

Interim report on the 1st Quarter 2002/2003

(1 March to 31 May 2002)

HORNBACH clearly ahead of the DIY competition in Germany

The first quarter in the current financial year (effective 31 May 2002) was characterised by a weak economy in Germany and continued underspending amongst the consumers, which had an adverse effect on German retailing in particular. January to March 2002 was one of the weakest quarters overall and the consumer climate in April and May also remained at a low level. Against this background sales development in the building, DIY and garden products sector in Germany was disappointing. From January to May 2002 the BHB¹ reports minus figures for like-for-like sales of around 6%.

Compared to this the most important subsidiary HORNBACH-Baumarkt-AG has shown significantly better progress in the comparison period from January to May than the sector as a whole: the fact that HORNBACH was able to maintain like-for-like sales in Germany at virtually the same level as the previous year (-0.5%) should be seen as a success. Taking into account the international activities as well

HORNBACH increased like-for-like sales by 0.4%. In relation to the first quarter of the financial year (1 March to 31 May 2002) like-for-like sales rose by 0.9% at home, by 1.5% across the Group as a whole including HORNBACH International and that was despite the fact that in May 2002 in Germany – depending on the individual German states – there were up to two less trading days than in the previous year.

Double-digit increase in Group sales

In the first three months of the current fiscal year (effective 31 May 2002) the net sales for HORNBACH HOLDING AG within the Group rose by 11.0% to € 457 million (previous year € 412 million). Gross sales (incl. V.A.T.) likewise grew by 11.0% to € 529 million (477). HORNBACH HOLDING AG-Group consists of the sub-groups HORNBACH-Baumarkt-AG, HORNBACH Baustoff Union GmbH as well as HORNBACH Immobilien AG and Lafiora HORNBACH Florapark GmbH.

HORNBACH HOLDING AG-Group (Shown in accordance with HGB) Figures in € million if not stated otherwise	Change on previous year in %	1st quarter 2002/2003	1st quarter 2001/2002
Earnings figures			
Gross sales	11.0	529.5	477.1
Net sales	11.0	457.2	412.0
Other operating income	18.4	4.5	3.8
Gross profit	6.8	160.4	150.2
Staff expenses	17.8	64.9	55.1
Depreciation	-1.3	14.2	14.4
Other operating expenses	9.8	47.2	43.0
Result of financial activities	-11.7	-8.6	-7.7
Result from ordinary activities	-14.8	25.5	30.0
Taxes	-1.0	9.5	9.6
Net income	-21.3	16.0	20.4
Other key data			
Earnings before interest and taxes (EBIT)	-9.8	34.1	37.8
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	-7.5	48.3	52.2

Under the control of the subsidiary HORNBACH-Baumarkt-AG some 92 DIY superstores with garden centres are operating across Europe as at 31 May 2002 with a total selling space of about 897,000 sq. m. Further details about profit development are given in the quarterly report published separately today by HORNBACH-Baumarkt-AG.

Taking into account the three independent garden centres operated by Lafiora HORNBACH Florapark GmbH the total number of retail stores within the HORNBACH HOLDING-Group is 95 with approximately 911,000 sq. m. selling space.

The first quarter of 2002/2003 HORNBACH Baustoff Union GmbH expanded its trading base with the takeover of a further regional builders merchant business. There are ten outlets operating as of 31 May 2002.

Profit development (in accordance with HGB)

The Group result from ordinary activities in accordance with HGB in the reporting period (Q1) compared to the previous year fell by 14.8% to € 25.5 million (previous year € 30.0 million). The net income dropped by approximately 21% to € 16.0 million (20.4).

The critical factor determining the fall in earnings was the flat consumer climate in Germany. As a result the forecasted increase of sales did not materialise and cost relations worsened. The results in the first quarter 2002/2003 were

HORNBACH HOLDING AG-Group Cash flow statement (Shown in accordance with HGB)	1st quarter 2002/2003 million €	1st quarter 2001/2002 million €
Net income	16	20
Depreciation on fixed assets	14	14
Changes in provisions and accruals	10	7
Changes in inventories, trade receivables and other assets	-29	-34
Changes in trade accounts payable and other liabilities	3	20
Net cash generated by operating activities	14	27
Proceeds from disposals of fixed assets	1	45
Investment in fixed assets	-29	-46
Net cash used in investing activities	-28	-1
Repayments of borrowings	-17	-9
Change in current account liabilities	19	4
Net cash used in financing activities	2	-5
Net increase in cash and cash equivalents	-12	21
Cash and cash equivalents as at March 1	88	65
Cash and cash equivalents as at May 31	76	86

¹ Bundesverband Deutscher Heimwerker-, Bau- und Gartenfachmärkte, Bonn

also affected by higher pre-opening costs in connection with expansion, start-up costs in Switzerland as well as increased administration costs.

HORNBAACH is maintaining the successful strategy of establishing HORNBAACH as the DIY brand with the best price-performance ratio from the point of view of the customer. Thanks to its dominant megastore format and its competence in terms of product range and service HORNBAACH continues to improve its market share and thereby secure additional potential sales.

In the area of building materials trading the improved market position and the restructuring of the organisation had a positive effect on earnings.

The table on page 1 provides information on the income statement and the most important figures in the first quarter of the current fiscal year.

Headcount

Effective 31 May 2002 8,440 people were employed throughout Europe (previous year 7,732) by HORNBAACH HOLDING AG and its subsidiaries. The annual average of full-time equivalents totals 7,364 (previous year 6,805).

Capital expenditures

In the first quarter of the current financial year € 30.9 million were

invested primarily in land and buildings (61.5 %) plus equipment (38.5 %). The cash flow statement on page 1 provides the information on the financing and investment activities of HORNBAACH HOLDING AG.

Outlook

HORNBAACH HOLDING AG is expected to achieve overall net sales of € 1.77 bn in 2002/2003 or over € 2.0 bn gross. By 28 February 2003 up to eleven HORNBAACH DIY superstores with garden centres will be opened at home and abroad, of which up to eight will be in other parts of Europe. It is expected that HORNBAACH will continue to exceed the sales development of the DIY sector in Germany thanks to its megastore concept. HORNBAACH Baustoff Union GmbH will continue to expand and set up specialist concepts in the area of building as scheduled. The Board of Management has set itself the target over the next few months of making up the earnings shortfall in comparison to the previous year and of achieving a result for the overall 2002/2003 financial year that is even above the figure posted for the previous year (€ 48.6 million).

Bornheim, 26 June 2002

– The Board of Management –

Accounting in accordance with IAS

In the current financial year 2002/2003 HORNBAACH HOLDING AG-Group will be switching their accounting from the principles of German law (HGB) to the international accounting standards (IAS or International Accounting Standards). The company will thereby ensure better comparability in international competition and at the same time satisfy the regulations of the German Stock Exchange for companies trading within the SMAX segment.

In comparison to the evaluation, balancing and consolidation methods used up until the end of 2000/2001 this quarterly report and

the annual accounts for 2002/2003 will essentially show the following changes:

Borrowed capital costs (construction period interest), which can be allocated directly to the acquisition, construction or production of land and buildings have been activated in accordance with IAS 23 as part of the acquisition or production costs.

The scheduled depreciation of the property assets and the intangible assets are based on the following useful life periods:

Intangible assets	3 to 4 years
Building and external areas	15 to 33 years
Technical plants and machinery	3 to 8 years
Equipment	3 to 15 years

Leased tangible fixed assets where ownership is attributed to the incorporated subsidiary companies (financing leasing) have been activated in accordance with IAS 17 and depreciated according to the schedule.

The special tax reserves in accordance with § 6b EStG have been included in the retained earnings.

The deferred taxation was calculated in accordance with IAS 12 based on different estimates for asset and liabilities between the IAS and balance sheet for taxation purposes as well as utilisable losses carried forward.

The extent of consolidation has been extended to include special purpose companies (IAS 27, SIC 12).

The other changes essentially concern the use of other provisions and the evaluation of the inventory.

The overview (IAS) gives a summary of the profit and loss account and the most important figures in the first quarter of the current financial year.

HORNBAACH HOLDING AG-Group Reconciliation between earnings derived from HGB and IAS in € million	1st quarter 2002/2003	1st quarter 2001/2002
HGB result from ordinary activities	25.5	30.0
Capitalisation of external consultancy costs for software development	0.0	0.3
Capitalisation of financing costs	1.9	1.7
Depreciation on intangible fixed assets and property assets	- 0.9	- 1.0
Other changes	0.0	- 0.8
IAS result from ordinary activities	26.5	30.2
Effective tax	9.5	9.6
Latent tax in accordance with IAS	1.1	- 0.9
IAS net income	15.9	21.5

HORNBAACH HOLDING AG-Group (Shown in accordance with IAS) Figures in € million if not stated otherwise	Change on previous year in %	1st quarter 2002/2003	1st quarter 2001/2002
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Net sales	11.0	457.2	412.0
Other operating income	15.8	4.4	3.8
Gross profit	6.8	160.4	150.2
Staff expenses	17.8	64.9	55.1
Depreciation	- 2.0	15.2	15.5
Other operating expenses	8.8	47.2	43.4
Result of financial activities	- 10.0	- 6.6	- 6.0
Result from ordinary activities	- 12.3	26.5	30.2
Taxes	21.8	10.6	8.7
Net income	- 26.2	15.9	21.5
Other key data			
Earnings before interest and taxes (EBIT)	- 8.8	33.1	36.3
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	- 6.8	48.3	51.8
Earnings per share in €	- 27.7	1.62	2.24