

Interim Report

HORNBACH-BAUMARKT-AG GROUP

1st QUARTER 2004/2005
(March 1 to May 31, 2004)



HORNBACH

Es gibt immer was zu tun.

HORNBAACH-Baumarkt-AG Group Interim Report (IFRS) for the First Quarter of 2004/2005 (March 1 to May 31, 2004)

- Consolidated sales up by 9.8 %
- Like-for-like sales up by 2.2 %
- Rise in earnings as percentage of sales

HORNBAACH-Baumarkt-AG successfully maintained its growth trajectory in Germany and abroad in the first three months of the current financial year (March 1 to May 31, 2004). Consoli-

dated sales increased by almost 10 % to € 585m. Like-for-like sales rose by 1.5 % in Germany and by 2.2 % across the Group. The market leader in the combined DIY megastore and garden center segment in Germany has therefore further improved its competitive position. In comparison with the equivalent period in the previous year, earnings for the first quarter of 2004/2005 grew more rapidly than sales. Consolidated earnings before taxes and extraordinary expenses improved by more than 25 % to € 40m.

Key Figures for the HORNBAACH-Baumarkt-AG Group

(in € m, unless otherwise stated)

	± %	1st Quarter 2004/2005	1st Quarter 2003/2004
Net sales	9.8	585.2	533.0
of which in other European countries	11.6	186.8	167.4
Like-for-like sales growth		2.2%	3.9%
Gross margin (as % of net sales)		36.9%	35.6%
EBITDA	13.8	59.2	52.0
as % of net sales		10.1%	9.8%
Earnings before interest and taxes (EBIT)	20.4	45.4	37.7
as % of net sales		7.8%	7.1%
Consolidated earnings before taxes and extraordinary items	25.8	40.5	32.2
Extraordinary items after taxes	-	-	1.1
Consolidated net income	11.0	24.2	21.8
Earnings per share (€)	11.0	1.61	1.45
Investments	-16.2	8.8	10.5
Total assets	2.1	1,175.3	1,150.8
Shareholders' equity	4.8	388.8	370.9
Shareholders' equity as % of total assets		33.1%	32.2%
No. of employees	9.9	10,235	9,314
No. of stores (DIY)	5.8	110	104
Sales area (DIY) as per BHB (in 000 m ²)	7.3	1,116	1,041
Average DIY store size (in m ²)		10,146	10,005

HORNBACH increases consolidated sales by 9.8 %

The net sales of the HORNBACH-Baumarkt-AG Group rose by 9.8 % in the first quarter of 2004/2005 (March 1 to May 31, 2004) to € 585.2m (previous year: € 533.0m). Of this sum, € 186.8m was contributed by the HORNBACH DIY megastores with garden centers in other European countries (previous year: € 167.4m). The share of international sales therefore amounted to 31.9 % in the first quarter (previous year: 31.4 %). During the first three months, preparations were made for new store openings scheduled to take place at a later stage in the financial year. There was no change in the number of HORNBACH locations during the period under report. At May 31, 2004, a total of 110 DIY megastores with garden centers were in operation across the Group, of which 83 were in Germany. The 27 DIY megastores with garden centers in other European countries were distributed as follows: Austria (11), the Netherlands (8), the Czech Republic (4), Switzerland (2), Luxembourg (1) and Sweden (1). With total sales areas of 1,116,000 m², the average HORNBACH DIY store size amounted to 10,146 m². In the context of the integration of the former Lafiora garden centers, the HORNBACH-Baumarkt-AG Group has also operated four standalone specialist garden centers since the beginning of the 2004/2005 financial year. Its total number of retail outlets therefore amounted to 114 as of May 31, 2004.

2.2 % increase in like-for-like sales

Like-for-like sales rose by 2.2 % across the Group in the first quarter of the financial year. Comparable store sales rose by 1.5 % in Germany and by 3.9 % in other European countries. With the aid of its unique trading format, HORNBACH was once again able to increase its lead over its competitors in terms of the development of the overall DIY store and garden center sector in Germany. According to the Federal Association of German Home Improvement, DIY and Specialist Garden Stores (BHB), the DIY sector grew by 1.6 % between January and March 2004. Like-for-like sales at HORNBACH, by contrast, rose by 6.4 % in Germany in the first quarter of the 2004 calendar year, resulting in a further increase in the company's market share.

Development of earnings

As a result of the pleasing development of business, consolidated earnings before taxes and extraordinary expenses showed a year-on-year increase of 25.8 % to € 40.5m in the reporting period from March to May 2004 (previous year: € 32.2m). Operating earnings (EBIT) grew by 20.4 % to € 45.4m (previous year: € 37.7m). The EBIT margin rose from 7.1 % in the first quarter of the previous year to 7.8 % in the reporting

period. Earnings before interest, taxes, depreciation and amortization (EBITDA) reported a year-on-year increase of 13.8 % to € 59.2m (previous year: € 52.0m). The EBITDA margin rose from 9.8 % to 10.1 %. The net income of the Group improved by 11.0 % during the first quarter of 2004/2005 to reach € 24.2m (previous year: € 21.8m). Earnings per share calculated in line with IFRS rose from € 1.45 to € 1.61.

The rise in the operating earnings figures in the first quarter is primarily attributable to like-for-like sales growth, coupled with an increase in the gross margin in spite of lower retail prices. The gross profit rose as a percentage of net sales from 35.6 % to 36.9 % across the Group. This was principally the result of improved conditions in the Group's international procurement activities and enhancements made to its product range and supply chain management (logistics). Moreover, the significant reduction in the level of pre-opening expenses compared with the equivalent period in the previous year also impacted positively on the level of earnings.

Personnel

At the reporting date on May 31, 2004, there were 10,235 (previous year: 9,314) individuals in fixed employment across Europe at HORNBACH-Baumarkt-AG or one of its subsidiaries. As an annual average and converted into full-time equivalents, the Group had 9,035 employees (previous year: 8,174).

Investments

A total of € 8.8m was invested during the first three months of the current financial year (previous year: € 10.5m), primarily in plant and equipment (75 %) and in land and buildings. Information as to the financing and investment activities of HORNBACH-Baumarkt-AG has been provided in the cash flow statement in the notes to this report.

Outlook

Five HORNBACH DIY megastores with garden centers are scheduled to be opened during the 2004/2005 financial year, of which three are in Germany. The Osnabrück location was opened on June 21, 2004. Stores are to be opened in Fürth and Braunschweig at a later point in the financial year, in both cases replacing existing HORNBACH locations in the same catchment areas (Nuremberg, Fürther Strasse; Braunschweig, Stobwasserstrasse).

The first HORNBACH DIY megastore with a garden center in Slovakia will commence operations at the Bratislava location in Summer 2004. In Switzerland, the store network will be extended to include the new megastore at Villeneuve on Lake Geneva.

Taking account of the two location substitutions, the number of DIY megastores is expected to rise by three to 113 by the end of the current financial year. These are supplemented by the four Lafiora garden centers to be retrospectively integrated as of March 1, 2004. The total number of retail outlets operated by the HORNBACH-Baumarkt-AG Group is therefore expected to number 117 by the end of the 2004/2005 financial year. The total net sales of the HORNBACH-Baumarkt-AG Group

including newly opened stores are expected to rise to more than € 2.1 bn. On account of the scheduled expansion, like-for-like sales growth and a stable gross margin, consolidated earnings are expected to improve further and to rise as a percentage of sales.

Bornheim bei Landau, June 25, 2004

- The Board of Management -

Financial Calendar 2004

June 25, 2004	Financial Statements Press Conference 2003/2004 and Publication of Annual Report DVFA Analysts' Conference Interim Report as of May 31, 2004
September 02, 2004	Annual General Meeting in Frankfurt am Main
September 30, 2004	Interim Report as of August 31, 2004
December 21, 2004	Interim Report as of November 30, 2004

HORNBACH

Es gibt immer was zu tun.

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HORNBACH-Baumarkt-AG Group

Income Statement

	1st Quarter 2004/2005 € m	1st Quarter 2003/2004 € m	% change on previous year
Sales	585.2	533.0	9.8
Cost of goods sold	369.4	343.5	7.5
Gross profit	215.8	189.5	13.9
Store expenses	149.3	134.7	10.8
Pre-opening expenses	1.5	3.0	-50.0
General administration expenses	20.8	17.4	19.5
Other operating income and expenses	1.2	3.3	-63.6
Earnings before interest and taxes (EBIT)	45.4	37.7	20.4
Net financial expenses	-4.9	-5.5	-10.9
Consolidated earnings before taxes and extraordinary items	40.5	32.2	25.8
Taxes on income	16.3	11.5	41.7
Consolidated earnings after taxes and before extraordinary items	24.2	20.7	16.9
Extraordinary items	0.0	1.1	-100.0
Consolidated net income	24.2	21.8	11.0

HORNBACH-Baumarkt-AG Group Balance Sheet

ASSETS	May 31, 2004		May 31, 2003		February 29, 2004	
	€ m	%	€ m	%	€ m	%
A. Long-term assets	649.7	55.2	641.4	55.7	654.2	56.2
I. Intangible assets	15.6	1.3	12.4	1.1	15.2	1.3
II. Property, plant & equipment	617.6	52.5	615.3	53.5	621.6	53.4
III. Financial assets	0.8	0.1	1.0	0.1	0.8	0.1
IV. Other long-term assets	1.6	0.1	1.6	0.1	1.5	0.1
V. Deferred tax claims	14.1	1.2	11.1	1.0	15.1	1.3
B. Short-term assets	525.6	44.8	509.4	44.3	508.1	43.8
I. Inventories	428.1	36.5	382.5	33.2	425.0	36.6
II. Receivables and other assets	38.6	3.3	67.2	5.8	34.5	3.0
III. Liquid funds	58.9	5.0	59.7	5.2	48.6	4.2
TOTAL ASSETS	1,175.3	100.0	1,150.8	100.0	1,162.3	100.0

EQUITY AND LIABILITIES	May 31, 2004		May 31, 2003		February 29, 2004	
	€ m	%	€ m	%	€ m	%
A. Shareholders' equity	388.8	33.1	370.9	32.2	363.4	31.2
I. Subscribed capital	45.0	3.8	45.0	3.9	45.0	3.9
II. Capital reserve	122.5	10.4	122.5	10.6	122.5	10.5
III. Revenue reserves	197.1	16.8	181.6	15.8	167.9	14.4
IV. Consolidated net income	24.2	2.1	21.8	1.9	28.0	2.4
B. Long-term liabilities	331.4	28.2	338.9	29.4	335.4	28.8
I. Financial liabilities	279.7	23.8	290.2	25.2	286.5	24.6
II. Deferred taxes	45.0	3.8	43.0	3.7	42.0	3.6
III. Other liabilities	6.7	0.6	5.7	0.5	6.9	0.6
C. Short-term liabilities	455.1	38.7	441.0	38.4	463.5	40.0
I. Financial liabilities	127.2	10.8	107.8	9.4	129.0	11.1
II. Trade accounts payable and other liabilities	236.8	20.1	277.4	24.1	271.4	23.4
III. Tax provisions	23.6	2.1	16.6	1.5	14.2	1.2
IV. Other provisions	67.5	5.7	39.2	3.4	48.9	4.3
TOTAL LIABILITIES	1,175.3	100.0	1,150.8	100.0	1,162.3	100.0

HORNBACH-Baumarkt-AG Group

Cash Flow Statement

	1st Quarter 2004/2005 € m	1st Quarter 2003/2004 € m
Consolidated earnings after taxes and before extraordinary items	24	21
Depreciation and amortization of fixed assets	14	14
Change in provisions	28	17
Profits / losses on the sale of fixed assets	0	-1
Change in inventories, trade accounts receivable and other assets	-6	-28
Change in trade accounts payable and other liabilities	14	43
Other income / expenses with no cash effect	4	2
Receipts / payments of extraordinary items	0	2
Inflow of funds from ordinary trading activities	78	70
Receipts from disposals of fixed assets	0	1
Payments for investments in tangible assets	-18	-11
Payments for investments in intangible assets	-1	0
Outflow of funds for investment activities	-19	-10
Receipts from the proceeds of financial loans	0	10
Payments for the redemption of financial loans	-10	-8
Receipts / payments from group financing activities	-40	-3
Change in short-term financial loans	1	-22
Outflow of funds for financing activities	-49	-23
Change in liquid funds	10	37
Liquid funds at March 1	49	23
Liquid funds at May 31	59	60

HORNBACH-Baumarkt-AG Group

Change in Consolidated Shareholders' Equity

1st Quarter 2003/2004							
€ m	Subscribed capital	Capital reserve	Hedging reserve	Cumulative currency conversion	Other revenue reserves	Net income	Total equity
Balance at 03.01.2003	45	122	-2	1	168	15	349
Transfer to reserves					15	-15	0
Net income						22	22
Balance at 05.31.2003	45	122	-2	1	183	22	371

1st Quarter 2004/2005							
€ m	Subscribed capital	Capital reserve	Hedging reserve	Cumulative currency conversion	Other revenue reserves	Net income	Total equity
Balance at 03.01.2004	45	122	-2	0	170	28	363
Currency adjustments				1			1
Valuation of derivative financial instruments, net after tax			1				1
Transfer to reserves					28	-28	0
Net income						24	24
Balance at 05.31.2004	45	122	-1	1	198	24	389

HORNBACH-Baumarkt-AG Group

Notes to the Group Interim Report (IFRS) as of May 31, 2004

(1) Accounting Principles

This non-audited group interim report of HORNBACH-Baumarkt-AG and its subsidiaries for the first quarter as of May 31, 2004 has been compiled in accordance with the accounting principles promulgated by the International Accounting Standards Board (IASB). 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, 2004.

The accounting principles applied in the compilation of this interim report correspond to those applied in the consolidated financial statements as of February 29, 2003/2004. 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 2003/2004 financial year. Reference is made to these financial statements on account of the additional information as to the particular accounting and valuation methods applied. The notes included therein also apply to this interim report unless expressly indicated otherwise.

(2) Reporting Entity

No changes were made to the reporting entity during the first quarter of 2004/2005.

(3) Newly Issued Accounting Standards

The IASB issued seven new or revised and supplemented standards in March 2004. The new standards and those standards revised within the framework of the "improvement projects" are only required to be applied by HORNBACH-Baumarkt-AG from March 1, 2005. No use is to be made of the possibility of voluntarily applying the standards at an earlier stage.

In line with the transition requirements outlined in IFRS 3 "Business Combinations", the standard is to be applied to all corporate combinations for which contracts are concluded on or after March 31, 2004. At HORNBACH-Baumarkt-AG, the standard is only applicable with effect from the 2005/2006 financial year to goodwill resulting from earlier corporate combinations. Overall, the standard has no effect on the interim financial statements as of May 31, 2004.

(4) 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 quarter. The results of business operations for the first three months up to May 31, 2004 do not necessarily provide an accurate indication of the results to be expected for the overall financial year.

(5) Adjustments Made in the Interim Financial Statements

With effect from the first quarter of 2004/2005, the income statement of HORNBACH-Baumarkt-AG has been compiled for the first time using the standard international cost of sales accounting method. The resultant harmonization of internal and external reporting structures also reflects in aggregate form in the company's external accounting that information considered to be useful and of relevance for the internal management of the company. This provides a common language both within the company and in its communications with the capital markets. The harmonization resulted in a restructuring and new summarization of items within the income statement. The figures contained in the income statement for the previous year have been adjusted accordingly. This results in a change to earnings before interest and taxes (EBIT), given that the other taxes previously reported under tax expenses have been allocated to the functional divisions in which they arise.

The adjustments made are structured as follows:

€ m	1st Quarter 2003/2004
EBIT as reported	38.2
Other taxes	-0.5
EBIT following adjustment	37.7

The segment results (please see Segmental Reporting) have been adjusted to take account of the altered earnings before interest and taxes (EBIT).

(6) Store Expenses

Store expenses include costs incurred in connection with the operation of DIY megastores with garden centers. They primarily consist of personnel, advertising, general operating, depreciation and rental expenses.

(7) Pre-Opening Expenses

Costs incurred in connection with the construction of a new DIY megastore with a garden center are reported as pre-opening expenses. These primarily consist of personnel expenses and other expenses.

(8) Administration Expenses

Administration expenses include all those administration costs incurred in connection with the operation or construction of DIY megastores with garden centers which cannot be directly allocated to such projects. These primarily involve personnel expenses, legal and advisory expenses, IT expenses and depreciation and other administration expenses.

(9) Other Operating Income and Expenses

Other operating income and expenses are structured as follows:

€ m	1st Quarter 2004/2005	1st Quarter 2003/2004	± %
Other operating income	5.1	6.2	-17.7
Other operating expenses	3.9	2.9	34.5
Other operating income and expenses	1.2	3.3	-63.4

Other operating income primarily relates to advertising grants, income from transfers within the HORNBAACH HOLDING AG Group and other income generated within the framework of operating activities.

Other operating expenses principally consist of expenses which cannot be accurately allocated to any particular functional division and which are incurred within the framework of operating activities. These particularly include exchange rate and currency differences, losses incurred on the disposal of fixed assets and losses resulting from cases of damage.

(10) Other Disclosures

The personnel expenses of the HORNBAACH-Baumarkt-AG Group amounted to € 83.4m at the end of the first quarter on May 31, 2004 (previous year: € 73.9m).

Depreciation and amortization totaling € 13.8m was undertaken on intangible assets and property, plant and equipment at the HORNBAACH-Baumarkt-AG Group in the first three months of the 2004/2005 financial year (previous year: € 14.3m).

(11) Taxes on Income

Taxes on income are structured as follows:

€ m	1st Quarter 2004/2005	1st Quarter 2003/2004	± %
Current tax expenses	12.6	9.4	34.0
Deferred tax expenses	3.7	2.1	76.2
	16.3	11.5	41.7

(12) 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, 2004	May 31, 2003
Number of shares issued	15,011,500	15,011,500
Net income allocable to the shareholders of HORNBAACH-Baumarkt-AG (in € m)	24.2	21.8
Earnings per share (in €)	1.61	1.45

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.

(13) Segment Reporting

1st Quarter 2004/2005 in € m (1st Quarter 2003/2004 in € m)	DIY Megastores	Real Estate	Other and Consolidation	HORNBACH- Baumarkt-AG Group
Segment income	585.0	21.7	-21.5	585.2
	(532.6)	(17.5)	(-17.1)	(533.0)
- Sales proceeds from external third parties	584.8	0.0	0.0	584.8
	(532.3)	0.0	0.0	(532.3)
- Sales proceeds from affiliated companies	0.2	0.0	0.0	0.2
	(0.3)	(0.0)	(0.0)	(0.3)
- Rental income from affiliated companies, internal rental income	0.0	21.5	-21.5	0.0
	(0.0)	(17.3)	(-17.1)	(0.2)
- Rental income from external third parties	0.0	0.2	0.0	0.2
	(0.0)	(0.2)	(0.0)	(0.2)
Segment Result (EBIT)	41.7	6.4	-2.7	45.4
	(33.6)	(7.4)	(-3.3)	(37.7)

Bornheim, June 25, 2004

The Board of Management
HORNBACH-Baumarkt-Aktiengesellschaft