



Interim Report

HORNBACH HOLDING AG GROUP

2007|2008

1st QUARTER (MARCH 1 – MAY 31, 2007)

HORNBACH.
HOLDING AG

HORNBACH HOLDING AG Group

Interim Report (IFRS): 1st Quarter of 2007/2008

(March 1 – May 31, 2007)

- Expansion maintained with three new store openings
- Consolidated sales up by 5.2 % -
DIY stores with garden centers report like-for-like sales growth of 4.6 %
- Pleasing earnings performance in core business
- Earnings fail to match previous year's figures due to one-off non-operating items

The HORNBACH HOLDING AG Group increased its net sales by 5.2 % to € 732.7 million (previous year: € 696.7m) in the first quarter of the current financial year (March 1 to May 31, 2007). Sales at the largest operating subgroup, HORNBACH-Baumarkt-AG, rose by 5.6 % to € 696.0 million (previous year: € 659.4m). Three new HORNBACH DIY megastores with garden centers were opened following the pause in the company's expansion in the past year. Like-for-like sales at the DIY stores with garden centers maintained the dynamic developments seen in the two previous quarters, rising by 4.6 % across the Group.

During the reporting period from March to May 2007, the core retail business of the HORNBACH HOLDING AG Group showed a pleasing operating performance. Operating earnings (EBIT) in the retail segment at the HORNBACH-Baumarkt-AG subgroup rose by 2.1 % in spite of the increase in pre-opening expenses. However, one-off non-operating factors in the real estate segment meant that the earnings of the overall Group fell short of the previous year's figures. Operating earnings (EBIT) dropped by 16.2 % to € 38.8 million (previous year: € 46.3m). Consolidated earnings before taxes reduced by 17.7 % to € 30.6 million (previous year: € 37.2m). At € 2.18, (basic) earnings per preference share fell only slightly short of the previous year's figure (€ 2.29).

Key Figures of the HORNBACH HOLDING AG Group (in € million, unless otherwise stated)	1st Quarter 2007/2008	1st Quarter 2006/2007	Change in %
Net sales	732.7	696.7	5.2
of which in other European countries	260.7	234.2	11.3
Like-for-like sales growth	4.6%	1.4%	
Gross margin (as % of net sales)	36.0%	35.6%	
EBITDA	58.0	65.0	-10.7
Earnings before interest and taxes (EBIT)	38.8	46.3	-16.2
Consolidated earnings before taxes	30.6	37.2	-17.7
Consolidated net income *	21.4	22.6	-4.9
Basic earnings per preference share (€)	2.18	2.29	-4.8
No. of employees	12,587	12,082	4.2
Investments	68.8	17.1	302.3
Total assets	1,966.5	1,862.7	5.6
Shareholders' equity	652.9	582.2	12.1
Shareholders' equity as % of total assets	33.2%	31.3%	

* pursuant to IFRS including minority interests.

Sales growth of 5.2 % at the HORNBACH Group

The HORNBACH HOLDING AG Group consists of the HORNBACH-Baumarkt-AG, HORNBACH Baustoff Union GmbH and HORNBACH Immobilien AG subgroups.

The net sales of the HORNBACH Group rose by 5.2 % to € 732.7 million (previous year: € 696.7m) in the first quarter of 2007/2008 (March 1 to May 31, 2007).

Following three new store openings during the period under report, the HORNBACH-Baumarkt-AG subsidiary was operating 123 DIY megastores with garden centers across Europe as of May 31, 2007. The total sales areas of the retail outlets amounted to around 1,351,000 m² at the reporting date. Sales at the HORNBACH-Baumarkt-AG subgroup grew by 5.6 % to € 696.0 million in the first quarter (previous year: € 659.4m). The HORNBACH DIY megastores with garden centers outside Germany played a major role in this growth, contributing sales of € 260.7 million (previous year: € 234.2m). The subgroup's international share of sales therefore increased from 35.5 % to 37.5 %.

Our DIY stores with garden centers succeeded in maintaining the dynamic sales performance most recently seen in the past financial year in the first quarter as well. The conditions underlying our sales performance were precisely the opposite of those in the equivalent quarter in the previous year. While the DIY business had suffered from an exceptionally long winter period in early 2006, March and April 2007 benefited from unusually mild temperatures, thus boosting demand levels, especially for construction materials and garden products. This is most clearly reflected in our like-for-like sales growth, which reached substantial double-digit levels in some cases. With one shopping day fewer than in the previous year, May 2007 then contrasted less favorably with the very strong equivalent period in 2006 and failed to match the level of sales reported for that month. This was partly due to customers equipping themselves with seasonal products earlier than usual as a result of weather conditions. All in all, we succeeded in improving our like-for-like sales by 4.6 % across the Group for the first quarter of 2007/2008 as a whole. Like-for-like sales growth amounted to 1.7 % in Germany, while our stores in other European countries achieved even more marked growth of 10.1 %. Further details concerning the business performance of HORNBACH-Baumarkt-AG can be found in the interim report published separately by that subgroup.

The business performance of the HORNBACH Baustoff Union GmbH subgroup in the first three months was not able to match the substantial momentum seen in the previous year. Sales showed a marginal decline from € 37.9 million to € 37.0 million. This accounts for the slightly lower level of sales growth reported by the overall Group compared with the HORNBACH-Baumarkt-AG subgroup.

Pleasing earnings performance in retail segment - Consolidated earnings negatively affected by non-operating items in real estate segment

The core retail business of the HORNBACH Group showed a pleasing operating performance in the reporting period from March to May 2007. Operating earnings (EBIT) improved by 2.1 % in the retail segment of the HORNBACH-Baumarkt-AG subgroup. On a like-for-like basis, these earnings even showed disproportionate growth of 15.8 % compared with sales. However, the lower level of earnings in the real estate segment compared with the previous year meant that the EBIT of the overall HORNBACH HOLDING AG Group amounted to € 38.8 million, thus falling 16.2 % short of the previous year's figure of € 46.3 million. This decline is solely attributable to one-off non-operating factors. These mainly involved charges on earnings amounting to € 2.8 million in the current year, principally relating to extraordinary depreciation of real estate and disposal losses incurred on an investment project not subject to further development, whereas the previous year had witnessed accounting profits of € 6.0 million on the disposal of real estate. Excluding the one-off non-operating factors, whose impact amounted to € 7.8 million, earnings would be at the same level as in the previous year. Furthermore, if earnings are adjusted to account for the increase in pre-opening expenses by € 2.4 million to € 3.3 million as a result of the expansion, then it can be seen that the earnings of the overall Group have shown disproportionate growth compared with the previous year.

As a result of these non-operating items, the decline in EBIT was matched by a reduction in other key operating figures. Earnings before interest, taxes, depreciation and amortization (EBITDA) dropped by 10.7 % to € 58.0 million (previous year: € 65.0m) and earnings before tax by 17.7 % to € 30.6 million (previous year: € 37.2m). As a result of the lower overall tax rate, consolidated net income declined by only 4.9 % to € 21.4 million (previous year: € 22.6m). Basic earnings per preference share calculated in accordance with IFRS are reported at € 2.18 (previous year: € 2.29).

The less marked reduction in key earnings figures at the overall HORNBAACH HOLDING AG Group compared with the HORNBAACH-Baumarkt-AG subgroup is attributable to the HORNBAACH Immobilien AG subgroup, where earnings improved by 28.1 % to € 7.7 million. This earnings growth is due to increased rental income accompanied by a slight decline in costs. No disposal profits or extraordinary depreciation on real estate were reported by the HORNBAACH Immobilien AG subgroup.

The HORNBAACH Baustoff Union GmbH subgroup concluded the first quarter of 2007/2008 with slightly positive operating earnings (EBIT).

12,587 employees at the HORNBAACH Group

At the reporting date on May 31, 2007, there were 12,587 individuals (previous year: 12,082) across Europe in fixed employment at HORNBAACH HOLDING AG or at one of its subsidiaries.

Expansion leads to considerable increase in investment

The resumption of the company's expansion with the opening of three DIY megastores with garden centers has led to a significant increase in investments. A total of € 68.8 million was invested in the first three months of the current financial year, compared with € 17.1 million in the previous year. This sum was predominantly invested in land and buildings (75 %) and in plant and office equipment (25 %). Information concerning the financing and investment activities of HORNBAACH HOLDING AG can be found in the cash flow statement in the notes to this report.

Other events after the end of the reporting period

On June 20, 2007, we opened our first Rumanian HORNBAACH DIY megastore with a garden center in Bucharest. Rumania thus represents the eighth country outside Germany where we have international operations.

Outlook

One further DIY store opening is scheduled to take place in the Czech Republic (Olomouc) by the end of the current financial year (reporting date: February 29, 2008). The HORNBAACH store network will therefore have grown from 120 to 125 locations in the current 2007/2008 period. The pace of expansion is expected to accelerate in the subsequent 2008/2009 financial year. Based on current plans, a total of up to nine HORNBAACH DIY megastores with garden centers is set to commence operations in the 2008/2009 financial year.

We are confident that we will also succeed in the 2007/2008 financial year, as in the past, in outperforming average growth rates in the sector in Germany. Including newly opened stores, we expected to generate sales growth in a medium single-digit percentage range for the financial year as a whole. Sales will increase to more than € 2.5 billion at the HORNBAACH-Baumarkt-AG subgroup and to around € 2.7 billion at the overall HORNBAACH HOLDING AG Group. The earnings forecast remains unchanged. As a result of increased pre-opening expenses, start-up losses at new stores, project-related expenses (SAP) and a lower level of accounting profits on real estate disposal, the key earnings figures both of the HORNBAACH-Baumarkt-AG subgroup and of the overall HORNBAACH HOLDING AG Group are not expected to be able to reach the level reported for the previous financial year in absolute terms. Following adjustment for pre-opening expenses, start-up losses at new stores, one-off SAP-related items and real estate disposal, our operating earnings power in the 2007/2008 financial year is expected at least to match the level reported for the previous year.

Financial Calendar 2007

June 28, 2007	Interim Report as of May 31, 2007
July 13, 2007	Annual General Meeting in Landau/Pfalz
September 27, 2007	Interim Report as of August 31, 2007
December 20, 2007	Interim Report as of November 30, 2007

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HORNBACK HOLDING AG Group

Income Statement

€ million	1st Quarter 2007/2008	1st Quarter 2006/2007	Change in %
Sales	732.7	696.7	5.2
Cost of goods sold	469.3	448.6	4.6
Gross profit	263.4	248.2	6.2
Selling and store expenses	196.0	184.7	6.1
Pre-opening expenses	3.3	0.8	295.1
General and administration expenses	28.2	25.4	11.0
Other income and expenses	2.8	9.1	-69.1
Earnings before interest and taxes (EBIT)	38.8	46.3	-16.2
Financial income	2.4	2.8	-15.1
Financial expenses	10.6	11.9	-11.2
Net financial expenses	-8.2	-9.1	-10.1
Consolidated earnings before taxes	30.6	37.2	-17.7
Taxes on income	9.2	14.7	-37.3
Consolidated net income	21.4	22.6	-4.9
of which Profit attributable to shareholders	17.2	18.1	-4.8
of which minority interests	4.2	4.5	-5.6
Basic earnings per share (in €)	2.12	2.23	-4.9
Basic earnings per preference share (in €)	2.18	2.29	-4.8

Rounding up or down may lead to discrepancies between totals and percentages.

HORNBACH HOLDING AG Group

Balance Sheet

ASSETS	May 31, 2007 € million	%	May 31, 2006 € million	%	February 28, 2007 € million	%
Non-current assets	1,044.4	53.1	985.9	52.9	1,034.8	56.2
Intangible assets	26.1	1.3	25.3	1.4	26.3	1.4
Property, plant and equipment	912.7	46.4	873.7	46.9	900.5	48.9
Investment property	52.3	2.7	56.0	3.0	53.9	2.9
Financial assets	2.3	0.1	1.9	0.1	2.3	0.1
Other non-current assets	5.0	0.3	5.1	0.3	5.5	0.3
Non-current income tax receivables	19.4	1.0	0.0	0.0	19.2	1.0
Deferred tax assets	26.6	1.4	23.9	1.3	27.0	1.5
Current assets	922.1	46.9	876.9	47.1	806.9	43.8
Inventories	501.7	25.5	536.7	28.8	462.7	25.1
Accounts receivable and other assets	79.5	4.0	68.5	3.7	61.5	3.3
Income tax receivables	15.3	0.8	8.6	0.5	12.4	0.7
Cash and cash equivalents	282.5	14.4	258.5	13.9	264.6	14.4
Non-current assets held for sale	43.1	2.2	4.6	0.2	5.8	0.3
TOTAL ASSETS	1,966.5	100.0	1,862.7	100.0	1,841.7	100.0

EQUITY AND LIABILITIES	May 31, 2007 € million	%	May 31, 2006 € million	%	February 28, 2007 € million	%
Shareholders' equity	652.9	33.2	582.2	31.3	629.7	34.2
Share capital	24.0	1.2	24.0	1.3	24.0	1.3
Capital reserve	130.4	6.6	130.4	7.0	130.4	7.1
Retained earnings	392.0	19.9	337.5	18.1	373.3	20.3
Minority interests	106.5	5.4	90.3	4.8	102.0	5.5
Non-current liabilities	774.1	39.4	717.5	38.5	766.3	41.6
Financial debt	665.0	33.8	616.5	33.1	658.9	35.8
Pensions and similar obligations	0.0	0.0	3.5	0.2	0.0	0.0
Deferred tax liabilities	93.3	4.7	90.1	4.8	92.4	5.0
Other non-current liabilities	15.8	0.8	7.4	0.4	15.0	0.8
Current liabilities	539.6	27.4	563.1	30.2	445.7	24.2
Financial debt	146.0	7.4	179.9	9.7	125.9	6.8
Accounts payable and other liabilities	290.6	14.8	301.5	16.2	242.4	13.2
Income taxes	30.8	1.6	25.1	1.3	22.1	1.2
Other provisions	72.3	3.7	56.6	3.0	55.4	3.0
TOTAL EQUITY AND LIABILITIES	1,966.5	100.0	1,862.7	100.0	1,841.7	100.0

Rounding up or down may lead to discrepancies between totals and percentages.

HORNBACH HOLDING AG Group

Cash Flow Statement

€ million	1st Quarter 2007/2008	1st Quarter 2006/2007
Consolidated net income	21.4	22.6
Depreciation and amortization of non-current assets	19.2	18.7
Change in provisions	0.7	-0.1
Profits / losses on disposals of non-current assets	1.3	-0.2
Change in inventories, accounts receivable and other assets	-59.4	-12.3
Change in accounts payable and other liabilities	73.2	77.7
Other non-cash income/expenses	0.4	2.4
Cash flow from operating activities	56.8	108.8
Proceeds from disposals of non-current assets	0.5	36.1
Payments for investments in property, plant and equipment	-67.7	-16.5
Payments for investments in intangible assets	-1.1	-0.6
Payments for acquisitions of shareholdings and other business units	0.0	-1.0
Cash flow from investing activities	-68.3	18.0
Proceeds from long-term debt	16.9	0.0
Repayment of long-term debt	-11.0	-27.6
Change in short-term debt	22.8	-2.1
Cash flow from financing activities	28.7	-29.7
Cash-effective change in cash and cash equivalents	17.1	97.1
Change in cash and cash equivalents due to changes in exchange rates	0.8	0.0
Cash and cash equivalents at March 1	264.6	161.4
Cash and cash equivalents at May 31	282.5	258.5

Rounding up or down may lead to discrepancies between totals.

HORNBACH HOLDING AG Group

Statement of Changes in Equity

1st Quarter 2006/2007 € million	Share Capital	Capital Reserve	Hedging Reserve	Cumulative Currency Translation	Other Retained Earnings	Equity Attributable to Shareholders	Minority Interests	Total Equity
Balance at March 1, 2006	24.0	130.4	-2.8	3.8	317.6	473.0	85.6	558.6
Consolidated net income					18.1	18.1	4.5	22.6
Currency translation				-0.1		-0.1		-0.1
Valuation of derivative financial instruments, net after taxes			1.0			1.0	0.1	1.1
Total income and expenses recognized in the financial statements			1.0	-0.1	18.1	19.0	4.6	23.6
Balance at May 31, 2006	24.0	130.4	-1.8	3.7	335.7	492.0	90.2	582.2

1st Quarter 2007/2008 € million	Share Capital	Capital Reserve	Hedging Reserve	Cumulative Currency Translation	Other Retained Earnings	Equity Attributable to Shareholders	Minority Interests	Total Equity
Balance at March 1, 2007	24.0	130.4	-1.1	3.2	371.2	527.7	102.0	629.7
Consolidated net income					17.2	17.2	4.2	21.4
Currency translation				-0.3		-0.3	-0.1	-0.4
Valuation of derivative financial instruments, net after taxes			1.6			1.6	0.4	2.0
Total income and expenses recognized in the financial statements			1.6	-0.3	17.2	18.5	4.5	23.0
Capital increase from share option plans					0.2	0.2		0.2
Balance at May 31, 2007	24.0	130.4	0.5	2.9	388.6	546.4	106.5	652.9

Rounding up or down may lead to discrepancies between totals.

HORNBACH HOLDING AG Group

Statement of income and expenses recognized directly in equity

€ million	1st Quarter 2007/2008	1st Quarter 2006/2007
Valuation of derivative financial instruments	2.9	1.6
Exchange differences arising on the translation of foreign subsidiaries	-0.4	-0.1
Deferred taxes on gains and losses recognized directly in equity	-0.9	-0.5
Net income recognized directly in equity	1.6	1.0
Consolidated net income	21.4	22.6
Total income and expenses recognized in the financial statements	23.0	23.6
of which: allocable to shareholders	18.5	19.0
of which: allocable to minority interests	4.5	4.6
Total income and expenses recognized in the financial statements	23.0	23.6

Rounding up or down may lead to discrepancies between totals.

HORNBACH HOLDING AG Group

Notes to the Group Interim Report as of May 31, 2007

(1) Accounting principles

This group interim report of HORNBACH HOLDING AG and its subsidiaries for the 1st quarter as of May 31, 2007 has been compiled in accordance with Section 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 accounting principles applied in the compilation of this interim report correspond to those applied in the consolidated financial statements as of February 28, 2007. 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 HOLDING AG for the 2006/2007 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 also complies with German Accounting Standard No. 6 (DRS 6) – Interim Reporting – of the German Accounting Standards Committee (DRSC e.V.). The interim financial statements have not been audited by the group auditor, neither have they been subject to any audit review.

(2) Reporting entity

HMC Development S.R.L., Bucharest was included in the consolidated financial statements for the first time in the first quarter of 2007/2008.

(3) Seasonal influences

Due to weather conditions, the HORNBACH HOLDING AG Group is generally subject to lower sales in the autumn and winter months 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, 2007 do not necessarily provide an accurate indication of the results to be expected for the financial year as a whole.

(4) Other income and expenses

Other income and expenses are structured as follows:

€ million	1st Quarter 2007/2008	1st Quarter 2006/2007	Change in %
Other income	9.5	14.7	-35.3
Other expenses	6.7	5.6	19.6
Other income and expenses	2.8	9.1	-69.4

Other operating income primarily relates to income from advertising grants and income from exchange rate and payment differences. Moreover, the other income for the 1st quarter of 2006/2007 included non-operating income amounting to € 6.0 million resulting from the disposal of one DIY store property and other real estate. The DIY store property was 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.

Other operating expenses principally consist of expenses incurred on exchange rate and currency differences and losses incurred on the sale of non-current assets. The other expenses for the 1st quarter of the 2007/2008 financial year include non-operating expenses amounting to € 2.8 million (previous year: € 0.9m). These resulted from extraordinary depreciation of € 1.1 million undertaken on buildings under construction (previous year: € 0.8m), losses of € 1.3 million incurred on an investment project not subject to further development (previous year: € 0) and an addition of € 0.4 million to provisions for disadvantageous contracts (previous year: € 0.1m). The non-operating expenses relate to the real estate segment.

(5) Other disclosures

The personnel expenses of the HORNBAACH HOLDING AG Group amounted to € 109.8 million at the end of the 1st quarter as of May 31, 2007 (previous year: € 102.0m).

Depreciation and amortization totaling € 19.2 million was undertaken on intangible assets and property, plant and equipment at the HORNBAACH HOLDING AG Group in the first three months of the 2007/2008 financial year (previous year € 18.7m).

(6) Taxes on income

Taxes on income are structured as follows:

€ million	1st Quarter 2007/2008	1st Quarter 2006/2007	Change in %
Current tax expenses	8.9	12.2	-27.4
Deferred tax expenses	0.3	2.5	-86.7
	9.2	14.7	-37.3

(7) Earnings per share

Basic earnings per share are calculated pursuant to IAS 33 (Earnings per Share) as the quotient of the income allocable to the shareholders of HORNBAACH HOLDING AG for the period under report and the weighted average number of shares in circulation.

Earnings per share

€ million	1st Quarter 2007/2008	1st Quarter 2006/2007
Consolidated net income	17.2	18.1
Additional dividend for preference shares	0.2	0.2
Consolidated net income adjusted to account for additional dividend claims	17.0	17.9
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 €)	2.12	2.23
Additional dividend claim per preference share (in €)	0.06	0.06
Earnings per preference share (in €)	2.18	2.29

(8) Segment reporting

1st Quarter 2007/2008 in € million 1st Quarter 2006/2007 in € million	Retail	Real Estate	Miscellaneous and Consolidation	HORNBACH HOLDING AG Group
Segment income	732.0	39.5	-38.8	732.7
	696.1	38.0	-37.4	696.7
Sales to external third parties	732.0	0.0	0.0	732.0
	696.1	0.0	0.0	696.1
Rental income from affiliated companies, internal rental income	0.0	38.8	-38.8	0.0
	0.0	37.4	-37.4	0.0
Rental income from third parties	0.0	0.7	0.0	0.7
	0.0	0.6	0.0	0.6
Segment results (EBIT)	30.8	13.0	-5.0	38.8
	30.4	20.3	-4.4	46.3
Depreciation and amortization	10.5	6.3	2.4	19.2
	10.5	6.0	2.2	18.7
EBITDA	41.3	19.3	-2.6	58.0
	40.9	26.3	-2.2	65.0

Neustadt an der Weinstrasse, June 28, 2007

The Board of Management of HORNBACH HOLDING Aktiengesellschaft