

HORNBAACH Group:

Continuous Sales and Earnings Growth

Company superbly placed for forthcoming consolidation in the sector / Highest sales surface profitability / International share to increase further to 40 percent / Permanent low price vs. “discount battle”

Frankfurt am Main, June 24, 2005. The HORNBAACH Group is convinced that it will emerge as one of the winners from the forthcoming consolidation of the German DIY sector. “Our company is superbly placed in Germany and abroad. Our sales and earnings have grown more rapidly than sector averages for many years now,” commented Albrecht Hornbach, Chairman of the Board of Management of HORNBAACH HOLDING AG, at the annual press conference in Frankfurt am Main. “The HORNBAACH Group has built up such a lead over its competitors in terms of efficiency that it can afford to sit back and watch the market consolidation expected in Germany.”

Thousands of jobs created

Hornbach pointed out that the sales of HORNBAACH HOLDING AG had risen by close to 20 times since the year preceding the company’s IPO in 1987 – from Euro 113 million in the 1986/87 financial year to Euro 2.22 billion in 2004/2005. The number of DIY stores and centers operated by the Group had risen from 16, all of which were located in Southern Germany, to 119 across eight European countries. The number of jobs at HORNBAACH had grown over the same period from 630 to its current total of more than 11,700. “HORNBAACH is one of only eleven companies in Germany to have continuously created additional jobs in the past five years,” added Albrecht Hornbach.

With an average store size of more than 10,300 square meters, HORNBAACH occupied the first place in the entire sector. HORNBAACH’s lead over its competitors did not only involve store size, however, but also included sales surface productivity. The company generated annual sales of Euro 1,800 per square meter of sales surface – “a figure which leaves all of our competitors behind us,” stressed Hornbach.

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Right strategic decisions taken

With the launch of its international expansion in 1996, HORNBACH had taken the right strategic decision, continued the Chairman of the Board of Management. The company already generated a third of its sales at its 31 international stores, which are spread across Austria, the Netherlands, Sweden, Luxembourg, Switzerland, the Czech Republic and Slovakia. Earnings at the international stores were higher than those in the highly contested, and thus less profitable, domestic market. “Our ongoing international growth will continue to offset the weakness of the domestic economy. We aim to expand further and to increase our international share of sales to 40 percent in the coming years,” stressed the HORNBACH boss.

150 HORNBACH stores by 2010

Hornbach announced the opening of 35 new DIY megastores with garden centers over the next five years. The total number of stores operated by the company was expected to exceed 150 in 2010, with sales areas significantly in excess of 1.74 million square meters. “We are not interested in sales surface expansion at any price. What counts for our results is not the number of the stores, but rather their profitability. That’s why we are only expanding at locations where we can achieve the required productivity”, he explained. “Even in Germany, there is certainly no lack of attractive locations for new store openings”. The scheduled growth would also lead to a further rise in the number of employees at the HORNBACH Group. “Our company will continue to act as a job machine in the coming years, and will create thousands of new jobs”, remarked Albrecht Hornbach.

Price leadership with permanent low prices

Hornbach was unperturbed by the increasingly tough levels of price competition in Germany. “Some of our competitors are trying to attack each other at ever decreasing intervals with ‘discount campaigns’ and ‘bargain offers’ aimed at obtaining market share. Our customers can rely on

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obtaining quality products at permanently low prices at all times. This makes us the price leader on a permanent basis.”

Transparency for the financial markets

HORNBACH is the only publicly listed company in the German DIY sector. The two companies, HORNBACH HOLDING AG and HORNBACH-Baumarkt-AG, are thus committed to providing investors with a particularly high degree of transparency. They publish company data on a regular basis and are open to assessment by analysts and the banks. Apart from the Metro Group, HORNBACH is the only retail company in Germany to have received a public rating over and above its stock market listing. “Our expansion strategy is constantly in the public eye,” explained Albrecht Hornbach. “However, we view this transparency as constituting an advantage over our unlisted competitors, rather than a disadvantage. The public assessment means that we are constantly obliged to measure our strategic goals against actual developments and to make rapid adjustments whenever necessary,” emphasized the Chairman of the Board of Management.

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