



# HORNBAACH-Baumarkt-AG Group

## Interim Report (IFRS) for the First Quarter of 2003/2004 (March 1 - May 31, 2003)

- Consolidated sales rise by 21.2 %
- 3.9% increase in like-for-like sales
- First-quarter earnings show even stronger growth than sales

In the first three months of the current fiscal year (March 1 to May 31, 2003), HORNBAACH-Baumarkt-AG increased its consolidated sales by more than 21 %. Like-for-like sales grew by 3.3% in Germany and by 3.9% across the Group. The market leader in DIY megastores with garden centers in Germany has therefore seen a marked acceleration in its growth compared with the previous year and has been able to increase its market share in a difficult competitive environment.

The investments made in the Group's international expansion, price leadership and customer retention, which had negatively impacted on the 2002/2003 fiscal year, have strengthened the market position of the Group since the start of the new fiscal year. In comparison with the equivalent period in the previous year, earnings in the first quarter of 2003/2004 showed markedly stronger growth than sales. This development was primarily attributable to like-for-like sales growth coupled with an increase in the gross margin primarily resulting from improved procurement conditions.

<b>Key Figures for the First Quarter (IFRS)</b> HORNBAACH-Baumarkt-AG Group		1st Quarter 2003/2004 €m	1st Quarter 2002/2003 €m
	± %		
<b>Sales</b>	21.2	<b>533.0</b>	439.9
• Germany	8.3	365.6	337.6
• International	63.6	167.4	102.3
Share in %		31.4 %	23.3 %
Like-for-like sales growth (%)		3.9 %	1.5 %
EBITDA	30.9	<b>52.5</b>	40.1
Earnings before interest and tax (EBIT)	41.0	<b>38.2</b>	27.1
<b>Consolidated earnings before taxes and extraordinary items</b>	41.6	<b>32.7</b>	23.1
Consolidated earnings after taxes and before extraordinary items	42.8	<b>20.7</b>	14.5
Extraordinary income	-	<b>1.1</b>	-
<b>Consolidated net income</b>	50.3	<b>21.8</b>	14.5
Earnings per share (€)	51.0	<b>1.45</b>	0.96
Investments (in €m)	-53.3	<b>10.5</b>	22.5
Balance sheet total	11.8	<b>1,150.8</b>	1,029.4
Shareholders' equity	1.6	<b>370.9</b>	364.9
Number of stores		<b>104</b>	92
Sales area, as per BHB (in 000s m <sup>2</sup> )	15.4	<b>1,036</b>	898
∅ Average store size (in m <sup>2</sup> )	2.0	<b>9,963</b>	9,764

## **Retail Sector Hopes for Improvements**

The retail sector suffered a poor start to 2003, although there are also signs that the consumer climate will stabilize in the course of the year. According to figures released by the Federal Office of Statistics, overall sales for the first three months of the year were 1.1% in nominal terms and 0.8% in real terms below the equivalent figures for the previous year. On the basis of the available figures it is not possible to identify any clear trend in the DIY and home improvement sector in Germany. While the official statistics for specialist trade in household, DIY and home improvement goods show an even larger decline (-2.1% nominal, -1.9% real), the retail panel of the Association of German Retailers (HDE) reported a slight improvement of 0.6% for the DIY sector during the period January to March 2003.

## **HORNBACH Increases Consolidated Sales by 21.2 %**

There was a 3.3% rise in like-for-like sales at the HORNBACH stores during the first quarter of the fiscal year (reporting date: May 31, 2003). Including the stores in other European countries (+5.9%), like-for-like sales across the Group increased by 3.9%.

Taking account of the newly opened DIY superstores and garden centers, consolidated sales at HORNBACH-Baumarkt-AG showed a considerable year-on-year increase. Net sales at the Group soared by 21.2% to € 533.0m as of May 31, 2003 (previous year: € 439.9m). The HORNBACH superstores and garden centers outside Germany contributed around € 167.4m to this figure. The share of international sales therefore rose from 23.3% in the previous year to 31.4%.

The first quarter saw the opening of DIY megastores with garden centers in Nieuwegein (Netherlands) and in Schwetzingen. By May 31, 2003, the overall number of stores had risen to 104, compared with 92 in the previous year. The total sales area now amounts to around 1,036,000 m<sup>2</sup> with an average store size of just under 10,000 m<sup>2</sup>. A total of 79 stores are operated in Germany. The HORNBACH DIY superstores and garden centers in other European countries are distributed as follows: Austria (10), the Netherlands (8), the Czech Republic (4), Switzerland (2) and Luxembourg (1).

## **Strong Earnings Growth**

Thanks to the pleasing course of business during the first quarter of the 2003/2004 fiscal year, HORNBACH has been able to report a rapid recovery from the fall in earnings seen in 2002/2003, which had been caused by a series of one-off factors. It can be seen that the investments made during the previous year in customer retention and in expanding the company's market share have paid off and made a permanent contribution to strengthening the competitive position of HORNBACH. The earnings figures have improved both on the previous year and on the 2001/2002 fiscal year.

Consolidated earnings before taxes and extraordinary items rose year-on-year by 41.6% to € 32.7m during the period from March to May 2003 (previous year: € 23.1m). EBIT grew by 41.0% to € 38.2m (previous year: € 27.1m). As of May 31, 2003, the EBIT margin had risen from 6.2% in the previous year to 7.2%. Earnings before interest, tax, depreciation and amortization (EBITDA) reported a year-on-year increase of 30.9% to € 52.5m (previous year: € 40.1m). Group net income grew by more than 50% during the first quarter of 2003/2004 to reach € 21.8m (previous year: € 14.5m). Earnings per share pursuant to IFRS rose from € 0.96 to € 1.45 as of May 31, 2003.

The marked improvement in the key earnings figures for the first quarter is primarily due to the increase in like-for-like sales and to the fact that the gross margin rose in spite of lower retail prices, but remained below the level seen in the 2001/2002 fiscal year. The gross margin across the Group rose as a percentage of sales from 34.7% to 35.8%. This was princi-

pally the result of an improvement in international procurement conditions. The relative decline in administration costs also had a positive impact on the development of earnings.

## **Personnel**

At the reporting date on May 31, 2003, there were 9,314 individuals across Europe in fixed employment at HORNBACH-Baumarkt-AG or one of its subsidiaries (previous year: 8,080). Calculated as an annual average and converted into full-time equivalents, the company had 8,130 employees (previous year: 7,068).

## **Investments**

A total of € 10.5m was invested during the first three months of the current fiscal year (previous year: € 22.5m), primarily in land and buildings (38%) and in office equipment (62%). Information as to the financial and investment activities of HORNBACH-Baumarkt-AG has been provided in the cash flow statement appended to this report.

## **Outlook**

Up to seven new openings are scheduled to take place across the Group by the end of the fiscal year (February 28, 2004), of which up to four are to be in Germany. The overall number of HORNBACH DIY superstores with garden centers is therefore expected to rise to 111 (previous year: 102) with a total sales area of 1,122,000 m<sup>2</sup>.

The overall net sales of the HORNBACH-Baumarkt-AG Group, including newly opened stores, are predicted to grow to around € 1.9bn (previous year: € 1.63 bn). Like-for-like sales are also expected to exceed the previous year's figures and thus outperform the development of the sector in Germany once more.

Consolidated earnings before taxes and extraordinary items are expected to grow faster than sales and surpass the level seen in the 2001/2002 fiscal year (€ 46.3m). This improvement is to be achieved by means of enhanced efficiency – partly due to synergies and the exchange of best-practice experience with Kingfisher plc., the strategic partner of the HORNBACH Group – and a relative decline in costs as a percentage of sales.

Bornheim bei Landau, June 25, 2003  
– The Board of Management –

## Financial Calendar

- June 25, 2003  
**Financial Statements Press Conference 2002/2003**  
Publication of Annual Report  
**DVFA Analysts' Conference**  
**Interim Report** as of May 31, 2003
- August 28, 2003  
**Annual General Meeting**  
in the Congress Center Messe Frankfurt (11.00 a.m.),  
Frankfurt am Main
- September 25, 2003  
**Interim Report** as of August 31, 2003
- December 19, 2003  
**Interim Report** as of November 30, 2003

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## Income Statement

### HORNBACH-BAUMARKT-AG Group

	1st Quarter 2003/2004	1st Quarter 2002/2003	+/- %
	€m	€m	
Sales	533.0	439.9	21.2
Other income			
of which non-operating €0.7m (previous year: 0)	6.3	4.1	53.7
Cost of materials	344.8	289.0	19.3
<b>Gross margin</b>	<b>194.5</b>	<b>155.0</b>	<b>25.5</b>
Personnel expenses	73.9	60.4	22.4
Amortization of intangible assets and depreciation of property, plant & equipment	14.3	13.0	10.0
Other operating expenses	68.1	54.5	25.0
<b>Earnings before interest and tax (EBIT)</b>	<b>38.2</b>	<b>27.1</b>	<b>41.0</b>
Net financial expenses	-5.5	-4.0	37.5
<b>Consolidated earnings before taxes and extraordinary items</b>	<b>32.7</b>	<b>23.1</b>	<b>41.6</b>
Taxes on income	11.5	8.2	40.2
Other taxes	0.5	0.4	25.0
<b>Consolidated earnings after taxes and before extraordinary items</b>	<b>20.7</b>	<b>14.5</b>	<b>42.8</b>
Extraordinary income (after income taxes of €0.5m)	1.1	0.0	-
<b>Consolidated net income</b>	<b>21.8</b>	<b>14.5</b>	<b>50.3</b>

## Balance Sheet

### HORNBACH-BAUMARKT-AG Group

	May 31, 2003		May 31, 2002		February 28, 2003	
	€m	%	€m	%	€m	%
<b>ASSETS</b>						
<b>A. Long-term assets</b>	<b>641.4</b>	55.8	<b>605.3</b>	58.8	<b>678.9</b>	62.1
I. Intangible assets	12.4	1.1	14.2	1.4	13.0	1.2
II. Property, plant & equipment	615.3	53.5	583.4	56.7	649.8	59.5
III. Financial assets	1.0	0.1	0.4	0.0	1.1	0.1
IV. Other long-term assets	1.6	0.1	0.3	0.0	1.6	0.1
V. Deferred tax claims	11.1	1.0	7.0	0.7	13.4	1.2
<b>B. Short-term assets</b>	<b>509.4</b>	44.2	<b>424.1</b>	41.2	<b>414.1</b>	37.9
I. Inventories	382.5	33.2	339.2	33.0	363.2	33.2
II. Accounts receivable and other assets	67.2	5.8	51.7	5.0	27.8	2.6
III. Liquid funds	59.7	5.2	33.2	3.2	23.1	2.1
<b>TOTAL ASSETS</b>	<b>1,150.8</b>	100.0	<b>1,029.4</b>	100.0	<b>1,093.0</b>	100.0
<b>EQUITY AND LIABILITIES</b>						
<b>A. Shareholders' Equity</b>	<b>370.9</b>	32.2	<b>364.9</b>	35.5	<b>349.5</b>	31.9
I. Subscribed capital	45.0	3.9	45.0	4.4	45.0	4.1
II. Capital reserve	122.5	10.6	122.5	11.9	122.5	11.2
III. Revenue reserves	181.6	15.8	182.9	17.8	167.5	15.3
IV. Consolidated net income	21.8	1.9	14.5	1.4	14.5	1.3
<b>B. Long-term liabilities</b>	<b>338.9</b>	29.4	<b>340.1</b>	32.9	<b>337.3</b>	30.8
I. Financial liabilities	290.2	25.2	286.8	27.9	288.0	26.3
II. Deferred taxes	43.0	3.7	47.3	4.5	43.5	4.0
III. Other liabilities	5.7	0.5	6.0	0.5	5.8	0.5
<b>C. Short-term liabilities</b>	<b>441.0</b>	38.4	<b>324.4</b>	31.6	<b>406.2</b>	37.3
I. Financial liabilities	107.8	9.4	62.8	6.1	128.5	11.8
II. Trade accounts payable and other liabilities	277.4	24.1	206.4	20.1	239.2	21.9
III. Tax provisions	16.6	1.5	12.2	1.2	9.5	0.9
IV. Other provisions	39.2	3.4	43.0	4.2	29.0	2.7
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,150.8</b>	100.0	<b>1,029.4</b>	100.0	<b>1,093.0</b>	100.0

## Cash Flow Statement

### HORNBACH-BAUMARKT-AG Group

	1st Quarter 2003/2004 €m	1st Quarter 2002/2003 €m
<b>Consolidated earnings after tax and before extraordinary items</b>	<b>21</b>	<b>15</b>
Depreciation and amortization of fixed assets	14	13
Changes in provisions	17	13
Profits/losses on the sale of fixed assets	-1	0
Change in inventories, trade accounts receivable and other assets	-28	-26
Changes in trade accounts payable and other liabilities	43	2
Other income/expenses with no cash effect	2	1
Receipts/payments of exceptional items	2	0
<b>Inflow of funds from ordinary trading activities</b>	<b>70</b>	<b>18</b>
Receipts from disposals of fixed assets	1	0
Payments for capital expenditure	-11	-21
<b>Outflow of funds for investment activities</b>	<b>-10</b>	<b>-21</b>
Receipts from the proceeds of financial loans	10	0
Payments for the redemption of financial loans	-8	-13
Income/receipts from group financing activities	-3	-7
Change in short-term financial loans	-22	6
<b>Outflow of funds for financing activities</b>	<b>-23</b>	<b>-14</b>
Change in liquid assets	37	-17
Liquid funds at March 1	23	50
<b>Liquid funds at May 31</b>	<b>60</b>	<b>33</b>

## Change in Consolidated Shareholders' Equity

### HORNBACH-BAUMARKT-AG Group

#### 1st Quarter 2002/2003

€ m	Subscribed capital	Capital reserve	Hedging reserve	Cumulative currency conversion	Other revenue reserves	Net income	Total equity
<b>As at March 1, 2002</b>	<b>45</b>	<b>122</b>	<b>0</b>	<b>1</b>	<b>152</b>	<b>30</b>	<b>350</b>
Transfer to reserves					30	-30	0
Net income						15	15
<b>As at May 31, 2002</b>	<b>45</b>	<b>122</b>	<b>0</b>	<b>1</b>	<b>182</b>	<b>15</b>	<b>365</b>

#### 1st Quarter 2003/2004

€ m	Subscribed capital	Capital reserve	Hedging reserve	Cumulative currency conversion	Other revenue reserves	Net income	Total equity
<b>As at March 1, 2003</b>	<b>45</b>	<b>122</b>	<b>-2</b>	<b>1</b>	<b>168</b>	<b>15</b>	<b>349</b>
Transfer to reserves					15	-15	0
Net income						22	22
<b>As at May 31, 2003</b>	<b>45</b>	<b>122</b>	<b>-2</b>	<b>1</b>	<b>183</b>	<b>22</b>	<b>371</b>

# Notes to the Interim Report (IFRS) for the First Quarter of 2003/2004

## 1. ACCOUNTING PRINCIPLES

This non-audited group interim report of HORNBACH-Baumarkt-Aktiengesellschaft and its subsidiaries for the first quarter as of May 31, 2003 has been compiled in accordance with the accounting principles promulgated by the International Accounting Standards Board (International Financial Reporting Standards – “IFRS”). Application has been made of all International Financial Reporting Standards and interpretations of the International Financial Reporting Standing Interpretation Committee “SIC” valid as of May 31, 2003.

The accounting principles applied in the compilation of this interim report correspond to those applied in the group annual report as of February 28, 2003.

This interim report is to be read in conjunction with the group annual report for the 2002/2003 fiscal year. The notes included therein also apply to this interim report unless expressly indicated otherwise. Particular reference is made to Note 12 in the annual report “Amendments to the Accounting and Valuation Methods”. Account has been taken of the resultant amendments in the comparable figures for the quarter ending as of May 31, 2002.

## 2. REPORTING ENTITIES

No alterations have been made to the reporting entity during the first quarter of 2003/2004.

## 3. SEASONAL INFLUENCES

Due to weather conditions, the HORNBACH-Baumarkt-AG Group is subject to lower sales in autumn and winter than in the spring and summer months. The 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, 2003 do not automatically constitute an indicator for the results to be expected for the overall fiscal year.

## 4. NON-OPERATIVE RESULT

The non-operative earnings of € 0.7m include profits on the sale of two DIY superstores with garden centers, which were subsequently rented back for the long term on the basis of sale and rent-back agreements (operating lease). Following expiry of the basic rental period, which may not be terminated, the agreements provide for an extension of the rental period and also include purchase options.

## 5. EXTRAORDINARY RESULT

The extraordinary income includes a grant of € 1.6m made by the state government of Upper Austria to cover the damage caused by the flood disaster in 2002. There are no conditions or performance contingencies in connection with the assistance thereby granted. The tax expense related to the extraordinary income amounts to €0.5m.

## 6. EARNINGS PER SHARE

Undiluted earnings per share are calculated pursuant to IAS 33 (Earnings per Share) as the quotient of the result 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

	<u>May 31, 2003</u>	<u>May 31, 2002</u>
Number of shares issued	15,011,500	15,011,500
Net income allocable to the shareholders of HORNBAACH-Baumarkt AG (in € m)	<u>21.8</u>	<u>14.5</u>
Earnings per share (in €)	<u><u>1.45</u></u>	<u><u>0.96</u></u>

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.

## 7. SEGMENTAL REPORTING

1st Quarter 2003/2004 in €m (1st Quarter 2002/2003 in €m)	DIY Superstores	Real Estate	Other and Con- solidation	HORNBAACH- Baumarkt-AG Group
<b>Segment Income</b>	<b>532.6</b> (439.5)	<b>17.5</b> (13.2)	<b>-17.1</b> (-12.8)	<b>533.0</b> (439.9)
- Sales proceeds from external third parties	532.3 (439.0)	0.0 0.0	0.0 0.0	532.3 (439.0)
- Sales proceeds from affiliated companies	0.3 (0.5)	0.0 0.0	0.0 0.0	0.3 (0.5)
- Rental income from affiliated companies, internal rental income	0.0 (0.0)	17.3 (13.0)	-17.1 (-12.8)	0.2 (0.2)
- Rental income from external third parties	0.0 (0.0)	0.2 (0.2)	0.0 (0.0)	0.2 (0.2)
<b>Segment Result (EBIT)</b>	<b>33.8</b> (23.2)	<b>7.7</b> (5.4)	<b>-3.3</b> (-1.5)	<b>38.2</b> (27.1)

Bornheim bei Landau, June 25, 2003  
– The Board of Management –