

Interim Report

HORNBACK HOLDING AG GROUP

1st QUARTER 2004/2005
(March 1 to May 31, 2004)



HORNBACK
HOLDING AG

HORNBACK HOLDING AG Group Interim Report (IFRS) for the First Quarter of 2004/2005 (March 1 to May 31, 2004)

- Consolidated sales up by 7.9 %
- Like-for-like sales at DIY megastores with garden centers up by 2.2 %
- Rise in consolidated earnings as percentage of sales

HORNBACK HOLDING AG was once more able to increase its sales and earnings in the first three months of the current financial year (March 1 to May 31, 2004). Earnings showed

even more rapid growth than sales. Sales at the HORNBACK HOLDING AG Group rose by almost 8 % to € 618m. The development of sales at the DIY megastores with garden centers was particularly pleasing. Like-for-like sales in this area increased by 2.2 % across the Group, further building on the robust growth reported for the equivalent period in the previous year (+ 3.9 %). The market leader in the DIY megastore with garden center segment in Germany has therefore further improved its competitive position. Consolidated earnings before taxes, extraordinary items and minority interests rose by around 20 % to € 42.3m.

Key Figures for the HORNBACK HOLDING AG Group

(in € m, unless otherwise stated)

	± %	1st Quarter 2004/2005	1st Quarter 2003/2004
Net sales	7.9	617.6	572.4
of which in other European countries	11.6	186.8	167.4
Like-for-like sales growth (DIY)		2.2%	3.9%
Gross margin (as % of net sales)		36.5%	35.1%
EBITDA	11.5	67.7	60.7
as % of net sales		11.0%	10.6%
Earnings before interest and taxes (EBIT)	17.6	50.8	43.2
as % of net sales		8.2%	7.5%
Consolidated earnings before taxes, extraordinary items and minority interests	20.5	42.3	35.1
Extraordinary items after taxes	-	-	1.1
Consolidated net income before minority interests	6.9	24.7	23.1
Earnings per preference share (€)	5.5	2.50	2.37
No. of employees	8.3	10,862	10,029
Investments	-22.7	21.4	27.7
Total assets	0.9	1,681.9	1,666.3
Shareholders' equity*	3.2	453.6	439.7
Shareholders' equity as % of total assets*		27.0	26.4

* excluding minority interests

Sales at the HORNBACH Group up by 7.9 %

The HORNBACH HOLDING AG Group includes the HORNBACH-Baumarkt-AG, HORNBACH Baustoff Union GmbH and HORNBACH Immobilien AG Subgroups.

The net sales of the HORNBACH HOLDING AG Group rose by 7.9 % in the first quarter of 2004/2005 (March 1 to May 31, 2004) to € 617.6m (previous year: € 572.3m).

The HORNBACH-Baumarkt-AG subsidiary operated 110 DIY megastores with garden centers across Europe as of May 31, 2004. In the context of the integration of the former Lafiora garden centers, the HORNBACH-Baumarkt-AG Subgroup has also operated four standalone specialist garden centers since the beginning of the 2004/2005 financial year. The total sales area of all 114 retail outlets amounted to around 1,133,000 m² at the reporting date. Sales at the Baumarkt Subgroup rose by 9.8 % to € 585.2m in the first quarter (previous year: € 533.0m). Like-for-like sales increased by 2.2 %. Further details as to business developments at the Subgroup can be found in the interim report published separately by HORNBACH-Baumarkt-AG. At € 33.1m, the net sales of the total of 20 outlets (previous year: 19) operated by the HORNBACH Baustoff Union GmbH Subgroup (construction materials and builders merchants) reached the level reported for the previous year.

Development of earnings

Consolidated earnings before taxes, extraordinary items and minority interests showed a year-on-year increase of 20.5 % to € 42.3m during the reporting period from March to May 2004 (previous year: € 35.1m). Operating earnings (EBIT) grew by 17.6 % to € 50.8m (previous year: € 43.2m). The EBIT margin rose from 7.5 % in the first quarter of the previous year to 8.2 % in the reporting period. Earnings before interest, taxes, depreciation and amortization (EBITDA) reported a year-on-year increase of 11.5 % to € 67.7m (previous year: € 60.7m). The EBITDA margin rose from 10.6 % to 11.0 %. Consolidated net income before minority interests improved by 6.9 % during the first quarter to € 24.7m (previous year: € 23.1m). Average earnings per share calculated in line with IFRS rose from € 2.34 to € 2.47.

The rise in the operating earnings figures in the first quarter is primarily attributable to like-for-like sales growth at the DIY megastores with garden centers, coupled with an increase in the gross margin in spite of lower retail prices. The gross profit rose as a percentage of net sales from 35.1 % to 36.5 % across the Group. This was principally the result of improved conditions in the Group's international procurement activities and enhancements made to its product range and supply chain management (logistics). Moreover, the significant reduction in the level of pre-opening expenses compared with the equiva-

lent period in the previous year also impacted positively on the level of earnings generated by the overall HORNBACH HOLDING AG Group.

Employees

At the reporting date on May 31, 2004, there were 10,862 (previous year: 10,029) individuals in fixed employment across Europe at HORNBACH HOLDING AG or one of its subsidiaries. As an annual average and converted into full-time equivalents, the Group had 9,603 employees (previous year: 8,799).

Investments

A total of € 21.4m was invested during the first three months of the current financial year (previous year: € 27.7m), primarily in land and buildings (67 %) and in plant and equipment. Information as to the financing and investment activities of HORNBACH HOLDING AG has been provided in the cash flow statement in the notes to this report.

Other events during the period under report

In order to strengthen the management of HORNBACH Baustoff Union GmbH (HBU), changes were made to the composition of the management of this wholly owned subsidiary of HORNBACH HOLDING AG as of April 1, 2004. Eduard Zimmerle, Deputy Chairman of the Board of Management of HORNBACH HOLDING AG, assumed the managing directorship of HBU. The existing managing director, Bernd Weisenburger, retired from his position on the Board of Management of HORNBACH HOLDING AG in order to focus on operative tasks at the HBU Subgroup. These measures are aimed at improving the earnings position of HBU on a sustainable basis and thus to do justice to the high expectations placed in the company.

Outlook

Five HORNBACH DIY megastores with garden centers are scheduled to be opened during the 2004/2005 financial year, of which three are in Germany. The Osnabrück location was opened on June 21, 2004. Stores are to be opened in Fürth and Braunschweig at a later point in the financial year, in both cases replacing existing HORNBACH locations in the same catchment areas (Nuremberg, Fürther Strasse; Braunschweig, Stobwasserstrasse). The first HORNBACH DIY megastore with a garden center in Slovakia will commence operations at the Bratislava location in Summer 2004. In Switzerland, the store network will be extended to include the new megastore at Villeneuve on Lake Geneva.

The overall number of DIY stores including the two location substitutions is expected to rise to 113 by the end of the current financial year. These are supplemented by the four

Lafiora garden centers to be retrospectively integrated as of March 1, 2004. The total number of retail outlets operated by the HORNBACH-Baumarkt-AG Subgroup is therefore expected to number 117 by the end of the 2004/2005 financial year. The net sales of the HORNBACH-Baumarkt-AG Subgroup including newly opened stores are expected to exceed € 2.1bn. At the HORNBACH Baustoff Union GmbH Subgroup, productivity enhancements coupled with synergies resulting from the acquisitions undertaken in the previous years are expected to have a positive impact on earnings in the current 2004/2005 financial year. There is expected to be a considerable year-on-

year reduction in the level of losses incurred by the company. The total (net) sales of the HORNBACH HOLDING AG Group are expected to rise to significantly more than € 2.2bn in the current year. On account of the scheduled expansion, like-for-like sales growth and a stable gross margin, consolidated earnings are expected to improve further and to rise as a percentage of sales.

Neustadt an der Weinstrasse, June 25, 2004

- The Board of Management -

Financial Calendar 2004

June 25, 2004	Financial Statements Press Conference 2003/2004 and Publication of Annual Report
	Interim Report as of May 31, 2004
September 03, 2004	Annual General Meeting in Frankfurt am Main
September 30, 2004	DVFA Analysts' Conference
	Interim Report as of August 31, 2004
December 21, 2004	Interim Report as of November 30, 2004



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HORNBACH HOLDING AG Group

Income Statement

	1st Quarter 2004/2005 € m	1st Quarter 2003/2004 € m	% change on previous year
Sales	617.6	572.3	7.9
Cost of goods sold	392.3	371.4	5.6
Gross profit	225.3	200.9	12.1
Store expenses	150.5	137.6	9.4
Pre-opening expenses	1.6	3.3	-51.5
General administration expenses	23.1	19.8	16.7
Other operating income and expenses	0.7	3.0	-76.7
Earnings before interest and taxes (EBIT)	50.8	43.2	17.6
Net financial expenses	-8.5	-8.1	4.9
Consolidated earnings before taxes, extraordinary items and minority interests	42.3	35.1	20.5
Taxes on income	17.6	13.1	34.4
Consolidated earnings after taxes and before extraordinary items and minority interests	24.7	22.0	12.3
Extraordinary items	0.0	1.1	-100.0
Consolidated net income before minority interests	24.7	23.1	6.9
Minority interests	-5.0	-4.4	13.6
Consolidated net income	19.7	18.7	5.3

HORNBACH HOLDING AG Group

Balance Sheet

ASSETS	May 31, 2004		May 31, 2003		February 29, 2004	
	€ m	%	€ m	%	€ m	%
A. Long-term assets	1,057.9	62.9	1,077.2	64.6	1,061.2	63.8
I. Intangible assets	20.5	1.2	16.3	1.0	20.0	1.2
II. Property, plant & equipment	1,004.9	59.7	1,031.1	61.9	1,007.5	60.5
III. Financial assets	2.7	0.2	2.2	0.1	2.9	0.2
IV. Other long-term assets	2.8	0.2	2.8	0.2	2.9	0.2
V. Deferred tax claims	27.0	1.6	24.8	1.5	27.9	1.7
B. Short-term assets	624.0	37.1	589.1	35.4	603.1	36.2
I. Inventories	444.4	26.4	400.6	24.0	441.5	26.5
II. Trade accounts receivable and other assets	112.8	6.7	97.9	5.9	92.2	5.5
III. Liquid funds	66.8	4.0	90.6	5.4	69.4	4.2
TOTAL ASSETS	1,681.9	100.0	1,666.3	100.0	1,664.3	100.0

EQUITY AND LIABILITIES	May 31, 2004		May 31, 2003		February 29, 2004	
	€ m	%	€ m	%	€ m	%
A. Shareholders' equity	453.6	27.0	439.7	26.4	432.6	26.0
I. Subscribed capital	24.0	1.4	24.0	1.4	24.0	1.4
II. Capital reserve	130.4	7.8	130.4	7.9	130.4	7.9
III. Revenue reserves	279.5	16.6	266.6	16.0	256.7	15.4
IV. Consolidated net income	19.7	1.2	18.7	1.1	21.5	1.3
B. Minority interests	78.1	4.6	75.9	4.6	73.0	4.4
C. Long-term liabilities	627.3	37.3	620.8	37.2	634.0	38.1
I. Financial liabilities	539.0	32.0	534.0	32.0	549.0	33.0
II. Deferred taxes	86.9	5.2	84.9	5.1	83.2	5.0
III. Other liabilities	1.4	0.1	1.9	0.1	1.8	0.1
D. Short-term liabilities	522.9	31.1	529.9	31.8	524.7	31.5
I. Financial liabilities	198.6	11.8	193.8	11.6	219.0	13.2
II. Trade accounts payable and other liabilities	220.4	13.1	260.7	15.7	229.6	13.8
III. Tax provisions	32.4	1.9	29.1	1.7	24.1	1.4
IV. Other provisions	71.5	4.3	46.3	2.8	52.0	3.1
TOTAL LIABILITIES	1,681.9	100.0	1,666.3	100.0	1,664.3	100.0

HORNBACH HOLDING AG Group

Cash Flow Statement

	1st Quarter 2003/2004 € m	1st Quarter 2002/2003 € m
Consolidated earnings after taxes and before extraordinary items and minority interests	25	22
Depreciation and amortization of fixed assets	17	18
Change in provisions	28	18
Profits / losses on the sale of fixed assets	0	-1
Change in inventories, trade accounts receivable and other assets	-21	-34
Change in trade accounts payable and other liabilities	-2	44
Other income / expenses with no cash effect	4	2
Receipts / payments of extraordinary items	0	2
Inflow of funds from ordinary trading activities	51	71
Receipts from disposals of fixed assets	0	1
Payments for investments in tangible assets	-21	-26
Payments for investments in intangible assets	-1	0
Outflow of funds for investment activities	-22	-25
Receipts from the proceeds of financial loans	0	23
Payments for the redemption of financial loans	-10	-11
Change in short-term financial loans	-21	-22
Outflow of funds from financing activities	-31	-10
Change in liquid funds	-2	36
Liquid funds at March 1	69	55
Liquid funds at May 31	67	91

HORNBACH HOLDING AG Group

Change in Consolidated Shareholders' Equity

1st Quarter 2003/2004				Cumulative	Other		
€ m	Subscribed	Capital	Hedging	currency	revenue	Net	Total
	capital	reserve	reserve	conversion	reserves	income	equity
Balance at 03.01.2003	24	130	-2	1	251	17	421
Transfer to reserves					17	-17	0
Net income						19	19
Balance at 05.31.2003	24	130	-2	1	268	19	440

1st Quarter 2004/2005				Cumulative	Other		
€ m	Subscribed	Capital	Hedging	currency	revenue	Net	Total
	capital	reserve	reserve	conversion	reserves	income	equity
Balance at 03.01.2004	24	130	-2	0	259	22	433
Currency adjustments				1			1
Transfer to reserves					22	-22	0
Net income						20	20
Balance at 05.31.2004	24	130	-2	1	281	20	454

HORNBACH HOLDING AG Group

Notes to the Group Interim Report (IFRS) as of May 31, 2004

(1) Accounting Principles

This non-audited group interim report of HORNBACH HOLDING AG and its subsidiaries for the first quarter as of May 31, 2004 has been compiled in accordance with the accounting principles promulgated by the International Accounting Standards Board (IASB). Application has been made of all International Financial Reporting Standards (IFRS) and interpretations of the International Financial Reporting Interpretation Committee (IFRIC), previously the Standing Interpretation Committee "SIC", valid as of May 31, 2004.

The accounting principles applied in the compilation of this interim report correspond to those applied in the consolidated financial statements as of February 29, 2003/2004. The Group has made additional application of IAS 34 "Interim Reporting". This interim report is to be read in conjunction with the consolidated financial statements of HORNBACH HOLDING AG for the 2003/2004 financial year. Reference is made to these financial statements on account of the additional information as to the particular accounting and valuation methods applied. The notes included therein also apply to this interim report unless expressly indicated otherwise.

(2) Reporting Entity

Robert Röhlinger Bauwerk "Zentrum fürs Bauen" GmbH, a subsidiary acquired by HORNBACH Baustoff Union GmbH, was consolidated for the first time in the first quarter.

(3) Newly Issued Accounting Standards

The IASB issued seven new or revised and supplemented standards in March 2004. The new standards and those standards revised within the framework of the "improvement projects" are only required to be applied by HORNBACH HOLDING AG from March 1, 2005. No use is to be made of the possibility of voluntarily applying the standards at an earlier stage.

In line with the transition requirements outlined in IFRS 3 "Business Combinations", the standard is to be applied to all corporate combinations for which contracts are concluded on or after March 31, 2004. At HORNBACH HOLDING AG, the standard is only applicable with effect from the 2005/2006 financial year to goodwill resulting from earlier corporate combinations. Overall, the standard has no effect on the interim financial statements as of May 31, 2004.

(4) Seasonal Influences

Due to weather conditions, the HORNBACH HOLDING AG Group is subject to lower sales in the autumn and winter than in the spring and summer months. These seasonal variations are reflected in the figures for the first quarter. The results of business operations for the first three months up to May 31, 2004 do not necessarily provide an accurate indication of the results to be expected for the overall financial year.

(5) Adjustments made in the Interim Financial Statements

With effect from the first quarter of 2004/2005, the income statement of HORNBACH HOLDING AG has been compiled for the first time using the standard international cost of sales accounting method. The resultant harmonization of internal and external reporting structures also reflects in aggregate form in the company's external accounting that information considered to be useful and of relevance for the internal management of the company. This provides a common language both within the company and in its communications with the capital markets. The harmonization resulted in a restructuring and new summarization of items within the income statement. The figures contained in the income statement for the previous year have been adjusted accordingly. This results in a change to earnings before interest and taxes (EBIT), given that the other taxes previously reported under tax expenses have been allocated to the functional divisions in which they arise.

The adjustments made are structured as follows:

€ m	1st Quarter 2003/2004
EBIT as reported	43.9
Other taxes	-0.7
EBIT following adjustment	43.2

The segment results (please see Segmental Reporting) have been adjusted to take account of the altered earnings before interest and taxes (EBIT).

(6) Store Expenses

Store expenses include costs incurred in connection with the operation of DIY megastores with garden centers. They primarily consist of personnel, advertising, general operating, depreciation and rental expenses.

(7) Pre-Opening Expenses

Costs incurred in connection with the construction of a new DIY megastore with a garden center are reported as pre-opening expenses. These primarily consist of personnel expenses and other expenses.

(8) Administration Expenses

Administration expenses include all those administration costs incurred in connection with the operation or construction of DIY megastores with garden centers which cannot be directly allocated to such projects. These primarily involve personnel expenses, legal and advisory expenses, IT expenses and depreciation and other administration expenses.

(9) Other Operating Income and Expenses

Other operating income and expenses are structured as follows:

€ m	1st Quarter 2004/2005	1st Quarter 2003/2004	± %
Other operating income	5.0	6.7	-25.4
Other operating expenses	4.3	3.7	16.2
Other operating income and expenses	0.7	3.0	-76.7

Other operating income primarily relates to advertising grants and other income generated within the framework of operating activities.

Other operating expenses principally consist of expenses which cannot be accurately allocated to any particular functional division and which are incurred within the framework of operating activities. These particularly include exchange rate and currency differences, losses incurred on the disposal of fixed assets and losses resulting from cases of damage.

(10) Other Disclosures

The personnel expenses of the HORNBACH HOLDING AG Group amounted to € 90.1m at the end of the first quarter on May 31, 2004 (previous year: € 81.4m).

Depreciation and amortization totaling € 16.9m was undertaken on intangible assets and property, plant and equipment at the HORNBACH HOLDING AG Group in the first three months of the 2004/2005 financial year (previous year: € 17.5m).

(11) Taxes on Income

Taxes on income are structured as follows:

€ m	1st Quarter 2004/2005	1st Quarter 2003/2004	± %
Current tax expenses	13.3	10.6	25.5
Deferred tax expenses	4.3	2.5	72.0
	17.6	13.1	39.7

(12) Earnings Per Share

Undiluted earnings per share are calculated pursuant to IAS 33 (Earnings per Share) as the quotient of the income allocable to the shareholders of HORNBAACH HOLDING AG for the period under report and the weighted average number of shares in circulation.

Earnings per share

€ m	May 31, 2004	May 31, 2003
Consolidated net income	19.7	18.7
Additional dividend for preference shares	0.2	0.2
Consolidated net income adjusted by additional dividend claims	19.5	18.5
Number of ordinary shares issued	4,000,000	4,000,000
Number of preference shares issued	4,000,000	4,000,000
	8,000,000	8,000,000
Earnings per share (in €)	2.44	2.31
Additional dividend claim per pref. share (in €)	0.06	0.06
Earnings per preference share (in €)	2.50	2.37

Due to share option plans, there are some shares which may potentially be diluted. These have no influence on the earnings per share figure, however, as the hurdles for exercising such options have not been reached.

(13) Segmental Reporting

1st Quarter 2004/2005 in € m (1st Quarter 2003/2004 in € m)	Retail	Real Estate	Other and Consolidation	HORNBAACH HOLDING AG Group
Segment income	616.8	32.5	-31.7	617.6
	(571.5)	(27.5)	(-26.7)	(572.3)
- Sales proceeds from external third parties	616.8	0.0	0.0	616.8
	(571.5)	(0.0)	(0.0)	(571.5)
- Rental income from affiliated companies internal rental income	0.0	31.7	-31.7	0.0
	(0.0)	(26.7)	(-26.7)	(0.0)
- Rental income from external third parties	0.0	0.8	0.0	0.8
	(0.0)	(0.8)	(0.0)	(0.8)
Segment result (EBIT)	41.6	12.9	-3.7	50.8
	(33.7)	(13.9)	(-4.4)	(43.2)

Neustadt an der Weinstrasse, June 25, 2004

The Board of Management
HORNBAACH HOLDING Aktiengesellschaft