



Interim Report

HORNBACH HOLDING AG GROUP

1st QUARTER **2005/2006**

(MARCH 1 – MAY 31, 2005)

HORNBACH ■
HOLDING AG

HORNBACH HOLDING AG Group

Interim Report (IFRS) for the First Quarter of 2005/2006 (March 1 – May 31, 2005)

- First-quarter sales at DIY megastores with garden centers affected by cold, wet weather
- Consolidated sales up by 5.4 % - comparable stores sales minus 0.5 %
- Earnings below record level in previous year

In the first quarter of the current financial year (March 1 to May 31, 2005), the HORNBACH HOLDING AG Group was not able to repeat the record performance reported for the equivalent period in the previous year. Similar to the overall sector, HORNBACH suffered from the wet and cold weather conditions in March 2005. Consolidated sales rose by 5.4% to € 651m, and thus fell short of expectations. Like-for-like sales at the DIY megastores with garden centers showed a slight decline of 0.5% in the first three months of the current financial year. The decline of 1.3% reported for Germany in this respect was offset by growth of 1.2% at the international HORNBACH outlets. The unsatisfactory sales situation in the first quarter, coupled with a year-on-year decline in the gross margin, means that earnings were weaker than in 2004/2005. Earnings before interest and taxes (EBIT) dropped by 22% to € 39.6m (previous year: € 50.8m). Consolidated earnings before taxes fell by 30.3% to € 29.5m (previous year: € 42.3m).

Key Figures HORNBACH HOLDING AG Group (in € m, unless otherwise stated)	1st Quarter 2005/2006	1st Quarter 2004/2005	Change in %
Net sales	651.0	617.6	5.4
of which in other European countries	211.6	186.8	13.3
Like-for-like sales growth (DIY)	-0.5%	2.2%	
Gross margin (as % of net sales)	35.2%	36.5%	
EBITDA	56.9	67.7	-15.9
as % of net sales	8.7%	11.0%	
Earnings before interest and taxes (EBIT)	39.6	50.8	-22.0
as % of net sales	6.1%	8.2%	
Consolidated earnings before taxes and minority interests	29.5	42.3	-30.3
Consolidated net income before minority interests	19.0	24.7	-23.1
Earnings per preference share (€)	2.01	2.50	-19.6
No. of employees	11,709	10,862	7.8
Capital expenditures	45.5	21.4	112.6
Total assets	1,850.9	1,681.9	10.0
Shareholders' equity *	553.3	535.9	3.2
Shareholders' equity as % of total assets *	29.9%	31.6%	

* including minority interests pursuant to IFRS

Sales at the HORNBACH Group rise by 5.4 %

The HORNBACH HOLDING AG Group comprises the HORNBACH-Baumarkt-AG, HORNBACH Baustoff Union GmbH and HORNBACH Immobilien AG subgroups.

The net sales of the HORNBACH HOLDING AG Group rose by 5.4% in the first quarter of 2005/2006 (March 1 to May 31, 2005) to reach € 651.0m (previous year: € 617.6m).

The HORNBACH-Baumarkt-AG subsidiary was operating 119 DIY megastores with garden centers across Europe as of May 31, 2005. The total sales areas of all retail outlets amounted to around 1,231,000 m² at the reporting date. The sales of the DIY subgroup also rose by 5.4% in the first quarter and amounted to € 616.7m (previous year: € 585.2m). Like-for-like sales were 0.5% lower than in the previous year.

In view of the overall decline witnessed by the retail sector in Germany, the German HORNBACH DIY megastores with garden centers recorded a 1.3% decline in like-for-like sales, which is primarily attributable to the downturn in sales witnessed in March 2005 as a result of weather conditions. Like-for-like sales at stores outside Germany, by contrast, rose by 1.2% in the first quarter. The sales performance increasingly improved in April and May 2005, but the growth in both months was not sufficient to compensate for March. Further information on the business performance of the subgroup can be found in the interim report published separately by HORNBACH-Baumarkt-AG.

Net sales at the 18 outlets (previous year: 20) operated by the HORNBACH Baustoff Union GmbH subgroup (construction materials and builders merchants) rose by 6.4% to € 35.2m (previous year: € 33.1m).

First-quarter earnings negatively affected by sales performance in March

As a result of the unsatisfactory business performance in the reporting period of March to May 2005, consolidated earnings before taxes and minority interests showed a year-on-year decline of 30.3% to € 29.5m (previous year: € 42.3m).

Earnings before interest and taxes (EBIT) dropped by 22.0% to € 39.6m (previous year: € 50.8m). Earnings before interest and taxes, depreciation and amortization (EBITDA) fell by 15.9% to € 56.9m (previous year: € 67.7m). Consolidated net income before minority interests diminished by 23.1% to € 19.0m (previous year: € 24.7m). Earnings per preference share calculated in line with IFRS were reported at € 2.01 (previous year: € 2.50).

The decline in key operating figures in the first quarter was mainly caused by the lower level of like-for-like sales at the HORNBACH-Baumarkt-AG subgroup as a result of weather conditions, as well as by a year-on-year decrease in the gross margin. The gross profit fell as a percentage of sales across the Group from 36.5% to 35.2%. This principally reflects the measures taken to secure the permanent price leadership enjoyed by HORNBACH. In conjunction with the poor sales performance witnessed in March, this had a negative impact on earnings in the first quarter of 2005/2006. The company will nevertheless adhere to its long-term permanent low price strategy, regardless of seasonal sales fluctuations, so as to be able to attract customers to the HORNBACH brand on an ongoing basis.

Selling, store, general and administration expenses at the HORNBACH Group were on budget in absolute terms in the period from March to May 2005. As a result of sales remaining below budget, however, cost ratios deteriorated during the quarter under report.

In spite of the unfavorable business climate in the construction industry and a decline in the gross margin, earnings before interest and taxes (EBIT) at the HORNBACH Baustoff Union GmbH subgroup were stable in the first quarter.

11,709 employees

At the reporting date on May 31, 2005, there were 11,709 (previous year: 10,862) individuals across Europe in fixed employment at HORNBACH HOLDING AG or one of its subsidiaries.

Investments of € 45.5m

A total of € 45.5m was invested during the first three months of the current financial year (previous year: € 21.4m), primarily in land and buildings (69%) and in plant and office equipment. The sharp rise in investment compared with the previous year is attributable to the increased number of new store openings in the 2005/2006 reporting year. Information as to the financing and investment activities of HORNBAACH HOLDING AG has been provided in the cash flow statement in the notes to this report.

Outlook: continuation of consistent growth strategy

In spite of the temporary setbacks in the company's business performance, the Board of Management considers its long-term sales development and earnings power to be stable. The growth strategy consistently implemented over many years will be maintained without any cutbacks.

HORNBAACH plans a total of nine new store openings in the 2005/2006 financial year. Five locations are on the agenda in Germany: Berlin, Frankfurt am Main, Würzburg, Kiel and Munich. The HORNBAACH DIY megastore with a garden center in Mannheim-Neckarau opened in 1982, which is no longer up-to-date, will be closed during the current financial year. Up to four new stores are scheduled to be opened at HORNBAACH International GmbH. These relate to stores in Sweden, Slovakia, the Czech Republic and the Netherlands. The opening of the store in Alblasserdam (Netherlands), which was scheduled to take place in 2005/2006, has been subject to a further delay as a result of permit procedures, and may have to be postponed until the 2006/2007 financial year. Overall, the number of HORNBAACH DIY megastores with garden centers, accounting for the closure of one location, will increase by up to eight to a total of 125.

The sales and earnings forecast for the overall 2005/2006 financial year, which was already announced in April together with the preliminary figures for 2004/2005, is to be adjusted downwards in view of business developments in the first quarter. Taking account of the current business performance in the first quarter, the Board of Management does not anticipate that it will be possible to catch up the shortfall in earnings in the coming quarters.

With net sales of almost € 2.3bn at the HORNBAACH-Baumarkt-AG subgroup and of around € 2.4bn at the overall HORNBAACH HOLDING AG Group, consolidated earnings before taxes for the current financial year are expected to fall short of the level achieved in the previous 2004/2005 financial year.

There are two main reasons for this development. On the one hand, in view of price competition remaining tough in the DIY sector, HORNBAACH is prepared to accept a reduced gross margin in order to maintain its permanent price leadership in the event of individual DIY competitors introducing even more aggressive pricing policies. The company can thus secure additional room for maneuver and increase the consolidation pressure within the DIY sector, even if this has a temporarily negative impact on its earnings situation. On the other hand, account also has to be taken of a higher level of pre-opening expenses, one-off project-related expenses incurred in connection with the introduction of SAP, and a lower level of disposal profits from sale and rent back transactions.

The earnings performance of the overall HORNBAACH HOLDING AG Group is expected to be more positive than that at HORNBAACH-Baumarkt-AG in view of the fact that sales growth, improved margins and more efficient operating and administration processes at the HORNBAACH Baustoff Union GmbH subgroup are expected to have a positive impact on its earnings situation in the 2005/2006 financial year.

Neustadt an der Weinstrasse, June 24, 2005

– The Board of Management –



Financial Calendar: 2005

June 24, 2005	Press Conference 2004/2005 and Publication of Annual Report Interim Report as of May 31, 2005
September 02, 2005	Annual General Meeting in Frankfurt am Main
September 29, 2005	DVFA Analysts Conference Interim Report as of August 31, 2005
December 21, 2005	Interim Report as of November 30, 2005

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HORNBACH HOLDING AG Group

Income Statement

	1st Quarter 2005/2006 € million	1st Quarter 2004/2005 € million	Change in %
Sales	651.0	617.6	5.4
Costs of goods sold	421.7	392.3	7.5
Gross profit	229.3	225.3	1.8
Selling and store expenses	170.8	150.5	13.5
Pre-opening expenses	2.4	1.6	50.0
General and administration expenses	24.6	23.1	6.5
Other income and expenses	8.1	0.7	1,057.1
Earnings before interest and taxes (EBIT)	39.6	50.8	-22.0
Net financial expenses	-10.1	-8.5	18.8
Consolidated earnings before taxes and minority interests	29.5	42.3	-30.3
Taxes on income	10.5	17.6	-40.3
Consolidated net income before minority interests	19.0	24.7	-23.1
Minority interests	-3.2	-5.0	-36.0
Consolidated net income	15.8	19.7	-19.8

HORNBACH HOLDING AG Group

Balance Sheet

ASSETS	May 31, 2005		May 31, 2004		February 28, 2005	
	€ million	%	€ million	%	€ million	%
A. Long-term assets	1,066.5	57.6	1,057.9	62.9	1,075.6	61.0
I. Intangible assets	24.9	1.3	20.5	1.2	25.1	1.4
II. Property, plant and equipment	1,008.8	54.5	1,004.9	59.7	1,018.3	57.8
III. Financial assets	2.0	0.1	2.7	0.2	1.9	0.1
IV. Other long-term assets	3.0	0.2	2.8	0.2	3.0	0.2
V. Deferred tax claims	27.8	1.5	27.0	1.6	27.3	1.5
B. Short-term assets	784.4	42.4	624.0	37.1	685.9	39.0
I. Inventories	471.5	25.5	444.4	26.4	443.5	25.2
II. Accounts receivable and other assets	62.4	3.4	112.8	6.7	80.6	4.6
III. Cash and cash equivalents	250.5	13.5	66.8	4.0	161.8	9.2
Total Assets	1,850.9	100.0	1,681.9	100.0	1,761.5	100.0

EQUITY AND LIABILITIES	May 31, 2005		May 31, 2004		February 28, 2005	
	€ million	%	€ million	%	€ million	%
A. Shareholders' equity	553.3	29.9	531.7	31.6	535.9	30.5
I. Share capital	24.0	1.3	24.0	1.4	24.0	1.4
II. Capital reserve	130.4	7.0	130.4	7.8	130.4	7.4
III. Retained earnings	297.3	16.1	279.5	16.6	270.9	15.4
IV. Minority interests	85.8	4.6	78.1	4.6	82.9	4.7
V. Consolidated net income	15.8	0.9	19.7	1.2	27.7	1.6
B. Long-term liabilities	818.4	44.3	627.3	37.3	830.1	47.1
I. Long-term debt	723.5	39.1	539.0	32.0	735.1	41.7
II. Deferred taxes	88.0	4.8	86.9	5.2	87.3	5.0
III. Other liabilities	6.9	0.4	1.4	0.1	7.7	0.4
C. Short-term liabilities	479.2	25.8	522.9	31.1	395.5	22.4
I. Short-term debt	107.8	5.8	198.6	11.8	105.7	6.0
II. Accounts payable and other liabilities	290.8	15.7	220.4	13.1	225.8	12.8
III. Tax provisions	16.2	0.9	32.4	1.9	14.7	0.8
IV. Other provisions	64.4	3.4	71.5	4.3	49.3	2.8
Total Equity and Liabilities	1,850.9	100.0	1,681.9	100.0	1,761.5	100.0

HORNBACH HOLDING AG Group

Cash Flow Statement

	1st Quarter 2005/2006 € million	1st Quarter 2004/2005 € million
Consolidated net income before minority interests	19	25
Depreciation and amortization	17	17
Change in provisions	0	0
Profits/losses on the sale of fixed assets	-7	0
Change in inventories, accounts receivable and other assets	-32	-21
Change in accounts payable and other liabilities	84	26
Other income/expenses with no cash effect	1	4
Cash flow from operating activities	82	51
Proceeds from disposals of fixed assets	60	0
Payments for investments in tangible assets	-44	-21
Payments for investments in intangible assets	-1	-1
Cash flow from investing activities	15	-22
Receipts from capital increases	2	0
Repayment of long-term debt	-10	-10
Change in short-term debt	0	-21
Cash flow from financing activities	-8	-31
Change in cash and cash equivalents	89	-2
Cash and cash equivalents at March 1	162	69
Cash and cash equivalents at May 31	251	67

The change in provisions item only includes provisions whose maturity or amount is uncertain. The figure for the previous year has accordingly been adjusted by € 28m. As in the first quarter of the previous year, there were no changes to these provisions in the 1st Quarter of 2005/2006.

HORNBACH HOLDING AG Group

Statement of Shareholders' Equity

2004/2005 financial year								
€ million	Share Capital	Capital Reserve	Hedging Reserve	Cumulative Currency Conversion	Other Retained Earnings	Minority Interests	Net Income for the Year	Total Equity
Balance at March 1, 2004	24	130	-2	0	259	73	22	506
Foreign currency adjustments				1				1
Transfer to reserves					22		-22	0
Net income for the year						5	20	25
Balance at May 31, 2004	24	130	-2	1	281	78	20	532

2005/2006 financial year								
€ million	Share Capital	Capital Reserve	Hedging Reserve	Cumulative Currency Conversion	Other Retained Earnings	Minority Interests	Net Income for the Year	Total Equity
Balance at March 1, 2005	24	130	-3	2	272	83	28	536
Change in reporting entity						-2		-2
Foreign currency adjustments				-1				-1
Capital increase from share option plans						2		2
Valuation of derivative financial instruments, net after taxes			-1					-1
Transfer to reserves					28		-28	0
Net income for the year						3	16	19
Balance at May 31, 2005	24	130	-4	1	300	86	16	553

HORNBACH HOLDING AG Group

Notes to the Group Interim Report as of May 31, 2005

(1) Accounting principles

This non-audited group interim report of HORNBACH HOLDING AG and its subsidiaries for the first three months as of May 31, 2005 has been compiled in accordance with the accounting principles promulgated by the International Accounting Standards Board (IASB), London. 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, 2005.

The accounting principles applied in the compilation of this interim report correspond to those applied in the consolidated financial statements as of February 28, 2005. 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 2004/2005 financial year. Reference is made to these financial statements on account of the additional information they contain as to the specific accounting and valuation methods applied. The notes included therein also apply to this interim report unless expressly indicated otherwise.

In March 2004, the IASB issued the new accounting standard IFRS 3 "Business Combinations" and the revised standards IAS 36 "Impairment of Assets" and IAS 38 "Intangible Assets". These require that no amortization is undertaken on capitalized goodwill or intangible assets with unlimited useful lives. Such assets are to be subject to an impairment test at least once per financial year and to be subject to exceptional amortization as appropriate. In the event of any events or circumstances indicating a reduction in the value of such assets, the impairment test is to be undertaken more frequently. The value of goodwill may not be appreciated at a later date. IFRS 3, IAS 36 (2004 revision) and IAS 38 (2004 revision) are to be applied to acquisitions undertaken on the basis of contracts concluded subsequent to March 31, 2004. In the case of acquisitions undertaken on the basis of contracts dated prior to March 31, 2004, the standards are to be applied for the first time from March 1, 2005. Amortization of goodwill amounting to € 168k was undertaken in the first quarter of the 2004/2005 financial year.

The initial application of the standards, particularly of those revised within the framework of the "Improvement Projects", has not had any significant overall impact on the depiction of the net asset, financial and earnings position of the HORNBACH HOLDING AG Group.

(2) Reporting entity

The following companies were removed from the reporting entity in the first quarter of 2005/2006: HIAG Fastigheter i Malmö AB, Gothenburg and HIAG Fastigheter i Norrköping AB, Gothenburg.

(3) 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 three months. The results of business operations for the first three months up to May 31, 2005 do not necessarily provide an accurate indication of the results to be expected for the overall financial year.

(4) Other income and expenses

Other income and expenses are structured as follows:

€ million	1st Quarter 2005/2006	1st Quarter 2004/2005	Change in %
Other operating income	12.6	5.0	152.0
Other operating expenses	4.5	4.3	4.7
Other income and expenses	8.1	0.7	1,057.1

Other operating income primarily relates to advertising grants, and to income from exchange rate and payment differences. Furthermore, the income includes other non-operating income of € 7.4m resulting from the disposal of two real-estate companies and one DIY store property. The DIY megastores with garden centers were subsequently rented back on a long term basis within the framework of an operating lease. At the end of the non-terminable basic rental period, there is the option of extending the rental period or of repurchasing the property.

The other operating expenses principally consist of expenses relating to exchange rate and currency differences, as well as to losses incurred on the sale of fixed assets. Moreover, the item includes a non-operating expense amounting to € 0.5m in connection with the addition of a provision for disadvantageous contracts.

(5) Other disclosures

The personnel expenses of the HORNBAACH HOLDING AG Group amounted to € 98.4m at the end of the 1st quarter on May 31, 2005 (previous year: € 90.1m).

Depreciation and amortization totaling € 17.3m was undertaken on intangible assets and property, plant and equipment at the HORNBAACH HOLDING AG Group in the first three months of the 2005/2006 financial year (previous year: € 16.9m).

(6) Taxes in income

Taxes on income are structured as follows:

€ million	1st Quarter 2005/2006	1st Quarter 2004/2005	Change in %
Current tax expenses	10.0	13.3	-24.8
Deferred tax expenses	0.5	4.3	-88.4
	10.5	17.6	-40.3

(7) 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

	May 31, 2005 € million	May 31, 2004 € million
Consolidated net income	15.8	19.7
Additional dividend on preference shares	0.2	0.2
Consolidated net income adjusted for additional dividend claims	15.6	19.5
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 €)	1.95	2.44
Additional dividend claim per preference share (in €)	0.06	0.06
Earnings per preference share (in €)	2.01	2.50

(8) Segment reporting

1st Quarter 2005/2006 in € million (1st Quarter 2004/2005 in € million)	Retail	Real Estate	Miscellaneous and Consolidation	HORNBACH HOLDING AG Group
Segment income	650.3	34.0	-33.3	651.0
	(616.8)	(32.5)	(-31.7)	(617.6)
- Sales to external third parties	650.3	0.0	0.0	650.3
	(616.8)	(0.0)	(0.0)	(616.8)
- Rental income from affiliated companies, internal rental income	0.0	33.3	-33.3	0.0
	(0.0)	(31.7)	(-31.7)	(0.0)
- Rental income from external third parties	0.0	0.7	0.0	0.7
	(0.0)	(0.8)	(0.0)	(0.8)
Segment earnings (EBIT)	25.0	19.5	-4.9	39.6
	(41.6)	(12.9)	(-3.7)	(50.8)
Depreciation	10.0	5.3	2.0	17.3
	(9.7)	(5.5)	(1.7)	(16.9)
EBITDA	35.0	24.8	-2.9	56.9
	(51.3)	(18.4)	(-2.0)	(67.7)

Neustadt an der Weinstrasse, June 24, 2005

The Board of Management of HORNBACH HOLDING Aktiengesellschaft