

**First Half of 2005/2006**

## **HORNBAACH Group on Growth Course**

**Consolidated sales rise by 6.6% to almost Euro 1.3 billion / Like-for-like sales growth of 2.1% at DIY megastores with garden centers in second quarter / Improved earnings situation / Sales forecast of Euro 2.4 billion confirmed for overall year**

Neustadt an der Weinstrasse, September 29, 2005. In spite of the ongoing low consumer confidence levels and tough price competition in the retail sector, the HORNBAACH Group has maintained its growth course. The operator of DIY megastores with garden centers across Europe once again succeeded in achieving significant growth in consolidated sales and in generating like-for-like sales growth in the first half of the 2005/2006 financial year (March 1 to August 31, 2005). Net sales at the overall HORNBAACH HOLDING AG Group rose by 6.6% in the first six months of the financial year to around Euro 1.292 billion. On account of the pleasing developments seen in the second quarter (plus 2.1%), net like-for-like sales at the 121 DIY megastores with garden centers rose by 0.8% in the first six months, thus building on the already impressive growth of 4.2% reported for the equivalent period in the previous year.

### **Permanent low price strategy is appropriate**

The operating earnings (EBIT) of HORNBAACH HOLDING AG, which is listed in the S-Dax, amounted to Euro 82.1 million at the end of the first six months. It was thus not quite possible to reach the high level reported for the previous year (Euro 95.0m). "One reason for this development can be found in the weather conditions in the early months of the year, which resulted in a weaker level of demand for gardening products," commented Albrecht Hornbach, Chairman of the Board of Management of HORNBAACH HOLDING AG. Earnings were further burdened by a reduction in the gross margin on account of pricing competition remaining tough in the sector. "Our sales performance proves, however, that HORNBAACH is on the right track with its permanent low price strategy", underlined the Chairman of the Board. "We can afford to be patient and will successfully survive the price battle."

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### **Improved earnings in the 2<sup>nd</sup> Quarter compared with the 1<sup>st</sup> Quarter**

The earnings performance of the HORNBACH Group improved in the second quarter of 2005/2006 compared with the first quarter. At Euro 42.5 million, operating earnings (EBIT) for the period from June to August almost reached the previous year's level (Euro 44.2m). In the first quarter, EBIT had fallen 22% short of the previous year's figure, mainly due to poor weather conditions in March. For the overall first half-year, EBIT are 13.5% below the record figure for the past financial year. "We have made up some ground in our earnings performance, but we should not measure ourselves for the overall year against the record results seen in the previous year," commented Albrecht Hornbach.

Consolidated earnings before taxes amounted to Euro 61.1 million for the first six months, compared with Euro 78.0 million in the equivalent period in the previous year. Pre-tax earnings amounted to Euro 31.6 million in the second quarter, compared with Euro 35.7 million in the 2004/2005 financial year.

### **Significant increase in investments**

HORNBACH HOLDING AG invested Euro 107.9 million, mainly in land and buildings, in the first half of the financial year. This is equivalent to an increase of almost 70% compared with the same period in the previous year (Euro 64.0m). Shareholder's equity rose by 3.9% to Euro 575.4 (553.7) million.

### **600 new jobs**

A further increase has been seen in the number of employees at HORNBACH. The Group had a total of almost 11,900 employees at the end of August, around 600 more than in the previous year.

Net sales at the HORNBACH-Baumarkt-AG subgroup, which operates 121 DIY megastores with garden centers in eight European countries, rose by 6.7% in the first half to around Euro 1.218 billion. In the second quarter, sales rose by 8.2% to Euro 600.8 million. The operating earnings (EBIT) of the subgroup amounted to Euro 65.7 million in the first half (previous year: Euro 83.0m) and to Euro 33.3 million in the second quarter (previous year: Euro 37.6m).

### **124 DIY megastores with garden centers by February 2006**

The growth in sales is principally due to the dynamic development of the international business and the opening of four new locations in Berlin, Frankfurt/Main, Malmö (Sweden) and Kosice (Slovakia). These were supplemented by a new store in Würzburg in September. Further openings will

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take place in Kiel, Munich and Hradec Kralové (Czech Republic). Overall, the company will be opening a eight new DIY megastores with garden centers in 2005/2006. By the end of the financial year, HORNBACH will be operating 124 DIY megastores with garden centers. This figure is set to rise to 150 by 2010.

Sales at the 18 outlets operated by the HORNBACH Baustoff Union GmbH subgroup improved in spite of the weak construction climate by 5.6% in the first half and by 4.9% in the second quarter.

### Sales for overall financial year expected to rise to Euro 2.4 billion

The sales forecast of around Euro 2.4 billion at the overall HORNBACH HOLDING AG Group and of almost Euro 2.3 billion at the HORNBACH-Baumarkt-AG subgroup is confirmed. In the past financial year, HORNBACH HOLDING AG generated sales of around Euro 2.2 billion and HORNBACH-Baumarkt-AG reported sales of around Euro 2.1 billion. "We still do not expect earnings to be able to reach the high level seen in the previous year", commented Albrecht Hornbach. However, the expected profitability would remain significantly higher than the sector average. "In terms of large-scale retail formats and of the do-it-yourself sector in Germany, we are and will continue to be an extremely profitable company", stressed the Chairman of the Board of management of HORNBACH HOLDING AG.

An overview of the most important key figures:

### HORNBACH HOLDING AG (Group)

Key Figures for the Group (in Euro million, unless otherwise stated)	2 <sup>nd</sup> Quarter 2005/2006	2 <sup>nd</sup> Quarter 2004/2005	± %	Half-year 2005/2006	Half-year 2004/2005	± %
<b>Net sales</b>	<b>641.1</b>	<b>594.0</b>	<b>7.9</b>	<b>1,292.1</b>	<b>1,211.6</b>	<b>6.6</b>
EBITDA	61.3	62.4	-1.8	118.2	130.1	-9.1
Earnings before interest and taxes (EBIT)	42.5	44.2	-3.7	82.1	95.0	-13.5
<b>Consolidated earnings before taxes and minority interests</b>	<b>31.6</b>	<b>35.7</b>	<b>-11.5</b>	<b>61.1</b>	<b>78.0</b>	<b>-21.7</b>
Consolidated net income*	17.6	17.9	-2.0	33.4	37.6	-11.2
No. of employees at HORNBACH Group				11,872	11,285	5.2
Investments				107.9	64.0	68.6

\* after minority interests

(Percentage changes calculated on € 000s basis)

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### HORNBACH-Baumarkt-AG (Group)

(in Euro million, unless otherwise stated)	2 <sup>nd</sup> Quarter 2005/2006	2 <sup>nd</sup> Quarter 2004/2005	± %	Half-year 2005/2006	Half-year 2004/2005	± %
<b>Net sales</b>	<b>600.8</b>	<b>555.3</b>	<b>8.2</b>	<b>1,217.5</b>	<b>1,140.5</b>	<b>6.7</b>
of which in other European countries	216.1	183.5	17.8	427.7	370.3	15.5
Like-for-like sales growth	2.1%	6.1%		0.8%	4.1%	
Gross margin (as % of net sales)	34.7%	36.4%		35.2%	36.6%	
EBITDA	49.0	52.8	-7.2	95.7	112.0	-14.5
Earnings before interest and taxes (EBIT)	33.3	37.6	-11.6	65.7	83.0	-20.9
<b>Consolidate earnings before taxes and extraordinary result</b>	<b>25.4</b>	<b>32.6</b>	<b>-22.2</b>	<b>51.0</b>	<b>73.1</b>	<b>-30.2</b>
Consolidated net income	16.9	20.4	-17.0	33.4	44.6	-25.0
No. of employees				11,251	10,625	5.9
Investments				76.4	36.6	108.7
No. of stores				121	116	4.3
Sales area as per BHB (in 000 m <sup>2</sup> )				1,262	1,174	7.5
Average store size (in m <sup>2</sup> )				10,433	10,121	3.1

(Percentage changes calculated on € 000s basis)

The extensive interim reports of HORNBACH HOLDING AG and HORNBACH-Baumarkt-AG for the second quarter of 2005/2006 have been published in the “Investor Relations” section of the web pages of the HORNBACH Group at [www.hornbach-holding.com](http://www.hornbach-holding.com).

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