

INTERIM REPORT

HORNBACH HOLDING AG GROUP

FIRST HALF

2008/2009

(MARCH 1 – AUGUST 31, 2008)

HORNBACK HOLDING AG Group

Half-Year Financial Report (March 1 – August 31, 2008)

- HORNBACK steps up pace of growth in Germany – and extends lead over DIY competitors
- Consolidated sales rise 6.7% in first six months – DIY stores post like-for-like growth of plus 1.9%
- Expansion maintained with new stores in Rumania and Sweden
- Earnings show markedly disproportionate growth – half-year EBIT up 65% to € 142 million

In line with expectations, the HORNBACK HOLDING AG Group significantly boosted its earnings power in the first six months of its financial year (March 1 to August 31, 2008) compared with the previous year. Notwithstanding economic uncertainty in Europe, the consolidated sales of the HORNBACK Group rose by 6.7% to € 1,525.5 million in the first half (previous year: € 1,429.2m). Sales at HORNBACK-Baumarkt-AG, the largest operating subgroup, also improved by 6.7% to € 1,439.0 million (previous year: € 1,349.3m). The sales performance in Germany was especially pleasing. Following growth of 0.6% in the first quarter, the like-for-like sales of the German DIY megastores with garden centers rose by 2.8% in the second quarter, thus showing even more dynamic growth than in other European countries. Thanks to its consistent focus on building and renovation projects, backed up by professional advice, HORNBACK has thus outperformed the German DIY sector by a clear margin once again. At the Group as a whole, like-for-like sales increased by 2.4% in the second quarter and by 1.9% in the first half. Very pleasing developments were shown by key earnings figures in the reporting period March to August 2008. This was chiefly due to like-for-like sales growth in Germany and abroad, coupled with a slight increase in the gross margin and improved store cost effectiveness. Alongside the increased earnings power in the DIY store segment, the rise in profits at the overall Group was also driven by substantial earnings growth in the real estate segment due to the sale of land not required for operations and a sale and leaseback transaction (plus € 26.4m). Half-year operating earnings (EBIT) improved by 64.6% to € 141.9 million (previous year: € 86.2m). Net income for the period is reported at € 95.7 million (previous year: € 61.4m). Basic earnings per preference share rose from € 6.27 to € 9.76.

Key Figures of the HORNBACK HOLDING AG Group (in € million, unless otherwise stated)	2nd Quarter 2008/2009	2nd Quarter 2007/2008	Change in %	1st Half 2008/2009	1st Half 2007/2008	Change in %
Net sales	747.7	696.5	7.4	1,525.5	1,429.2	6.7
of which in other European countries	290.1	255.5	13.5	584.7	516.2	13.3
Like-for-like sales growth (DIY)	2.4%	-1.1%		1.9%	1.8%	
Gross margin as % of net sales	35.6%	35.6%		35.9%	35.8%	
EBITDA	92.8	65.6	41.4	176.8	123.6	43.0
EBIT	75.1	47.4	58.2	141.9	86.2	64.6
Consolidated earnings before taxes	66.3	39.1	69.5	124.8	69.8	78.9
Consolidated net income *	49.8	39.9	24.8	95.7	61.4	55.9
Earnings per preference share in €	4.92	4.12	19.4	9.76	6.27	55.7
Investments	25.8	49.6	-48.0	61.0	118.4	-48.5

Misc. Key Figures of the HORNBACK HOLDING AG Group (in € million, unless otherwise stated)	August 31, 2008	February 29, 2008	Change in %
Total assets	2,058.4	1,902.0	8.2
Shareholders' equity	776.6	687.6	12.9
Shareholders' equity as % of total assets	37.7%	36.1%	
Number of employees	12,998	12,710	2.3

* pursuant to IFRS including minority interests.

Rounding up or down may lead to discrepancies between totals. Calculation of percentage figures based on € 000s.

Group Interim Management Report

Macroeconomic Framework and Sector Performance

The macroeconomic framework deteriorated during the period under report (March 1 to August 31, 2008). In particular, the ongoing high level of inflation resulting from the sharp rise in commodity, energy and food prices represented a tangible burden on the global economy in the spring of 2008. Not only that, economic growth was also slowed by developments on the US real estate market and in a number of European countries. Moreover, in the wake of the global financial crisis, international capital markets remained unstable, thus increasing uncertainty among market participants as to future economic developments.

According to the European Central Bank (ECB), the euro area economy found itself most recently in an “episode of weak economic activity” characterized on the one hand by high commodity prices, which strained confidence in the economy and private consumer demand. At 4.0%, the annualized inflation rate reached its highest level in June and July 2008 since the introduction of the euro and was twice the level tolerated by the ECB. Private household consumer spending in the euro area decreased by 0.2% in the second calendar quarter of 2008 compared with the first quarter. On the other hand, capital spending slowed markedly, dropping to minus 1.2% in the second quarter following growth of 1.5% in the period from January to March 2008, a development not improved by the ECB’s restrictive interest rate policy. The gross domestic product (GDP) of the euro area fell by 0.2% in the second quarter of 2008, having still risen by 0.7% in the preceding quarter. This decline in economic output was on the one hand largely due to the technical correction expected in the wake of high construction output volumes in Northern Europe during the winter on account of mild weather conditions, as well as the sharp rise in industrial production in Germany at the beginning of 2008. On the other hand, statistics for the euro area as a whole were depressed by the marked downturn in German GDP in real terms in the second calendar quarter.

As reported by the Federal Statistics Office, German GDP was 0.5% lower in real terms in the period April to June 2008 than in the first three months of the year. Economic output had still risen by 1.3% in the first quarter of 2008. This development was mainly due to falling volumes of gross fixed capital formation (minus 1.9% compared with the preceding quarter) and by private consumer spending, which slipped further from minus 0.4% in the first quarter to minus 0.7% in the second quarter of 2008. Having said this, following adjustment for calendar-related factors, economic output in the second quarter of 2008 was still 1.7% ahead of output in the same period in the previous year, compared with an equivalent figure of 2.6% one quarter earlier. The German Bundesbank could therefore not recognize any fundamental deterioration in the overall situation or erosion of the resilience gained by the German economy over the years. The labor market remained relatively robust. Employment totals continued to rise in Germany in the second quarter of 2008, albeit at a notably slower rate. The constellation of risks has nevertheless become more concentrated, meaning that the economy can be expected to step down a gear as the year progresses. More than anything, this is due to continuing high levels of inflation driven by the rise in energy prices. The German consumer price index rose year-on-year by 3.1% in August 2008, following 3.3% in July 2008. This inhibits consumers’ propensity to spend and saps domestic demand. The GfK consumer confidence index reached a five-year low in August. Against this backdrop, German retail sales dropped by 0.5% in real terms in the period January to July 2008.

The lull in consumer demand also clearly left its mark on the DIY store sector. According to the Federal Association of German Home Improvement, DIY and Specialist Garden Stores (BHB), gross sales fell by 2.2% in Germany in the first half of the calendar year. Following adjustment for the impact of stores newly opened or closed, gross revenues declined by 3.7% over the same period. It should be noted that the sector had to contend with considerably poorer weather conditions in January to April 2008 than one year earlier. Following the drastic decline in building permits issued for detached and semi-detached houses by more than a third in 2007, the foundering housing construction industry failed to provide any momentum in the current year. Sales growth on a potentially record-breaking scale in May (plus 19% prior to adjustment) was insufficient to enable the sector to escape the deterioration in the overall consumer climate.

Earnings, Financial and Asset Situation *

Sales performance

The HORNBACH HOLDING AG Group comprises the HORNBACH-Baumarkt-AG, HORNBACH Baustoff Union GmbH and HORNBACH Immobilien AG subgroups. In the second quarter (June 1 to August 31, 2008), the net sales of the HORNBACH Group rose by 7.4% to € 747.7 million (previous year: € 696.5m), following growth of 6.1% in the first quarter. On a cumulative basis, consolidated sales grew by 6.7% to € 1,525.5 million in the first half of 2008/2009 (previous year: € 1,429.2m). The sales performance was largely driven by the largest operating subgroup, HORNBACH-Baumarkt-AG.

The HORNBACH-Baumarkt-AG subgroup operated 127 DIY megastores with garden centers across Europe at the reporting date on August 31, 2008 (February 29, 2008: 125), of which 91 in Germany and 36 in other European countries. We maintained our international expansion by opening two new HORNBACH DIY megastores with garden centers in the second quarter of 2008/2009. In mid-July 2008, we opened our first location in the Swedish capital, Stockholm (Botkyrka). We also opened the second HORNBACH store in Bucharest, Rumania, in July. The total sales area of retail outlets amounted to around 1,417,000 m² as of August 31, 2008. The HORNBACH DIY megastores with garden centers have an average size of almost 11,200 m².

We increased sales at the HORNBACH-Baumarkt-AG subgroup by 7.1% to € 699.8 million in the second quarter (previous year: € 653.3m) and by 6.7% to € 1,439.0 million (previous year: € 1,349.3m) on a cumulative basis in the first half of 2008/2009. Like-for-like sales gained further momentum in the second quarter compared with the preceding quarter. The Group posted growth of 2.4% in this key figure (previous year: minus 1.1%), up from 1.5% in the first quarter of 2008. On a cumulative basis, like-for-like sales improved by 1.9% in the first six months. Our HORNBACH DIY megastores with garden centers in Germany contributed disproportionately to this development in the second quarter. Following a decline in sales in the equivalent period in the previous year, these stores have been able to regain considerable ground once again. HORNBACH succeeded in escaping the effects of the difficult economic framework and negative sector trend in Germany. In the second quarter, we generated like-for-like sales growth of 2.8%, while the rate of growth in the first quarter of 2008 had still amounted to 0.6%. At the end of the first six months, like-for-like sales growth amounted to 1.7%. We further extended our lead over the competition compared with the preceding quarter. Based on data released by the BHB sector association, HORNBACH outperformed the German sector by a monthly average of around five percentage points in the reporting period from March to August 2008. In the light of the current climate, with a progressive deterioration in consumer confidence due to the further year-on-year increase in inflation and the decline in macroeconomic and personal income expectations, this can be viewed as underlining the great success of HORNBACH's concept. By focusing on product range quality and professional advice for all construction and DIY projects, we were able to significantly boost customer demand in the second quarter of 2008/2009.

Our locations outside Germany managed to surpass the high level of sales already achieved in the previous year. International sales, including sales at the two newly opened stores, rose by 13.5% to € 290.1 million in the second quarter of 2008/2009 (previous year: € 255.5m) and by 13.3% to € 584.7 million in the first half of 2008/2009 (previous year: € 516.2m). The international share of the sales of the HORNBACH-Baumarkt-AG subgroup passed the 40% mark for the first time, reaching 40.6% (previous year: 38.3%). We achieved further improvements in like-for-like sales, even though these had already attained very high levels in the equivalent period in the previous year. Our international HORNBACH locations posted like-for-like sales growth of 1.7% in the second quarter of 2008/2009 (previous year: 4.5%) and of 2.3% cumulatively for the first half of the financial year (previous year: 7.3%). Further details about the business performance of the HORNBACH-Baumarkt-AG subgroup can be found in this subsidiary's separately published interim report.

The HORNBACH Baustoff Union GmbH (HBU) subgroup reported sales growth of 10.5% to € 48.0 million in the second quarter of 2008/2009, following growth of 4.5% in the preceding quarter. Net sales for the first half of 2008/2009 rose by 7.8% to € 86.6 million (previous year: € 80.4m). HBU has therefore outperformed the German builders' merchant sector by a clear margin. According to the BDB sector association, member companies across Germany reported sales growth of just 1.7% for the period January to June 2008.

* Unless otherwise stated, periods relating to HORNBACH are based on the financial year (March – February), not on the calendar year.

Earnings performance

The key earnings figures of the HORNBACH HOLDING AG Group showed very positive developments in the reporting period from March to August 2008 compared with the previous year. In the DIY store segment, this was largely due to like-for-like sales growth in Germany and abroad, coupled with a slight rise in the gross margin and improved store cost efficiency. Moreover, the rise in the Group's profit was also driven by earnings growth in the real estate segment due to the sale of land not required for operations and a sale and leaseback transaction.

Earnings before interest, taxes, depreciation and amortization (EBITDA) grew by 41.4% to € 92.8 million in the second quarter of 2008/2009 (previous year: € 65.6m), while operating earnings (EBIT) rose by 58.2% to € 75.1 million (previous year: € 47.4m). Consolidated earnings before taxes surged by 69.5% to € 66.3 million (previous year: € 39.1m). Net income for the period grew by 24.8% to € 49.8 million (€ 39.9m) in the second quarter.

In line with expectations, the key earnings figures for the first six months of the current financial year are substantially up on the previous year's figures. EBITDA increased from € 123.6 million to € 176.8 million, an improvement of 43.0%. EBIT rose by 64.6% to € 141.9 million (previous year: € 86.2m), while consolidated earnings before taxes shot up by 78.9% to € 124.8 million (€ 69.8m). Net income rose by 55.9% to € 95.7 million in the first half of the year (previous year: € 61.4m). Earnings per preference share showed a corresponding improvement from € 6.27 to € 9.76.

This earnings growth was partly due to the gross margin. As a percentage of sales, the gross profit improved slightly from 35.8% to 35.9% in the first half of the year. This was largely the result of changes in the product mix, i.e. of an increased share of sales attributable to high-margin product ranges, as well as of a slight increase in retail prices. Selling and store expenses, which are reported at € 378.6 million for the first half of 2008/2009 (previous year: € 370.7m), have declined notably as a proportion of sales. Thanks in particular to lower advertising and general and operating expenses compared with the previous year, the store expense ratio improved from 25.9% auf 24.8%, also benefiting from a slightly better personnel expense ratio. At € 4.7 million, pre-opening expenses were slightly higher than the previous year's figure (€ 4.5m), although the pre-opening expense ratio remained unchanged at 0.3% of net sales. The administration expense ratio fell slightly from 3.9% to 3.8%.

Other income and expenses, which jumped from € 5.8 million to € 36.0 million, made a substantial contribution to earnings in the first six months. This increase was mainly driven by an improvement in non-operating earnings in the real estate sector. The disposal of three Austrian real estate companies in the first quarter of 2008/2009 and of a DIY store property by way of a sale and leaseback transaction and of other pieces of land not required for operations in the second quarter generated cumulative accounting profits of € 26.4 million. This positive figure contrasts with the net non-operating charge on earnings of € 3.8 million reported for the equivalent period in the previous year (March to August 2007). This had mainly been caused by provisions stated for the loss expected on planned real estate disposals and retirement losses on a discontinued investment project. Adjusted to account for these one-off non-operating items of € 24.9 million (previous year: minus € 3.8m), we raised our operating earnings (EBIT) by 30.0% in the first half of 2008/2009 and thus significantly boosted the operating earnings power of the Group compared with the previous year.

The key earnings figures for the overall Group are largely dependent on the earnings performance of the largest operating subgroup, HORNBACH-Baumarkt-AG. Operating earnings (EBIT) at this company grew by 65.6% to € 65.9 million in the second quarter (previous year: € 39.8m) and cumulatively by 58.3% to € 114.4 million in the first half (previous year: € 72.2m).

The even more marked increase in key earnings figure at the overall HORNBACH HOLDING AG Group was attributable to the substantial earnings growth at HORNBACH Immobilien AG. Mainly as a result of the disposal gains on the successful land development project in Austria, operating earnings (EBIT) at the HORNBACH Immobilien AG subgroup improved from € 15.9 million to € 28.1 million.

HORNBACH Baustoff Union GmbH achieved disproportionate operating earnings growth compared with sales, posting EBIT of € 2.1 million for the first half (previous year: € 1.7m).

Financial and asset situation

At € 61.0 million, the investments made in the first six months of the current 2008/2009 financial year were significantly lower than the previous year's figure of € 118.4 million. This reduction was chiefly due to the higher number of new store openings in the equivalent period in the previous year (four, as against two in the period under report). Around 67% of the funds were channeled into land and buildings, with the rest being invested in plant and office equipment at new and existing stores, as well as in intangible assets (mainly IT software). Investments were financed in full from the cash flow from operating activities, which amounted to € 158.5 million (previous year: € 88.5m). Information concerning the financing and investment activities of HORNBAACH HOLDING AG can be found in the cash flow statement on Page 11.

Total assets grew to € 2,058.4 million as of August 31, 2008, an increase of 8.2% compared with the reporting date on February 29, 2008. This growth was mainly due to the substantial increase in cash and cash equivalents from € 196.0 million to € 311.7 million. Within current assets, receivables and other assets rose by € 51.1 million to € 117.8 million, while the "Non-current assets and disposal groups held for sale" item fell by € 32.5 million to € 46.2 million following the transactions in the real estate segment. Inventories were reduced by 3.9% to € 478.8 million. Non-current assets expanded by € 39.1 million to € 1,085.9 million, principally as a result of the increase in property, plant and equipment (plus € 28.2m) and other non-current assets (plus € 10.5m).

Shareholders' equity as reported in the balance sheet rose to € 776.6 million as of August 31, 2008, an increase of 12.9%, or € 89.0 million, compared with the previous reporting date. As a result, the equity ratio improved from 36.1% to 37.7%. Non-current liabilities only rose slightly by 1.4% to € 746.1 million (February 29, 2008: € 735.6m). Current liabilities increased by 11.9%, or €56.9 million, a development largely driven by higher provisions for taxes on income and increased other liabilities in connection with sales tax.

At € 480.6 million, the net financial liabilities of the HORNBAACH HOLDING AG Group as of August 31, 2008 have declined significantly compared with the equivalent figure of € 583.6 million as of February 29, 2008.

Employees

At the reporting date on August 31, 2008, 12,998 individuals across Europe (February 29, 2008: 12,710) were in fixed employment at the HORNBAACH HOLDING AG Group (plus 2.3%). At 8,360, the number of employees in Germany dropped by 0.6% compared with the reporting date on February 29, 2008. It should be noted that, due to the boom in demand in spring 2007, personnel capacity was built up in a targeted manner, drawing largely on temporary employment contracts. These contracts have expired on schedule in subsequent months. In other European countries, by contrast, the workforce grew by 7.9% from 4,297 to 4,638 as a result of the Group's expansion.

Risk Report

We provided a detailed presentation of the risks involved in our business activities on Pages 62 to 65 of the 2007/2008 Annual Report of the HORNBAACH HOLDING AG Group. Over and above the information provided in the Annual Report, there have been no major changes in the first half of 2008/2009 which could result in any new risk assessment for the second half of the year. Furthermore, no future risks to the continued existence of the HORNBAACH HOLDING AG Group have been identified on the basis of the information currently available.

Events After the Balance Sheet Date

No events of material significance for the assessment of the earnings, financial and net asset position of HORNBAACH HOLDING AG or of the HORNBAACH HOLDING AG Group have taken place since the conclusion of the first half of the financial year on August 31, 2008.

Outlook

Opportunities

We reported extensively on the macroeconomic, sector-specific and strategic opportunities of relevance to the business activities of the HORNBACH HOLDING AG Group on Pages 65 to 70 of our 2007/2008 Annual Report. Upon publication of this half-year financial report we would largely reaffirm this basic assessment of our medium to long-term development potential. Only with regard to the second half – up to the end of the financial year on February 28, 2009 – do we assess macroeconomic opportunities and the implications of the global financial crisis, which will affect the development in real-term income and thus in consumer behavior in Germany, less favorably than half a year ago.

In the forecast issued in mid-July 2008, the International Monetary Fund (IMF) assumed that the global economy would slow in the second half of the calendar year, but still expected positive forces to gain the upper hand once again in 2009. Confidence has taken a knock from the latest round of bad news from the USA in connection with the financial crisis. Having reached a preliminary peak with the quasi-nationalization of the largest US mortgage financier and of the American International Group (AIG), as well as the insolvency of the investment bank Lehman Brothers, this crisis would still seem to be far from over. Economic expectations in the fall of 2008 are surrounded by great uncertainty.

According to the EU Commission's Sentiment Index, business confidence fell to a five-year low in July 2008, a development which has also affected retail companies and consumer confidence. In early September, the European Central Bank reduced its economic forecast for the euro area. Compared with its June forecast, the bank cut back its average estimate for real-term GDP growth from 1.8% to 1.4%. At plus 1.2%, the forecast for 2009 was also down on the previous figure of 1.5%. In terms of inflation, by contrast, the ECB economists have raised their forecasts. Consumer prices are thus expected to be 3.5% higher on average this year than in 2007. The ECB saw this level of inflation, classified as "worrying", as resulting from past substantial rises in oil, energy and food prices. At the same time, however, the decline in oil prices seen since mid-July has removed some of the pressure on the inflation rate.

Based on assessments compiled by the Centre for European Economic Research (ZEW), bank economists and research institutes also expect the German economy to shift down a gear in future. Median forecasts still see real-term economic growth of 2.2% as being possible for 2008, although these figures were compiled too soon to account for the effects of the subsequent intensification in the financial crisis in mid-September. Private consumer spending, which in the year to date has still not yet recovered from the inflation shock, continues to provide inadequate momentum in spite of positive developments on the labor market. The average German household has suffered a deterioration in its real-term income situation. As a result, prospects remain rather dismal for the German retail sector in the second half of the calendar year as well. In July, the Association of German Retailers (HDE) reduced its forecast for 2008. Following a disappointing first half, the sector can thus now only expect to achieve sales growth of 1.5% for the year as a whole (previously plus 2%). Adjusted for the impact of inflation, this is equivalent to a reduction of around one percent.

In its half-year statement, the DIY sector association (BHB) was also more reserved concerning the development potential for the DIY sector through to the end of 2008 than was the case at the beginning of the year. Given the weak basis provided by the past year, the year-on-year shortfall in sales should reduce during the second half of the 2008 calendar year to such an extent that it may ultimately be possible to match the level of sales reported for 2007 as a whole. The BHB previously viewed nominal sales growth of 2% as still being achievable.

Outlook for the Group

Regardless of the aforementioned deterioration in the macroeconomic framework, we see the overarching trends in the DIY and garden store sector outlined from Page 66 of the 2007/2008 Annual Report onwards, especially the backlog of work to be performed in the modernization and renovation market in Germany and other European countries and the topic of energy saving in buildings, as representing growth factors which will not lose in significance in the current stage of the economic cycle. As a project-based DIY store with a high degree of competence in terms of product range and quality of advice, we believe that we are optimally positioned in the market to tap the resultant sales potential. We therefore expect to outperform the overall DIY market by a clear margin once again in the second half of 2008/2009. In view of this, we largely uphold the outlook for the Group formulated on Pages 70 to 72 of the 2007/2008 Annual Report, as well as in the interim report for the first quarter of 2008/2009.

Accordingly, a total of up to five new HORNBAACH DIY megastores with garden centers are scheduled to be opened by the end of the current financial year (reporting date on February 28, 2009), of which two had already been opened as of August 31, 2008. Net sales are expected to show growth in a medium single-digit percentage range both on the level of the overall HORNBAACH HOLDING AG Group and of the HORNBAACH-Baumarkt-AG subgroup in the current 2008/2009 financial year. Both the German and the international businesses should make sustainable growth contributions. We expect our DIY megastores with garden centers in Germany to achieve sales growth in absolute terms and on a like-for-like basis compared with the weak basis provided by the previous year. We also expect to continue to outperform average growth rates in the sector. The HORNBAACH stores in other European countries will maintain their successful course. The high level of sales achieved in previous years is to be increased still further, both in terms of like-for-like sales and by pressing ahead with the Group's international expansion.

Operating earnings (EBIT) for the current financial year (2008/2009) are expected to show markedly disproportionate growth compared with sales both on the level of the overall HORNBAACH HOLDING AG Group and of the HORNBAACH-Baumarkt-AG subgroup and should surpass the respective figures for the 2006/2007 financial year (€ 119m and € 96m). We aim to achieve this on the one hand by enhancing the earnings power of our DIY store segment (core DIY business). On the other hand, we expect to see significant earnings growth in the real estate segment, largely as a result of the planned disposal of five HORNBAACH DIY megastores with garden centers located outside Germany by way of sale and leaseback transactions. One transaction was already completed in the second quarter of 2008/2009 and four further transactions are expected to be executed in the third quarter of 2008/2009 (September 1 to November 30, 2008). The successful completion of the transactions still outstanding is expected to generate disposal gains of around € 20 million.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF HORNBACH HOLDING AG

Income Statement

€ million	2nd Quarter 2008/2009	2nd Quarter 2007/2008	Change in %	1st Half 2008/2009	1st Half 2007/2008	Change in %
Sales	747.7	696.5	7.4	1,525.5	1,429.2	6.7
Cost of goods sold	481.4	448.8	7.3	978.4	918.1	6.6
Gross profit	266.4	247.7	7.5	547.1	511.2	7.0
Selling and store expenses	179.9	174.8	2.9	378.6	370.7	2.1
Pre-opening expenses	2.9	1.2	130.7	4.7	4.5	3.1
General and administration expenses	28.2	27.2	3.6	57.9	55.4	4.4
Other income and expenses	19.7	3.0	564.1	36.0	5.8	521.9
Operating earnings (EBIT)	75.1	47.4	58.2	141.9	86.2	64.6
Financial income	4.0	2.9	35.9	6.7	5.3	25.1
Financial expenses	12.7	11.2	13.3	23.8	21.8	9.0
Net financial expenses	-8.8	-8.3	5.4	-17.1	-16.5	3.8
Consolidated earnings before taxes	66.3	39.1	69.5	124.8	69.8	78.9
Taxes on income	16.5	-0.8		29.1	8.4	246.6
Consolidated net income	49.8	39.9	24.8	95.7	61.4	55.9
of which income allocable to shareholders	39.1	32.7	19.6	77.9	49.9	55.9
of which minority interests	10.7	7.2	48.5	17.9	11.5	56.2
Basic earnings per share (in €)	4.86	4.06	19.7	9.70	6.21	56.2
Basic earnings per preference share (in €)	4.92	4.12	19.4	9.76	6.27	55.7

Rounding up or down may lead to discrepancies between percentages and totals. Calculation of percentage figures based on € 000s.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF HORNBACH HOLDING AG

Balance Sheet

ASSETS	August 31, 2008		February 29, 2008	
	€ million	%	€ million	%
Non-current assets	1,085.9	52.8	1,046.8	55.0
Intangible assets	20.8	1.0	22.4	1.2
Property, plant and equipment	972.9	47.3	944.7	49.7
Investment property	33.9	1.6	30.3	1.6
Financial assets	1.5	0.1	2.7	0.1
Other non-current assets	17.5	0.9	7.0	0.4
Non-current income tax receivables	18.3	0.9	17.9	0.9
Deferred tax assets	21.0	1.0	21.8	1.1
Current assets	972.5	47.2	855.2	45.0
Inventories	478.8	23.3	498.1	26.2
Accounts receivable and other assets	117.8	5.7	66.7	3.5
Income tax receivables	18.0	0.9	15.7	0.8
Cash and cash equivalents	311.7	15.1	196.0	10.3
Non-current assets and disposal groups held for sale	46.2	2.2	78.7	4.1
TOTAL ASSETS	2,058.4	100.0	1,902.0	100.0

EQUITY AND LIABILITIES	August 31, 2008		February 29, 2008	
	€ million	%	€ million	%
Shareholders' equity	776.6	37.7	687.6	36.1
Share capital	24.0	1.2	24.0	1.3
Capital reserve	130.4	6.3	130.4	6.9
Retained earnings	488.8	23.7	416.5	21.9
Minority interests	133.4	6.5	116.7	6.1
Non-current liabilities	746.1	36.2	735.6	38.7
Long-term financial debt	653.4	31.7	648.9	34.1
Deferred tax liabilities	71.3	3.5	71.1	3.7
Other non-current liabilities	21.4	1.0	15.6	0.8
Current liabilities	535.7	26.0	478.8	25.2
Short-term financial debt	138.9	6.8	130.7	6.9
Accounts payable and other liabilities	279.1	13.6	245.2	12.9
Income tax provisions	43.9	2.1	29.0	1.5
Other provisions and accruals	61.0	3.0	59.4	3.1
Disposal group liabilities	12.8	0.6	14.5	0.8
TOTAL EQUITY AND LIABILITIES	2,058.4	100.0	1,902.0	100.0

Rounding up or down may lead to discrepancies between percentages and totals. Calculation of percentage figures based on € 000s.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF HORNBACH HOLDING AG

Cash Flow Statement

€ million	1st Half 2008/2009	1st Half 2007/2008
Consolidated net income	95.7	61.4
Depreciation and amortization of non-current assets	34.9	37.4
Change in provisions	-0.2	2.1
Profits/losses on disposals of non-current assets and of non-current assets held for sale	-25.4	1.5
Change in inventories, accounts receivable and other assets	-1.5	-41.5
Change in accounts payable and other liabilities	54.9	41.8
Other non-cash income/expenses	0.0	-14.1
Cash flow from operating activities	158.5	88.5
Proceeds from disposals of non-current assets and of non-current assets held for sale	17.2	40.9
Payments for investments in property, plant and equipment	-58.4	-116.6
Payments for investments in intangible assets	-0.7	-1.8
Payments for acquisitions of shareholdings and other business units	-1.9	0.0
Cash flow from investing activities	-43.8	-77.5
Proceeds from capital increases	1.1	4.3
Payment of dividend	-12.0	-11.8
Proceeds from taking up of long-term debt	25.3	16.9
Repayment of long-term debt	-23.6	-23.2
Change in short-term debt	9.8	28.7
Cash flow from financing activities	0.6	14.8
Cash-effective change in cash and cash equivalents	115.2	25.9
Change in cash and cash equivalents due to changes in exchange rates	0.5	1.0
Cash and cash equivalents at March 1	196.0	264.6
Cash and cash equivalents at August 31	311.7	291.4

Rounding up or down may lead to discrepancies between totals.

The cash flow from operating activities was reduced by € 18.6 million on account of tax payments (previous year: € 9.9m) and by € 22.2 million on account of interest payments (previous year: € 22.7m) and increased by € 6.4m on account of interest received (previous year: € 5.3m).

The non-cash income/expenses item for the current year largely consists of deferred taxes.

The payments for the acquisition of shareholdings and other business units relate to the acquisition of a builders' merchant location in Landstuhl.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF HORNBACH HOLDING AG

Statement of income and expenses recognized directly in equity

€ million	1st Half 2008/2009	1st Half 2007/2008
Valuation of derivative financial instruments	3.2	2.3
Exchange differences arising on the translation of foreign subsidiaries	2.0	0.9
Deferred taxes on gains and losses recognized directly in equity	-0.9	-0.8
Net income recognized directly in equity	4.2	2.4
Consolidated net income	95.7	61.4
Total income and expenses recognized in the financial statements	100.0	63.7
of which: allocable to shareholders	81.5	51.9
of which: allocable to minority interests	18.5	11.9

Rounding up or down may lead to discrepancies between totals.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF HORNBACH HOLDING AG

Statement of Changes in Equity

1st Half 2007/2008 € million	Share Capital	Capital Reserve	Hedging Reserve	Cumulative Currency Translation	Other Retained Earnings	Equity Allocable 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					49,9	49,9	11,5	61,4
Valuation of derivative financial instruments, net after taxes			1,2			1,2	0,2	1,5
Currency translation				0,7		0,7	0,2	0,9
Total income and expenses recognized in the financial statements			1,2	0,7	49,9	51,9	11,9	63,7
Dividend distribution					-8,9	-8,9	-2,9	-11,8
Capital increase from share option plans					0,2	0,2	4,3	4,5
Changes in scope of consolidation					-0,7	-0,7	0,4	-0,3
Balance at August 31, 2007	24,0	130,4	0,1	3,9	411,8	570,2	115,7	685,9

1st Half 2008/2009 € million	Share Capital	Capital Reserve	Hedging Reserve	Cumulative Currency Translation	Other Retained Earnings	Equity Allocable to Shareholders	Minority Interests	Total Equity
Balance at March 1, 2008	24,0	130,4	-1,2	7,1	410,7	570,9	116,7	687,6
Consolidated net income					77,9	77,9	17,9	95,7
Valuation of derivative financial instruments, net after taxes			1,8			1,8	0,4	2,3
Currency translation				1,8		1,8	0,2	2,0
Total income and expenses recognized in the financial statements			1,8	1,8	77,9	81,5	18,5	100,0
Dividend distribution					-8,9	-8,9	-3,1	-12,0
Capital increase from share option plans					0,1	0,1	1,1	1,2
Changes in scope of consolidation					-0,4	-0,4	0,2	-0,2
Balance at August 31, 2008	24,0	130,4	0,6	8,9	479,3	643,2	133,4	776,6

Rounding up or down may lead to discrepancies between totals. This table forms part of the notes.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF HORNBAACH HOLDING AG

Notes to the Half-Year Financial Report as of August 31, 2008

(1) Accounting principles

This group half-year financial report of HORNBAACH HOLDING AG and its subsidiaries as of August 31, 2008 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 half-year financial report correspond to those applied in the consolidated financial statements as of February 29, 2008. The Group has made additional application of IAS 34 "Interim Financial Reporting". This half-year financial report is to be read in conjunction with the consolidated financial statements of HORNBAACH HOLDING AG for the 2007/2008 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. 16 (DRS 16) – Interim Reporting – of the German Accounting Standards Committee (DRSC e.V.). Based on a resolution adopted by the Annual General Meeting on July 11, 2008, the group auditor, KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft, was commissioned to perform an audit review of the interim financial statements of the HORNBAACH HOLDING AG Group.

The interpretations IFRIC 12 "Service Concession Arrangements", IFRIC 13 "Customer Loyalty Programmes" and IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" require application from the beginning of the 2008/2009 financial year. As these interpretations have not yet been adopted by the European Union, they have also not yet been applied in the consolidated financial statements for the first half year as of August 31, 2008. The first-time application of these interpretations is not expected to have any material impact on the consolidated financial statements. The implications of the standards and interpretations requiring mandatory application for the first time after the 2008/2009 financial year are currently under review.

(2) Scope of consolidation

The companies HY Immobilien Ypsilon GmbH, HN Immobilien Ny GmbH and HX Immobilien Xi GmbH (all in Wiener-Neudorf, Austria) were sold in the first half of 2008/2009 and deconsolidated as of May 9, 2008

(3) Seasonal influences

Due to weather conditions, the HORNBAACH HOLDING AG Group generally reports a weaker business performance in the autumn and winter months than in the spring and summer months. These seasonal fluctuations are reflected in the figures for the first half of the financial year. The results of business operations in the first six months up to August 31, 2008 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	2nd Quarter 2008/2009	2nd Quarter 2007/2008	Change in %
Other income	22.2	12.7	74.8
Other expenses	2.5	9.7	-74.5
Other income and expenses	19.7	3.0	564.1

€ million	1st Half 2008/2009	1st Half 2007/2008	Change in %
Other income	43.7	22.2	96.8
Other expenses	7.8	16.4	-52.7
Other income and expenses	36.0	5.8	521.9

Percentages calculated on basis of € 000s. Rounding up or down may lead to discrepancies between totals.

The other operating income for the first half of 2008/2009 consists of operating income of € 16.5 million (previous year: € 21.1m) and non-operating income of € 27.2 million (previous year: € 1.1m). Operating income primarily relates to income from advertising grants and income from exchange rate and payment differences. Non-operating income mainly results from the disposal of three Austrian real estate companies (€ 11.3m), one DIY store property and other pieces of land not required for operations (€ 15.2m). The DIY store property was leased back on a long-term basis within the framework of an operating lease. There is a rental extension option following the expiry of the fixed-term basic rental period. Furthermore, this item also includes income of € 0.8 million from the release of a provision for onerous contracts. The non-operating income of € 1.1 million reported in the previous year resulted from the write-up of two pieces of land on the basis of purchase agreements. The write-up related to the real estate segment.

The other operating expenses for the first half of 2008/2009 consist of operating expenses of € 5.5 million (previous year: € 11.5m) and non-operating expenses of € 2.3 million (previous year: € 4.9m). Operating expenses chiefly consist of exchange rate and currency differences, write-downs of receivables and losses on the sale of non-current assets. Non-operating expenses include amounts of € 1.6 million in connection with discontinued investment projects (€ 1.3m) and of € 0.5 million in connection with the extraordinary write-down of a piece of land held for sale to the expected net disposal proceeds (previous year: € 0m). Moreover, this item also includes an addition of € 0.2 million to provisions for onerous contracts (previous year: € 1.6m). The previous year's figure also includes extraordinary depreciation of € 1.3 million on buildings under construction and a loss of € 0.6 million on the sale of non-current assets. Non-operating expenses relate to the real estate segment.

(5) Taxes on income

Taxes on income are structured as follows:

€ million	2nd Quarter 2008/2009	2nd Quarter 2007/2008	Change in %
Current tax expenses	17.5	12.7	37.6
Deferred taxes	-1.0	-13.5	-92.7
Taxes on income	16.5	-0.8	

€ million	1st Half 2008/2009	1st Half 2007/2008	Change in %
Current tax expenses	29.2	21.6	35.4
Deferred taxes	-0.1	-13.2	-99.2
Taxes on income	29.1	8.4	246.6

Percentages calculated on basis of € 000s.

In the first half of 2007/2008, the tax rate was reduced from around 38% to around 30% as a result of the 2008 Corporate Taxation Reform Act adopted by the Federal Council (*Bundesrat*) on July 6, 2007. The adjustment of the deferred tax assets and liabilities stated up to that date to the lower tax rate resulted in tax income of € 13.3 million in the first half of the previous year.

(6) 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 outstanding.

	2nd Quarter 2008/2009	2nd Quarter 2007/2008
Consolidated net income	39.1	32.7
Additional dividend for preference shares	0.2	0.2
Consolidated net income adjusted to account for additional dividend claims	38.9	32.5
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 €)	4.86	4.06
Additional dividend claim per preference share (in €)	0.06	0.06
Earnings per preference share (in €)	4.92	4.12

	1st Half 2008/2009	1st Half 2007/2008
Consolidated net income	77.9	49.9
Additional dividend for preference shares	0.2	0.2
Consolidated net income adjusted to account for additional dividend claims	77.6	49.7
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 €)	9.70	6.21
Additional dividend claim per preference share (in €)	0.06	0.06
Earnings per preference share (in €)	9.76	6.27

(7) Other disclosures

The personnel expenses of the HORNBAACH HOLDING AG Group amounted to € 224.8 million at the end of the first half as of August 31, 2008 (previous year: € 211.3m).

Depreciation and amortization totaling € 34.9 million was undertaken on intangible assets and property, plant and equipment at the HORNBACH HOLDING AG Group in the first six months of the 2008/2009 financial year (previous year: € 37.4m).

(8) Dividends

As proposed by the Board of Management and Supervisory Board of HORNBACH HOLDING AG, following approval by the Annual General Meeting on July 11, 2008 dividends of € 1.08 per ordinary share and € 1.14 per preference share were distributed to shareholders for the 2007/2008 financial year.

(9) Share option plans

Within the framework of the 1999 share option plan of HORNBACH-Baumarkt-AG, a total of 45,545 subscription rights were exercised in accordance with the terms and conditions of the share option plan during the exercise windows in the first half of 2008/2009. In addition, a total of 7,040 share options within the 2003 phantom stock plan of HORNBACH-Baumarkt-AG and 1,280 share options within the share option plan of HORNBACH HOLDING AG were exercised over the same period.

(10) Contingent liabilities and other financial obligations

These mainly involve rental, hiring, leasehold and leasing contracts for which the companies of the HORNBACH HOLDING AG Group do not constitute the economic owners of the assets thereby leased pursuant to IFRS regulations (Operating Lease). These rose by € 57.2 million from € 891.0 million to € 948.2 million in the first half of 2008/2009. In the first half of the previous year, the obligations resulting from rental, hiring, leasehold and leasing contracts fell by € 2.8 million from € 912.9 million to € 910.1 million.

(11) Relationships to closely related companies and persons

In addition to the subsidiaries included in the consolidated financial statements, HORNBACH HOLDING AG also has direct or indirect relationships with associated companies when performing its customary business activities. Apart from the transactions reported in the annual financial statements, no major transactions were undertaken with closely related companies and persons during the first half of 2008/2009.

(12) Events after the end of the quarter under report

On September 1, 2008, the Board of Management of HORNBACH-Baumarkt-AG resolved pursuant to Section 71 (1) No. 2 of the German Stock Corporation Act (AktG) to acquire up to 20,000 treasury stock shares. The shares are to be acquired for the (annual) issue of employee shares scheduled to take place at the end of 2008.

The repurchase of shares pursuant to this management board resolution is being undertaken in accordance with the safe harbor regulations set out in Section 20a (3) of the German Securities Trading Act (WpHG) in conjunction with Regulation (EC) No. 2273/2003 of the Commission dated December 22, 2003.

(13) Segment reporting

1st Half 2008/2009 in € million 1st Half 2007/2008 in € million	DIY Stores	Builders' Merchants	Real Estate	Miscellaneous and Consolidation	HORNBACH HOLDING AG Group
Segment sales	1,438.6	86.6	84.8	-84.5	1,525.5
	1,348.7	80.3	80.4	-80.2	1,429.2
Sales to third parties	1,438.5	85.2	0.0	0.0	1,523.7
	1,348.6	79.0	0.0	0.0	1,427.6
Sales to affiliated companies	0.1	1.4	0.0	-1.5	0.0
	0.1	1.3	0.0	-1.4	0.0
Rental income from affiliated companies	0.0	0.0	83.0	-83.0	0.0
	0.0	0.0	78.8	-78.8	0.0
Rental income from third parties	0.0	0.0	1.8	0.0	1.8
	0.0	0.0	1.6	0.0	1.6
Segment result (EBIT)	89.9	2.1	60.0	-10.1	141.9
	67.1	1.7	29.1	-11.7	86.2
Depreciation and amortization	18.9	1.6	10.3	4.1	34.9
	19.5	1.5	11.7	4.7	37.4
EBITDA	108.8	3.7	70.3	-6.0	176.8
	86.6	3.2	40.8	-7.0	123.6

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Neustadt an der Weinstrasse, September 22, 2008

The Board of Management of HORNBAACH HOLDING AG

Albrecht Hornbach Roland Pelka Eduard Zimmerle

Review Report

To Hornbach Holding Aktiengesellschaft, Neustadt an der Weinstrasse

We have reviewed the condensed interim consolidated financial statements – comprising the balance sheet, income statement, cash flow statement, statement of recognized income and expense and selected explanatory notes - and the interim group management report of Hornbach Holding Aktiengesellschaft, Neustadt an der Weinstrasse, for the period from March 1 to August 31, 2008 which are part of the half year financial reports according to § 37 w WpHG [„Wertpapierhandelsgesetz“: „German Securities Trading Act“]. The preparation of the condensed interim consolidated financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report which has been prepared in accordance with the regulations of the German Securities Trading Act applicable to interim group management reports is the responsibility of the Company's management. Our responsibility is to issue a review report on these condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) and additionally in accordance with the International Standard on Review Engagements, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (ISRE 2410). Those standards require that we plan and conduct the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material aspects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material aspects, in accordance with the regulations of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the regulations of the German Securities Trading Act applicable to interim group management reports.

Frankfurt am Main, September 22, 2008

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Bertram
Wirtschaftsprüfer (Auditor)

Kunisch
Wirtschaftsprüfer (Auditor)

Financial Calendar

September 30, 2008	Half-Year Financial Report as of August 31, 2008 DVFA Analysts' Conference
December 22, 2008	Interim Report as of November 30, 2008

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DISCLAIMER

This half-year financial report contains forward-looking statements based on assumptions and estimates made by the Board of Management of HORNBAACH. Statements referring to the future are always only valid at the time at which they are made. Although we assume that the expectations reflected in these forecast statements are realistic, the company can provide no guarantee that these expectations will also turn out to be accurate. The assumptions may involve risks and uncertainties which could result in actual results differing significantly from the forecast statements. The factors which could produce such variances include changes in the economic and business environment, particularly in respect of consumer behavior and the competitive environment in those retail markets of relevance for HORNBAACH. Furthermore, they include a lack of acceptance of new sales formats or new product ranges, as well as changes to the corporate strategy. HORNBAACH has no plans to update the forecast statements, neither does it accept any obligation to do so.