

# HORNBACH HOLDING Aktiengesellschaft

**Interim Report (IFRS)  
First Half-Year 2003/2004**



**HORNBACH**   
HOLDING AG

# HORNBAACH HOLDING AG Group

## Interim Report (IFRS) for the 1<sup>st</sup> Half-Year 2003/2004 (March 1 - August 31, 2003)

- Consolidated sales up by 21.5 %
- 3.1% increase in like-for-like sales at DIY stores
- Average store size surpasses 10,000 m<sup>2</sup> for the first time
- Earnings significantly up on previous year

In the first six months of the current financial year (March 1 – August 31, 2003) HORNBAACH HOLDING AG increased its consolidated sales by 21.5%. Like-for-like sales at the HORNBAACH DIY megastores with garden centers grew by 3.1%. With its DIY megastores, HORNBAACH was therefore able to maintain its growth trajectory in the second quarter of 2003/2004.

In comparison with the equivalent period in the previous year, both the consolidated earnings before taxes and extraordinary items and the consolidated net income generated during the first half of 2003/2004 showed markedly stronger growth than sales. This development was primarily attributable to like-for-like sales growth, coupled with a slight year-on-year increase in the gross margin and a relative decline in administrative costs, as well as lower pre-opening costs.

<b>Key Figures for the 1<sup>st</sup> Half-Year (IFRS)</b> HORNBAACH HOLDING AG Group	± %	1st Half-Year 2003/2004 in €m	1st Half-Year 2002/2003 in €m
<b>Sales (net)</b>	21.5	<b>1,098.5</b>	904.4
Gross margin as % of net sales		<b>34.9</b>	34.6
EBITDA	18.5	<b>104.4</b>	88.1
Earnings before interest and tax (EBIT)	25.1	<b>69.8</b>	55.8
<b>Consolidated earnings before taxes and extraordinary items*</b>	28.8	<b>54.1</b>	42.0
Consolidated earnings after taxes and before extraordinary items*	19.5	<b>31.2</b>	26.1
Extraordinary items	-	<b>1.1</b>	-5.7
Consolidated earnings before minority interests	58.3	<b>32.3</b>	20.4
<b>Consolidated net income</b>	50.3	<b>26.3</b>	17.5
Average earnings per share (€)	49.8	<b>3.28</b>	2.19
Investments	-54.8	<b>62.0</b>	137.3
Total assets	5.4	<b>1,623.1</b>	1,539.4
Shareholders' equity	3.5	<b>438.4</b>	423.7
Shareholders' equity as % of total assets**		<b>27.0</b>	27.6

\* before minority interests

\*\* excluding minority interests

## **HORNBACH Increases Consolidated Sales by 21.5 %**

The consolidated sales of HORNBACH HOLDING AG showed a marked increase on the previous year. Net sales rose by 21.5% to reach € 1,098.5m by August 31, 2003 (previous year: € 904.4m).

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

Following two new openings in the second quarter, the HORNBACH-Baumarkt-AG subsidiary was operating 106 DIY megastores with garden centers across Europe as of August 31, 2003. With a total sales area of 1,061,700 m<sup>2</sup>, HORNBACH reported an average DIY store size of more than 10,000 m<sup>2</sup> for the first time. Like-for-like sales at the Subgroup rose by 3.1% during the period under report. The share of international sales increased from 24.5% in the previous year to 31.9%. Further details can be found in the separately published interim report of HORNBACH-Baumarkt-AG.

HORNBACH Baustoff Union GmbH had increased the number of its outlets to 20 locations by the reporting date on August 31, 2003. The net sales generated at the division more than doubled in comparison with the previous year and amounted to € 68.0m. On account of the ongoing weakness in the construction sector, however, they nevertheless fell short of expectations. Following an unsatisfactory second quarter, Lafiora HORNBACH Florapark GmbH was also not able to meet its sales targets. Including the newly opened outlet in Ludwigshafen, sales in the specialist garden center division rose by around 18% to € 10.7m.

Including the four Lafiora garden centers, the total number of retail outlets across the HORNBACH HOLDING Group amounted to 110, with a total sales area of approximately 1,078,700 m<sup>2</sup> (reporting date: August 31, 2003).

## **Earnings Significantly up on Previous Year**

Earnings growth at the HORNBACH Group during the second quarter maintained the positive trend seen in the first three months. Thanks to the pleasing course of business during the period under report (March to August 2003), consolidated earnings before taxes and extraordinary items rose by 28.8% on the previous year to reach € 54.1m (previous year: € 42.0m). Earnings before interest and tax (EBIT) increased by 25.1 % to € 69.8 m (previous year: € 55.8 m). Earnings before interest, taxes, depreciation and amortization (EBITDA) showed a year-on-year increase of 18.5% to € 104.4m (€ 88.1 m).

The growth in the operative earnings figures during the first half of the financial year is primarily due to an increase in like-for-like sales at the DIY megastores with garden centers, the largest and most significant division within the Group, coupled with a slight year-on-year increase in the gross margin. The gross margin across the Group rose as a percentage of net sales from 34.6 % to 34.9 %. This was principally the result of an improvement in procurement conditions. The significantly lower level of pre-opening costs (-18%), as well as the relative decline in administrative costs, also had a positive impact on the development of earnings.

The consolidated income after minority interests rose by 50.3% during the first half of the 2003/2004 financial year to reach € 26.3m (previous year: € 17.5m). Average earnings per share improved from € 2.19 to € 3.28 as of August 31, 2003. It should be noted in this respect that the figure for the previous year included the extraordinary expenses relating to the flooding catastrophe in August 2002. Consolidated earnings after taxes and before extraordinary items rose by 19.5% to € 31.2m (previous year: € 26.1m).

## Personnel

At the reporting date on August 31, 2003, there were 10,208 individuals in fixed employment across Europe at HORNBAACH HOLDING AG or one of its subsidiaries (previous year: 8,891).

## Investments

Investments fell by 54.8% to € 62.0m during the first six months of the current financial year (previous year: € 137.3m). The funds were principally invested in land and buildings (65 %) and in plant and equipment (35 %). Information as to the financial and investment activities of HORNBAACH HOLDING AG has been provided in the cash flow statement appended to this report.

## Outlook

The outlook for the current 2003/2004 financial year remains unchanged on the forecasts given at the end of the first quarter. The HORNBAACH HOLDING AG Group is expected to report two-figure sales growth. This will be achieved by means of new openings, as well as by growth in like-for-like sales. Overall net sales at the HORNBAACH Group are expected to rise to more than € 2.0bn.

A further four new openings of HORNBAACH DIY megastores with garden centers in Germany and abroad are scheduled to take place by the end of the financial year (February 29, 2004), of which three will be in Germany. One international store opening scheduled for the current financial year will be postponed to the coming 2004/2005 financial year. The total number of retail outlets is therefore expected to increase to 114 (previous year: 105), with a total sales area of around 1,128,000 m<sup>2</sup>.

Following the highly promising entry into the Swiss market, where the company is pressing ahead with further expansion, the attention of HORNBAACH-Baumarkt-AG in the current financial year is mainly focussed on Sweden. The first Scandinavian HORNBAACH store is scheduled to be opened in Gothenburg on October 8, 2003. It will introduce its unmistakable HORNBAACH strengths to the Swedish DIY market.

The phase of expansion by means of further acquisitions at HORNBAACH Baustoff Union GmbH has been completed for the time being. With 20 outlets, the Subgroup has built up a significant regional competitive position. The optimization of operating processes, coupled with the synergies generated by the acquisitions and resultant joint market presence, are expected to have a positive impact on earnings in the construction materials and builders' merchant division in the further course of the current financial year. Lafiora HORNBAACH Florapark GmbH is directing its efforts towards achieving ongoing improvements in its sales situation.

Earnings are expected to show a considerable improvement and more than make up for the shortfall in the previous year. Consolidated earnings before taxes and extraordinary items are predicted to grow more rapidly than sales and to surpass the level seen in the 2001/2002 financial year (€ 46.5m).

Neustadt an der Weinstraße, September 25, 2003  
– The Board of Management –

## Financial Calendar

- December 19, 2003 **Interim Report** as of November 30, 2003
- April 07, 2004 **Preliminary Annual Results** 2003/2004
- June 25, 2004 **Financial Statements Press Conference** 2003/2004  
and publication of Annual Report
- September 03, 2004 **Interim Report** as of May 31, 2004
- September 30, 2004 **Annual General Meeting** in Frankfurt am Main
- September 30, 2004 **Interim Report** as of August 31, 2004
- December 21, 2004 **DVFA Analysts' Conference**
- December 21, 2004 **Interim Report** as of November 30, 2004

## Contact

### Investor Relations

Axel Müller  
76878 Bornheim  
Tel: (+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)  
[www.hornbach.com](http://www.hornbach.com)

### Press / Public Relations

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

## Income Statement

### HORNBACH HOLDING AG Group

€m	2nd Quarter	2nd Quarter	% change on	1st Half-Year	1st Half-Year	% change on
	2003/2004	2002/2003	previous year	2003/2004	2002/2003	previous year
Sales	526.2	446.5	17.8	1,098.5	904.4	21.5
Change in work-in-process inventory	0.2	0.0	-	0.1	-0.2	-150.0
Other operating income of which non-operating Q2: €0m (2002/03: €2.9m) ; 1st Half: €0.9m (2002/03: €2.9m)	5.8	7.6	-23.7	12.6	11.4	10.5
Cost of materials	347.8	293.2	18.6	720.6	594.3	21.3
<b>Gross margin</b>	<b>184.4</b>	<b>160.9</b>	<b>14.6</b>	<b>390.6</b>	<b>321.3</b>	<b>21.6</b>
Personnel expenses	80.2	66.6	20.4	161.6	131.0	23.4
Amortization of intangible assets and depreciation of property, plant and equipment	17.1	17.1	0.0	34.6	32.3	7.1
Other operating expenses	61.2	53.8	13.8	124.6	102.2	21.9
<b>Earnings before interest and tax (EBIT)</b>	<b>25.9</b>	<b>23.4</b>	<b>10.7</b>	<b>69.8</b>	<b>55.8</b>	<b>25.1</b>
Net financial expenses	-7.6	-7.9	-3.8	-15.7	-13.8	13.8
<b>Consolidated earnings before taxes, extraordinary items and minority interests</b>	<b>18.3</b>	<b>15.5</b>	<b>18.1</b>	<b>54.1</b>	<b>42.0</b>	<b>28.8</b>
Taxes on income	8.1	4.6	76.1	21.2	14.5	46.2
Other taxes	1.0	0.7	42.9	1.7	1.4	21.4
<b>Consolidated earnings after taxes, before extraordinary items and minority interests</b>	<b>9.2</b>	<b>10.2</b>	<b>-9.8</b>	<b>31.2</b>	<b>26.1</b>	<b>19.5</b>
Extraordinary income after income tax of Q2: €-0.1m (2002/03: €3.1m) ; 1st Half: €-0.6m (2002/03: €3.1m)	0.0	-5.7	-	1.1	-5.7	-
<b>Consolidated earnings before minority interests</b>	<b>9.2</b>	<b>4.5</b>	<b>104.4</b>	<b>32.3</b>	<b>20.4</b>	<b>58.3</b>
Minority interests	-1.6	0.0	-	-6.0	-2.9	106.9
<b>Consolidated net income</b>	<b>7.6</b>	<b>4.5</b>	<b>68.9</b>	<b>26.3</b>	<b>17.5</b>	<b>50.3</b>

## Balance Sheet

### HORNBACH HOLDING AG Group

	August 31, 2003		August 31, 2002		February 28, 2003	
	€m	%	€m	%	€m	%
<b>ASSETS</b>						
<b>A. Long-term assets</b>	<b>1,089.6</b>	<b>67.1</b>	<b>1,080.9</b>	<b>70.2</b>	<b>1,100.4</b>	<b>69.5</b>
I. Intangible assets	16.1	1.0	17.8	1.2	16.4	1.0
II. Property, plant & equipment	1,044.4	64.3	1,040.0	67.5	1,052.4	66.5
III. Financial assets	2.2	0.1	1.7	0.1	2.2	0.1
IV. Other long-term assets	2.8	0.2	0.8	0.1	2.8	0.2
V. Deferred tax claims	24.1	1.5	20.6	1.3	26.6	1.7
<b>B. Short-term assets</b>	<b>533.5</b>	<b>32.9</b>	<b>458.5</b>	<b>29.8</b>	<b>481.5</b>	<b>30.5</b>
I. Inventories	384.0	23.7	344.3	22.4	376.4	23.8
II. Accounts receivable and other assets	68.2	4.2	51.2	3.3	49.9	3.2
III. Liquid funds	81.3	5.0	63.0	4.1	55.2	3.5
<b>TOTAL ASSETS</b>	<b>1,623.1</b>	<b>100.0</b>	<b>1,539.4</b>	<b>100.0</b>	<b>1,581.9</b>	<b>100.0</b>
<b>EQUITY AND LIABILITIES</b>						
<b>A. Shareholders' equity</b>	<b>438.4</b>	<b>27.0</b>	<b>423.7</b>	<b>27.6</b>	<b>421.5</b>	<b>26.6</b>
I. Subscribed capital	24.0	1.5	24.0	1.6	24.0	1.5
II. Capital reserve	130.4	8.0	130.4	8.5	130.4	8.2
III. Revenue reserves	257.7	15.9	251.8	16.4	249.7	15.8
IV. Consolidated net income	26.3	1.6	17.5	1.1	17.4	1.1
<b>B. Minority interests</b>	<b>74.9</b>	<b>4.6</b>	<b>71.5</b>	<b>4.6</b>	<b>71.1</b>	<b>4.5</b>
<b>C. Long-term liabilities</b>	<b>624.1</b>	<b>38.5</b>	<b>571.0</b>	<b>37.1</b>	<b>608.0</b>	<b>38.4</b>
I. Financial liabilities	536.8	33.1	476.9	31.0	521.1	32.9
II. Deferred taxes	85.4	5.3	91.9	6.0	84.9	5.4
III. Other liabilities	1.9	0.1	2.2	0.1	2.0	0.1
<b>D. Short-term liabilities</b>	<b>485.7</b>	<b>29.9</b>	<b>473.2</b>	<b>30.7</b>	<b>481.3</b>	<b>30.5</b>
I. Financial liabilities	163.1	10.0	204.6	13.3	209.9	13.3
II. Trade accounts payable and other liabilities	244.8	15.1	225.6	14.6	214.6	13.6
III. Tax provisions	33.3	2.1	17.0	1.1	22.6	1.4
IV. Other provisions	44.5	2.7	26.0	1.7	34.2	2.2
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,623.1</b>	<b>100.0</b>	<b>1,539.4</b>	<b>100.0</b>	<b>1,581.9</b>	<b>100.0</b>

## Cash Flow Statement

### HORNBACH HOLDING AG Group

	1st Half-Year 2003/2004 €m	1st Half-Year 2002/2003 €m
<b>Consolidated earnings after tax and before extraordinary items and minority interests</b>	<b>31</b>	<b>26</b>
Depreciation and amortization of fixed assets	35	32
Change in provisions	20	9
Profits / losses on the sale of fixed assets	-1	-3
Change in inventories, trade accounts receivable and other assets	-28	-17
Change in trade accounts payable and other liabilities	29	-1
Other income / expenses with no cash effect	3	-1
Receipts / payments of exceptional items	2	0
<b>Inflow of funds from ordinary trading activities</b>	<b>91</b>	<b>45</b>
Receipts from disposals of fixed assets	42	4
Payments for capital expenditure on tangible assets	-59	-112
Payments for capital expenditure on intangible assets	-1	-2
<b>Outflow of funds for investment activities</b>	<b>-18</b>	<b>-110</b>
Payments to shareholders	-12	-12
Receipts from the proceeds of financial loans	41	0
Payments for the redemption of financial loans	-25	-28
Change in short-term financial loans	-51	80
<b>Outflow / inflow of funds for financing activities</b>	<b>-47</b>	<b>40</b>
Change in liquid assets	26	-25
Liquid funds at March 1	55	88
<b>Liquid funds at August 31</b>	<b>81</b>	<b>63</b>

## Change in Consolidated Shareholders' Equity

### HORBACH HOLDING AG Group

<b>2002/2003 Financial Year</b> € m	Subscribed capital	Capital reserve	Hedging reserve	Cumulative currency conversion	Other revenue reserves	Net income	<b>Total equity</b>
<b>As at March 1, 2002</b>	<b>24</b>	<b>130</b>	<b>0</b>	<b>1</b>	<b>242</b>	<b>18</b>	<b>415</b>
Dividend payments						-9	<b>-9</b>
Transfer to reserves					9	-9	<b>0</b>
Net income						18	<b>18</b>
<b>As at August 31, 2002</b>	<b>24</b>	<b>130</b>	<b>0</b>	<b>1</b>	<b>251</b>	<b>18</b>	<b>424</b>

<b>2003/2004 Financial Year</b> € m	Subscribed capital	Capital reserve	Hedging reserve	Cumulative currency conversion	Other revenue reserves	Net income	<b>Total equity</b>
<b>As at March 1, 2003</b>	<b>24</b>	<b>130</b>	<b>-2</b>	<b>1</b>	<b>251</b>	<b>17</b>	<b>421</b>
Dividend payments						-9	<b>-9</b>
Currency adjustments				-1			<b>-1</b>
Valuation of derivative financial instruments, net after tax			1				<b>1</b>
Transfer to reserves					8	-8	<b>0</b>
Net income						26	<b>26</b>
<b>As at August 31, 2003</b>	<b>24</b>	<b>130</b>	<b>-1</b>	<b>0</b>	<b>259</b>	<b>26</b>	<b>438</b>

## NOTES TO THE GROUP INTERIM REPORT (IFRS) AS OF AUGUST 31, 2003

### 1. ACCOUNTING PRINCIPLES

This non-audited group interim report of HORNBACH HOLDING Aktiengesellschaft and its subsidiaries for the first half-year as of August 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 August 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 financial year. The notes included therein also apply to this interim report unless expressly stated 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 half-year ending as of August 31, 2002.

### 2. REPORTING ENTITY

HORNBACH Baustoff Union GmbH acquired shares in Robert Röhlinger GmbH during the first half of the 2003/2004 financial year. The company was fully consolidated at the time of its acquisition.

### 3. SEASONAL INFLUENCES

Due to weather conditions, the HORNBACH HOLDING AG Group is subject to lower sales in autumn and winter than in the spring and summer months. These seasonal variations are reflected in the figures for the first half of the financial year. The results of business operations for the first six months up to August 31, 2003 do not automatically constitute an indicator of the results to be expected for the overall financial year.

### 4. NON-OPERATIVE RESULT

The non-operative earnings of € 0.9m include profits on the sale of two DIY megastores with garden centers (€ 0.7m), which were subsequently rented back for the long term on the basis of operating leasing agreements. 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. Furthermore, the non-operative earnings also include belated income amounting to € 0.2m resulting from the final payment relating to the sale of an investment undertaken during the 2002/2003 financial year.

### 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 € 0.6m. The share of minority shareholders in the extraordinary result amounts to € 0.2m.

## 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 HORNBACH HOLDING AG for the period under report and the weighted average number of shares in circulation.

### Earnings per share

	August 31, 2003 (€m)	August 31, 2002 (€m)
Consolidated net income	26.3	17.5
Additional dividend for preference shares	0.2	0.2
Consolidated net income adjusted by additional dividend claims	<u>26.1</u>	<u>17.3</u>
Number of ordinary shares issued	4,000,000	4,000,000
Number of preference shares issued	<u>4,000,000</u>	<u>4,000,000</u>
	<u>8,000,000</u>	<u>8,000,000</u>
Earnings per share (in €)	3.25	2.16
Additional dividend claim per preference share (in €)	0.06	0.06
Earnings per preference share (in €)	3.31	2.22

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

1 <sup>st</sup> Half-Year 2003/2004 in €m (1st Half-Year 2002/2003 in €m)	Retail	Real Estate	Other and Consolidation	HORNBACH HOLDING AG Group
<b>Segment Income</b>	<b>1,096.8</b> (902.8)	<b>54.8</b> (46.8)	<b>-53.1</b> (-45.2)	<b>1,098.5</b> (904.4)
- Sales proceeds from external third parties	1,096.8 (902.8)	0.0 0.0	0.0 0.0	1,096.8 (902.8)
- Rental income from affiliated companies, internal rental income	0.0 0.0	53.1 (45.2)	-53.1 (-45.2)	0.0 (0.0)
- Rental income from external third parties	0.0 (0.0)	1.7 (1.6)	0.0 (0.0)	1.7 (1.6)
<b>Segment Result (EBIT)</b>	<b>50.6</b> (33.2)	<b>24.3</b> (27.4)	<b>-5.1</b> (-4.8)	<b>69.8</b> (55.8)

## 8. OTHER DISCLOSURES

In accordance with the proposal made by the Board of Management and the Supervisory Board of HORNBACH HOLDING AG, the Annual General Meeting held on August 29, 2003 agreed to the distribution of a dividend to the shareholders amounting to € 1.08 per ordinary share and to € 1.14 per preference share for the 2002/2003 financial year. The dividend amounts to a total of € 8,880,000.00 and thus corresponds to a distribution ratio of 51 percent of the consolidated net income for the financial year ending on February 28, 2003.

Neustadt an der Weinstraße, September 25, 2003  
– The Board of Management –