

HORNBACH HOLDING AG GROUP
ANNUAL REPORT 2014/2015



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Key Group, Financial and Operating Data

Amounts shown in € million unless otherwise stated	Change financial year 2014/2015 on previous year	IFRS									
		2014/2015	2013/2014	2012/2013	2011/2012	2010/2011	2009/2010	2008/2009	2007/2008	2006/2007	2005/2006
Sales and earnings figures											
Net sales	6.0 %	3,572	3,369	3,229	3,204	3,017	2,853	2,752	2,617	2,544	2,367
of which in other European countries	4.9 %	1,400	1,334	1,280	1,272	1,195	1,109	1,065	962	862	788
Sales growth as % of net sales		6.0	4.3	0.8	6.2	5.7	3.7	5.1	2.9	7.5	6.6
EBITDA ¹⁾	3.1 %	243	236	221	247	229	222	251	181	197	180
as % of net sales		6.8	7.0	6.9	7.7	7.6	7.8	9.1	6.9	7.7	7.6
EBIT ²⁾	3.0 %	165	160	146	169	159	152	179	105	119	92
as % of net sales		4.6	4.8	4.5	5.3	5.3	5.3	6.5	4.0	4.7	3.9
Earnings before taxes and non-controlling interest	9.3 %	140	128	108	132	127	116	144	68	83	53
as % of net sales		3.9	3.8	3.3	4.1	4.2	4.1	5.2	2.6	3.3	2.2
Net income for the year before non-controlling interest	23.8 %	107	86	77	95	99	82	113	58	76	32
as % of net sales		3.0	2.6	2.4	3.0	3.3	2.9	4.1	2.2	3.0	1.4
Gross margin as % of net sales		37.3	36.6	36.5	36.6	36.6	36.1	36.0	35.7	35.3	35.2
Store expenses as % of net sales		27.9	27.3	27.7	27.1	27.4	27.7	27.3	27.7	27.4	28.1
Costs of central administration as % of net sales		4.6	4.4	4.5	4.2	4.1	4.0	4.2	4.2	4.0	4.3
Pre-opening expenses as % of net sales		0.4	0.3	0.3	0.2	0.2	0.2	0.3	0.3	0.2	0.5
Cash flow figures											
Cash flow from operating activities	(21.0)%	156	198	144	142	182	184	144	90	215	38
Investments	2.9 %	119	116	149	163	113	97	130	201	123	208
Proceeds from divestments		5	12	6	13	48	9	83	46	55	193
Earnings potential ³⁾	(17.3)%	171	207	154	148	187	188	153	97	220	49
as % of net sales		4.8	6.1	4.8	4.6	6.2	6.6	5.6	3.7	8.7	2.1
Dividend distribution		12.6	10.5	10.5	10.5	10.5	8.9	8.9	8.9	8.9	8.9
Balance sheet and financial figures											
Total assets	3.0 %	2,433	2,362	2,270	2,267	2,233	2,033	1,996	1,902	1,842	1,794
Non-current assets	3.9 %	1,336	1,286	1,268	1,202	1,125	1,070	1,010	1,000	983	959
Inventories	5.3 %	567	539	515	507	489	451	516	498	463	512
Cash and cash equivalents	(6.5)%	401	429	357	422	474	335	275	196	265	161
Shareholders' equity	8.3 %	1,261	1,164	1,097	1,041	962	861	780	688	630	559
as % of total assets		51.8	49.3	48.3	45.9	43.1	42.4	39.1	36.1	34.2	31.1
Return on shareholders' equity based on net income - in %		8.8	7.6	7.2	9.4	10.9	10.0	15.4	8.8	12.8	5.9
Net working capital	11.1 %	441	397	406	416	375	368	398	387	346	457
Additions to non-current assets	3.8 %	121	117	151	163	113	103	131	202	120	202
Inventory turnover rate per year		4.2	4.1	4.0	4.1	4.1	3.8	3.5	3.5	3.4	3.2
Other information											
Employees - annual average - converted into full-time equivalents ⁴⁾	4.3 %	14,663	14,064	13,289	12,778	12,066	11,881	11,542	11,078	10,622	10,595
Number of shares ⁵⁾		16,000,000	16,000,000	16,000,000	16,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Average earnings per share in € ⁵⁾		5.64	4.55	4.06	4.77	10.14	8.32	11.41	6.00	7.89	3.37

1) Earnings before interest, taxes, depreciation and amortization; starting in the 2007/2008 financial year: excluding net currency result

2) Earnings before interest and taxes; starting in the 2007/2008 financial year: excluding net currency result

3) Cash flow from operating activities plus pre-opening expenses

4) Starting in the 2013/2014 financial year: including staff in marginal employment

5) Starting in the 2011/2012 financial year: change in number of shares following issue of bonus shares as of July 29, 2011

COMPANY PROFILE

HORNBACH HOLDING AG is the parent company of the HORNBACH Group. It is not itself an operating company, but has a number of major subsidiaries. By far the largest and most important subsidiary is HORNBACH-Baumarkt-AG, which operates DIY stores in Germany and abroad. The retail activities of the Group are supplemented by HORNBACH Baustoff Union GmbH, which is active in the builders' merchants business and mainly has commercial customers. The development and utilization of first-class retail real estate constitutes a further business activity of HORNBACH HOLDING AG. This is undertaken in part by HORNBACH Immobilien AG, which owns much of the extensive real estate portfolio of the HORNBACH Group.

The HORNBACH Group is characterized by its ability to respond to the challenges of trading in DIY, home improvement and garden products, and to set new standards in the process. Since the company was founded in 1877, five generations of the Hornbach family have been active in almost all areas of the construction sector – in the building trade, as manufacturers of prefabricated components and, for the first time in 1900, as builders' merchants. As one of the pioneers in Germany and Europe, HORNBACH opened its first DIY store in 1968 and combined it with a garden center – at its time unique in Europe. This combination has since developed into a European standard in the DIY sector today.

In the second half of the 1980s, HORNBACH added a new dimension to the market with its concept of large DIY and home improvement megastores with garden centers. Today, an impressively presented range of around 50,000 top-quality DIY and gardening articles is available to DIY customers in spacious stores and at permanently low prices. Well-trained, service-oriented employees make project customers and DIY enthusiasts, especially those on the lookout for solutions for extensive renovation and construction projects, the focus of their activities. As of February 28, 2015, the HORNBACH-Baumarkt-AG subgroup was operating 146 DIY megastores with garden centers across Europe (97 of which in Germany). HORNBACH HOLDING AG generated (net) consolidated sales of € 3,572 million in the 2014/2015 financial year.

The consistent implementation of the company's concept, coupled with the high expectations it places in the quality of its locations, its stores, its product range and employees, have facilitated the dynamic growth witnessed by the company in recent years. Together, these factors form the basis for further expansion in the DIY megastore and garden center segment in Germany and Europe.

Following the company's successful entry into the Austrian market in August 1996, it has consistently pressed ahead with its expansion into neighboring European countries. Stores were subsequently opened in the Netherlands, Luxembourg and the Czech Republic. The company's international growth was maintained with its expansion to Switzerland, Sweden and Slovakia. The entry into the Romanian market followed in the summer of 2007. As of February 28, 2015, the company was operating a total of 49 DIY megastores with garden centers in eight countries outside Germany. Since December 1, 2010, the stationary retail business has been supplemented by HORNBACH's online shop, with which the Group is making targeted use of the opportunities presented by the internet.

HORNBACH HOLDING AG and HORNBACH-Baumarkt-AG are both publicly listed stock corporations. The share capital of HORNBACH HOLDING AG is divided equally between ordinary and non-voting preference shares. The eight million preference shares (ISIN DE0006083439) are listed in the subsection of official trading of the German Stock Exchange with additional admissions obligations (Prime Standard). HORNBACH HOLDING AG is a member of the SDAX index. The eight million unlisted ordinary shares are family-owned (status: February 28, 2015).

The HORNBACH-Baumarkt-AG shares are also listed in the Prime Standard of the German Stock Exchange. Of around 31.8 million ordinary shares in the company, at the balance sheet date on February 28, 2015 76.4 % are held by HORNBACH HOLDING AG, and 23.6 % by independent shareholders.

QUALITY AND RESPONSIBILITY



Since its foundation in 1877, HORNBACH has been a reliable partner to its customers, helping them to implement construction and renovation projects of all shapes and sizes. Then as now, both DIY fans and construction professionals have placed their trust in the quality of our products. And our suppliers also play a key role in helping us keep this quality promise.

In dialog with our customers and manufacturers, we develop brands optimally tailored to the needs and expectations of our target group. We attach great value to efficient use of natural resources. This way, we create quality and meet our responsibility to people, society, and the environment.

This photo spread gives you a glance behind the scenes – where the quality needed to convince our customers has its origins.





TO OUR SHAREHOLDERS

IDEAS WITH A FUTURE

Versatility and quality are what make our construction materials special. A wide selection of concrete, exterior paints and plasters aims to give customers exactly what they are looking for. We also set standards when manufacturing the products: highly automated production and filling machines protect the health of production employees. We are always on the lookout for ideas with a future. This way, we create construction materials with ever better performance but also produced sustainably. The right materials to defy the elements for decades to come.



TO OUR SHAREHOLDERS



Albrecht Hornbach

Dear Shareholders,

In German we have a saying – “Handel ist Wandel”. This neat rhyme, which can be translated as “retail always involves change”, has never been more fitting as a description of the current overall state of the sector. Retail in particular is undergoing a process of far-reaching change, one substantially accelerated not least by the increasing digitization of society. It is hardly surprising that the DIY store and garden center segment is also in a state of upheaval as a result.

Our claim “There is always something to be done” applies not only to HORNBACH. The entire European do-it-yourself sector faces a number of trends in the years ahead that harbor growth opportunities but also present challenges. It is now all about enhancing retail formats and realigning business strategies. I will summarize these trends in four areas of opportunity that from HORNBACH’s perspective are of the utmost relevance to Europe’s DIY and garden center players:

1. Opportunities due to sustainable building and renovation

The need for solutions offering energy-saving, contemporary, and barrier-free construction will tend to boost investments in modernization and renovation measures. Three factors are decisive here:

- **Age structure of real estate:** 80% of homes in Germany are more than 20 years old. The need for maintenance and modernization measures rises significantly with each passing year – and thus also the need for construction services and materials. Interest rates, still low, have improved private households’ financing scope here.
- **Energy efficiency:** Rising energy costs and growing awareness of climate protection are promoting the desire for energy-efficiency renovation measures. Energy-efficient construction and renovation enable a residential property’s energy costs to be cut by up to three quarters. Energy efficiency is one of the top themes in the European DIY sector.
- **Demography:** Elderly people want to live independently in their familiar surroundings for as long as possible. The need for senior citizen-friendly construction solutions, such as barrier-free access to buildings and apartments, the installation of elevators, and doorway-widening and sanitary conversion measures, will thus rise significantly.

2. Opportunities due to consumer trends

People are spending more time at home once again and are prepared to invest in decorating and equipping their own four walls. This “homing” trend is not just a German phenomenon, but also a key international motivation for home improvement as a popular leisure activity. The realization of attractive “living worlds” is playing an ever greater role in modernization projects in consumers’ houses, apartments and gardens. The challenge for the DIY sector is to address its target groups in ways that arouse their emotions and also to offer professional advice for complex interior design projects. The Point of Sale has to become the Point of Emotion.

3. Opportunities due to internationalization

Expanding abroad offers added growth prospects and often harbors greater opportunities for returns than the saturated German market. Not only that, internationalization also helps in spreading market risks. Having said this, the increasing maturity of regional DIY markets and macroeconomic imbalances are raising the requirements placed in DIY retail players in terms of their strategy and financial strength.

4. Opportunities due to new market potential

Most sector experts see technological developments – and above all digitization – as the trend with the greatest relevance for the DIY sector. This has given rise to new, different sales formats that are currently competing for the favor of DIY enthusiasts, construction clients and gardening fans in the European DIY market. With suitable customer focus and specialist retail concepts, DIY store players stand to gain additional market share at the expense of other sales formats.

Alongside activities to boost competitiveness in stationary retail, since 2010 the DIY store and garden center sector has also increasingly relied on the internet as a distribution channel. Online retail has reported by far the highest growth rates within the overall retail sector. Above-average development opportunities are forecast for e-commerce with DIY product ranges. This is probably the area exerting the greatest pressure on companies to make changes, and one where the opportunities and risks are especially closely linked.

HORNBACH well equipped

Our group of companies acted early to prepare for the four DIY retail challenges outlined above, formulated the right strategies and positioned itself to exploit the opportunities offered by these megatrends.

Taking “retail digitization” as an example – public discussions here sometimes create the impression that this is a topic for the world of tomorrow. In actual fact, however, the future has long begun. Mobile end appliances such as smartphones and tablets are fundamentally transforming consumers’ shopping habits. HORNBACH has translated the

opportunities offered by the internet into its strategy more closely than probably any other company in the sector. We operate what is Germany’s most powerful virtual DIY store and have also set ambitious targets for our international regions. We have long moved away from being an old-school stationary retail company. We are increasingly evolving into a technology-driven group that covers the entire spectrum of modern retail opportunities, whether stationary or digital. We have the necessary infrastructure, organizational structure, innovative strength, and financial clout – without which sustainable growth is now hardly possible.

Our figures for the past 2014/2015 financial year show that we have moved a good way forward along our strategic path. We successfully asserted ourselves against a number of challenging base effects from the previous year. Thanks to pleasing like-for-like sales growth, we outperformed the sector average in Germany and most other countries within our European network and expanded our market share. We increased our earnings compared with the previous year while also pressing ahead with our innovations as an advance investment in future growth.

The success and sustainable development of the HORNBACH Group is first and foremost the achievement of our group-wide total of almost 17,000 employees. It makes me proud to see how their dedication, skills and courage move our company forward each and every day. I owe them all a special thank you. I would also like to thank our shareholders and business partners, many of which have remained loyal to us over many years and accompanied us on our exciting journey.

Albrecht Hornbach
Chairman of the Board of Management
HORNBACH HOLDING AG

REPORT OF THE SUPERVISORY BOARD



Dr. Wolfgang Rupf

Dear ladies and gentlemen,

In the past 2014/2015 financial year we dealt in great detail with the company's situation, strategic alignment, and medium-term perspectives. We advised the Board of Management in its management of the company and monitored its conduct in accordance with the requirements of the law, the Articles of Association and the Code of Procedure. At our meetings, the Board of Management provided us with regular, prompt and extensive written and oral reports on the business performance and economic situation of the company and its subsidiaries. The Supervisory Board was involved in decisions of major significance for the company. Moreover, as Supervisory Board Chairman I was in regular contact with the Board of Management, and especially with its Chairman, outside the framework of meetings to discuss significant issues and also to hold a number of working meetings.

Meetings of the Supervisory Board

Five Supervisory Board meetings were held in total in the 2014/2015 financial year. No member of the Supervisory Board attended fewer than half of the meetings.

At our meetings, we dealt in detail with the business performance and economic situation of the company on the basis of oral and written reports provided by the Board of Management. We also extensively addressed the strategic enhancement of the company's business, investment and financial policy and corporate governance. We informed ourselves in detail about the company's opportunity and risk situation, and the implementation of risk management, and discussed these matters with the Board of Management. The Board of Management also provided regular written and oral reports on the company's current situation, and in particular on the development in its sales, earnings and financial situation compared with the previous year and the budget. Budget variances were discussed and substantiated. Those actions of the Board of Management requiring our approval were discussed in detail. Following thorough examination and discussion of the proposals submitted by the Board of Management, the Supervisory Board approved all of the respective measures at its meetings.

At the meeting held in May 2014 to approve the annual financial statements, we examined the annual and consolidated financial statements in great detail in the presence of the auditor, as was also the case in May 2015. We also formally accepted the report from the Audit Committee on its work and the findings of its audit. All of the questions raised by Supervisory Board members were answered in detail by the auditors. The report of the Supervisory Board, the joint corporate governance report of the Board of Management and the Supervisory Board, the risk report, and the compliance report of the Board of Management were also discussed and approved at this meeting. The agenda for the Annual General Meeting, including the proposed resolutions, was approved. At the suggestion of the Audit Committee, given potential co-liability the premature extension of the syndicated loan of € 250 million at the HORNBACH-Baumarkt-AG subsidiary was also approved at the meeting in May 2014.

At the meeting held directly before the Annual General Meeting in July 2014, the Board of Management reported on the current situation of the Group and on the developments then

apparent for the current year. Moreover, dates for regular meetings up to and including the 2015/2016 financial year were also agreed.

The Supervisory Board held an unscheduled meeting in November 2014 following the invitation issued by HORNBAACH Familien-Treuhandgesellschaft to the Board of Management to hold specific talks concerning the possibilities of changing the legal form of HORNBAACH HOLDING Aktiengesellschaft into a partnership limited by shares (KGaA). At its meeting, the Supervisory Board discussed the steps involved in executing a change of this nature. Pursuant to § 13 of the Articles of Association, it was decided at the same meeting to establish a committee for this project. The following individuals were elected as members of the Project Committee: Dr. John Feldmann, Joerg Walter Sost, and Dr. Wolfgang Rupf, who was appointed as committee chairman. The Supervisory Board supplemented the allocation of responsibilities among members of the Board of Management by assigning responsibility for reviewing and preparing the change of legal form to the board member Roland Pelka. These measures were taken to avert conflicts of interest on the part of the shareholders and managing directors of HORNBAACH Familien-Treuhandgesellschaft mbH in the person of Albrecht Hornbach, a member of the Board of Management, and Christoph Hornbach and Dr. Susanne Wulfsberg, members of the Supervisory Board. No other conflicts of interest arose in the year under report.

In December 2014, the current business situation, risk report and compliance report were discussed. At the same meeting, the updated Declaration of Conformity with the German Corporate Governance Code was adopted pursuant to § 161 of the German Stock Corporation Act (AktG) and then made permanently available on the company's homepage. HORNBAACH HOLDING AG has largely complied with and continues to comply with the recommendations of the Code with only a few exceptions. Further information about corporate governance at HORNBAACH HOLDING AG can be found in the joint report of the Board of Management and the Supervisory Board from Page 15 onwards.

At its final meeting in the past 2014/2015 financial year, held in February 2015, the Supervisory Board discussed the Group's current business situation, and discussed and approved the budget for the financial years 2015/2016 to 2019/2020. The Supervisory Board was also informed in detail about the work performed by the project committee founded to investigate the change of legal form.

Committees and committee meetings

The Supervisory Board has established three committees. The current composition of the committees can be found on Page 14 of this Annual Report.

The Audit Committee met five times in the year under report, namely in May, June, September, December, and February.

In May 2014, the Audit Committee discussed the annual financial statements of HORNBAACH HOLDING AG and the consolidated financial statements, management reports, proposed appropriation of profits, and audit reports, including the dependent company report, in the presence of the auditor and the Chairman of the Board of Management and CFO. Key focuses of discussion at this meeting also included the risk and compliance reports of the Board of Management, group internal audit reports, reports compiled by the Board of Management on the company's financial situation and the candidate to be proposed for election as auditor. The proposed premature extension of the syndicated loan of € 250 million at the HORNBAACH-Baumarkt-AG subsidiary was also discussed in detail at this meeting.

At the June meeting the financial report for the first quarter was discussed and in September 2014 the half-year financial report was addressed in the presence of the auditors. In December 2014, key focuses for the audit of the annual financial statements were determined together with the auditors. At the same meeting, the Committee dealt with the nine-month financial report, as well as the risk report, the compliance report, and the company's financial situation. In February 2015, the budget for the financial years 2015/2016 to 2019/2020 was addressed in detail. The internal audit plan

for the 2015/2016 financial year was adopted at the same meeting.

The Audit Committee Chairman reported in detail on the work of the committee to the full Supervisory Board meetings.

The Project Committee founded in November 2014 to investigate the change in the company's legal form to a KGaA held two meetings, at which relevant topics and the progress made with the project were extensively reviewed and discussed. The committee chairman reported in detail on the work of the committee to the full Supervisory Board meetings.

The Personnel Committee did not hold any meetings.

Annual and consolidated financial statements

KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin (KPMG), audited the annual financial statements and the consolidated financial statements of HORNBAACH HOLDING AG as of February 28, 2015, as well as the combined management report and group management report of HORNBAACH HOLDING AG for the 2014/2015 financial year and provided them each with an unqualified audit opinion. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Moreover, KPMG confirmed that the Board of Management had suitably implemented the measures required by § 91 (2) of the German Stock Corporation Act (AktG), particularly those concerning the establishment of an early warning risk management system, and that the monitoring system was suitable for the early detection of any developments that could threaten the company's continued existence.

Key focuses of the audit in the 2014/2015 financial year included the functionality of internal controls of key financial reporting processes, the recoverability of non-current assets, the existence and measurement of inventories, the recognition of conversion measures, lease accounting, the completeness and accuracy of (consolidated) note disclosures, and the

completeness and accuracy of the disclosures made in the combined management report.

The financial statements and audit reports were provided to all Supervisory Board members in good time. They were examined in detail at the meeting of the Audit Committee on May 22, 2015 and at the subsequent meeting of the Supervisory Board held on the same day to approve the financial statements. The auditor took part in these discussions. He reported on the principal audit findings and was available to provide further information and to answer questions. Based on the findings of the preliminary audit performed by the Audit Committee and of our own examination of the documents provided by the Board of Management and the auditor, we do not raise any objections and endorse KPMG's audit findings. We approve the annual and consolidated financial statements of HORNBAACH HOLDING AG prepared by the Board of Management as of February 28, 2015; the annual financial statements of HORNBAACH HOLDING AG are thus adopted. We endorse the appropriation of profits proposed by the Board of Management.

Furthermore, the Supervisory Board reviewed the report from the Board of Management on relationships with associated companies pursuant to § 312 of the German Stock Corporation Act (AktG). Neither this review nor KPMG's audit gave rise to any objections. KPMG granted the following audit opinion:

“Based on the audit and assessment we have undertaken in accordance with professional standards, we confirm that

1. the factual disclosures made in the report are correct
2. the performance of the company in the transactions listed in the report was not incommensurately high.”

Based on the conclusive findings of its audit, the Supervisory Board has no objections to the statement provided by the Board of Management at the end of its report pursuant to § 312 of the German Stock Corporation Act (AktG).

The HORNBAACH HOLDING AG Group asserted itself very well in a competitive climate changed by the Praktiker Group's insolvency and acquired substantial new market share. The company improved its earnings situation both in Germany and abroad. The Supervisory Board would like to extend its thanks and appreciation to the Board of Management and to all employees, both in Germany and abroad, for their great commitment and very successful work in the past financial year.

Neustadt an der Weinstrasse, May 2015

The Supervisory Board

Dr. Wolfgang Rupf
Chairman

DIRECTORS & OFFICERS

Supervisory Board

Dr. Wolfgang Rupf

Chairman
Managing Partner, Rupf Industries GmbH
and Rupf Engineering GmbH

Christoph Hornbach

Deputy Chairman
School Principal

Dr. John Feldmann

Supervisory Board member
Former management board member at BASF SE

Erich Harsch

CEO
dm-drogerie markt GmbH & Co. KG

Joerg Walter Sost

Managing Partner
J. S. Consulting GmbH

Dr. Susanne Wulfsberg

Veterinary Surgeon

Supervisory Board Committees

Audit Committee

Dr. Wolfgang Rupf	Chairman
Christoph Hornbach	
Joerg Walter Sost	
Dr. Susanne Wulfsberg	

Personnel Committee

Dr. Wolfgang Rupf	Chairman
Christoph Hornbach	
Joerg Walter Sost	

Project Committee

Dr. Wolfgang Rupf	since Nov. 20, 2014
Dr. John Feldmann	Chairman
Joerg Walter Sost	

Board of Management

Members of the Board of Management and their areas of responsibility

Albrecht Hornbach

Chairman
DIY Stores and Garden Centers (HORNBACK-Baumarkt-AG)
Builders' Merchants (HORNBACK Baustoff Union GmbH)
Real Estate (HORNBACK Immobilien AG)

Roland Pelka

Finance, Accounting and Tax,
Group Controlling, Risk Management,
Loss Prevention, Group Communications

CORPORATE GOVERNANCE

Declaration on Corporate Governance with Corporate Governance Report

Our actions are guided by the principles of responsible, transparent corporate management and control (corporate governance). HORNBAACH has always accorded priority to high-quality corporate governance. It forms the basis for sustainable economic success and helps us enhance the trust placed in our company by our customers, business partners, investors, employees and the financial markets. The standards and guidelines we adhere to at the company over and above legal requirements are summarized below in the Declaration on Corporate Governance (§ 289a HGB), which also includes the Corporate Governance Report of the Board of Management and Supervisory Board (Point 3.10 DCGK).

DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE PURSUANT TO § 161 AKTG DATED DECEMBER 2014

The Board of Management and Supervisory Board of HORNBAACH HOLDING Aktiengesellschaft hereby declare pursuant to § 161 of the German Stock Corporation Act (AktG):

I. Future-related section

The recommendations of the “German Corporate Governance Code” in the version dated June 24, 2014 and published in the Federal Official Gazette on September 30, 2014 will basically be complied with in future. No application will be made of the recommendations in Points 3.8 (3), 4.1.5, 4.2.3 (4) and (5), 4.2.5 (3), 5.2 (2), 5.3.3, 5.4.1 (2) and (3), and 5.4.6 (3) Sentence 1.

These deviations from the recommendations are due to the following considerations:

a) Point 3.8 (3):

In Point 3.8 (3), the Code recommends agreeing a specified deductible in any D&O insurance policy taken out for supervisory board members. For supervisory board members as well, this should be based on the legal requirements for management board members arising due to the Act on the Appropri-

ateness of Management Board Compensation (VorstAG) dated July 31, 2009. No such deductible has been agreed at the expense of Supervisory Board members. This would reduce the attractiveness of Supervisory Board activities, and thus also the company's chances in the competition to attract qualified candidates. The recommendation made in Point 3.8 (3) is therefore not followed.

b) Point 4.2.3 (4) and (5):

Furthermore, no application is made of the recommendations in Point 4.2.3 (4) (“severance payment cap”) and (5) (“change of control compensation cap”) of the Code. The deviation to Point 4.2.3 (4) and (5) is due to competition-related factors. Apart from that, it still has to be definitively clarified whether and how the recommendations in Point 4.2.3 (4) are legally enforceable.

c) Point 4.2.5 (3):

The compensation paid to the Board of Management is not presented separately for each member. The Annual General Meeting held on July 8, 2011 resolved to uphold the more guarded approach towards reporting management board compensation. For the same reason, no use is made of the “model tables” included in the “German Corporate Governance Code”.

d) Point 5.2 (2):

In Point 5.2 (2), the Code recommends that the supervisory board chairman should not simultaneously chair the audit committee. We deviate from this recommendation. Given the outstanding expertise and industry experience of the Chairman and the fact that he also holds the same position in the Audit Committee of HORNBAACH-Baumarkt-Aktiengesellschaft, the largest subgroup, we deem this deviation appropriate.

e) Point 5.3.3:

In Point 5.3.3, the Code recommends that the supervisory board should form a nomination committee composed exclusively of shareholder representatives which proposes suitable candidates to the supervisory board for its election proposals to the Annual General Meeting. The company's Supervisory

Board has not formed such a committee. Based on our experience to date, the establishment of such a committee would not appear to be necessary.

f) Point 5.4.1 (2) and (3) and Point 4.1.5:

The company deviates from the recommendations made in Points 5.4.1 (2) and (3) and in Point 4.1.5. In the interests of the company, in terms of the composition of its Board of Management and Supervisory Board, as well as of other management positions, HORNBAACH HOLDING Aktiengesellschaft accords priority above all to the knowledge, ability and expert experience of the individual in question.

g) Point 5.4.6 (3) Sentence 1:

In Point 5.4.6 (3) Sentence 1, the Code recommends that the compensation of supervisory board members be reported in the notes to the financial statements or the management report on an individual basis and broken down into its constituent components. Given that the amount of compensation paid to the Supervisory Board is governed by the Articles of Association, we see no need to disclose individual compensation packages.

II. Past-related section

Period since submission of previous Declaration of Conformity on December 19, 2013 through to publication of new version of Code on September 30, 2014:

The recommendations of the “German Corporate Governance Code” in the version dated May 13, 2013 and published in the Federal Official Gazette on June 10, 2013 were complied with in the period since the submission of the previous Declaration of Conformity on December 19, 2013 through to publication of the new version of the Code on September 30, 2014 with the exception of the deviations already listed and substantiated for the future in Section I – to the extent that such refer to recommendations with unamended content in the version dated May 13, 2013.

Period since publication of new version of Code on September 30, 2014:

The recommendations of the “German Corporate Governance Code” in the version dated June 24, 2014 and published in the Federal Official Gazette on September 30, 2014 were complied with apart from the deviations already listed and substantiated for the future in Section I.

Neustadt an der Weinstrasse, December 2014

HORNBAACH HOLDING Aktiengesellschaft

Supervisory Board

Board of Management

The above Declaration of Conformity dated December 2014 has been published on the internet together with all earlier Declarations of Conformity and is also available as a download [www.hornbach-group.com/Declaration/Holding].

Relevant corporate governance practices

We base our entrepreneurial activities on the legal frameworks valid in the various countries in which we operate. This places a wide variety of obligations on the HORNBAACH Group and its employees in Germany and abroad. As well as managing the company responsibly in accordance with the relevant laws, ordinances and other guidelines we have also compiled internal group guidelines setting out the system of values and management principles we adhere to at the Group.

Compliance

In a competitive climate, only those companies which manage to convince their customers with their innovation, quality, reliability, dependability and fairness on an ongoing basis will succeed in the long term. Here, we see compliance with legal requirements, internal company guidelines and ethical principles (compliance) as absolutely crucial. HORNBAACH's corporate culture is based on these principles, key aspects of which are also formulated in the company's Corporate Compliance Policy [[Internet: www.hornbach-group.com/Compliance_Policy/Holding](http://www.hornbach-group.com/Compliance_Policy/Holding)]. These

focus above all on the integrity of our business dealings, protecting our internal expertise, compliance with antitrust law and all requirements governing international trade, correct documentation and financial communications, and equality of opportunity and the principle of sustainability.

At HORNBAACH, adherence with compliance requirements is consistently expected of its employees and business partners and is also monitored, with sanctions being imposed where necessary. The Board of Management entrusted the coordination and documentation of compliance activities across the Group to a Chief Compliance Officer in October 2009. This manager is responsible for establishing and permanently optimizing the organizational structures necessary to enforce the Group's Corporate Compliance Policy. The group internal audit department audits compliance with the Corporate Compliance Policy at regular intervals.

Our system of values: The HORNBAACH Foundation

HORNBAACH is a forward-looking, family-managed company and is characterized by a clear system of values. The values on which this system is based are honesty, credibility, reliability, clarity and trust in people. This system of values, which had already been lived over many decades, was summarized in the so-called "HORNBAACH foundation" in 2004. This model forms the cornerstone for our corporate strategy, everyday behavior, and responsibility towards society. It lays down the basic values governing how we behave towards our customers, as well how our employees behave towards each other. Moreover, this foundation helps our shareholders, customers and the general public, as well as our employees, to understand what the basis of our business success is [**Internet:** www.hornbach-group.com/Foundation].

Compliance with social, safety, and environment standards

The development of company guidelines governing minimum social standards, environmental protection, product safety and equality of opportunities forms an integral component of our corporate policy, as does monitoring compliance with such. Within our Corporate Social Responsibility (CSR) framework, we have issued group-wide guidelines to ensure that HORN-

BACH meets its responsibilities towards individuals, society at large and the environment. The CSR guidelines [**Internet:** www.hornbach-group.com/CSR-Guidelines] cover four areas of responsibility:

- **Minimum social standards:** In our procurement activities we ensure that acceptable minimum social standards are complied with in the manufacture of our products. We base our standards here on the conventions of the International Labor Organization (ILO). With the assistance of standardized factory audits and targeted checks on location, we are actively working to ensure compliance with these standards. These efforts are continuing to focus above all on direct imports from non-EU countries. We are endeavoring to make sure that a continuously higher share of our suppliers and upstream suppliers commit to these regulations.
- **Rainforest protection:** In procuring timber and related products we ensure that timber is cultivated and felled in accordance with generally accepted rules, especially those governing rainforest protection. For all timber products sold by HORNBAACH, we make sure that the timber does not stem from forest depletion, but rather from sustainable forestry and that social welfare and occupational safety standards are adhered to in the timber production process. To this end, we work together with environmental protection organizations, such as Greenpeace, WWF, Robin Wood etc. HORNBAACH stocks a large number of articles bearing the Forest Stewardship Council (FSC) seal for sustainable forestry. We only offer tropical woods that are certified by the FSC.
- **Product safety and production conditions:** We guarantee to our customers that all of our products meet the utmost safety standards. The company ensures this within the framework of an ongoing multistage process to assure the quality and audit the safety of its products. These checks are performed by employees in HORNBAACH's quality management department with support from internationally certified inspection institutes. Alongside extensive product tests (initial sample inspections), the company focuses on

auditing suppliers in the country of manufacture. The quality controllers also audit environmental and social welfare standards at the factories. This way, we ensure that no forced labor or child labor is involved in the production of our merchandise. Not only that, we also perform random checks to audit compliance with strict quality standards along the entire procurement chain – from production via transport to sale at our stores.

- **Equality of opportunity (diversity):** We ensure that our employees enjoy equal opportunities. We consistently oppose any kind of discrimination. HORNBACH is committed to promoting a liberal and open society based on shared values both within and outside the company. It is in this spirit that we also signed the corporate “Diversity Charter” initiated by the Federal Government in 2008 and have worked with print campaigns dedicated to “Tolerance within Society” aimed at raising people’s awareness of this topic.

Dualistic management structure

HORNBACH HOLDING AG, based in Neustadt an der Weinstrasse, is governed by the requirements of German stock corporation, capital market and codetermination law, as well as by the provisions of its own Articles of Association. Accordingly, HORNBACH HOLDING AG has a dualistic management structure, which assigns management of the company to the Board of Management and supervision of the company to the Supervisory Board.

Composition and modus operandi of Supervisory Board

The Supervisory Board of HORNBACH HOLDING AG consists of six members. The Supervisory Board Chairman coordinates the work of the Supervisory Board and attends to the affairs of the Supervisory Board externally. In the event of a parity of votes in the Supervisory Board, the Supervisory Board Chairman has the decisive vote.

The Board of Management and Supervisory Board work together closely in the interests of the company. The Supervisory Board monitors the management of the company and accom-

panies the Board of Management in an advisory capacity. It appoints members of the Board of Management, dismisses them and is responsible for concluding, amending and terminating their employment contracts. Any actions by the Board of Management that could materially influence the company’s net asset, financial or earnings position require prior approval by the Supervisory Board. The Code of Procedure for the Supervisory Board contains a catalog of the transactions and actions requiring such approval. The Supervisory Board may at any time resolve to extend or reduce the list of such transactions.

Supervisory Board members are solely bound by the company’s best interests. They are not dependent on assignments or instructions. In their decisions, they may not pursue personal interests or exploit business opportunities available to the company for their personal benefit. Supervisory Board members are obliged to disclose conflicts of interest to the Supervisory Board Chairman, especially conflicts arising due to their performing any consultant or directorship function at customers, suppliers, lenders or other business partners of the company. Conflicts of interest on the part of a Supervisory Board member that are material and not only temporary should result in the termination of the mandate. No conflicts of interest arose in the year under report. Advisory and other service agreements and contracts for work between a Supervisory Board member and the company require approval by the Supervisory Board.

Until August 2014, HORNBACH HOLDING Aktiengesellschaft used the possibility of drawing in specific areas on the expertise of the former member of the Supervisory Board Otmar Hornbach († August 2, 2014). This cooperation was based on symbolic compensation. Other than this, there were no further contracts with Supervisory Board members requiring approval in the year under report. The Supervisory Board has the following committees:

- Personnel Committee
- Audit Committee
- Project Committee

The composition of the committees can be found on Page 14 of this report. Their activities are described in detail in the Report of the Supervisory Board (Page 10 onwards).

Composition and modus operandi of Board of Management

The Board of Management of HORNBAACH HOLDING AG comprises two members. Its composition and areas of responsibility can be found on Page 14 of this report. The Board of Management has a self-imposed Code of Procedure. The management of the company's business is the joint responsibility of all of its members. Compliance activities to ensure that the company adheres to laws, legal requirements and its own internal guidelines represent a key management task. The Board of Management usually meets once a week, or on an ad-hoc basis when necessary.

The Board of Management provides the Supervisory Board with regular, prompt and extensive information on all matters relevant to the company's corporate strategy, planning, business performance, financial and earnings position, risk situation and risk management. Furthermore, it presents the group investment, financial and earnings budgets to the Supervisory Board both for the forthcoming financial year and for the medium term (five years). The Chairman of the Board of Management provides immediate report to the Supervisory Board Chairman of any significant events of material relevance for assessing the situation, development and management of the company. Transactions and measures requiring Supervisory Board approval are submitted in good time. Members of the Board of Management are obliged to disclose conflicts of interest to the Supervisory Board without delay and to inform other members of the Board of Management. Members of the Board of Management may only pursue side-line activities, in particular Supervisory Board mandates outside the Group, with the approval of the Supervisory Board Chairman.

Annual General Meeting

Shareholders of HORNBAACH HOLDING AG exercise their rights, including their voting rights, at the Annual General Meeting. The Annual General Meeting resolves in particular on the appropriation of profits, the discharge of the acts of the Board of Management and Supervisory Board, and elects shareholder representatives to the Supervisory Board, as well as the auditor. Shareholders are regularly informed of all significant dates by means of the financial calendar published in the annual and quarterly reports and on the company's homepage. The Annual General Meeting is generally chaired by the Supervisory Board Chairman. HORNBAACH HOLDING AG provides its shareholders with the services of a voting proxy bound to vote in line with instructions.

Reporting and audit of annual financial statements

The HORNBAACH HOLDING AG Group prepares its financial reports in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The separate financial statements of HORNBAACH HOLDING AG are prepared in accordance with the German Commercial Code (HGB). In line with legal requirements, the auditor is elected by the Annual General Meeting. The Audit Committee prepares the Supervisory Board's proposal to the Annual General Meeting with regard to the auditor to be elected. The auditor is independent and is responsible for the audit of the consolidated and separate financial statements, as well as for the audit review of half-year financial reports.

HORNBAACH HOLDING AG has a risk management system that is continually enhanced and updated to account for changes in conditions. The functionality of the early warning risk management system is checked by the auditors.

Transparency

The company's shareholders, all capital market participants, financial analysts, investors, shareholder associations and the media are regularly provided with up-to-date information about the company's situation and any material changes in its business situation. Here, the internet represents the main channel of communication. All individuals with access to

insider information in the course of their activities for the company are informed of the resultant obligations for them under insider law. HORNBACH Holding AG reports on its situation and results in its

- Quarterly reports
- Half-year financial report
- Annual report
- Annual results press conference
- Teleconferences with international financial analysts and investors
- Events with financial analysts and investors in Germany and abroad.

Dates of relevance to the company's regular financial reporting activities have been summarized in the financial calendar published at www.hornbach-group.com. Alongside this regular reporting, any information arising at HORNBACH HOLDING AG which is not publicly known and which is likely to influence the company's share price significantly is published in the form of ad-hoc announcements.

Directors' dealings and shareholdings

Members of the Board of Management and the Supervisory Board of HORNBACH HOLDING AG, and individuals closely related to such, are required by § 15a of the German Securities Trading Act (WpHG) and Point 6.3 of the German Corporate Governance Code to disclose transactions involving shares in the company or related financial instruments. In the year under report, the company was not notified of any trans-

actions performed by persons in management positions or closely related individuals pursuant to § 15a of the German Securities Trading Act (WpHG) (Directors' Dealings).

In line with Point 6.3 of the German Corporate Governance Code, we report ownership of shares in the company by members of the Board of Management and Supervisory Board which directly or indirectly exceed 1 % of the shares issued by the company. Where the entire holdings of all members of the Board of Management and Supervisory Board exceed 1 % of the shares issued by the company, we report these in the Corporate Governance Report broken down by Board of Management and Supervisory Board.

Share ownership by members of Board of Management

Albrecht Hornbach, Chairman of the Board of Management, directly owned 52,778 ordinary shares and indirectly owned 52,778 ordinary shares in HORNBACH HOLDING AG at the balance sheet date on February 28, 2015. Furthermore, he directly owns 6,810 of the listed preference shares in the company. This simultaneously represents the entire holdings by members of the Board of Management.

Share ownership by members of Supervisory Board

Dr. Susanne Wulfsberg, Supervisory Board member, directly owned 63,334 ordinary shares and indirectly owned 253,332 ordinary shares in HORNBACH HOLDING AG at the balance sheet date on February 28, 2015. This simultaneously represents the entire holdings by members of the Supervisory Board.

Compensation Report

The compensation report presents the basic features and structure of the compensation of the Board of Management and the Supervisory Board. It forms a constituent component of the group management report and, apart from the disclosure of individual compensation, is based on the recommendations of the German Corporate Governance Code.

Compensation of the Board of Management

Compensation system at HORNBAACH HOLDING AG

Compensation of members of the Board of Management is determined in line with the requirements of stock corporation law and of the Act on the Appropriateness of Management Board Compensation (VorstAG), taking due account of levels of compensation customary in the market. Total compensation of members of the Board of Management comprises the components of fixed annual salary, annual variable compensation, plus ancillary benefits customary to the market and the company. Total compensation is regularly reviewed by the Supervisory Board in terms of its appropriateness.

■ Fixed annual salary:

Members of the Board of Management receive a fixed annual salary laid down in their individual contracts, which is paid monthly in twelve equal portions at the end of each calendar month. Fixed salaries are graded at different levels for the Chairman and the regular member of the Board of Management.

■ Variable compensation:

Alongside fixed annual salaries, members of the Board of Management also receive annual variable compensation in line with the company's sustainable performance. This is based both on company targets and on targets agreed for individual members of the Board of Management. The key performance factor used to determine variable compensation is average consolidated net income after taxes (IFRS) and minority interests at HORNBAACH HOLDING AG. Variable compensation is calculated on the basis of the three-year average level of consolidated net income after taxes (IFRS) and minority interests at HORNBAACH HOLDING AG.

Individual variable compensation is separately graded at different levels for the Chairman and the regular member of the Board of Management. For no individual member of the Board of Management does it exceed 1% of the three-year average level of consolidated net income after taxes (IFRS) and minority interests at HORNBAACH HOLDING AG. Of variable compensation calculated on the basis of average consolidated net income after taxes (IFRS) and minority interests, up to 25 % is calculated and determined in several stages following achievement of the targets individually set for each member of the Board of Management for the respective financial year. This process is based on targets individually agreed in advance for each member of the Board of Management. To set these targets, the Supervisory Board of HORNBAACH HOLDING AG and the respective member of the Board of Management reach a target agreement before the beginning of each financial year in which the individual targets, their respective percentage weighting and the respective degree of target achievement are determined by the full Supervisory Board. Following completion of the financial year, the full Supervisory Board determines the degree of individual target achievement for the respective member of the Board of Management.

The remaining 75 % of variable compensation is determined on the sole basis of the average level of consolidated net income after taxes (IFRS) and minority interests at HORNBAACH HOLDING AG for the past three years. For all members of the Board of Management, the level of variable compensation is capped at a maximum of 150 % of the respective fixed salary of the individual member of the Board of Management. No further variable compensation is granted.

■ Internal ratio of compensation components:

No specific ratio of fixed salary to variable compensation components has been stipulated. In particular, apart from the cap at a maximum of 150 % of the fixed salary, no specific relationship has been determined for the amount of fixed annual salary compared with the amount of annual variable compensation. The structure of annual variable

compensation ensures that the overwhelming share of such compensation (75 %) is based on long-term factors, complying with the predominantly multiyear nature called for in the relevant legislation. In individual cases, the compensation system may be adapted by the full Supervisory Board, taking account of legal requirements, to the extent deemed necessary to account for the duties and performance of the respective member of the Board of Management.

Retirement and pension commitments

Members of the Board of Management of HORNBAACH HOLDING AG are granted individual contractually agreed pension commitments. These consist of a defined contribution pension scheme amounting to 25 % of their fixed salaries, payable in two equal shares of 50 % as of August 31 and February 28 of each year. The defined contribution pension scheme involves the following key aspects:

- Direct, defined contribution capital commitment executed by way of direct commitment
- Accumulation of policy reserve and netting with pension provisions in balance sheet
- Retirement pension payable upon retirement from age 65 or earlier if appropriate, but at the earliest from age 60 in line with the respective Supervisory Board resolution either as a one-off payment, in several annual installments or as a pension, one-off payment of pension capital upon death or invalidity
- Guaranteed return on pension capital of 2 % p.a. plus excess return on capital commitment
- The claims are vested for all current members of the Board of Management
- Insurance against insolvency via the Pension Assurance Association (PSVaG), Cologne, with additional cover by recognizing trust assets for the pension contributions
- Annual 1 % indexing in current pensions
- Voluntary contributions permitted by members of Board of Management from fixed and variable compensation components due in future in unspecified amounts up to a maximum of one total annual compensation package.

Regulations governing premature departure from the company (severance pay regulations)

The employment contracts concluded with members of the Board of Management do not provide for the payment of compensation in the event of their activity on the Board of Management being terminated prematurely without compelling reason or due to a change of control. HORNBAACH HOLDING AG thus deviates from the recommendations made in Points 4.2.3 (4) and (5) of the German Corporate Governance Code. In individual cases, payments may nevertheless be made, based on a corresponding Supervisory Board resolution, to a member of the Board of Management retiring from the Board prematurely, particularly when the reasons for such retirement do not lie with the respective member.

Additional benefits

Members of the Board of Management of HORNBAACH HOLDING AG receive the following particular benefits to an extent customary to the market and the company. Some of these are deemed benefits in kind and are taxed accordingly:

- Reimbursement of travel and other expenses incurred in the interests of HORNBAACH HOLDING AG based on the actual amounts incurred
- Grants towards private health insurance, voluntary retirement pension scheme or alternatively contributions to a private life insurance policy
- Accident insurance covering fatality and invalidity
- Temporary continuation of payment of compensation in event of sickness or death
- Claim to provision of a company car for work-related and private use.

Compensation of the Board of Management for the 2014/2015 financial year

Total compensation of the Board of Management of HORNBAACH HOLDING AG for performing its duties on behalf of the Group in the 2014/2015 financial year amounted to € 1,866k. Of this, € 946k was fixed compensation and € 920k involved performance-related components. Termination benefits of € 210k were incurred for active members of the Board in the

2014/2015 financial year. These involve expenses to endow pension provisions. There are corresponding value credits.

Given the company's size and its market position, we believe that the total compensation of the Board of Management is appropriate. At the 2011 Annual General Meeting, shareholders voted with a three-quarters majority to forego the disclosure of the compensation of members of the Board of Management on an individual basis up to and including the 2015/2016 financial year (opting-out clause).

Compensation of the Supervisory Board

Supervisory Board compensation is governed by § 16 of the Articles of Association of HORNBAACH HOLDING AG. As well as reimbursement of expenses, each Supervisory Board member receives fixed compensation of € 20,000 retrospectively payable on the day after the Annual General Meeting acknowledging the annual financial statements for the financial year. The Chairman receives two-and-a-half times and the Deputy Chairman twice the fixed compensation.

Supervisory Board members also sitting on a committee receive additional fixed committee compensation of € 9,000 for the Audit Committee, € 6,000 for the Personnel Committee, and € 4,000 for the Mediation Committee, should this be convened. This compensation is retrospectively payable together with fixed compensation. Supervisory Board members who chair a Supervisory Board committee receive two-and-a-half times the committee compensation.

The compensation of the Supervisory Board for the 2014/2015 financial year totals € 443k. Of this total, € 290k is basic compensation and € 153k for committee activity.



CORPORATE RESPONSIBILITY

BATHROOM GEMS

Our range of bathroom furnishings uses innovative ideas to create a sense of wellbeing in customers' own four walls. The key focus here is on a high-quality overall impression and durability of the individual elements. All components undergo multiple checks in terms of their stability, appearance, and functionality. Computer-assisted production and fixed checks by experienced employees – that makes for quality-driven design. This way, every bathroom can become a real eye-catcher.



CORPORATE RESPONSIBILITY

In the interests of corporate responsibility, the HORN BACH Group has imposed a set of rules governing its entrepreneurial activity [**Internet:** www.hornbach-group.com/CSR-Guidelines]. These ensure that the company meets its responsibilities towards the environment, its employees, and society as a whole.

Responsibility for the environment

Timber only from responsible forestry

We are committed to attracting customers' attention to timbers bearing the quality seal of the Forest Stewardship Council® (FSC®). Back in 1996, our company already provided the WWF and Greenpeace with a voluntary undertaking not to import any uncertified tropical timber. HORN BACH guarantees that all of the timber products it offers come from certified sources. One focus of the activities of our quality management and environmental department involves working to protect rainforests and promote responsible forestry that also meets social and work safety standards. Given this focus, HORN BACH was well prepared for the European Timber Regulation (995/2010) that took effect in 2013. Among other requirements, this regulation includes a duty of care for all timbers and timber products imported from outside the European Union and also bans the import of illegally felled timbers.

Most extensive FSC-certified product range

Many consumers see DIY stores as having a particular obligation to ensure that only products from responsible forestry are on offer. To meet our customers' expectations in this area while also doing justice to our own commitment to sustainability, in 2007 HORN BACH became the first international DIY chain to be awarded the FSC Chain of Custody certificate GFA-COC-002007. This enables the timber supply chain to be checked from the place of origin through to the end product. The company's entitlement to this certificate is reviewed in annual audits performed by an independent testing institute. At all HORN BACH stores, trade companies and DIY enthusiasts can choose from a range of several thousand timber products bearing the FSC seal.

As part of our commitment to protecting the forests, HORN BACH participated in developing an information platform showing how forests can be put to responsible use. Here, HORN BACH is cooperating with the Swiss company Papiliorama and the FSC Switzerland.

Against hand-hewn natural stone

Stone is often hewn by hand in inhumane conditions. HORN BACH rejects this practice. By consistently delisting these products, HORN BACH-Baumarkt-AG is pursuing the objective of only offering stone from responsible sources. All direct import suppliers and their manufacturing sites are audited by accredited, certified audit institutes at regular intervals, and at least every twelve months. We have based the audit scope and contents on the accepted BSCI, ISA 9001ff, ILO, ISO 14001, and SA 8000 standards and adapted these to our requirements. Upstream suppliers of our own suppliers – in this case quarries – have been directly instructed by our suppliers to comply with our guidelines.

HORN BACH relies on “Healthy Living” quality seal

Consumers' sensitiveness towards contaminants in the air and in products has increased sharply. DIY enthusiasts and construction clients are paying increasing attention to the composition of the materials used. In terms of housing construction and renovation, energy efficiency became the top priority at the latest upon the introduction of the Energy Savings Ordinance. The problem here is that insulation and suitably built windows mean that rooms are now virtually airtight. The climate in the room remains constant, but it is difficult for harmful substances in the air to escape. The “Healthy Living” project aims to help consumers avoid contaminant substances when building and designing their interiors. To enable our customers to recognize at first glance which products are especially low in pollutants, HORN BACH has introduced its own seal of approval. The quality of the articles thereby certified is checked in detailed tests performed by independent institutes, such as the Sentinel-Haus Institut in Freiburg and the eco-Institut in Cologne, and subsequently awarded the “Healthy Living” seal of approval. These products stand for less polluted ambient air and per-

manently better quality of living. A separate website provides detailed information and answers frequently asked questions (www.hornbach.de/gesundewohnen). We will be continually expanding our “Healthy Living” product range in the coming years.

Competent energy-saving partner

Construction clients and homeowners are obliged to implement new requirements resulting from legally binding energy-saving ordinances. HORNBAACH is a competent partner here and has the product range necessary to help customers implement their energy-saving projects. New windows and doors offer substantial potential savings, as do façade, roof and basement ceiling insulation. Our product range also offers a broad range of energy-saving items – from efficient lighting systems to standby killers, water saving articles and upgraded insulation, as well as new pellet and high-tech reverse cycle heating systems.

All-round waste concept with customer service

Given the increasing scarcity of resources, a commitment to the environment in today's world would be unthinkable without recycling. To minimize the number of journeys required, HORNBAACH's stores use compressors for high-volume waste, such as paper and plastics. An all-round waste concept promotes the separation, and thus recycling, of recyclable fractions as secondary commodities, while also helping to reduce the volume of non-recyclable waste.

Our customers in Germany have the possibility to deposit broken energy-saving light bulbs, LEDs, and luminescent tubes free of charge in suitable containers at the stores. With this voluntary service, HORNBAACH is making it easier for consumers to dispose of these items during its usual opening hours, which are significantly more generous than at municipal collection points. Since 2013, HORNBAACH has played a leading role in the framework negotiated by the BHB DIY sector association and the VKU municipal company association for the voluntary acceptance of all old electrical appliances. This involves voluntarily accepting broken small electrical appliances, such as drills, fret saws, and battery-

powered drills as previously, as well as non-DIY products such as shavers and toasters. The old appliances accepted are then collected free of charge by municipal disposal companies. The aim here also involves helping to protect the environment and avoid such products being illegally disposed of in normal household waste.

Online recycling portal with own resource collection

Numerous different types of waste arise at our HORNBAACH DIY megastores with garden centers. To simplify the disposal of this waste, HORNBAACH has launched its own web-based recycling portal for the first time. This option for ordering and organizing the collection of disposal containers is initially available in the Netherlands and parts of Germany and Austria, but will gradually be rolled out to other regions as well.

Resource collection in the Netherlands and parts of northern Germany has been performed for the first time by HORNBAACH's "Resource Liners". These enable us to collect large volumes of resources at the stores ourselves and then to deliver them to the desired recycling locations, such as paper factories. HORNBAACH can thus ensure that further processing of the resources takes place directly – and this way help the environment.

Logistics: fewer miles, less packaging

With its logistics centers, HORNBAACH is also making a sustainable contribution towards protecting the environment. In its logistics activities, the Group continued to work on reducing its CO₂ emissions in the year under report as well. Enhanced tour planning and optimal use of available freight capacities have enabled us to reduce the number of miles traveled, and thus also our truck requirements. The use of specialist equipment to bundle recyclable materials has also saved further freight space upon collection. This has been accompanied by a reduction in the volume of emissions per loading unit. The company also checks whether the haulers have engines corresponding as a minimum to the Euro 5 standard, in which the Emissions Directive governing pollutant emissions has been set out since 2009.

Having said this, group logistics by no means rely solely on truck-based transport. Heavy goods, such as tiles, are transported across the Alps by rail. Containers from the import hubs of Rotterdam and Hamburg are also returned not by truck, but by inland waterway and rail.

By consistently managing time slots at incoming merchandise gateways at the logistics centers, we have managed to reduce truck waiting times, thus enhancing working conditions for drivers and employees alike.

A further field of action involves freeing the merchandise delivered from unnecessary packaging material. This is achieved, for example, by working with reusable, durable transport containers in circuits between suppliers, our stores and logistics centers.

As the acknowledged industry leader for retail-driven procurement logistics, HORNBACH-Baumarkt-AG is taking one innovative step further and establishing a pan-European network for bulk and bulky articles. This offers the benefit of increasing truck capacity utilization while reducing suppliers' distribution journeys, leading to a reduction in the total truck mileage required to supply the stores.

Further reduction in car pool CO₂ statistics

The Group's car pool continues to be structured along ecological and economic lines. CO₂ limits for the three vehicle classes listed range between 140 and 170 g/km. In the ongoing process of updating the portfolio, priority is being given to models using the latest, low-consumption engine technologies. For the vehicles ordered in the year under report, average consumption and CO₂ emissions were reduced further compared with the previous year. The average consumption of the vehicles ordered currently amounts to 4.3 liters per 100 kilometers, while average CO₂ emissions amount to 111.7 g/km. By accounting for fuel consumption in the calculation of the monthly mobility installment, drivers are incentivized to select lower consumption vehicles.

Energy-saving measures at stores

The company also actively takes account of environmental protection factors when building and operating its stores. The new lighting technology introduced in 2009 has benefited not only all new stores - further existing stores were upgraded in the year under report, so that 124 stores now have the new technology (2013/2014: 122). The rollout of this new lighting technology was completed in the year under report. At its core, this sustainable lighting technology involves introducing electronic control gear for the operation of halogen metal vapor lamps. Central lighting control now allows the lighting to be dimmed and means that only that volume of light actually required in a given area is used. What's more, the lighting system is tailored to make optimal use of daylight. The installation of large light domes and long light bands in the roofs of new stores also assists in using natural light. The new lighting technology not only increases the operating lifetime of the lighting equipment by around 50 %, but also helps reduce annual energy costs. Not only that, it has also noticeably improved lighting quality in the shelves.

A further contribution towards saving energy is due to the Building Control Technology (BCT) that we included in our new building standards in 2008. This system manages the operating times of energy-consuming systems in line with requirements, thus optimizing energy consumption volumes. The system has so far been installed in 22 new DIY stores and rolled out to 111 existing stores. A total of 133 of our stores are thus equipped with the latest technological standard (2013/2014: 126). The rollout was completed in the year under report.

Efficiency is also the top priority in terms of heating energy. Here, consistent waste heat recovery in the ventilation system ensures a lower volume of consumption. This technology is used when building new stores, as is enhanced heat insulation based on a new façade system. This has benefited the new stores opened in the year under report.

Based on weekly consumption statistics (electricity and heating energy), each HORNBACH store is able to gain a precise

picture of its own energy efficiency. By drawing on various energy-saving technologies, we managed to further reduce the annual CO₂ emissions of our group-wide store network in the year under report.

Responsibility for our employees

Diversity and equality of opportunity in our workforce

The rejection of any kind of discrimination is an absolute priority in our behavior toward our employees. Ethnic origin, gender, age, sexuality, physical restrictions and religious affiliation play no role in the assessment of applicants. The only qualities that count are specialist competence, a willingness to learn, and team spirit. By signing the "Diversity Charter" in 2008, the company clearly underlined its commitment to a working environment that is free of prejudice. People from a total of 65 countries across four continents work together in the nine countries in which HORNBAACH operates.

Commitment on behalf of our trainees

In the year under report, HORNBAACH once again supported the CHANCENWERK project, thus underpinning its claim to offer the same training opportunities to young people irrespective of their origins, gender, or religion. The aim of the project is to promote young people from different, in some cases difficult social backgrounds. In cooperation with CHANCENWERK, HORNBAACH is supporting school pupils in three towns. Among other measures, our employees offer active job application training, our own trainees report to schools on their day-to-day work, and the DIY stores on location offer work experience and – in the best case – training posts.

HORNBAACH took part in the "German-French Training Program" initiated by the Chamber of Commerce and Industry (IHK) for the first time in the 2014/2015 year under report. This initiative offers French trainees the opportunity to learn at a German company while still attending school in France. The young adults initially complete their training in France. This was a source of valuable experience for trainees and HORNBAACH alike.

Key focus on employee satisfaction

The success of the HORNBAACH Group is closely linked to the competence and motivation of its employees. Their willingness to roll up their sleeves, and thus continually improve the Group's earnings, is honored by our bonus model. To enable our employees to participate even more closely in the company's success, we also offer the opportunity of acquiring employee shares in HORNBAACH-Baumarkt-AG.

For HORNBAACH, the commitment of its employees is one of the most important levers to positively influence the company's results. In view of this, HORNBAACH organized an employee survey once again in the 2014/2015 financial year. Part of this survey also involved employees appraising their managers. The positive results already seen in the 2012/2013 financial year were confirmed in 2014/2015. HORNBAACH's employees work with great dedication and in a motivated team together with their managers. The group-wide findings of the employee survey are stable with a positive tendency. Having said this, the company also pays great attention to missing feedback. The reasons for any gaps in the feedback are analyzed. On this basis, HORNBAACH then draws conclusions in order to initiate improvements.

Even in a positive working environment, the possibility of conflicts arising between employees or with their superiors cannot be excluded. To provide a neutral point of contact, one which may also be initially approached without involving the opponent in the conflict, the company has created the position of ombudsman. His job is to listen to both sides, moderate and if possible solve the problem without this resulting in any disadvantage for the employee. This point of contact is used by employees from across the Group and has met with high acceptance levels.

Responsibility for society**HORNBAACH Foundation: "People in Need"**

One particular sign of our social responsibility towards our employees was the establishment in 2002 of the HORNBAACH Foundation "People in Need". This has since offered assistance in cases of accidents, severe illness, or tragic cases of fatality. Employees across the company document their solidarity with the Foundation with their "Employees help Employees" campaign, in which HORNBAACH-Baumarkt-AG doubles the donations collected. Moreover, the Foundation is also a contact point for people outside the company who are in situations of dire need. All in all, the Foundation supported 100 individuals with a total of more than € 150,000 in the year under report.

Key focus on children and young people

However, our commitment to society is not limited to the work performed by the Foundation. HORNBAACH supports the work of many local associations and organizations at and around our locations. When selecting projects, priority is generally accorded to projects offering long-term benefits to children and young people. Environmental protection and heritage conservation are two other areas in which the company is active to the benefit of society.

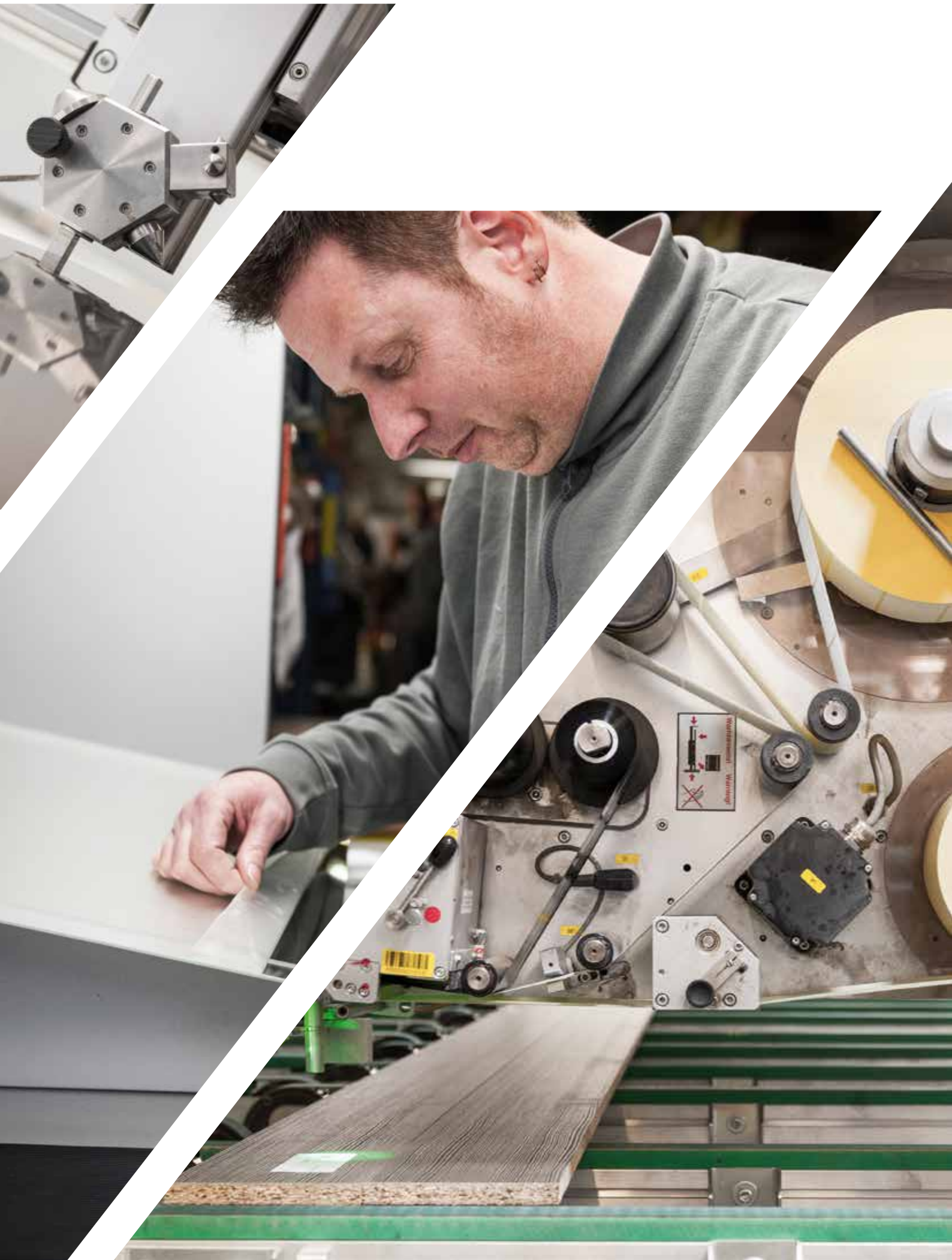
Committed to the Rhine-Neckar metropolitan region

As a member of the Rhine-Neckar European Metropolitan Region Association, our Group is helping promote the region. The aim is communicate its attractiveness, power of innovation, and economic strength to the outside world. Once every two years the Rhine-Neckar metropolitan region organizes its "Volunteers' Day", in which interested parties are invited to get actively involved in projects in their local areas. Just the thing for HORNBAACH: The company actively takes part, and that not just by issuing vouchers. Numerous employees also roll up their sleeves and help decorate, saw and, weed. The Personnel Department, for example, issued a group-wide invitation to a team day and helped with two major projects. Not only that, many other employees also volunteered on this day to support the good cause in their own local communities, towns, and areas.

Compliance with international minimum standards

For more than ten years now, HORNBAACH has voluntarily made every effort to ensure that minimum social standards are complied with at factories producing goods for the company. To this end, HORNBAACH commissions independent audit institutes to check and evaluate factories' compliance with international standards at regular intervals. Among others, the aspects audited and assessed include compliance with local and government environment legislation, no use of forced labor, the existence of a minimum working age, and no use of child labor. Furthermore, compliance with further standards is monitored. These include: no requirement to deposit identity papers with employers, no threatening let alone inflicting of physical or psychological violence, compliance with fire protection and occupational safety standards, and the availability of sufficient numbers of easily accessible escape routes. A detailed description can be found in HORNBAACH's CSR Policy [Internet: www.hornbach-group.com/CSR-Guidelines]

HORNBAACH only buys its products from suppliers who acknowledge these basic rules of social responsibility. The conventions of the International Labor Organization (ILO) serve as a basis for HORNBAACH's own regulations and have been adapted in line with our requirements. Our suppliers also have to ensure compliance with these standards at their own upstream suppliers. HORNBAACH is working actively and insistently to ensure compliance with these regulations and to make sure that any problem areas are systematically identified and immediately remedied.





THE HORNBAACH HOLDING SHARE

TOP-QUALITY SCENTS

Whether classic, classy, or exotic – our private and business customers really appreciate our wide range of scents and infusions for saunas, steam baths, and whirlpools. These top-quality essences are developed at laboratories using proven recipes and tested for their compatibility. Particular attention is paid to the quality and origin of the individual ingredients. This way, you can turn a moment's relaxation into a real indulgence.



HORNBACH HOLDING SHARE

Share price performance: March 1, 2014 to February 28, 2015



Mixed picture on stock markets in 2014

Inebriated by exceptional vintages in 2012 and 2013, investors on global stock markets had to be satisfied with a significantly more modest performance in the 2014 calendar year. Above all, it was the geopolitical hotspots that led global stock indices to post a poorer performance than in previous years. The Russian-Ukrainian conflict and resultant spiral in sanctions were a regular source of insecurity on the stock markets, as was the conflict in the Middle East due to the Islamic State terror organization. Not only that, crisis-hit EU member states also recovered more slowly than expected. Global comparison shows that the German stock market "only" reached the middle of the league table in the 2014 calendar year, with better performances reported in particular by the Asian and US stock markets. The DAX, Germany's lead index, nevertheless finished 2014 up 4.31% at around 9,800 points. As the year progressed, it acquired five-digit status for

the first time, benefiting above all from the ECB's ultra-loose monetary policy. Torn hither and thither between disappointing developments in the domestic economy and numerous cases of company earnings being held back by geopolitical crises, the DAX witnessed great volatility and initially called off any further excursions above the 10,000 point mark. The DAX reached its lowest balance in the 2014 calendar year at 8,355 points on October 10.

Chasing new records in 2015

It was an entirely different picture in spring 2015. From the beginning of the year, the DAX clearly crossed the 10,000 line for the first time, posting fulminant growth to a record high of 11,401 points (February 27, 2015). This development was increasingly driven by the expectation of large-scale security purchases by the European Central Bank (ECB). At its Governing Council meeting on January 22, 2015, the ECB announced

that it would be acquiring government bonds worth € 60 billion on a monthly basis through to at least September 2016. Even the results of the parliamentary elections in Greece on January 25, 2015 and resultant intensification in the discussions surrounding a potential exit from the euro area ("Grexit") only triggered a moderate, short-lived correction in the new heights scaled by the DAX.

While company earnings were most recently still dominated by downward corrections, the combination of a substantially lower oil price and a lower external value of the euro already created an opposing upbeat reaction in terms of economic expectations. The DAX closed at 11,401 points at the end of our 2014/2015 financial year. With a performance of 21.8% during our reporting period, Germany's lead index thus stepped up yet another gear compared with the 2014 calendar year. The share of HORNBACH HOLDING AG (ISIN DE0006083439) managed to keep up with this development, and even went one step further.

Volatile developments bring new all-time high

On March 1, 2014, the share was listed at a Xetra closing price of € 60.08. Shortly after this, it began to gain great momentum. This was due to the very positive results published for the first quarter of 2014/2015 (March 1 to May 31, 2014) as a result of extremely mild weather in spring 2014 compared with the previous year. In March 2014 in particular, customer demand for construction, renovation, and garden products and services virtually exploded across our group-wide network. Against this backdrop, the share reached its new all-time high at € 77.99 on June 10, 2014. In line with the motto "all good things come to an end", this was followed by a sharp correction based on the figures for the second quarter which, as expected, were more defensive. Following publication of our half-year financial report, including our sales and earnings figures for the second quarter of 2014/2015 on September 25, 2014, the share ultimately reached its annual low at € 58.10 on October 16, 2014. Despite strong base effects due to extremely favorable weather conditions and consolidation effects result-

ing from the insolvency of the Praktiker/Max Bahr Group in the third and fourth quarters of the previous 2013/2014 financial year, our share nevertheless gradually recovered from its annual low. The nine-month and third-quarter figures published on December 22, 2014 were thus granted a consistently positive reception by the capital market both in the run-up to and after publication. Just a short time later, the Holding share ended the 2014 calendar year at a price of € 71.07. Thanks not least to the positive overall performance of the stock markets at the beginning of the year, our share finished the trading year as of the balance sheet date on February 28, 2015 at a Xetra price of € 76.25. Over the twelve-month period, the stock thus increased its value by 26.9% (2013/2014 financial year: plus 8.6%). It is also pleasing to note that, for the first time in its history, HORNBACH HOLDING AG ended the financial year with a stock market value (market capitalization) of more than € 1 billion.

Significant increase in stock market liquidity

Trading volumes with HORNBACH HOLDING's share in the 2014/2015 financial year rose sharply compared with the reporting period one year earlier. One key reason was the exit by the British retail group Kingfisher plc from all its financial investments in the HORNBACH Group, a step announced on March 25, 2014. This also involved the 17.4% stake held in the listed preference shares of HORNBACH HOLDING AG (ISIN DE0006083439). The sale of this package to numerous new shareholders on the capital market has broadened our investor base. From now on, this in turn will make it easier for retail and institutional investors to purchase and sell shares in the company. Not only that, our ongoing financial communications within our investor relations activities also played a key role in improving the share's liquidity. Put in figures, it looks like this: In the period from March 1, 2013 to February 28, 2014, trading volumes still amounted to 514,121 shares in total. Given 250 trading days, that is equivalent to average daily trading volumes of around 2,056 shares. Expressed in euros, trading volumes for this period totaled € 27,948,176, or an average of € 111,793 per day.

Key data about the HORNBACH HOLDING share (IFRS)		2014/2015	2013/2014
Nominal value of the share	€	3.00	3.00
Dividend per preference share ¹⁾	€	0.80	0.80
Earnings per preference share	€	5.66	4.56
Total dividend payment	€ 000s	12,560	12,560
Shareholders' equity per share (including minority interests) ²⁾	€	78.81	72.76
Market capitalization ²⁾	€ 000s	1,220,000	973,600
Share price (Xetra) ²⁾	€	76.25	60.85
12-month high	€	77.99	61.00
12-month low	€	58.10	46.15
Shares issued	Number	16,000,000	16,000,000
Price / earnings ratio ²⁾		13.5	13.3

¹⁾ 2014/2015: subject to resolution by the Annual General Meeting

²⁾ At the end of the financial year (the last day in February)

It was an entirely different picture in the financial year under report. Trading volumes expressed in numbers of shares totaled 1,563,861. Based here too on 250 trading days, this corresponds to an average daily trading volume of 6,231 shares, more than three times the previous year's figure. In euros, trading volumes increased to € 107,712,566, or an average of € 429,134 per day. Thanks also to the positive share price performance, this figure more than quadrupled compared with the previous year.

Transparent financial communications

Our investor relations activities provided shareholders, analysts, the financial media and the general public with prompt information on the business performance of the HORNBACH HOLDING AG Group in the past financial year. All quarterly reports, annual reports, press releases and additional financial information were published on the internet communications platform of the HORNBACH Group (www.hornbach-group.com), where we pool all information and services, especially for shareholders and press representatives. This separate corporate communications site complements the product-related and marketing content available at HORNBACH's website at www.hornbach.com.

The Annual General Meeting, annual results press conference, analysts' conferences and meetings with investors in Germany and abroad give us opportunity to maintain our dialog with the capital markets. Moreover, we draw on personal contacts with investors and the media to present our company's objectives and strategy. Alongside our current performance figures, we also outline the special features of our concept, our market position, particularly with regard to the HORNBACH Group's future growth prospects, as well as the macroeconomic and sector framework.

Dividend at previous year's level

The Board of Management and Supervisory Board of HORNBACH HOLDING AG are proposing a dividend at the same level as in the previous year for approval by the Annual General Meeting on July 9, 2015. This corresponds to a dividend of € 0.77 per ordinary share and of € 0.80 per preference share. The company thus aims to achieve a fair balance between shareholders' interests on the one hand and its growth financing on the other.

Basic data about the HORNBACH HOLDING share

Type of share	Bearer shares (individual preference shares)
Stock exchanges	Frankfurt, Xetra
Market segment	Prime Standard
Security identification number	WKN 608343
ISIN	ISIN DE0006083439
Stock market code	HBH3
Bloomberg	HBH3 GY
Reuters (Xetra)	HBHGP.DE
Financial year	March 1 to February 28
Initial public offering	07.03.1987
Number of shares	8,000,000
Share capital	48,000,000 €

Investor Relations

Axel Müller

Tel: (+49) 0 63 48 / 60 - 24 44

Fax: (+49) 0 63 48 / 60 - 42 99

invest@hornbach.com

Internet: www.hornbach-group.com

FINANCIAL CALENDAR 2015

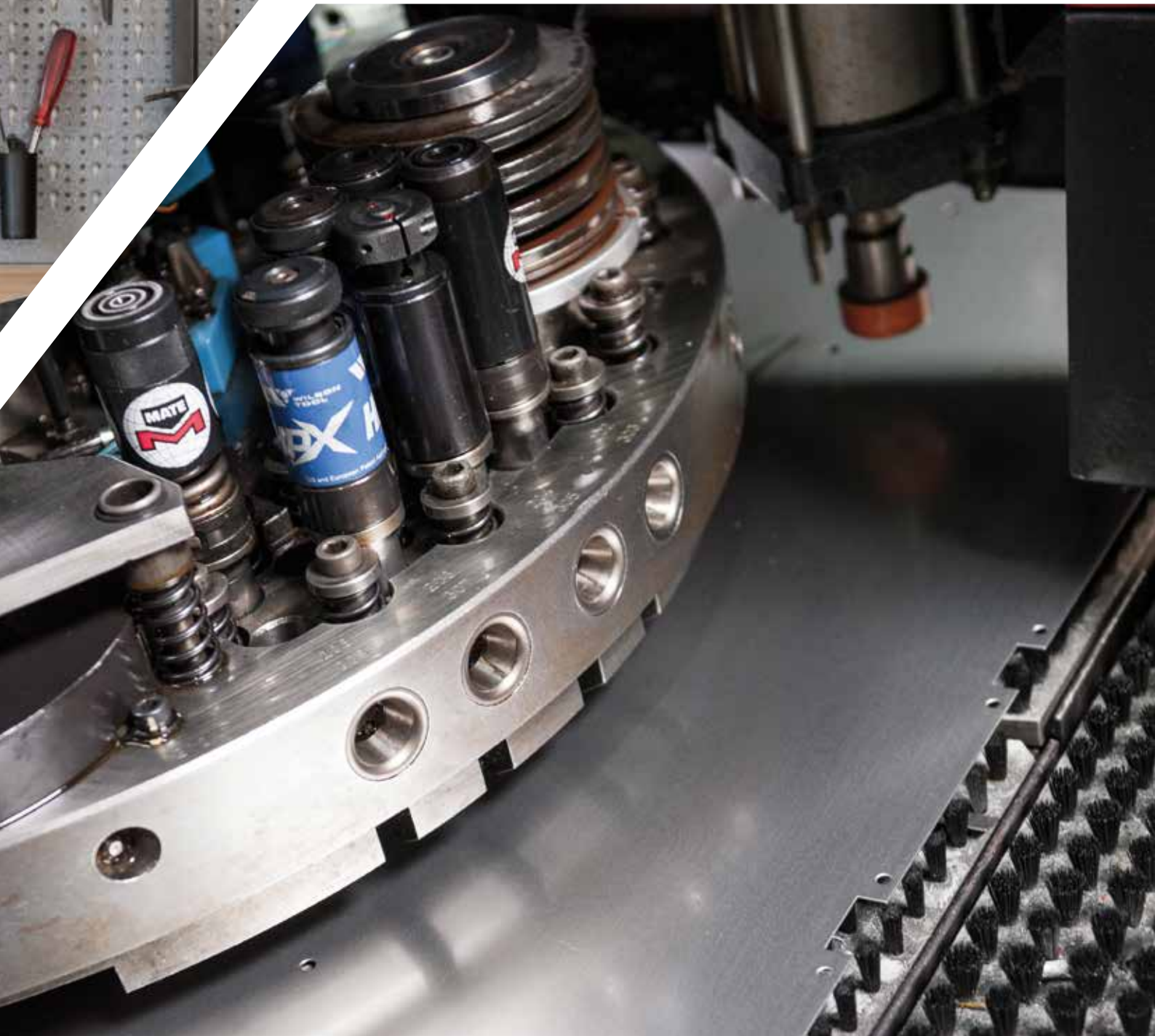
May 28, 2015	Annual Results Press Conference 2014/2015 Publication of 2014/2015 Annual Report
June 26, 2015	Interim Report: 1 st Quarter of 2015/2016 as of May 31, 2015
July 9, 2015	Annual General Meeting Festhalle Landau, Landau/Pfalz
September 29, 2015	Half-Year Financial Report 2015/2016 as of August 31, 2015 DVFA Analysts' Conference
December 21, 2015	Interim Report: 3 rd Quarter of 2015/2016 as of November 30, 2015



RETAIL AND REAL ESTATE

SOPHISTICATED DESIGN

Orderliness is half the battle. That's true in everyday life and even more so for your project. Whether you are a DIY fan or a professional – a well-organized workplace is crucial to fun and success at work. That's why we offer our customers a broad range of workshop systems offering well thought-out detail solutions and robust space for project work. And that at extremely good value for money. Our products offer German precision work and are enhanced permanently. The result – uncluttered progress!



HORNBAACH-BAUMARKT-AG

The Group's retail activities are pooled at HORNBAACH HOLDING AG. All of the HORNBAACH Group's sales concepts focus on retail with DIY, garden, and home improvement products. The DIY stores with garden centers operated by HORNBAACH-Baumarkt-AG since 1968 are the cornerstone of the Group's activities. Alongside these, the HORNBAACH Group is also active on a regional level in the construction materials and builders' merchant business.

Eight new HORNBAACH DIY store with garden centers

The HORNBAACH-Baumarkt-AG subgroup opened eight new DIY megastores with garden centers (including one replacement location) in the 2014/2015 year under report. In the first quarter of 2014/2015, we celebrated two new store openings. In March 2014, we opened our 93rd location in Germany in Lübeck. In the same month, our third HORNBAACH DIY store with a garden center in the Czech capital launched operations in Prague-Čestlice.

The further expansion program in the 2014/2015 financial year took place exclusively in Germany. In the second and third quarters of 2014/2015, we thus opened five of the total of six Praktiker and Max Bahr locations taken over, specifically in Trier (replacement location), Schwabach, Ulm, Lüneburg, and Kamen. At the end of July 2014, we also opened a small-scale DIY store (HORNBAACH Compact) in Bad Bergzabern (Rheinland-Pfalz). Furthermore, in August 2014 we closed our garden center in Geleen in the Netherlands. Following its conversion into a DIY megastore with a garden center, we expect to reopen this location in summer 2015. Finally, in December the standalone garden center in Lohfelden near Kassel was closed and work began on converting the neighboring old HORNBAACH DIY store into a combined DIY store and garden center.

At the balance sheet date on February 28, 2015, the subgroup operated 146 retail outlets, of which 97 in Germany and 49 in other European countries. With total sales areas of around 1,704,000 m², the average size of a HORNBAACH DIY store with a garden center thus amounts to almost 11,700 m².

Going the extra mile in terms of sales and earnings

The HORNBAACH-Baumarkt-AG subgroup posted sustainably positive developments in the 2014/2015 year under report and successfully asserted itself against a number of challenging base effects affecting comparison with the previous year. Overall, in the 2014/2015 financial year as a whole the subgroup increased its net sales by 6.5% to € 3,357 million and its like-for-like, currency-adjusted sales by 4.4%

Germany once again generated the greatest growth momentum. Like-for-like sales here grew by 5.5% in the past twelve months. In the 2014 calendar year, HORNBAACH thus expanded its domestic market share from 10.0% to 11.0%.

In the countries outside Germany, we observed significant improvements in key macroeconomic indicators as the year progressed. Higher incomes and growing consumer confidence across large parts of our international network supported the turnaround in our like-for-like, currency-adjusted sales performance. After three years of declining sales, other European countries clearly returned to positive growth territory, with a 2.8% increase in adjusted sales.

With our project DIY store concept, we outperformed the do-it-yourself (DIY) sector in most countries within our European network in the 2014/2015 year under report.

Consistent with expectations, earnings at the HORNBAACH-Baumarkt-AG subgroup increased compared with the previous year in 2014/2015. This was chiefly due to pleasing like-for-like sales growth in conjunction with an improvement in the gross margin. This way, we more than offset the increase in selling and store, pre-opening, and administration expenses. Consolidated operating earnings (EBIT) for the period under report grew by 4.4% to € 109.8 million (2013/2014: € 105.1 million). Further information can be found in the extensive annual report published by the HORNBAACH-Baumarkt-AG subsidiary, which is a publicly listed company in its own right.

HORNBAACH BAUSTOFF UNION GMBH

Hornbach Baustoff Union GmbH (HBU), a regional construction materials wholesaler, operates 27 outlets mainly in Rheinland-Pfalz, Saarland, Baden, and Southern Hessen. Two outlets are located in Lorraine (France). Its customers are chiefly active in the main and secondary construction trades. Its target group also includes private building and renovation clients, who appreciate our extensive advice and delivery service. Alongside HORNBAACH-Baumarkt-AG and HORNBAACH Immobilien AG, HORNBAACH Baustoff Union GmbH is the third group subsidiary of HORNBAACH HOLDING AG.

Developments in the construction industry in Germany and our catchment area

The positive trend in the construction industry continued in 2014, albeit more slowly. The key factors driving this development were still low mortgage rates and the trend towards safe capital investments. The number of housing building permits rose nationwide by 5.4% (2013/2014: 12.9%) to around 285,000 units. While sales in the main construction trade still grew by 4.3%, the decline in new orders here by 1.8% indicates a slight year-on-year slowdown in construction activity. Having said this, ongoing positive developments in housing construction cushioned the overall figures. New housing construction orders rose by 2.6%. By contrast, surface construction excluding housing reported a 3.0% downturn in its order books, as did the entire civil engineering segment. After a strong start to 2014 due to weather conditions, sales in the German builders' merchant sector normalized from the beginning of the second quarter. By the end of the year, sales growth in the sector had shrunk to a mere 1%.

These developments are not reflected in our regional catchment areas, i.e. in Rheinland-Pfalz and Saarland. Building permits here declined in 2014, in some cases significantly so. At 13,449 units, the number of apartments approved in Rheinland-Pfalz fell by 6.6% compared with the previous year. In Saarland, 1,752 apartments were approved – 13.4% fewer than in the strong previous year. In terms of sales in the main

construction trade in 2014, construction activity grew by 3.8% in Rheinland-Pfalz, but fell by 5% in Saarland.

Earnings targets exceeded

HBU generated sales of € 213.3 million in the 2014/2015 financial year, as against € 215.7 million in the previous year (minus 1.1%). Despite this stagnation in sales and persistently tough pressure on prices, HBU substantially improved its gross margin – partly by avoiding low-margin transactions – and thus boosted its earnings strength. Operating earnings (EBIT) increased by 19.6% from € 5.5 million to € 6.5 million. HBU successfully extended its strategy already pursued for years now of differentiating itself from competitors by selling private label products in various product ranges. At the same time, enhanced price control and article management systems were introduced and customer base and stock management processes greatly simplified.

HBU strong in the region

The opening of a new location in Neuhofen in March 2015, which also involved integrating the roofing business from Ludwigshafen and abandoning the old location in Schifferstadt, represented a further key step in continually optimizing HBU's location network. The total number of outlets thus reduced to 26 at the beginning of the 2015/2016 financial year. The new location which, apart from the tiling business, competently covers the entire builders' merchant product range, will further boost the strong presence HORNBAACH Baustoff Union GmbH has along the Rhine, from Worms via Ludwigshafen Speyer, to Germersheim.

With a view to retaining and expanding its leading market position in the region, HBU is continually reviewing favorable opportunities for acquisitions of promising new locations. These moves are flanked by accompanying measures with which HBU is enhancing its professional market presence. Among others, these include increased training and development measures for its specialist staff and young employees new to the job.

RETAIL ACTIVITIES AT THE HORNBACH GROUP

The business activities of the HORNBACH Group can basically be divided into two segments: its retail business and its real estate business. The Group's retail activities are primarily performed by the HORNBACH-Baumarkt-AG and HORNBACH Baustoff Union GmbH subgroups. Alongside these activities, the HORNBACH Group has an extensive real estate portfolio. This chiefly consists of retail properties mainly used by the operating units within the Group. The real estate is owned by HORNBACH-Baumarkt-AG or HORNBACH Immobilien AG, as well as by the subsidiaries of these companies.

The activities in the real estate sector result from the strategic decision that around half of the sales areas on which the company has retail operations should be in the hands of the Group. Given this decision, a team of first-class specialists in the field of real estate development has been built up over the years. All the requirements of real estate development in Germany and abroad are competently covered, from the search for suitable land to the complex process of obtaining building permits, to construction planning and awarding and supervising the execution of building contracts. This expertise built up over many years has become one of HORNBACH's key strategic competitive advantages.

The location development specialists and the employees responsible for the planning and execution of the construction of new stores, as well as for their fittings, are employed at the HORNBACH-Baumarkt-AG subgroup and also work on behalf of the associate HORNBACH Immobilien AG.

As part of its strategy for financing the rapid expansion of the network of DIY megastores with garden centers; the Group began in 1998 already to use sale and leaseback transactions to free up funds where necessary. The liquid funds released this way are one of many sources for financing the Group's further growth. As in the previous year, due to strong liquidity resources the HORNBACH Group made no use of this financing instrument in the 2014/2015 financial year.

Notwithstanding recurrent sale and leaseback transactions, the overriding strategy remains that of retaining ownership of around half of the real estate used for operating purposes, measured in terms of sales areas. At the balance sheet date on February 28, 2015, around 55 % (2013/2014: 56 %) of total sales areas used for retail (approx. 1.7 million m²) belonged to one of the group companies. The remaining 45 % (2013/2014: 44 %) of sales areas are rented from third parties (43 %). In individual cases (2 %), only the land has been leased (hereditary lease).

The 55 % of sales areas owned by the Group are divided between the HORNBACH-Baumarkt-AG (26 %) and the HORNBACH Immobilien AG (29 %) subgroups. At the balance sheet date on February 28, 2015, the HORNBACH Immobilien AG subgroup had let or sublet 43 DIY megastores with garden centers in Germany and abroad, with sales areas totaling 500,170 m², as well as one logistics center, to HORNBACH-Baumarkt-AG on a long-term basis.

A profit and loss transfer and control agreement is in place between HORNBACH Immobilien AG and HORNBACH HOLDING AG. A sum of € 24.8 million was thereby transferred for the past financial year (2013/2014: € 26.2 million).

The HORNBACH-Baumarkt-AG subgroup operated a total of 146 DIY megastores with garden centers in Germany and abroad at the balance sheet date. Of these, 38 locations with sales areas totaling 433,509 m² are owned by HORNBACH-Baumarkt-AG or one of its subsidiaries. The retail sales areas used as DIY megastores with garden centers across the HORNBACH HOLDING AG Group totaled 1,704,187 m² at the balance sheet date. Ownership of the sales areas was structured as follows at the balance sheet date on February 28, 2015:

	No. of stores	Sales area m ²	Share %
Property owned			
HORNBACH-Baumarkt-AG subgroup	38	433,509	25.4
HORNBACH Immobilien AG subgroup	43	500,170	29.3
Subtotal of property owned	81	933,679	54.8
Land rented, buildings owned	4	34,968	2.0
Operating lease (rent)	61	735,540	43.2
Total	146	1,704,187	100.0

(Differences due to rounding up or down)

In Neustadt an der Weinstrasse, HORNBACH Immobilien AG has let two office buildings to HORNBACH HOLDING AG and various subsidiaries. A specialist retail center in Bornheim bei Landau with sales areas in excess of 4,700 m² has been let to well-known retail chains. In addition, HORNBACH Immobilien AG and HORNBACH-Baumarkt-AG both hold a number of purchase options entitling them to acquire further land at first-class locations in Germany and abroad. Moreover, group companies also already own pieces of land in Germany and abroad which are earmarked for use as retail locations.

Hidden reserves in real estate assets

The real estate owned by the HORNBACH Immobilien AG and HORNBACH-Baumarkt-AG subgroups includes a high volume of hidden reserves. The property already completed and rented out by HORNBACH Immobilien AG is reported at a carrying amount of around € 441 million in the balance sheet as of February 28, 2015. The application of an average multiplier of 13 based on the agreed rental income, as well as an age discount of 0.6 % p.a. in terms of the costs of acquisition,

produces a calculated yield value of € 788 million at the balance sheet date. The deduction of the carrying amount of the real estate in question (€ 441 million) leads to hidden reserves of € 347 million.

At the balance sheet date on February 28, 2015, the HORNBACH-Baumarkt-AG subgroup owned real estate in Germany and abroad used for proprietary purposes as DIY megastores with garden centers with a carrying amount of around € 498 million. On the basis of intra-company rental income at usual market rates and a multiplier of 13, as well as an age discount of 0.6 % p.a. in terms of the costs of acquisition, the calculated yield value for the real estate amounts to around € 770 million. Deducting the carrying amount (€ 498 million) leads to calculated hidden reserves of around € 272 million.

Based on this calculation method, the hidden reserves relating to the real estate used for operating purposes at the overall Group can be estimated as amounting to around € 619 million.



COMBINED MANAGEMENT REPORT

CONSISTENCY AND PRECISION

Durability, color fastness, and accurate fitting – these are the qualities that make for a good tile. That's why we have a wide range of interior tiles manufactured at one of Europe's most advanced production centers. Made in Germany, this product range inspires customers with its clear consistency of form and color. To guarantee these high quality standards, each individual product undergoes a whole series of visual tests and optical scans. All this goes to produce a low-maintenance, shapely and highly durable tile.



COMBINED MANAGEMENT REPORT

GROUP FUNDAMENTALS

The Group at a glance

The HORNBAACH Group is one of Europe's leading operators of DIY stores and garden centers. Alongside HORNBAACH-Baumarkt-AG, its largest operating subgroup at which the European do-it-yourself (DIY) business with DIY megastores and garden centers and DIY online retail are pooled, the overall HORNBAACH HOLDING AG Group also comprises two further subgroups – HORNBAACH Baustoff Union GmbH (regional builders' merchants) and HORNBAACH Immobilien AG (real estate and location development). At the balance sheet date on February 28, 2015, the Group had a total of 16,455 employees (2013/2014: 16,021), of which 6,320 outside Germany (2013/2014: 6,331). In the 2014/2015 financial year (March 1, 2014 to February 28, 2015), the HORNBAACH Group generated net sales of around € 3.57 billion.

The diagram on Page 49 presents the current group structure and provides an overview of the most important shareholdings of HORNBAACH HOLDING AG. Complete details about the scope of consolidation and consolidated shareholdings have been provided in the notes to the consolidated financial statements.

HORNBAACH-Baumarkt-AG subgroup

At the balance sheet date on February 28, 2015, the HORNBAACH-Baumarkt-AG subgroup operated 146 DIY megastores with garden centers with a uniform market presence in nine countries. Of these, 97 locations are in Germany. A further 49 stores are located in the following other European countries: Austria (11), the Netherlands (9), Luxembourg (1), the Czech Republic (9), Switzerland (6), Sweden (5), Slovakia (3), and Romania (5). With total sales areas of around 1.7 million m², the average size of a HORNBAACH DIY megastore with a garden center amounts to almost 11,700 m². With consolidated sales of around € 3.36 billion in the 2014/2015 financial year, HORNBAACH-Baumarkt-AG is the third-largest retail group in the German DIY sector and the fifth-largest player in Europe.

HORNBAACH Baustoff Union GmbH subgroup

HORNBAACH Baustoff Union GmbH is active in the regional builders' merchant business. At the balance sheet date on February 28, 2015, it operated a total of 25 outlets in south-

western Germany and two locations close to the border in France. Its main target group involves professional customers in the main and secondary construction trades. The company also offers extensive services and advice to private building clients. This subgroup generated sales of € 213 million in the 2014/2015 financial year.

HORNBAACH Immobilien AG subgroup

The HORNBAACH Immobilien AG subgroup mainly develops retail properties for the operating companies in the HORNBAACH HOLDING AG Group. The overwhelming share of these properties are let on within the Group on customary market terms. Of the rental income of € 78 million in the 2014/2015 financial year, 97 % resulted from the letting on of properties within the overall Group.

Family managed and publicly listed

HORNBAACH HOLDING AG is a listed stock corporation. Its share capital is divided in equal shares into ordinary and non-voting preference shares. The eight million preference shares (ISIN DE0006083439) are listed in the Prime Standard and in the SDAX select index of the German Stock Exchange. The unlisted eight million ordinary shares with voting rights are in 100 % family ownership (status: February 28, 2015). The company was founded in 1877 and is still family-managed, now in the fifth generation.

Group business model

Retail activities

The business model is predominantly characterized by the retail activities at the HORNBAACH-Baumarkt-AG subgroup. The key focus here is on project customers. On the one hand, those are home improvement enthusiasts and professional customers wishing to implement extensive renovation and construction projects under their own steam in their houses, apartments, or gardens (do-it-yourself). On the other hand, they include customers wishing to select products themselves, but then to have all the work involved in their project, including all services, performed by a competent partner (do-it-for-me). All of the company's activities are tailored to these target groups. HORNBAACH thus offers its customers easily accessible

locations, a broad and deep product range stocked in sufficiently large quantities and meeting high quality standards, a reliable and transparent permanent low price policy, and professional advice and project-related services. Thanks not least to its innovative advertising, HORNBACH has successfully established itself as a brand among DIY customers and is regularly awarded the best customer satisfaction results in well-known consumer surveys. The average product range stocked by HORNBACH stores includes around 50,000 articles in the five following divisions: Hardware/Electrical, Paint/Wallpaper/Flooring, Construction Materials/Timber/Prefabricated Components, Sanitary/Tiles, and Garden.

HORNBACH has decades of experience in operating DIY megastores with garden centers in major regional catchment areas. The company relies on the strengths offered by organic growth. The portfolio of 146 locations at the HORNBACH-Baumarkt-AG subgroup (February 28, 2015) in Germany and abroad is highly homogenous. Most of the Group's stores have sales areas in excess of 10,000 m². This enables HORNBACH to benefit from economies of scale in its operations and conceptual store enhancement measures, as well as in its group logistics. The company is relying not just on its stationary retail business, but is also building on the development potential harbored by e-commerce. As a high-performing virtual DIY store and garden center, HORNBACH's online store is gradually being rolled out to all of the countries in which HORNBACH operates stores. The guiding principle – HORNBACH should offer customers all the channels they need to implement their projects.

The Group's retail activities are supplemented by the regional builders' merchant business, with which the HORNBACH Group participates in the growth potential offered by the commercial construction industry.

Real estate activities

The HORNBACH Group has a substantial portfolio of real estate. This predominantly involves retail properties put to proprietary use. At the balance sheet date on February 28,

2015, around 55 % of the total sales areas used for retail (around 1.7 million m²) were owned by group companies. The HORNBACH-Baumarkt-AG subgroup accounted for 25.4 % of sales areas. The HORNBACH Immobilien AG subgroup owned a further 29.3 % of the DIY sales areas.

Reporting segments

The allocation of segments corresponds to the internal reporting system used by the Board of Management of the HORNBACH HOLDING AG Group for managing the company ("management approach"). This results in the following segments: "HORNBACH-Baumarkt-AG subgroup", "HORNBACH Immobilien AG subgroup", and "HORNBACH Baustoff Union GmbH subgroup". The respective business activities of these three segments are outlined in the introductory chapter to this report – "Group at a glance". Administration and consolidation items not attributable to individual segments are pooled in the segment report in the "Headquarters and consolidation" reconciliation column.

Management system

The key management figures outlined below are used to manage both the HORNBACH HOLDING AG Group and HORNBACH HOLDING AG.

Key management figures

For a retail company like the HORNBACH Group, sales growth is the central management figure for its operating business. **Sales** directly indicate our success with customers. Our sales performance is reported on the one hand as net total sales in euros. On the other hand, for our DIY megastores and garden centers we also present the change in like-for-like and currency-adjusted sales, which do not include sales at stores newly opened, closed or subject to major conversion work in the year under report. In the "Earnings situation" section, we voluntarily supplement this information by reporting on the change in like-for-like sales including currency items.

The development in the **gross margin** offers information about our gross trading performance. This margin is defined as gross profit (net balance of sales and cost of goods sold) as a percentage of net sales. This key management figure is chiefly influenced by developments in procurement and retail prices, changes in the product mix, and currency items resulting from international procurement.

Selling and store, pre-opening, and administration expenses represent key parameters for assessing the Group's earnings strength. We use **cost ratios** calculated as a percentage of net sales as key management figures and also as indicators of trends.

Operating earnings (EBIT), i.e. earnings before interest and taxes, are also one of the most important key management figures at the Group. In the income statement, this is calculated as gross profit in euros less costs (selling, store, pre-opening, and administration expenses) plus other income and expenses (net balance of other income and other expenses). EBIT represents the central management figure for planning, measuring and managing the Group's operating earnings performance. In the presentation of our earnings performance, we enhance the comparability of earnings between individual reporting periods by reporting on EBIT net of one-off items in cases where special factors have significantly influenced EBIT in the reporting or comparative period.

Further key management figures

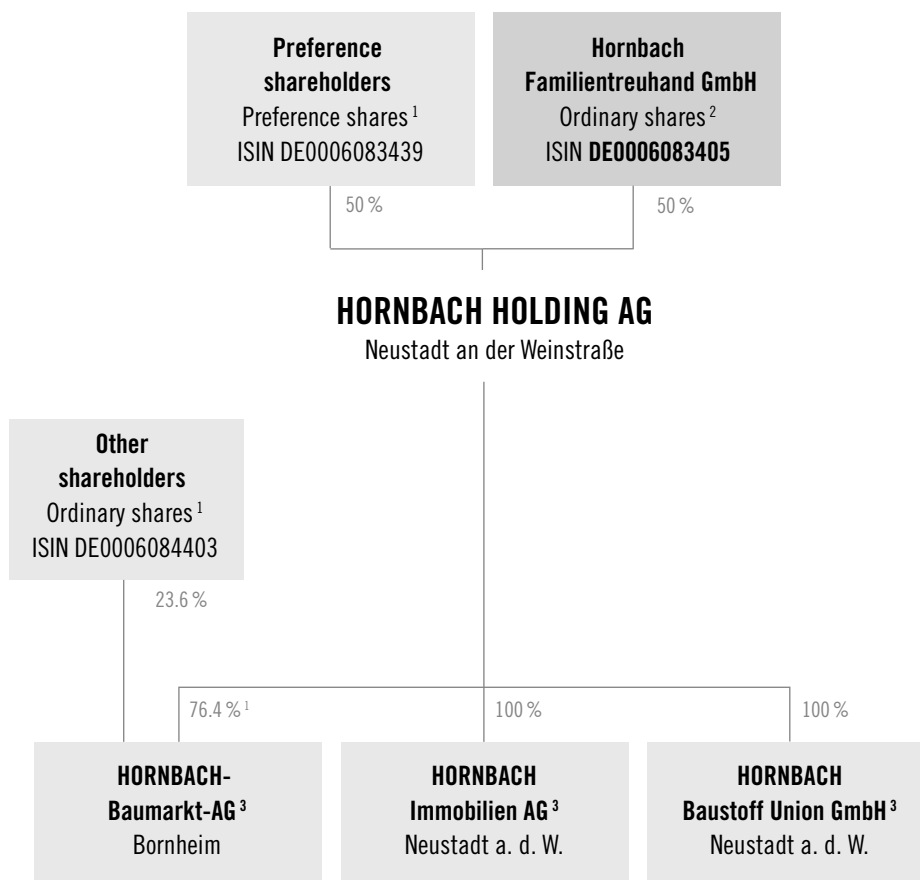
In managing its financial and asset position, the HORN-BACH HOLDING AG Group pursues the objective of safeguarding the Group's liquidity at all times and of covering the financing requirements for the Group's sustainable growth at the least possible expense.

Key management figures also include cash-effective **investments** in land, buildings, plant and operating equipment for new and existing DIY megastores with garden centers, and intangible assets. Here, we aim to achieve a balanced relationship between our operating cash flow and our budgeted investments.

For retail companies, the **inventory turnover rate** is an important indicator of merchandising efficiency. We define inventory turnover as the ratio of material input costs to average inventories. The arithmetic mean of the period opening and period closing balances is taken as the average volume of inventories. The higher the inventory turnover rate, the lower the inventories and thus the volume of liquidity committed. Our aim is therefore to sustainably improve our inventory turnover rate at an above-average high level compared with competitors while simultaneously ensuring product availability.

The Group has not set any defined target for its shareholders' equity. To safeguard our financial stability and independence, our basic objective is rather to permanently ensure a stable, high **equity ratio**.

Group structure and shareholders of HORNBACH HOLDING AG
as of March 31, 2014



- The share capital of HORNBACH HOLDING AG amounts to € 48,000,000 and is divided into 8,000,000 ordinary no-par shares (not publicly listed) and 8,000,000 non-voting preference shares which are listed on the German Stock Exchange.

- The share capital of HORNBACH-Baumarkt-AG amounts to € 95,421,000 and is divided into 31,807,000 ordinary shares which are listed on the German stock exchange. HORNBACH HOLDING AG holds an asset investment of 24,280,000 ordinary shares in HORNBACH-Baumarkt-AG.

- Plus further direct and indirect subsidiaries pursuant to the complete overview provided in the notes to the financial statements

¹ Publicly listed; including preference shares held by members of the Hornbach family

² Not publicly listed; including ordinary shares held by Hornbach family members, whose voting rights are exercised by Hornbach Familien-Treuhand GmbH

³ Publicly listed

⁴ Plus further subsidiaries in Germany and abroad

BUSINESS REPORT

MACROECONOMIC AND SECTOR-SPECIFIC FRAMEWORK

International framework

Global economy

According to estimates compiled by the International Monetary Fund (IMF) in January 2015, the **global economy** grew by 3.3% in the 2014 calendar year and thus maintained the moderate rate of growth already seen in the previous year. The forces driving this growth have shifted to the extent that the advanced economies posted slightly higher rates of macroeconomic output growth, while emerging and developing economies made slightly slower progress.

Europe

Following a spirited start to the year, the **European economy** then witnessed a disappointing summer half-year before gradually recovering once again from the fall of 2014. Viewed from a full-year perspective the recovery in the European economy was nevertheless sluggish. Among other factors, this was due in particular to great insecurity among consumers at times on account of the crises in Ukraine and the Middle East. Based on figures released by the European Union statistics authority (Eurostat), thanks in particular to the strong opening and closing quarters gross domestic product (GDP) in the European Union as a whole (EU 28) grew by 1.3% in the 2014 calendar year (2013: 0.0%).

GDP in the **euro area** (EA 18) grew by 0.9% in the past year, having still contracted by 0.5% in 2013. The growth rate for the euro area as a whole conceals substantial ongoing differences on individual country level. It is nevertheless positive to note that only three of the 18 euro area countries are thought to have remained in recession in 2014, compared with ten and eight countries in 2012 and 2013 respectively.

The macroeconomic framework in the nine European **countries in which HORNBAACH operates** was positive in the 2014 calendar year. Based on economic data available upon completion of this report, GDP growth rates in these countries were in most cases significantly higher than in the previous year.

Despite its dip in the summer, the German economy grew by 1.6% in 2014, and thus faster than at any time since 2011. The Netherlands and the Czech Republic emerged from the recession seen in 2012 and 2013 and returned to positive growth territory, with GDP growth of 0.9% and 2.0% respectively. In the other countries in which HORNBAACH operates across Europe, macroeconomic growth ranged from between 0.3% (Austria) and 2.9% (Romania).

Construction industry, consumer spending, and retail

Gross fixed capital investments grew by 3.3% in the EU 28 countries and by 1.4% in the euro area in 2014. The first calendar quarter showed the highest year-on-year growth rate, a development due in particular to the mild spring weather.

Across large parts of Europe, this growth was also driven by the construction industry. Compared with 2013, average construction industry output rose in 2014 by 3.0% in the EU 28 countries and by 2.0% in the euro area. Within HORNBAACH's network, six of the total of nine countries reported output growth. The only countries to witness downturns in construction output were Romania (minus 6.7%), Slovakia (minus 4.2%) and Austria (minus 2.0%). The highest growth was reported by Sweden (plus 9.3%), while the remaining countries were in line with the European average, with growth rates of between 1.1% and 3.2%.

Based on estimates compiled by the Euroconstruct Group, European construction volumes in its 19 partner countries grew overall by around 1% to just over € 1.3 trillion in 2014. Of this total, around 45% (€ 590 billion) was invested in housing construction projects. At € 360 billion, or 61%, the lion's share of this figure was channeled into maintaining and modernizing existing buildings, while almost € 230 billion, or 39% was invested in new construction. Back in 2006, new housing construction still played a dominant role, with a share of around 55%. These figures show that maintenance and modernization measures, particular with regard to energy efficiency, are increasingly gaining in significance in Europe.

For 2014 as a whole, the average inflation (HICP) rate for the euro area amounted to a mere 0.4%. This low rate was due in particular to the sharp downturn in the oil price, which more or less halved in 2014. The combination of lower energy prices and persistently low interest rates raised disposable incomes and stimulated private consumers' propensity to spend.

The effects of this also made themselves felt in the European retail sector, where real-term sales (excluding automobile sales) grew by 1.9% in the EU 28 countries (2013: minus 0.1%) and by 1.3% in the euro area (2013: minus 0.8%). All nine countries within HORNBAACH's network generated positive growth in 2014. Germany, Luxembourg, Romania, Slovakia, Sweden, and the Czech Republic reported figures at around or ahead of the European average.

The indicators available on the basis of sector association surveys also point to a successful year in the DIY store and garden center sector in 2014. In most of the European countries for which data was available, DIY sales increased compared with 2013, in some cases significantly so.

Business framework in Germany

Domestic demand, the key macroeconomic factor in assessing the framework for DIY stores and garden centers in Germany, continued to show positive developments overall in 2014.

Private consumer spending was one source of great momentum driving GDP growth in Germany in 2014. Thanks to falling inflation rates, consumers had more money in their pockets. Due above all to the significant fall in energy prices, the annual average inflation rate calculated with the assistance of the Harmonised Index of Consumer Prices (HICP) thus halved from 1.6% to 0.8%. Not only that, private households' scope for spending was further boosted by pleasing developments on the German labor market coupled with higher incomes. Overall, price-adjusted private consumer spending grew by 1.1%. As already the case in 2013, this made it the most important growth driver for the German economy. Ongoing record-low interest rates and the favorable financing terms on offer as a result stimulated not only private consumer spending, but also the construction industry.

GDP growth rates in countries with HORNBAACH DIY megastores and garden centers

Percentage change on previous quarter Source: Eurostat (calendar year figures)	1 st Quarter 2014	2 nd Quarter 2014	3 rd Quarter 2014	4 th Quarter 2014	Calendar Year 2014 vs. 2013
Germany	0.8	-0.1	0.1	0.7	1.6
Austria	-0.1	0.0	0.1	-0.2	0.3
Czech Republic	0.3	0.3	0.4	0.4	2.0
Luxembourg	1.0	0.5	2.3	n.a.	n.a.
Netherlands	-0.4	0.7	0.3	0.8	0.9
Romania	0.3	-0.5	2.2	0.5	2.9
Slovakia	0.6	0.6	0.6	0.6	2.4
Sweden	0.3	0.6	0.5	1.1	2.1
Switzerland	0.5	0.3	0.7	0.6	n.a.
Euro area (EA 18)	0.3	0.1	0.2	0.3	0.9
EU 28	0.4	0.2	0.3	0.4	1.3

Construction activity and construction trade

Taken as a whole, the economic data for the construction industry paints a favorable picture for 2014. The driving force here was once again German housing construction.

Building permits showed further strong growth. The construction of almost 285,000 housing units was approved in the 2014 calendar year. According to the Federal Statistical Office, that represents a year-on-year increase of 5.4%, or around 14,500 units. The growth was exclusively driven by the increase in permits issued for apartments in apartment blocks (plus 8.8%) and in residential blocks (plus 31.6%). By contrast, the number of permits issued reduced for detached houses (minus 1.4%) and semi-detached houses (minus 5.8%). At plus 14%, the number of housing units completed in 2014 rose disproportionately compared with the number of permits issued.

Sales in the construction trade grew nominally by 4.1% to € 99.4 billion in 2014. Housing construction accounted for the greatest momentum, with growth of 6.3% to € 35.8 billion, while lower rates of growth were reported for commercial construction (3.6%) and public sector construction (2.1%). The 3.4% rise in price-adjusted construction investments in 2014 is absolutely consistent with the positive overall picture in the construction industry in 2014. Based on estimates compiled by GfK, expenditure on renovation work rose by 10%.

Retail and DIY

The high level of consumer confidence and increase in private households' spending power also benefited the sales performance of the German retail sector in the 2014 calendar year. Based on figures released by the Federal Statistical Office, retail sales (excluding automobile sales) grew year-on-year by 1.4% in real terms and by 1.7% in nominal terms.

The strongest growth rates were reported for online retail in Germany. According to sector association figures, e-commerce sales improved by 7.2% to € 41.9 billion in 2014. Together with traditional mail order sales (2014: minus 21.7% to

€ 7.2 billion), interactive retail accounted, as in the previous year, for an 11.1% share of total retail sales in Germany.

Based on figures released by the BHB sector association, the German DIY sector can also look back on a successful year. Due to the complete market exit of the Praktiker Group, DIY stores with sales areas of at least 1,000 m² per outlet witnessed a 6.2% reduction in their gross sales to € 17.63 billion (2013: € 18.79 billion). Excluding Praktiker and Max Bahr, however, the companies generated sales growth of 8.8% in 2014. Thanks not least to the strong spring season, like-for-like sector sales, i.e. excluding sales at stores newly opened, closed or subject to substantial conversion measures in the year under report, grew by 5.0%. Gross sales at smaller-scale DIY stores (DIY shops with sales areas of up to 1,000 m²) increased slightly by 0.2% to € 3.69 billion (2013: € 3.68 billion). Due to the departure of the Praktiker Group, the market volume of all DIY and home improvement stores fell by 5.1% to around € 21.3 billion in 2014.

Online stores in the German DIY sector posted further strong growth. According to figures compiled by IFH Retail Consultants, stationary DIY players boosted their e-commerce sales by 5.2% to € 426 million. Alongside internet stores operated by stationary DIY competitors, other distribution channels are also participating in the online boom. Based on IFH calculations, German internet sales with core DIY products – across all distribution channels – surged 14% to € 2.3 billion in 2014.

BUSINESS PERFORMANCE

Impact of business framework on the business performance of the Group

Overall, we are very satisfied with the HORNBACH Group's business performance in the 2014/2015 year under report. The three subgroups, namely HORNBACH-Baumarkt-AG, HORNBACH Baustoff Union GmbH und HORNBACH Immobilien AG, successfully asserted themselves against a number of challenging base effects from the previous 2013/2014 financial year. This was also reflected in a relatively high degree of volatility in our sales and earnings performance within the financial year.

HORNBACH-Baumarkt-AG subgroup

The HORNBACH DIY stores and garden centers posted a sustainably positive performance in the 2014/2015 year under report. Thanks to the competitive advantages we have built up over decades and our great popularity among DIY and home improvement customers, our like-for-like sales outperformed the sector average in most countries within our European network.

The first quarter was characterized by weather conditions that could not have been more different from those one year earlier. While the exceptionally long winter had severely impaired the opening quarter to the previous 2013/2014 financial year across our entire network, our sales and earnings performance in the first three months of the financial year under report (March 1 to May 31, 2014) benefited from mild weather conditions. As a result, the record growth of 14.6% in like-for-like sales net of currency items in the first quarter of 2014/2015 more than made up for the 5.9% downturn in sales seen in the comparative quarter in 2013/2014. On the earnings front, in the first three months we not only compensated for the downturn in the previous year's quarter but significantly exceeded the previous year's figure and thus laid the foundation for our success in 2014/2015 as a whole.

The subgroup was thus well placed to absorb the dip in sales and earnings in our second-quarter business performance, which was solely due to the convergence of unfavorable base effects, namely fewer business days in the quarter under report and the weather-related process of making up for lost ground in the previous year's quarter.

The real test for the competitiveness of our business model came in Germany in the second half of the financial year. The standard set here in the previous year was especially high. The massive market consolidation in the wake of the Praktiker insolvency created a vacuum in the sector in the third and fourth quarters of the previous 2013/2014 financial year, one that we successfully exploited in the affected catchment areas of our stores. Not only that, unusually mild weather conditions in the fourth quarter of 2013/2014 meant that construction activity had avoided its customary winter break. In the 2014/2015 year under report, we managed to exceed the standard set after the previous year's jump in like-for-like sales of 7.0% (Q3) and 14.1% (Q4), and that even though the wave of former Praktiker stores newly reflagged meant that competitive pressure in the German DIY sector once again increased noticeably.

The macroeconomic framework in HORNBACH's network of country markets developed more favorably in the 2014/2015 financial year than in the previous year. This is reflected even more clearly in our sales performance in other European countries than in Germany. In the countries outside Germany, we observed a substantial improvement in key economic indicators as the year progressed. Increased incomes and improved consumer confidence across large parts of our international network provided a firm foundation to achieve a turnaround in our like-for-like sales performance net of currency items. After three years of declining sales, our other European countries segment clearly returned to growth territory. In our international business, we managed to increase the rate of sales growth in all regions. This was particularly true of the fourth quarter of 2014/2015, in which adjusted sales built on the strong growth already seen in the previous year (plus 5.9%) and added a further 3.4%.

HORNBACH Baustoff Union GmbH subgroup

The seasonal base effects outlined above are also reflected in the business performance of our builders' merchant activities at the HORNBACH Baustoff Union GmbH subgroup. The head start in sales built up in the first quarter of 2014/2015 was fully consumed in subsequent quarters by slight downturns in sales compared with the high previous year's figures. This subgroup thus posted a 1.1% decline in its twelve-month sales. Thanks to an increase in EBIT by almost 20%, however, the subgroup significantly boosted its earnings strength.

HORNBACH Immobilien AG subgroup

Thanks to a slight increase in rental income and a disposal gain on the sale of a former DIY store property, this subgroup managed to absorb an expansion-related increase in expenses. With EBIT slightly ahead of the previous year's figure, the subgroup once again proved a reliable source of earnings.

Against this backdrop, the HORNBACH Group increased its net sales by 6.0% to € 3,572 million in the 2014/2015 financial year (2013/2014: € 3,369 million). Despite substantial additional charges due to the Group's expansion and a further increase in expenditure on forward-looking strategic projects, consolidated operating earnings (EBIT) for the same period grew by 3.0% to € 165.1 million (2013/2014: € 160.4 million).

Location development

HORNBACH-Baumarkt-AG subgroup

We opened a total of eight new DIY stores with garden centers (of which one replacement location) and substantially extended one existing store in the 2014/2015 year under report. Furthermore, one store was closed for temporary conversion work.

In the first quarter of 2014/2015 (March 1 to May 31, 2014) we celebrated two new store openings. In March 2014, we opened our 93rd location in Germany, in this case in **Lübeck**. In **Prague-Čestlice**, our third HORNBACH DIY store with a garden center in the Czech capital launched operations in the same month. Our store network in the Czech Republic now comprises nine locations with sales areas of some 125,000 m².

The further expansion program in the 2014/2015 financial year took place exclusively in Germany. In the second quarter of 2014/2015, we launched operations at the first two of the total of six Praktiker/Max Bahr locations we have taken over. Following several months of conversion work at a former Max Bahr location, we opened a HORNBACH DIY megastore with a garden center in **Trier** at the beginning of June 2014. This has replaced our smaller existing location dating from 1990. In early July 2014, we boosted our presence in the Nuremberg region by opening the reflagged location in **Schwabach** (formerly Max Bahr). At the end of July 2014, we launched operations at a small-scale DIY store (HORNBACH Compact) in **Bad Bergzabern** (Rheinland-Pfalz). Here, we have closed a regional supply gap in this rural catchment area.

Furthermore, in August 2014 we closed our garden center in **Geleen** in the Netherlands. Following its conversion into a DIY megastore with a garden center, we expect to reopen this location in summer 2015.

In the third quarter of 2014/2015, we opened the doors at three more of the Praktiker/Max Bahr locations taken over in Germany. Following the conversion of a former Praktiker location, we opened a HORNBACH DIY megastore with a garden center in **Ulm** in early September 2014. At the end of September, we subsequently extended our store network in Germany by reopening a former Max Bahr location in **Lüneburg**. After several months of conversion work at a former Max Bahr store in **Kamen**, the DIY store and garden center began operating under its new HORNBACH flag at the end of October 2014.

In December 2014, the standalone garden center in **Lohfelden near Kassel** was closed and work began on converting the neighboring old HORNBACH DIY store into a combined DIY store and garden center.

Including the stores newly opened and closed in the year under report, we were operating 146 retail outlets across the subgroup as of February 28, 2015 (February 28, 2014: 141). Sales areas at the 97 stores in Germany amounted to around 1,039,000 m². The 49 DIY stores with garden centers in other European countries had sales areas of around 665,000 m². The international stores are located in Austria (11), Netherlands (9), Czech Republic (9), Switzerland (6), Romania (5), Sweden (5), Slovakia, (3) and Luxembourg (1). Total sales areas at the HORNBAACH-Baumarkt-AG subgroup amounted to around 1,704,000 m² as of February 28, 2015. The average size of a HORNBAACH DIY store with a garden center thus amounts to almost 11,700 m².

HORNBAACH Baustoff Union GmbH subgroup

At the balance sheet date on February 28, 2015, the HORNBAACH Baustoff Union GmbH subgroup operated 25 outlets in Germany and two builders' merchant outlets in neighboring Lorraine (France). One outlet relocation at the HORNBAACH Baustoff Union GmbH subgroup originally planned for the 2014/2015 financial year was delayed to March 2015. We are thus still present at a total of 27 locations with our extensive builders' merchant product range and professional services for commercial and private customers.

Comparison of actual and forecast business performance

Expansion

In the Outlook section of our 2013/2014 Annual Report, we forecast that, unlike in previous years, the focus of our expansion activities in the 2014/2015 financial year would shift to Germany due to the takeover of former locations from the broken-up Praktiker Group. A total of eight new store openings were planned, of which seven in Germany (including two replacement locations). Accounting for the replacement locations, the number of HORNBAACH stores with garden centers was planned to increase from 141 to 147, of which up to 97 in Germany and 50 in other European countries. We basically complied with these objectives.

Stores were opened on schedule in Prague – our only international store opening – and in Lübeck in March 2014. In the forecast period, it was planned to link up all six of the former Praktiker/Max Bahr locations taken over to HORNBAACH's network in the further course of the financial year. In actual fact, the five rented locations in Trier, Schwabach, Ulm, Lüneburg, and Kamen were reopened. The opening of the Praktiker location in Saarbrücken acquired by HORNBAACH Immobilien AG, originally scheduled by the end of February 2015, was postponed to the first half of March 2015 and thus to the new 2015/2016 financial year (first construction stage). The conversion of the directly adjacent HORNBAACH area into a modern drive-in facility with a direct link to the new DIY store and garden center (second construction stage) will take place as planned in the 2015/2016 financial year.

The opening of a HORNBAACH store in Bad Bergzabern (July 2014) and conversion-related closure of our garden center in Geleen in the Netherlands (August 2014) were additionally included in our 2014/2015 expansion program. Furthermore, the merger of the standalone HORNBAACH garden center in Lohfelden near Kassel with our nearby DIY store reduced the number of stores by one location. The number of HORNBAACH stores totaled 146 at the balance sheet on February 28, 2015 (2013/2014: 141).

Investments

Total investments in a range of € 130 million to € 160 million were budgeted for the 2014/2015 financial year. Due to the use of rental options and the postponement of land purchases, our actual investment volume of € 121 million means that we did not fully exploit the budgeted framework.

Sales performance

HORNBAACH HOLDING AG Group

The sales forecast for the HORNBAACH HOLDING AG Group formulated in the Outlook section of the 2013/2014 Annual Report and not revised in the course of the year predicted that net sales would show growth in a medium single-digit percentage range and at a higher rate than in the 2013/2014

financial year (4.3%). With consolidated sales growth of 6.0%, we clearly met this target.

HORNBACH-Baumarkt-AG subgroup

The driving force behind this pleasing performance was the HORNBACH-Baumarkt-AG subgroup, where sales grew by 6.5%. For like-for-like sales net of currency items, we forecast group-wide growth in a low to medium single-digit percentage range. In actual fact, we improved our adjusted sales by 4.4% in the financial year. We thus reached the upper end of the target corridor. We also met all of the targets relating to our geographical segmentation in the past 2014/2015 financial year.

- At 5.5%, the rate of like-for-like growth in **Germany** was, as expected, ahead of the group average. Consistent with its forecast, HORNBACH significantly outperformed the sector average by a margin of around three percentage points in the 2014 calendar year. As expected, the company yet again increased its market share.
- With regard to our retail activities in **other European countries**, in our forecast for 2014/2015 issued one year ago we predicted that sales would improve further compared with the previous year. Actual net sales at our international DIY stores and garden centers increased by 5.0% in the year under report (2013/2014: 3.5%). On a like-for-like basis and net of currency items, we generated a pleasing growth rate of 2.8% outside Germany (2013/2014: minus 0.1%). What's more, the rate of adjusted sales growth improved in all countries within our European network. With one exception, all countries reported positive growth.

HORNBACH Baustoff Union GmbH subgroup

According to our Outlook, net sales at the HORNBACH Baustoff Union GmbH subgroup would slightly exceed the previous year's figure in the 2014/2015 financial year. With a 1.1% reduction in sales to € 213.3 million, we did not reach this target.

Earnings performance

HORNBACH HOLDING AG Group

In summary for the HORNBACH HOLDING AG Group, in our previous Annual Report we originally forecast that operating earnings (EBIT) for the 2014/2015 financial year would show disproportionate growth compared with sales. In our interim report for the first nine months of 2014/2015, published on December 22, 2014, we toned down this earnings forecast as we saw greater forecasting uncertainty than before on account of macroeconomic risk factors, an unfavorable trend in operating expense ratios in the DIY store segment, and larger than expected cost growth for the integration of reflagged Praktiker/Max Bahr locations. At the end of the first three quarters, we therefore predicted that the HORNBACH Group's EBIT for the 2014/2015 financial year would exceed the previous year's figure (€ 160.4 million) and included the possibility of disproportionate EBIT growth compared with sales.

With growth of 3.0% to € 165.1 million, our actual consolidated operating earnings for the 2014/2015 financial year exceeded the previous year's figure. However, we did not reach the original target of achieving disproportionate earnings growth compared with sales.

HORNBACH-Baumarkt-AG subgroup

On HORNBACH-Baumarkt-AG subgroup level, EBIT grew by 4.4% to € 109.8 million in the 2014/2015 year under report. This figure thus also fell short of the more upbeat annual forecast in the 2013/2014 Annual Report, but was nevertheless within the expected framework as communicated during the financial year in the adjusted outlook.

HORNBACH Baustoff Union GmbH subgroup

We originally expected to see slight EBIT growth in the HORNBACH Baustoff Union GmbH subgroup segment. The earnings performance in 2014/2015 was largely expected to benefit from enhanced store and administration expense ratios, thus more than offsetting the slightly lower budgeted gross margin. In actual fact, an improvement in the gross margin enabled us to increase operating earnings for the 2014/2015 financial year by 19.6% to € 6.5 million, and thus

far more significantly than expected, and that despite a slight reduction in sales and less favorable expense ratios.

HORNBAACH Immobilien AG subgroup

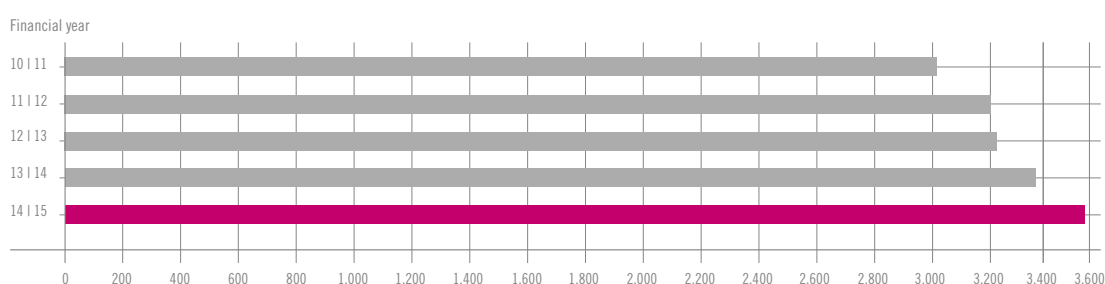
Based on stable growth in rental income, we budgeted EBIT slightly ahead of the previous year's figure in the HORNBAACH Immobilien AG subgroup segment. With operating earnings growth of 0.8 % to € 51.5 million, we reached this target. As expected, there were no sale and leaseback transactions in the 2014/2015 financial year. Unlike originally budgeted, however, we generated gains on the disposal of a property not required for operations. This enabled us to slightly overcompensate for unplanned budget increases resulting from conversion measures at a former Praktiker location and charges incurred for the Group's expansion.

Budget/actual comparison for separate financial statements (HGB)

The earnings performance at HORNBAACH HOLDING AG is closely linked to developments on the level of its shareholdings and thus to the level and rate of change in its income from investments. In the separate financial statements, it was expected that the result of ordinary operations for the 2014/2015 financial year would significantly exceed the level reported for the 2013/2014 financial year. With slight growth of 1.9 % to € 39.7 million, the result of ordinary operations for the year under report fell short of this forecast.

Earnings Performance

Sales performance of the HORNBACH Group (net, € million)



Sales performance

As of the balance sheet date on February 28, 2015, the HORNBACH HOLDING AG Group comprised the HORNBACH-Baumarkt-AG, HORNBACH Baustoff Union GmbH (HBU), and HORNBACH Immobilien AG subgroups. In the 2014/2015 financial year (March 1, 2014 to February 28, 2015), the HORNBACH Group increased its consolidated sales (excluding sales taxes) by 6.0% to € 3,572 million (2013/2014: € 3,369 million).

HORNBACH-Baumarkt-AG subgroup

At the HORNBACH-Baumarkt-AG subgroup, we increased net sales by 6.5% to € 3,357 million in the period under report (2013/2014: € 3,152 million). Net sales for the period in Germany grew 7.6% to € 1,966 million (2013/2014: € 1,827 million). This figure also accounts for seven stores newly opened and one store extended in the period under report. Outside Germany (other European countries) and including one newly opened store we reported sales growth of 5.0% to € 1,390 million (2013/2014: € 1,325 million). Due to the relatively higher rate of growth in Germany, the international stores' share of consolidated sales fell from 42.0% to 41.4%.

The very pleasing performance for 2014/2015 as a whole conceals relatively marked fluctuations within the financial year, a

factor that is particularly apparent in the development in like-for-like sales. The volatility in quarterly sales was chiefly caused by weather-related base effects in the first half of the financial year. In the German DIY market, in which we generate almost 60% of our consolidated sales, the standard to beat in the second half of the 2014/2015 financial year was also very high due to substantial consolidation effects in the previous year's comparative period. The HORNBACH-Baumarkt-AG subgroup nevertheless managed to exceed the exacting standards set in the previous financial year and also to outperform the sector average in most of its country markets.

The following comments refer to the development in like-for-like sales at the HORNBACH-Baumarkt-AG subgroup, which thus take no account of stores newly opened or closed in the past twelve months.

Unlike in the three previous financial years, the development in the Group's like-for-like sales in the 2014/2015 financial year was consistently positive from a geographical perspective as well. We boosted our sales momentum compared with the previous year both in the Germany region and in the Other European countries region.

Like-for-like (DIY) sales performance* at the HORNBACH-Baumarkt-AG subgroup by quarter
(in percent)

2014/2015 financial year 2013/2014 financial year	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	Total
Group	14.6	(1.0)	1.0	2.4	4.4
	(5.9)	4.6	4.6	10.6	2.7
Germany	19.4	(1.0)	1.4	1.8	5.5
	(5.8)	7.7	7.0	14.1	4.9
Other European countries	8.2	(1.0)	0.6	3.4	2.8
	(6.1)	0.5	1.5	5.9	(0.1)

* Excluding currency items

We increased our subgroup-wide like-for-like sales net of currency items by 4.4% in the 2014/2015 financial year (2013/2014: 2.7%). Including currency items, the subgroup's adjusted sales grew by 4.1% (2013/2014: 2.3%). On average, the subgroup-wide number of business days was basically unchanged in the 2014/2015 financial year as a whole. The lower number of business days in the second quarter was offset by higher numbers in other quarters. Seasonal influences on the sales performance and the base effects from the previous year's period are clearly apparent in the presentation by quarter (see above table).

The first quarter (March 1 to May 31, 2014) was characterized by the extreme differences in weather conditions between the quarter under report and the previous year's quarter. In spring 2013, the prolonged winter massively impaired the gardening business in the months of March and April. By contrast, the spring season in 2014 benefited from mild weather conditions. Particularly in March 2014, customer demand for DIY, renovation, and garden products and services virtually exploded across our subgroup-wide network of countries. The months of April and May 2014 also showed a very pleasing sales performance. We concluded the first quarter of 2014/2015 with like-for-like currency-adjusted growth of 14.6% (2013/2014: minus 5.9%). In the second quarter, adjusted sales then fell 1.0% short of the equivalent figures for the previous year's

quarter. This slight downturn in sales was due on the one hand to the fact that the second quarter of 2014/2015 (June 1 to August 31, 2014) had three business days fewer in most regions than in the previous year. On the other hand, the standard set in the previous year's quarter was very high, with adjusted growth of plus 4.6% due to consumers catching up on purchases following the previous poor weather conditions. Not only that, demand at our stores dipped on occasions during the Football World Cup in the period from mid-June to mid-July.

In the second half of the financial year, we raised our like-for-like currency-adjusted sales momentum even above the very ambitious growth rates seen in the previous year's quarter. Adjusted sales grew 1.0% (2013/2014: 4.6%) in the third quarter of 2014/2015 and 2.4% in the final quarter (2013/2014: 10.6%). This pleasing performance was driven by stores both in Germany and in other European countries.

■ **Germany**

HORNBACH's locations in Germany once again reported very pleasing sales growth in the 2014/2015 financial year and outperformed our store network in other European countries for the sixth consecutive year.

The foundation for this success was laid in the first quarter. In the months from March to May 2014, like-for-like sales jumped by 19.4 %, thus more than making up for the weather-related loss of sales in the previous year's quarter (minus 5.8 %). In the second quarter of 2014/2015, the convergence of negative base effects and occasionally inclement summer weather prevented the domestic business as well from performing better. Like-for-like sales at our retail outlets in Germany in this period showed a slight decline of 1.0 %, thus contrasting with growth of 7.7 % one year earlier.

However, this did not impede the positive overall trend in sales. Quite the reverse: In the third and fourth quarters of 2014/2015 we exceeded the previous year's level of like-for-like sales by 1.4% and 1.8%. This is all the more remarkable given the acceleration in our sales growth one year earlier to 7.0% in the third quarter and 14.1% in the fourth quarter of 2013/2014 due to factors including the positive impact of sector consolidation (exit of Praktiker Group in Germany).

Cumulatively, we achieved like-for-like sales growth of 5.5% in Germany in the 2014/2015 financial year (2013/2014: 4.9%). We thus once again extended our outperformance of the overall DIY sector.

In its DIY Total Store Report (until 2013: BHB/GfK Panel), the GfK calculated the sales performance of DIY stores and garden centers in Germany on behalf of the BHB sector association. According to this report, like-for-like sales in the DIY sector in the period from January to December 2014 grew by 5.0%. In this period, which deviates from our own financial year, our domestic like-for-like sales outperformed the German sector average by almost three percentage points.

HORNBAACH thus further expanded its market position. As a percentage of aggregate sales at all German DIY stores and garden centers (2014: € 21.3 billion), HORNBAACH's market share rose from 10.0% to 11.0%. If the calcula-

tion is based only on the market volume of German DIY stores and garden centers with sales areas of more than 1,000 m² (2014: € 17.6 billion), our market share in this segment improved from 12.0% to 13.3%.

This sustainably positive performance in our home market also continued in the 2014/2015 financial year. This is chiefly due to the competitive advantages offered by our unmistakable retail format. Our attractive retail locations and high-performance HORNBAACH Online store have become well established among private and professional customers alike.

Thanks to our consistent focus on project customers, we have benefited to an above-average extent from demand in the German housing construction and renovation market. Furthermore, in the market consolidation largely triggered by the Praktiker insolvency we successfully attracted new customers in the period under report and thus gained additional market share.

HORNBAACH's popularity with German consumers is underlined in particular by its excellent performance in Kundenmonitor Deutschland, the most prestigious consumer survey in the German retail sector. As in the previous year already, the results of the 2014 survey show that HORNBAACH came top in terms of customers' overall satisfaction and achieved the best marks in 19 out of the other 34 categories surveyed.

■ Other European countries

Outside Germany, we achieved a turnaround in our like-for-like sales performance in the 2014/2015 financial year. After three consecutive years of decline, in the year under report we posted substantial like-for-like, currency-adjusted sales growth of 2.8% (2013/2014: minus 0.1%). Including currency items, adjusted sales rose by 2.2%. These figures for other European countries also reflect the year-on-year improvement in the macroeconomic framework outside Germany, particularly in terms of consumer spending and construction activity. In most countries within our

network, key confidence indicators, such as the consumer and business confidence survey compiled by the European Commission, improved noticeably in 2014 compared with 2013.

We improved our sales momentum in all regions within our international store network compared with the previous year, in some cases significantly. We reported positive adjusted sales growth ranging from just under one to more than nine percent in all other European countries with just one exception in the 2014/2015 financial year. By contrast, in the 2013/2014 financial year five out of eight other European countries still saw reductions in their adjusted sales. In the Netherlands and Slovakia, where just one year ago the persistent downstream impact of the financial and economic crisis still led to declining demand from consumers and construction clients at our stores, like-for-like sales net of currency items regained positive territory in the year under report. After several weak years, in which HORNBAACH nevertheless significantly outperformed the sector average, adjusted sales at our stores in the Czech Republic have now clearly bottomed out.

Viewed on a quarter-by-quarter basis, other European countries showed a sales trend similar to that in Germany. At plus 8.2% (2013/2014: minus 6.1%) in the first quarter of 2014/2015, like-for-like sales net of currency items achieved their highest rate of growth since spring 2007. With a slight downturn of 1.0% (2013/2014: 0.5%), this performance slowed temporarily in the second quarter due to the base effects already referred to above. In the second half of 2014/2015, our stores outside Germany returned to

growth territory. Building on adjusted sales growth of 0.6% in the third quarter (2013/2014: 1.5%), demand outside Germany shifted up another gear in the fourth quarter of 2014/2015 and, with like-for-like currency-adjusted growth of 3.4% (2013/2014: 5.9%) grew more rapidly than in Germany.

Alongside our own sales performance, comparison with the sector is also a key indicator of our stores' competitiveness. Based on information available to us concerning the development in like-for-like sales in six countries in our network outside Germany in the 2014 calendar year, we managed to outperform the respective DIY sector average, in most cases significantly so. Numerous consumer surveys, such as Kundenmonitor Österreich in Austria and its Swiss counterpart, as well as the INCOMA GfK sector study for the Czech DIY market, document once again that, with its uniform market presence across Europe, HORNBAACH enjoys great popularity among DIY customers outside Germany as well.

HORNBAACH Baustoff Union GmbH subgroup

With a slight reduction of 1.1% to € 213.3 million, (net) sales at the HORNBAACH Baustoff Union GmbH subgroup in the 2014/2015 financial year virtually matched the strong previous year's figure.

HORNBAACH Immobilien AG subgroup

Rental income rose by 1.8% to € 78.3 million in the 2014/2015 financial year (2013/2014: € 76.9 million). Of this sum, € 75.6 million (2013/2014: € 74.3 million) involved rental income from the rental of properties within the overall Group.

Key earnings figures of the HORNBAACH HOLDING AG Group

Key figure (€ million, unless otherwise stated)	2014/2015	2013/2014	Change
Net sales	3,572	3,369	6.0 %
of which: in Germany	2,172	2,035	6.7 %
of which in other European countries	1,400	1,334	4.9 %
Like-for-like sales growth	4.4 %	2.7 %	
EBITDA	243.1	235.7	3.1 %
EBIT	165.1	160.4	3.0 %
Consolidated earnings before taxes	139.7	127.8	9.3 %
Consolidated net income	106.7	86.2	23.8 %
EBITDA margin	6.8 %	7.0 %	
EBIT margin	4.6 %	4.8 %	
Gross margin	37.3 %	36.6 %	
Store expenses as % of net sales	27.9 %	27.3 %	
Pre-opening expenses as % of net sales	0.4 %	0.3 %	
General and administration expenses as % of net sales	4.6 %	4.4 %	
Tax rate	23.6 %	32.6 %	

(Differences due to rounding up or down to nearest € million)

Earnings performance of the HORNBAACH HOLDING AG Group

As expected, we achieved year-on-year earnings growth at the HORNBAACH Group in the 2014/2015 financial year. Consolidated operating earnings (EBIT) rose by 3.0% to € 165.1 million (2013/2014: € 160.4 million). This was chiefly driven by pleasing like-for-like sales growth at the HORNBAACH-Baumarkt-AG subgroup in conjunction with an improved gross margin. This enabled us to more than offset the rise in store, pre-opening, and administration expenses due in particular to the accelerated expansion and to additional outlays for forward-looking strategic projects. With operating earnings growth, the HORNBAACH Immobilien AG and HORNBAACH Baustoff Union GmbH subgroups also each contributed positively to the earnings performance of the overall Group.

Gross margin

The 2014/2015 year under report saw a further improvement in the gross margin. As a percentage of net sales, the gross profit rose from 36.6% to 37.3%. This increase in the gross margin was primarily driven by more favorable procurement terms accompanied by unchanged retail prices, as well as by changes in the product mix. Currency items in our international procurement were once again negligible in the year under report.

Selling and store, pre-opening and administration expenses

Selling and store expenses at the overall Group showed disproportionate growth compared with sales, rising by 8.3% to € 997.2 million (2013/2014: € 920.7 million). Due to the Group's expansion, personnel expenses (excluding bonuses), the largest cost block within selling and store expenses, increased by 7.3%. Personnel expenses also rose on account of significantly higher provisions for bonuses compared with

the previous year. General operating expenses rose significantly more sharply than sales. This was chiefly due to the conversion costs incurred for the former Praktiker and Max Bahr locations newly opened in the 2014/2015 financial year, which led to a one-off charge on earnings of almost € 10 million, as well as to higher maintenance expenses. The other items within selling and store expenses declined as a proportion of sales. As a percentage of net sales, selling and store expenses rose from 27.3% to 27.9%.

Pre-opening expenses (please also see Note 4) increased from € 9.2 million to € 14.8 million in the 2014/2015 financial year. This mainly resulted from the significantly faster pace of HORNBAACH's expansion. In this respect, the eight new store openings and one large-scale store extension in the year under report contrasted with just four new store openings in the 2013/2014 financial year. Not only that, the pre-opening expenses for the 2014/2015 financial year already include expenses for the Saarbrücken and Regau locations opened at the beginning of the 2015/2016 financial year. The pre-opening expense ratio rose from 0.3% to 0.4%.

Earnings were negatively affected by a sharply disproportionate increase in administration expenses from € 147.5 million to € 164.1 million (plus 11.2%). The administration expenses ratio rose from 4.4% to 4.6%. This was largely due to higher project-related personnel expenses, including bonuses. By contrast, purely administrative administration expenses, i.e. excluding project-related expenses, rose less rapidly than sales.

Other income and expenses

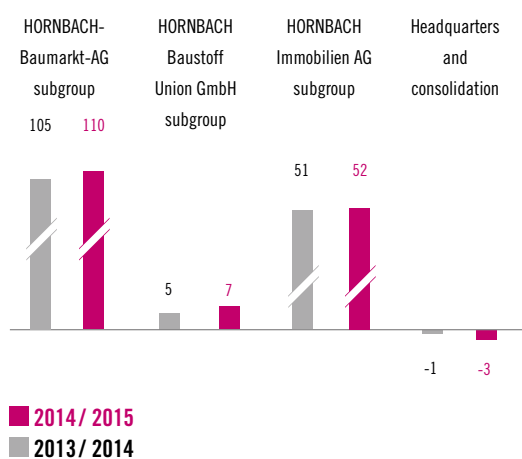
Other income and expenses rose from € 4.0 million to € 7.3 million in the year under report. This increase was chiefly due to the improvement in the other non-operating result from minus € 4.1 million to minus € 1.4 million. Here, the net increase in disposal gains from real estate sales by € 1.5 million on the one hand was countered by lower provisions for with real estate development and lower other expenses, in particular for the abandonment of location projects, on the other.

Earnings performance

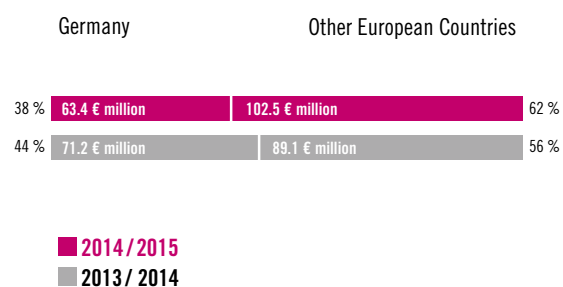
Consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) grew by 3.1% to € 243.1 million (2013/2014: € 235.7 million), corresponding to an EBITDA margin of 6.8% (2013/2014: 7.0%). Consolidated operating earnings (EBIT) increased by 3.0% to € 165.1 million (2013/2014: € 160.4 million). EBIT was equivalent to 4.6% of net sales in the year under report (2013/2014: 4.8%).

Consolidated earnings before taxes (EBT) showed disproportionate growth compared with sales (plus 6.0%), improving by 9.3% to € 139.7 million (2013/2014: € 127.8 million). This was largely due to the positive change in the net interest result, which improved from minus € 29.6 million to minus € 25.4 million. This in turn chiefly resulted from a one-off positive interest item of around € 2.9 million for tax refund claims previously not recognized in connection with the write-down of a foreign shareholding. This was accompanied by the almost complete neutralization of currency items, which in the previous year had still negatively affected earnings to the tune of minus € 2.9 million. A large share of this positive earnings item resulted from the appreciation in the US dollar holdings required in connection with our international procurement. In conjunction with the substantial improvement in the net interest result, net financial expenses thus reduced by 21.8% to minus € 25.5 million (2013/2014: € 32.6 million).

EBIT by segment (€ million)



EBIT by region (share in %)



Earnings after taxes showed an even more marked increase. Consolidated net income thus grew by 23.8% to € 106.7 million (2013/2014: € 86.2 million). The Group's tax rate fell significantly from 32.6% auf 23.6%.

While the previous year's tax rate was negatively affected by the write-down of deferred taxes recognized on losses carried forward in Sweden, the Group's earnings performance in the year under report was positively influenced by a significant rise in current income tax receivables. This was due in particular to a one-off item involving non-period current tax income of € 3.6 million resulting from the capitalization of a net refund claim for write-downs previously not recognized in connection with a foreign shareholding. The return on sales after taxes rose from 2.6% to 3.0%. Earnings per share are reported at € 5.63 per ordinary share (2013/2014: € 4.53) and € 5.66 per preference share (2013/2014: € 4.56) (please see Note 9).

Earnings performance by segment

HORNBAACH-Baumarkt-AG subgroup

The increase in earnings at HORNBAACH-Baumarkt-AG, the largest subgroup, shaped the earnings performance of the HORNBAACH Group. This was chiefly driven by pleasing like-for-like sales growth at HORNBAACH DIY stores with garden centers in conjunction with an improved gross margin. This enabled us to more than offset the rise in store, pre-opening, and administration expenses due in particular to the accelerated expansion and to additional outlays for forward-looking strategic projects.

We significantly boosted the operating earnings strength of the **DIY store segment** in the 2014/2015 financial year. Key earnings figures showed clearly disproportionate growth compared with sales. Operating earnings (EBIT) in the DIY store segment increased by 15.8% to € 82.4 million (2013/2014: € 71.2 million). EBIT was equivalent to 2.5% of net sales in the year under report (2013/2014: 2.3%).

Unlike in the previous year, earnings in the **real estate segment** declined slightly in the 2014/2015 financial year. This was due above all to conversion costs incurred for the former Praktiker and Max Bahr locations reopened in the 2014/2015 financial year, which via the increase in operating expenses gave rise to a one-off charge on earnings of € 7.2 million. Against this backdrop, EBIT in the real estate segment fell by 5.3% to € 48.5 million (2013/2014: € 51.3 million).

Thanks to the substantial earnings growth in the subgroup's DIY store segment, we more than offset the slight downturn in earnings in the real estate segment.

EBIT at this subgroup rose by 4.4% to € 109.8 million (2013/2014: € 105.1 million). The EBIT margin, a key indicator of operating earnings strength, remained unchanged at 3.3%. Consolidated net income showed substantially stronger growth than the pre-tax earnings figures, surging by 23.4% to € 69.5 million (2013/2014: € 56.4 million). The group tax rate reduced significantly from 35.5% to 26.8%, a development chiefly driven by higher current income tax receivables

in the year under report. Earnings per Baumarkt share increased from € 1.77 to € 2.19.

HORNBAACH Baustoff Union GmbH subgroup

This subgroup further improved its earnings performance in the period under report. Operating earnings (EBIT) grew by 19.6% from € 5.5 million to € 6.5 million. The EBIT margin rose from 2.5% to 3.1%.

The improvement in this subgroup's earnings strength was decisively driven by the significant improvement in the gross margin achieved by reducing low-margin business activities. We thus more than offset the effects of stagnating sales and slightly higher store expenses.

HORNBAACH Immobilien AG subgroup

EBIT at the HORNBAACH Immobilien AG subgroup rose by 0.8% to € 51.5 million in the 2014/2015 financial year (2013/2014: € 51.1 million). Thanks to a slight rise in rental income and the disposal gain generated from the sale of a former DIY store property no longer required for operations, this subgroup was able to more than offset the expansion-related increase in operating and non-operating expenses.

Earnings performance by geographical region

Thanks to the integration into our German store network of the locations taken over from the Praktiker Group, we sustainably boosted the operative effectiveness of our German retail business in the 2014/2015 financial year. However, this is not yet adequately reflected in our earnings performance, as considerable one-off expenses had to be absorbed for the conversion work. This had a correspondingly negative impact on earnings in the Germany region in the period under report. On the other hand, a pleasing like-for-like sales performance has noticeably improved the profitability of our international business. As is apparent in the breakdown by geographical regions in the segment report, the balance of earnings contributions shifted in favor of the Other European countries region, and that despite a better adjusted DIY sales performance in the domestic business.

EBITDA in **Germany** declined by 5.1% from € 118.3 million to € 112.3 million. The domestic share of the Group's EBITDA thus fell from 50% to 46%. EBIT in the Germany region decreased from € 71.2 million to € 63.4 million (minus 11.0%). The domestic share of operating earnings declined from 44% to 38% in the 2014/2015 financial year. The EBIT margin came to 2.9% in Germany, as against 3.5% one year earlier.

Driven in particular by the year-on-year improvement in like-for-like sales, the earnings contributions from our international activities showed marked growth in the 2014/2015 financial year. With EBITDA of € 131.6 million in the period under report (2013/2014: € 117.4 million), **other European countries** accounted for around 54% of EBITDA at the HORN-BACH HOLDING AG Group (2013/2014: 50%). We increased our EBIT outside Germany by 15.0% to € 102.5 million (2013/2014: € 89.1 million). Thanks to this enhanced earnings power, the international share of EBIT grew from 56% to 62%. With an EBIT margin of 7.3% (2013/2014: 6.7%), the business in other European countries remains significantly more profitable than that in Germany.

Dividend proposal

The Board of Management and Supervisory Board of HORN-BACH HOLDING AG will propose dividends of € 0.77 per ordinary share (ISIN: DE0006083405) and € 0.80 per preference share (ISIN: DE0006083439), and thus at the same level as in the previous year, for approval by the Annual General Meeting on July 9, 2015.

Financial Situation

Principles and objectives of financial management

Financing measures are coordinated by Group Treasury at HORNBAACH-Baumarkt-AG in close liaison with international subsidiaries. Central organization of financial management enables the HORNBAACH Group to maintain a uniform presence on financial markets and provide centralized liquidity management for the overall Group. HORNBAACH-Baumarkt-AG grants financial assistance in the form of guarantees and letters of comfort only for subsidiaries within the subgroup. Formal undertakings to companies outside the HORNBAACH-Baumarkt-AG subgroup are provided either by HORNBAACH HOLDING AG or by HORNBAACH Immobilien AG.

The information required for efficient liquidity management is provided by rolling group financial planning covering all relevant companies, which is updated monthly and has a budgeting horizon of twelve months, as well as by short-term financial forecasting which is updated daily. Based on the information available, the financing requirements of individual units within the Group are initially settled using surplus liquidity from other group companies by means of a cash pooling system. Such liquidity bears interest at market rates on the basis of internal group loan agreements.

External financing requirements are covered by taking up loans from banks and on the capital market. Moreover, to date DIY store properties have been sold to investors upon completion, with utilization secured by rental agreements (sale and leaseback). Here, efforts have been made to meet the IAS 17 criteria governing classification as "Operating Leases". Due to the amendments expected in IAS 17 lease accounting and the expected discontinuation of the "operating lease" classification, future transactions will be reviewed in terms of their advantageousness. At the HORNBAACH-Baumarkt-AG subgroup, external financing generally takes the form of unsecured loans and real estate sales (sale and leaseback), while the HORNBAACH Immobilien AG subgroup has additionally financed itself with secured mortgage loans. Consistent with HORNBAACH's forward-looking financial policy, financial liabilities due to mature are refinanced at the earliest opportunity. In

line with internal risk principles, derivative financial instruments are held solely for hedging purposes. The nominal values and measurement of existing derivative financial instruments are presented in the notes on the consolidated balance sheet in the notes to the financial statements.

Financial debt

At the balance sheet date on February 28, 2015, the net financial debt of the overall Group amounted to € 250.1 million (2013/2014: € 280.2 million). Its composition has been presented in detail in the table on Page 68.

The current financial debt (up to 1 year) of € 63.7 million (2013/2014: € 94.3 million) consists of short-term financing facilities of € 28.3 million at the HORNBAACH Baustoff Union GmbH subgroup (2013/2014: € 34.9 million), interest deferrals of € 2.3 million (2013/2014: € 2.3 million), the portion of long-term financing facilities maturing in the short term, amounting to € 31.5 million (2013/2014: € 40.3 million), and the measurement of derivative financial instruments, at € 1.7 million (2013/2014: € 0.0 million).

Solid capital structure

HORNBAACH enjoys great financing flexibility and draws on a wide range of different financing instruments. The following main facilities were in place at the balance sheet date on February 28, 2015:

- The corporate bond of € 250 million at HORNBAACH-Baumarkt-AG with a term until February 15, 2020 and an interest rate of 3.875 %.
- The promissory note bond of € 80 million at HORNBAACH-Baumarkt-AG with a term until June 30, 2016.
- The promissory note bond of € 70 million at HORNBAACH Immobilien AG with term until June 30, 2017.

Furthermore, the overall Group has financing facilities of € 215.1 million (2013/2014: € 232.4 million) secured by land charges of € 452.0 million (2013/2014: € 480.7 million).

Financial debt of the HORNBAACH HOLDING AG Group

Type of financing € million	Liabilities broken down into remaining terms						2.28.2015	2.28.2014
	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	Total	Total
Short-term bank debt ¹⁾	30.537						30.5	53.9
Mortgage loans	31.239	25.356	27.919	20.808	22.629	87.174	215.1	232.4
Other loans ^{2) 3)}	0.039	79.914	69.856	0.011	0.011	0.012	149.8	167.9
Bonds ³⁾	0.000	0.000	0.000	0.000	247.009	0.000	247.0	246.4
Negative fair values of derivative financial instruments	1.667	2.401	2.536	0.000	0.459	0.628	7.7	7.4
Finance leases	0.255	0.273	0.291	0.000	0.000	0.000	0.8	1.0
Total financial debt	63.7	107.9	100.6	20.8	270.1	87.8	651.0	709.0
Cash and cash equivalents							400.9	428.8
Net financial debt							250.1	280.2

(Differences due to rounding up or down to nearest € million)

¹⁾ Financing facilities with nominal terms of under one year and interest deferrals

²⁾ Loans not secured by mortgages

³⁾ The costs relating to the taking up of the corporate bond and the promissory note bonds have been spread pro rata temporis over the respective terms.

Due to the strong liquidity situation, the promissory note bond of CZK 496.6 million at HORNBAACH Baumarkt CS spol s.r.o. was prematurely redeemed as of June 30, 2014. The associated swap was dissolved at fair value.

At the balance sheet date on February 28, 2015, the overall HORNBAACH HOLDING AG Group had free credit lines amounting to € 344.6 million (2013/2014: € 349.0 million) on customary market terms. These include a syndicated credit line of € 250 million that was prematurely extended to April 15, 2019 in the first quarter of the 2014/2015 financial year. Improved conditions were agreed upon the extension. To ensure the maximum possible degree of flexibility, all major group companies have credit lines denominated in local currencies, generally at local banks.

No assets have been provided as security for the credit lines, the promissory note bonds, or the bond. The relevant contractual arrangements nevertheless require compliance with customary bank covenants, non-compliance with which could lead to a premature repayment obligation. These regularly

involve pari passu clauses and negative pledge declarations, as well as cross default arrangements for major financing facilities. In the case of the syndicated credit line and the promissory note bond agreements at HORNBAACH-Baumarkt-AG, they also require compliance with specific financial ratios. These key financial ratios are based on consolidated figures at the HORNBAACH-Baumarkt-AG subgroup and require interest cover of at least 2.25 times and an equity ratio of at least 25 %. Maximum limits for financing facilities secured by land charges and financing facilities taken up by subsidiaries were also agreed. The conditions governing the promissory note bond at HORNBAACH Immobilien AG require the maintenance of a specified volume of unencumbered property, plant and equipment. The interest cover, net debt/EBITDA ratio, equity ratio, agreed financing limits, unencumbered property, plant and equipment, and company liquidity (cash and cash equivalents, plus unutilized committed credit lines) are regularly monitored within the internal risk management framework. Further key figures are calculated on a quarterly basis. Should the values fall short of certain target levels, then countermeasures are initiated at an early stage. All covenants

were complied with at all times in the year under report. Further information about financial debt can be found in Note 22 of the notes on the consolidated balance sheet.

The HORNBACH HOLDING AG Group is subject to a relevant restriction that limits the possibilities of using subsidiaries' assets to settle subsidiaries' liabilities. This relates to liquid funds of € 334.8 million at HORNBACH-Baumarkt-AG and its subsidiaries (2013/2014: € 371.1 million). Apart from an allowance of € 50 million, these funds must remain within the HORNBACH-Baumarkt-AG subgroup and may not be used to settle liabilities at other subsidiaries within the HORNBACH HOLDING AG Group.

Cash and cash equivalents amounted to € 400.9 million at the balance sheet date (2013/2014: € 428.8 million). As in the past, liquidity is managed in the form of fixed deposits on the money market with maximum investment horizons of three months. To enhance security, the Group has also set maximum deposit totals per bank.

Investments of € 121.1 million

The HORNBACH HOLDING AG Group invested a total of € 121.1 million in the 2014/2015 financial year (2013/2014: € 116.7 million), mainly in land, buildings and plant and office equipment at existing DIY stores with garden centers, and at DIY stores with garden centers under construction. The funds of € 119.0 million (2013/2014: € 115.6 million) required for cash-effective investments were fully acquired from the cash flow of € 156.4 million from operating activities (2013/2014: € 197.9 million).

Around 53 % of total investments were channeled into new real estate, including properties under construction. Around 47 % of total investments mainly involved replacing and extending plant and office equipment. The HORNBACH-Baumarkt-AG segment accounted for € 99.9 million, the HORNBACH Immobilien AG segment for € 9.5 million, and the HORNBACH Baustoff Union GmbH segment for € 11.7 million.

The most significant investment projects related to construction work on DIY stores with garden centers to be opened in subsequent financial years, the conversion and extension of existing stores, investments in the builders' merchants business, the acquisition of land for the Group's further expansion, investments in plant and office equipment, and in intangible assets, especially software.

Key financial figures of the HORNBACH HOLDING AG Group

Key figure	Definition		2.28.2015	2.28.2014
Net financial debt	Current financial debt + non-current financial debt – cash and cash equivalents	€ million	250.1	280.2
Interest cover	Adjusted(*) EBITDA / Gross interest expenses		8.3	7.8
Net debt / EBITDA	Net financial debt / Adjusted(*) EBITDA		1.0	1.2

* EBITDA excluding changes in non-current provisions and gains/losses on the disposal of non-current assets as reported in the cash flow statement

Cash flow statement

Cash flow statement (abridged) € million	2014/2015	2013/2014
Cash flow from operating activities	156.4	197.9
of which: funds from operations ¹⁾	182.6	173.6
of which change in working capital ²⁾	(26.2)	24.2
Cash flow from investing activities	(113.9)	(103.5)
Cash flow from financing activities	(70.9)	(22.0)
Cash-effective change in cash and cash equivalents	(28.4)	72.4

¹⁾ Consolidated earnings after taxes, plus depreciation of non-current assets and changes in provisions, minus gains/plus losses on the disposal of non-current assets, plus/minus other non-cash expenses/income

²⁾ Difference between "Change in inventories, trade receivables and other assets" and "Change in trade payables and other liabilities"

The inflow of funds from operating activities reduced from € 197.9 million in the previous year to € 156.4 million in the 2014/2015 financial year. Here, the inflow of funds from operations rose from € 173.6 million to € 182.6 million. This increase was chiefly due to like-for-like sales growth and an improved gross margin. The change in working capital resulted in an outflow of funds of € 26.2 million, as against an inflow of funds of € 24.2 million in the previous year. This outflow of funds primarily resulted from the expansion-related build-up in inventories.

The outflow of funds for investing activities increased from € 103.5 million to € 113.9 million. Here, the rise in cash-effective investments by € 3.4 million to € 119.0 million was opposed by a lower volume of proceeds from disposals of non-current assets and from non-current assets held for sale, amounting to € 5.1 million in total (2013/2014: € 12.2 million). As in the previous year, no DIY megastores with garden centers were disposed of within sale and lease-back transactions in the 2014/2015 financial year.

The outflow of funds for financing activities totaled € 70.9 million in the 2014/2015 financial year, compared with an outflow of € 22.0 million in the previous year. Here, the scheduled and premature redemption of non-current financial debt amounting to € 62.5 million was countered by the taking up of new non-current loans of € 29.2 million. Current financial loans reduced by € 20.0 million, having decreased by € 0.3 million in the previous year. Gross financial debt reduced from € 709.0 million in the previous year to € 651.0 million in the year under report.

Rating

Since 2004, the creditworthiness of the HORNBACH-Baumarkt-AG Group has been rated by the leading international rating agencies Standard & Poor's and Moody's Investors Service. Upon completion of this report, both agencies had in their most recent publications confirmed their ratings at "BB+" with a stable outlook in the case of Standard & Poor's and "Ba2" with a positive outlook at Moody's.

Asset Situation

Equity ratio rises to 51.8 %

Balance sheet of the HORNBAACH HOLDING AG Group (abridged version)

€ million	2.28.2015	2.28.2014	Change
Non-current assets	1,358.0	1,310.4	3.6 %
Current assets	1,074.9	1,051.9	2.2 %
Assets	2,432.8	2,362.3	3.0 %
Shareholders' equity	1,260.9	1,164.1	8.3 %
Non-current liabilities	681.0	698.5	(2.5)%
Current liabilities	490.9	499.7	(1.8)%
Equity and liabilities	2,432.8	2,362.3	3.0 %

Total assets at the Group rose year-on-year by € 70.5 million, or 3.0 % to € 2,432.8 million. This growth reflects the further expansion of the HORNBAACH HOLDING AG Group, which is mainly apparent in the increase in property, plant and equipment and inventories. The equity of the Group as stated in the balance sheet amounted to € 1,260.9 million at the end of the financial year (2013/2014: € 1,164.1 million). At 51.8%, the equity ratio was once again higher than in the previous year (49.3%).

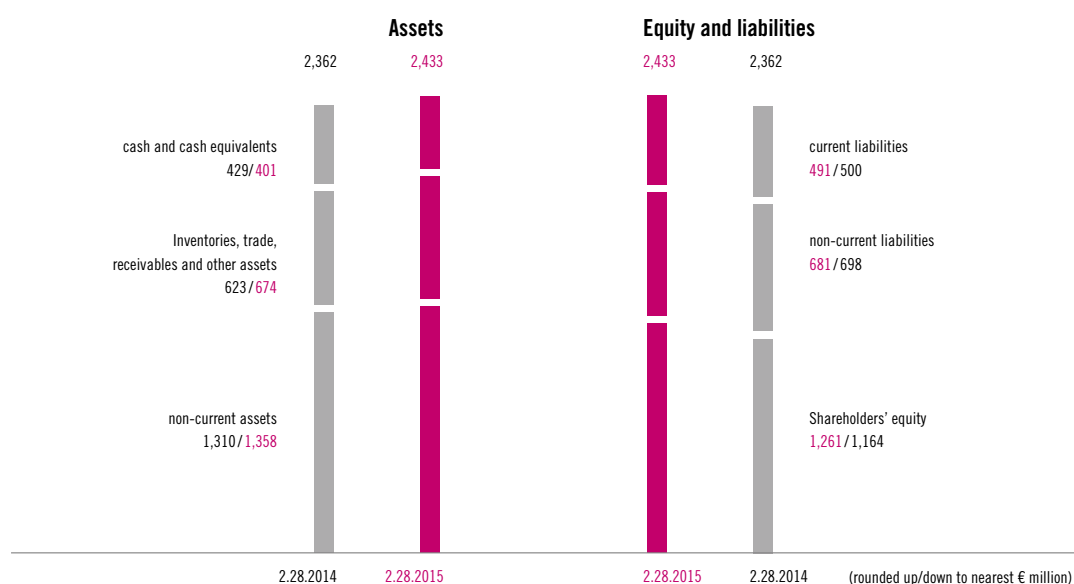
Non-current and current assets

Non-current assets amounted to € 1,358.0 million at the balance sheet date (2013/2014: € 1,310.4 million) and thus accounted for around 56 % (2013/2014: 55 %) of total assets. Property, plant and equipment and investment property rose by 4.0 % from € 1,273.8 million to € 1,324.2 million. Additions of € 118.1 million to assets were countered by depreciation of € 74.8 million and disposals of assets amounting to € 1.8 million. Adjustments to account for exchange rate movements led property, plant and equipment and investment property to increase by € 9.7 million. Furthermore, assets of € 0.8 million were reclassified to non-current assets held for sale and sold in the year under report.

Non-current income tax receivables involve a claim to payment of a corporate income tax credit with a present value of € 7.3 million (2013/2014: € 10.6 million). This item was capitalized in previous years due to legislative amendments (SEStEG).

Current assets increased by 2.2 % from € 1,051.9 million to € 1,074.9 million, equivalent to around 44 % of total assets (2013/2014: 45 %). The increase in current assets was chiefly driven by the growth-related increase in inventories, receivables, and other assets. Cash and cash equivalents, by contrast, fell by € 27.9 million from € 428.8 million to € 400.9 million. The cash-effective investments of € 119.0 million were fully financed from the inflow of cash from operating activities. The HORNBAACH HOLDING Group can thus still report a very high level of liquidity, and a good foundation for future growth. Inventories rose, mainly due to the Group's growth, from € 539.1 million to € 567.5 million, but the inventory turnover rate nevertheless improved from 4.1 in the previous year to 4.2 in the 2014/2015 financial year.

Structure of consolidated balance sheet (€ million)



Key balance sheet figures of the HORNBAACH HOLDING AG Group

Key figure	Definition		2.28.2015	2.28.2014
Equity ratio	Equity / Total assets	%	51.8	49.3
Return on equity	Annual net income before minority interests / Average equity	%	8.8	7.6
Return on total capital	NOPAT ¹⁾ / Average total capital ²⁾	%	7.8	7.7
Debt / equity ratio (gearing)	Net debt / Equity	%	19.8	24.1
Additions to non-current assets, including advance payments for land	Additions to non-current assets, including advance payments for land	€ million	121.1	116.7
Net working capital	Inventories and receivables less trade payables	€ million	441.1	397.1
Inventory turnover rate	Cost of goods sold / Average inventories		4.2	4.1

¹⁾ Net operating profit after tax, defined as EBIT minus unchanged standardized tax rate of 30 % at the HORNBAACH Group.

²⁾ Average total capital, defined as average equity plus average net debt.

Current receivables and other assets (including income tax receivables) rose from € 83.9 million to € 106.5 million. Alongside higher receivables for merchandise credits and bonus agreements, this increase was mainly due to the capitalization of a tax refund claim for a write-down previously not recognized for tax purposes in connection with a foreign investment.

Non-current and current liabilities

Liabilities, including provisions, amounted to € 1,171.9 million at the balance sheet date, as against € 1,198.2 million in the previous year. Non-current liabilities fell from € 698.5 million to € 681.0 million. Non-current liabilities include deferred tax liabilities of € 55.1 million (2013/2014: € 57.4 million).

Due to scheduled repayments of loan liabilities and two unscheduled repayments, current financial debt fell from € 94.3 million to € 63.7 million. Trade payables and other liabilities were reported at € 306.6 million at the balance sheet date, and thus € 6.6 million higher than in the previous year (2013/2014: € 300.0 million).

Other provisions and accrued liabilities amounted to € 85.2 million (2013/2014: € 73.6 million).

The net debt of the HORNBAACH HOLDING AG Group i.e. financial debt less cash and cash equivalents, fell to € 250.1 million at the balance sheet date, down from € 280.2 million in the previous year.

Off-balance sheet financing instruments and rental obligations

In addition to the DIY megastores with garden centers owned by the HORNBAACH HOLDING AG Group and one DIY store with a garden center used on the basis of a finance lease agreement, there are 61 DIY stores with garden centers that are let from third parties. Moreover, the Group also has a small number of additional land leasehold, leasing and rental agreements.

Obligations under rental, hiring, leasehold and leasing contracts relate exclusively to rental agreements for which the companies of the HORNBAACH HOLDING AG Group are not the economic owners of the assets thereby leased pursuant to IFRS accounting standards (Operating Lease). The rental agreements principally relate to DIY megastores with garden centers in Germany and other countries. The terms of the rental agreements usually amount to between 15 and 20 years, with subsequent rental extension options. The respective agreements include rent adjustment clauses.

As of February 28, 2015, obligations under rental, hiring, leasehold and leasing contracts totaled € 690.3 million (2013/2014: € 738.8 million).

Overall Assessment of Group Earnings, Financial and Asset Situation

Overall, the HORNBAACH HOLDING AG Group can look back on a pleasing 2014/2015 financial year. HORNBAACH's DIY stores with garden centers posted sustainably positive developments in the year under report and outperformed the sector average in most countries within our European network. Assisted by our unmistakable retail format, our high-performing infrastructure, and not least our continuing great popularity among DIY and home improvement customers, we successfully asserted our position despite a number of challenging seasonal and consolidation-related base effects.

Sales at the HORNBAACH-Baumarkt-AG subgroup for the period from March 1, 2014 to February 28, 2015 grew by 6.5% to € 3,357 million. On a like-for-like basis and net of currency items, the Group stepped up yet another gear compared with the previous year. Adjusted sales in the year under report thus achieved growth of 4.4%, up from plus 2.7% in the 2013/2014 financial year. This very pleasing rate of growth was driven both by stores in Germany and those in other European countries.

Germany once again generated the greatest growth momentum. Domestic DIY sales (including new stores) rose by 7.6%, and by plus 5.5% on a like-for-like basis. We expanded our domestic market share from 10% to 11% in 2014. As the comparative year benefited to a very significant extent from consolidation factors in the wake of the Praktiker insolvency and from the mild winter in 2013/2014, the standard to match was very high, particularly in the second half of the year.

Sales at the HORNBAACH DIY stores with garden centers in the eight countries outside Germany also showed pleasing growth in the 2014/2015 financial year. International sales, including one new store, grew by 5.0% in other European countries. Like-for-like sales net of currency items achieved a turnaround. Following reductions in three consecutive years, our international stores achieved substantial adjusted sales growth of 2.8% in the year under report.

We pressed consistently ahead with the sustainable innovation projects at HORNBAACH-Baumarkt-AG, the largest operating subgroup, in the year under report. A large share of the project-related administration expenses were incurred for consistently expanding our e-commerce activities. What's more, further development projects also helped improve the foundations for the Group's long-term growth.

We are satisfied with the earnings performance of the HORNBAACH Group. Alongside the HORNBAACH-Baumarkt-AG subgroup, the associate subgroups HORNBAACH Baustoff Union GmbH and HORNBAACH Immobilien AG also made substantial earnings contributions. As expected, we increased the overall Group's earnings compared with the previous year in the 2014/2015 financial year. Driven by pleasing like-for-like sales growth at the DIY stores with garden centers in conjunction with an improved gross margin, we more than offset the rise in selling and store, pre-opening, and administration expenses resulting in particular from the accelerated expansion and additional outlays for forward-looking strategic projects.

The equity ratio rose to 51.8%. The capital structure and liquidity remain at good levels. In view of our broad spectrum of financing sources, we enjoy a high degree of security and flexibility to finance our further growth. All in all, the economic situation of the HORNBAACH Group is pleasing.

Notes on the Annual Financial Statements of HORNBAACH HOLDING AG (HGB)

HORNBAACH HOLDING AG, whose legal domicile is in Neustadt an der Weinstrasse, Germany, prepares its annual financial statements in accordance with the requirements of the German Commercial Code (HGB) and the supplementary provisions of the German Stock Corporation Act (AktG).

HORNBAACH HOLDING AG is the parent company of the HORNBAACH Group. It is not itself active in the operating retail business, but rather has a number of material shareholdings. By far the most important operating shareholding is HORNBAACH-Baumarkt-AG, which operates DIY megastores with integrated garden centers in Germany and abroad. Further retail activities are located at HORNBAACH Baustoff Union GmbH (construction materials and builders' merchants). Furthermore, the development of retail locations for the operating subsidiaries within the HORNBAACH HOLDING AG Group is pooled at the HORNBAACH Immobilien AG shareholding. Around 53 % of the sales areas owned by the HORNBAACH Group are held by HORNBAACH Immobilien AG.

As in previous years, in the 2014/2015 financial year HORNBAACH HOLDING AG performed important services on behalf of its subsidiaries within the overall Group. The Chairman of the

Board of Management is thus also Managing Director at HORNBAACH Baustoff Union GmbH and its subsidiaries. The Chief Financial Officer simultaneously holds this function for HORNBAACH HOLDING AG and HORNBAACH-Baumarkt-AG. The employees responsible for financial market communications (Investor Relations) are located at HORNBAACH HOLDING AG and also work on behalf of its HORNBAACH-Baumarkt-AG subsidiary. A control and profit transfer agreement is in place between HORNBAACH HOLDING AG and its wholly-owned subsidiary HORNBAACH Immobilien AG.

Business framework

The macroeconomic and sector-specific framework also relevant for HORNBAACH HOLDING AG is described in detail in the Business Report from Page 50 onwards.

Business performance of shareholdings

The retail and real estate activities and the business performance of the HORNBAACH-Baumarkt-AG, HORNBAACH Baustoff Union GmbH, and HORNBAACH Immobilien AG subgroups in the 2014/2015 reporting period are presented in detail in the Business Report in this Annual Report.

Income statement of HORNBAACH HOLDING AG pursuant to HGB (abridged version)

€ 000s	2014/2015	2013/2014
Income from investments	39,389	40,815
Other operating income	984	554
Personnel expenses	1,756	1,664
Depreciation and amortization	37	37
Other operating expenses	2,613	1,840
Interest result	3,764	1,156
Result of ordinary operations	39,731	38,984
Taxes on income	3,308	8,031
Annual net surplus	36,423	30,953
Allocation to other revenue reserves	18,200	15,400
Net profit	18,223	15,553

Earnings situation

HORNBAACH HOLDING AG does not itself have any operations and therefore does not report any sales. At minus € 3.4 million, earnings before interest and income from investments (net balance of other income less personnel expenses, depreciation and amortization, and other expenses) almost reached the previous year's level (2013/2014: minus € 3.0 million).

Income from investments decreased from € 40.8 million in the previous year to € 39.4 million. This was chiefly due to a € 1.4 million reduction in the income transferred from HORNBAACH Immobilien AG to € 24.8 million (2013/2014: € 26.2 million). The income transferred from the investment in HORNBAACH-Baumarkt-AG remained unchanged at the previous year's figure of € 14.6 million. Due to non-period interest income on a previously unrecognized tax refund claim, the financial result rose from € 1.2 million to € 3.8 million.

Overall, the result of ordinary operations at HORNBAACH HOLDING AG grew from € 39.0 million to € 39.7 million in the period

under report. The year-on-year reduction in net income tax expenses reported in the 2014/2015 financial year was chiefly attributable to non-period income on a previously unrecognized tax refund claim in connection with the write-down of a foreign shareholding. The annual net surplus of HORNBAACH HOLDING AG is reported at € 36.4 million (2013/2014: € 31.0 million).

Asset situation

Total assets amounted to € 302.5 million as of February 28, 2015 (2013/2014: € 276.4 million). This increase in total assets by € 26.1 million was primarily due to cash holdings and credit balances at banks, which rose to € 29.4 million (2013/2014: € 8.6 million). Other than this, receivables from associates reduced slightly. Due to the capitalization of a previously unrecognized tax refund claim, other assets rose from € 10.9 million to € 17.8 million. The deferred tax assets recognized increased from € 1.3 million to € 1.9 million. The shareholders' equity of HORNBAACH HOLDING AG grew from € 266.9 million to € 290.8 million at the balance sheet date on February 28, 2015.

Balance sheet of HORNBAACH HOLDING AG pursuant to HGB (abridged version)

Assets	2.28.2015 € 000s	2.28.2014 € 000s
Non-current assets	203,164	203,194
Receivables and other assets	67,598	62,782
Securities	106	107
Cash holdings and credit balances at banks	29,369	8,618
Current assets	97,073	71,507
Deferred expenses and accrued income	394	392
Deferred tax assets	1,889	1,332
Total assets	302,520	276,425
Equity and liabilities		
Shareholders' equity	290,751	266,888
Provisions	7,773	8,338
Liabilities	3,996	1,199
Total assets	302,520	276,425

Financial situation

Information about the principles and objectives of financial management, an explanation of financial liabilities and the capital structure can be found in the Financial Situation of the HORNBAACH HOLDING AG Group (Page 67 onwards).

Mainly as a result of lower outflows of funds for investments in financial assets, cash and cash equivalents increased from € 20.8 million in the previous year to € 29.4 million in the 2014/2015 financial year. There were no material changes in financing activities. Further information about these can be found in the notes to the separate financial statements of HORNBAACH HOLDING AG.

Overall assessment of earnings, financial and asset situation

HORNBAACH HOLDING AG performed satisfactorily in the 2014/2015 financial year. Given a higher interest result, the result of ordinary operations improved by 1.9% to € 39.7 million. At 96.1%, the equity ratio remained at a very high level.

Proposed appropriation of net profit

HORNBAACH HOLDING Aktiengesellschaft concluded the 2014/2015 financial year with an annual net surplus of € 36,423,352.88. Following the allocation of € 18,200,000.00 to other revenue reserves, the Board of Management and Supervisory Board propose to appropriate the net profit of € 18,223,352.88 as follows:

- € 0.77 dividend per share with a nominal value of € 3.00 on 8,000,000 ordinary shares
- € 0.80 dividend per share with a nominal value of € 3.00 on 8,000,000 preference shares
- Dividend distribution: € 12,560,000.00
- Further allocation of € 5,663,352.88 to revenue reserves

EVENTS AFTER THE BALANCE SHEET DATE

No events that could be of material significance for the assessment of the net asset, financial or earnings position of HORNBAACH HOLDING AG or of the HORNBAACH HOLDING AG Group occurred between the balance sheet date on February 28, 2015 and the date of preparation of this Annual Report.

RISK REPORT

Risk management at the Group

All entrepreneurial activity directly involves opportunities and risks. Effectively managing opportunities and risks therefore represents a critical success factor in sustainably securing the company's value. The Board of Management of HORNBACH HOLDING AG is committed to risk-conscious corporate management which accords top priority at all times to safeguarding the continued existence of the overall company and its subsidiaries. The risk management system (RMS) implemented by the Board of Management is intended to achieve ongoing enhancements in the early identification of risks with the aim of proactively managing such risks, as well as continuously optimizing the company's opportunity/risk profile. On this basis, the Board of Management has adopted the following principles.

Risk policy principles

The generation of economic profit necessarily involves risk taking. Nonetheless, no action or decision may entail any existential risk, i.e. any threat to the continued existence of the company or any of its operations. As a matter of principle, the Group does not enter into any risks which relate neither to its core processes nor to its support processes. Core processes involve developing and implementing the respective business models, procuring merchandise and services, location decisions, safeguarding liquidity and developing specialist and management personnel. Any earnings risks entered into have to be justified by an appropriate level of expected return. The relevant key figures are based on the return on capital employed. Risks which cannot be avoided have to be insured against, where this is possible and economically expedient. Residual risks have to be controlled by means of a range of risk management instruments.

Organization and process

The risk management system in place at the HORNBACH HOLDING AG Group forms an integral part of the company's management structure. It consists of the central components of early risk identification, controlling and planning processes, reporting and an internal control system, and is continually enhanced and optimized. Within these ongoing improvements to its risk management, in the 2014/15 financial year the company redefined the implications and probability of occurrence intervals for its risks to allow HORNBACH-specific requirements to be presented even more appropriately.

Responsibility for establishing, organizing and maintaining a suitable, target-based risk management system, and the internal control system in particular, lies with the Board of Management. In terms of the organization and maintenance of the system, the Board of Management is supported by the Director of Group Controlling / Risk Management.

The Board of Management has appointed risk managers at the Group's operations in Germany and abroad. These are charged with identifying and reporting risks in their areas of responsibility and managing such risks with appropriate measures.

These responsibilities and accountabilities are clearly defined at the Group and reflect our company structure. When identifying and evaluating risks and determining appropriate measures to manage such risks, risk managers are supported by a central risk controller responsible for coordinating risk management processes.

Earnings risks are analyzed with the assistance of a risk matrix. This records both the probability of occurrence and the potential level of damages of the relevant risks. This way, we can assess the existence and extent of any need for action. Where risks cannot be quantified, they are assessed in terms of their qualitative implications.

Company risk assessment categories in ascending order

Probability of occurrence		Potential implications (in €)	
improbable	≤ 1 %	low	≤ 5.0 million
rare	> 1 % - ≤ 5 %	moderate	> 5.0 million - ≤ 10.0 million
occasional	> 5 % - ≤ 20 %	noticeable	> 10.0 million - ≤ 50.0 million
possible	> 20 % - ≤ 50 %	severe	> 50.0 million - ≤ 100.0 million
frequent	> 50 %	critical	> 100.0 million

The principles and regulations underlying the risk management system are documented in a risk management handbook. This sets out uniform principles for the overall Group concerning the structures and processes necessary for the early detection of risks. To support the risk management process, a standard software solution has been implemented across the Group which offers assistance in recording and documenting risks and the relevant risk management measures.

Risks are updated quarterly and reported to the Board of Management. The Supervisory Board and Audit Committee discuss the current risk situation on a half-yearly basis. Alongside this scheduled reporting, ad-hoc reporting structures are also in place and have been implemented in the risk management process for risks arising unexpectedly.

The internal control system currently in place is based on standardized documentation requirements at the Group for all processes and related risks which could have a material impact on the financial reporting process. The internal control system is supported in this respect by the relevant work instructions and handbooks available on the Group's intranet.

Within the framework of its activities, the Group Internal Audit Department regularly audits the functionality of the existing risk management system. When auditing the annual financial statements, the external auditor also assesses whether the early warning risk identification system is suitable to provide early warning of any developments that could threaten the continued existence of the company.

Internal control and risk management system in respect of the group financial reporting process (report and pursuant to § 315 (2) No. 5 HGB)

The objective of the internal control and risk management (IKS) system in respect of the financial reporting process is to identify and evaluate those risks which could prevent the consolidated financial statements from conforming to the relevant requirements. Corresponding control measures and clear responsibilities are allocated for the risks thereby identified. These are intended to provide reasonable assurance of the possibility of preparing financial statements for the overall Group and those subsidiaries requiring consolidation that conform to the relevant requirements in spite of the risks thereby identified.

At the HORNBAACH HOLDING AG Group, the existing internal control (IKS) system in respect of the financial reporting process and associated risk matrix are documented on a group-wide basis. Country-specific features deviating from group processes are described by the subsidiaries and added to the documentation. The appointment of IKS managers at the country companies and parent company ensures that material process changes are documented and suitable checks implemented. In this respect, IKS managers are required to submit annual declarations of conformity. The existing IKS system is continually being developed further.

Alongside defined control mechanisms, such as technical system and manual agreement processes, key elements of the internal control system include the separation of functions and the existence of guidelines and work instructions, and compliance with such. The principle of dual control is applied

throughout the financial reporting process, and compliance is required with specified approval processes. Clearly defined company and management structures, clearly allocated responsibilities and adequate regulations governing access to the information and accounting systems relevant to the financial statements based on a standard authorization concept valid for the entire Group serve to further manage and control risks. These principal control measures are integrated into financial reporting processes.

Group companies prepare their financial statements locally. They are responsible for accounting for local requirements and compliance with group-wide guidelines in the form of work instructions and accounting and organization handbooks, as well as for the correct reconciliation of local separate financial statements with the IFRS financial statements prepared in accordance with group-wide uniform accounting policies. The accounting handbook in particular sets out clear instructions limiting employees' discretionary scope in terms of the recognition, measurement and disclosure of assets and liabilities, thus reducing the risk of accounting inconsistencies within the Group.

The managers responsible for the accounting treatment of the relevant items at individual group companies submit quarterly group-internal declarations of completeness confirming the correctness and completeness of the respective separate financial statements. On group level, the Group Accounting Department and Group Controlling Department perform further checks on the plausibility and correctness of the accounting data input into the financial statements. The process of preparing consolidated financial statements is centrally coordinated by way of a specified deadline and activity plan and monitored both centrally and locally. Subsidiaries are supported by central contact partners throughout the entire financial reporting process.

Major changes to financial reporting processes due to new laws, legislative amendments or changes in internal processes are discussed prior to implementation at international finance conferences for all managers with significant in-

volvement in the group financial reporting process. Specialist accounting or financial reporting issues and complex matters either involving particular risks or requiring special expertise are monitored and processed centrally. External experts, such as chartered surveyors, are drawn on in particular to assess the fair values of real estate for impairment tests or to measure pension provisions.

All significant processes relevant to financial reporting are uniformly portrayed across the Group in a common IT system for the overall Group. This complete integration of all major finance systems within a uniform IT system ensures the integrity of the data on which the separate and consolidated financial statements are based. In conjunction with the accounting handbook valid for the whole Group, the use of uniform account codes across the Group and central management of the account system ensure uniform accounting treatment of transactions of the same nature.

This also serves as a basis for group consolidation in line with the relevant requirements. Consolidation measures and necessary agreement activities are performed centrally by a consolidation department. The checks undertaken in the consolidation processes, such as the consolidation of liabilities, expenses or revenues, are performed both automatically by the IT system and manually. The risk of system breakdowns or data loss is minimized by centrally managing and monitoring all significant IT systems involved in the financial reporting process and regularly performing system backups.

As an integral component of the internal control system, the Group Internal Audit Department regularly audits the effectiveness of the internal control system in respect of the financial reporting process on the basis of trial samples reviewed in line with a risk-oriented audit plan. Alongside these internal audits, the external auditor also assesses the effectiveness of internal checks relevant to the financial reporting process within its audit. However, even suitable functional systems cannot provide absolute certainty concerning the identification and management of risks.

Overview of overall risks*

	Probability of occurrence	Potential implications
Financial risks		
Foreign currency risks	possible	low
Liquidity risks	improbable	critical
Credit risks	rare	moderate
External risks		
Macroeconomic and sector-specific risks	possible	noticeable
Natural hazards	improbable	severe
Operating risks		
Location and sales risks	frequent	noticeable
Procurement risks	occasional	moderate
Legal risks		
Legislative and regulatory risks	occasional	severe
Risks relating to legal disputes	possible	low
Management and organizational risks		
IT risks	improbable	critical
Personnel risks	possible	moderate

* Unless otherwise stated, the risks hereby listed apply to the "HORNBAACH-Baumarkt-AG subgroup", "HORNBAACH Baustoff Union GmbH subgroup", and "HORNBAACH Immobilien AG subgroup" segments.

Financial risks

The Group's financial risks comprise foreign currency, liquidity, and credit risks. Responsibility for managing these risks lies with the treasury department.

Foreign currency risks

In general, HORNBAACH is exposed to foreign currency risks on account of its activities in countries with currencies other than the euro. Specifically, these involve Swiss francs, Czech crowns, Swedish crowns, Romanian leis, and Hong Kong dollars. Any depreciation in a foreign currency against the euro can lead to a reduction in consolidated earnings when translating the separate financial statements of foreign subsidiaries into euros, the Group's currency. These risks are not hedged at the Group.

Furthermore, the increasingly international business activities of the Group result in rising foreign currency requirements

both for handling international merchandise procurement and for financing objects of investment in foreign currencies. Any change in the exchange rate between the respective national currency and the procurement currencies (chiefly EUR and USD) could have a direct negative impact on earnings. Open foreign currency positions in USD are largely secured by hedging transactions (USD fixed-term deposits). Where possible, investments are financed in the functional currency of the respective country company (natural hedging). Open foreign currency positions arising at the Group in EUR, which mainly relate to intragroup deliveries and services invoiced in EUR and intragroup EUR loans, are not hedged.

Liquidity risks

The acquisition of land, investments in DIY megastores with garden centers and procurement of large quantities of merchandise require high volumes of liquidity to be permanently available. The financing of the company's further expansion is

secured by the inflow of funds from the operating cash flow, as well as by bilateral bank loans and credit lines, a syndicated credit line of € 250 million at HORNBAACH-Baumarkt-AG with a term running until April 15, 2019, a promissory note bond at HORNBAACH-Baumarkt-AG with a volume of € 80 million and a term running until June 30, 2016, a promissory note bond at HORNBAACH Immobilien AG with a volume of € 70 million and a term running until June 30, 2017, and not least the € 250 million bond issued by HORNBAACH-Baumarkt-AG in February 2013, which has a term running until February 15, 2020. HORNBAACH counters the risk of no longer being able to obtain longer-term financing for new locations from banks or via sale and leaseback transactions due to financing conditions on the capital markets by flexibly adjusting its investments, maintaining a substantial liquidity cushion, and with short and medium-term financing based on existing credit lines. No security in the form of assets was granted in connection with the bond, the syndicated credit line and the promissory note bonds at HORNBAACH-Baumarkt-AG, or the promissory note bond at HORNBAACH Immobilien AG. The contractual terms nevertheless require compliance with specified customary bank covenants. Failure to do so may possibly result in immediate repayment being required for the funds drawn down. This would necessitate follow-up financing, which would only be possible on stricter refinancing terms.

Alongside general covenants, such as *pari passu*, negative pledge, and cross default covenants, specific financial covenants were also agreed for the promissory note bond and the syndicated credit line at HORNBAACH-Baumarkt-AG. These require compliance with an equity ratio of at least 25 % and interest cover (adjusted EBITDA / gross interest expenses) of at least 2.25 on the level of the HORNBAACH-Baumarkt-AG subgroup. Furthermore, maximum limits have been set for financial liabilities secured by land charges and for financial liabilities at subsidiaries of HORNBAACH-Baumarkt-AG. The bond at HORNBAACH-Baumarkt-AG is only governed by general covenants, such as *pari passu*, negative pledge, and cross default covenants, but not by financial covenants. As of February 28, 2015, the equity ratio of the HORNBAACH-Baumarkt-AG

subgroup amounted to 53.3 % (2013/2014: 51.6 %) and its interest cover amounted to 10.6 (2013/2014: 10.0).

In connection with the promissory note bond at HORNBAACH Immobilien AG, this subgroup is required to ensure that a specified level of unencumbered property, plant and equipment is maintained.

Compliance with these covenants is monitored on an ongoing basis. All covenants were complied with at all times during the 2014/2015 financial year.

The information required for efficient liquidity management is provided by rolling group financial planning with a twelve-month budgeting horizon, which is updated monthly, as well as by a daily financial forecast. The Group currently faces no risks in connection with any follow-up financing necessary to cover maturing financial liabilities. At present, no liquidity risks are discernible.

Credit risks

The company limits the risk of any financial loss in connection with financial investments and derivative financial instruments by working exclusively with contractual partners of strong creditworthiness and selecting banks covered by collective deposit security arrangements. Moreover, bank deposits have been distributed among several financial institutions in order to counter the increased risk of bank deposit default in the context of the financial market crisis and the subsequent European credit and sovereign debt crisis. This approach was also maintained in the 2014/2015 financial year. The company's retail format (cash and carry) means that the risk of receivables defaults in its operating divisions is already considerably reduced. Default risks in the builders' merchant business are managed using active debtor management procedures governing the application of creditworthiness-based limits for customer loans.

Further detailed information about financial risks and sensitivity analyses can be found in Note 33 in the notes to the consolidated financial statements.

External risks

Macroeconomic and sector-specific risks

The dependency of HORNBAACH DIY megastores with garden centers on general macroeconomic developments and levels of disposable household income may become apparent in the form of unwillingness on the part of customers to make purchases in periods of low economic growth. Not only that, the positive overall economic trend in Europe may also turn out weaker than expected due to the influence of negative developments in the global political and economic framework.

Irrespective of this, a major dependency on economic developments in Germany has been identified. The further expansion into other European countries is intended to achieve an ongoing diversification of risk. Furthermore, the company generates a substantial share of its sales with seasonal articles whose turnover is significantly affected by external factors, such as weather conditions. Prolonged winter weather, for example, might shorten the spring season and result in lower sales in the gardening division in the important 1st quarter of the financial year.

Changing consumer behavior, particularly with regard to increasing digitization, also harbors risks. To be prepared for the future in this respect, and thus counter this risk, we have gradually expanded our online activities by way of an integrated multichannel strategy.

Natural hazards

The climate change observable around the world also directly affects HORNBAACH locations in Germany and other European countries. In addition to potential natural catastrophes (e.g. gales, flooding), the Group is also exposed to risks resulting from fire and explosions. The principal insurable natural hazards and any potential interruption to operations arising as a result are covered by group-wide insurance policies.

Operating risks

Location and sales risks

Investments in unsuitable locations could have a significant negative impact on the Group's earnings power. To minimize such risks, investments in new locations are therefore prepared on the basis of detailed market research analysis, with investment decisions being taken on the basis of dynamic investment calculations and sensitivity analyses. The risk of unsatisfactory sales performance due to additional existing factors, such as customer behavior and the local competitive situation, can nevertheless not be excluded entirely. Ongoing investments therefore have to be made in locations, enhancing customer service levels, and in new concepts in order to maintain the company's competitiveness, especially in countries with low market growth and intense competition.

Procurement risks

As a retail company, HORNBAACH is dependent on external suppliers and manufacturers. We exercise the utmost caution in our selection of our suppliers. Particularly when selecting private label suppliers, we pay attention to their reliability in terms of high product quality and their consistent compliance with safety and social standards at the respective companies. To avoid the loss of major suppliers, the Group has developed an efficient early warning system that monitors suppliers continuously on the basis of various quantitative and qualitative criteria. The implications of any potential supplier loss are further reduced by probing the market for alternative substitutes at an early stage and maintaining a multi-supplier strategy. Should there be any deterioration in the macroeconomic situation, however, then the risk of the Group losing suppliers and being unable to procure such products elsewhere at short notice cannot be excluded entirely.

The overall Group has a total of four central warehouses in order to reduce the risk of any interruption to the logistics chain and optimize the supply of merchandise. In its procurement of merchandise, HORNBAACH is subject, among other risks, to increasing purchasing prices for articles involving a high share of crude oil, copper or steel as a result of volatile prices on the international commodities markets. Furthermore,

higher prices for products involving energy-intensive manufacturing processes could lead to an increase in overall procurement costs, one which it might not be possible to pass on to customers, or only following a certain delay.

Legal risks

Legislative and regulatory risks

As a result of its international business activities, the HORN-BACH HOLDING AG Group is subject to various national legislative frameworks and regulations. Legislative amendments may therefore lead to higher compliance costs. Alongside risks such as those relating to damages claims due to infringements of patents or industrial property rights, or of damages resulting from environmental or product liability, the Group's future earnings situation may also be negatively affected in particular by any tightening up of national construction laws or regulations governing the acquisition of land. To avoid contract breaches and disadvantageous arrangements, we continually monitor compliance with our contractual obligations and seek advice from internal and external legal experts for contract-related matters. Furthermore, to help avert fraudulent actions, the Board of Management has adopted a group-wide Corporate Compliance Policy.

Risks relating to legal disputes

In the course of their business operations, the companies of the HORN-BACH HOLDING AG Group are inevitably confronted with legal claims on the part of third parties, both in court and out of court. Precautionary accounting measures are taken by recognizing a suitable level of provisions for existing risks in connection with legal disputes. At present, HORN-BACH is not involved in any current or foreseeable court or arbitration proceedings which could have any significant impact on the Group's economic situation.

Management and organizational risks

IT risks

The management of the Group is heavily dependent on high-performance information technology (IT). The ongoing maintenance and optimization of IT systems is performed by highly qualified internal and external experts. Unauthorized data access, and the misuse or loss of data are averted by using appropriate up-to-date virus software, firewalls, adequate access and authorization concepts and existing backup systems. Appropriate emergency plans are in place for unexpected breakdowns in IT systems.

Personnel risks

The deployment of highly motivated and qualified employees represents one of the foundations for HORN-BACH's success. This pillar of the corporate culture is therefore of great significance for the overall Group. The maintenance of employee satisfaction is therefore evaluated in regular employee surveys carried out by external service providers, while employee qualification levels are continually improved with appropriate training and development measures. Performance-based bonus models support the company in reaching this objective. Not only that, all management staff hold annual one-to-one meetings with their employees in which their past performance is appraised and future development measures are agreed. In its retention of highly qualified specialist and management personnel, however, HORN-BACH is dependent on a variety of external factors, such as overall developments on the labor market or in the sector, and is also subject to the country-specific impact of demographic changes.

Overall assessment of risk situation

There were no risks to the continued existence of the HORN-BACH HOLDING AG Group in the 2014/2015 financial year. From a current perspective, there are also no discernible risks that could endanger the continued existence of the company in future or sustainably impair its earnings, financial or net asset position.

OPPORTUNITY REPORT

The European DIY sector will continue to provide HORNBAACH with growth opportunities in future as well. These are to be assessed in conjunction with the risks outlined in the Risk Report and the evaluation of the future macroeconomic framework provided in the Outlook.

The business performance of DIY and garden stores may be affected in the coming years by a series of sector-specific development trends (megatrends). Against this backdrop, the company is consistently enhancing its retail format and corporate strategy, aiming to ensure continuity, reliability and sustainability so as to make optimal use of potential opportunities for future growth.

Sector-specific opportunities

Megatrends play a key role for DIY store and garden center operators. These harbor various degrees of potential in individual country markets in terms of rising demand for products and services relating to construction, renovation and gardens.

In the hunt for growth factors, one key aspect of relevance to the entire European construction and modernization sector is the great need for solutions in terms of energy-saving building technology and energy efficiency and of contemporary interior fittings. Overall, we believe that the outlook is favorable for increasing sales and earnings in the DIY sector in Germany and abroad. These growth prospects are backed up by, among other factors, the opportunities briefly described below.

Opportunities due to sustainability

Construction work on existing buildings (the modernization and renovation market) has become an ever more important factor in the business performance of DIY and garden stores in recent years. The share of construction work involving new housing, by contrast, is declining across Europe and most recently accounted for significantly less than half of total housing construction investments. In Germany, sales in the modernization market have exceeded new construction volumes since 1998. Due to favorable financing terms, the share of new construction work has risen slightly once again since 2011. Nearly three quarters of the total construction volumes

of around € 175 billion nevertheless involved modernization projects. Three key trends are responsible for this development:

- The **age structure of existing real estate** indicates an increasing need for maintenance and modernization. In Germany, for example, three quarters of all apartments are more than 30 years old. Almost one in three detached houses in Germany is in need of renovation. Half of the owner-occupied houses built between 1949 and 1960 have not yet been comprehensively renovated and no longer meet current technology standards in terms of energy efficiency. Given that the property will decline in value and attractiveness on the housing market unless renovation measures are undertaken, the need for construction services and materials can be expected to increase. Interest rates, still at record lows, have improved private households' financing opportunities here.
- Given the long-term increase in energy costs and climate protection, renovating buildings in terms of their energy efficiency is becoming an ever more important factor – one promoted not least by numerous laws, directives, ordinances and subsidies on European and national levels. **Energy-efficient construction and renovation** enable a residential property's energy costs to be cut by up to three quarters and the property's operating costs to be sustainably reduced over its lifecycle. Energy-efficiency renovation also makes a major contribution towards cutting CO₂ emissions. Energy efficiency is therefore one of the top themes in the European DIY sector.
- Given demographic developments in Europe, **barrier-free construction** involves the challenge of adapting existing living space and urban infrastructure to enable elderly people to retain their freedom and live independently in their familiar surroundings for as long as possible. Demand for senior citizen-friendly construction solutions, such as barrier-free access to buildings and apartments, the installation of elevators, and doorway-widening and sanitary conversion measures, will therefore continue to rise.

These trends can also be summarized under the heading of "sustainability". The ecological, economic and social dimension of sustainable construction is ever more important as a key competitive factor, not only in the real estate market. At the same time, by offering the right range of products and services, high-performing industrial and retail players, as well as tradesmen, stand to benefit from the ever greater sales potential resulting from this development.

Opportunities due to consumer trends

Past experience shows that people are more likely to withdraw into their private sphere during periods of uncertainty than at other times ("homing"). Consumers spend more time at home again and are prepared to invest in decorating and equipping their own four walls. This is not just a German phenomenon but also a key international motivation for home improvement as a popular leisure activity. This is all the more relevant at present, as consumers in numerous regions across Europe are benefiting from low mortgage interest rates and prefer to channel their resources into private house construction or renovation projects than into alternative capital investments that are increasingly viewed as unsafe or unattractive.

The realization of "living worlds" is playing an ever greater role in modernization projects in consumers' houses, apartments and gardens. Consumers are showing growing awareness of trends and influences from the realms of fashion, art, architecture and the media. Consumers' desire to map these living trends onto their own four walls is socially motivated by a desire for durable values, quality (of living), individualism and emotional flair. Compared with specialist retailers, the DIY store sector still has great potential for development, and thus new opportunities, in terms of addressing its target groups in ways which arouse their emotions, presenting "living worlds", and advising consumers on complex interior design projects.

Opportunities due to new market potential

Numerous different sales formats are competing for the favor of DIY enthusiasts, construction clients and garden lovers in the European DIY market. By offering suitable customer focus and specialist retail concepts, DIY store operators have the opportunity to acquire additional market share at the cost of other sales formats. This growth potential is inversely proportionate to the share of the total DIY market accounted for by DIY stores in a given country.

Germany is the largest DIY market in Europe. Having said this, DIY and home improvement stores in Germany have so far only exhausted part of their customer potential. In Germany, this distribution channel only covers around half of the core DIY market, which has a market volume of around € 43 billion. The other half of the market is accounted for by specialist retailers (e.g. specialist tile, interior decoration, lighting or sanitary stores), builders' merchants, and timber merchants. In other European countries, DIY stores account for a higher share of the market, in some cases considerably so.

Alongside activities to boost competitiveness in stationary retail formats, since 2010 the DIY store and garden center sector has also increasingly relied on the internet as a distribution channel. Online retail has reported by far the strongest growth rates within the overall retail sector. E-commerce with DIY product ranges has so far posted an above-average performance in this respect. According to forecasts compiled by IFH Retail Consultants, online sales in Germany involving typical DIY store product groups are set to grow by more than 10 % to around € 2.6 billion in 2015. The experts expect online sales with all DIY and home improvement formats available in the stationary retail sector to show even more dynamic developments, with forecast growth 16 % to € 495 million.

Specialists see multichannel retailing, in which the stationary business is closely dovetailed with online retail, as representing one of the most promising sales formats within e-commerce. Not only that, e-commerce is also set to become even more sociable. Social media offer innumerable platforms

for consumers to share their experience with projects, products, and prices, as well as with providers and their service and quality standards. Ever more companies in the DIY sector are dealing closely with these networks and entering into active dialog with their customers.

Opportunities due to internationalization

Over and above the opportunities available in the German DIY market, the company's expansion into other countries offers additional growth prospects. Numerous leading German DIY store players already took the decision to expand outside their own borders years ago. Outside Germany, they hope to benefit from greater sales potential and higher profitability than in the saturated German market. Not only that, internationalization also helps companies spread their market risks more widely. It should be noted, however, that regional DIY markets are increasingly gaining in maturity and that some EU countries are having trouble recovering from the downstream impact of the financial and sovereign debt crisis on employment and income levels. These factors increase the strategic, as well as the equity requirements placed in DIY retail players if they wish to generate attractive sales and earnings growth in their international businesses in the longer term as well.

Strategic opportunities

Our aim is to continually expand HORNBAACH's position in the European DIY market by means of organic growth. Our sales and profitability are to be sustainably increased by expanding our internationally successful retail format. This involves focusing on the strategic enhancement of our concept and the expansion of our store network at locations offering above-average growth potential in Germany and abroad.

- The company's strategy focuses on the concept of projects. HORNBAACH is increasingly able to differentiate itself from its competitors with this approach, which is reflected in its product range, service and pricing policies. Our solid financial resources, public corporate rating and the flexibility available to us in refinancing the business on the capital market will enable us to invest considerable sums in **differentiating HORNBAACH's format** in future as well.
- One unshakable component of our uniform strategy across the Group is our reliable **permanent low price policy**. We believe that we are better able to retain customers at HORNBAACH in the long term by offering and guaranteeing the best market price on a permanent basis. In particular, our main target group of project customers, who often undertake large-scale renovation work, needs to be able to budget in the long term. This is not possible with temporary discount campaigns.
- DIY customers are increasingly according priority not only to competitive prices, but also to the **quality and sustainability** of the products and advisory services on offer. Above all the lifestyle-driven customer target group, who base their lifestyles on health and sustainability factors, is playing an increasingly important role in this respect. These so-called "LOHAS" (lifestyle of health and sustainability) mostly have above-average incomes, and are conscious, critical consumers. They accord great value to quality, brand and design. With our focus on the quality and sustainability of our product ranges, accompanied by professional advice, we are particularly well-placed to meet the high standards of these target groups. We are the DIY sector leaders, for example, in trading FSC-certified timber products.
- We believe that we are excellently positioned in the sector with regard to the ever more important **modernization market** and, within this market, especially with regard to the increasingly strict legal requirements governing building **energy efficiency**. We will in future continue to present complex projects, such as the insulation of facades or the replacement of windows and doors, as "Project Shows" at the stores. The "Project Show" is an innovative marketing instrument aimed at intensifying the project concept. Presentations held in special event sections at the stores provide customers with specialist advice, information and suggestions as to how they can undertake renovation projects or realize their dream living space either under their own steam or with specialist support. These activities are accompanied by service packages from our tradesman service. Moreover, further sales momentum may also be

provided by public sector programs subsidizing the renovation of old properties in terms of energy efficiency or to make them senior citizen-friendly. Here, we offer an extensive database of subsidy opportunities on our homepage.

- Furthermore, we are expanding our range of services, information and advice in order to attract **new customer groups** to HORNBAACH. These include home improvement demonstrations at the stores intended to motivate customers to do it themselves, and special workshops for women. These measures are backed up by the promotion of specialist skills on the part of the store personnel with the aim of achieving a further increase in product expertise and advisory competence, and thus in customer satisfaction. Our DIY megastores with garden centers are also increasingly of interest to professional customers. Generous opening hours, the stocking of large quantities, the rapid handling of purchases at our drive-in stores and builders' merchant centers, and the uncomplicated acceptance of residual volumes no longer required make HORNBAACH an attractive alternative to traditional specialist retail or wholesale procurement sources.
- We see the **buy-it-yourself** (BIY) or do-it-for-me market segment as offering promising growth opportunities. This segment includes the target group of those customers who are on the lookout for solutions for their home improvement projects and who wish to purchase the product ranges themselves, but who then prefer to have the work undertaken by a specialist. We also view this market segment within the broader context of the ageing population in Germany and other parts of Europe. Our tradesman service aims to tap this potential.
- For many of our project customers, it has become absolutely normal to plan construction and renovation projects and the related purchases in detail on the internet. Since its launch in December 2010, our online store (www.hornbach.de) has grown into a high-performance virtual DIY megastore and garden center. The internet plays a key role in flanking our stationary retail business.

To account for this, we now offer this opportunity to prepare purchases at our stores with the assistance of our website not only to customers in Germany, but also to those in Switzerland, Austria, and the Netherlands.

One core aspect of our internet presence is the direct relationship our customers have to their preferred HORNBAACH store. This way, our customers can inform themselves online about products, prices and availability and also compare articles. Numerous text and image guidelines offer ideas and assistance in preparing and implementing projects. Customers can have articles delivered directly to their homes by mail order or opt for our "Reserve online and pick up at the store" service. From just four hours after the reservation, all of the articles in stock are ready to be collected from the desired HORNBAACH store. This service is a real timesaver, especially for our professional customers. Not only that, the online shop offers us the opportunity of acquiring new customers outside our store network catchment areas and arousing their interest in the HORNBAACH brand.

- The exploitation of opportunities is not limited to further enhancing our concept or accessing market segments. We are also focusing on **optimizing our operating processes**. The processes involved in store organization, sales and the links to procurement and logistics are subject to a process of ongoing enhancement. This is expected to have a sustainable positive impact on the Group's sales and earnings performance.
- The **internationalization** of group procurement provides us with broad-based access to global procurement markets, and enables us to forge strategic, long-term partnerships with suppliers and industry. These partnerships benefit both sides. We offer each supplier the opportunity to supply all of our stores as efficiently as possible. Suppliers are able to make large-scale logistical deliveries directly to each location, or to supply the merchandise indirectly via our central logistics hubs. We thus provide regional manufacturers as well with the opportunity of growing outside their

existing sales regions and supplying goods to additional countries. The fact that our retail format is increasingly attracting professional customers to HORNBACH has enabled us to acquire production specialists who would otherwise only supply professional specialist retailers. The flexible dovetailing of our suppliers with the company's logistics structures optimizes our value chain and secures a significant competitive advantage for us. The proximity of our suppliers to procurement structures in the individual countries enables us to optimally adapt our product selection to regional requirements in those countries and to improve our margins due to benefits of scale. We are tapping further earnings potential by increasingly developing private labels in cooperation with partners. These provide our customers with attractive value for money, while at the same time differentiating us from competitors.

- HORNBACH is committed to **organic growth**. We will continue to track down opportunities in our expansion across Europe in future as well. In the densely occupied German DIY market, we are relying on selective growth in attractive catchment areas. Here, we can draw on our structural advantages and benefits of scale, especially our high surface productivity together with the largest average store size in the market. In our expansion, we will be focusing on countries outside Germany. Due to their lower degree of market saturation in the DIY megastore and garden center segment compared with Germany, most other European regions harbor above-average growth opportunities.

Explanatory comments on risk and opportunity report of HORNBACH HOLDING AG

The risks and opportunities at HORNBACH HOLDING AG are largely consistent with those presented for the HORNBACH HOLDING AG Group.

OUTLOOK

FORECAST MACROECONOMIC AND SECTOR-SPECIFIC FRAMEWORK

Upon completion of this report, the forecasts concerning the future macroeconomic framework for the retail activities of the HORNBAACH Group still involved uncertainties. Economic optimism was boosted in spring 2015 in particular by the asset purchase program launched by the European Central Bank in March 2015 and by the combination of low oil prices and a weak euro. These factors were nevertheless countered by economic uncertainty due to the ongoing geopolitical crises in Ukraine and the Middle East and the intensification in the discussions surrounding the potential exit of Greece from the euro area ("Grexit"). A high volume of risk factors thus continues to apply. Market volatility has generally increased. Short and medium-term development in sales, procurement, and refinancing markets remain difficult to predict.

One key factor for the business prospects of the HORNBAACH Group is the future development in consumer demand in those countries in which we operate. Private consumer spending is crucially dependent on developments in employment and disposable income, factors that are also influenced not least by developments in inflation, austerity measures to consolidate public finances, or reforms to welfare and healthcare systems. Forward-looking parameters, such as economic and income expectations, or consumers' propensity to spend, provide early indications of developments in consumer confidence ahead of the real macroeconomic data. Not only that, exceptional weather conditions can severely impact on consumer behavior and our seasonal business, even though this factor cannot be accounted for in our advanced planning.

Macroeconomic framework in Europe

Despite the expected positive global momentum due to the reduction in the oil price, in January 2015 the IMF corrected its global economic growth forecast for the current calendar year downwards by 0.3% to 3.5%. Growth momentum is mainly expected to come from industrialized economies. By contrast, major emerging economies, such as China and Brazil, are expected to lose momentum. The euro area will only emerge

gradually from the sovereign debt crisis and is therefore only expected to post moderate growth.

In early 2015, both future macroeconomic developments and companies' future business situations based on key early indicators were most recently assessed increasingly positively. In the median forecast issued by the Centre for European Economic Research (ZEW), economists and bank analysts expect to see GDP growth of 1.2% in the euro area in 2015. This would represent a further acceleration in growth compared with the previous year (plus 0.9%). The European Commission expects to see growth of 1.3% in the current calendar year. According to the ZEW, private consumer spending in the currency area is set to rise at a similar rate. For the European Union as a whole (EU 28), the GfK expects private consumer spending to rise by between 1.0% and 1.5% in real terms.

The Commission's forecasts for most countries in which HORNBAACH operates its DIY megastores with garden centers are significantly more positive than the euro area average. The respective estimates range between plus 0.8% and plus 2.7%. Real-term GDP in 2015 is set to grow by 1.5% in Germany and by 1.4% in the Netherlands. Luxembourg, Slovakia, the Czech Republic, Romania, and Sweden are forecast to achieve growth rates of 2.3% to 2.7%. Only in Austria is the forecast GDP growth of plus 0.8% somewhat lower than the euro area average.

According to Eurostat figures, the retail sector in the euro area (EA 19) posted price-adjusted sales growth of 3.2% and 3.0% in January and February 2015 compared with the equivalent months in the previous year. The equivalent figures for the EU 28 countries are 3.7% and 3.6%. This marks a promising start to the new calendar year.

Having already risen by just under 1% in 2014, European construction volumes are expected to grow by almost 2% in 2015. This is the conclusion reached by the Euroconstruct research and consulting network in its forecast dated February 2015. The experts nevertheless still expect to see marked regional disparities. While Euroconstruct has forecast a no-

ticeable revival in housing construction in Sweden, Germany, Slovakia, the Netherlands, and Austria, for example, the number of apartments completed in the Czech Republic and Switzerland in 2015 is set to fall compared with the previous year.

It remains to be seen how the geopolitical crises and the negotiations concerning Greece remaining in the euro area will impact on confidence indicators as 2015 progresses.

Macroeconomic framework in Germany

Economists surveyed by the ZEW in March forecast economic growth of 1.5% for Germany in the 2015 calendar year. According to the German Institute for Economic Research (DIW), GDP is even expected to rise by 2.2%. As in the previous year already, the strongest momentum for the domestic economy is expected to come from private consumer spending, which will be boosted by substantial income growth and favorable developments on the labor market. The GfK expects private consumer spending in Germany to grow 1.5% in real terms in 2015 (2014: plus 1.1%). Capital investment is on average forecast to rise by 2.1%, following strong growth of 3.4% in 2014. Consumer confidence as measured by the GfK in Germany in March 2015 remained at a record level. German consumer sentiment was thus hardly affected by the crises abroad. Consumers rather saw the German economy as benefiting from a clear upward trend – boosted by a weak euro that should stimulate exports and by lower energy costs.

The German construction industry has forecast nominal sales growth of 2.0% for 2015. The sector still sees housing construction, where sales are expected to show nominal growth of 3.0%, as the driving force behind construction activity. Having said this, according to the sector association forecast commercial and public sector construction are also set to perform positively, with nominal sales growth rates of 1.5% and 1.0% respectively. Based on the DIW's assessment, the substantial construction investments recently seen will lose momentum in 2015, not least as a result of deteriorating opportunities for returns in housing construction.

Based on figures released by the Federal Statistical Office, turnover in the German retail sector grew by 4.3% in real terms and by 3.3% in nominal terms in the first two months of 2015 compared with the period from January to February 2014. Given the favorable economic climate, for the 2015 calendar year the Association of German Retailers (HDE) expects nominal sales growth of 1.5% to around € 466 billion. Online retail is set to continue as the key growth driver this year as well. The HDE expects sales here to grow by 12% to around € 47 billion.

For the current calendar year, the BHB sector association is "cautiously optimistic, also with regard to forthcoming openings in former Praktiker and Max Bahr locations". It has forecast like-for-like sales growth of 1.5% to 2.5% for 2015. The BHB sees potential for this growth in private renovation and housing construction, which should continue to benefit from record-low financing costs and consumers' doubts as to the wisdom of other forms of capital investment.

Overall assessment of the expected implications of the business framework for the Group's business performance

Based on our assessment, the macroeconomic and sector-specific framework forecast across Europe for 2015 – and especially the revival in consumer demand and housing construction activity – will impact positively on the sales and earnings performance of the HORNBAACH HOLDING AG Group in the 2015/2016 financial year.

FORECAST BUSINESS PERFORMANCE OF THE HORNBACH HOLDING AG GROUP IN 2015/2016

The statements made concerning the expected business performance in the 2015/2016 financial year are based on the company's medium-term planning, which has a budgeting horizon of five years and is extrapolated annually. The budget for the financial years 2015/2016 to 2019/2020, into which the annual budget for 2015/2016 is integrated, was approved by the Supervisory Board at the end of February 2015.

Expansion

The **HORNBACH-Baumarkt-AG subgroup** still has not planned any market entry into a new country for the one-year forecast period, but will rather focus on expanding and modernizing its store network in existing country markets, i.e. in Germany and eight other European countries. Depending on the progress made in the building permit and construction planning stages, store openings may be rescheduled between individual years.

The focus of our expansion and investment activities in the 2015/2016 financial year will shift back to our international business. Given the takeover of former locations from the German store network of the Praktiker Group, which was broken up, we focused in the past financial year on our domestic business. Up to six new DIY megastores with garden centers (including two replacement locations) are planned to be opened in 2015/2016. Of these five new openings are at locations in the Netherlands (2), Austria (2), and Romania (1), while one new opening is in Germany. The planned DIY megastores with garden centers in Saarbrücken (replacement location following the conversion of a former Praktiker store) and in Regau in Upper Austria opened in March 2015 already. Furthermore, the annual planning for 2015/2016 also provides for the opening of up to five small-scale DIY stores in the new HORNBACH Compact store format, which has sales areas of around 800 m². Following the opening of the pilot store in Bad Bergzabern at the end of July 2014, the small-scale concept is to be intensively tested from the 2015/2016 financial year. Overall, we aim to increase the total number of HORNBACH DIY stores with garden centers to up to 156 by February 29,

2016 (February 28, 2015: 146), of which up to 102 in Germany and 54 in other European countries.

The **HORNBACH Baustoff Union GmbH subgroup** plans to optimize its regional market position in the 2015/2016 financial year by opening one new outlet, converting an existing location, and terminating operations at one old outlet.

Investments

Gross investments of between € 180 million and € 200 million have been budgeted at the HORNBACH HOLDING AG Group for the 2015/2016 financial year. The overwhelming share of these funds will be channeled into building new stores, equipping new and existing stores, converting and extending existing stores, and IT infrastructure.

The substantial increase in investments compared with the 2014/2015 financial year (€ 119 million) is mainly due to the marked differences between the two periods in terms of the ownership structure of new store openings. Stores owned by the HORNBACH-Baumarkt-AG Group require substantial investments in land and buildings. For stores owned by external third parties, by contrast, the investment volume is largely limited to plant and office equipment. While only two of the stores newly opened in the 2014/2015 financial year were owned by the HORNBACH HOLDING AG Group, up to six new store openings in 2015/2016 are expected to involve group ownership. Part of the real estate investments thereby required was already incurred as advance payments in the 2014/2015 financial year. Given this factor, investments in land and buildings are expected to rise substantially in the one-year 2015/2016 forecast period. Investments in plant and office equipment at new and existing stores and in intangible assets are also expected to increase significantly compared with the previous year (€ 56 million).

HORNBAACH enjoys maximum flexibility in terms of financing its investments. Alongside the free cash flow from operating activities, the company's cash resources and free credit lines mean that a large volume of disposable liquidity is available. In the forecast period, total investments are expected to exceed the inflow of cash from operating activities. A small part of the financing will be secured by way of foreign currency mortgage loans in order to exploit currency-related benefits. The overwhelming share of the additional financial requirement is to be covered with free liquidity. No sale and lease-back transactions have been budgeted for the 2015/2016 financial year.

Sales performance

Our ongoing objective is that of achieving sustainable growth in our core operating business. The sales performance of the HORNBAACH Group is essentially shaped by developments at the HORNBAACH-Baumarkt-AG subgroup.

Sales forecast for HORNBAACH-Baumarkt-AG subgroup

Thanks to the future expansion and increased growth at existing stores, we expect sales at the HORNBAACH-Baumarkt-AG subgroup in the 2015/2016 budget year to significantly exceed the figure for the 2014/2015 financial year under report (€ 3,357 million). Given the macroeconomic and sector-specific framework outlined above, the Group's like-for-like sales net of currency items in the 2015/2016 financial year are expected to show moderate growth compared with the previous year's exacting standard. This also reflects the broad-based economic recovery with a further improvement in consumer confidence assumed for the countries in our European sales network in 2015.

The start to the 2015/2016 financial year was within the projected framework. The exceptional contrast between weather conditions in the spring months of 2013 and 2014 meant that substantial base effects had to be accounted for in our past forecasts, as also in our current forecast for the 2015/2016 financial year. The high degree of volatility is apparent by comparing monthly sales for March: While consolidated sales fell by 18.5% in March 2013 due to weather conditions, in

March 2014 sales surged by 34.5%. As expected, sales in March 2015 settled down at a high level below the previous year's record figure. Consistent with expectations, upon completion of this report it was apparent that sales for the first quarter of 2015/2016 (March 1 to May 31, 2015) would fall short of the previous year's figure (Q1 2013/2014: plus 16.4% to € 977 million) by a single-digit percentage margin. We expect to be able to more than offset the weaker first-quarter sales performance in subsequent quarters.

- In **Germany**, we expect to see further like-for-like sales growth in the 2015/2016 financial year over and above the high level already achieved in the previous year. Given our strong competitive position, we are confident that HORNBAACH will outperform the German sector average and thus acquire further market share in future as well. Our forecast is based on the assumption that the consumer climate in Germany will remain largely stable and continue to be supported by robust developments in employment and income levels. However, any significant macroeconomic disruptions during the forecast period, for example as a result of geopolitical crises or exogenous price shocks on commodity or energy markets, would lead via a deterioration in consumer confidence to downside risks for the development in our like-for-like sales.
- We believe that the sales performance of our stores in **other European countries** will improve further in the 2015/2016 forecast period compared with the 2014/2015 financial year. This expectation is also backed up by the further economic revival in Europe forecast by economists for 2015. We expect to see increasing convergence in the performance in like-for-like sales net of currency items across large parts of our international network. We therefore expect to report comparable rates of adjusted growth in other European countries and in Germany. Any significant deterioration in the macroeconomic framework would also negatively affect the like-for-like sales performance at HORNBAACH's locations in other European countries.

We expect our sales at the HORNBAACH-Baumarkt-AG subgroup, i.e. net sales including new openings, closures and extensions of stores, to show growth in a medium single-digit percentage range in the 2015/2016 financial year. For like-for-like sales net of currency items, we expect to see group-wide growth in a low to medium single-digit percentage range.

Sales forecast for HORNBAACH Baustoff Union GmbH subgroup

Net sales at the HORNBAACH Baustoff Union GmbH subgroup are expected to slightly exceed the previous year's figure in the 2015/2016 financial year.

Sales forecast for the HORNBAACH HOLDING AG Group

Consistent with developments at the largest operating subgroup, HORNBAACH-Baumarkt-AG, we expect consolidated sales on the level of the overall HORNBAACH HOLDING AG Group also to show growth in a medium single-digit percentage range in the 2015/2016 financial year.

Earnings performance

Our indications for the future earnings performance of the HORNBAACH Group are based on developments expected at the HORNBAACH-Baumarkt-AG subgroup, HORNBAACH Baustoff Union GmbH subgroup, and HORNBAACH Immobilien AG subgroup segments.

Within the HORNBAACH-Baumarkt-AG subgroup, we make a distinction between earnings contributions from the DIY store segment and the real estate segment.

DIY store segment

The operating earnings performance of the DIY store segment is principally determined by the rate of change in like-for-like sales, the gross margin, and the development in expenses.

We expect the **gross margin** in the 2015/2016 financial year roughly to match the previous year's level (38.0%). Pressure on prices is expected to remain high in the competitive climate for stationary DIY. We believe that the rapid growth in online retail and resultant increase in price transparency in the DIY store sector will tend to raise pressure on margins in future. We intend to counter the negative impact on prices largely with positive volume effects and the targeted expansion in our share of private labels.

According to our 2015/2016 annual budget, **selling and store expenses** are set to rise slightly more rapidly than sales. As a result, the store expense ratio should slightly exceed the previous year's figure. Within store expenses, we expect to see disparate developments in individual cost items in some cases. Due to the expected collectively agreed pay rises and expansion-related increase in staff totals, personnel expenses will rise slightly faster than sales. Having declined as a proportion of sales in the 2014/2015 financial year, the advertising expenses budgeted for the forecast period will also show slightly disproportionate growth due to the increasing use of innovative advertising formats.

We continue to expect a disproportionate increase in general operating expenses. The main reasons for this on the one hand involve expenses for the innovative expansion in our logistics infrastructure, which will only lead to sustainable savings potential along the value chain in subsequent years. On the other hand, a high volume of maintenance measures for land and buildings has been budgeted once again for the 2015/2016 financial year. Some of the properties used for DIY retail are already more than 20 years old. To maintain their substance while also ensuring an up-to-date store appearance, it will be necessary to make substantial funds available once again in the forecast period to renovate our properties and modernize our sales areas and merchandise presentation. Finally, part of the budgeted increase in operating expenses is also due to our expansion.

Rental expenses, by contrast, should rise less rapidly than sales. Not only that, the measures taken in previous years to optimize energy use with state-of-the-art building control and lighting technology should help ensure that utility expenses in the DIY store segment rise less rapidly than sales.

Pre-opening expenses are set to fall in absolute terms in 2015/2016. Even though eleven store openings are planned in the forecast period, as against eight new store openings and one substantial store extension in the 2014/2015 financial year, up to five of the new stores in the forecast period relate to the new small-scale "HORNBAACH Compact" concept, which involves lower pre-opening expenses than HORNBAACH DIY megastores with garden centers. The budget for the forecast period also includes some pre-opening expenses for new store openings scheduled for the first months of the following 2016/2017 financial year. Pre-opening expenses should fall slightly as a percentage of net sales.

The budget for 2015/2016 accounts for a significantly disproportionate rise in **administration expenses**. Project-driven expenses will continue to play a key role in this respect. We will channel targeted resources into strategic forward-looking projects, and in particular into consistently further expanding our online activities in Germany and other European countries. Furthermore, the budget for information technology, which is closely linked to the strategic projects, has also been raised. In view of this, the administration expense ratio will increase significantly in the 2015/2016 financial year.

Largely due to the substantially disproportionate increase in expenses for infrastructure and strategic projects, EBIT in the DIY store segment in the 2015/2016 forecast period is expected to fall significantly short of the level seen in the 2014/2015 financial year (€ 82.4 million).

Real estate segment

We expect the real estate segment to post a very pleasing earnings performance in the 2015/2016 financial year.

On the one hand, rental income will continue to show stable growth in line with the Group's expansion. On the other hand, a positive base effect means that the real estate expenses budgeted for 2015/2016 are below the previous year's figure in absolute terms. Due to the conversion measures at the former Praktiker and Max Bahr locations taken over by HORNBAACH, general operating expenses in the real estate segment more than doubled in the 2014/2015 financial year. This one-off charge will no longer apply in the forecast period. We therefore expect to see significant operating earnings growth in the real estate segment in the 2015/2016 financial year (2014/2015: € 48.5 million).

Earnings forecast for HORNBAACH-Baumarkt-AG subgroup

This earnings forecast is based on the assumption that there will not be any unexpected macroeconomic downturn or any significant deterioration in consumer confidence in the forecast period.

The earnings performance of the HORNBAACH-Baumarkt-AG subgroup in the forecast period from March 1, 2015 to February 29, 2016 will be shaped by opposing developments in earnings in the DIY store and real estate segments. The improvement in earnings in the real estate segment is expected to more than offset the budgeted reduction in earnings in the DIY store segment in the forecast period.

Our earnings forecast assumes that the operating earnings (EBIT) of the HORNBAACH-Baumarkt-AG subgroup in the 2015/2016 financial year will roughly match the figure for the 2014/2015 financial year (€ 109.8 million).

Earnings forecast for**HORNBACH Baustoff Union GmbH subgroup**

We expect the gross margin in the HORNBACH Baustoff Union GmbH subgroup segment in the 2015/2016 financial year to fall slightly short of the figure for the 2014/2015 year under report. However, this should be offset by improved store and administration expense ratios. Due to one-off factors within other income and expenses in the forecast period, we expect to see a single-digit percentage reduction in the subgroup's EBIT in 2015/2016.

Earnings forecast for the**HORNBACH Immobilien AG subgroup**

We have budgeted stable rental income growth in the HORNBACH Immobilien AG subgroup segment in the forecast period. No sale and leaseback transactions or material disposal gains from the sale of real estate not required for operations are budgeted for the 2015/2016 financial year. Operating earnings should slightly exceed the previous year's figure.

Earnings forecast for the HORNBACH HOLDING AG Group

This earnings forecast is based on the assumption that there will not be any unexpected macroeconomic downturn or any significant deterioration in consumer confidence in the forecast period. At the overall HORNBACH HOLDING AG Group, we expect operating earnings (EBIT) for the 2015/2016 financial year to more or less match the figure for the 2014/2015 financial year (€ 165.1 million).

Separate financial statements (HGB)

The earnings performance of HORNBACH HOLDING AG in the forecast period is closely linked to the respective outlooks on the level of its shareholdings. The forecast development in earnings at the HORNBACH-Baumarkt-AG, HORNBACH Immobilien AG, and HORNBACH Baustoff Union GmbH subgroups can be expected to impact accordingly on the level and rate of change in income from investments. Overall, the result of ordinary operations in the 2015/2016 financial year is expected to more or less match the figure for the 2014/2015 financial year.

OTHER DISCLOSURES

Disclosures under § 315 (4) and § 289 (4) HGB and explanatory report of Board of Management

§ 315 (4) and § 289 (4) of the German Commercial Code (HGB) require specific disclosures to be made in the Group Management Report in the event of a stock corporation participating in an organized market as defined in § 2 (7) of the German Securities Acquisition and Takeover Act (WpÜG) by means of the shares with voting rights thereby issued. However, this is not the case at HORNBACH HOLDING AG, as only non-voting preference shares are publicly listed.

Corporate Governance Declaration pursuant to § 289a HGB

The Corporate Governance Declaration requiring submission pursuant to § 289a of the German Commercial Code (HGB) is available under "Corporate Governance" in the Investor Relations section of the company's homepage at www.hornbach-group.com. Pursuant to § 317 (2) Sentence 2 HGB, the disclosures made under § 289a HGB have not been included in the audit performed by the auditor.

Dependent company report

A report on relationships with associate companies has been compiled for the 2014/2015 financial year pursuant to § 312 AktG. With regard to those transactions requiring report, the report states: "Our company has received adequate counter-performance for all legal transactions and measures executed with the controlling company or any associate of such or at the instigation or on behalf of any of these companies in accordance with the circumstances known to us at the time at which the legal transactions were performed or the measures taken and has not been disadvantaged by such. No measures were omitted at the instigation of or on behalf of the controlling company or any associate of such."

Compensation report

The compensation report sets out the basic features and structure of the compensation paid to the Board of Management and Supervisory Board. It is a constituent component of the Group Management Report and has been presented in the Corporate Governance chapter from Page 21 onwards of this Annual Report.

DISCLAIMER

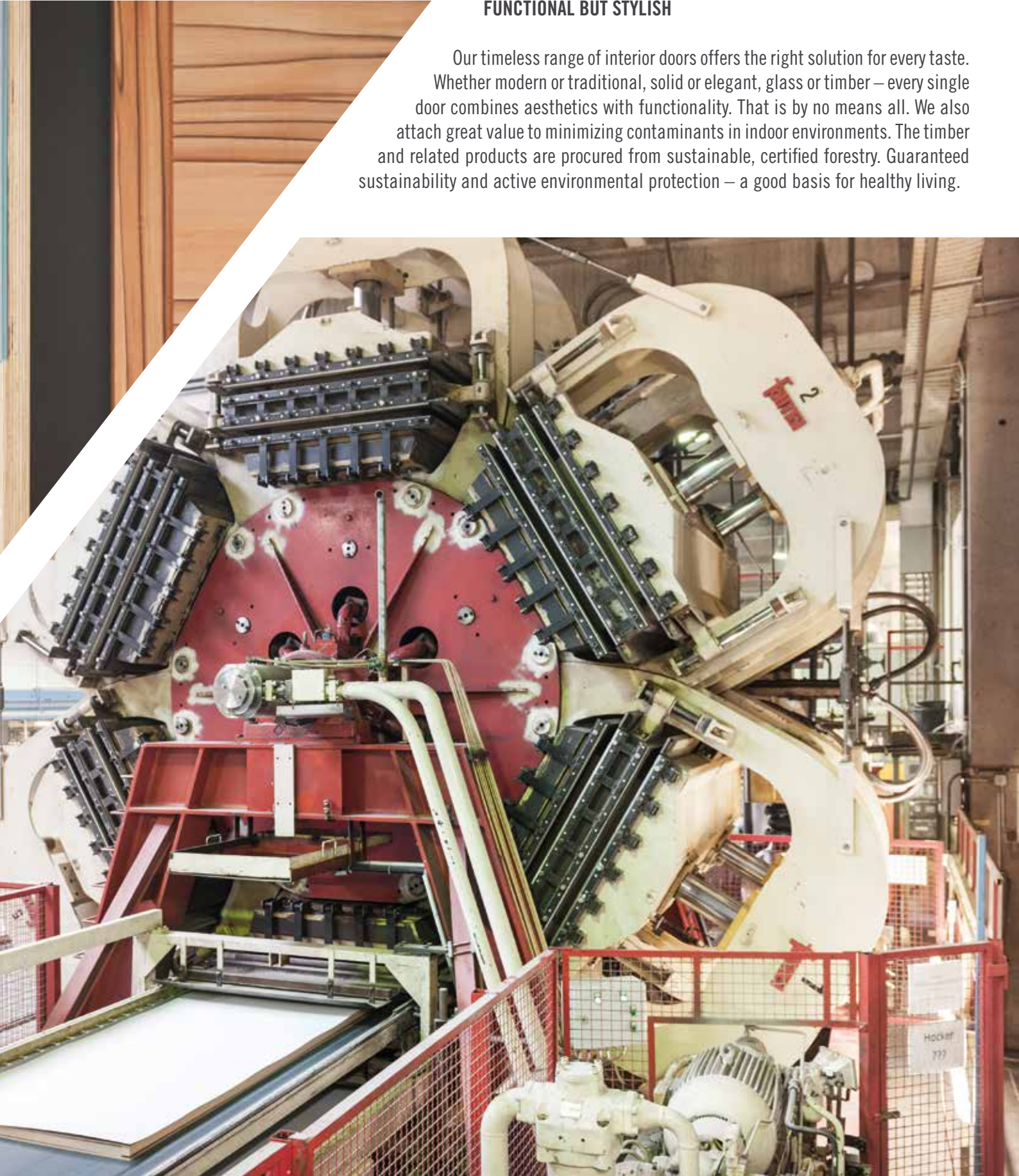
This combined management report should be read in conjunction with the audited financial data of the HORNBAACH HOLDING AG Group and the disclosures made in the notes to the consolidated financial statements which can be found in other sections of this Annual Report. It contains statements referring to the future based on assumptions and estimates made by HORNBAACH's Board of Management. Forward-looking statements 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.



CONSOLIDATED FINANCIAL STATEMENTS

FUNCTIONAL BUT STYLISH

Our timeless range of interior doors offers the right solution for every taste. Whether modern or traditional, solid or elegant, glass or timber – every single door combines aesthetics with functionality. That is by no means all. We also attach great value to minimizing contaminants in indoor environments. The timber and related products are procured from sustainable, certified forestry. Guaranteed sustainability and active environmental protection – a good basis for healthy living.



CONSOLIDATED FINANCIAL STATEMENTS

Income Statement of the HORNBAACH HOLDING AG Group

for the Period from March 1, 2014 to February 28, 2015

	Notes	2014/2015 € 000s	2013/2014 € 000s	Change %
Sales	1	3,571,693	3,369,271	6.0
Cost of goods sold	2	2,237,840	2,135,429	4.8
Gross profit		1,333,853	1,233,842	8.1
Selling and store expenses	3	997,159	920,675	8.3
Pre-opening expenses	4	14,810	9,222	60.6
General and administration expenses	5	164,060	147,547	11.2
Other income and expenses	6	7,322	3,972	84.3
Earnings before interest and taxes (EBIT)		165,147	160,370	3.0
Other interest and similar income		3,977	874	355.0
Other interest and similar expenses		29,369	30,513	(3.7)
Other financial result		(88)	(2,943)	(97.0)
Net financial expenses	7	(25,480)	(32,582)	(21.8)
Consolidated earnings before taxes		139,667	127,788	9.3
Taxes on income	8	32,959	41,620	(20.8)
Consolidated net income		106,708	86,168	23.8
of which: income attributable to shareholders of HORNBAACH HOLDING AG		90,252	72,737	24.1
of which: non-controlling interest		16,456	13,431	22.5
Basic/diluted earnings per share (€)	9	5.63	4.53	24.3
Basic/diluted earnings per preference share (€)	9	5.66	4.56	24.1

Statement of Comprehensive Income of the HORNBAACH HOLDING AG Group

for the Period from March 1, 2014 to February 28, 2015

	Notes	2014/2015 € 000s	2013/2014 € 000s
Consolidated net income		106,708	86,168
Actuarial gains and losses on defined benefit plans	23/24	(11,161)	1,827
Deferred taxes on actuarial gains and losses on defined benefit plans		2,250	(369)
Other comprehensive income that will not be recycled at a later date		(8,911)	1,458
Measurement of derivative financial instruments (cash flow hedge)			
Measurement of derivative hedging instruments directly in equity		(2,999)	(1,324)
Gains and losses from measurement of derivative financial instruments transferred to profit or loss		2,953	4,093
Exchange differences arising on the translation of foreign subsidiaries		16,468	(8,158)
Deferred taxes on gains and losses recognized directly in equity	8	(18)	(728)
Other comprehensive income that will be recycled at a later date		16,404	(6,117)
Total comprehensive income		114,201	81,510
of which: attributable to shareholders of HORNBAACH HOLDING AG		95,600	68,498
of which: attributable to non-controlling interest		18,601	13,012

Balance Sheet of the HORNBAACH HOLDING AG Group

as of February 28, 2015

Assets	Notes	2.28.2015 € 000s	2.28.2014 € 000s
Non-current assets			
Intangible assets	11	11,880	11,980
Property, plant, and equipment	12	1,278,955	1,235,366
Investment property	12	45,253	38,450
Financial assets	13	22	22
Non-current receivables and other assets	14/23	5,002	5,071
Non-current income tax receivables	26	7,282	10,581
Deferred tax assets	15	9,559	8,940
		1,357,952	1,310,410
Current assets			
Inventories	16	567,474	539,142
Other receivables and assets	17	80,831	72,923
Income tax receivables	26	25,651	10,984
Cash and cash equivalents	18	400,936	428,849
Non-current assets held for sale and disposal groups	19	0	0
		1,074,893	1,051,898
		2,432,844	2,362,308
Equity and liabilities			
	Notes	2.28.2015 € 000s	2.28.2014 € 000s
Shareholders' equity	20		
Share capital		48,000	48,000
Capital reserve		130,373	130,373
Revenue reserves		864,495	781,855
Equity of shareholders of HORNBAACH HOLDING AG		1,042,868	960,228
Non-controlling interest		218,032	203,912
		1,260,900	1,164,140
Non-current liabilities			
Non-current financial debt	22	587,286	614,711
Provisions for pensions	23	11,152	757
Deferred tax liabilities	15	55,060	57,352
Other non-current liabilities	24/27	27,508	25,634
		681,005	698,454
Current liabilities			
Current financial debt	22	63,738	94,257
Trade payables and other liabilities	25	306,603	300,013
Income tax liabilities	26	35,405	31,846
Other provisions and accrued liabilities	27	85,193	73,598
Disposal group liabilities	19	0	0
		490,939	499,714
		2,432,844	2,362,308

Statement of Changes in Equity of the HORNBAACH HOLDING AG Group

2013/2014 financial year € 000s	Notes	Share capital	Capital reserve	Hedging reserve	Cumulative currency translation	Other revenue reserves	Equity attributable to share- holders	Non- controlling interest	Total group equity
Balance at March 1, 2013		48,000	130,373	(6,039)	18,527	711,344	902,205	194,661	1,096,866
Consolidated net income						72,737	72,737	13,431	86,168
Actuarial gains and losses on defined benefit plans	23/24					1,113	1,113	345	1,458
Measurement of derivative financial instruments (cash flow hedge), net after taxes				1,730			1,730	312	2,042
Foreign currency translation					(7,082)		(7,082)	(1,076)	(8,158)
Total comprehensive income				1,730	(7,082)	73,850	68,498	13,012	81,510
Dividend distribution	21					(10,480)	(10,480)	(3,764)	(14,244)
Transactions with other shareholders						5	5	3	8
Balance at February 28, 2014		48,000	130,373	(4,309)	11,445	774,719	960,228	203,912	1,164,140

2014/2015 financial year € 000s	Notes	Share capital	Capital reserve	Hedging reserve	Cumulative currency translation	Other revenue reserves	Equity attributable to share- holders	Non- controllin g interest	Total group equity
Balance at March 1, 2014		48,000	130,373	(4,309)	11,445	774,719	960,228	203,912	1,164,140
Consolidated net income						90,252	90,252	16,456	106,708
Actuarial gains and losses on defined benefit plans	23/24					(6,805)	(6,805)	(2,106)	(8,911)
Measurement of derivative financial instruments (cash flow hedge), net after taxes				(336)			(336)	272	(64)
Foreign currency translation					12,489		12,489	3,979	16,468
Total comprehensive income				(336)	12,489	83,447	95,600	18,601	114,201
Dividend distribution	21					(12,560)	(12,560)	(4,516)	(17,076)
Transactions with other shareholders						(251)	(251)	82	(169)
Treasury stock transactions						(150)	(150)	(46)	(196)
Balance at February 28, 2015		48,000	130,373	(4,645)	23,934	845,206	1,042,868	218,032	1,260,900

Cash Flow Statement of the HORNBAACH HOLDING AG Group

	Notes	2014/2015 € 000s	2013/2014 € 000s
Consolidated net income		106,708	86,168
Depreciation and amortization of non-current assets	10	77,976	75,356
Change in provisions		3,588	4,318
Gains/losses on disposals of non-current assets and of non-current assets held for sale		(2,546)	(525)
Change in inventories, trade receivables and other assets		(47,084)	(24,094)
Change in trade payables and other liabilities		20,927	48,321
Other non-cash income/expenses		(3,159)	8,321
Cash flow from operating activities		156,409	197,865
Proceeds from disposal of non-current assets and of non-current assets held for sale		5,088	12,160
Proceeds from disposal of shareholdings and other business units		0	0
Payments for investments in property, plant, and equipment		(115,986)	(113,918)
Payments for investments in intangible assets		(3,029)	(1,590)
Payments for investments in financial assets		0	(104)
Payments for acquisitions of shareholdings and other business units		0	0
Cash flow from investing activities		(113,927)	(103,452)
Capital contributions from other shareholders	20	0	0
Dividends paid	21	(17,076)	(14,244)
Proceeds from taking up long-term debt and bond issue	22	29,246	37,714
Repayment of long-term debt and bond		(62,515)	(44,721)
Payments for transaction costs		(521)	(452)
Change in current financial debt		(20,060)	(271)
Cash flow from financing activities		(70,926)	(21,974)
Cash-effective change in cash and cash equivalents		(28,444)	72,440
Change in cash and cash equivalents due to changes in scope of consolidation		0	0
Change in cash and cash equivalents due to changes in exchange rates		531	(526)
Cash and cash equivalents at March 1		428,849	356,935
Cash and cash equivalents at balance sheet date		400,936	428,849

Cash and cash equivalents include cash on hand, credit balances at banks, and other short-term deposits.

The other non-cash income/expenses item mainly relates to deferred taxes and unrecognized exchange rate gains/losses.

The cash flow from operating activities was reduced by income tax payments of € 42,128k (2013/2014: € 30,882k) and interest payments of € 29,677k (2013/2014: € 31,777k) and increased by interest received of € 904k (2013/2014: € 874k).

The proceeds from disposal of non-current assets and of non-current assets held for sale include proceeds of € 0k from disposals in previous years (2013/2014: € 4,990k).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Explanatory notes on the principles and methods applied in the consolidated financial statements

Basis of preparation

In line with § 315a of the German Commercial Code (HGB), HORNBACH HOLDING AG prepares consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as requiring mandatory application in the European Union. The consolidated financial statements and group management report of HORNBACH HOLDING AG are published in the electronic Federal Official Gazette (Bundesanzeiger).

HORNBACH HOLDING AG is a publicly listed stock corporation whose legal domicile is in Neustadt an der Weinstrasse, Germany. HORNBACH HOLDING AG and its subsidiaries develop and operate DIY megastores with garden centers on an international basis. In addition, HORNBACH HOLDING AG and its subsidiaries are active on a regional level in the professional construction materials and builders' merchant business.

The financial year of HORNBACH HOLDING AG and thus of the Group runs from March 1 of each year through to the final day of February of the following year.

To enhance clarity, individual income statement and balance sheet items have been grouped together. These items are reported separately in the notes. In line with IAS 1 "Presentation of Financial Statements", a distinction is made in balance sheet reporting between non-current and current debt capital. Debt items are treated as current if they are due within one year. The consolidated financial statements have been compiled in euros. This represents the functional currency at HORNBACH HOLDING AG. The figures have been rounded off to the nearest thousand or million euros. Such rounding up or down may result in minor discrepancies between the figures depicted in the various sections of these notes.

The Board of Management of HORNBACH HOLDING AG prepared the consolidated financial statements and approved them for publication on May 21, 2015. The period in which adjusting events could be accounted for thus expired as of this date.

Amendments to recognition and measurement methods as a result of new requirements

Application has been made of all International Financial Reporting Standards and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) valid and requiring mandatory application at the balance sheet date, to the extent that such are relevant for the HORNBACH HOLDING AG Group.

The following new standards, revised standards and interpretations required application for the first time in the 2014/2015 financial year:

- IFRS 10 "Consolidated Financial Statements": In this standard, the concept of control is provided with a new, comprehensive definition. If one company controls another company, then the parent company must consolidate the subsidiary. Under the new concept, control exists when voting or other rights mean that the potential parent company can exercise power over the potential subsidiary, when it participates in

positive or negative variable returns from the potential subsidiary, and when it can influence these returns on account of its power over the potential subsidiary.

HORNBACH HOLDING AG directly or indirectly holds a majority of the shares in the capital of its subsidiaries. This share of capital basically corresponds to the share of voting rights with which "control" as defined in IFRS 10 can be exercised. Other legal arrangements influencing "control" as defined in IFRS 10 do not apply.

Deviating from this assessment, at two special purpose entities (SPEs) the share of capital does not correspond to the share of voting rights. The share of capital in this case amounts to 90 %, while the share of voting rights amounts to 19 %. Irrespective of this, further arrangements concluded with the HORNBACH Group assign substantial rights to the Group to influence key activities and the level of returns at these companies.

As a result, first-time application of IFRS 10 will not have any implications for the future presentation of the consolidated financial statements of HORNBACH HOLDING AG.

- IFRS 11 "Joint Arrangements": This standard provides new requirements for the accounting treatment of joint arrangements. The decisive criterion under the new concept is whether the entity constitutes a joint operation or a joint venture. A joint operation exists when the parties exercising joint control have direct rights over the assets and obligations for the liabilities. The individual rights and obligations are recognized on a prorated basis in the consolidated financial statements. In a joint venture, by contrast, the parties exercising joint control have rights over the net asset surplus. This right is presented in the consolidated financial statements by application of the equity method. The option of proportionate consolidation in the consolidated financial statements is thus obsolete.

Given the share of capital and voting rights held by HORNBACH HOLDING AG in its subsidiaries, there are no joint arrangements as defined in IFRS 11. There are also no other contractual arrangements that would result in a joint operation. First-time application of IFRS 11 will therefore not have any implications for the future presentation of the consolidated financial statements of HORNBACH HOLDING AG.

- IFRS 12 "Disclosure of Interests in Other Entities": This standard governs the disclosure obligations for interests held in other entities. The disclosures required are considerably more extensive than those required to date under IAS 27, IAS 28, IAS 31, and SIC-12.

First-time application of this standard has resulted in extended note disclosures in the consolidated financial statements of HORNBACH HOLDING AG.

The other standards, revisions, and interpretations requiring mandatory application from the 2014/2015 financial year have not had any material implications for the consolidated financial statements of HORNBACH HOLDING AG:

- Amendments to IAS 27 "Separate Financial Statements"
- Amendments to IAS 28 "Investments in Associates and Joint Ventures"
- Amendments to IFRS 10, IFRS 11 and IFRS 12 "Transition Guidance"

- Amendments to IFRS 10, IFRS 12 and IAS 27 "Investment Entities"
- Amendments to IAS 32 "Presentation: Offsetting Financial Assets and Financial Liabilities"
- Amendments to IAS 39 (2013) "Novation of Derivatives and Continuation of Hedge Accounting"

The amendment to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets" was prematurely applied by HORNBAACH in the 2013/2014 financial year.

Standards and interpretations not applied prematurely

The IASB has issued the following standards, interpretations, and revisions to existing standards of relevance to the HORNBAACH HOLDING AG Group which only require mandatory application in later financial years and which the HORNBAACH HOLDING AG Group has also not applied prematurely:

- IFRIC 21 "Levies": This interpretation deals with the accounting treatment of public dues (levies) and clarifies when such obligations have to be recognized as provisions or liabilities in the financial statements. The scope of the interpretation specifically does not include fines, duties resulting from public law contracts or duties covered by the scope of other IFRS standards, such as IAS 12 "Income Taxes". Pursuant to its EU endorsement, the interpretation requires first-time application in financial years beginning on or after June 17, 2014.

This interpretation is relevant for the recognition of land tax obligations at HORNBAACH HOLDING AG. Consistent with the retrospective application requirement, this is expected to have the following implications:

€ 000s	February 28, 2015	March 1, 2014
Assets		
Non-current assets		
Deferred tax assets	181	573
Current assets		
Other receivables and assets	(20)	(158)
Equity and liabilities		
Shareholders' equity		
Revenue reserves	(1,776)	(1,776)
Non-controlling interest	(172)	(172)
Non-current liabilities		
Deferred tax liabilities	(435)	0
Current liabilities		
Trade payables and other liabilities	2,350	2,237
Other provisions and accrued liabilities	193	125

Earnings-effective items that arose as of February 28, 2015 due to retrospective application have no material implications for the consolidated financial statements for the comparative period and have thus already been recognized in full as of March 1, 2014.

- Amendments to IAS 19 (revised 2011) "Employee Contributions": This amendment clarifies how contributions made by employees or third parties should be allocated to service periods in cases where the contributions are linked to service time. Companies may recognize contributions made by employees or third

parties to defined benefit plans as a reduction in current service cost in the period in which the associated work was performed. This approach is conditional on the contributions being independent of the number of service years. This amendment requires first-time application in financial years beginning on or after July 1, 2014. Premature application is permitted. First-time application of this amendment will not have any implications for the future presentation of the consolidated financial statements of HORNBAACH HOLDING AG.

- Annual Improvements to IFRSs 2010 – 2012 Cycle: Within the IASB's annual improvements process, amendments are introduced within individual IFRS standards in order to eliminate inconsistencies with other standards or to specify their content in greater detail. This cycle introduces amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, and IAS 38. Unless otherwise stipulated in individual cases, these amendments require first-time application in financial years beginning on or after July 1, 2014. Premature application is permitted. First-time application of these amendments is not expected to have any implications for the future presentation of the consolidated financial statements of HORNBAACH HOLDING AG.
- Annual Improvements to IFRSs 2011 – 2013 Cycle: Within the IASB's annual improvements process, amendments are introduced within individual IFRS standards in order to eliminate inconsistencies with other standards or to specify their content in greater detail. This cycle introduces amendments to IFRS 1, IFRS 3, IFRS 13, and IAS 40. Unless otherwise stipulated in individual cases, these amendments require first-time application in financial years beginning on or after January 1, 2015. Premature application is permitted. First-time application of these amendments is not expected to have any implications for the future presentation of the consolidated financial statements of HORNBAACH HOLDING AG.

Standards, interpretations and amendments published as of the balance sheet date, but not yet adopted into European law by the EU Commission

The following requirements had been published in English by the IASB and the IFRIC but not yet endorsed by the EU as of the balance sheet date:

- IFRS 9 "Financial Instruments": This standard issued in July 2014 is set to replace the existing IAS 39 requirements. IFRS 9 contains revised guidelines concerning the classification and measurement of financial instruments, including a new expected credit loss model to calculate impairments of financial assets and new general hedge accounting requirements. It has also taken over requirements governing the recognition and retirement of financial instruments from IAS 39. Subject to adoption into EU law, which is still outstanding, this new standard will require first-time application in financial years beginning on or after January 1, 2018.
- IFRS 14 "Regulatory Deferral Accounts": This standard allows first-time adopters of IFRS to continue recognizing regulatory deferral accounts under national law in their IFRS financial statements as well where specific conditions are met. Subject to adoption into EU law, which is still outstanding, this standard will require first-time application in financial years beginning on or after January 1, 2016. Premature application is permitted.
- IFRS 15 "Revenue from Contracts with Customers": This new standard reorganizes the requirements governing the recognition of revenues. As a result, IFRS 15 will replace all previous relevant standards governing revenue recognition (IAS 18, IAS 11, and IFRIC 13), as well as the relevant interpretations. From now on, companies will be required to determine the date or period in which revenues are recognized by reference to a five-stage model. The model will also be used to determine the amount of revenues. In gen-

eral, revenues will have to be recognized as of the date/period in which control over the goods and services is transferred. The standard also includes guidelines for multiple element arrangements and new requirements governing the treatment of service contracts and contract modifications. The scope of note disclosures has also been extended. Subject to adoption into EU law, which is still outstanding, this standard will require first-time application in financial years beginning on or after January 1, 2017. Premature application is permitted.

- Annual Improvements to IFRSs 2012 – 2014 Cycle: Within the IASB's annual improvements process, amendments are introduced within individual IFRS standards in order to eliminate inconsistencies with other standards or to specify their content in greater detail. This cycle introduces amendments to IFRS 5, IFRS 7, IAS 19, and IAS 34. Unless otherwise stipulated in individual cases, these amendments require first-time application in financial years beginning on or after January 1, 2016. Their adoption into EU law is still outstanding.
- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”: This amendment offers clarification concerning transactions between investors and associates or joint ventures. Where the transaction involves a business as defined in IFRS 3, the complete gains or losses must be recognized at the investor. Partial recognition of gains or losses applies when the transaction does not involve a business. Subject to adoption into EU law, which is still outstanding, this standard will require first-time application in financial years beginning on or after January 1, 2016. Due to the envisaged revision of the amendment by the IASB, the EU endorsement process was suspended in February 2015.
- Amendments to IAS 27 “Equity Method in Separate Financial Statements”: This amendment will result in the reintroduction of the option abolished in 2003 of recognizing interests in subsidiaries, joint ventures and associates in the separate financial statements of the investor using the equity method. Subject to adoption into EU law, which is still outstanding, this standard will require first-time application in financial years beginning on or after January 1, 2016.
- Amendments to IAS 16 and IAS 41 “Bearer Plants”: These amendments clarify that bearer plants should in future no longer be recognized under IAS 41. Application is therefore made of IAS 16. Through to maturity, bearer plants should be recognized by analogy with internally generated property, plant and equipment and subsequently using the cost model or the revaluation model. Subject to adoption into EU law, which is still outstanding, this standard will require first-time application in financial years beginning on or after January 1, 2016.
- Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortisation”: The amendments specify that revenue-based methods of depreciation and amortization are not appropriate for property, plant and equipment and intangible assets. A rebuttable presumption nevertheless applies for intangible assets with limited useful lives. In limited cases, it is then nevertheless possible to apply revenue-based amortization. Subject to adoption into EU law, which is still outstanding, this standard will require first-time application in financial years beginning on or after January 1, 2016.
- Amendments to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”: These amendments clarify that the acquisition of interests or additional interests in joint operations should be recognized under IFRS 3 and other standards provided that the operations constitute a business as defined in IFRS 3 and that such recognition does not conflict with the guidelines in IFRS 11. In the case of the acquisition

of additional interests, however, the interests already held do not require remeasurement. Subject to adoption into EU law, which is still outstanding, this standard will require first-time application in financial years beginning on or after January 1, 2016.

- Amendments to IAS 1 “Disclosure Initiative”: This amendment clarifies in particular that disclosure obligations only apply when their content is not immaterial. Furthermore, clarifications have also been introduced concerning the aggregation and disaggregation of items in the balance sheet and the statement of comprehensive income, the presentation of other comprehensive income for companies included at equity, and the structure of note disclosures. Subject to adoption into EU law, which is still outstanding, this standard will require first-time application in financial years beginning on or after January 1, 2016.
- Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”: This amendment specifies the consolidation obligation when the parent company is an investment entity. The circumstances in which there is no obligation to consolidate subsidiaries are listed. Subject to adoption into EU law, which is still outstanding, this standard will require first-time application in financial years beginning on or after January 1, 2016.

The implications of IFRS 9, IFRS 15 and the amendments to IAS 1 “Presentation of Financial Statements” for the consolidated financial statements are currently being investigated. From a current perspective, the other new requirements are not expected to have any material implications.

Consolidation principles

The annual financial statements of the companies included in the consolidated financial statements are based on uniform recognition and measurement principles.

Apart from two companies to be viewed as structured, the separate financial statements of the companies included have been prepared as of the balance sheet date for the consolidated financial statements. The financial year of these two special purpose entities corresponds to the financial year of the holder of the majority of their voting rights. Accordingly, their separate financial statements have been prepared as of December 31, 2014. Account has been taken of all major transactions up to and including the balance sheet date.

Capital consolidation has been based on the purchase method. Any resultant debit differences have been recognized as goodwill. This is tested for impairment in the event of any indication of such and at least once a year.

Any change in the level of shareholding held in a fully consolidated company not leading to a change of status is recognized as an equity transaction.

Intercompany sales, income and expenses, and receivables and liabilities between the consolidated companies have been offset against each other. Where material, intercompany profits have been eliminated.

Scope of consolidation

The assessment as to whether a subsidiary is fully consolidated in the consolidated financial statements of HORNBAACH HOLDING AG is based on an assessment of control-related factors. Control over a subsidiary exists when HORNBAACH can directly or indirectly influence the relevant activities of the subsidiary and when it is exposed to variable returns from the subsidiary or is entitled to such. Furthermore, control enables the level of returns to be influenced. HORNBAACH generally acquires this right when it holds a majority of the voting rights. Where this is not the case, other contractual arrangements may lead to HORNBAACH gaining control. Subsidiaries are fully consolidated in the consolidated financial statements of HORNBAACH HOLDING AG on the date on which control is gained. Should any circumstances or facts indicate a change in the control relationship, then a reassessment is performed.

Interests in companies not included in the scope of consolidation have been recognized in accordance with IAS 39.

In addition to HORNBAACH HOLDING AG, the consolidated financial statements include 17 domestic and 45 foreign subsidiaries by way of full consolidation.

HORNBAACH HOLDING AG is the sole shareholder in HORNBAACH Immobilien AG and Hornbach Baustoff Union GmbH and the majority shareholder with a 76.4 % stake in HORNBAACH-Baumarkt-AG (2013/2014: 76.4 %). Further information about direct and indirect voting rights has been presented in the "Consolidated Shareholdings" overview.

The scope of consolidation also includes investments held by HORNBAACH Immobilien AG as one of three limited partners in two special purpose entities (SPEs). HORNBAACH Immobilien AG holds 90 % of the share capital in these companies and has 19 % of the voting rights. Its controlling influence over the relevant

activities of these companies results from contractual arrangements. The financial year of these companies corresponds to the calendar year.

The HORNBACH-Baumarkt-AG subsidiary compiles its own consolidated financial statements together with its subsidiary companies. The companies consolidated at that subsidiary are included in the consolidated financial statements of HORNBACH HOLDING AG.

Changes to scope of consolidation

HORNBACH Asia Ltd., Kowloon (Hong Kong), and HORNBACH Real Estate Duiven B.V., Duiven (Netherlands), were included in the consolidated financial statements for the first time in the 2014/2015 financial year. Both companies were founded in the 2014/2015 financial year. Furthermore, BM Immobilien Gamma GmbH, Bornheim (Germany), and BM Immobilien Lambda GmbH, Bornheim (Germany), were merged into HORNBACH-Baumarkt-AG, Bornheim (Germany). Furthermore, HIAG Immobilien Gamma GmbH, Bornheim (Germany), and HIAG Immobilien Delta GmbH, Bornheim (Germany), were merged into HORNBACH Immobilien AG, Bornheim (Germany). All mergers took effect as of March 1, 2014.

Moreover, HORNBACH Immobilien AG, Bornheim (Germany), increased its share of the capital in SULFAT GmbH & Co. Objekt Saarbrücken KG, Pullach (Germany), a company fully consolidated in the scope of consolidation, from 90 % to 100 %. The consideration for the minority interests thereby acquired amounts to € 0.1 million. SULFAT GmbH & Co. Objekt Saarbrücken KG, Pullach (Germany), was merged into HORNBACH Immobilien AG, Bornheim (Germany), with effect as of August 31, 2014.

The changes in the scope of consolidation in the 2013/2014 financial year had no material implications for the net asset, financial, and earnings position.

The development in the scope of consolidation was as follows:

	2014/2015	2013/2014
March 1	66	65
Companies consolidated for the first time	2	3
Companies merged	5	2
February 28	63	66

Consolidated shareholdings

Company name and domicile	Shareholding in %	Equity ¹⁾ in thousands, local currency	Local currency
Germany			
HORNBACH-Baumarkt-AG, Bornheim	76.4 ²⁾⁴⁾	533,339	EUR
HORNBACH Immobilien AG, Bornheim	100 ⁴⁾	137,438	EUR
HORNBACH International GmbH, Bornheim	76.4 ²⁾	106,019	EUR
AWV-Agentur für Werbung und Verkaufsförderung GmbH, Bornheim	76.4 ²⁾	281	EUR
HORNBACH Baustoff Union GmbH, Neustadt/Weinstrasse	100 ⁴⁾	62,601	EUR
Union Bauzentrum Hornbach GmbH, Neustadt/Weinstrasse	100	4,820	EUR
Ruhland-Kallenborn & Co. GmbH, Neustadt/Weinstrasse	100	12,455	EUR
Ruhland-Kallenborn Grundstücksverwaltungsgesellschaft mbH, Neustadt/Weinstrasse	100	26	EUR
Robert Röhlinger GmbH, Neustadt/Weinstrasse	100	3,141	EUR
HB Reisedienst GmbH, Bornheim	76.4 ²⁾	7,325	EUR
HB Services GmbH, Bornheim	76.4 ²⁾	18	EUR
HORNBACH Versicherungs-Service GmbH, Bornheim	76.4 ²⁾	123	EUR
HORNBACH Solar-, Licht- und Energiemanagement GmbH, Bornheim	76.4 ²⁾	(35)	EUR
HIAG Immobilien Jota GmbH, Bornheim	100	6,825	EUR
HORNBACH Baustoff Union Grundstücksentwicklungs GmbH, Neustadt	100	(199)	EUR
SULFAT GmbH & Co. Objekt Bamberg KG, Pullach	90	(694) ³⁾	EUR
SULFAT GmbH & Co. Objekt Düren KG, Pullach	90	(480) ³⁾	EUR
Other countries			
HORNBACH Baumarkt GmbH, Wiener Neudorf, Austria	76.4 ²⁾	68,152	EUR
EZ Immobilien Beta GmbH, Wiener Neudorf, Austria	76.4 ²⁾	7,889	EUR
HL Immobilien Lambda GmbH, Wiener Neudorf, Austria	76.4 ²⁾	(223)	EUR
HO Immobilien Omega GmbH, Wiener Neudorf, Austria	99.8	(317)	EUR
HS Immobilien Sigma GmbH, Wiener Neudorf, Austria	76.4 ²⁾	(789)	EUR
HR Immobilien Rho GmbH, Wiener Neudorf, Austria	99.8	(199)	EUR
HC Immobilien Chi GmbH, Wiener Neudorf, Austria	99.8	(77)	EUR

¹⁾ Shareholders' equity corresponds to the local equity; in the case of HORNBACH Centrala SRL and HORNBACH Imobiliare SRL, however, equity has been determined in accordance with IFRS.

²⁾ Of which: 0.0199 % in current assets.

³⁾ Shareholders' equity as of 12.31.2014; controlling influence due to contractual arrangements governing control of relevant activities.

⁴⁾ Direct shareholding

⁵⁾ Of which: 1 % direct shareholding.

Company name and domicile	Shareholding in %	Equity ¹⁾ in thousands, local currency	Local currency
HM Immobilien My GmbH, Wiener Neudorf, Austria	100	(80)	EUR
HB Immobilien Bad Fischau GmbH, Wiener Neudorf, Austria	100 ⁵⁾	(296)	EUR
HORNBAACH Baumarkt Luxemburg SARL, Bertrange, Luxembourg	76.4 ²⁾	11,887	EUR
HORNBAACH Holding B.V., Amsterdam, Netherlands	76.4 ²⁾	92,749	EUR
HORNBAACH Bouwmarkt (Nederland) B.V., Driebergen-Rijsenburg, Netherlands	76.4 ²⁾	10,256	EUR
HORNBAACH Real Estate Tilburg B.V., Tilburg, Netherlands	76.4 ²⁾	685	EUR
HORNBAACH Real Estate Groningen B.V., Groningen, Netherlands	76.4 ²⁾	660	EUR
HORNBAACH Real Estate Wateringen B.V., Wateringen, Netherlands	76.4 ²⁾	821	EUR
HORNBAACH Real Estate Alblisserdam B.V., Alblisserdam, Netherlands	76.4 ²⁾	558	EUR
HORNBAACH Real Estate Nieuwegein B.V., Nieuwegein, Netherlands	76.4 ²⁾	1,318	EUR
HORNBAACH Real Estate Nieuwerkerk B.V., Nieuwerkerk, Netherlands	76.4 ²⁾	1,526	EUR
HORNBAACH Real Estate Geleen B.V., Geleen, Netherlands	76.4 ²⁾	66	EUR
HORNBAACH Reclame Activiteiten B.V., Nieuwegein, Netherlands	76.4 ²⁾	(6)	EUR
HORNBAACH Real Estate Breda B.V., Breda, Netherlands	76.4 ²⁾	1,815	EUR
HORNBAACH Real Estate Amsterdam-Sloterdijk, Amsterdam, Netherlands	76.4 ²⁾	(45)	EUR
HORNBAACH Real Estate Nederland B.V., Amsterdam, Netherlands	100	105	EUR
HORNBAACH Real Estate Best B.V., Nieuwegein, Netherlands	76.4 ²⁾	(37)	EUR
HORNBAACH Real Estate Den Haag B.V., The Hague, Netherlands	76.4 ²⁾	5	EUR
HORNBAACH Real Estate Zwolle B.V., Zwolle, Netherlands	76.4 ²⁾	9	EUR
HORNBAACH Real Estate Almelo B.V., Almelo, Netherlands	76.4 ²⁾	16	EUR
HORNBAACH Real Estate Duiven B.V., Duiven, Netherlands	76.4 ²⁾	338	EUR
HORNBAACH Baumarkt CS spol s.r.o., Prague, Czech Republic	76.4 ²⁾	1,927,954	CZK
HORNBAACH Immobilien H.K. s.r.o., Prague, Czech Republic	97.6	204,616	CZK
HORNBAACH Baumarkt (Schweiz) AG, Oberkirch, Switzerland	76.4 ²⁾	126,012	CHF
HORNBAACH Byggnad AB, Gothenburg, Sweden	76.4 ²⁾	32,252	SEK
HIAG Fastigheter i Göteborg AB, Gothenburg, Sweden	100	24,440	SEK
HIAG Fastigheter i Helsingborg AB, Gothenburg, Sweden	100	5,258	SEK
HIAG Fastigheter i Göteborg Syd AB, Gothenburg, Sweden	100	607	SEK
HIAG Fastigheter i Stockholm AB, Gothenburg, Sweden	100	103,894	SEK
HIAG Fastigheter i Botkyrka AB, Gothenburg, Sweden	100	41,616	SEK
HIAG Fastigheter i Sisjön AB, Gothenburg, Sweden	76.4 ²⁾	342	SEK
HORNBAACH Immobilien SK-BW s.r.o., Bratislava, Slovakia	100	9,047	EUR
HORNBAACH-Baumarkt SK spol. s.r.o., Bratislava, Slovakia	76.4 ²⁾	19,246	EUR
HORNBAACH Centrala SRL, Domnesti, Romania	76.4 ²⁾	66,570	RON
HORNBAACH Imobiliare SRL, Domnesti, Romania	100	132,414	RON
Etablissement Camille Holtz et Cie S.A., Phalsbourg, France	99.92	861	EUR
Saar-Lor Immobilière S.C.L., Phalsbourg, France	60	158	EUR
HORNBAACH Asia Ltd., Kowloon, Hong Kong	76.4 ²⁾	2,359	HKD

¹⁾ Shareholders' equity corresponds to the local equity; in the case of HORNBAACH Centrala SRL and HORNBAACH Imobiliare SRL, however, equity has been determined in accordance with IFRS.

²⁾ Of which: 0.0199% in current assets.

³⁾ Shareholders' equity as of 12.31.2014; controlling influence due to contractual arrangements governing control of relevant activities.

⁴⁾ Direct shareholdings

⁵⁾ Of which: 1% direct shareholding.

Control and profit and loss transfer agreements have been concluded between HORNBAACH HOLDING AG and HORNBAACH Immobilien AG and between HORNBAACH Baustoff Union GmbH and Union Bauzentrum HORNBAACH GmbH on the one hand, and Robert Röhlinger GmbH on the other hand. Control and profit and loss transfer agreements are also in place between Ruhland-Kallenborn & Co. GmbH and Ruhland-Kallenborn Grundstücksverwaltungsgesellschaft mbH and between HORNBAACH-Baumarkt-AG and HORNBAACH International GmbH.

Currency translation

In the separate financial statements of HORNBAACH HOLDING AG and its consolidated subsidiaries, transactions in currencies other than the respective company's functional currency have been translated into the relevant functional currency at the transaction rate. All receivables and liabilities in currencies other than the respective company's functional currency have been measured, irrespective of any currency hedges, at the reporting date rate. The resultant exchange gains and losses have generally been included in the income statement. Embedded forward exchange transactions have been recognized at fair value.

In line with IAS 21, the annual financial statements of foreign group companies have been translated into euros on the basis of the functional currency concept. This is the local currency for all of the companies in view of the fact that the foreign companies conduct their business independently from a financial, economic and organizational point of view. Accordingly, non-current assets, other assets and liabilities have been translated at the median rate on the reporting date. Income and expense items have been translated using average rates. Exchange rate differences arising from the translation of the annual financial statements of foreign subsidiaries are recognized directly in equity in a separate item within revenue reserves.

The most important foreign exchange rates applied are as follows:

Country	Rate on reporting date		Average rate	
	2.28.2015	2.28.2014	2014/2015	2013/2014
RON Romania	4.4413	4.5018	4.43664	4.43973
SEK Sweden	9.3693	8.8525	9.19695	8.69850
CHF Switzerland	1.0636	1.2153	1.18988	1.23045
CZK Czech Republic	27.4380	27.3440	27.58367	26.31141
USD USA	1.1240	1.3813	1.29303	1.33332
HKD Hong Kong	8.7167	n.a.	10.02620	n.a.

Accounting policies

Assets and liabilities have generally been measured at amortized cost. Derivative financial instruments and assets measured at fair value through profit and loss have been recognized at fair value. Revenues have been deferred in line with their respective periods.

Goodwill

Goodwill is tested for impairment once a year. Should any events or changes in circumstances indicate any impairment in value, then such impairment test must be performed more frequently. Pursuant to IAS 36, the carrying amounts of the smallest cash generating units, including the share of goodwill allocated to such units, are compared with the higher of the fair value less costs to sell and the value in use (so-called recoverable amount) of such units.

If the carrying amount of the cash generating unit exceeds its recoverable amount, then a write-down is required. The impairment loss for a cash generating unit is initially allocated to goodwill. Any remaining impairment loss is subsequently recognized for the other assets in the cash generating unit. However, assets may only be written down at maximum to the recoverable amount of the individual identifiable asset. Goodwill is not written up.

Individual DIY stores are viewed as cash generating units at the HORNBACH HOLDING AG Group. The HORNBACH Baustoff Union GmbH subgroup in its entirety is viewed as a cash generating unit. The value in use is calculated on the basis of the discounted future cash flows of a cash generating unit expected on the basis of the detailed financial budget for the coming financial year within the strategic five-year plan. Periods reaching further into the future have been based on a growth factor of 1.0 % to 1.5 % (2013/2014: 1.0 % to 1.5 %). The strategic five-year plan is largely based on the developments expected in consumer spending as stated in economic forecasts published by economic research institutes. A detailed financial budget for the coming financial year is then compiled on this basis.

Discounting is based on average equity and debt capital costs after taxes (WACC= Weighted Average Cost of Capital). The calculation of the costs of equity is based on the yield expected on a long-term risk-free federal bond. The costs of debt capital are based on the aforementioned base rate and include a risk premium. This risk premium is appropriate to the rating of HORNBACH-Baumarkt-AG or of a relevant peer group. The discount rates applied for the respective cash generating units take account of the specific equity capital structures of a peer group, and of country risk. Discount rates of between 6.2 % and 6.9 % were applied in the 2014/2015 financial year (2013/2014: 5.4 % to 6.7 %).

Intangible assets (except goodwill)

Intangible assets with finite useful lives are recognized at amortized cost.

Amortization is determined using the straight-line method based on the following economic useful lives:

	Years
Software and licenses	3 to 8
Other intangible assets	3 to 15

Impairment losses are recognized when there are indications of impairment and the recoverable amount falls short of the carrying amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use. Corresponding write-ups are recognized when the reasons for impairment losses recognized in previous years no longer apply.

There are no intangible assets with indefinite useful lives.

Property, plant and equipment and investment property

Property, plant and equipment and investment property are recognized at amortized cost.

Depreciation is undertaken on a straight-line basis. If there are indications of any impairment in value and if the recoverable amount is less than the amortized cost, then impairment losses are recognized for the respective items of property, plant and equipment. The recoverable amount is the higher of the fair value less costs to sell and the value in use. Corresponding write-ups are recognized when the reasons for impairment losses recognized in previous years no longer apply.

Depreciation is uniformly based on the following economic useful lives across the Group:

	Years
Buildings and outdoor facilities (including rented property)	15 to 33
Other equipment, plant, and office equipment	3 to 15

Should major components of property, plant and equipment have different useful lives, then these components are recognized and measured separately.

Financing costs incurred in connection with real estate development ("building interest") which can be directly allocated to the acquisition, construction or establishment of land and buildings ("qualifying assets") are capitalized as a component of costs in accordance with IAS 23 "Borrowing Costs".

Leases

Leased items of property, plant and equipment which are to be viewed in economic terms as asset purchases with long-term financing (finance leases) are recognized pursuant to IAS 17 "Leases" at fair value at the beginning of the leasing relationship, unless the present value of the leasing payments is lower. The relevant assets are depreciated over their economic useful lives or over the term of the contract if shorter. Application is made of the same method of depreciation applicable to comparable assets acquired or manufactured. Moreover, an equivalent financial liability is capitalized at the amount of the fair value of the asset or the present value of the minimum leasing payments, if lower. Where group companies act as lessees within an operating lease, i.e. when all significant risks and rewards remain with the lessor, then the leasing expenses are recognized on a straight-line basis in the income statement.

Inventories

Inventories are carried at cost or at their net sale value, if lower. The net sale value is taken to be the expected realizable sales proceeds less the costs incurred up to disposal. The acquisition costs of inventory holdings are determined using weighted average prices. Costs of unfinished services in the builders' merchant business and customer orders for merchandise deliveries, including services provided, with tradesmen commissioned by HORNBAACH, include directly allocable costs and a commensurate share of production and material overhead costs.

Taxes

Taxes levied by the respective countries on taxable income and changes in deferred tax items are recognized as taxes on income. These are calculated in accordance with the relevant national legislation on the basis of the tax rates applicable at the balance sheet date, or due to be applicable in the near future.

Other taxes are allocated to the respective functional divisions and recognized under the corresponding expenses for the relevant function.

In line with IAS 12, deferred taxes are recognized and measured using the balance sheet liability method based on the tax rate expected to be valid at the realization date. Deferred tax assets are recognized for the tax benefits expected to arise from future realizable losses carried forward. Deferred tax assets arising from deductible temporary differences and tax losses carried forward are only recognized to the extent that it can be assumed with reasonable certainty that the company in question will generate sufficient taxable income in future. Recognized and unrecognized deferred tax assets are reviewed at each balance sheet date to ascertain whether any adjustment in their current values is required.

Deferred tax assets and liabilities referring to items recognized directly in equity are also recognized in equity rather than in the income statement.

Deferred tax assets and liabilities are netted for each company or fiscal unity provided that such are due to or from the same tax authority and there is an enforceable right for such items to be offset.

Non-current assets held for sale and disposal groups

Land, buildings and other non-current assets and disposal groups which are very likely to be sold in the coming financial year are measured at fair value less costs to sell, if such is lower than the carrying amount.

Pensions and similar obligations

Consistent with legal requirements in the respective countries and with individual commitments made to members of the Board of Management, group companies of HORNBAACH HOLDING AG have obligations relating to defined contribution and defined benefit pension plans. In the case of defined benefit plans, provisions have been calculated using the projected unit credit method in accordance with IAS 19 (revised 2011) "Employee Benefits". When determining the pension obligation in accordance with actuarial principles, this method accounts for the pensions known of and claims vested as of the balance sheet date, as well as for the increases in salaries and pensions to be expected in future. The plan assets are deducted at fair value from the obligations. Should this result in a net asset, then this is recognized, provided that it does not exceed the present value of future reductions in contributions or repayments or any retrospective service costs.

Current service cost and any retrospective service cost are recognized under personnel expenses. The net interest result is also recognized under personnel expenses. Actuarial gains and losses relating to the pension obligation or the plan assets are recognized directly in equity, taking account of any deferred taxes. The implications are presented separately in the statement of comprehensive income.

For defined contribution plans, the contributions are recognized under personnel expenses upon becoming due for payment. Multiemployer pension plans are recognized by analogy with defined contribution plans.

Provisions and accrued liabilities

Provisions are recognized for uncertain obligations to third parties where such are likely to result in a future outflow of resources. Provisions are stated at the expected settlement amount, having accounted for all identifiable risks, and are not offset against recourse claims. This items also includes provisions for severance payments. If the overall effect is material, non-current provisions are measured at present value discounted to the end of the respective terms. Provisions for pending losses and onerous contracts are recognized if the contractual obligations are higher than the expected economic benefits. Any risks existing in connection with legal disputes and court cases are recognized under provisions. The amount of provision is based on the assessment of the relevant circumstances. In the case of accrued liabilities, the date and level of the respective liability are no longer uncertain.

Financial instruments

Financial instruments are contracts which result in a financial asset at one company and a financial liability or equity instrument at another company. On the one hand, these include primary financial instruments such as trade receivables and payables, financial receivables and financial liabilities. On the other hand, they also include derivative financial instruments, such as options, forward exchange transactions, interest swaps and currency swaps. Derivative financial instruments are recognized at fair value as of the transaction date. Primary financial instruments are basically recognized at the time at which the company becomes a contractual party. Upon initial recognition, these are recognized at fair value. This generally corresponds to the transaction price. Where there are indications that the fair value deviates from the transaction price, the fair value is determined in accordance with the logic outlined in "Fair Value Measurement" and then used as the basis for initial recognition.

Financial assets are basically derecognized once the contractual rights to payment have expired. Furthermore, financial assets are derecognized when the contractual rights to payment, and thus all significant risks and rewards or powers of disposal over these assets, have been assigned. Financial liabilities are derecognized once they have been settled, i.e. once the liability has been repaid, cancelled or has expired.

Primary financial instruments

In accordance with IAS 39 “Financial Instruments: Recognition and Measurement”, asset-side financial instruments are subsequently measured at amortized cost, at cost, or at fair value. Primary financial instruments constituting liabilities are measured at amortized cost. The HORNBAACH HOLDING AG Group has so far not made any use of the option of classifying financial assets or financial liabilities as measured at fair value through profit or loss.

Financial assets are classified pursuant to IAS 39 as available for sale, as they cannot be allocated to any other of the IAS 39 categories. They are measured at fair value. Investments and prepayments for financial assets (equity instruments) are recognized at cost when there is no active market for these items and their fair values cannot be reliably determined at reasonable expense.

Receivables and other assets (except derivatives) are carried at amortized cost or at present value, if lower. Value reductions are stated to account for all identifiable risks. These are determined on the basis of individual risk assessments and depending on the maturity structure of overdue receivables. Specific cases of default lead to the receivable in question being derecognized. Impairment accounts are maintained for trade receivables and the financial assets recognized under other receivables and assets. Amounts from impairment accounts are derecognized, with a corresponding charge to the carrying amount of the impaired assets, in cases such as when insolvency proceedings against the debtor have been completed, or when the receivable is deemed irretrievably lost.

Cash and cash equivalents include cash on hand and short-term deposits with maturity dates of less than three months. These items are measured at amortized cost.

Financial debt (bank loans, bonds) are recognized at the respective loan amount, less transaction costs, and subsequently measured at amortized cost. The difference to the repayment amount is recognized as an expense over the term of the bond and the promissory note bonds using the effective interest method. All other debt items are also recognized at amortized cost. This mostly corresponds to the respective repayment amount.

Derivative financial instruments

Derivative financial instruments, such as forward exchange transactions and interest and interest-currency swaps, are used to hedge exchange rate and interest risks. In line with the Group's risk principles, no derivative financial instruments are held for speculative purposes. Upon addition, derivative financial instruments are recognized in the balance sheet at fair value. Any transaction costs incurred are immediately recognized as expenses.

Derivatives which are not integrated into an effective hedging relationship as defined in IAS 39 are subject to mandatory classification as held for trading (financial assets/liabilities held for trading) and are thus measured at fair value through profit or loss. The fair values of forward exchange transactions (including the embedded forward exchange transactions) are determined on the basis of market conditions at the balance sheet date. The fair value of interest and interest-currency swaps is determined by the financial institutions with which they were concluded. The financial institutions use customary market valuation models (e.g. discounted cash flow method) that refer to the interest and currency information available on the market. This corresponds to Level 2 input factors in the fair value hierarchy.

Upon entering into a hedging transaction, the HORNBAACH HOLDING AG Group classifies certain derivatives as hedging future cash flows or planned transactions (cash flow hedges). Changes in the fair value of those cash flow hedges viewed as effective are recognized directly in equity under revenue reserves, taking due account of deferred taxes, until the result of the hedged item is recognized. Non-effective gains and losses are recognized through profit or loss.

Fair value measurement

Fair value represents the price on a given valuation date which a company would receive to sell an asset or to transfer a liability (exit price). Fair value is determined in line with the three-level measurement hierarchy set out in IFRS 13. Based on the availability of information, fair value is determined by reference to the following hierarchy.

Level 1 information –	current market prices on an active market for identical financial instruments
Level 2 information –	current market prices on an active market for comparable financial instruments or using valuation methods whose key input factors are based on observable market data
Level 3 information –	input factors not based on observable market prices

The level of information and/or valuation methods used to determine the fair value of assets and liabilities is explained in the respective chapter.

Sales

Income from the sale of goods is recognized upon transfer of ownership, taking due account of the expected level of goods returned.

Cost of goods sold

As well as the direct acquisition costs of the merchandise in question, the cost of goods sold also includes ancillary acquisition costs, such as freight charges, customs duties and other services rendered, as well as write-downs on inventories.

Rental income

Rental income from operating lease arrangements is recognized on a straight-line basis under sales over the term of the rental contract.

Government grants

Government grants awarded to cover expenses incurred and for assistance purposes are recognized as income in the income statement. Grants awarded for non-current assets reduce the cost of such assets accordingly.

Expenses

Rental expenses for operating lease arrangements are recognized on a straight-line basis as expenses over the term of the rental contract.

Outlays on advertising campaigns and sales promotion measures are recognized as expenses once the relevant powers of disposal have been granted or the respective service received.

The reversal of provisions and accrued liabilities has generally been recognized as a reduction in expenses within the functional expense group in which the costs of recognizing the corresponding provision or accrued liability were originally presented.

Interest expenses and interest income are recognized in accordance with the period of the respective financial debt.

Tax expenses include current and deferred taxes unless they relate to facts or circumstances accounted for directly in equity.

Discretionary decisions

Discretionary decisions made when applying the accounting policies and which materially influence the amounts recognized in the consolidated financial statements chiefly relate to the classification of leases as finance or operating leases. Based on the contractual terms, an assessment is made upon concluding or modifying the respective contracts as to whether the risks and rewards associated with ownership of the leased item are attributable to HORNBACH HOLDING AG or to the counterparty. More detailed information can be found in Notes 22 and 29.

Assumptions and estimates

Assumptions and estimates are made when preparing the consolidated financial statements which have an effect on the recognition and/or measurement of the assets, liabilities, income and expenses as presented. Assumptions and estimates are made on the basis of the information available at the reporting date. Should the development in the relevant conditions deviate from the assumptions and estimates, then the amounts actually arising in future may differ from the amounts recognized in the accounts.

The assumptions and estimates mainly relate to uniform procedures applied across the Group for economic useful lives, the recognition and measurement of provisions, the calculation of the recoverable amount to determine the amount of any impairments, the determination of the net disposal price for inventories, and the ability to obtain future tax relief.

The assumptions and estimates relevant to the preparation of the consolidated financial statements are continually reviewed. Changes in estimates are accounted for in the period of such changes and in future periods when they relate both to the reporting period and future periods.

The principal assumptions and estimates which, due to their uncertainty, may lead to discrepancies in the level of assets and liabilities reported have been outlined in the respective notes. Changes are accounted for as a credit or charge to operations upon receipt of further information.

Segment Report

Segment reporting is consistent with the accounting policies applied in the consolidated financial statements (IFRS). Sales to external third parties represent net sales. Transfer prices between the segments are equivalent to those applied to external third parties.

Segment delineation

The allocation of segments corresponds to the internal reporting system used by the Board of Management of the HORNBACH HOLDING AG Group for managing the company ("management approach"). Based on the management approach, the Group has the following segments: "HORNBACH-Baumarkt-AG subgroup", "HORNBACH Immobilien AG subgroup", and "HORNBACH Baustoff Union GmbH subgroup". The cornerstone of the HORNBACH HOLDING AG Group is the HORNBACH-Baumarkt-AG subgroup, which operates DIY megastores with garden centers in Germany and abroad. The retail activities of the HORNBACH HOLDING AG Group are rounded off by the HORNBACH Baustoff Union GmbH subgroup, which operates in the construction materials and builders' merchant business and mainly has business customers. The HORNBACH Immobilien AG subgroup develops retail real estate and lets this out, mostly to operating companies within the HORNBACH HOLDING AG Group. The "Headquarters and consolidation" reconciliation column includes administration and consolidation items not attributable to the individual segments.

Segment earnings

Earnings before interest and taxes (EBIT) have been taken to represent the segment earnings.

Segment assets and liabilities

Apart from income tax receivables, income tax liabilities and deferred taxes, asset and liability items in the consolidated balance sheet have been directly allocated to the individual segments as far as possible. Remaining assets and liabilities have been allocated as appropriate. Liabilities in the consolidated balance sheet have been increased by liabilities to group companies in the individual segments and have been allocated to the individual segments in line with their causation. The resultant adjustments have been eliminated in the "Headquarters and consolidation" reconciliation column. Investments relate to the non-current assets allocable to the respective segment.

2014/2015 in € million 2013/2014 in € million	HORNBACH- Baumarkt-AG subgroup	HORNBACH Baustoff Union GmbH subgroup	HORNBACH Immobilien AG subgroup	Headquarters and consolidation	HORNBACH HOLDING AG Group
Segment sales	3,356.6	213.3	78.3	(76.4)	3,571.7
	3,152.0	215.7	76.9	(75.3)	3,369.3
Sales to third parties	3,355.1	212.5	0.0	0.0	3,567.6
	3,150.9	214.7	0.0	0.0	3,365.6
Sales to affiliated companies	0.1	0.7	0.0	(0.8)	0.0
	0.1	0.9	0.0	(1.0)	0.0
Rental income from third parties	1.4	0.1	2.7	0.0	4.1
	1.0	0.1	2.6	0.0	3.7
Rental income from affiliated companies	0.0	0.0	75.6	(75.6)	0.0
	0.0	0.0	74.3	(74.3)	0.0
Segment earnings (EBIT)	109.8	6.5	51.5	(2.7)	165.1
	105.1	5.5	51.1	(1.3)	160.4
of which: depreciation and amortization	57.5	5.1	15.8	(0.4)	78.0
	55.9	5.2	14.6	(0.3)	75.4
Segment assets	1,708.6	136.9	514.0	30.8	2,390.3
	1,656.8	128.4	539.6	7.1	2,331.9
of which: credit balances at banks	300.6	1.4	35.2	29.4	366.6
	349.8	1.0	48.0	8.6	407.4
Investments	99.9	11.7	9.8	(0.3)	121.1
	72.0	8.0	36.7	0.0	116.7
Segment liabilities	754.6	67.3	299.3	(39.7)	1,081.5
	753.7	64.2	334.1	(42.9)	1,109.1
of which: financial debt	344.5	37.4	269.1	0.0	651.0
	371.7	37.5	300.1	0.0	709.3

Reconciliation in € million	2014/2015	2013/2014
Segment earnings (EBIT) before "Headquarters and consolidation"	167.8	161.7
Headquarters	(3.8)	(3.0)
Consolidation adjustments	1.1	1.7
Net financial expenses	(25.5)	(32.6)
Consolidated earnings before taxes	139.7	127.8
Segment assets	2,390.3	2,331.9
Deferred tax assets	9.6	8.9
Income tax receivables	32.9	21.6
Total assets	2,432.8	2,362.3
Segment liabilities	1,081.5	1,109.1
Deferred tax liabilities	55.1	57.4
Income tax liabilities	35.4	31.8
Total liabilities	1,172.0	1,198.3

Geographical disclosures

In the interests of comprehensibility, the mandatory geographical disclosures for sales to third parties and non-current assets have been supplemented on a voluntary basis with additional information.

The geographical disclosures have been subdivided into the "Germany" and "Other European countries" regions. The "Other European countries" region includes the Czech Republic, Austria, the Netherlands, Luxembourg, Switzerland, Sweden, Slovakia, Romania, and France (exclusively builders' merchants).

Sales are allocated to the geographical regions in which they were generated. Apart from income tax receivables, income tax liabilities and deferred taxes, all assets have been allocated to the region in which they are located. Investments relate to non-current assets allocated to the respective region. The reconciliation column includes consolidation items.

2014/2015 in € million 2013/2014 in € million	Germany	Other European countries	Reconciliation	HORNBACH HOLDING AG Group
Sales	2,405.9	1,399.7	(233.9)	3,571.7
	2,260.3	1,334.1	(225.1)	3,369.3
Sales to third parties	2,169.5	1,398.1	0.0	3,567.6
	2,032.7	1,332.9	0.0	3,365.6
Rental income from third parties	2.6	1.4	0.0	4.1
	2.6	1.1	0.0	3.7
Sales to affiliated companies	233.7	0.2	(233.9)	0.0
	225.0	0.2	(225.1)	0.0
EBIT	63.4	102.5	(0.7)	165.1
	71.2	89.1	0.1	160.4
Depreciation and amortization	48.9	29.1	0.0	78.0
	47.1	28.3	0.0	75.4
EBITDA	112.3	131.6	(0.7)	243.1
	118.3	117.4	0.1	235.7
Assets	1,796.4	999.4	(405.5)	2,390.3
	1,761.3	1,227.5	(656.9)	2,331.9
of which: non-current assets ^{*)}	668.4	674.3	(5.9)	1,336.9
	652.9	633.7	(0.1)	1,286.5
Investments	75.8	55.6	(10.3)	121.1
	47.8	71.1	(2.2)	116.7

^{*)} These involve property, plant and equipment, investment property, intangible assets and non-current deferrals and accruals. This item does not include non-current income tax receivables of € 7.3 million (2013/2014: € 10.6 million) for the Germany region.

Notes on the Consolidated Income Statement

(1) Sales

Sales mainly involve revenues in the “HORNBACH-Baumarkt-AG subgroup” and “HORNBACH Baustoff Union GmbH subgroup” segments. Furthermore, revenues of € 4,087k (2013/2014: € 3,673k) from the letting of real estate have also been reported under sales.

The sales of the Group broken down into business fields and regions have been depicted in the segment report.

(2) Cost of goods sold

The cost of goods sold represents the expenses required for the generation of sales and is structured as follows:

	2014/2015 € 000s	2013/2014 € 000s
Expenses for auxiliary materials and purchased goods	2,197,029	2,101,390
Expenses for services rendered	40,811	34,039
	2,237,840	2,135,429

(3) Selling and store expenses

Selling and store expenses include those costs incurred in connection with the operation of DIY megastores with garden centers and builders’ merchant centers. These mainly involve personnel expenses, costs of premises and advertising expenses, as well as depreciation and amortization. Moreover, this item also includes general operating expenses, such as administration expenses, transport costs, and maintenance and upkeep expenses.

(4) Pre-opening expenses

Pre-opening expenses mainly relate to those expenses arising at or close to the time of the construction up to the opening of new DIY megastores with garden centers. Pre-opening expenses mainly consist of personnel expenses, costs of premises, and administration expenses.

(5) General and administration expenses

General and administration expenses include all costs incurred by administration departments in connection with the operation or construction of DIY stores with garden centers and of builders’ merchant centers which cannot be directly allocated to such. They mainly consist of personnel expenses, legal and advisory expenses, depreciation and amortization, costs of premises, and IT, travel and vehicle expenses.

(6) Other income and expenses

Other income and expenses are structured as follows:

	2014/2015 € 000s	2013/2014 € 000s
Other income from operating activities		
Income from advertising allowances and other reimbursements of suppliers	1,228	1,214
Income from damages	2,011	2,025
Income from disposal of non-current assets	1,192	1,517
Income from payment differences	694	501
Miscellaneous other income	17,444	11,354
	22,569	16,611
Other income from non-operating activities		
Income from disposal of real estate	2,440	903
Income from write-ups to property, plant, and equipment and investment property	0	0
Income from write-ups to non-current assets held for sale	0	0
Income from reversal of provisions for onerous contracts	0	0
Other non-operating income	0	0
	2,440	903
Other income	25,009	17,514

Miscellaneous other income principally relates to income from retirements of liabilities, ancillary revenues at the DIY stores with garden centers, income from disposal activities, other income from personnel grants, and income from the reversal of impairments of receivables.

	2014/2015 € 000s	2013/2014 € 000s
Other expenses from operating activities		
Impairments and defaults on receivables	4,424	3,342
Losses due to damages	3,280	2,546
Losses on disposal of non-current assets	327	427
Expenses from payment differences	370	295
Miscellaneous other expenses	5,416	1,920
	13,816	8,530
Other expenses from non-operating activities		
Impairment of property, plant, and equipment and investment property	2,342	434
Losses on disposal of non-current assets	759	1,468
Impairment of non-current assets held for sale	0	0
Losses on reclassification of non-current assets held for sale	0	0
Additions to provisions for onerous contracts	736	3,107
Other non-operating expenses	34	3
	3,871	5,012
Other expenses	17,687	13,542
Net income from other income and expenses	7,322	3,972

(7) Net financial expenses

	2014/2015 € 000s	2013/2014 € 000s
Other interest and similar income		
Interest income on financial instruments measured at amortized cost	3,977	874
	3,977	874
Other interest and similar expenses		
Interest expenses on financial instruments measured at amortized cost	23,614	24,963
Interest expenses on financial instruments used as hedging instruments	4,480	4,110
Interest expenses from compounding of provisions	210	141
Other	1,065	1,299
	29,369	30,513
Net interest expenses	(25,392)	(29,639)
Other financial result		
Gains/losses on derivative financial instruments	(1,947)	429
Gains and losses from foreign currency exchange	1,859	(3,372)
	(88)	(2,943)
Net financial expenses	(25,480)	(32,582)

In line with IAS 17 "Leases", financial leasing contracts are recognized under property, plant and equipment, with the interest component of the leasing installments, amounting to € 64k (2013/2014: € 78k) being recognized under interest and similar expenses. Net interest expenses do not include interest incurred for financing the construction stage of real estate development measures. This interest amounted to € 1,425k in the year under report (2013/2014: € 2,212k) and has been capitalized as a component of the costs of the property, plant and equipment concerned. The average financing cost rate used to determine the volume of borrowing costs eligible for capitalization amounted to 4.4 % (2013/2014: 4.4 %).

The interest income on financial instruments measured at amortized cost includes interest of € 2,904k for tax refund claims previously not recognized in prior periods in connection with the write-down of a foreign shareholding.

(Deferred) interest payments on interest swaps included as a hedging instrument within cash flow hedges are netted for each swap contract and recognized on the basis of their net amount either as interest income or interest expenses.

The interest expenses on financial instruments used as hedging instruments reported for the 2014/2015 financial year include expenses of € 414k resulting from the reversal of a cash flow hedge relationship. As a result of the decision taken by the Board of Management to prematurely redeem a CZK loan in June 2014, the transaction expected upon designation is no longer applicable. The fair value changes of the hedging instrument recognized in equity through to reversal have therefore been recognized through profit or loss in net financial expenses.

Gains/losses on derivative financial instruments include gains and losses of € -1,947k on derivative currency instruments (2013/2014: € 429k).

The gains and losses from foreign currency exchange for the 2014/2015 financial year chiefly result from the measurement of foreign currency receivables and liabilities. This resulted in net income of € 2,706k (2013/2014: expenses of € 3,036k). Furthermore, this item also includes realized exchange rate gains of € 6,798k (2013/2014: € 5,283k) and realized exchange rate losses of € 7,644k (2013/2014: € 5,618k). Gains and losses from foreign currency exchange include income of € 1,396k (2013/2014: € 1,340k) from the reclassification of currency items relating to an interest-currency swap within a hedging relationship (cash flow hedge). This reclassification compensates for the currency items relating to the hedged loan.

(8) Taxes on income

The taxes on income reported include the taxes on income paid or payable in the individual countries, as well as deferred tax accruals.

As in the previous year, the German companies included in the HORNBAACH HOLDING AG Group are subject to an average trade tax rate of approximately 14 % of their trading income. The corporate income tax rate continues to amount to 15 %, plus 5.5 % solidarity surcharge.

As in the previous year, all domestic deferred tax items have been valued at an average tax rate of 30 %. The calculation of foreign income taxes is based on the relevant laws and regulations in force in the individual countries. As in the previous year, the income tax rates applied to foreign companies range from 16 % to 33 %.

The actual income tax charge of € 32,959k (2013/2014: € 41,620k) is € 8,941k lower (2013/2014: € 3,282k higher) than the expected tax charge of € 41,900k (2013/2014: € 38,338k) which would have been payable by applying the average tax rate of 30 % at HORNBAACH HOLDING AG (2013/2014: 30 %) to the Group's pre-tax earnings of € 139,667k (2013/2014: € 127,788k).

Deferred tax assets have been stated for as yet unutilized losses carried forward amounting to € 7,809k (2013/2014: € 13,197k). HORNBAACH HOLDING AG expects it to be possible to offset the tax losses carried forward, which in some cases are attributable to start-up losses in individual countries, against future earnings in full.

No deferred tax assets have been reported in the case of losses carried forward amounting to € 42,036k (2013/2014: € 39,342k), as future realization of the resultant benefit is not expected. Of these, losses carried forward of € 2,003k and of € 4,277k are due to expire within the next 5 and 7 years respectively. The previous year's figures included losses carried forward whose use is limited to 5 years (€ 3,481k) or 7 years (€ 4,104k). There are no time limits on the utilization of all other losses carried forward for which no deferred tax assets have been stated.

Losses carried forward amounting to € 1,236k for which no deferred tax assets had been recognized were utilized. These losses carried forward are expected to increase in future, as a result of which the Group has continued not to recognize any deferred tax assets.

No deferred tax assets were recognized for the first time in the 2014/2015 financial year for losses carried forward whose utilization was previously not deemed possible (2013/2014: € 19k). No deferred tax assets were derecognized in the 2014/2015 financial year for losses carried forward whose utilization is no longer deemed likely (2013/2014: € 5,118k).

Taxes on income due in future in connection with planned profit distributions at subsidiaries have been recognized as deferred tax liabilities. A budgeting horizon of one year has been assumed. The distributions for which deferred tax liabilities have been recognized at the HORNBAACH HOLDING AG Group are subject to German taxation at 5 %. No deferred tax liabilities have been recognized for retained profits of € 955,863k at subsidiaries (2013/2014: € 927,744k), as these are either not subject to taxation or currently intended for reinvestment over an indefinite period.

Breakdown of the tax charge:

	2014/2015 € 000s	2013/2014 € 000s
Current taxes on income		
Germany	11,281	19,580
Other countries	23,040	17,080
	34,321	36,660
Deferred tax expenses/income		
due to changes in temporary differences	(2,376)	4,266
due to changes in tax rates	0	(30)
due to losses carried forward	1,014	724
	(1,362)	4,960
Taxes on income	32,959	41,620

The transition from the expected to the actual income tax charge is as follows:

	2014/2015		2013/2014	
	€ 000s	%	€ 000s	%
Expected income tax charge	41,900	100.0	38,338	100.0
Difference between local tax rate and group tax rate	(6,975)	(16.6)	(5,677)	(14.8)
Tax-free income	(1,330)	(3.2)	(823)	(2.1)
Tax reductions/increases due to changes in tax rates	0	0.0	(30)	(0.1)
Tax increases attributable to expenses not deductible for tax purposes	4,485	10.7	4,304	11.2
Tax increases attributable to unstated losses carried forward	948	2.3	1,966	5.1
Non-period current and deferred taxes	(6,069)	(14.5)	3,542	9.2
Taxes on income	32,959	78.7	41,620	108.5
Effective tax rate in %	23.6		32.6	

The non-period current taxes of € 4,108k (2013/2014: € 1,337k) mainly result from tax income of € 3,587k from the capitalization of a net refund claim for write-downs previously not recognized for tax purposes in connection with a foreign shareholding and of € 1,381k (2013/2014: € 0k) from the capitalization of trade tax credits on foreign dividends and of tax expenses of € 1,101k (2013/2014: € 0k) from the findings and follow-up effects of the tax audit completed in Germany for the years 2008 – 2011.

The non-period deferred taxes of € 1,961k (2013/2014: expenses of € 4,880k) chiefly result from the findings and follow-up effects of the tax audit completed in Germany for the years 2008 – 2011.

The taxes recognized directly in equity in the financial year under report relate to the following items:

	2014/2015 € 000s	2013/2014 € 000s
Actuarial gains and losses on defined benefit plans		
Actuarial gains and losses on defined benefit plans before taxes	(11,161)	1,827
Change in deferred taxes	2,250	(369)
	(8,911)	1,458
Measurement of derivative financial instruments (cash flow hedge)		
Changes in fair value of derivative financial instruments before taxes	(46)	2,769
Change in deferred taxes	(18)	(728)
	(64)	2,041
Exchange differences arising on the translation of foreign subsidiaries	16,468	(8,158)
Other comprehensive income, net after taxes	7,493	(4,658)
of which: other comprehensive income before taxes	5,261	(3,562)
of which: change in deferred taxes	2,232	(1,097)

(9) Earnings per share

Basic earnings per share are calculated in line with IAS 33 "Earnings per Share" by dividing the consolidated net income allocable to the shareholders of HORNBAACH HOLDING AG by the weighted average number of shares in circulation during the financial year. As in the previous year, there were no dilutive effects.

	2014/2015	2013/2014
Consolidated net income allocable to shareholders in HORNBAACH HOLDING AG (in €)	90,252,175	72,737,311
Additional dividend on preference shares in €	(240,000)	(240,000)
Consolidated net income adjusted by additional dividend claims in €	90,012,175	72,497,311
Number of ordinary shares issued	8,000,000	8,000,000
Number of preference shares issued	8,000,000	8,000,000
	16,000,000	16,000,000
Earnings per share in €	5.63	4.53
Additional dividend claim per preference share in €	0.03	0.03
Earnings per preference share in €	5.66	4.56

(10) Other disclosures on the income statement**Personnel expenses**

The individual expense items include the following personnel expenses:

	2014/2015 € 000s	2013/2014 € 000s
Wages and salaries	530,634	480,844
Social security contributions and pension expenses	112,580	103,979
	643,214	584,823

Wages and salaries also include expenses for temporary employees.

Depreciation and amortization

	2014/2015 € 000s	2013/2014 € 000s
Scheduled amortization of intangible assets and depreciation of property, plant, and equipment and investment property	75,634	74,922
Impairment of property, plant, and equipment and investment property	2,342	434
	77,976	75,356

The impairment losses recognized in the 2014/2015 financial year relate to properties used for operations, properties not used for operations, and plant and office equipment. In the previous year, impairment losses related exclusively to land not used for operations. Reference is also made to the disclosures on intangible assets and property, plant and equipment in Notes 11 and 12 respectively.

Depreciation and amortization is included in the following items in the income statement:

2014/2015 financial year € 000s	Intangible assets	Property, plant, and equipment and investment property	Total
Selling and store expenses	598	66,578	67,176
Pre-opening expenses	0	7	7
General and administration expenses	2,534	5,917	8,451
Other income and expenses	0	2,342	2,342
	3,132	74,844	77,976

2013/2014 financial year € 000s	Intangible assets	Property, plant, and equipment and investment property	Total
Selling and store expenses	610	65,618	66,228
Pre-opening expenses	0	157	157
General and administration expenses	2,677	5,860	8,537
Other income and expenses	0	434	434
	3,287	72,069	75,356

Notes on the Consolidated Balance Sheet

(11) Intangible assets

The development in intangible assets in the 2013/2014 and 2014/2015 financial years was as follows:

€ 000s	Franchises, industrial property rights, and similar rights and values as well as licenses to such rights and values	Goodwill	Assets under construction	Total
Cost				
Balance at March 1, 2013	81,223	4,441	263	85,927
Additions	1,539	0	51	1,590
Disposals	448	0	0	448
Reclassifications	178	0	(166)	12
Foreign currency translation	(15)	0	0	(15)
Balance at February 28/March 1, 2014	82,477	4,441	148	87,066
Additions	2,858	0	171	3,029
Disposals	332	0	0	332
Reclassifications	154	0	(152)	2
Foreign currency translation	16	0	0	16
Balance at February 28, 2015	85,173	4,441	167	89,781
Depreciation and amortization				
Balance at March 1, 2013	71,092	1,169	0	72,261
Additions	3,287	0	0	3,287
Disposals	448	0	0	448
Foreign currency translation	(14)	0	0	(14)
Balance at February 28/March 1, 2014	73,917	1,169	0	75,086
Additions	3,132	0	0	3,132
Disposals	331	0	0	331
Foreign currency translation	14	0	0	14
Balance at February 28, 2015	76,732	1,169	0	77,901
Carrying amount at February 28, 2015	8,441	3,272	167	11,880
Carrying amount at February 28, 2014	8,560	3,272	148	11,980

Additions to franchises, industrial property rights and similar rights and values and licenses to such rights and values mainly relate to the acquisition of software licenses and expenses incurred to prepare the software for its intended use.

As in the previous year, there are no major restrictions on ownership and disposition rights.

The goodwill relates to two garden centers in the Netherlands, with around 50% of the respective figure being allocable to each of these. The recoverable amounts of the two cash generating units are based in each case on their value in use. This is calculated using the discounted cash flow method by reference to Level 3 input data. The key assumptions used in the calculation, including discount rates and growth rates, can be found under "Accounting policies". A reduction in gross profit by 5% compared with the current strategic five-year plan, which is deemed possible, would result in an impairment loss of € 1,650k for one of the two locations. An impairment loss of € 2,545k would arise for the other location. To avert any such impairment, the budget figure for the individual locations may not change by more than approximately -2% and -0.3% respectively. In the previous year, an analogous assumption would not have resulted in any impairment at the two locations.

(12) Property, plant and equipment and investment property

The development in property, plant and equipment in the 2013/2014 and 2014/2015 financial years was as follows:

€ 000s	Land, leasehold rights, and buildings on third-party land	Investment property (IAS 40)	Other equipment, plant, and office equipment	Assets under construction	Total
Cost					
Balance at March 1, 2013	1,401,456	57,209	556,868	40,434	2,055,967
Additions	57,312	5,777	40,526	11,390	115,005
Disposals	3,650	135	27,209	1,474	32,468
Reclassifications pursuant to IAS 40	3,185	(3,185)	0	0	0
Reclassifications	29,071	0	4,509	(33,592)	(12)
Foreign currency translation	(15,425)	(507)	(3,244)	(644)	(19,820)
Balance at February 28/March 1, 2014	1,471,949	59,159	571,450	16,114	2,118,672
Reclassifications to/from non-current assets held for sale	0	(2,575)	0	0	(2,575)
Additions	41,706	9,385	43,884	23,091	118,066
Disposals	1,032	29	20,043	798	21,902
Reclassifications pursuant to IAS 40	221	(221)	0	0	0
Reclassifications	4,568	0	5,930	(10,500)	(2)
Foreign currency translation	9,290	113	3,316	57	12,776
Balance at February 28, 2015	1,526,702	65,832	604,537	27,964	2,225,035
Amortization					
Balance at March 1, 2013	355,025	20,194	428,735	2	803,956
Additions	31,296	1,093	39,680	0	72,069
Disposals	33	108	26,279	0	26,420
Reclassifications pursuant to IAS 40	421	(421)	0	0	0
Foreign currency translation	(2,444)	(49)	(2,255)	0	(4,748)
Balance at February 28/March 1, 2014	384,265	20,709	439,880	2	844,856
Reclassifications to/from non-current assets held for sale	0	(1,801)	0	0	(1,801)
Additions	32,212	1,993	40,639	0	74,844
Disposals	1,030	14	19,091	0	20,135
Reclassifications pursuant to IAS 40	268	(268)	0	0	0
Reclassifications	12	0	(12)	0	0
Foreign currency translation	385	(40)	2,718	0	3,063
Balance at February 28, 2015	416,112	20,579	464,134	2	900,827
Carrying amount at February 28, 2015	1,110,590	45,253	140,403	27,962	1,324,208
Carrying amount at February 28, 2014	1,087,684	38,450	131,570	16,112	1,273,816

The impairment losses included in depreciation relate to assets whose carrying amounts exceed their recoverable amounts. These impairment losses have been recognized under other expenses from non-operating activities.

In the 2014/2015 financial year, impairment losses of € 1,263k were recognized for items of investment property, which were written down to their net sale prices (2013/2014: € 434k). The net sale prices of these assets were determined by reference to external current value surveys. Application was basically made of the same input data and valuation methods also used to determine the fair value of investment property.

In the 2014/2015 financial year, impairment requirements were identified on marketing oriented and sales promotional plant and office equipment and on real estate at two stores in Germany and at one store in the Czech Republic region that simultaneously represents a cash generating unit. The carrying amounts were therefore written down by € 1,079k (2013/2014: € 0k) to net disposal value. The recoverable amount for these locations amounts to €42,316k.

Where ownership of the real estate at the location is attributable to the HORNBACH HOLDING AG Group, the net disposal value of the real estate is determined by external independent surveyors. These determine the fair value less costs to sell by reference to Level 3 input data using the valuation methods outlined below. Application is made on the one hand of the capitalized value method, generally the discounted cash flow method. Here, a present value is derived from future (rental) income by application of a discount rate. On the other hand, market price-based methods are applied in the form of analogy methods. Here, reference is made to standard land values determined by comparing the price with suitable other pieces of land or by surveyor committees on the basis of corresponding land sales. Furthermore, application is made of the multiplier method, in which rental income surpluses are multiplied by land-specific factors. Alongside the input data already mentioned, the surveyors also account for additional premiums and discounts to do justice to the individual property-specific circumstances (e.g. size, situation, conversion or demolition costs still required).

The net disposal values of other assets included in the cash generating unit are also determined on the basis of Level 3 input data. Based on past experience and on an assessment of current market conditions, the cash flows that could be generated by disposing of the assets currently in the cash generating unit are determined.

Impairment losses recognized on non-current assets are included in the corresponding segments as follows:

	2014/2015	2013/2014
HORNBACH-Baumarkt-AG subgroup		
Land	23	46
Buildings	499	0
Other equipment, plant, and office equipment	488	0
	1,010	46
HORNBACH Immobilien AG subgroup		
Land	132	388
Buildings	1,200	0
	1,332	388
Total	2,342	434

Reference is made to Note 7 with regard to capitalized financing costs.

The real estate assets are predominantly owned by HORNBACH Immobilien AG, HORNBACH-Baumarkt-AG and by real estate companies established for this purpose.

Other equipment and plant and office equipment mainly relate to HORNBACH-Baumarkt-AG, Union Bauzentrum HORNBACH GmbH, Ruhland Kallenborn & Co. GmbH, and Robert Röhlinger GmbH in the case of German consolidated companies and to HORNBACH Baumarkt GmbH, HORNBACH Baumarkt Luxemburg SARL, HORNBACH Baumarkt CS spol s.r.o., HORNBACH-Baumarkt SK spol s.r.o., Hornbach Bouwmarkt (Nederland) B.V., Hornbach Baumarkt (Schweiz) AG, Hornbach Byggnad AB, HORNBACH Centrala SRL, and Etablissement Camille Holtz et Cie. SA in the case of foreign consolidated companies.

Investment property mainly relates to retail properties at various locations in Germany and abroad. The respective rental contracts have basic rental periods of 1 to 15 years and in some cases provide extension options for the lessee. The properties let to third parties are recognized at amortized cost. A useful life of 33 years has been assumed. The fair value of investment property amounts to approximately € 53.5 million (2013/2014: € 50.3 million). The fair values have been determined by independent experts and classified as Level 3 fair values. An explanation of the valuation methods can be found in the comments on Page 137.

Rental income of € 2,567k was generated on properties let to third parties in the year under report (2013/2014: € 2,124k). Expenses of € 1,466k were incurred for the maintenance of the properties let to third parties (2013/2014: € 1,721k). Expenses of € 172k were incurred for all other items of investment property (2013/2014: € 773k). The real estate acts as security for bank loans in the form of registered land charges amounting to € 452.0 million (2013/2014: € 480.7 million).

Property, plant and equipment include a building with a carrying amount of € 0k (2013/2014: € 665k) that is allocable to the Group as economic owner on account of the structure of the underlying lease agreement (finance lease). The finance lease has been concluded for a basic rental period of 20 years. At the end of the basic rental period, there is an option to extend the contract at least once for a period of 5 years. Furthermore, the contract provides for an index-based rent adjustment clause and for pre-emptive purchase rights on customary market terms. The leased asset acts as security for the leasing obligation.

(13) Financial assets

The development in financial assets in the 2013/2014 and 2014/2015 financial years was as follows:

€ 000s	Shares in affiliated companies	Investments	Advance payments for financial assets	Total
Cost				
Balance at March 1, 2013	0	277	2,354	2,631
Changes in scope of consolidation	(1,097)	0	0	(1,097)
Additions	0	0	104	104
Disposals	0	255	1,234	1,489
Reclassifications	1,097	0	(1,097)	0
Foreign currency translation	0	0	(127)	(127)
Balance at February 28/March 1, 2014	0	22	0	22
Carrying amount at February 28, 2015	0	22	0	22
Carrying amount at February 28, 2014	0	22	0	22

There were no changes in financial assets in the 2014/2015 financial year. All financial assets have been recognized at cost as it was not possible to determine reliable fair values.

The Group currently has no intention to sell investments.

In the previous year, PCQ Czech a.s., Prague/Czech Republic, was acquired and subsequently merged into HORNBAACH Immobilien HK s.r.o., Prague/Czech Republic. The retirement of the shares of € 1,097k in the context of the merger was presented as a change in the scope of consolidation. The disposals of € 255k under other investments in the previous year related to shares held by Etablissement Camille Holtz et Cie S.A., Phalsbourg/France, in a purchasing association. These were sold in the previous year and generated a gain of € 95k. The additions of € 104k to advance payments for financial assets in the previous year resulted from the planned acquisition of a stake in a Swedish real estate company. The intention to make this acquisition was abandoned in the course of the 2013/2014 financial year, as a result of which the values of € 1,234k incurred at that time were reported as a retirement in the 2013/2014 financial year. This resulted in a loss of € 755k. The Group currently has no intention to sell investments.

(14) Other non-current receivables and assets

Other non-current receivables and assets mainly consist of deposits of € 4,142k (2013/2014: € 3,872k) paid as security for possible subsequent claims to purchase price reductions on the part of the buyer. The deposits have a maximum remaining term of 5 years.

Furthermore, other non-current receivables and assets also include deferred expenses of € 763k (2013/2014: € 482k) in connection with a syndicated credit line of € 250 million with a term running until April 15, 2019, which was extended in the 2014/2015 financial year but has not yet been utilized.

Moreover, as of February 28, 2015 this item also includes receivables of € 21k (2013/2014: € 382k) due from the Federal Employment Agency in connection with payments granted under the relevant part-time early retirement legislation.

(15) Deferred taxes

Deferred taxes relate to the following items:

	2.28.2015		2.28.2014	
	Assets € 000s	Liabilities € 000s	Assets € 000s	Liabilities € 000s
Intangible assets and property, plant, and equipment	6,131	57,541	6,111	57,571
Inventories	662	3,616	622	4,020
Other assets and liabilities	1,441	849	1,245	660
Liabilities	2,105	1,321	5,657	2,469
Other provisions	8,042	1,644	1,939	1,010
Tax-free reserves	0	295	0	740
Losses carried forward	1,384	0	2,484	0
	19,765	65,266	18,058	66,470
Set-off	(10,206)	(10,206)	(9,118)	(9,118)
Total	9,559	55,060	8,940	57,352

(16) Inventories

	2.28.2015 € 000s	2.28.2014 € 000s
Raw materials and supplies	1,729	1,579
Unfinished products, unfinished services	1,702	2,834
Finished products and merchandise	575,217	545,414
Inventories (gross)	578,648	549,827
less valuation allowances	11,174	10,685
Inventories (net)	567,474	539,142
Carrying amount of inventories measured at net realizable value	27,364	25,587

Expenses of € 2,185,855k were recognized as merchandise input expenses for merchandise and auxiliary materials and supplies in the 2014/2015 financial year (2013/2014: € 2,090,705k).

(17) Receivables and other assets

The receivables and other assets of the Group are structured as follows:

	2.28.2015 € 000s	2.28.2014 € 000s
Trade receivables	25,983	28,263
Positive fair values of derivative financial instruments	0	280
Other receivables and assets	54,848	44,380
	80,831	72,923

Trade receivables include receivables of € 1,273k (2013/2014: € 1,181k) assigned within factoring agreements that have not been derecognized as the credit risk remains at the HORNBAACH HOLDING AG Group. A corresponding liability has been recognized in the same amount.

Other receivables and assets mainly consist of receivables from product reimbursements and bonus agreements, receivables from credit card companies, receivables in connection with pledged funds, and deferred charges and prepaid expenses. Furthermore, this item also includes interest receivables of € 2,904k on tax refunds. Further information about these can be found in Note (26).

As in the previous year, there are no major restrictions on ownership or disposition rights in respect of the other receivables and assets reported.

The following tables provide an analysis of the financial assets included under receivables and other assets. Only those receivables for which individual allowances have been recognized have been portrayed as impaired. The HORNBAACH HOLDING AG Group also accounts for credit risks by recognizing portfolio-based allowances.

2.28.2015 € 000s	Carrying amount	of which: neither impaired nor overdue	of which: not impaired, but overdue within the following time bands (days)			
			< 60	61-90	91-180	> 180
Trade receivables	25,983	11,593	5,546	1,468	1,471	19
Other receivables and assets	39,542	37,648	789	350	187	83
	65,525	49,241	6,335	1,818	1,658	102

2.28.2014 € 000s	Carrying amount	of which: neither impaired nor overdue	of which: not impaired, but overdue within the following time bands (days)			
			< 60	61-90	91-180	> 180
Trade receivables	28,263	13,970	7,221	2,032	496	97
Positive fair values of derivative financial instruments	280	280				
Other receivables and assets	31,093	29,743	1,037	50	108	159
	59,636	43,993	8,258	2,082	604	256

There were no indications of impairment at the balance sheet date for financial assets that were neither impaired nor overdue.

Allowances for trade receivables and for other receivables and assets developed as follows:

€ 000s	Trade receivables		Other receivables and assets	
	2014/2015	2013/2014	2014/2015	2013/2014
Allowances at March 1	3,976	4,122	349	622
Utilization	1,344	1,212	41	328
Reversals	494	551	77	77
Additions	1,892	1,615	1,791	133
Foreign currency translation	38	2	1	(1)
Allowances at February 28	4,068	3,976	2,023	349

The complete retirement of receivables resulted in expenses of € 680k (2013/2014: € 1,541k). The receipt of receivables already derecognized resulted in income of € 125k (2013/2014: € 73k).

(18) Cash and cash equivalents

	2.28.2015 € 000s	2.28.2014 € 000s
Cash balances at banks	366,590	407,445
Checks and cash on hand	34,346	21,404
	400,936	428,849

(19) Non-current assets held for sale and disposal groups

This item includes assets which are highly likely to be sold in the coming financial year.

A piece of land was reclassified at € 775k out of property, plant and equipment in the 2014/2015 financial year. This reclassification relates to the "HORNBAACH Immobilien AG subgroup" segment. The piece of land was sold in the past financial year.

The gain from the piece of land sold in the financial year under report has been recognized under other non-operating income. No impairments were recognized on non-current assets held for sale in the year under report.

(20) Shareholders' equity

The development in the shareholders' equity of the HORNBAACH HOLDING AG Group is shown in the statement of changes in group equity for the 2013/2014 and 2014/2015 financial years.

Share capital

By resolution of the Annual General Meeting of HORNBAACH HOLDING AG on July 8, 2011, the company's share capital was increased in the 2011/2012 financial year by issuing bonus shares from company funds. As a result of the issue of bonus shares at a ratio of 1:1, the number of shares in HORNBAACH HOLDING AG doubled. By converting a partial amount of € 24,000,000.00 of the revenue reserves reported in the company's annual balance sheet as of February 28, 2011 into share capital, the share capital doubled to € 48,000,000.00. It is divided into 8,000,000 preference shares and 8,000,000 ordinary shares with a prorated nominal amount in the share capital of € 3.00 per share. The bonus shares enjoy dividend entitlement from March 1, 2011.

	€
8,000,000 ordinary shares	24,000,000.00
8,000,000 non-voting preference shares	24,000,000.00
	48,000,000.00

Each ordinary share entitles its holder to one vote. Non-voting preference shares receive a preferential dividend amounting to 2 % of their portion of the share capital from the net profit for the year. If the net profit is not sufficient in one or several financial years to distribute a preferential dividend of at least 2 % on the preference shares, the arrears are payable without interest from the net profit of the following years in such a way that the older arrears are settled before the more recent arrears and that the preferential payments to be made from the profit of a given financial year are only to be made once all arrears have been settled. This right to subsequent payment constitutes an integral part of the dividend for the financial year in which the subsequent payment on the preference shares is made from the net profit of the year.

Following the subsequent payment of any arrears of dividends on preference shares in connection with previous years and the distribution of a preferential dividend, a dividend is then paid on the ordinary shares from the remaining net profit up to 2 % of their proportion of the share capital. After the distribution of a dividend of 2 % on the ordinary shares, the preference and ordinary shares participate in a further dividend distribution in the ratio of their respective proportions of the share capital in such a way that the preference shares receive a further dividend of 1 % in addition to the dividend payable on ordinary shares.

If the preferential amount is not paid or is not paid in full in a year and if the arrears are not paid in the following year in addition to the full preferential amount for that year, then preference shareholders are granted voting rights until the arrears have been settled.

Publication of WpHG voting right notifications

HORNBAACH HOLDING AG published the following notification in the Stock Exchange Gazette (Börsenzeitung) on June 16, 2009 pursuant to § 25 (1) WpHG:

Albert Hornbach, Germany, has notified us that he has withdrawn his voting rights notification made pursuant to § 21 (1) WpHG, which was published in the Stock Exchange Gazette (Börsenzeitung) on September 7, 2004, as no threshold requiring disclosure was affected on August 18, 2004. His share of the voting rights in HORNBAACH HOLDING AG, Neustadt an der Weinstrasse, continued to exceed the 10 % threshold on the date on which Gertraud Hornbach reached the threshold and amounted to 10.74 % (429,763 voting rights) on this date.

Gertraud Hornbach, Germany, has notified us pursuant to § 21 (1) WpHG, that her share of the voting rights in HORNBAACH HOLDING AG, Neustadt an der Weinstrasse, exceeded the 3 % and 5 % thresholds on August 18, 2004, the date on which these thresholds were crossed, and amounted to 5.25 % (210,000 voting rights) on this date. Of these, 5.25 % (210,000 voting rights) are attributable to her via Albert Hornbach pursuant to § 22 (1) Sentence 1 No. 4 WpHG.

HORNBAACH HOLDING AG published the following voting right notifications pursuant to § 26 (1) WpHG electronically on March 12, 2013:

Dr. Susanne Wulfsberg, Germany, notified us on March 12, 2013 pursuant to § 21 (1) WpHG that her share of the voting rights in HORNBAACH HOLDING AG, Neustadt an der Weinstrasse, Germany, fell short of the 3 % voting rights threshold on October 22, 2012 and on that date amounted to 0.79 % (63,334 voting rights).

Albrecht Hornbach, Germany, notified us on March 12, 2013 pursuant to § 21 (1) WpHG that his share of the voting rights in HORNBAACH HOLDING AG, Neustadt an der Weinstrasse, Germany, fell short of the 3 % voting rights threshold on October 24, 2012 and on that date amounted to 2.64 % (211,112 voting rights). Of these, 1.98 % of the voting rights (158,334 voting rights) are attributable to Albrecht Hornbach pursuant to § 22 (1) Sentence 1 No. 4 WpHG.

Steffen Hornbach, Germany, notified us on March 12, 2013 pursuant to § 21 (1) WpHG that his share of the voting rights in HORNBAACH HOLDING AG, Neustadt an der Weinstrasse, Germany, fell short of the 3 % voting rights threshold on October 24, 2012 and on that date amounted to 1.98 % (158,333 voting rights).

HORNBAACH HOLDING AG published the following voting right notification pursuant to § 26 (1) WpHG electronically on April 1, 2014:

Kingfisher plc, London, United Kingdom, notified us pursuant to § 21 (1) WpHG on March 31, 2014 that the share of the voting rights held by Kingfisher plc in HORNBAACH HOLDING Aktiengesellschaft (ISIN DE0006083405) fell short of the 25%, 20%, 15%, 10%, 5%, and 3% thresholds on March 31, 2014 and amounted to 0 % (0 voting rights) on that date.

Sheldon Holdings Limited, London, United Kingdom, notified us pursuant to § 21 (1) WpHG on March 31, 2014 that its share of the voting rights in HORNBAACH HOLDING Aktiengesellschaft (ISIN DE0006083405) fell short of the 25%, 20%, 15%, 10%, 5%, and 3% thresholds on March 31, 2014 and amounted to 0% (0 voting rights) on that date.

Kingfisher France Limited, London, United Kingdom, notified us pursuant to § 21 (1) WpHG on March 31, 2014 that its share of the voting rights in HORNBAACH HOLDING Aktiengesellschaft (ISIN DE0006083405) fell short of the 25%, 20%, 15%, 10%, 5%, and 3% thresholds on March 31, 2014 and amounted to 0% (0 voting rights) on that date.

Castorama Dubois Investissements S.C.A, Lille, France, notified us pursuant to § 21 (1) WpHG on March 31, 2014 that its share of the voting rights in HORNBAACH HOLDING Aktiengesellschaft (ISIN DE0006083405) fell short of the 25%, 20%, 15%, 10%, 5%, and 3% thresholds on March 31, 2014 and amounted to 0% (0 voting rights) on that date.

Kingfisher France SAS (formerly: Kingfisher SAS), Lille, France, notified us pursuant to § 21 (1) WpHG on March 31, 2014 that its share of the voting rights in HORNBAACH HOLDING Aktiengesellschaft (ISIN DE0006083405) fell short of the 25%, 20%, 15%, 10%, 5%, and 3% thresholds on March 31, 2014 and amounted to 0% (0 voting rights) on that date.

Kingfisher Holdings B.V., Amsterdam, Netherlands, notified us pursuant to § 21 (1) WpHG on March 31, 2014 that its share of the voting rights in HORNBAACH HOLDING Aktiengesellschaft (ISIN DE0006083405) fell short of the 25%, 20%, 15%, 10%, 5%, and 3% thresholds on March 31, 2014 and amounted to 0% (0 voting rights) on that date.

HORNBAACH HOLDING AG published the following voting right notification pursuant to § 26 (1) WpHG electronically on April 2, 2014:

HORNBAACH Familien-Treuhandgesellschaft mbH, Annweiler am Trifels, Germany, has notified us pursuant to § 21 (1) and § 22 (1) No. 6 WpHG that its share of the voting rights in HORNBAACH HOLDING Aktiengesellschaft (ISIN DE0006083405), Neustadt an der Weinstrasse, exceeded the 75% threshold on March 31, 2014 and amounted to 100% (8,000,000 voting rights) on that date. Of these, 22.62% (1,809,526) of the voting rights are attributable to it pursuant to § 22 (1) No. 6 WpHG. Voting rights of the following shareholder whose share of the voting rights in HORNBAACH HOLDING Aktiengesellschaft amounts to 3% or more are attributed in this respect: Albert Hornbach.

HORNBAACH HOLDING AG also electronically published the following voting right notifications pursuant to § 26 (1) WpHG:

May 5, 2015: Gertraud Hornbach, Germany, notified us on May 5, 2015 pursuant to § 21 (1) WpHG that her share of the voting rights in HORNBAACH HOLDING AG, Neustadt an der Weinstrasse, Germany, exceeded the 10% voting rights threshold on February 20, 2015 and on that date amounted to 10.74% (859,526 voting rights).

May 13, 2015: Dr. Andreas Knebel, Germany, notified us on May 13, 2015 pursuant to § 21 (1) WpHG that his share of the voting rights in HORNBAACH HOLDING AG, Neustadt an der Weinstrasse, Germany, exceeded the 3%, 5%, and 10% voting rights threshold on May 4, 2015 and on that date amounted to 10.74%

(859,526 voting rights). Of these, 10.74 % (859,526) of the voting rights are attributable to Dr. Knebel pursuant to § 22 (1) Sentence 1 No. 6 WpHG. The voting rights thereby attributable are held via the following shareholder whose share of the voting rights in HORNBAACH HOLDING AG amounts to 3% or more: Gertraud Hornbach.

Capital reserve

The capital reserve includes the equity components generated over and above the par value of the shares issued.

Revenue reserves

Revenue reserves include the statutory reserve and “other revenue reserves”, as well as accumulated earnings and equity components recognized in equity that are attributable to shareholders.

Minority interests

Shares held by third parties in the equity of consolidated subsidiaries (non-controlling interests) are reported under minority interests.

Within the HORNBAACH HOLDING AG Group, material non-controlling interests relate solely to HORNBAACH-Baumarkt-AG. The share of capital and voting rights for the non-controlling interests in HORNBAACH-Baumarkt-AG amounts to 23.64% (2013/2014: 23.64%). Based in Bornheim (Germany), HORNBAACH-Baumarkt-AG is the parent company of the HORNBAACH-Baumarkt-AG Group. This subgroup constitutes a proprietary segment within the HORNBAACH HOLDING AG Group. As the non-controlling interests in HORNBAACH-Baumarkt-AG impact on the inclusion of the entire subgroup in the consolidated financial statements of HORNBAACH HOLDING AG, the information below is presented in aggregated form for the HORNBAACH-Baumarkt-AG subgroup. The information is presented prior to the elimination of intercompany transactions with other subsidiaries included in the consolidated financial statements of HORNBAACH HOLDING AG.

€ 000s	February 28, 2015	February 28, 2014
Sales	3,356,547	3,151,988
Consolidated net income	69,508	56,350
of which: attributable to non-controlling interests	16,435	13,324
Other comprehensive income	10,935	(1,659)
Total comprehensive income	80,443	54,691
of which: attributable to non-controlling interests	19,020	12,931
Assets	1,730,963	1,670,283
Liabilities	807,818	808,297
Net assets	923,144	861,986
of which: attributable to non-controlling interests	218,271	203,810
Cash flow from operating activities	107,357	144,389
Cash flow from investing activities	(98,521)	(66,910)
Cash flow from financing activities	(45,887)	(23,228)
Cash-effective change in cash and cash equivalents	(37,051)	54,251
Dividends paid to non-controlling interests	4,516	3,764

¹⁾ The dividend payments are included in the outflow of cash for financing activities.

Disclosures about capital management

The capital management practiced by HORNBACH HOLDING AG pursues the aim of maintaining a suitable equity base in the long term. The equity ratio is viewed as representing an important key figure for investors, analysts, banks and rating agencies. The company aims on the one hand to achieve the growth targets it has set itself while maintaining healthy financing structures and a stable dividend policy, and on the other hand to achieve long-term improvements in its key rating figures. The capital management instruments deployed include active debt capital management.

The company has entered into covenants towards some providers of debt capital which, among other conditions, require it to maintain an equity ratio of at least 25 %. The equity ratio, interest cover, debt/equity ratio and company liquidity (cash and cash equivalents plus unutilized committed credit lines) are monitored monthly as part of the company's internal risk management. Further key figures are calculated on a quarterly basis. Should the values fall short of certain target levels, then suitable countermeasures are initiated at an early stage. The covenants were complied with at all times during the 2014/2015 financial year. The equity ratio amounted to 51.8 % as of February 28, 2015 (2013/2014: 49.3 %).

No changes were made to the company's capital management approach in the financial year under report.

(21) Distributable earnings and dividends

The distributable amounts involve the unappropriated net profit reported in the balance sheet of HORNBACH HOLDING AG prepared in accordance with German commercial law.

HORNBACH HOLDING AG concluded the 2014/2015 financial year with an annual net surplus of € 36,423,352.88.

Following the allocation of € 18,200,000.00 to other revenue reserves, the unappropriated net profit amounts to € 18,223,352.88.

The Board of Management and the Supervisory Board of HORNBACH HOLDING AG will propose to the Annual General Meeting that the unappropriated net profit be appropriated as follows:

	€
Dividend of € 0.77 on 8,000,000 ordinary shares	6,160,000.00
Dividend of € 0.80 on 8,000,000 ordinary shares	6,400,000.00
Additional allocation to revenue reserves	5,663,352.88
	18,223,352.88

By resolution of the Annual General Meeting held on July 10, 2014, dividends of € 0.77 (2013/2014: € 0.64) per ordinary share and € 0.80 (2013/2014: € 0.67) per preference share were distributed in the 2014/2015 financial year. The total amount distributed thus amounted to € 12,560k (2013/2014: € 10,480k).

(22) Financial debt

Total current and non-current financial debt is structured as follows:

€ 000s	Maturities			Carrying amount 2.28.2015 Total
	Current < 1 year	Non-current 1-5 years	Non-current > 5 years	
Bonds	0	247,009	0	247,009
Liabilities to banks	61,816	246,504	87,186	395,506
Liabilities in connection with finance leases	255	564	0	819
Negative fair values of derivative financial instruments	1,667	5,395	628	7,690
Total	63,738	499,472	87,814	651,024

€ 000s	Maturities			Carrying amount 2.28.2014 Total
	Current < 1 year	Non-current 1-5 years	Non-current > 5 years	
Bonds	0	0	246,401	246,401
Liabilities to banks	94,001	261,463	98,660	454,123
Liabilities in connection with finance leases	219	820	0	1,039
Negative fair values of derivative financial instruments	37	6,887	481	7,405
Total	94,257	269,170	345,541	708,968

Current financial debt amounted to € 63.7 million at the balance sheet date on February 28, 2015 (2013/2014: € 94.3 million). This consists of the portion of long-term financing facilities maturing in the short term, amounting to € 31.5 million (2013/2014: € 40.3 million), short-term financing facilities at HORNBACH Baustoff Union GmbH, amounting to € 28.3 million (2013/2014: € 34.9 million), interest deferrals of € 2.3 million (2013/2014: € 2.3 million), and liabilities of € 1.7 million relating to the measurement of derivative financial instruments (2013/2014: € 0.0 million).

HORNBACH-Baumarkt-AG took up a seven-year corporate bond of € 250 million on February 15, 2013. The bond has an interest coupon of 3.875%. In combination with the issue price of 99.25 %, this results in a yield of 4.00 % p.a. The total costs of € 2,355k arising in connection with the corporate bond and the disagio of € 1,875k have been spread over the term using the effective interest method.

As of June 30, 2011, HORNBACH-Baumarkt-AG took up an unsecured promissory note bond of € 80 million with a floating rate and a term running until June 30, 2016. To secure the interest rate, a forward swap with congruent terms was concluded in the 2010/2011 financial year already. The swap enabled the half-yearly interest payable to be secured at a level of 2.11 % p.a., plus a bank margin, for the entire term.

The promissory note bond of CZK 496.6 million taken up at HORNBACH Baumarkt CS spol s.r.o. was prematurely redeemed as of June 30, 2014. The accompanying swap was dissolved at fair value.

The HORNBAACH Immobilien AG subgroup still has a promissory note bond of € 70 million with a term running until June 30, 2017. The promissory note bond has a floating interest rate based on the 6-month Euribor, plus a bank margin. A swap was concluded with congruent terms to hedge the interest rate. The interest swap enables the interest payable on a half-yearly basis to be secured at a fixed rate of 1.516 % p.a., plus a bank margin, for the entire term.

Alongside the aforementioned bond and promissory note bonds, the Group has further non-current liabilities, generally secured by mortgages, to banks.

Liabilities to banks, originally of a non-current nature, are structured as follows:

2014/2015 financial year	Currency	Interest agreement in % (including swap)	Maturity	Amount 2.28.2015 € 000s
Loans	EUR	3.12 to 4.86	2016 to 2021	149,843
Mortgage loans	EUR	1.69 to 6.41	2015 to 2023	111,198
	CZK	2.19 to 5.22	2018 to 2026	53,657
	RON	7.80	2022	9,537
	SEK	4.97 to 6.60	2018 to 2028	40,733
				364,968

2013/2014 financial year	Currency	Interest agreement in % (including swap)	Maturity	Amount 2.28.2014 € 000s
Loans	EUR	2.60 to 4.86	2014 to 2021	149,726
	CZK	4.83	2015	18,125
Mortgage loans	EUR	2.37 to 6.47	2014 to 2013	134,533
	CZK	3.98 to 5.22	2018 to 2026	36,575
	RON	4.53 to 7.80	2015 to 2022	14,337
	SEK	4.97 to 6.60	2018 to 2028	46,930
				400,228

The overwhelming majority of non-current liabilities to banks have fixed interest rates. Loans with floating rates have interest rates based on the short-term Euribor, or a corresponding foreign currency lbor, plus a bank margin of between 0.75 and 2.75 percentage points (2013/2014: 0.45 to 2.75). Interest swaps have been concluded to secure the interest rate on non-current liabilities with floating interest rates. These enable the interest payments to be secured on those loans which could have a significant influence on the Group's annual earnings.

In the first quarter of the 2014/2015 financial year, HORNBAACH-Baumarkt-AG agreed the extension of the existing syndicated credit line of € 250 million. Upon this extension, the maturity was postponed from December 14, 2016 to April 15, 2019. Furthermore, improved terms were agreed. The credit line may still also be drawn down in foreign currencies, particularly CHF, SEK and CZK, up to an amount of € 25 million. Furthermore, supplementary bilateral loan agreements of up to € 50 million may also be concluded within the credit framework (also in foreign currencies). Upon utilization of the credit line, the interest is based on the

3-month or 6-month Euribor, or the equivalent Ibor, plus an interest margin. The applicable interest margin is determined by reference to the company rating granted to HORNBACH-Baumarkt-AG by an internationally recognized rating agency. Margin premiums apply should the level of utilization exceed specified threshold values. A provision fee dependent on the respective interest margin is charged for the unutilized portion of the credit line.

As of February 28, 2015, the HORNBACH HOLDING AG Group had total credit lines of € 377.1 million (2013/2014: € 404.2 million) on customary market terms. Unutilized credit lines amounted to € 344.6 million (2013/2014: € 349.0 million). Furthermore, HORNBACH-Baumarkt-AG has a credit line for import credits amounting to USD 40.0 million (2013/2014: USD 40.0 million). Of this, an amount of USD 6.4 million had been drawn down as of the balance sheet date (2013/2014: USD 6.2 million).

Land charges amounting to € 452.0 million have been provided as security for liabilities to banks (2013/2014: € 480.7 million).

No assets have been provided as security for the credit lines, the promissory note bonds, or the bond. The relevant contractual arrangements nevertheless require compliance with customary bank covenants, non-compliance with which could lead to a premature repayment obligation. These regularly involve pari passu clauses and negative pledge declarations, as well as cross default arrangements for major financing facilities. In the case of the syndicated credit line and the promissory note bond agreement at HORNBACH-Baumarkt-AG, they also require compliance with specific financial ratios. These key financial ratios are based on consolidated figures at the HORNBACH-Baumarkt-AG subgroup and require interest cover of at least 2.25 times and an equity ratio of at least 25 %. Maximum limits for financing facilities secured by land charges and financing facilities taken up by subsidiaries were also agreed. The conditions governing the promissory note bond at HORNBACH Immobilien AG require the maintenance of a specified volume of unencumbered property, plant and equipment. The interest cover, net debt/EBITDA ratio, equity ratio, agreed financing limits, unencumbered property, plant and equipment, and company liquidity (cash and cash equivalents, plus unutilized committed credit lines) are regularly monitored within the internal risk management framework. Should the values fall short of certain target levels, then countermeasures are initiated at an early stage. All covenants were complied with at all times in the year under report.

The HORNBACH HOLDING AG Group is subject to a relevant restriction that limits the possibilities of using subsidiaries' assets to settle subsidiaries' liabilities. This relates to liquid funds of € 334.8 million at HORNBACH-Baumarkt-AG and its subsidiaries (2013/2014: € 371.1 million). Apart from an allowance of € 50 million, these funds must remain within the HORNBACH-Baumarkt-AG subgroup and may not be used to settle liabilities at other subsidiaries within the HORNBACH HOLDING AG Group.

Transition of future leasing payments to the liabilities from financial leasing contracts:

€ 000s	Maturities			2.28.2015
	Current < 1 year	Non-current 1-5 years	Non-current > 5 years	Total
Liabilities in connection with finance leases	255	564	0	819
Interest component	47	40	0	87
Total lease payments to be made in future	302	604	0	906

€ 000s	Maturities			2.28.2014
	Current < 1 year	Non-current 1-5 years	Non-current > 5 years	Total
Liabilities in connection with finance leases	219	820	0	1,039
Interest component	58	86	0	144
Total lease payments to be made in future	277	906	0	1,183

(23) Pensions and similar obligations

As a result of legal requirements in individual countries and individual commitments made to members of its Board of Management, the HORNBAACH HOLDING AG Group has obligations relating to defined benefit and defined contribution pension plans.

Defined contribution plans

Apart from payment of contributions, the defined contribution plans do not involve any further obligations on the part of the HORNBAACH HOLDING AG Group. The total of all defined contribution pension expenses amounted to € 47,876k in the 2014/2015 financial year (2013/2014: € 45,434k). Of this total, an amount of € 29,991k involved the employer's share of contributions to the state pension scheme in Germany (2013/2014: € 28,035k).

Multiemployer defined benefit pension plans

Joint pension plans are in place for staff employed in the Netherlands. As the pension providers for these plans do not provide the necessary information in the form required for recognition as defined benefit plans, these plans are recognized as defined contribution plans. Consistent with the requirements of this plan, HORNBAACH HOLDING AG has no obligation to assume liability for the contributions of other employers participating in the plan. No probable material risks have been identified in connection with the multiemployer defined benefit pension plan. The company expects to pay contributions of € 2,200k in the 2015/2016 financial year.

Defined benefit plans

Switzerland

The HORNBAACH HOLDING AG Group has one fund-financed pension plan which is financed via an external pension provider. This pension plan exists due to legal requirements in Switzerland (Swiss Occupational Pensions Act - BVG) and grants old-age, invalidity and fatality pensions and payments for around 800 beneficiaries.

The employee covers around 35 % of the premiums to be paid for the savings balances, as well as further clearly defined costs. The remaining expenses are covered by the employer. Risk and cost premiums are calculated by the insurance company on an individual basis and reassessed each year. The actuarial risk in connection with this plan is borne by HORNBAACH HOLDING AG. The pension plan must be fully covered on the basis of a statistical evaluation performed in accordance with BVG provisions. In the event of a shortfall, the pension authority may adjust the respective employer and employee contributions or payments.

The pension provider constitutes a separate legal entity. This is responsible for managing the pension plan and has issued investment regulations defining the respective investment strategy. The highest decision-making body for the pension provider is the Board of Trustees. This consists of an equal number of employer and employee representatives from the companies participating in the plan.

Germany

HORNBAACH HOLDING AG, HORNBAACH-Baumarkt-AG, HORNBAACH Immobilien AG and HORNBAACH Baustoff Union GmbH have undertaken to provide members of their Boards of Management or their managing directors with a securities-financed pension plan. This model offers the opportunity to increase pension claims, while the companies simultaneously guarantee a minimum return of 2 % p.a. for members of their Boards of Management. Pension assets and voluntary additional contributions by members of the Boards of Management or managing directors are held in a fiduciary capacity and invested in diversified funds by Allianz Treuhand GmbH, Frankfurt am Main. The funds are invested in line with a capital investment concept jointly defined by the companies and Allianz Treuhand GmbH. Where amendments to the capital investment concept do not contravene the fiduciary objective, the companies themselves may have such amendments made. The risk that the trust assets do not generate the minimum return of 2 % p.a. is borne by the companies.

The scope of obligation to plan beneficiaries is set in each case at a maximum of the fund assets and the present value of contributions paid, including the guaranteed return. To this end, the contributions paid by the employer and by the Board of Management are separately compared in each case with the fund assets.

Furthermore, company employees also have the possibility of participating in a "working time account model". Salary claims can be converted into so-called value credits in line with individual employee's requirements. These value credits may be used, for example, for premature retirement. Directly before the termination of the employment relationship for age-related reasons, these credits can then be used to enable the employee to retire early. Non-disbursed salary claims can be invested in various investment funds in line with the individual employee's risk preference. HORNBAACH HOLDING AG guarantees the value retention of amounts contributed to value credits and thus bears the investment risk. Salary components contributed by the company or employees are managed within a so-called double fiduciary model by Allianz Treuhand GmbH, Frankfurt am Main. Provisions for obligations in connection with working time accounts have been offset as of the balance sheet date against the corresponding cover assets in the form of fund shares.

Pensions and similar obligations are structured as follows:

	2014/2015 € 000s	2013/2014 € 000s
Present value of pension obligation	56,893	38,724
less fair value of plan assets	(45,741)	(37,967)
Pension commitments as reported in balance sheet	11,152	757
of which: pension provisions	11,152	757

The plan assets were structured as follows at the balance sheet date:

	2.28.2015 %	2.28.2014 %
Debt securities	83.6	83.3
Shares	4.1	3.7
Real estate	10.3	10.3
Other	2.0	2.7
	100.0	100.0

Change in pension obligation

	2014/2015 € 000s	2013/2014 € 000s
Present value of pension obligation at the beginning of the period	38,724	35,239
Current service cost of employer	3,233	3,390
Interest cost	1,131	712
Remeasurement effects because of changes in financial assumptions	11,035	(2,066)
Actuarial gains and losses arising from experience adjustments	(1,135)	303
Employee contributions	2,678	2,819
Net balance of payments contributed and paid out	(2,641)	(876)
Insurance premiums	(1,138)	(942)
Foreign currency translation	5,005	145
Present value of pension obligation at the end of the period	56,893	38,724

Change in plan assets

	2014/2015 € 000s	2013/2014 € 000s
Plan assets at beginning of period	37,967	33,212
Interest income	1,143	695
Return on plan assets (excluding interest income)	(150)	(132)
Employer contributions	3,270	3,054
Employee contributions	2,674	2,819
Net balance of payments contributed and paid out	(2,641)	(876)
Insurance premiums	(1,138)	(942)
Foreign currency translation	4,614	136
Plan assets at the end of the period	45,741	37,967

Responsibility for the plan asset investment strategy has been assigned to Allianz Treuhand GmbH for the German plans and to the top management body (Board of Trustees) at the BVG-Sammelstiftung Swiss Life for the Swiss plans. These external asset managers perform portfolio risk management and synchronize the development in plan assets and pension obligations in line with the conceptual and legal structure of the defined benefit plans.

HORNBAACH HOLDING AG analyses the portfolio structure and performance at regular intervals in order to identify any need for action.

The expenses for defined benefit plans are presented below. As well as expenses and income recognized through profit or loss under personnel expenses, these also include plan-related amounts recognized in other comprehensive income within equity.

	2014/2015 € 000s	2013/2014 € 000s
Current service cost of employer	3,233	3,390
Interest cost	1,131	712
Interest income	(1,143)	(695)
Effects recognized in P&L	3,221	3,406
Actuarial gains and losses	(9,899)	1,763
Return on plan assets (excluding interest income)	(150)	(132)
Effects recognized in OCI	(10,049)	1,631
Costs for defined benefit plans	13,270	1,775

The amounts recognized through profit or loss are included in the personnel expenses allocated to the following items in the income statement:

	2014/2015 € 000s	2013/2014 € 000s
Selling and store expenses	2,097	2,299
General and administration expenses	1,124	1,107
	3,221	3,406

Actuarial assumptions

The calculation has been based on the following actuarial assumptions. These vary depending on the country in which the plan is based.

	2.28.2015		2.28.2014	
	Weighted average	Range	Weighted average	Range
Discount interest rate	1.1%	1.0% to 1.9%	2.5%	2.4% to 3.0%
Expected long-term credit interest rate	1.8%	1.8%	2.0%	2.0%
Future salary increases	1.7%	1.5% to 3.0%	1.7%	1.5% to 3.0%
Future pension increases	0.3%	0.0% to 2.0%	0.0%	0.0%

The discount rate used has been determined on the basis of the return on blue-chip fixed-income bonds. The assumptions concerning future mortality rates are based on published statistics and mortality tables. For plans in Germany, reference has been made to the "Heubeck Richttafeln 2005 G". Swiss plans are governed by the "BVG 2010 Generationentafel".

Sensitivity analysis

The influence of those actuarial assumptions which, if changed, would materially impact on the measurement of the present value of the pension obligation, has been presented in the following sensitivity analysis. This presents that change in the present value of the pension obligation that would have arisen if different actuarial assumptions had been used as of the balance sheet date. The other parameters influencing the respective values have remained constant.

Change in present value of pension obligation:

€ 000s	2.28.2015		2.28.2014	
	Increase	Decrease	Increase	Decrease
Discount rate (0.25 basis points change)	(2,446)	2,665	(1,332)	1,454
Rate of pension increase (0.10 basis points change)	604	(590)	399	(336)

Future cash flows

Payments of contributions amounting to € 3,287k are expected for the 2015/2016 financial year.

Expected payments	2.28.2015
2015/2016	300
2016/2017	371
2017/2018	468
2018/2019	565
2019/2020	628
2020 to 2024	12,621

Expected payments	2.28.2014 € 000s
2014/2015	286
2015/2016	396
2016/2017	478
2017/2018	568
2018/2019	652
2019 to 2023	13,857

(24) Other non-current liabilities

Other non-current liabilities mainly involve non-current provisions. These include personnel provisions, provisions for contractually assumed structural maintenance obligations, and a provision required by law for the storage of business documents. The rental agreements underlying the maintenance obligations have remaining terms of between 1 and 21 years. The provision for the storage of business documents chiefly relates to statutory storage periods of between 7 and 11 years.

The development in provisions is presented in Note 27.

Non-current personnel provisions have been recognized mainly for the statutory reserve required in Austria to cover potential claims on the part of employees in the event of their leaving the company (severance pay).

Part-time early retirement

The provisions for part-time early retirement mainly involve the part-time early retirement agreements concluded by HORNBAACH-Baumarkt-AG in the 2005/2006 and 2006/2007 financial years. The work undertaken by part-time early retirees is performed within the framework of the so-called block model. Provisions amounting to € 284k (2013/2014: € 958k) have been recognized to cover the performance backlog up to the balance sheet date and for top-up payments. This provision is expected to be reversed upon the final employee thereby entitled reaching regular retirement age in the 2016/2017 financial year. Claims from an existing reinsurance policy have been netted with the existing obligations. The provisions have been calculated by an independent expert on the basis of the 2005 G mortality tables published by Heubeck-Richttafeln-GmbH and using a discount rate of 0.11 % p.a. (2013/2014: 1.46 % p.a.). Moreover, provisions of € 66k (2013/2014: € 31k) were recognized to cover part-time early retirement obligations in Austria.

Severance payments

Upon reaching retirement age (or if their employment is terminated), employees at Austrian subsidiaries are entitled to severance payments provided that they joined the company by December 31, 2002. The level of severance payment entitlement is based on the number of years of service and the most recent level of compensation from the employment relationship. The volume of obligation is reviewed annually and adjusted accordingly on the basis of an external survey. The actuarial risks associated with this plan are borne by HORNBAACH HOLDING AG.

Severance payments represent other defined benefit post-employment benefits and are therefore recognized under other non-current liabilities. The provision for severance payments is measured at the present value of the pension obligation.

Change in pension obligation and costs of plan

	2014/2015 € 000s	2013/2014 € 000s
Present value of pension obligation at the beginning of the period	4,003	4,126
Current service cost of employer	275	306
Interest cost	134	134
Remeasurement effects because of changes in financial assumptions	970	(52)
Actuarial gains and losses arising from experience adjustments	136	(143)
Net balance of payments contributed and paid out	(275)	(368)
Present value of pension obligation at the end of the period	5,243	4,003

	2014/2015 € 000s	2013/2014 € 000s
Current service cost of employer	275	306
Interest cost	134	134
Effects recognized in P&L	409	440
Actuarial gains and losses	(1,106)	195
Effects recognized in OCI	(1,106)	195
Total costs for the plan	1,515	245

The average remaining term of the obligation amounts to 15.3 years (2013/2014: 14.8 years).

Actuarial assumptions and sensitivity analysis

	2.28.2015	2.28.2014
Discount interest rate	1.6 %	3.3 %
Future salary increases	2.7 %	3.0 %

The discount rate used has been determined on the basis of the return on blue-chip fixed-income bonds. The biometric calculation has been based on "AVÖ 2008 P – Rechnungsgrundlage für die Pensionsversicherungen".

The influence of those actuarial assumptions which, if changed, would materially impact on the measurement of the present value of the pension obligation, has been presented in the following sensitivity analysis. This presents that change in the present value of the pension obligation that would have arisen if different actuarial assumptions had been used as of the balance sheet date. The other parameters influencing the respective values have remained constant.

Change in the present value of the pension obligation:

€ 000s	2.28.2015		2.28.2014	
	Increase	Decrease	Increase	Decrease
Discount rate (0.5 basis points change)	(378)	420	(271)	300
Rate of salary increase (0.25 basis points change)	217	(207)	160	(153)

(25) Trade payables and other liabilities

	2.28.2015 € 000s	2.28.2014 € 000s
Trade payables and advance payments received for orders	246,972	238,900
Other liabilities	59,631	61,113
of which: other taxation	19,302	19,527
of which: social security contributions	3,712	2,699
	306,603	300,013

As in the previous year, all trade payables and other liabilities have remaining terms of less than one year.

Trade payables are secured by reservations of title to the customary extent.

Other taxation liabilities include amounts for which the individual group companies are liable. Liabilities for social security contributions particularly include contributions yet to be remitted to the social security funds. In addition to the aforementioned items, other liabilities mainly include deposits and pledged funds, merchandise credits not yet redeemed, and amounts due for outstanding invoices.

(26) Income tax receivables and liabilities

The receivables and liabilities relating to taxes on income involve current tax liabilities / receivables and taxes for previous financial years. Tax liabilities/receivables also include taxes resulting from the external tax audit for the years 2008 to 2011 completed in the current financial year and follow-up items. Current income tax provisions are offset against corresponding income tax refund claims, provided that they relate to the same tax jurisdiction and are identical as far as their type and their due date are concerned. Tax provisions for current income taxes mainly relate to corporate income tax (including the solidarity surcharge) and to trade tax.

The “German act on fiscal measures accompanying the introduction of the European Company and amending further tax legislation (SEStEG)” came into force on December 13, 2006. Among other aspects, this act allows refunds of corporate income tax credits resulting from the retention of profit in accordance with previous corporation tax law requirements no longer to be linked to the distribution of profits. Furthermore, due to the 2010 Annual Tax Act, corporate income tax claims previously viewed as irrecoverable and amounting to a – discounted – total of € 8.2 million were recognized in the 2010/2011 financial year. The corporate income tax credits will be disbursed in ten equal amounts on September 30 of each year through to 2017. As of February 28, 2015, the HORNBAACH HOLDING AG Group had corporate income tax refund claims amounting to € 11.2 million in total (2013/2014: € 15.0 million), which have been recognized at a present value of € 11.0 million (2013/2014: € 14.6 million) under non-current and current income tax receivables.

Income tax receivables include a receivable of € 1.4 million in connection with trade tax credits on foreign dividends and a refund claim of € 4.5 million for write-downs previously not recognized for tax purposes in connection with a foreign shareholding. The allocable interest receivables of € 2,904k have been recognized under other receivables and assets (Note 17).

Reference is made to the information about deferred taxes included in Note 15 with regard to the deferred tax assets and liabilities recognized under non-current assets and non-current liabilities.

(27) Other provisions and accrued liabilities

Other provisions and accrued liabilities developed as follows in the 2014/2015 financial year:

€ 000s	Opening balance at 3.1.2014	Utilization	Reversals	Additions	Interest compound- ing	Foreign currency translation	Closing balance at 2.28.2015	of which: non-current
Other provisions								
Personnel	7,022	2,317	0	4,047	12	0	8,764	8,764
Miscellaneous	21,135	6,327	760	5,658	212	193	20,111	13,916
	28,157	8,643	760	9,705	225	193	28,875	22,680
Accrued liabilities								
Other taxes	489	311	20	721	0	(5)	874	0
Personnel	46,154	44,954	192	57,306	0	7	58,320	0
Miscellaneous	19,715	15,851	2,554	18,387	0	106	19,804	0
	66,358	61,115	2,766	76,414	0	108	78,998	0
	94,515	69,759	3,526	86,118	225	300	107,874	22,680

Miscellaneous other current provisions mainly relate to provisions for customers' expected utilization of their rights of return, recognized at € 1,592k (2013/2014: € 1,911k), for onerous contracts, at € 2,708k (2013/2014: € 3,210k), and for litigation risks, at € 604k (2013/2014: € 793k).

Reference is made to Note 24 with regard to details of non-current provisions.

Other taxes largely involve the deferral of land tax.

The accrued liabilities for personnel obligations primarily relate to outstanding holiday entitlements, overtime, holiday pay, Christmas bonuses, and employee bonuses.

Miscellaneous accrued liabilities relate in particular to the costs of gas, water, electricity, property duties and advertising, as well as to year-end expenses and legal advisory expenses.

Other Disclosures

(28) Guarantees and other commitments

As in the previous year, there were no guarantees or other commitments as of February 28, 2015.

(29) Other financial obligations

€ million	Maturities			2.28.2015 Total
	Current < 1 year	Non-current 1-5 years	Non-current > 5 years	
Purchase obligations for investments	69.9	41.9	0.0	111.8
Obligations under rental, leasehold and leasing contracts	101.1	333.9	255.3	690.3
Other financial obligations	13.1	0.6	0.0	13.7
	184.1	376.4	255.3	815.8

€ million	Maturities			2.28.2014 Total
	Current < 1 year	Non-current 1-5 years	Non-current > 5 years	
Purchase obligations for investments	72.9	55.8	0.0	128.7
Obligations under rental, leasehold and leasing contracts	97.1	350.9	290.8	738.8
Other financial obligations	10.1	0.7	0.0	10.8
	180.1	407.4	290.8	878.3

The obligations resulting from rental, hiring, leasehold and leasing contracts relate exclusively to those rental contracts in which the companies of the HORNBAACH HOLDING AG Group do not constitute the economic owners of the rented assets pursuant to IFRS regulations (operating leases). Rental agreements mainly relate to DIY stores in Germany and abroad. The terms of the rental agreements mostly range from 15 to 20 years, with subsequent rental extension options and purchase options at market value. The agreements include rent adjustment clauses.

An amount of € 95,241k, excluding ancillary expenses, was recognized in the 2014/2015 financial year as rental expenses in connection with operating lease agreements (2013/2014: € 89,656k).

(30) Future income from rental and leasing contracts

Future income from rental and leasing contracts is structured as follows:

Rental income from third parties € 000s	Maturities			Total
	Current < 1 year	Non-current 1-5 years	Non-current > 5 years	
February 28, 2015	6,067	11,192	3,882	21,141
February 28, 2014	4,830	11,720	4,984	21,534

Rental income mainly results from the letting of retail real estate and office space. The rental contracts mostly have terms of between 5 and 15 years.

Rental income has only been reported for up to one year in the case of rental contracts with indefinite contractual terms.

(31) Legal disputes

HORNBAACH HOLDING AG does not anticipate that it or any of its group companies will be involved in current or foreseeable court or arbitration proceedings which could have any material effect on the economic situation of the Group. Moreover, appropriate provisions have been stated and adequate insurance benefits are anticipated at the relevant group companies for any financial charges in connection with other legal or arbitration proceedings. Such charges are therefore not expected to have any material impact on the financial position of the Group.

(32) Supplementary disclosures on financial instruments

The following tables show the carrying amounts of the financial instruments in each IAS 39 measurement category, and their fair values broken down by balance sheet category:

€ 000s	Category	Carrying amount 2.28.2015	Fair value 2.28.2015	Carrying amount 2.28.2014	Fair value 2.28.2014
Assets					
Financial assets	AfS	22	22	22	22
Other receivables and assets					
Derivatives without hedge relationship	FAHfT	0	0	280	280
Other financial assets	LaR	69,690	69,690	63,914	63,914
Cash and cash equivalents	LaR	400,936	400,936	428,849	428,849
Equity and liabilities					
Financial debt					
Bonds	FLAC	247,009	274,750	246,401	263,250
Liabilities to banks	FLAC	395,506	416,049	454,123	472,101
Liabilities in connection with finance leases	n.a.	819	821	1,039	1,056
Derivatives with hedge relationship	n.a.	6,023	6,023	7,405	7,405
Derivatives without hedge relationship	FLHfT	1,667	1,667	0	0
Trade payables and other liabilities	FLAC	256,688	256,688	252,179	252,179
Accrued liabilities	FLAC	19,804	19,804	19,715	19,715

The following items are outside the scope of IFRS 7: receivables and other assets of € 16,143k (2013/2014: € 13,800k), trade payables and other liabilities of € 77,423k (2013/2014: € 73,468k), and accrued liabilities of € 59,194k (2013/2014: € 46,643k).

Aggregate totals by measurement category	Category	Carrying amount 2.28.2015	Carrying amount 2.28.2014
€ 000s			
Loans and receivables	LaR	470,626	492,763
Available for sale financial assets	AfS	22	22
Financial assets held for trading	FAHfT	0	280
Financial liabilities measured at amortized cost	FLAC	919,007	972,418
Financial liabilities held for trading	FLHfT	1,667	0

Cash and cash equivalents, financial assets held for sale, other financial assets, accrued liabilities, trade payables, and other liabilities mature in the short term in the majority of cases. Their carrying amounts therefore basically correspond to their fair values as of the balance sheet date.

The derivative financial instruments within hedges recognized in the balance sheet mainly involve interest hedges (interest swaps). Derivative financial instruments outside of hedges include foreign currency items for outstanding orders. Their fair value measurement has been based on customary valuation models (e.g. discounted cash flow method) by reference to interest and foreign exchange curves available on the market and with congruent terms, and thus corresponding to Level 2 input factors in the fair value hierarchy. The

fair values of fixed-interest liabilities to banks and of finance leases have been measured by analogy. The credit risk for the aforementioned financial instruments has been accounted for by reference to risk discounts available on the market.

The fair value of the publicly listed bond corresponds to the nominal value multiplied by the market value at the balance sheet date. The fair value has thus been determined by reference to Level 1 data in the fair value hierarchy.

The following financial instruments whose measurement has been based on fair value hierarchy input data have been recognized at fair value in the balance sheet:

€ 000s	2.28.2015	2.28.2014
Assets		
Valuation based on level 2 input data		
Financial assets held for trading	0	280
Equity and liabilities		
Valuation based on level 2 input data		
Derivatives with hedge relationship	6,023	7,405
Financial liabilities held for trading	1,667	0

Net result by measurement category	2014/2015 € 000s	2013/2014 € 000s
Loans and receivables (LaR)	2,089	(3,676)
Available-for-sale financial assets (AFS)	0	(660)
Financial liabilities measured at amortized cost (FLAC)	(1,947)	(2,051)
Financial instruments held for trading (FAHfT and FLHfT)	(1,901)	574

The net results of the measurement category “financial instruments held for trading” are attributable to derivative financial instruments. The net results of the measurement categories “loans and receivables”, “available-for-sale financial assets”, and “financial liabilities measured at amortized cost” involve foreign currency translation items, the results of disposals and write-downs.

No financial instruments are reported on a net basis in the balance sheet. Supplementary arrangements permitting the economic netting of recognized financial instruments exist for swap transactions concluded by the Group. As in the previous year, the current fair values of these transactions mean that it would not be possible to net these transactions were the triggering event to occur.

(33) Risk management and financial derivatives

Risk management principles

The assets, liabilities and planned financial transactions of the HORNBAACH HOLDING AG Group are subject in particular to risks resulting from changes in exchange rates and interest rates.

The aim of the company's risk management is therefore to minimize these market risks by means of suitable financial market-based hedging activities. To achieve this aim, derivative financial instruments are deployed to limit interest rate and foreign currency risks. In general, however, the company only hedges those risks which could impact materially on its financial result.

The necessary decisions may only be taken on the basis of the strategic requirements determined by the Chief Financial Officer. These requirements focus on hedging interest rate and foreign currency risks. Moreover, these requirements do not permit financial transactions to be undertaken for speculative purposes. Furthermore, certain transactions also require prior approval by the Supervisory Board.

The treasury department regularly reviews and monitors the current and future interest charge and the foreign exchange requirements of the overall Group. The Board of Management is informed of its findings on a regular basis.

Market risks

For the presentation of market risks, IFRS 7.40 "Financial Instruments: Disclosures" requires the hypothetical impact on profit and loss and equity which would have resulted if those changes in the relevant risk variables (e.g. market interest rates or exchange rates) which could reasonably be assumed to be possible at the balance sheet date had actually materialized to be presented on the basis of sensitivity analyses. The market risks faced by the HORNBAACH HOLDING AG Group consist of foreign currency risks and interest rate risks.

Foreign currency risk

Foreign currency risks, i.e. potential reductions in the value of a financial instrument or future cash flow due to changes in foreign exchange rates, particularly apply wherever monetary financial instruments, such as receivables or liabilities, exist in a currency other than the local currency of the company, or will exist in the scheduled course of business. The foreign currency risks of the HORNBAACH HOLDING AG Group mainly result from financing measures and from the company's business operations. Exchange rate differences arising from the translation of financial statements into the group currency do not constitute a foreign currency risk as defined by IFRS 7.

The group companies are largely financed by means of external financing measures denominated in the functional currency of the corresponding group company (natural hedging). Moreover, there are also intragroup loans denominated in euros, thus resulting in foreign currency risks at those group companies which have a functional currency other than the euro. These risks are basically not hedged.

Foreign currency loans whose foreign currency risk is hedged by cash flow hedges do not result in any foreign currency risk. These items have therefore not been accounted for in the sensitivity analysis.

The foreign currency risks faced by the HORNBAACH HOLDING AG Group in its business operations mainly relate to the purchase of goods in the Far East using US dollars and from intragroup supplies and services,

which are basically handled in euros. Large portions of the US dollar currency risk are hedged with fixed deposits denominated in US dollars.

Including hedging measures, the Group had the following main foreign currency items open as of the balance sheet date:

€ 000s	2.28.2015	2.28.2014
EUR	(22,656)	(45,553)
USD	12,362	8,215
SEK	2,585	0
CZK	(795)	(681)

The above EUR currency position results from the following currency pairs: CHF/EUR € 10,513k (2013/2014: € -8,254k), CZK/EUR € -4,926k (2013/2014: € 3,316k), RON/EUR € -13,727k (2013/2014: € -14,205k), and SEK/EUR € -14,514k (2013/2014: € -26,410k).

The most important exchange rates have been presented under "Currency Translation".

In the sensitivity analysis provided below for foreign currency risks, it has been assumed that the foreign currency holdings as of the balance sheet date are representative of the financial year as a whole.

If the euro had **appreciated by 10 %** compared with the Group's other main currencies at the balance sheet date, and all other variables had remained unchanged, consolidated earnings before taxes would have been € 4,027k lower (2013/2014: € 5,492k). Conversely, if the euro had **depreciated by 10 %** compared with the Group's other main currencies at the balance sheet date, and all other variables had remained unchanged, then consolidated earnings before taxes would have been € 4,027k higher (2013/2014: € 5,492k). The hypothetical impact on earnings of € +4,027k (2013/2014: € +5,492k) is the result of the following sensitivities: EUR/SEK € 1,737k (2013/2014: € 2,698k), EUR/RON € 1,374k (2013/2014: € 1,441k), EUR/USD € 1,444k (2013/2014: € 936k), EUR/CHF € -939k (2013/2014: € 830k), and EUR/CZK € 411k (2013/2014: € -413k).

Interest rate risk

At the end of the year, the Group was principally financed by a euro bond with a nominal total of € 250,000k (2013/2014: € 250,000k) and by unsecured promissory note bonds with total equivalent nominal values of € 150,000k (2013/2014: € 170,000k). Furthermore, the Group also has short-term and long-term fixed-interest euro loans amounting to € 111,198k (2013/2014: € 134,533k), long-term CZK loans amounting to € 53,657k (2013/2014: € 36,575k), long-term SEK loans amounting to € 40,733k (2013/2014: € 46,930k), and long-term RON loans amounting to € 9,537k (2013/2014: € 14,337k). The principal long-term financial liabilities with floating interest rates have been converted into fixed-interest financial liabilities using derivative financial instruments.

The sensitivity analysis provided below is based on the following assumptions:

In the case of fixed-interest primary financial instruments, changes in market interest rates only impact on profit and loss or equity when such instruments are measured at fair value. Primary financial instruments measured at amortized cost are therefore not subject to any interest rate risk as defined in IFRS 7. The same applies to financial liabilities which originally had floating interest rates, but which have been converted into fixed-interest financial liabilities by means of cash flow hedges.

Changes in the market interest rates of interest derivatives designated to hedge primary financial instruments with floating interest rates within the framework of a cash flow hedge impact on the hedging reserve within equity and have therefore been accounted for in the equity-related sensitivity analysis.

Changes in the market interest rates of primary financial instruments with floating interest rates impact on the income statement and have therefore been accounted for in the sensitivity analysis.

In the sensitivity analysis for interest rate risks, it has been assumed that the volumes as of the balance sheet date are representative of the financial year as a whole. A parallel shift in the interest rate curve has been assumed.

If the market interest rate had been **100 basis points higher** at the balance sheet date, and all other variables had remained unchanged, then consolidated earnings before taxes would have been € 3,383k higher (2013/2014: € 3,515k) and equity before deferred taxes would have been € 3,557k higher (2013/2014: € 5,865k). Due to the low level of interest rates currently, a parallel shift in the interest rate curve by 100 basis points downwards in some cases produces negative interest rates. This severely limits the meaningfulness of any such simulation. For the current financial year, the company has therefore rather simulated the hypothetical impact of a shift in the interest rate curve by 10 basis points downwards. If the market interest rate had been **10 basis points lower** at the balance sheet date, and all other variables had remained unchanged, then consolidated earnings before taxes would have been € 338k lower (2013/2014: € 352k) and equity before deferred taxes would have been € 359k lower (2013/2014: € 599k). In the previous year, a shift in the interest rate curve by 100 basis points downwards was simulated. If the market interest rate at the previous year's balance sheet date had been 100 basis points lower, then consolidated earnings before taxes for the previous year would have been € 3,515k lower and equity before deferred taxes would have been € 5,538k lower.

Credit risk

Credit risk involves the risk that a contractual party is unable to comply in part or in full with the obligations entered into upon the conclusion of a financial instrument. The credit risk of the Group is strictly limited to the extent that financial assets and derivative financial instruments are concluded as far as possible with contractual parties of good credit standing. Moreover, transactions with individual contractual partners are subject to a maximum limit. The risk of receivables default in the operating business is already considerably reduced on account of the retail format (cash & carry). The maximum credit risk is basically equivalent to the carrying amounts of the financial assets, which do not include any material risk clusters.

Liquidity risk

The following tables show the contractually agreed (undiscounted) outflows of cash for primary and derivative financial liabilities:

€ 000s	Carrying amount 2.28.2015	Cash outflows		
		< 1 year	1 to 5 years	> 5 years
Primary financial liabilities				
Bonds	247,009	9,688	288,776	0
Liabilities to banks	395,506	73,503	272,885	98,233
Liabilities in connection with finance leases	819	302	604	0
Trade payables and other liabilities	256,688	229,214	27,474	0
Accrued liabilities	19,804	19,804	0	0
	919,826	332,510	589,739	98,233
Derivative financial liabilities				
Foreign currency derivatives without hedge relationship	1,667	1,667	0	0
Interest derivatives in connection with cash flow hedges	6,023	3,608	4,052	111
	7,690	5,275	4,052	111
		337,785	593,791	98,344

€ 000s	Carrying amount 2.28.2014	Cash outflows		
		< 1 year	1 to 5 years	> 5 years
Primary financial liabilities				
Bonds	246,401	9,688	38,750	259,714
Liabilities to banks	454,123	108,333	296,080	112,758
Liabilities in connection with finance leases	1,039	277	906	0
Trade payables and other liabilities	252,179	252,102	77	0
Accrued liabilities	19,715	19,715		
	973,457	390,114	335,812	372,471
Derivative financial liabilities				
Interest derivatives in connection with cash flow hedges	7,405	2,233	4,977	195
	7,405	2,233	4,977	195
		392,347	340,789	372,666

All financial liabilities held at the balance sheet date have been included. No account has been taken of budget figures for future new liabilities. Floating-rate interest payments were calculated on the basis of interest rates valid at the balance sheet date. Liabilities denominated in foreign currencies were translated at the relevant reporting date rate.

With regard to the management of liquidity risk, reference is made to Note 22 and to the disclosures on the financial situation in the management report.

Hedging measures

Hedging transactions serve to hedge the interest rate and foreign currency risks associated with an underlying transaction (hedged item).

Cash flow hedge – interest rate risk and foreign currency risk

Payer interest swaps are concluded to secure the interest rates on major long-term financial liabilities with floating interest rates. These enable the variable interest rates on the loans to be converted into fixed interest rates. In individual cases where long-term loans are concluded in currencies other than the functional currency of the respective group company, the foreign currency risk is hedged with currency or interest-currency swaps. Creditworthiness risks are not hedged.

A Swedish subsidiary took up a long-term Euro mortgage loan in the 2012/2013 financial year. This loan of € 30 million has a term running until June 30, 2022. The interest rate is based on the 3-month Euribor, plus a fixed bank margin. To secure the interest and exchange rates, an interest-currency swap consistent with the loan structure was concluded. This swap enables the floating-rate Euro payment installments to be secured as fixed-interest SEK payment installments.

A promissory note bond of € 70 million was concluded by HORNBAACH Immobilien AG as of April 18, 2012. The loan amount was disbursed as of June 29, 2012. The promissory note bond serves in particular to refinance a promissory note bond of € 60 million maturing as of the same date. The promissory note bond has a floating interest rate based on the 6-month Euribor, plus a bank margin, and matures at the end of its five-year term. A swap was concluded with congruent terms to hedge the interest rate. The swap enables the floating interest payable to be converted into fixed interest payments.

As of June 30, 2011, HORNBAACH-Baumarkt-AG took up an unsecured promissory note bond of € 80.0 million with a floating interest rate and a term running until June 30, 2017. To secure the interest rate, a forward swap with congruent terms was taken up in the 2010/2011 financial year already. The swap enabled the half-yearly interest payable to be secured for the entire term at a level of 2.11 % p.a., plus a bank margin.

The promissory note bond of CZK 496.6 million taken up at HORNBAACH Baumarkt CS spol s.r.o. in the 2010/2011 financial year was prematurely redeemed as of June 30, 2014. The accompanying swap was dissolved at fair value.

At the end of the 2014/2015 financial year, the Group had interest swaps amounting to € 161,105k (2013/2014: € 184,357k), with which a transformation from floating interest commitments to fixed interest commitments was achieved. The fair value of the interest swaps amounted to € -5,723k as of February 28, 2015 (2013/2014: € -6,924k) and has been recognized under financial debt. Furthermore, as of February 28, 2015, the Group also had an interest-currency swap with a nominal value of € 25,000k (2013/2014: € 27,000k) enabling a euro loan with a floating interest rate to be converted into a fixed-interest SEK loan. At the end of the 2014/2015 financial year, the fair value of this interest-currency swap amounted to € -300k (2013/2014: € -481k). This item has also been reported under financial debt.

All interest rate swaps met hedge accounting requirements as of February 28, 2015. Fair value changes are recognized in the hedging reserve in equity up to recognition of the results of the hedged transaction.

The following table presents the contractually agreed maturities for the payments, i.e. the time at which the hedged item is recognized through profit or loss:

Start	End	Nominal value at 2.28.2015 in € 000s	Nominal value at 2.28.2014 in € 000s	Reference rate
6.30.2011	6.30.2016	80,000	80,000	6-month Euribor
6.29.2012	6.30.2017	70,000	70,000	6-month Euribor
6.29.2012	6.30.2022	25,000	27,000	3-month Euribor
9.30.2002	9.30.2017	4,070	5,550	3-month Euribor
9.30.2002	9.30.2017	2,766	3,771	3-month Euribor
12.30.1999	12.30.2014	0	1,227	6-month Euribor

Start	End	Nominal value at 2.28.2015 in SEK 000s	Nominal value at 2.28.2014 in SEK 000s	Reference rate
11.28.2003	12.31.2018	40,000	50,000	3-month SEK-Stibor

Start	End	Nominal value at 2.28.2015 in CZK 000s	Nominal value at 2.28.2014 in CZK 000s	Reference rate
8.31.2010	8.31.2015	0	496,600	6-month CZK-Pribor

The HORNBAACH HOLDING AG Group meets the hedge accounting requirement set out in IAS 39 in that it already documents the relationship between the derivative financial instrument deployed as a hedging instrument and the hedged item, as well as the hedging objective and strategy, at the beginning of any hedging measure. This also includes an assessment of the effectiveness of the hedging instruments thereby deployed. The effectiveness of the hedging relationship is assessed prospectively using the critical terms match method. Retrospective effectiveness is calculated at each balance sheet date using the dollar offset method. A hypothetical derivative is taken as the hedged item. A hedging relationship is termed effective when the changes in the value of the hedging instrument and the hypothetical derivative are compensated by between 80 % and 125 %. Hedging relationships are cancelled without delay upon becoming ineffective.

Other hedging measures – foreign currency risk

The HORNBAACH HOLDING AG Group also deploys hedging measures which do not meet the hedge accounting requirements set out in IAS 39, but which nevertheless make an effective contribution towards hedging the Group's financial risks in line its risk management principles. For example, the HORNBAACH HOLDING AG Group hedges the foreign currency risks involved in select (planned) transactions, including the embedded foreign currency derivatives potentially resulting from the transactions, such as those involved in the purchase of merchandise in the Far East using US dollars, by making fixed deposit investments denominated in foreign currencies in the form of macro hedges.

Of the fair value of embedded forward exchange transactions, amounting to € -1,667k (2013/2014: € +280k), an amount of € 1,667k has been recognized under financial debt in the 2014/2015 financial year and amount of € 280k under other assets in the previous year.

No fair value hedges or net investment in a foreign operation hedges have been undertaken to date.

Derivatives

The following table provides an overview of the nominal and fair values of derivative financial instruments as of the balance sheet date. The values of opposing transactions, such as foreign exchange purchases or sales, have been shown on a net basis. Nominal value totals are shown in the nominal value line without offsetting any opposing transactions.

February 28, 2015	Embedded forward exchange transactions	Interest swaps	Interest rate and currency swap	Total
Nominal value in € 000s	19,824	161,105	25,000	205,929
Fair value in € 000s (before deferred taxes)	(1,667)	(5,723)	(300)	(7,690)

February 28, 2014	Embedded forward exchange transactions	Interest swaps	Interest rate and currency swap	Total
Nominal value in € 000s	17,730	184,357	27,000	229,087
Fair value in € 000s (before deferred taxes)	280	(6,925)	(481)	(7,125)

As all interest swaps are included in effective hedging relationships, the changes in their value, less deferred taxes, have basically been recognized in the hedging reserve within equity. The ineffective portion is recognized through profit or loss under net financial expenses.

(34) Sundry disclosures**Employees**

The average number of employees was as follows:

	2014/2015	2013/2014
Salaried employees	16,415	15,115
Trainees	857	854
	17,272	15,969
of which: part-time employees	4,627	3,107

In terms of geographical regions, 10,694 of the average workforce were employed in Germany during the 2014/2015 financial year (2013/2014: 9,785) and 6,578 in other European countries (2013/2014: 6,184).

Auditor's fee

The fees charged by the auditor of the annual and consolidated financial statements of HORNBAACH HOLDING AG, KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, for the year under report were as follows:

	2014/2015 € 000s	2013/2014 € 000s
Auditing of financial statements	778	757
Other certification services	218	201
Tax advisory services	42	78
Other services	42	40
	1,080	1,076

Information on the German Corporate Governance Code

The annual Declaration of Conformity with the German Corporate Governance Code required by § 161 of the German Stock Corporation Act (AktG) was submitted by the Board of Management and Supervisory Board of HORNBAACH HOLDING AG in December 2014 and made available to shareholders on the company's homepage.

(35) Related party disclosures

In addition to the subsidiaries included in the consolidated financial statements, HORNBAACH HOLDING AG has direct or indirect relationships with associated companies in the course of its customary business activities.

The associated companies are:

HORNBAACH Familien-Treuhandgesellschaft mbH, Annweiler am Trifels

Until August, Otmar Hornbach, a former longstanding member of the Supervisory Board, put his extensive experience at the company's service within the framework of a consulting agreement. These advisory services were remunerated with a symbolic amount of one euro per month.

Some of the companies included in the consolidated financial statements of HORNBAACH HOLDING AG make use of Kurhaus Trifels Seminarhotel GmbH, Annweiler, for seminars and conferences. This company is represented by its managing director, Bettina Hornbach, wife of Albrecht Hornbach. Services of € 14k were performed by the seminar hotel in the 2014/2015 financial year (2013/2014: € 11k). These services were invoiced at customary rates. Liabilities of € 0k were outstanding at the balance sheet date on February 28, 2015 (2013/2014: € 2k).

(36) Events after the balance sheet date

The consolidated financial statements of HORNBAACH HOLDING AG for the 2014/2015 financial year were approved for publication by the Board of Management on May 21, 2015.

(37) Supervisory Board and Board of Management**Members of the Board of Management:****Albrecht Hornbach**

DIY Stores and Garden Centers (HORNBAACH-Baumarkt-AG)
Builders' Merchants (HORNBAACH Baustoff Union GmbH)
Real Estate (HORNBAACH Immobilien AG)

Chairman

Roland Pelka

Finance, Accounting and Tax,
Group Controlling, Risk Management, Loss Prevention,
Group Communications

The total compensation of the Board of Management of HORNBAACH HOLDING AG for performing its duties for the Group in the 2014/2015 financial year amounts to € 1,866k (2013/2014: € 1,954k). Of this sum, € 946k (2013/2014: € 945k) relates to fixed compensation and € 920k (2013/2014: € 1,009k) to performance-related components. Post-employment benefits amounting to € 210k were incurred for active members of the Board of Management in the 2014/2015 financial year (2013/2014: € 210k). These involve expenses incurred to endow pension provisions (Note 23).

Members of the Supervisory Board:**Dr. Wolfgang Rupf**

Managing Director, Rupf Industries GmbH
and Rupf Engineering GmbH

Chairman

Christoph Hornbach

School Principal

Deputy Chairman

Dr. John Feldmann

Supervisory Board member
Former management board member at BASF SE

Erich Harsch

CEO
dm-drogerie markt GmbH & Co. KG

Joerg Walter Sost

Managing Partner
J.S. Consulting GmbH

Dr. Susanne Wulfsberg

Veterinary Surgeon

The total compensation of the Supervisory Board for the 2014/2015 financial year amounted to € 443k (2013/2014: € 382k). Of this sum, € 290k (2013/2014: € 242k) related to basic compensation and € 153k (2013/2014: € 140k) to committee activities.

Mandates in supervisory boards and other control bodies

(Disclosures pursuant to § 285 Number 10 HGB)

Members of the Supervisory Board

- a) Membership of statutory supervisory boards
- b) Membership of comparable control bodies

Dr. Wolfgang Rupf

- a) HORNBAACH-Baumarkt-AG (Deputy Chairman)
IVA Valuation & Advisory AG (Deputy Chairman)
- b) Inception Exploration Ltd. (Member of Board)

Dr. John Feldmann

- a) Bilfinger SE
HORNBAACH-Baumarkt-AG
KION Group AG (Chairman)
KION Material Handling GmbH (Chairman, until April 2014)

Erich Harsch

- a) HORNBAACH-Baumarkt-AG
- b) GS 1 Germany GmbH (Chairman)

Christoph Hornbach

- a) Corivus AG
HORNBAACH-Baumarkt-AG

Joerg Walter Sost

- a) HORNBAACH-Baumarkt-AG
DUOPLAST AG
- b) Atreus GmbH (Member of Advisory Board)
Aurelius AG (Member of Advisory Board)
Bürger GmbH (Member of Advisory Board)
Deutsche Bank AG (Member of Regional Advisory Board)
DUOPLAST Holding GmbH (Member of Advisory Board)
ZT Management Holding GmbH (Member of Advisory Board)

Members of the Board of Management

- a) Membership of statutory supervisory boards
- b) Membership of comparable control bodies

Albrecht Hornbach

- a) HORNBACH-Baumarkt-AG (Chairman)
HORNBACH Immobilien AG (Chairman)
- b) Inception Exploration Ltd. (Member of Board)
Rheinland-Pfalz Bank (Member of Advisory Board)

Roland Pelka

- a) HORNBACH Immobilien AG (Deputy Chairman)
WASGAU Produktions & Handels AG
- b) Commerzbank AG (Member of Regional Advisory Board, Central Region)

Neustadt an der Weinstrasse, May 21, 2015

HORNBACH HOLDING AG
The Board of Management

Albrecht Hornbach

Roland Pelka

RESPONSIBILITY STATEMENT (BALANCE SHEET OATH)

We hereby affirm that, to the best of our knowledge, the consolidated financial statements give a true and fair picture of the assets, liabilities, financial position and results of operations of the Group in accordance with the applicable reporting principles, and the group management report 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.

Neustadt an der Weinstrasse, May 21, 2015

HORNBACH HOLDING AG
The Board of Management

Albrecht Hornbach

Roland Pelka

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by Hornbach Holding AG, Neustadt / Weinstrasse, comprising the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements and its report on the position of the company and the Group for the business year from March 1, 2014 to February 28, 2015. The preparation of the consolidated financial statements and the group management report in accordance with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a (1) HGB are the responsibility of the company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal control system in respect of the financial reporting process and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined, primarily on a test basis, within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a (1) HGB, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, May 21, 2015
KPMG AG Wirtschaftsprüfungsgesellschaft

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German Public Auditor

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German Public Auditor



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Published by
HORNBACH HOLDING Aktiengesellschaft
Le Quartier Hornbach 19
67433 Neustadt a. d. Weinstraße · Germany
Telephone (+49) 0 63 21 / 678-0
Fax (+49) 0 63 21 / 678-9300
info@hornbach.com
www.hornbach-holding.com

Investor Relations
Telephone (+49) 0 63 48 / 60 - 23 20
invest@hornbach.com
www.hornbach-group.com

Design Concept and Photography
Schröder & Schröder GmbH & Co. KG
Böttcherstraße 27
49124 Georgsmarienhütte · Germany
mail@adrian-schroeder.de
www.adrian-schroeder.de

Production
Druckhaus Friedr. Schmücker GmbH
Gutenbergstraße 1
49624 Lönning
Telephone (+49) 0 54 32 / 94 88 - 0
Fax (+49) 0 54 32 / 94 88 - 77
www.druckerei-schmuecker.de





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