



Interim Report

HORNBACH-BAUMARKT-AG GROUP

1st QUARTER **2005/2006**

(MARCH 1 – MAY 31, 2005)

HORNBACH

Es gibt immer was zu tun.

HORNBACH-Baumarkt-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-Baumarkt-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 € 617m, 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 DIY megastores with garden centers. 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 28.6% to € 32.4m (previous year: € 45.4m). Consolidated earnings before taxes fell by 36.8% to € 25.6m (previous year: € 40.5m).

Key Figures HORNBACH-Baumarkt-AG Group (in € m, unless otherwise stated)	1st Quarter 2005/2006	1st Quarter 2004/2005	Change in %
Net sales	616.7	585.2	5.4
of which in other European countries	211.6	186.8	13.3
international share of net sales (in %)	34.3%	31.9%	
Like-for-like sales growth	-0.5%	2.2%	
Gross margin (as % of net sales)	35.7%	36.9%	
EBITDA	46.8	59.2	-21.0
as % of net sales	7.6%	10.1%	
Earnings before interest and taxes (EBIT)	32.4	45.4	-28.6
as % of net sales	5.3%	7.8%	
Consolidated earnings before taxes	25.6	40.5	-36.8
Consolidated net income	16.5	24.2	-31.8
Earnings per share (€)	1.09	1.61	-32.9
Capital expenditures	30.9	8.8	251.1
Total assets	1,357.9	1,175.3	15.5
Shareholders' equity	416.1	388.8	7.0
Shareholders' equity as % of total assets	30.7%	33.1%	
No. of employees	11,095	10,235	8.4
No. of stores	119	114	4.4
Sales area as per BHB (in 000 m ²)	1,231	1,133	8.6
Average store size (in m ²)	10,344	10,005	

Consolidated sales rise by 5.4 %

The net sales of the HORNBAACH-Baumarkt-AG Group rose by 5.4% in the first quarter of 2005/2006 (March 1 to May 31, 2005) to reach € 616.7m (previous year: € 585.2m). The HORNBAACH DIY megastores with garden centers outside Germany contributed sales of € 211.6m to this figure (previous year: € 186.8m). The international share of overall sales rose to 34.3% in the first quarter (previous year: 31.9%).

New HORNBAACH DIY megastores with garden centers were opened in Malmö, Sweden, and Kosice, Slovakia, in the first three months of the financial year, in both cases with sales areas of more than 15,000 m². The number of retail outlets in the HORNBAACH-Baumarkt-AG Group therefore rose to 119 during the period under report (previous year: 114). As of May 31, 2005, a total of 88 DIY megastores and garden centers were in operation in Germany. The 31 stores in other European countries are distributed as follows: Austria (11), the Netherlands (8), the Czech Republic (4), Switzerland (3), Sweden (2), Slovakia (2) and Luxembourg (1). With total sales areas of around 1,231,000 m², the average HORNBAACH DIY store size amounts to 10,344 m².

Like-for-like sales 0.5% down on previous year

Like-for-like sales at the Group were 0.5% lower in the first quarter of the current financial year than in the equivalent period in the previous year (plus 2.2%). In view of the overall decline witnessed by the retail sector in Germany, the German HORNBAACH 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.

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 showed a year-on-year decline of 36.8% to € 25.6m (previous year: € 40.5m). Earnings before interest and taxes (EBIT) dropped by 28.6% to € 32.4m (previous year: € 45.4m). Earnings before interest and taxes, depreciation and amortization (EBITDA) fell by 21.0% to € 46.8m (previous year: € 59.2m). Consolidated net income diminished by 31.8% to € 16.5m (previous year: € 24.2m). Earnings per share calculated in line with IFRS were reported at € 1.09 (previous year: € 1.61).

The decline in key operating figures in the first quarter was mainly caused by the lower level of like-for-like sales 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 36.9% to 35.7%. This principally reflects the measures taken to secure the permanent price leadership enjoyed by HORNBAACH. 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 HORNBAACH brand on an ongoing basis.

Selling, store, general and administration expenses 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.

11,095 employees

At the reporting date on May 31, 2005, there were 11,095 (previous year: 10,235) individuals across Europe in fixed employment at HORNBAACH-Baumarkt-AG or one of its subsidiaries.

Investments of € 31m

A total of € 30.9m was invested during the first three months of the current financial year (previous year: € 8.8m), primarily in land and buildings (55%) and in plant and office equipment (45%). 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-Baumarkt-AG has been provided in the cash flow statement in the notes to this report.

Outlook

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. Accordingly, the net sales generated by the HORNBAACH-Baumarkt-AG Group, including those at newly opened stores, are expected to rise to almost € 2.3bn.

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. HORNBAACH expects price competition in the DIY sector to remain tough, and has accounted for this in its earnings forecast for the current financial year. Consolidated earnings before taxes are expected to remain significantly below the record level reported for the 2004/2005 financial year (€ 68.0m).

There are two main reasons for this development. On the one hand, HORNBAACH is prepared to accept a reduced gross margin in order to maintain its 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.

Bornheim bei Landau, June 24, 2005

– The Board of Management –

Financial Calendar for 2005

June 24, 2005	Press Conference 2004/2005 and Publication of Annual Report DVFA Analysts Conference Interim Report as of May 31, 2005
September 01, 2005	Annual General Meeting in Frankfurt am Main
September 29, 2005	Interim Report as of August 31, 2005
December 21, 2005	Interim Report as of November 30, 2005



Contact

Investor Relations

Axel Müller
 76878 Bornheim bei Landau
 Tel: (+49) 0 63 48/ 60 - 24 44
 Fax: (+49) 0 63 48/ 60 - 42 99
 invest@hornbach.com

Internet: www.hornbach.com

Press / Public Relations

Dr. Ursula Dauth
 67433 Neustadt a. d. W.
 Tel: (+49) 0 63 21/ 678 - 93 21
 Fax: (+49) 0 63 21/ 678 - 93 00
 presse@hornbach.com

HORNBACH-Baumarkt-AG Group

Income Statement

	1st Quarter 2005/2006 € million	1st Quarter 2004/2005 € million	Change in %
Sales	616.7	585.2	5.4
Costs of goods sold	396.4	369.4	7.3
Gross profit	220.3	215.8	2.1
Selling and store expenses	170.0	149.3	13.9
Pre-opening expenses	2.3	1.5	53.3
General and administration expenses	22.1	20.8	6.3
Other income and expenses	6.5	1.2	441.7
Earnings before interest and taxes (EBIT)	32.4	45.4	-28.6
Net financial expenses	-6.8	-4.9	38.8
Consolidated earnings before taxes	25.6	40.5	-36.8
Taxes on income	9.1	16.3	-44.2
Consolidated net income	16.5	24.2	-31.8

HORNBACH-Baumarkt-AG Group

Balance Sheet

ASSETS	May 31, 2005		May 31, 2004		February 28, 2005	
	€ million	%	€ million	%	€ million	%
A. Long-term assets	651.8	48.0	649.7	55.2	650.9	51.1
I. Intangible assets	25.4	1.9	15.6	1.3	25.5	2.0
II. Property, plant and equipment	610.0	44.9	617.6	52.5	609.8	47.9
III. Financial assets	0.2	0.0	0.8	0.1	0.2	0.0
IV. Other long-term assets	1.6	0.1	1.6	0.1	1.6	0.1
V. Deferred tax claims	14.6	1.1	14.1	1.2	13.8	1.1
B. Short-term assets	706.1	52.0	525.6	44.8	622.9	48.9
I. Inventories	454.5	33.5	428.1	36.5	426.4	33.5
II. Accounts receivable and other assets	31.8	2.3	38.6	3.3	53.3	4.2
III. Cash and cash equivalents	219.8	16.2	58.9	5.0	143.2	11.2
Total Assets	1,357.9	100.0	1,175.3	100.0	1,273.8	100.0

EQUITY AND LIABILITIES	May 31, 2005		May 31, 2004		February 28, 2005	
	€ million	%	€ million	%	€ million	%
A. Shareholders' equity	416.1	30.7	388.8	33.1	398.6	31.3
I. Share capital	45.5	3.4	45.0	3.8	45.3	3.6
II. Capital reserve	126.6	9.3	122.5	10.4	124.7	9.8
III. Retained earnings	227.5	16.8	197.1	16.8	185.3	14.5
IV. Consolidated net income	16.5	1.2	24.2	2.1	43.3	3.4
B. Long-term liabilities	555.0	40.9	331.4	28.2	560.6	44.1
I. Long-term debt	495.4	36.5	279.7	23.8	501.6	39.4
II. Deferred taxes	48.3	3.6	45.0	3.8	46.8	3.7
III. Other liabilities	11.3	0.8	6.7	0.6	12.2	1.0
C. Short-term liabilities	386.8	28.4	455.1	38.7	314.6	24.6
I. Short-term debt	34.1	2.5	127.2	10.8	40.1	3.1
II. Accounts payable and other liabilities	276.9	20.3	236.8	20.1	214.2	16.8
III. Tax provisions	13.1	1.0	23.6	2.1	12.6	1.0
IV. Other provisions	62.7	4.6	67.5	5.7	47.7	3.7
Total Equity and Liabilities	1,357.9	100.0	1,175.3	100.0	1,273.8	100.0

HORNBACH-Baumarkt-AG Group

Cash Flow Statement

	1st Quarter 2005/2006 € million	1st Quarter 2004/2005 € million
Consolidated net income	17	24
Depreciation and amortization	14	14
Change in provisions	0	0
Profits/losses on the sale of fixed assets	-4	0
Change in inventories, accounts receivable and other assets	-26	-6
Change in accounts payable and other liabilities	78	42
Other income/expenses with no cash effect	1	4
Cash flow from operating activities	80	78
Proceeds from disposals of fixed assets	38	0
Payments for investments in tangible assets	-30	-18
Payments for investments in intangible assets	-1	-1
Cash flow from investing activities	7	-19
Receipts from capital increases	2	0
Repayment of long-term debt	-7	-10
Payments for group financing activities	0	-40
Change in short-term debt	-5	1
Cash flow from financing activities	-10	-49
Change in cash and cash equivalents	77	10
Cash and cash equivalents at March 1	143	49
Cash and cash equivalents at May 31	220	59

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-Baumarkt-AG Group

Statement of Shareholders' Equity

First Quarter 2004/2005							
€ million	Share Capital	Capital Reserve	Hedging Reserve	Cumulative Currency Conversion	Other Retained Earnings	Net Income for the Year	Total Equity
Balance at March 1, 2004	45	122	-2	0	170	28	363
Foreign currency adjustments				1			1
Valuation of derivative financial instruments, net after taxes			1				1
Transfer to reserves					28	-28	0
Net income for the year						24	24
Balance at May 31, 2004	45	122	-1	1	198	24	389

First Quarter 2005/2006							
€ million	Share Capital	Capital Reserve	Hedging Reserve	Cumulative Currency Conversion	Other Retained Earnings	Net Income for the Year	Total Equity
Balance at March 1, 2005	45	125	-2	3	185	43	399
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					43	-43	0
Net income for the year						17	17
Balance at May 31, 2005	45	127	-3	2	228	17	416

HORNBACH-Baumarkt-AG Group

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

(1) Accounting principles

This non-audited group interim report of HORNBACH-Baumarkt-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-Baumarkt-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. Scheduled amortization of goodwill amounting to € 90k 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-Baumarkt-AG Group.

(2) Reporting entity

There have been no changes in the reporting entity in the first quarter of 2005/2006.

(3) Seasonal influences

Due to weather conditions, the HORNBACH-Baumarkt-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	9.5	5.1	86.6
Other operating expenses	3.0	3.9	-35.9
Other income and expenses	6.5	1.2	441.7

Other operating income primarily relates to advertising grants, income from exchange rate and payment differences, and income from transfers within the HORNBACH HOLDING AG Group. Furthermore, the income includes other non-operating income of € 3.9m resulting from the disposal of a DIY store property. The DIY store property has been 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 HORNBACH-Baumarkt-AG Group amounted to € 91.8m at the end of the 1st quarter on May 31, 2005 (previous year: € 83.4m).

Depreciation and amortization totaling € 14.4m was undertaken on intangible assets and property, plant and equipment at the HORNBACH-Baumarkt-AG Group in the first three months of the 2005/2006 financial year (previous year: € 13.8m).

(6) Taxes on income

Taxes on income are structured as follows:

€ million	1st Quarter 2005/2006	1st Quarter 2004/2005	Change in %
Current tax expenses	8.1	12.6	-35.7
Deferred tax expenses	1.0	3.7	-73.0
	9.1	16.3	-44.2

(7) Share capital

In the first quarter of the 2005/2006 financial year, a total of 81,680 non-par ordinary shares in the company were issued by means of a conditional capital increase in connection with the exercising of subscription rights from the 1999 share option plan of HORNBACH-Baumarkt-AG. The issue of these new shares means that the share capital of the company has risen by € 245,040.00 to its current total of € 45,538,530.00. This is divided into 15,179,510 ordinary shares.

(8) 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-Baumarkt-AG for the period under report and the weighted average number of shares in circulation.

Earnings per share

	May 31, 2005	May 31, 2004
Weighted number of shares issued	15,125,057	15,011,500
Consolidated net income allocable to the shareholders in HORNBAACH-Baumarkt-AG (in € million)	16.5	24.2
Earnings per share (in €)	1.09	1.61

The share option plans mean that shares have arisen with a potentially diluting effect. The diluted earnings per share are calculated as follows:

Diluted earnings per share

	May 31, 2005	May 31, 2004
Weighted number of shares issued, including potential shares with a diluting effect	15,192,304	15,011,500
Consolidated net income allocable to the shareholders in HORNBAACH-Baumarkt-AG (in € million)	16.5	24.2
Earnings per share (in €)	1.09	1.61

(9) Segment reporting

1st Quarter 2005/2006 in € million (1st Quarter 2004/2005 in € million)	DIY Stores	Real Estate	Miscellaneous and Consolidation	HORNBACH- Baumarkt-AG Group
Segment income	616.5	23.0	-22.8	616.7
	(585.0)	(21.7)	(-21.5)	(585.2)
- Sales to external third parties	616.3	0.0	0.0	616.3
	(584.8)	(0.0)	(0.0)	(584.8)
- Sales to affiliated companies	0.2	0.0	0.0	0.2
	(0.2)	(0.0)	(0.0)	(0.2)
- Rental income from affiliated companies, internal rental income	0.0	22.8	-22.8	0.0
	(0.0)	(21.5)	(-21.5)	(0.0)
- Rental income from external third parties	0.0	0.2	0.0	0.2
	(0.0)	(0.2)	(0.0)	(0.2)
Segment earnings (EBIT)	25.3	10.6	-3.5	32.4
	(41.7)	(6.4)	(-2.7)	(45.4)
Depreciation	9.5	3.0	1.9	14.4
	(9.0)	(3.2)	(1.6)	(13.8)
EBITDA	34.8	13.6	-1.6	46.8
	(50.7)	(9.6)	(-1.1)	(59.2)

Bornheim, June 24, 2005

The Board of Management of HORNBACH-Baumarkt-Aktiengesellschaft