



Interim Report

HORNBACH HOLDING AG GROUP

1st QUARTER **2006/2007**

(MARCH 1 – MAY 31, 2006)

HORNBACH ■
HOLDING AG

HORNBACH HOLDING AG Group

Interim Report (IFRS): 1st Quarter of 2006/2007

(March 1 – May 31, 2006)

- Pleasing business performance in spite of poor springtime weather
- Consolidated sales up by 7.0 % - DIY megastores with garden centers achieve like-for-like sales growth of 1.4 % - Positive trend at builders' merchants business
- Earnings rise as percentage of sales and are significantly up on previous year

The HORNBACH HOLDING AG Group achieved considerable sales and earnings growth in the first quarter of the current financial year (March 1 to May 31, 2006). In spite of poor weather conditions in the spring, consolidated sales showed cumulative growth of 7.0 % to reach € 696.7 million (previous year: € 651.0m). Like-for-like sales at the DIY megastores with garden centers rose by 1.4 % in the first three months, which is attributable in particular to the highly pleasing performance of the international stores. HORNBACH Baustoff Union GmbH has also maintained its positive trend, with sales growth of 7.7 % during the period under report.

Thanks to the marked revival in sales in May and to the improvement in the gross margin seen since the beginning of the financial year, the earnings of the overall HORNBACH HOLDING AG Group rose even more sharply than sales in the first quarter of 2006/2007. Earnings before interest and taxes (EBIT) increased by 17.0 % to € 46.3 million (previous year: € 39.6m). Consolidated earnings before taxes grew by 26.3 % to € 37.2 million (previous year: € 29.5m). Earnings per preference share (undiluted) amounted to € 2.29 (previous year: € 2.01).

Key Figures for the Group (in € million, unless otherwise stated)	1st Quarter 2006/2007	1st Quarter 2005/2006	Change in %
Net sales	696.7	651.0	7.0
of which in other European countries	234.2	211.6	10.7
Gross margin (as % of net sales)	35.6%	35.2%	
EBITDA	65.0	56.9	14.1
Earnings before interest and taxes (EBIT)	46.3	39.6	17.0
Consolidated earnings before taxes	37.2	29.5	26.3
Consolidated net income*	22.6	19.0	18.8
Undiluted earnings per preference share (€)	2.29	2.01	13.9
No. of employees at the HORNBACH Group	12,082	11,709	3.2
Investments	17.1	45.5	-62.4
Total assets	1,862.7	1,850.9	0.6
Shareholders' equity	582.2	553.4	5.2
Shareholders' equity as % of total assets	31.3%	29.9%	

* Pursuant to IFRS including minority interests.

Rounding differences may arise in totals and percentages.

7.0 % increase in sales at the HORNBACH Group

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

The net sales of the HORNBACH Group rose by 7.0 % in the first quarter of 2006/2007 (March 1 to May 31, 2006) to reach € 696.7 million (previous year: € 651.0m).

Following the scheduled closure of two former Lafiora garden centers, the HORNBACH-Baumarkt-AG subsidiary was operating 122 DIY megastores with garden centers across Europe as of May 31, 2006. The total sales area of all retail outlets amounted to around 1,312,000 m² at the reporting date. Sales at the HORNBACH-Baumarkt-AG subgroup rose by 6.9 % to € 659.4 million in the first quarter (previous year: € 616.7 million).

The Group's business performance showed a pleasing gain in momentum in the course of the first quarter. The HORNBACH-Baumarkt-AG subgroup achieved like-for-like sales growth of 1.4 % compared with the previous year (-0.5 %). The like-for-like sales performance in the current financial year was affected by unusually prolonged winter weather conditions, which had a particularly marked effect on the garden product business in the months of March and April 2006. The month of May then brought the expected boost in sales, enabling HORNBACH to regain ground.

The HORNBACH DIY megastores with garden centers in Germany succeeded in making up for a large part of the year-on-year downturn in like-for-like sales suffered in the first two months of the financial year, but nevertheless concluded the first quarter with a slight decline of 1.3 %. Our stores outside Germany achieved considerable like-for-like sales growth of 6.6 % in the first quarter, thus underlining the success of the Group's international growth strategy. Further details concerning the business performance of HORNBACH-Baumarkt-AG can be found in the interim report published separately by the subgroup.

By focusing on its core builders' merchant and construction materials business, the HORNBACH Baustoff Union GmbH subgroup also maintained the positive trend seen in the past financial year in the first quarter of 2006/2007 as well. Net sales at the existing sales network of 18 outlets rose by 7.7 % during the period under report to reach € 37.9 million (previous year: € 35.2m).

Significant year-on-year increase in earnings

Earnings before interest, taxes, depreciation and amortization (EBITDA) rose by 14.1 % to € 65.0 million at the HORNBACH HOLDING AG Group in the reporting period from March to May 2006 (previous year: € 56.9m). Earnings before interest and taxes (EBIT) increased by 17.0 % to € 46.3 million (previous year: € 39.6m). Consolidated earnings before taxes showed a marked year-on-year increase of 26.3 % to € 37.2 million (previous year: € 29.5m). The consolidated net income grew by 18.8 % in the first quarter of 2006/2007 to reach € 22.6 million (previous year: € 19.0m). Undiluted earnings per preference share calculated in accordance with IFRS are reported at € 2.29 (previous year: € 2.01).

The pleasing improvement in operating earnings figures during the first quarter is primarily due to like-for-like sales growth at the HORNBACH-Baumarkt-AG subgroup, coupled with a slight rise in the gross margin, and the pleasing business performance of the HORNBACH Baustoff Union GmbH subgroup. The gross profit rose as a percentage of net sales across the Group from 35.2 % to 35.6 %.

Selling and store expenses are reported at € 184.7 million (previous year: € 170.8m). The rise in the store expenses ratio from 26.2 % to 26.5 % was mainly due to increased rental and operating expenses, as well as to a year-on-year increase in advertising expenses. The Group's earnings performance was positively affected, by contrast, by the marked reduction in pre-opening expenses and the decline in store and administrative personnel expenses as a percentage of sales.

Moreover, in March 2006 the DIY store subgroup sold the DIY megastore with a garden center at Marquardt near Potsdam and rented it back on a long-term basis within the framework of a sale and leaseback transaction. This disposal generated a profit of € 5.6 million, which has had a positive impact on other income and expenses.

The HORNBACH Baustoff Union GmbH subgroup achieved breakeven on an operating level in the first quarter of 2006/2007. In contrast to the previous year (€ 3.5m), the HORNBACH Immobilien AG subgroup did not, as had been planned, report any profit on the disposal of real estate in the first quarter of 2006/2007.

12,082 employees at the HORNBACH Group

At the reporting date on May 31, 2006, there were 12,082 individuals (previous year: 11,709) across Europe in fixed employment at HORNBACH HOLDING AG or one of its subsidiaries.

Investments of € 17.1 million

A total of € 17.1 million was invested during the first three months of the current financial year (previous year: € 45.5m), primarily in land and buildings (55 %) and in office and plant equipment (45 %). The decline of just over 60 % in investments is a reflection of the fact that no new HORNBACH DIY megastores with garden centers were opened during the first quarter of 2006/2007 (previous year: two). Information concerning the financing and investment activities of HORNBACH HOLDING AG can be found in the cash flow statement in the notes to this report.

Outlook

The Group's medium-term corporate planning (five years) provides for an average rate of seven new store openings per year. Depending on the progress made in the building permit and construction planning stages, the opening of some stores may be rescheduled within these years. It can be assumed that an average of more than half of the new stores opened in the coming five financial years will be located outside Germany.

A total of up to three new store openings, including stores to be opened in Munich and Darmstadt, was originally planned to take place in the 2006/2007 financial year. As a result of a delay in the granting of building permits, it is highly likely that these new store openings will be postponed until the coming financial year. A total of up to 10 stores are planned to be opened, mainly in other European countries, during the 2007/2008 financial year.

Taking due account of the opportunities and risks reported in the annual report, we are confident that sales growth at the HORNBACH-Baumarkt-AG subgroup will exceed average growth rates within the sector. In spite of the absence of new store openings, we expect our sales for the current 2006/2007 financial year to grow at a medium-sized single-digit percentage rate. Earnings are expected to show more marked growth than sales.

The HORNBACH Baustoff Union GmbH subgroup is also expected to outperform its sector and to achieve mid-range single-digit sales growth. The subgroup is expected to reach at least breakeven on an operating level (EBIT) in 2006/2007.

Operating earnings (EBIT) at the HORNBACH Immobilien AG subgroup are expected to be slightly lower than in the previous year as a result of a reduced level of profit on the sale of real estate.

Earnings at the overall HORNBACH HOLDING AG Group are expected to show more marked growth than sales.

Neustadt an der Weinstraße, July 6, 2006

– The Board of Management –



Financial Calendar 2006

July 6, 2006	Interim Report as of May 31, 2006
July 14, 2006	Annual General Meeting in Frankfurt am Main
September 28, 2006	DVFA Analysts' Conference
	Interim Report as of August 31, 2006
December 21, 2006	Interim Report as of November 30, 2006

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HORNBACH HOLDING AG Group

Income Statement

€ million	1st Quarter 2006/2007	1st Quarter 2005/2006	Change in %
Sales	696.7	651.0	7.0
Cost of goods sold	448.6	421.7	6.4
Gross profit	248.2	229.3	8.2
Selling and store expenses	184.7	170.8	8.1
Pre-opening expenses	0.8	2.4	-65.5
General and administration expenses	25.4	24.6	3.5
Other income and expenses	9.1	8.1	12.1
Earnings before interest and taxes (EBIT)	46.3	39.6	17.0
Financial income	2.8	1.0	186.8
Financial expenses	11.9	11.1	7.4
Net financial expenses	-9.1	-10.1	-10.2
Consolidated earnings before taxes	37.2	29.5	26.3
Taxes on income	14.7	10.5	39.8
Consolidated net income	22.6	19.0	18.8
Profit attributable to shareholders	18.1	15.8	14.0
of which minority interests	4.5	3.2	42.7
Undiluted earnings per share (in €)	2.23	1.95	14.4
Undiluted earnings per preference share (in €)	2.29	2.01	13.9

Rounding differences may arise in totals and percentages.

HORNBACH HOLDING AG Group

Balance Sheet

ASSETS	May 31, 2006 € million	%	May 31, 2005 € million	%	February 28, 2006 € million	%
Long-term assets	985,9	52,9	1.066,5	57,6	991,4	55,3
Intangible assets	25,3	1,4	25,0	1,3	25,9	1,4
Property, plant and equipment	873,7	46,9	961,7	52,0	875,0	48,8
Investment property	56,0	3,0	47,1	2,5	55,9	3,1
Financial assets	1,9	0,1	2,0	0,1	2,0	0,1
Other long-term assets	5,1	0,3	3,0	0,2	5,1	0,3
Deferred tax claims	23,9	1,3	27,8	1,5	27,5	1,5
Short-term assets	876,9	47,1	784,4	42,4	802,3	44,7
Inventories	536,7	28,8	471,5	25,5	512,2	28,6
Accounts receivable and other assets	68,5	3,7	55,7	3,0	94,9	5,3
Income tax claims	8,6	0,5	6,7	0,4	16,4	0,9
Cash and cash equivalents	258,5	13,9	250,6	13,5	161,4	9,0
Non-current assets held for sale	4,6	0,2	-	-	17,5	1,0
TOTAL ASSETS	1.862,7	100,0	1.850,9	100,0	1.793,7	100,0

EQUITY AND LIABILITIES	May 31, 2006 € million	%	May 31, 2005 € million	%	February 28, 2006 € million	%
Shareholders' equity	582.2	31.3	553.4	29.9	558.6	31.1
Share capital	24.0	1.3	24.0	1.3	24.0	1.3
Capital reserve	130.4	7.0	130.4	7.0	130.4	7.3
Retained earnings	337.5	18.1	313.1	16.9	318.6	17.8
Minority interests	90.3	4.8	85.8	4.6	85.6	4.8
Long-term liabilities	717.5	38.5	818.4	44.2	741.2	41.3
Financial debt	616.5	33.1	723.5	39.1	639.7	35.7
Pensions and similar obligations	3.5	0.2	0.0	0.0	3.5	0.2
Deferred taxes	90.1	4.8	88.0	4.8	90.8	5.1
Other long-term liabilities	7.4	0.4	6.9	0.4	7.2	0.4
Short-term liabilities	563.1	30.2	479.2	25.9	493.9	27.5
Financial debt	179.9	9.7	107.8	5.8	187.6	10.5
Accounts payable and other liabilities	301.5	16.2	290.7	15.7	241.1	13.4
Tax provisions	25.1	1.3	16.2	0.9	18.7	1.0
Other provisions	56.6	3.0	64.4	3.5	46.5	2.6
TOTAL EQUITY AND LIABILITIES	1,862.7	100.0	1,850.9	100.0	1,793.7	100.0

Rounding differences may arise in totals and percentages.

HORNBACH HOLDING AG Group

Cash Flow Statement

€ million	1st Quarter 2006/2007	1st Quartal 2005/2006
Consolidated net income	23	19
Depreciation and amortization of long-term assets	19	17
Profits / losses on the sale of long-term assets	0	-7
Change in inventories, accounts receivable and other assets	-12	-32
Change in accounts payable and other liabilities	77	84
Other income / expenses with no cash effect	2	1
Cash flow from operating activities	109	82
Proceeds from disposals of long-term assets	36	60
Payments for investments in property, plant and equipment	-16	-44
Payments for investments in intangible assets	-1	-1
Payments for acquisitions of shareholdings and other business units	-1	0
Cash flow from investment activities	18	15
Receipts from capital increases	0	2
Repayment of long-term debt	-28	-10
Change in short-term debt	-2	0
Cash flow from financing activities	-30	-8
Change in cash and cash equivalents	97	89
Cash and cash equivalents at March 1	161	162
Cash and cash equivalents at May 31	258	251

HORNBACH HOLDING AG Group

Statement of Shareholders' Equity

1st Quarter 2005/2006	Share Capital	Capital Reserve	Hedging Reserve	Cumulative Currency Conversion	Other Retained Earnings	Equity Attributable to Shareholders	Minority Interests	Total Equity
€ million								
Balance at March 1, 2005	24	130	-3	2	300	453	83	536
Change in reporting entity							-2	-2
Foreign currency adjustments				-1		-1		-1
Capital increase from share option plans							2	2
Valuation of derivative financial instruments, net after taxes			-1			-1		-1
Net income for the year					16	16	3	19
Balance at May 31, 2005	24	130	-4	1	316	467	86	553

1st Quarter 2006/2007	Share Capital	Capital Reserve	Hedging Reserve	Cumulative Currency Conversion	Other Retained Earnings	Equity Attributable to Shareholders	Minority Interests	Total Equity
€ million								
Balance at March 1, 2006	24	130	-3	4	318	473	86	559
Valuation of derivative financial instruments, net after taxes			1			1		1
Net income for the year					18	18	4	22
Balance at May 31, 2006	24	130	-2	4	336	492	90	582

HORNBACH HOLDING AG Group

Notes to the Group Interim Report as of May 31, 2006

(1) Accounting principles

This non-audited group interim report of HORNBACH HOLDING AG and its subsidiaries for the first quarter as of May 31, 2006 has been compiled in accordance with Section 315a of the German Commercial Code (HGB) based on International Financial Reporting Standards (IFRS) in the form requiring mandatory application in the European Union.

The accounting principles applied in the compilation of this interim report correspond to those applied in the consolidated financial statements as of February 28, 2006. The Group has made additional application of IAS 34 "Interim Reporting". This interim report is to be read in conjunction with the consolidated financial statements of HORNBACH HOLDING AG for the 2005/2006 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.

(2) Reporting entity

There were no changes in the reporting entity during the first quarter of 2006/2007.

(3) Seasonal influences

Due to weather conditions, the HORNBACH HOLDING AG Group is subject to lower sales in the autumn and winter months than in the spring and summer months. These seasonal variations are reflected in the figures for the first quarter. The results of business operations for the first three months up to May 31, 2006 do not necessarily provide an accurate indication of the results to be expected for the overall financial year.

(4) Other income and expenses

Other income and expenses are structured as follows:

€ million	1st Quarter 2006/2007	1st Quarter 2005/2006	Change in %
Other operating income	14.7	12.6	16.7
Other operating expenses	5.6	4.5	25.2
Other income and expenses	9.1	8.1	12.1

Other operating income primarily relates to advertising grants and income from exchange rate and payment differences. Moreover, the income also includes other non-operating income amounting to € 6.0 million (previous year: € 7.4m) resulting from the disposal of a DIY store property and of other real estate. The DIY store property was rented back on a long-term basis within the framework of an operating lease agreement. At the end of the non-terminable basic rental period, there is the option of extending the rental period or of repurchasing the property.

Other operating expenses principally consist of exchange rate and currency differences and losses incurred on the sale of long-term assets. Moreover, this item also includes extraordinary depreciation of € 0.8 million undertaken on a building in the real estate segment.

(5) OTHER DISCLOSURES

The personnel expenses of the HORNBACH HOLDING AG Group amounted to € 102.0 million at the end of the first quarter as of May 31, 2006 (previous year: € 98.4m).

Depreciation and amortization totaling € 18.7 million was undertaken on intangible assets and property, plant and equipment at the HORNBACH HOLDING AG Group in the first three months of the 2006/2007 financial year (previous year: € 17.3m).

(6) TAXES ON INCOME

Taxes on income are structured as follows:

€ million	1st Quarter 2006/2007	1st Quarter 2005/2006	Change in %
Current tax expenses	12.2	10.0	21.8
Deferred tax expenses	2.5	0.5	421.7
	14.7	10.5	39.8

(7) EARNINGS PER SHARE

Undiluted earnings per share are calculated pursuant to IAS 33 (Earnings per Share) as the quotient of the income 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

€ million	1st Quarter 2006/2007	1st Quarter 2005/2006
Consolidated net income	18.1	15.8
Additional dividend for preference shares	0.2	0.2
Consolidated net income adjusted to account for additional dividend claims	17.9	15.6
Number of ordinary shares issued	4,000,000	4,000,000
Number of preference shares issued	4,000,000	4,000,000
	8,000,000	8,000,000
Earnings per share (in €)	2.23	1.95
Additional dividend claim per preference share (in €)	0.06	0.06
Earnings per preference share (in €)	2.29	2.01

(8) SEGMENTAL REPORTING

1st Quarter 2006/2007 in € million (1st Quarter 2005/2006 in € million)	Retail	Real Estate	Miscellaneous and Consolidation	HORNBACH HOLDING AG Group
Segment income	696.1	38.0	-37.4	696.7
	(650.3)	(34.0)	(-33.3)	(651.0)
Sales to external third parties	696.1	0.0	0.0	696.1
	(650.3)	(0.0)	(0.0)	(650.3)
Rental income from affiliated companies, internal rental income	0.0	37.4	-37.4	0.0
	(0.0)	(33.3)	(-33.3)	(0.0)
Rental income from external third parties	0.0	0.6	0.0	0.6
	(0.0)	(0.7)	(0.0)	(0.7)
Segment earnings (EBIT)	30.4	20.3	-4.4	46.3
	(25.0)	(19.5)	(-4.9)	(39.6)
Depreciation	10.5	6.0	2.2	18.7
	(10.0)	(5.3)	(2.0)	(17.3)
EBITDA	40.9	26.3	-2.2	65.0
	(35.0)	(24.8)	(-2.9)	(56.9)

Neustadt an der Weinstrasse, July 6, 2006

The Board of Management of HORNBACH HOLDING Aktiengesellschaft