# INTERIM REPORT

## HORNBACH HOLDING AG GROUP

# 1st QUARTER 2010/2011

## (MARCH 1 – MAY 31, 2010)

HORNBACH HOLDING AG

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## Interim Report for the 1st Quarter of 2010/2011

## (March 1 – May 31, 2010)

| Key figures of the HORNBACH HOLDING AG Group (in € million, unless otherwise stated) | 1st Quarter 2010/2011 | 1st Quarter 2009/2010 | Change % |
|---|---|---|---|
| **Net sales** | **826.6** | **819.8** | **0.8** |
| of which: in other European countries | 326.3 | 312.6 | 4.4 |
| Like-for-like sales growth | (2.0)% | 1.5% | |
| Gross margin as % of net sales | 36.9% | 36.2% | |
| EBITDA | 76.4 | 77.1 | (0.9) |
| **EBIT** | **59.6** | **59.6** | **(0.1)** |
| Consolidated earnings before taxes | 53.0 | 50.4 | 5.1 |
| Consolidated net income* | 37.8 | 37.1 | 2.0 |
| Earnings per preference share in € | 3.76 | 3.72 | 1.1 |
| Investments | 19.4 | 38.8 | (49.9) |

| Misc. key figures of the HORNBACH HOLDING AG Group (in € million, unless otherwise stated) | May 31, 2010 | February 28, 2010 | Change % |
|---|---|---|---|
| Total assets | 2,185.9 | 2,032.9 | 7.5 |
| Shareholders' equity | 901.1 | 861.5 | 4.6 |
| Shareholders' equity as % of total assets | 41.2% | 42.4% | |
| Number of employees | 13,330 | 13,214 | 0.9 |

Rounding up or down may lead to discrepancies between percentages and totals. Calculation of percentage figures based on € 000s .

* including minority interests pursuant to IFRS.

## Summary

- **Pleasing earnings performance in first quarter of 2010/2011**
- **At € 59.6 million, EBIT matches high previous year's figure**
- **Consolidated sales up 0.8%**
- **Poor weather places damper on gardening season at DIY stores with garden centers – like-for-like sales slightly down on previous year**
- **Builders' merchant business grows by 3.6%**

**All in all, the HORNBACH HOLDING AG Group can afford to be satisfied with its start to the new 2010/2011 financial year. Poor spring weather conditions meant that the sales performance of the DIY stores with garden centers was somewhat subdued in the first quarter (March 1 to May 31, 2010). Thanks to an improved gross margin, however, the Group managed to maintain its earnings at the strong level seen in the previous year. Consolidated sales showed slight growth of 0.8% to € 826.6 million in the first three months (previous year: € 819.8m).**

**Sales at the largest operating subgroup, HORNBACH-Baumarkt-AG, rose by 0.7% to € 779.9 million (previous year: € 774.8m). Currency-adjusted like-for-like sales fell 2.0% short of the previous year's figure. Having said this, we achieved like-for-like sales growth, in some cases substantial, in five of the nine countries where we operate our DIY megastores with garden centers. Sales at the HORNBACH Baustoff Union GmbH subgroup (builders' merchants) grew 3.6% overall in the first quarter.**

**Earnings showed pleasing developments in the first three months of the current financial year. At € 59.6 million, operating earnings (EBIT) matched the previous year's figure. Net income for the period increased by 2.0% to € 37.8 million (previous year: € 37.1m). Earnings per preference share are reported at € 3.76 for the first quarter (previous year: € 3.72).**

## Earnings, Financial and Net Asset Situation

### Sales performance

The HORNBACH HOLDING AG Group (HORNBACH Group) comprises the HORNBACH-Baumarkt-AG, HORNBACH Baustoff Union GmbH and HORNBACH Immobilien AG subgroups. The HORNBACH Group's sales showed slight growth of 0.8% to € 826.6 million (previous year: € 819.8m) in the first quarter of the current 2010/2011 financial year (March 1, 2010 to February 28, 2011).

#### HORNBACH-Baumarkt-AG subgroup

This subgroup's sales performance in the first three months of the 2010/2011 financial year (March 1, 2010 to February 28, 2011) was affected by extended periods of very cold, wet weather. This led to a decline in sales in the garden product division. The other product divisions, namely hardware/electrical, paint/wallpaper/flooring, construction materials/timber/prefabricated construction components and sanitary/tiles, by contrast, witnessed more or less stable customer demand or reported slight sales growth. All in all, the spring season was subdued compared with the previous year. The subgroup's sales increased by 0.7% to € 779.9 million (previous year: € 774.8m). On a like-for-like basis, i.e. excluding sales at stores newly opened in the past twelve months and net of currency items, sales fell by 2.0% across the subgroup. The various regions showed a variety of developments in this respect. We achieved like-for-like sales growth, substantial in some cases, in five of the nine countries where we operate our HORNBACH DIY megastores with garden centers. Including currency items in the non-euro countries of Romania, Sweden, Switzerland, and the Czech Republic, like-for-like sales decreased only 0.8%.

- **Germany**

Total sales in Germany eased slightly by 1.9% to € 453.6 million (previous year: € 462.2m), while like-for-like sales fell by 2.3%. March was very frosty through to the middle of the month, with sales only gaining significant ground in the second half of the month, nevertheless sufficiently so to ensure pleasing like-for-like sales growth for the month as a whole. Whereas April 2009 had stood out on account of its double-digit sales growth, in April 2010 we were unable to match this high standard. May, which witnessed unusually cool and rainy weather, placed a significant damper on our garden sales, thus also dragging down like-for-like sales. We failed to outperform the sector average in the first quarter of 2010/2011. With its combined garden centers, HORNBACH dedicates a significantly above-average proportion of its sales areas to garden products, and was thus more exposed to the negative impact on customer demand of weather conditions than were its competitors on average.

- Other European countries

Due to the Group's expansion, sales at the international HORNBACH DIY megastores with garden centers grew by 4.4% in the period under report to reach € 326.3 million (previous year: € 312.6m). The international share of consolidated sales at HORNBACH-Baumarkt-AG therefore grew year-on-year from 40.3% to 41.8% in the first quarter. At 1.5%, the decline in like-for-like sales net of currency items was less marked in other European countries than in Germany. This slight reduction was mainly attributable to lower sales in the Czech Republic and Romania, where the economic recovery from the financial crisis is progressing more slowly than in most other countries in our European network. In Slovakia, by contrast, we posted sales growth. Apart from in the Netherlands, we boosted our like-for-like sales, in some cases substantially, in all other West European countries. Including currency items, like-for-like sales in other European countries grew by 1.4% in the first quarter.

No new HORNBACH DIY megastores with garden centers were opened in the first quarter of 2010/2011. As of May 31, 2010, we were operating 131 retail outlets across the Group (February 28, 2010: 131). Of these, an unchanged total of 92 stores are in Germany, while 39 stores are located in other European countries. Total sales areas most recently amounted to around 1,482,000 m². The HORNBACH DIY megastores with garden centers have an average size of more than 11,300 m².

### HORNBACH Baustoff Union GmbH subgroup

Sales at the HORNBACH Baustoff Union GmbH (HBU) subgroup increased by 3.6% to € 46.7 million in the first quarter of 2010/2011 (previous year: € 45.0m), and thus disproportionately compared with the sales growth reported for the overall Group. As of May 31, 2010, HORNBACH Baustoff Union GmbH was operating an unchanged total of 21 outlets.

## Earnings performance

The following information refers to the earnings performance of the overall HORNBACH HOLDING AG Group.

Notwithstanding the subdued sales performance at the DIY store with garden centers, the HORNBACH Group showed pleasing developments in earnings in the period under report from March to May 2010. Earnings chiefly benefited from a substantial increase in the gross margin. The gross profit rose as a percentage of sales from 36.2% to 36.9%. This increase in the gross margin was in turn chiefly driven by a reduction in average procurement prices. Due mainly to higher personnel and operating expenses, selling and store expense rose 2.8% to € 218.3 million (previous year: € 212.4m). The store expense ratio thus increased from 25.9% to 26.4%. Due to higher project-related expenses, the administration expense ratio rose slightly from 3.5% to 3.6%.
As in the previous year's quarter, there were no significant non-operating earnings items.

With operating earnings (EBIT) of € 59.6 million in the first quarter of 2010/2011, the Group successfully matched the strong previous year's figure. Net financial expenses improved from minus € 9.2 million to minus € 6.6 million on account of currency gains. As a result, earnings before taxes rose 5.1% to € 53.0 million, up from € 50.4 million in the previous year. After taxes, net income for the period amounted to € 37.8 million (previous year: € 37.1m). Earnings per preference share are reported at € 3.76 for the first quarter (previous year: € 3.72).

### Earnings performance by segment

Due mainly to the positive development in the gross margin, **HORNBACH-Baumarkt-AG**, the largest operating subgroup, has also reported a pleasing earnings performance. At € 49.6 million, operating earnings (EBIT) matched the previous year's figure. In March 2010, a new HORNBACH DIY megastore with a garden center in Switzerland (Biel) was sold and leased back on a long-term basis. Apart from € 10k (net balance), no disposal gains were incurred. This sale and leaseback transaction was originally scheduled to take place in the 2009/2010 financial year already.

Earnings at the **HORNBACH Baustoff Union GmbH** subgroup once again grew disproportionately compared with sales in the first quarter of 2010/2011. Thanks to sales growth in conjunction with ongoing strict cost management, HBU's operating earnings improved from € 683k to € 882k.

Earnings at the **HORNBACH Immobilien AG** subgroup also showed stable developments. As in the previous year, no disposal gains were generated on real estate transactions in the first three months of the financial year. At € 9.7 million, the subgroup's EBIT fell only slightly short of the previous year's figure of € 9.9 million in spite of higher expenses incurred on energy-saving measures at the DIY megastores with garden centers owned by the subgroup.

### Financial and net asset position

The investments made by the HORNBACH Group dropped from € 38.8 million in the previous year to € 19.4 million. Unlike in the previous year, there was no new store opening in the first three months of the financial year. Around 56% of investments were channeled into land and buildings, while the rest was invested in plant and office equipment at new and existing stores, as well as in intangible assets. Investments were financed in full from the cash flow of € 106.8 million from operating activities (previous year: € 105.1m). Further information about the financing and investment activities of the HORNBACH HOLDING AG Group can be found in the cash flow statement on Page 10.

Total assets grew to € 2,185.9 million as of May 31, 2010, up 7.5% on the balance sheet date as of February 28, 2010. Cash and cash equivalents are reported at € 463.2 million (February 28, 2010: € 335.1m). Shareholders' equity as reported in the balance sheet rose by 4.6% compared with the previous reporting date to its current total of € 901.1 million. At 41.2%, the equity ratio remains pleasingly high (February 28, 2010: 42.4%). The net financial debt of the overall HORNBACH HOLDING AG Group reduced significantly to € 290.9 million, down from € 422.6 million as of February 28, 2010.

### Employees

At the reporting date on May 31, 2010, 13,330 individuals across Europe were in fixed employment at the HORNBACH HOLDING AG Group (February 28, 2010: 13,214).

## Outlook

We reported at length on the macroeconomic, sector-specific, and strategic opportunities involved in the business activities of the HORNBACH Group in the outlook on Pages 65 to 71 of the 2009/2010 Annual Report. This basic assessment of the Group's medium to long-term development potential was still valid upon publication of this interim report. Based on current information, we can therefore confirm the earnings forecast for the current financial year formulated in the outlook in the 2009/2010 Annual Report (Pages 72 to 75). We are revising our forecast slightly in terms of our expansion and sales performance.

Three HORNBACH DIY megastores with garden centers are currently under construction. These relate to the locations in the Czech Republic, Romania and the Netherlands. The Dutch store is expected to be opened in November 2010, while operations are expected to begin at the Romanian and Czech stores in the fourth quarter. Due to delays in the issuing of the relevant permits, the opening of a further store in the Netherlands, originally scheduled to take place in the current financial year, will have to be postponed to the 2011/2012 financial year. Moreover, with regard to the gardening season it remains to be seen whether the sales momentum lost in the spring can be made up in the further course of the financial year. This uncertainty also impacts on the sales forecast. Sales for the financial year as a whole are expected to show low to medium single-digit percentage growth both at the HORNBACH HOLDING AG Group and at the HORNBACH-Baumarkt-AG subgroup. We had originally forecast sales growth in a medium single-digit percentage range for both companies. No further sale and leaseback transactions are budgeted for the current financial year.

Our earnings forecast is unchanged on the information provided in our Annual Report. Accordingly, due mainly to higher project-related administration expenses and increased pre-opening expenses on the level of the HORNBACH-Baumarkt-AG subgroup, operating earnings (EBIT) at the overall HORNBACH HOLDING AG Group for the 2010/2011 financial year as a whole are expected to fall slightly short of the level seen in the 2009/2010 financial year (€ 151.5m).

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## Income Statement

| € million | 1st Quarter 2010/2011 | 1st Quarter 2009/2010 | Change % |
|---|---|---|---|
| Sales | 826.6 | 819.8 | 0.8 |
| Cost of goods sold | 521.5 | 523.3 | (0.3) |
| **Gross profit** | **305.1** | **296.5** | **2.9** |
| Selling and store expenses | 218.3 | 212.4 | 2.8 |
| Pre-opening expenses | 0.6 | 0.8 | (27.4) |
| General and administration expenses | 30.0 | 28.7 | 4.5 |
| Other income and expenses | 3.4 | 5.0 | (33.0) |
| **Earnings before interest and taxes (EBIT)** | **59.6** | **59.6** | **(0.1)** |
| Other interest and similar income | 0.7 | 1.3 | (48.0) |
| Other interest and similar expenses | 9.8 | 10.7 | (7.8) |
| Other financial result | 2.6 | 0.2 | |
| **Net financial expenses** | **(6.6)** | **(9.2)** | **(28.2)** |
| **Consolidated earnings before taxes** | **53.0** | **50.4** | **5.1** |
| Taxes on income | 15.2 | 13.3 | 13.6 |
| **Consolidated net income** | **37.8** | **37.1** | **2.0** |
| of which: income attributable to shareholders | 29.8 | 29.5 | 1.1 |
| of which: minority interests | 8.0 | 7.6 | 5.5 |
| **Earnings per share in €** | **3.70** | **3.66** | **1.1** |
| **Earnings per preference share in €** | **3.76** | **3.72** | **1.1** |

Rounding up or down may lead to discrepancies between percentages and totals. Calculation of percentage figures based on € 000s.

## Statement of Comprehensive Income for the Period

| € million | 1st Quarter 2010/2011 | 1st Quarter 2009/2010 |
|---|---|---|
| **Consolidated net income** | **37.8** | **37.1** |
| Measurement of derivative financial instruments (cash flow hedge) | | |
| Measurement of derivative hedging instruments directly in equity | (1.0) | (0.4) |
| Gains and losses from measurement of derivative financial instruments transferred to profit or loss | 1.1 | 0.3 |
| Exchange differences arising on the translation of foreign subsidiaries | 1.8 | 3.0 |
| Deferred taxes on gains and losses recognized directly in equity | 0.0 | 0.0 |
| **Other comprehensive income** | **1.9** | **2.9** |
| **Total comprehensive income** | **39.7** | **40.0** |
| of which: attributable to shareholders | 31.0 | 32.1 |
| of which: attributable to minority interests | 8.6 | 7.9 |

Rounding up or down may lead to discrepancies between totals.

# Balance Sheet

| Assets | May 31, 2010 |  | February 28, 2010 |  |
|---|---|---|---|---|
|  | € million | % | € million | % |
| **Non-current assets** |  |  |  |  |
| Intangible assets | 20.4 | 0.9 | 19.5 | 1.0 |
| Property, plant, and equipment | 1,002.1 | 45.8 | 1,001.2 | 49.2 |
| Investment property | 50.2 | 2.3 | 46.8 | 2.3 |
| Financial assets | 2.5 | 0.1 | 2.5 | 0.1 |
| Non-current receivables and other assets | 12.2 | 0.6 | 12.0 | 0.6 |
| Non-current income tax receivables | 15.1 | 0.7 | 17.8 | 0.9 |
| Deferred tax assets | 21.6 | 1.0 | 22.0 | 1.1 |
|  | **1,124.2** | **51.4** | **1,121.8** | **55.2** |
| **Current assets** |  |  |  |  |
| Inventories | 489.8 | 22.4 | 451.4 | 22.2 |
| Other receivables and assets | 95.4 | 4.4 | 81.4 | 4.0 |
| Income tax receivables | 12.4 | 0.6 | 8.1 | 0.4 |
| Cash and cash equivalents | 463.2 | 21.2 | 335.1 | 16.5 |
| Non-current assets held for sale and disposal groups | 1.0 | 0.0 | 35.1 | 1.7 |
|  | **1,061.7** | **48.6** | **911.1** | **44.8** |
|  | **2,185.9** | **100.0** | **2,032.9** | **100.0** |

| Equity and liabilities | May 31, 2010 |  | February 28, 2010 |  |
|---|---|---|---|---|
|  | € million | % | € million | % |
| **Shareholders' equity** |  |  |  |  |
| Share capital | 24.0 | 1.1 | 24.0 | 1.2 |
| Capital reserve | 130.4 | 6.0 | 130.4 | 6.4 |
| Revenue reserves | 583.4 | 26.7 | 552.3 | 27.2 |
| Minority interests | 163.4 | 7.5 | 154.8 | 7.6 |
|  | **901.1** | **41.2** | **861.5** | **42.4** |
| **Non-current liabilities** |  |  |  |  |
| Non-current financial debt | 663.9 | 30.4 | 673.0 | 33.1 |
| Deferred tax liabilities | 73.0 | 3.3 | 73.6 | 3.6 |
| Other non-current liabilities | 20.6 | 0.9 | 20.3 | 1.0 |
|  | **757.5** | **34.7** | **766.9** | **37.7** |
| **Current liabilities** |  |  |  |  |
| Current financial debt | 90.1 | 4.1 | 84.7 | 4.2 |
| Trade payables and other liabilities | 317.6 | 14.5 | 227.6 | 11.2 |
| Income tax liabilities | 38.5 | 1.8 | 27.3 | 1.3 |
| Other provisions and accrued liabilities | 81.0 | 3.7 | 64.9 | 3.2 |
|  | **527.3** | **24.1** | **404.5** | **19.9** |
|  | **2,185.9** | **100.0** | **2,032.9** | **100.0** |

Rounding up or down may lead to discrepancies between percentages and totals. Calculation of percentage figures based on € 000s.

## Statement of Changes in Equity

| 1st Quarter 2009/2010<br>€ million | Share capital | Capital reserve | Hedging reserve | Cumulative currency translation | Other revenue reserves | Equity attributable to shareholders | Minority interests | Total group equity |
|---|---|---|---|---|---|---|---|---|
| **Balance at March 1, 2009** | **24.0** | **130.4** | **(4.0)** | **3.3** | **491.7** | **645.3** | **135.1** | **780.5** |
| Consolidated net income | | | | | 29.5 | 29.5 | 7.6 | 37.1 |
| Measurement of derivative financial instruments (cash flow hedge), net after taxes | | | | | | | (0.1) | (0.1) |
| Foreign currency translation | | | | 2.6 | | 2.6 | 0.4 | 3.0 |
| **Total comprehensive income** | | | | | **29.5** | **32.1** | **7.9** | **40.0** |
| **Balance at May 31, 2009** | **24.0** | **130.4** | **(4.0)** | **5.9** | **521.1** | **677.5** | **143.0** | **820.5** |

| **1st Quarter 2010/2011<br>€ million** | Share capital | Capital reserve | Hedging reserve | Cumulative currency translation | Other revenue reserves | Equity attributable to shareholders | Minority interests | Total group equity |
|---|---|---|---|---|---|---|---|---|
| **Balance at March 1, 2010** | **24.0** | **130.4** | **(4.4)** | **10.1** | **546.6** | **706.7** | **154.8** | **861.5** |
| Consolidated net income | | | | | 29.8 | 29.8 | 8.0 | 37.8 |
| Measurement of derivative financial instruments (cash flow hedge), net after taxes | | | | | | | 0.1 | 0.1 |
| Foreign currency translation | | | | 1.2 | | 1.2 | 0.6 | 1.8 |
| **Total comprehensive income** | | | | **1.2** | **29.8** | **31.0** | **8.6** | **39.7** |
| **Balance at May 31, 2010** | **24.0** | **130.4** | **(4.4)** | **11.3** | **576.5** | **737.8** | **163.4** | **901.1** |

Rounding up or down may lead to discrepancies between totals.

## Cash Flow Statement

| € million | 1st Quarter 2010/2011 | 1st Quarter 2009/2010 |
|---|---|---|
| **Consolidated net income** | **37.8** | **37.1** |
| Depreciation and amortization of non-current assets | 16.8 | 17.5 |
| Change in provisions | 0.1 | 0.1 |
| Gains/losses on disposals of non-current assets | (0.1) | (0.1) |
| Change in inventories, trade receivables, and other assets | (62.4) | (20.9) |
| Change in trade payables and other liabilities | 115.6 | 69.2 |
| Other non-cash income/expenses | (1.0) | 2.2 |
| **Cash flow from operating activities** | **106.8** | **105.1** |
| Proceeds from disposal of non-current assets and of non-current assets held for sale | 44.9 | 6.2 |
| Payments for investments in property, plant, and equipment | (17.1) | (30.6) |
| Payments for investments in intangible assets | (2.4) | (0.6) |
| Payments for acquisitions of shareholdings and other business units | 0.0 | (7.6) |
| **Cash flow from investing activities** | **25.4** | **(32.6)** |
| Proceeds from taking up long-term debt | 0.0 | 27.5 |
| Repayment of long-term debt | (11.4) | (11.1) |
| Change in current financial debt | 7.1 | (28.9) |
| **Cash flow from financing activities** | **(4.3)** | **(12.5)** |
| Cash-effective change in cash and cash equivalents | 128.0 | 60.0 |
| Changes in cash and cash equivalents due to changes in exchange rates | 0.1 | 0.4 |
| Cash and cash equivalents at March 1 | 335.1 | 275.2 |
| **Cash and cash equivalents at May 31** | **463.2** | **335.6** |

Rounding up or down may lead to discrepancies between totals.

The proceeds from disposal of non-current assets for the current year include purchase price payments of € 10.2 million from the sale of land not required for operations by way of the disposal of three Austrian real estate companies. This transaction was executed in the 2008/2009 financial year.

The cash flow from operating activities was reduced by € 5.9 million on account of income tax payments (previous year: € 7.9m) and by € 15.1 million on account of interest payments (previous year: € 14.4m) and increased by € 0.7 million on account of interest received (previous year: € 1.3m).

The other non-cash income/expenses item largely consists of unrecognized foreign currency differences and deferred taxes.

# Notes to the Group Interim Report as of May 31, 2010

**(1) Accounting principles**

This unaudited group interim report of HORNBACH HOLDING AG and its subsidiaries for the 1st quarter as of May 31, 2010 has been prepared in accordance with § 315a of the German Commercial Code (HGB) based on International Financial Reporting Standards (IFRS) in the form requiring mandatory application in the European Union.

The HORNBACH Group has implemented all International Financial Reporting Standards and Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) requiring mandatory application in the European Union for the first time from the 2010/2011 financial year.

The revised version of IFRS 3 "Business Combinations" and IAS 27 "Consolidated and Separate Financial Statements" will lead to changes in the presentation of business combinations in future. Initial application of the revised standard will affect the Group's net asset, financial and earnings position in line with the scale of the relevant business combination. Changes in the level of shareholding held in subsidiaries already fully consolidated not leading to any loss of control will continue to be offset directly against equity.

The application of the other International Financial Reporting Standards and Interpretations of the International Financial Reporting Interpretations Committee requiring application for the first time from the 2010/2011 financial year has not had any implications for the Group's net asset, financial and earnings position.

Otherwise, the accounting principles applied when preparing the interim report correspond to those applied in the consolidated financial statements as of February 28, 2010. The Group has made additional application of IAS 34 "Interim Financial Reporting". Pursuant to IAS 34 "Interim Financial Reporting", income tax expenses for the 1st quarter have been calculated using the average annual tax rate expected for the financial year as a whole. This interim report is to be read in conjunction with the consolidated financial statements of HORNBACH HOLDING AG for the 2009/2010 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 any amendments are expressly indicated. Moreover, this interim report is also consistent with German Accounting Standard No. 16 (DRS 16) - Interim Reporting - of the German Accounting Standards Committee (DRSC).

**(2) Scope of consolidation**

There were no changes in the scope of consolidation in the first quarter of 2010/2011.

**(3) Seasonal influences**

Due to weather conditions, the HORNBACH HOLDING AG Group generally reports a weaker business performance in the autumn and winter than in the spring and summer months. These seasonal fluctuations are reflected in the figures for the first quarter. The business results for the first three months as of May 31, 2010 do not necessarily provide an indication of the results to be expected for the year as a whole.

### (4) Other income and expenses

Other income and expenses are structured as follows:

| € million | 1st Quarter 2010/2011 | 1st Quarter 2009/2010 | Change % |
|---|---|---|---|
| Other income | 4.6 | 6.3 | (27.4) |
| Other expenses | 1.2 | 1.3 | (6.0) |
| **Other income and expenses** | **3.4** | **5.0** | **(33.0)** |

Percentages calculated on basis of € 000s. Rounding up or down may lead to discrepancies between totals.

The other income reported for the first quarter consists of operating income of € 4.4 million (previous year: € 6.3m) and non-operating income of € 0.2 million (previous year: € 0.0m). Operating income mainly consists of income from advertising grants, other supplier credits, and ancillary revenues at the DIY stores with garden centers. The non-operating income for the first quarter of 2010/2011 results from the sale of a DIY store property. This was leased back on a long-term basis together with the relevant land within the framework of an operating lease. There is the option of extending the letting period following expiry of the fixed term.

Other expenses consists of operating expenses of € 1.0 million (previous year: € 1.2m) and non-operating expenses of € 0.2 million (previous year: € 0.1m). Operating expenses mainly involve impairment losses recognized for receivables and losses incurred in connection with damages. The non-operating expenses for the first quarter of 2010/2011 result from the sale of a piece of land disposed of in the sale and leaseback transaction referred to above. The DIY store property and the land had previously been classified as held for sale. The non-operating expenses reported for the previous year resulted from refurbishment measures.

### (5) Earnings per share

Basic earnings per share are calculated pursuant to IAS 33 "Earnings per Share" as the quotient of the income attributable to the shareholders of HORNBACH HOLDING AG for the period under report and the weighted average number of shares issued.

| | 1st Quarter 2010/2011 | 1st Quarter 2009/2010 |
|---|---|---|
| Consolidated net income in € million | 29.8 | 29.5 |
| Additional dividend for preference shares in € million | 0.2 | 0.2 |
| **Consolidated net income adjusted to account for additional dividend claims in € million** | **29.6** | **29.3** |
| | | |
| 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 €** | **3.70** | **3.66** |
| Additional dividend claim per preference share in € | 0.06 | 0.06 |
| **Earnings per preference share in €** | **3.76** | **3.72** |

**(6) Other disclosures**

The personnel expenses of the HORNBACH HOLDING AG Group amounted to € 125.0 million at the end of the first quarter as of May 31, 2010 (previous year: € 121.7m).

Depreciation and amortization totaling € 16.8 million was recognized on intangible assets and property, plant and equipment at the HORNBACH HOLDING AG Group in the first three months of the 2010/2011 financial year (previous year: € 17.5m).

**(7) Contingent liabilities and other financial obligations**

These mainly involve obligations in connection with rental, hiring, leasehold and leasing contracts for which the companies of the HORNBACH HOLDING AG Group do not constitute the economic owners of the assets thereby leased pursuant to IFRS regulations (Operating Lease). These amounted to € 788.8 million at the end of the first quarter (February 28, 2010: € 809.7m).

**(8) Related party disclosures**

In addition to the subsidiaries included in the consolidated financial statements, HORNBACH HOLDING AG also has direct or indirect relationships with affiliated companies when performing its customary business activities. Apart from the transactions reported in the annual financial statements, no major transactions were undertaken with closely related companies and persons during the first quarter of 2010/2011.

**(9) Events after the end of the quarter**

The HORNBACH Baustoff Union GmbH subgroup has acquired a new builders' merchant location by way of a contract concluded on June 2, 2010.

## (10) Segment report

| 1st Quarter 2010/2011 in € million<br>1st Quarter 2009/2010 in € million | HORNBACH-Baumarkt-AG subgroup | HORNBACH Immobilien AG subgroup | HORNBACH Baustoff Union GmbH subgroup | Headquarters and consolidation | HORNBACH HOLDING AG Group |
|---|---|---|---|---|---|
| **Segment sales** | **779.9** | **46.7** | **15.9** | **(15.8)** | **826.6** |
| | 774.8 | 45.0 | 15.6 | (15.6) | 819.8 |
| Sales to third parties | 779.6 | 46.1 | 0.0 | 0.0 | 825.7 |
| | 774.6 | 44.3 | 0.0 | 0.0 | 818.9 |
| Sales to affiliated companies | 0.0 | 0.5 | 0.0 | (0.6) | 0.0 |
| | 0.0 | 0.7 | 0.0 | (0.8) | 0.0 |
| Rental income from external third parties | 0.2 | 0.0 | 0.7 | 0.0 | 0.9 |
| | 0.2 | 0.0 | 0.7 | 0.0 | 0.9 |
| Rental income from affiliated companies | 0.0 | 0.0 | 15.3 | (15.3) | 0.0 |
| | 0.0 | 0.0 | 14.9 | (14.9) | 0.0 |
| **Segment earnings (EBIT)** | **49.6** | **0.9** | **9.7** | **(0.6)** | **59.6** |
| | 49.6 | 0.7 | 9.9 | (0.6) | 59.6 |
| **Depreciation and amortization** | **12.8** | **1.0** | **3.0** | **0.0** | **16.8** |
| | 13.5 | 1.0 | 3.0 | 0.0 | 17.5 |
| **EBITDA** | **62.4** | **1.9** | **12.7** | **(0.6)** | **76.4** |
| | 63.2 | 1.7 | 12.8 | (0.6) | 77.1 |
| **Segment assets** | **1,551.8** | **108.9** | **451.4** | **24.7** | **2,136.8** |
| | 1,493.9 | 101.3 | 432.1 | 29.0 | 2,056.2 |
| of which: credit balances at banks | 391.2 | 0.9 | 23.8 | 22.8 | 438.7 |
| | 261.2 | 0.3 | 6.0 | 29.2 | 296.7 |

| Reconciliation in € million | 1st Quarter 2010/2011 | 1st Quarter 2009/2010 |
|---|---|---|
| Segment earnings (EBIT) before "Headquarters and consolidation" | 60.2 | 60.2 |
| Headquarters | (0.5) | (0.4) |
| Consolidation adjustments | (0.1) | (0.1) |
| Net financial expenses | (6.6) | (9.2) |
| **Consolidated earnings before taxes** | **53.0** | **50.4** |

Rounding up or down may lead to discrepancies between totals.

Neustadt an der Weinstrasse, July 1, 2010

The Board of Management of HORNBACH HOLDING Aktiengesellschaft

# FINANCIAL CALENDAR 2010

| | |
|---|---|
| July 1, 2010 | Interim Report: 1st Quarter of 2010/2011 as of May 31, 2010 |
| July 9, 2010 | Annual General Meeting<br>Festhalle Landau, Landau/Pfalz |
| September 30, 2010 | Half-Year Financial Report 2010/2011 as of August 31, 2010<br>DVFA Analysts' Conference |
| December 21, 2010 | Interim Report: 3rd Quarter of 2010/2011 as of November 30, 2010 |

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## DISCLAIMER

This interim report contains forward-looking statements based on assumptions and estimates made by the Board of Management of HORNBACH. Statements referring to the future are always only valid at the time at which they are made. Although we assume that the expectations reflected in these forecast statements are realistic, the company can provide no guarantee that these expectations will also turn out to be accurate. The assumptions may involve risks and uncertainties which could result in actual results differing significantly from the forecast statements. The factors which could produce such variances include changes in the economic and business environment, particularly in respect of consumer behavior and the competitive environment in those retail markets of relevance for HORNBACH. Furthermore, they include a lack of acceptance of new sales formats or new product ranges, as well as changes to the corporate strategy. HORNBACH has no plans to update the forecast statements, neither does it accept any obligation to do so.