agenda, ask questions on the affairs of the company and file relevant motions. The annual general meeting passes resolutions on all matters specified by law in a manner binding for all shareholders and the company.

The management board presents the annual financial statements and the consolidated financial statements to the annual general meeting. The annual general meeting decides on the use of the unappropriated surplus and the official approval of the actions of the management board and the supervisory board. It usually elects the shareholder representatives to the supervisory board and the auditor. In addition, the annual general meeting decides, in particular, on amendments to the Articles of Association and significant business measures such as company agreements and transformations, the issue of new shares and of convertible and warrant-linked bonds and on the authorisation to acquire treasury shares. When issuing new shares, shareholders have pre-emption rights proportionate to their share of capital.

Each share of the company grants one vote. Each shareholder who registers in time is entitled to participate in the annual general meeting. Shareholders who cannot participate personally can have their voting rights exercised by a bank, shareholder association, a proxy nominated by the company and bound by the voting instructions or another authorised agent of their choice.

The Chairman of the supervisory board chairs the annual general meeting. He ensures the expeditious conduct of the annual general meeting and is guided thereby by the suggestion in Section 2.2.4 of the GCGC that an ordinary annual general meeting should end after four to six hours at the latest.

The invitation to the annual general meeting and the reports and documents to be made accessible to the annual general meeting are published in accordance with the provisions of stock corporation law and, including the annual report, are made available on the Internet page of the company.

Risk management

Dealing responsibly with business risks is one of the principles of good corporate governance. The management board also ensures appropriate risk management and risk controlling within the company. There are comprehensive Group and company reports, and control systems at the disposal of the management board, and the management of the Praktiker Group facilitating the tracking, assessment and controlling of these risks. The systems are developed further on an ongoing basis, adjusted to changing general conditions and reviewed by auditors. The management board regularly informs the supervisory board of existing risks and their development.

Details of risk management can be found in the risk report on pages 41 to 47 of this annual report. This also includes the report on the accounting-related internal control and risk management system.

Transparency

Shareholders, analysts, investors and the public are informed regularly and promptly by Praktiker AG of the situation at the company and significant business changes. The annual report, the half-yearly financial report and the quarterly reports are published within the specified time. Press releases and any ad hoc disclosures provide information on all current events and new developments.

A central information platform is provided by the website www.Praktiker.com. In particular, in addition to the Articles of Association and information on the management board and the supervisory board, this website features documents on the annual general meeting, financial reports and details of business activities. The dates for regular financial reporting can be found in this annual report and are listed with adequate prior notice on our website (www.Praktiker.com – Investor Relations – Financial calendar) and are transmitted to the Frankfurt stock exchange and a national and international media cluster.

Events not publicly known that could considerably influence the price of Praktiker shares are announced immediately in ad hoc disclosures unless the company is exempt from the duty to publish these in individual cases. All persons working for the company and who have authorised access to insider information are and will be informed of the duties arising from insider law. If the company becomes aware of purchases, sales or other transactions resulting in holdings reaching, exceeding or falling below 3, 5, 10, 15, 20, 25, 30, 50 or 75 percent of the voting rights in the company, the company will publish this immediately.

The statutory requirements for publications and announcements and the obligations to transmit information and documents to the BaFin (Federal Financial Supervisory Authority) and the public registers have been and will be observed.

Directors' Dealings

In accordance with Section 15a WpHG, members of the management board, the supervisory board and their closely related parties are required by law to disclose the acquisition and sale of shares of Praktiker AG or of financial instruments based on them if the value of the transactions reaches or exceeds € 5,000 within a calendar year. If the company

was notified of such transactions, this information has been duly published in the corporate register.

The members of the management board and the supervisory board do not hold shares in the company or financial instruments based on them, either individually or collectively, that directly or indirectly account for more than one percent of the shares issued by the company.

Accounting and auditing

The accounting of the Praktiker Group is performed in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union. The annual financial statements (separate financial statements) of Praktiker AG are prepared in accordance with the provisions of the German Commercial Code. The separate financial statements and the consolidated financial statements are prepared by the management board and audited by the auditor and the supervisory board. The quarterly reports and the half-yearly financial reports are discussed by the Audit Committee with the management board prior to publication. The consolidated financial statements accounts are available within 90 days of the end of the financial year, the interim reports within 45 days of the ending of the period under review.

Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, audited the consolidated financial statements and the separate financial statements. PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt/Main conducted the audit review of the half-yearly financial report and the quarterly reports. The auditors are independent. The focus of the audit was determined together with the auditors and it was agreed that possible grounds for exclusion or prejudice arising during the audit would be resolved or reported immediately. Moreover, the supervisory board has arranged with the auditors for them to report immediately on all findings and events significant to the duties of the supervisory board that may arise during the performance of the audit, and that the auditors inform it or note in their audit report should they identify matters in the course of the audit which result in the declaration on the German Corporate Governance Code issued by the management board and the supervisory board being incorrect.

The company also publishes a list of third-party enterprises in which it holds an interest not insignificant to the company, stating the name and registered office of the company, the amount of its interest, the amount of the equity capital and the result of the last financial year.

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Disclaimer
This annual report contains forward-looking statements that are based on certain assumptions and expectations at the time of the publication of this annual report and therefore are subject to risks and uncertainties. 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 conditions and economic developments, the behaviour of other market participants, the ability to achieve anticipated synergy effects as well as legislative and political actions. Therefore it cannot be ruled out that actual events may differ not just insignificantly from the forward-looking statements made in this annual report. If the statements made in this annual report therefore prove to be incorrect, the actual events or results could differ significantly from the results which are included directly or indirectly in the forward-looking statements made here. The Praktiker Group does not undertake any obligation to update any forward-looking statements to reflect events or circumstances that occur after the publication date of this annual report.

Only the German version of this annual report is legally binding. The company cannot be held responsible for any misunderstandings or misinterpretations arising from this translation.

The Praktiker Group operates DIY stores in nine European countries. Praktiker offers a full assortment of products and services for a wide range of applications including construction, renovation, home repairs, home improvement, gardening and leisure. In Germany, the Group provides its DIY expertise through two brands, Praktiker and Max Bahr. Praktiker offers all of its customers, from price-conscious occasional do-it-yourselfers to quality-focused professional craftsmen, a comprehensive range of products that is structured in line with demand. The product range includes both high quality items from well-known brand manufacturers and private labels, characterised by a particularly favourable cost/benefit ratio. The wide variety of products is complemented by a range of services, spanning from wood cutting to trailer rental. Praktiker looks back over a thirty-year history, while Max Bahr celebrated its 130th anniversary in 2009. With its competence and many years of experience in the DIY business, the Group has achieved a very high level of brand awareness in all countries in which it operates. Over 100 million customer contacts per year and an extensive market presence are evidence of the outstanding position occupied by the Praktiker Group both in Germany and abroad.

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