

## HORNBACH HOLDING AG Group

### Interim Report for the 1<sup>st</sup> Half-Year 2002/2003 (1 March - 31 August 2002)

- Group sales up 12.7%
- HORNBACH DIY superstores and garden centres:  
Like-for-like sales up 2.0%, beating industry trend in Germany – Successful market entry in Switzerland
- Flood damage impacts earnings performance
- First interim report in accordance with international accounting standards (IAS)

HORNBACH improved its competitive position during the first six months of the current financial year (1 March to 31 August 2002) despite an extremely unfavourable outlook for the building materials, DIY and garden products business in Germany. Sales rose by 12.7% in absolute terms. HORNBACH, the market leader in the DIY megastore segment, once again succeeded in achieving growth in like-for-like sales, beating the industry trend and extending its market share in the German DIY sector. HORNBACH Baustoff Union GmbH (HBU) continued to pursue its strategy of expansion and further improved its regional market position. The intense price competition in DIY retailing, start-up losses at HBU and Lafiora HORNBACH Florapark GmbH and the exceptional costs arising from the August floods all took their toll on earnings performance in the first half-year.

<b>Key Figures (IAS)</b> HORNBACH HOLDING AG Group	Change on previous year (%)	1st half-year 2002/2003 €m	1 <sup>st</sup> half-year 2001/2002 €m
Gross sales	12.7	1,047.3	929.6
Net sales	12.7	902.8	801.1
• HORNBACH DIY Germany	7.4	650.3	605.5
• HORNBACH DIY international	26.8	210.6	166.1
• Germany - other	42.0	41.9	29.5
EBITDA	-7.9	88.1	95.7
EBIT	-12.9	55.8	64.1
Result from ordinary activities	-17.6	42.0	51.0
Extraordinary result	-	-8.8	-
Earnings before taxes (EBT)	-34.9	33.2	51.0
Net income before minority interests	-38.9	20.4	33.4
Net income after minority interests	-36.6	17.5	27.6
Earnings per share (€)	-36.6	2.19	3.45
Capital investments	27.8	139.1	108.8

## Situation in trading and construction remains unsatisfactory

In the face of persistent weakness in the economy and consumer demand, the German retail industry was unable to halt its decline during the first half of the 2002 calendar year. According to figures issued by the German Federal Statistical Office, sales for the sector as a whole fell by 3.7% in real terms between January and June 2002 compared with the corresponding period of the previous year. Trading in non-food products was particularly badly affected, with sales of household goods and DIY supplies showing a decline of over nine per cent in real terms.

In its monthly sales statistics, the Bundesverband Deutscher Heimwerker-, Bau- und Gartenfachmärkte e. V. (BHB) reported a cumulative decrease of around five per cent in like-for-like sales for the period from January to the end of July 2002.

The situation in construction also remains difficult. The downward trend in house building approvals continued in the first half of 2002, although it had slowed appreciably compared with a year ago. A recovery in the construction sector is not expected until next year.

## HORNBACH achieves growth despite industry trend

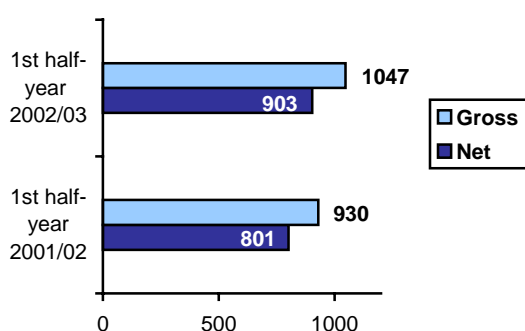
Against this backdrop, the HORNBACH Group successfully maintained its growth path, improved its market position at the cost of its competitors, and expanded its market share.

HORNBACH-Baumarkt-AG, by far the largest of the Group's operating subsidiaries, managed once again to break free from the downward trend in the sector. From January to July 2002, like-for-like sales in Germany were maintained at a comparable level with the previous year (0.1%). In terms of the first half of the financial year 2002/03, covering the period from March to August 2002, HORNBACH achieved a cumulative increase in like-for-like DIY sales of 2.0% in Germany and 2.2% including international activities.

## Group sales increase by 12.7%

HORNBACH HOLDING AG recorded a significant increase in consolidated sales compared with the previous year. At the end of the first six months of the current financial year (reporting date: 31 August 2002) net sales had risen by 12.7% to €903m (previous year: €801m), and gross sales (incl. VAT) had increased to €1,047m (previous year: €930m), also an increase of 12.7%

Fig.: HORNBACH HOLDING AG Group Sales Performance



The HORNBACH HOLDING AG Group includes the Subgroups HORNBACH-Baumarkt-AG, HORNBACH Baustoff Union GmbH and HORNBACH Immobilien AG, and Lafiora HORNBACH Florapark GmbH.

As at 31 August 2002, the Group operates 96 DIY superstores and garden centres across Europe through HORNBACH-Baumarkt-AG, with a total sales area of approx. 942,000 square meters. Further information on the development of this business area is provided

in the separate interim report for HORNBACH-Baumarkt-AG.

If the three garden centres operated by Lafiora HORNBACH Florapark GmbH are taken into account, the HORNBACH HOLDING Group has a total of 99 retail stores, covering a total sales area of around 956,000 square meters (reporting date: 31 August 2002).

HORNBACH Baustoff Union GmbH continues to pursue its regional expansion strategy, focusing on the Rhineland-Palatinate and Saarland regions. Four established building materials and builders' merchant companies were taken over in the first half-year of 2002/2003, bringing the number of operating units up to 14 at 31 August 2002.

The garden centres operated by Lafiora HORNBACH Florapark GmbH in Kassel and Neunkirchen achieved growth of over 6% in same store sales in the first six months of the financial year. Growth at the Germersheim location has not reached a satisfactory level.

### **Earnings performance**

In the period under review from March to August 2002, earnings suffered the negative impacts of intense price competition in the German DIY sector, start-up losses at HBU and Lafiora and the exceptional costs arising from the floods in August 2002.

The result from ordinary activities for the HORNBACH HOLDING AG Group declined by 17.6% compared with the previous year to €42.0m (previous year: €51.0m) in the period under review from March to August 2002. Earnings before interest and taxes (EBIT) fell by 12.9% to €55.8m (previous year: €64.1m). Earnings before interest, taxes, depreciation and amortisation (EBITDA) were down by 7.9% on the previous year at €88.1m (previous year: €95.7m).

There are two main reasons for the appreciable decline in earnings ratios. Firstly, HORNBACH is currently operating in an environment of intense competition, which is being reflected in prices. The Group's pricing strategy is designed to achieve sustainable expansion of market share in a difficult economic environment, putting pressure on profit margins. Secondly, pre-opening costs, start-up costs in new countries, including Switzerland, and administration costs have all risen, primarily due to the rapid pace of expansion.

The exceptional costs resulting from the floods in Germany and Austria in August had a negative impact on results in the HORNBACH-Baumarkt-AG Subgroup to the tune of €8.8m. The HORNBACH DIY superstores and garden centres in Ansfelden near Linz (Austria) and Dresden suffered severe damage. Damage to goods, buildings, equipment and fittings and the costs of waste disposal and cleaning had a significant impact on results.

The negative extraordinary result caused earnings before taxes (EBT) to fall by 34.9% in the first half-year of 2002/2003 to €33.2m (previous year: €51.0m). Group net income after minority interests declined by 38.9% to €20.4m (previous year: €33.4m).

### **Staff**

At the reporting date on 31 August 2002, the Group employed 8,891 people under permanent contracts with HORNBACH HOLDING or its subsidiaries. Averaged over the year, the Group employs the equivalent of 7,534 (previous year: 6,914) full-time staff.

### **Capital investment**

During the first half of the current financial year, a total of €139m (previous year: €108m) was invested, primarily in real estate and buildings (73%), followed by equipment and fittings (27%). The cash flow statement in the notes to this report provides information on HORNBACH HOLDING AG's financing and investment activities.

## **Outlook**

The HORNBACH Group expects to achieve consolidated sales in excess of €1.7bn net and €2.0bn gross (an increase of 15%) for the financial year 2002/2003. There are plans to open a total of six new combined DIY superstores and garden centres in Germany, Austria, Switzerland and Czech Republic in the second half of the financial year. This will increase the total number of retail stores in the HOLDING Group to 105, with a total sales area of over one million square metres.

The aim set out in the first quarter report of making up the earnings shortfall compared with the previous year over the following months and achieving a final result above the previous year's level for the 2002/2003 financial year is unfortunately no longer realistic in the light of developments so far and the flood damage suffered in 2002, and we now expect the result from ordinary activities to be maintained at around the same level as the previous year. Earnings should, however, significantly exceed the 2001/2002 level once again in the financial year 2003/2004.

Neustadt an der Weinstraße, 26 September 2002  
The Board of Management

## Financial Calendar

- 19 December 2002 **Interim report** for period ending 30 November 2002
- 16 April 2003 **Preliminary year-end results** 2002/2003
- June 2003 **Financial statements press conference** 2002/2003  
and publication of annual report  
**Interim report** for period ending 31 May 2003
- 29 August 2003 **Annual General Meeting** in Frankfurt am Main
- 25 September 2003 **Interim report** for period ending 31 August 2003  
**DVFA analysts' conference**
- 19 December 2003 **Interim report** for period ending 30 November 2003

## Contacts

### Investor Relations

Axel Müller  
76878 Bornheim  
Telephone (+49) 0 63 48/ 60 - 24 44  
Fax (+49) 0 63 48/ 60 - 42 99  
invest@hornbach.com

**Internet:** [www.hornbach-holding.com](http://www.hornbach-holding.com)

### Press/Public Relations

Dr. Ursula Dauth  
67433 Neustadt a. d. W.  
Telephone (+49) 0 63 21/ 678 - 93 21  
Fax (+49) 0 63 21/ 78 - 93 00  
presse@hornbach.com

## Income Statement

### HORNBACH HOLDING AG Group

Figures in €m	% change on previous year	1st half-year 2002/2003	1st half-year 2001/2002
Sales	12.7	902.8	801.1
Other income	63.8	13.1	8.0
Gross profit	9.3	321.3	294.0
Staff expenses	16.9	132.3	113.2
Amortisation/depreciation	2.5	32.3	31.5
Other operating expenses	18.6	100.9	85.1
Result of financial activities	4.5	-13.8	-13.2
<b>Result from ordinary activities</b>	<b>-17.6</b>	<b>42.0</b>	<b>51.0</b>
Extraordinary result		-8.8	0.0
Earnings before taxes (EBT)	34.9	33.2	51.0
Taxes	-27.3	12.8	17.6
Net income before minority interests	-38.9	20.4	33.4
Minority interests' share of profits for period	-50.0	2.9	5.8
<b>Net income after minority interests</b>	<b>-36.6</b>	<b>17.5</b>	<b>27.6</b>
<i>Earnings per share (€)</i>	-36.6	2.19	3.45

## Balance Sheet

### HORNBACH HOLDING AG Group

	31 August 2002		31 August 2001	
	%	€m	%	€m
<b>ASSETS</b>				
<b>A. Fixed assets</b>	<b>68.8</b>	<b>1,057.4</b>	<b>70.8</b>	<b>993.8</b>
I. Intangible assets	1.2	17.8	0.9	12.8
II. Tangible assets	67.5	1,037.9	68.8	965.9
III. Financial assets	0.1	1.7	1.1	15.1
<b>B. Current assets</b>	<b>29.8</b>	<b>458.6</b>	<b>27.9</b>	<b>391.9</b>
I. Inventories	22.4	344.3	21.6	302.8
II. Receivables and other assets	3.3	51.3	3.0	41.8
III. Cash	4.1	63.0	3.4	47.3
<b>C. Deferred taxes</b>	<b>1.3</b>	<b>20.6</b>	<b>1.2</b>	<b>16.6</b>
<b>D. Deferred charges</b>	<b>0.1</b>	<b>0.9</b>	<b>0.1</b>	<b>1.7</b>
<b>BALANCE SHEET TOTAL</b>	<b>100.0</b>	<b>1,537.5</b>	<b>100.0</b>	<b>1,404.0</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>A. Shareholders' equity</b>	<b>27.7</b>	<b>425.2</b>	<b>30.3</b>	<b>425.6</b>
I. Subscribed capital	1.6	24.0	1.7	24.0
II. Capital reserve	8.5	130.4	9.3	130.4
III. Revenue reserves	16.5	253.3	17.4	243.6
IV. Net income for year	1.1	17.5	2.0	27.6
<b>B. Minority interests</b>	<b>4.7</b>	<b>71.9</b>	<b>5.1</b>	<b>71.1</b>
<b>C. Provisions and accruals</b>	<b>4.3</b>	<b>66.7</b>	<b>3.9</b>	<b>55.2</b>
<b>D. Payables</b>	<b>57.4</b>	<b>881.7</b>	<b>54.2</b>	<b>760.8</b>
<b>E. Deferred taxes</b>	<b>5.8</b>	<b>89.8</b>	<b>6.3</b>	<b>89.0</b>
<b>F. Deferred income</b>	<b>0.1</b>	<b>2.2</b>	<b>0.2</b>	<b>2.3</b>
<b>BALANCE SHEET TOTAL</b>	<b>100.0</b>	<b>1,537.5</b>	<b>100.0</b>	<b>1,404.0</b>

## Cash Flow Statement

### HORNBACH HOLDING AG Group

	1st half-year 2002/2003	1 <sup>st</sup> half-year 2001/2002
	€m	€m
Net income for year (including minority interests)	21	33
Scheduled amortisation/depreciation of fixed assets	32	32
Changes in provisions and accruals	9	5
Profit/loss on disposal of fixed assets	-3	1
Change in inventories, trade accounts receivable and other asset items	-13	-23
Change in trade accounts payable and other liability items	-1	3
<b>Funds provided by operating activities</b>	<b>45</b>	<b>51</b>
Proceeds from the disposal of fixed assets	4	46
Investments in tangible fixed assets	-112	-107
Investments in intangible assets	-2	-2
<b>Funds used in investing activities</b>	<b>-110</b>	<b>-63</b>
Payments to shareholders	-12	-12
Repayment of borrowings	-28	-19
Change in current account payables	80	25
<b>Funds provided by/used in financing activities</b>	<b>40</b>	<b>-6</b>
Net change in cash and cash equivalents	-25	-18
Effect of foreign exchange rate changes	.	.
Cash and cash equivalents as at 1 March	88	65
<b>Cash and cash equivalents as at 31 August</b>	<b>63</b>	<b>47</b>

## Statement of Changes in Shareholders' Equity

### HORNBAACH HOLDING AG Group

<b>2nd half-year 2002/2003</b>	Subscribed capital	Capital reserves	Retained earnings	Net income for year	Total shareholders' equity	Minority interests	Total shareholders' equity (incl. minority interests)
in €m							
<b>As at 01.03.02</b>	<b>24</b>	<b>130</b>	<b>245</b>	<b>17</b>	<b>416</b>	<b>71</b>	<b>487</b>
Dividends paid				-9	-9	-3	-12
Change in companies consolidated						1	1
Exchange adjustments							
Changes without effect on operating result							
Transfer to reserves			8	-8	0		0
Net income for year				18	18	3	21
<b>As at 31.08.02</b>	<b>24</b>	<b>130</b>	<b>253</b>	<b>18</b>	<b>425</b>	<b>72</b>	<b>497</b>

<b>2nd half-year 2001/2002</b>	Subscribed capital	Capital reserves	Retained earnings	Net income for year	Total shareholders' equity	Minority interests	Total shareholders' equity (incl. minority interests)
in €m							
<b>As at 01.03.01</b>	<b>24</b>	<b>130</b>	<b>230</b>	<b>23</b>	<b>407</b>	<b>68</b>	<b>475</b>
Dividends paid				-9	-9	-3	-12
Change in companies consolidated							
Exchange adjustments							
Changes without effect on operating result							
Transfer to reserves			14	-14			0
Net income for year				27	27	6	33
<b>As at 31.08.01</b>	<b>24</b>	<b>130</b>	<b>244</b>	<b>27</b>	<b>425</b>	<b>71</b>	<b>496</b>

## Notes to the interim financial statements

### Basis of accounting

HORNBACH HOLDING-Aktiengesellschaft is a listed public limited company under German law. The Board of Management of the company entered in the Commercial Register of the Municipal Court of Neustadt, Weinstrasse, has its registered offices at Kasernenstrasse 19, Neustadt. The interim financial statements of HORNBACH HOLDING Aktiengesellschaft were prepared for the first time in compliance with the International Accounting Standards. (IAS). All the IAS and Interpretations of the Standing Interpretations Committee (SIC) in force on 31 August 2002 were applied.

### Change to IAS

IAS were applied for the first time in accordance with SIC-8 (First-Time Application of IAS as the Primary Basis of Accounting). Under this, the adjustments to recognition and valuation required for first-time application should be made retrospectively as if the financial statements had always been prepared in accordance with IAS (retrospective application). The change to IAS resulted in the following changes in the equity in the consolidated balance sheet at 28 February 2002, compared to the consolidated financial statements prepared in accordance with the German GAAP:

	<b>€million</b>
<b>Equity to German GAAP at 28 February 2002</b>	<b>366</b>
<b>Changes due to differences in recognition and valuation</b>	
Capitalisation of goodwill	3
Capitalisation of other intangible assets	3
Change in valuation of tangible assets	
Tax-driven special depreciation	121
Changes in useful life and method of depreciation	55
Capitalisation of borrowing costs during construction	19
Reclassification of capitalised dismantling costs from buildings to real estate	2
Finance leasing	-3
Adjustment to special tax reserves	5
Inventory valuation	6
Deferred tax	-66
Consolidation of Special Purpose Entities	-20
Other changes	-2
<b>Equity to IAS at 28 February 2002</b>	<b>487</b>

There are the following material differences from the recognition and valuation methods under German GAAP used previously:

- Scheduled depreciation of tangible assets was changed from the declining balance method to the straight line method.
- Solely tax-driven depreciation and amortisation and special tax reserves had to be retrospectively eliminated or written back.
- Borrowing costs which are directly attributable to the acquisition, construction or production of real estate and buildings (“qualifying assets”) were capitalised in accordance with IAS 23 (“Borrowing Costs”) as part of acquisition or production costs.
- Tangible assets leased back as part of sale & lease back transactions must be capitalised and the resulting liabilities accrued where the risks and rewards incident to ownership of the assets are transferred to the companies in the HORNBACH HOLDING Group in accordance with the criteria of IAS 17 (“Leases”). Where there are profits on sales under these transactions and they qualify as finance leases, these must be accrued and recognised as income in the income statement over the lease term.

- The interests of HORNBACH Immobilien Aktiengesellschaft as one of three limited partners in three real estate leasing partnerships were consolidated as “Special Purpose Entities” (SPE) in accordance with SIC 12.
- Accrued taxes are formed using the liability method (IAS 12), i.e. based on temporary differences between the tax base of an asset or liability and its carrying amount in the balance sheet in accordance with IAS and any loss carry-forwards which can be applied. Deferred tax assets must be recognised.
- Under IAS allows recognition of provisions only for liabilities involving another party (IAS 37). Provision for future expense not based on a present obligation is not permitted.
- The IAS consolidated financial statements are also based on historical cost, with the exception that financial derivatives and other short-term securities held for trading are measured at fair value.

### **Companies consolidated**

The companies consolidated included the interests of HORNBACH Immobilien Aktiengesellschaft as one of three limited partners in three real estate leasing partnerships which must be treated as “Special Purpose Entities” (SPE) in accordance with SIC 12. HORNBACH Immobilien Aktiengesellschaft holds 90% of the capital of these partnerships, with 19% of voting rights.

### **Consolidation principles**

The financial statements of the domestic and foreign subsidiaries included in the consolidation are prepared in accordance with uniform recognition and measurement principles. The financial statements of the individual consolidated companies are prepared for the same period as the consolidated financial statements.

Capital consolidation follows the purchase method, offsetting the acquisition cost of an interest against the prorated remeasured equity at the time of acquisition of the subsidiary. Remaining differences are capitalised as goodwill after attribution of prorated hidden reserves and amortised over their useful life on the straight-line method.

The share of the results of companies over which the Group has significant influence (associates) is accounted for in the consolidated financial statements using the equity method. Shares in losses reduce the book value of an interest to nil value. Additional losses are provided for to the extent that there are contractual obligations to compensate these.

Intercompany profits relating to inventories are eliminated through the income statement. Expenses and income and receivables and liabilities between the consolidated companies are netted out.

### **Changes in Group structure**

#### Acquisitions

In the second quarter HORNBACH Baustoff Union GmbH acquired further shares in the previously unconsolidated company Ruhland-Kallenborn & Co. GmbH. The company was fully consolidated on the date of acquisition of the additional shares.

#### Disposals

At 31 August 2002 HORNBACH sold its 100% interest in HJ Immobilien Jota GmbH and HBM Immobilien Kamp GmbH. Profits of €2.9 million are carried in other operating income.

## Currency translation

### Foreign currency transactions

Transactions in foreign currencies are translated to Euro at the transaction rate. Receivables and payables in foreign currencies are translated at the balance sheet date. Resulting exchange rate profits and losses are taken to the income statement.

Exchange rate losses from translation of loans to foreign subsidiaries which are in substance part of the investment are classified as equity until the repayment of the loan or disposal of the shares.

### Foreign currency translation of annual financial statements of foreign subsidiaries

As in the view of HORNBACH HOLDING Aktiengesellschaft all companies operate autonomously in financial, material and organisational terms, the assets and liabilities of subsidiaries whose annual financial statements are not prepared in Euro (Czech Republic, Sweden, Switzerland) are translated at the exchange rate on the balance sheet date. Income and expenses are translated at average exchange rates. Exchange differences from the translation of annual financial statements of foreign subsidiaries are classified as equity and shown under revenue reserves.

## Accounting and valuation

### Goodwill and other intangible assets

Goodwill arising in connection with the acquisition of subsidiaries is recognised as the difference between the purchase cost of the investment and the fair value of the prorated net assets of the subsidiary at the time of acquisition less scheduled (and, if necessary unscheduled) depreciation and amortisation. Goodwill of a foreign company and adjustment to fair value is translated using the exchange rate at the date of acquisition.

Other intangible assets are recognised at purchase cost less accumulated amortisation on the straight-line method.

Amortisation is calculated using the straight-line method and the following useful lives:

	years
Goodwill	15
Software and licences	3 - 4
Other intangible assets	3 - 8

### Tangible assets

Tangible assets including property held for rental is recognised at cost of purchase or production less accumulated depreciation.

Borrowing costs in the context of property development (borrowing costs during construction) which are directly attributable to the acquisition, construction or production of real estate and buildings ("qualifying assets") are capitalised in accordance with IAS 23 ("Borrowing Costs") as part of acquisition or production costs.

Regular depreciation is on the straight-line method. If there are reasons for assuming impairment and the recoverable amount is below cost less any accumulated depreciation and any accumulated impairment losses, unscheduled depreciation is taken on tangible assets. If the reasons for unscheduled depreciation in earlier years no longer apply, tangible assets are revalued accordingly. Scheduled depreciation throughout the Group is based on the following useful lives:

	Useful life
Buildings and outdoor facilities	15-33 years
Other equipment, operating and office equipment	3-15 years

Leased tangible assets which are substantially acquisitions of assets with long-term financing (finance leasing) are recognised at fair value in accordance with IAS 17 ("Leases") or, if lower, at the present value of the minimum lease payments. Assets are depreciated on schedule over the shorter of the lease term or its useful life, using the depreciation method applied to comparable purchased or manufactured assets. The obligations resulting from future lease payments are carried as liabilities.

#### Financial assets

Financial assets are broken down as follows in accordance with IAS 39: financial assets held for trading, held to maturity and available for sale. All financial assets are available for sale. Purchases and sales of securities are recognised on the trade date.

Financial assets are initially recognised at cost and subsequently remeasured at fair value if a market price is available on an active market or the market value can be otherwise reliably determined.

#### Inventories

Inventories are carried at the lower of their cost of acquisition or manufacture or their market value. The cost of merchandise inventories is calculated on the basis of weighted average prices. In addition to the directly attributable costs in the area of building materials and tiles, the cost of work in progress also includes appropriate portions of manufacturing and materials overheads. The principle of valuation at the lower of cost or net realisable value is applied. Net realisable value is the amount likely to be realised less costs to be incurred to the time of sale.

#### Leasing contracts

For leasing contracts which transfer substantially all the risks and rewards incident to ownership of an asset to the company, the asset is recognised at cost less accumulated depreciation and a matching liability in the amount of the fair value of the asset or, if lower, at the present value of the minimum lease payments.

#### Impairment of assets

For all assets other than inventories, deferred tax assets and assets recognised at fair value, the recoverable value is determined if facts or circumstances lead to impairment. If the recoverable value is lower than the book value, unscheduled depreciation is taken through the income statement. Revaluation is carried out if the reasons for unscheduled depreciation no longer apply.

#### Provisions

Provisions are formed for liabilities to other parties where the amount is uncertain and it is probable that a future outflow of resources will be required to settle the obligation. They are recognised as the best estimate of the amount required to settle the obligation after taking into account all identifiable risks; reimbursement claims are not deducted. Long-term provisions are recognised at their discounted present value where the difference is material. Provisions for future losses are recognised if the contractual obligations for stores leased from other parties exceed the expected economic benefits.

The interim financial statements for the first half include provisions of € 1.1 million for flood damage. Provisions include substantially the obligation to restore the state of a rented DIY superstore and garden center and work on clearing and cleaning.

Under IAS 37 no provision for future expense is recognised for damage to the Group's own DIY superstores and garden centers, including renovation. Under the German GAAP additional provisions totalling € 1.0 million would have been required.

## Expenses

Tax expense includes current and deferred taxes except where these relate to items credited or charged directly to equity. Recognition and valuation of deferred taxes is in accordance with IAS 12 ("Income Taxes", revised 2000) where the liability is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax assets reflect the expected tax benefits recoverable from the carryforward of tax losses. Deferred tax assets from deductible temporary differences and carryforward of tax losses exceeding taxable temporary differences are only recognised if it is sufficiently probable that the company involved will make sufficient taxable income to recover the corresponding benefit.

No expenses are recognised for the existing stock option plans for the difference between the exercise price and the market value of shares or the fair value of stock options granted but not exercised.

In preparing the consolidated financial statements assumptions and estimates were made which affected the carrying amount and recognition of assets and liabilities and income and expense. The assumptions and estimates relate primarily to group-wide determination of useful life, recognition and valuation of provisions and the probability of recovering future tax benefits. The actual values may deviate from the assumptions and estimates in individual cases. Adjustments will be made through the income statement as better information becomes available.

## **Extraordinary result**

The extraordinary result of € 8.8 million includes expense of € 9.3 million on flood damage and income of € 0.5 million from the sale of damaged goods.

Expense relates primarily to write-offs on destroyed inventory, expense of clearing and cleaning, obligation to restore the state of a leased DIY superstore and garden center and losses on disposal of other equipment, operating and office equipment and current operating costs during store closures due to flooding.

The extraordinary result breaks down as follows:

	€ million
Extraordinary expense	9.3
Extraordinary income	0.5
Pre-tax extraordinary result	<u>8.8</u>
Tax credit	<u>-3.3</u>
Extraordinary result after tax	<u>5.5</u>
Minority interest in extraordinary result after tax	<u>1.1</u>
	<u>4.4</u>