

HALF-YEAR FINANCIAL REPORT  
HORNBAACH-BAUMARKT-AG GROUP

H1

2012/2013

(MARCH 1 – AUGUST 31, 2012)



# HORNBACH-BAUMARKT-AG GROUP

## Half-Year Financial Report 2012/2013

(March 1 – August 31, 2012)

Key figures of the HORNBACH-Baumarkt-AG Group (in € million, unless otherwise stated)	2 <sup>nd</sup> Quarter 2012/2013	2 <sup>nd</sup> Quarter 2011/2012	Change %	1 <sup>st</sup> Half 2012/2013	1 <sup>st</sup> Half 2011/2012	Change %
<b>Net sales</b>	<b>816.7</b>	<b>803.9</b>	<b>1.6</b>	<b>1,681.9</b>	<b>1,667.6</b>	<b>0.9</b>
of which: in other European countries	349.3	351.1	(0.5)	710.6	710.4	0.0
Like-for-like sales growth	0.7%	(0.2)%		(0.2)%	3.8%	
Gross margin as % of net sales	37.2%	37.7%		37.8%	37.7%	
EBITDA	77.6	78.6	(1.2)	153.5	159.1	(3.5)
<b>Earnings before interest and taxes (EBIT)</b>	<b>63.6</b>	<b>65.0</b>	<b>(2.1)</b>	<b>125.9</b>	<b>132.2</b>	<b>(4.8)</b>
Consolidated earnings before taxes	58.6	58.3	0.5	115.2	118.8	(3.0)
Consolidated net income	41.6	43.0	(3.2)	82.5	87.0	(5.2)
Basic/diluted earnings per share (€)	1.31	1.35	(3.0)	2.59	2.73	(5.1)
Investments	26.9	14.3	87.8	52.8	48.5	8.8

Misc. key figures of the HORNBACH-Baumarkt-AG Group (in € million, unless otherwise stated)	August 31, 2012	February 29, 2012	Change %
Total assets	1,747.9	1,628.1	7.4
Shareholders' equity	858.4	792.0	8.4
Shareholders' equity as % of total assets	49.1%	48.6%	
Number of stores	137	134	2.2
Sales area in 000 m <sup>2</sup> (based on BHB)	1,592	1,549	2.8
Number of employees	14,072	13,662	3.0

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

# INTERIM GROUP MANAGEMENT REPORT

## Summary

- Consolidated sales at HORNBACH-Baumarkt-AG grow by 0.9% to € 1.7 billion in first half of 2012/2013
- Business still pleasing in Germany – euro debt crisis depresses consumer confidence in other European countries
- At € 125.9 million, operating earnings (EBIT) for first six months slightly down on high previous year's figure
- Following three new store openings, HORNBACH operating at 137 locations across Europe as of August 31, 2012

The HORNBACH-Baumarkt-AG Group maintained its ground well in the increasingly difficult macroeconomic climate in Europe in the first six months of the 2012/2013 financial year and extended its store network with three new openings to a total of 137 locations. Consolidated sales grew by 0.9% to € 1,681.9 million in the period from March 1 to August 31, 2012.

The record jump in sales in the first quarter of the previous year set a high standard for judging the Group's sales performance in the reporting period from March 1 to August 31, 2012. Despite this base effect, like-for-like sales net of currency items in the nine European countries covered by HORNBACH's store network virtually matched the previous year's figure (minus 0.2%). This stable performance is due above all to pleasing growth momentum reported at the Group's domestic DIY stores and garden centers. As partners to project customers, these stores have benefited to an exceptional extent from the boom in the residential construction and renovation market and have continued to outperform the DIY sector average in Germany in the current year as well. Thanks to growth of 2.8% in the second quarter, like-for-like sales across Germany grew by 1.3% in the first half of 2012/2013. HORNBACH's popularity among DIY customers has also been documented by this year's Kundenmonitor Deutschland, Germany's most renowned retail consumer survey. Consumers once again singled out HORNBACH as one of the top players in the sector in major categories such as value for money and product quality, in the comparison of prices, service and product range with competitors, and also in terms of their intention to shop at HORNBACH again and opening hours.

Outside Germany, the persistent euro debt crisis and more pessimistic economic forecasts for 2012 significantly depressed consumer confidence among broad sections of the population in parts of Western and Eastern Europe alike in the summer months. Against this backdrop, sales at the international HORNBACH DIY megastores with garden centers declined slightly in the second quarter of 2012/2013 (minus 0.5%) and thus returned to the previous year's level in the six-month period as a whole. In terms of their like-for-like sales performance net of currency items, the HORNBACH DIY megastores with garden centers outside Germany made slight progress in the second quarter of 2012/2013 compared with the previous quarter. Following a downturn of 2.4% in the first quarter of 2012/2013, this year-on-year shortfall reduced to minus 1.8% in the second quarter. By the end of the first six months, like-for-like sales were thus 2.1% down on the previous year. In some countries, HORNBACH managed to post like-for-like sales growth in the first six months and to outperform its competitors, in some cases significantly so. The downturn in adjusted sales reported for other European countries was largely compensated for on group level.

Due to reductions in like-for-like sales outside Germany, ongoing high volumes of expenditure on innovation projects and the challenging standard set in the first half of the previous 2011/2012 financial year, earnings for the first half of 2012/2013 fell slightly short of the previous year's figures. The Group's operating earnings (EBIT) for the first six months of the current financial year decreased by 4.8% to € 125.9 million (previous year: € 132.2m). Net income for the period reduced by 5.2% to € 82.5 million (previous year: € 87.0m). Basic earnings per share are reported at € 2.59 for the first half of the year (previous year: € 2.73). To account for increased macroeconomic uncertainties and the deterioration in confidence among European consumers, the company has slightly reduced its sales and earnings forecast for the 2012/2013 financial year as a whole.

## Macroeconomic Framework

Following a revival in economic activity at the beginning of the year, the **global economy** slowed noticeably once again in the second quarter of the 2012 calendar year. Among other factors, this was due to the renewed intensification in the euro area debt crisis, which has dominated events on international financial markets since spring 2012. Overall, most major industrialized and emerging economies were hit by the dip in global growth in the second quarter.

Economic output in **Europe** fell slightly during the spring. According to Eurostat, seasonally-adjusted real-term gross domestic product (GDP) in the second quarter of 2012 fell by 0.1% compared with the previous quarter in the European Union as a whole (EU 27), and by 0.2% in the euro area (EA 17). The downward trend which began in the fall of 2011 and which was interrupted in the winter quarter only thanks to solid growth in Germany has thus persisted. This downturn has been driven among other factors by the ongoing deterioration in the economic situation on the periphery of the euro area. Key factors here on the one hand included the uncertain political situation in Greece, which at times brought the in any case rather hesitant process of reform to a complete halt. On the other hand, the sovereign debt and bank crisis intensified further in Spain and Cyprus in particular, while Italy remained persistently in the grip of recession. All of these developments continued to impact negatively on confidence and economic demand in other EU member states.

The macroeconomic framework mostly showed robust developments in those countries outside Germany in which the HORNBAACH-Baumarkt-AG Group operates in the second quarter of 2012, and that despite the impact of the ongoing euro debt crisis. Based on economic data available upon completion of this report, a decline in economic output in Switzerland and the Czech Republic was offset by GDP growth in Germany, the Netherlands, Austria, Romania, Slovakia, and Sweden.

### GDP growth rates in countries with HORNBAACH DIY megastores and garden centers (calendar year)

Percentage change on previous quarter Source: Eurostat, official statistics	3 <sup>rd</sup> quarter 2011	4 <sup>th</sup> quarter 2011	1 <sup>st</sup> quarter 2012	2 <sup>nd</sup> quarter 2012
Germany	0.4	-0.1	0.5	0.3
Austria	0.0	0.2	0.5	0.1
Czech Republic	0.0	-0.2	-0.6	-0.2
Luxembourg	1.7	0.1	-1.5	n.a.
Netherlands	-0.3	-0.6	0.2	0.2
Romania	1.1	-0.1	0.1	0.5
Slovakia	0.7	0.8	0.7	0.7
Sweden	0.8	-0.9	0.9	1.4
Switzerland	-0.2	0.4	0.5	-0.1
<b>Euro area (EA 17)</b>	<b>0.1</b>	<b>-0.3</b>	<b>0.0</b>	<b>-0.2</b>
<b>EU 27</b>	<b>0.2</b>	<b>-0.3</b>	<b>0.0</b>	<b>-0.1</b>

On the demand side, exports to third states were the only source of notable positive growth momentum in the euro area in the spring. Gross capital investment, by contrast, continued its downward trend, clearly affected by falling manufacturing volumes for equipment (mainly machinery, appliances, vehicles) and declining construction activity. The Bundesbank sees the reductions in real-term retail sales and new automobile registrations in the second quarter of the year as an indication that private consumer spending is on the wane. According to the latest surveys, no improvement in consumer confidence is yet in sight. This is presumably due not least to the further deterioration on the European labor market in the second quarter. Consumer confidence also failed to benefit to any tangible extent from the slowing down in consumer price growth – the annual inflation rate in the euro area reduced from 3.0% in the fall of 2011 to 2.4% in July 2012. Against this backdrop, the European DIY and garden center sector (DIY retail) could also hardly expect to profit from any particular momentum in terms of demand.

Notwithstanding the difficult situation in some countries within the European currency union and the dip in global economic growth, the **German economy** continued to grow in the second quarter of 2012, albeit less robustly than previously. According to the Federal Statistical Office, following adjustment for seasonal and calendar factors real-term GDP grew by 0.3% in the period from April to June 2012 compared with the previous quarter. Economic output had still risen by 0.5% in the first quarter of 2012. Comparison of the two quarters shows that exports were a source of positive growth momentum, with 2.5% more goods and services being exported in the second quarter of 2012 than in the first three months of the year. While exports to countries outside the euro area largely maintained their momentum, in line with expectations exports to Germany's partners within the currency area faltered. Given the 2.1% rise in imports in the second quarter of the year, this increase in demand in the export sector resulted in a positive contribution of 0.3% to GDP growth.

The domestic economy emitted mixed signals in the spring. Uncertainty resulting from the euro debt crisis continued to hold back investments in equipment, which turned out 2.3% lower than in the first quarter of 2012. Responding to increasing economic concerns, the manufacturing sector clearly switched back a gear in terms of its expansion investments and was more cautious in planning new appointments. Recent capacity utilization rates were nevertheless still consistent with longer-term averages. Investments in buildings slipped by 0.3% compared with the first quarter of 2012. Consumer spending was a source of support to the German economy in the second quarter, with growth in both private consumer spending (plus 0.4%) and government consumption (plus 0.2%) compared with the previous quarter. Underlying conditions in the domestic economy remained positive for private consumer spending. Aided by the pleasing state of the labor market and substantial pay rises, seasonally-adjusted consumer spending continued to grow in the second quarter of 2012. What's more, consumer confidence can be thought to have received a further boost from the lower rate of inflation. According to the GfK, consumer confidence in Germany remained stable in summer 2012. Having said this, August 2012 brought a further increase in German consumers' fears of a marked economic downturn.

The German construction industry developed positively in the period under report. Very high numbers of building permits were issued for new residential and commercial buildings towards the end of the 2011. These will lead to corresponding construction and renovation work further down the line. Based on available data, price-adjusted new orders in the main construction trade grew year-on-year by 5.5% in the first half of 2012. This trend continued to be driven by residential construction, which reported a 12.1% increase in orders over the same period. Investors' interest in "concrete gold" would appear to be unabated: Building permits for new apartments in residential buildings rose by 5.3% in the period from January to June 2012. The construction of apartments in apartment blocks benefited especially clearly from this growth (plus 14.0%). While the increase in building permits for apartments in semi-detached houses remained more or less unchanged (plus 0.3%), there was a decline in the number of permits issued for new detached houses (minus 6.0%).

Sales in the German retail sector grew by 2.8% in nominal terms and by 0.7% in (price-adjusted) real terms between January and June 2012 compared with the same period in the previous year. Food retail posted nominal sales growth of 3.4% and real-term growth of 0.5%. The equivalent figures for non-food retail were 2.2% (nominal) 1.0% (real-term). According to the BHB sector association, sales at DIY stores and garden centers showed nominal growth of 1.1% to € 9.6 billion in the first half of 2012. This growth was chiefly attributable to the first quarter of the calendar year, in which according to the BHB/GfK report the DIY sector generated year-on-year growth of 7.0%. Cool spring weather then brought DIY stores and garden centers an unsatisfactory gardening season and a 2.9% drop in sales in the second calendar quarter. On a like-for-like basis, i.e. excluding sales at stores newly opened or closed, DIY sector sales grew by 0.2% in the first six months of 2012, thus slightly exceeding the previous year's figure.

## Earnings, Financial and Net Asset Situation\*

### Development in HORNBACH's store network

Two new HORNBACH DIY megastores with garden centers were opened in the second quarter of 2012/2013. In July 2012 we opened a new megastore in Timisoara, thus enlarging our Romanian store network to five locations. In August 2012 we launched operations in Riddes (Wallis Canton) at the sixth HORNBACH DIY megastore with a garden center in Switzerland. Including one new store opening in the first quarter (Sundbyberg, Sweden), HORNBACH thus operated 137 retail outlets across the Group as of August 31, 2012 (February 29, 2012: 134). Of these, 91 stores are located in Germany and 46 in other European countries. Total sales areas at the HORNBACH-Baumarkt-AG Group amounted to around 1,592,000 m<sup>2</sup> as of August 31, 2012, while the average size of a HORNBACH DIY megastore with a garden center now exceeds 11,600 m<sup>2</sup>.

### Sales performance

The HORNBACH-Baumarkt-AG Group posted year-on-year sales growth in the second quarter of the 2012/2013 financial year (June 1 to August 31, 2012), and that despite manifestly deteriorating consumer confidence levels and unfavorable weather conditions in some cases across large parts of Europe. Consolidated sales increased by 1.6% to € 816.7 million in the second quarter of 2012 (previous year: € 803.9m), following growth of 0.2% in the first quarter of 2012. On a like-for-like basis and net of currency items, second-quarter consolidated sales were 0.7% up on the previous year's figure.

The record jump in sales in the first quarter of the previous year provided a tough basis of comparison for the Group's sales performance in the reporting period from March 1 to August 31, 2012. In the first half of 2012, sales in the total of nine European countries within HORNBACH's store network increased by 0.9% to € 1,681.9 million (previous year: € 1,667.6m). With a cumulative downturn of 0.2%, like-for-like sales net of currency items almost matched the figures for the previous year's period. Including currency items in non-euro countries, namely the Czech Republic, Romania, Sweden and Switzerland, the HORNBACH-Baumarkt-AG Group reported a slight decline of 0.3% in like-for-like sales. Within the Group, individual country markets showed disparate developments during the first half of the financial year. While the HORNBACH stores in Germany and Romania, among others, posted sales growth, the uncertainty due to the Euro debt crisis affected consumer behavior at DIY stores and garden centers in other parts of our European store network.

#### ■ Germany

The sales performance at the Group's domestic stores fluctuated widely in the second quarter of 2012/2013. June sales were positively affected by two additional shopping days compared with the previous year. However, sales in this month, especially in the garden division, suffered from temperatures remaining significantly below average in the first half of the month. Changeable and in some cases overly wet weather conditions held back the company's sales performance in July 2012. Our HORNBACH locations in Germany then managed to make up lost ground once again in August 2012. Sales in Germany in the period from June to August 2012 increased by 3.3% to € 467.5 million (previous year: € 452.8m). Like-for-like sales grew by 2.8% in the second quarter, having already matched the high previous year's figure in the first quarter.

Sales for the first six months as a whole increased by 1.5% to € 971.3 million (previous year: € 957.1m). On a like-for-like basis, we achieved growth of 1.3%. We thus clearly more than compensated for the base effect in the previous year's period, which had witnessed a significant jump in sales. In the period under report, demand for products and services relating to construction, renovation and gardening developed significantly better in the company's home market than in other European countries. This was due to the favorable overall development in the German economy, which was characterized in particular - and in contrast to many other countries in our European network - by a robust labor market and persistently high demand in the residential construction and renovation market. Thanks to its concept, with its focus on the needs of project customers, in this climate HORNBACH continued to outperform the overall DIY sector in Germany. Taking January to June 2012 as the period under comparison, our domestic like-for-like sales exceeded the sector average (BHB: plus 0.2%) by more than one percentage point.

\* unless otherwise indicated, HORNBACH time periods refer to the company's financial year (March to February).

This is also attributable to the popularity of HORNBACH's DIY megastores with garden centers among German consumers, as has been documented once again by the company's pleasing performance in Kundenmonitor Deutschland, the most renowned consumer survey for the German retail sector. HORNBACH may have just missed first place for all-round satisfaction in 2012, but consumers nevertheless singled out HORNBACH as one of the top players in its sector in major categories such as value for money, product quality, in the comparison of prices, service and product range with competitors, and also in terms of their intention to shop at HORNBACH again and the store opening hours.

#### ■ Other European countries

Together with more pessimistic economic forecasts for 2012, the lower gear adopted by most European economies in view of the persistent euro crisis noticeably held back consumer confidence among large sections of the population in parts of Western and Eastern Europe alike in the summer months. The reasons for this downturn are chiefly to be found in the notably more fragile state of these countries' overall economies compared with Germany. Not only that, given substantial drops in economic activity, high unemployment rates, oppressive government debt, and hard-hit banking sectors, in many countries both private households and companies and the public sector are significantly holding back in terms of construction investments. The hopes still voiced just half a year ago by the Euroconstruct research network that the European construction sector would stabilize or even recover in 2012 have failed to materialize.

Against this backdrop, sales at the international HORNBACH DIY megastores with garden centers in the second quarter of 2012/2013 declined by 0.5% to € 349.3 million (previous year: € 351.1m). At the end of the six-month period, the sales of € 710.6 million reported for the eight countries outside Germany summarized under other European countries matched the previous year's figure (€ 710.4m). Due to the stronger relative performance of the domestic business, the international share of consolidated sales at HORNBACH-Baumarkt-AG decreased from 42.6% to 42.3% in the half-year under report.

In terms of our like-for-like sales performance net of currency items, we made slight progress outside Germany (other European countries) in the second quarter of 2012/2013 compared with the previous quarter. Following a downturn of 2.4% in the first quarter of 2012/2013, this year-on-year shortfall reduced to minus 1.8% in the second quarter. By the end of the first six months, adjusted sales were thus 2.1% down on the previous year. Including currency items, the downturn in sales in the first half amounted to 2.3%. In some countries, HORNBACH managed to post like-for-like sales growth in the first six months and to outperform its competitors, in some cases significantly so. This is particularly true of Romania where, following an extended period of negative developments, the sales trend has returned to positive territory since the beginning of the current 2012/2013 financial year. The downturn in adjusted sales reported for other European countries was largely compensated for on group level.

### Earnings performance

The following information refers to the earnings performance of the HORNBAACH-Baumarkt-AG Group. Information about the performance of the "DIY stores" and "Real estate" segments can be found in the segment report in the notes to the financial statements (Page 20).

#### 2<sup>nd</sup> quarter of 2012/2013

Due largely to reduced sales momentum in other European countries and a lower gross margin, the Group's second-quarter earnings fell short of the previous year's figures. In the period from June to August 2012, earnings before interest, taxes, depreciation and amortization (EBITDA) slipped by 1.2% to € 77.6 million (previous year: € 78.6m). EBIT declined by 2.1% to € 63.6 million (previous year: € 65.0m). Chiefly as a result of positive currency items, net financial expenses improved from minus € 6.6 million to minus € 5.0 million. Unlike EBIT, consolidated earnings before taxes thus rose by 0.5% to € 58.6 million (previous year: € 58.3m). Due to a year-on-year increase in the tax charge, net income for the period reduced from € 43.0 million to € 41.6 million. Earnings per share amounted to € 1.31 (previous year: € 1.35).

#### 1<sup>st</sup> half of 2012/2013

Key earnings figures for the first half of 2012/2013 fell slightly short of the challenging standard set in the previous year's period. This was chiefly due to the decline in like-for-like sales in some parts of the international business, as well as to less favorable cost ratios across the Group. The cumulative gross margin had a slightly positive impact on the earnings performance of the HORNBAACH-Baumarkt-AG Group. Driven mainly by the positive influence of exchange rates on international procurement, gross profit improved as a percentage of net sales from 37.7% to 37.8%. The Group's selling and store expenses increased by 2.1% to € 445.6 million (previous year: € 436.3m). Within this item, a slightly disproportionate increase in personnel, operating and rental expenses and depreciation and amortization on the one hand was countered on the other by lower advertising and energy expenses. The store expense ratio, i.e. store expenses as a percentage of net sales, rose from 26.2% to 26.5%. As in the previous year, the pre-opening expense ratio amounted to 0.3%. Due among other factors to project-related expenses, such as those incurred in further expanding our online store, the administration expense ratio of 4.1% was ahead of the previous year's figure (3.8%).

A positive one-off operating item of € 5.5 million was recognized under other income and expenses and credited to earnings in August 2012. This resulted from the definitive clarification of outstanding matters pertaining to the supply of utility energies by the energy-related service provider we commissioned for this purpose. On this basis, it has been possible to reverse provisions of € 3.9 million recognized in previous years for this item. Furthermore, other income and expenses also include an amount of € 1.6 million for compensation not yet invoiced, net of the relevant service fees. No significant non-operating earnings items were recognized in the period under report.

EBITDA for the first six months of the current financial year eased by 3.5% to € 153.5 million (previous year: € 159.1m). Operating earnings (EBIT) at the Group reduced by 4.8% to € 125.9 million (previous year: € 132.2 million). Net financial expenses improved from minus € 13.4 million to minus € 10.7 million. Here, the decline in net interest expenses by € 1.0 million was mainly countered by positive currency items, which improved from minus € 3.8 million in the previous year to minus € 0.2 million in the year under report. Consolidated earnings before taxes decreased by 3.0% to € 115.2 million (previous year: € 118.8m). Net income for the period amounted to € 82.5 million, as against € 87.0 million in the previous year. Basic earnings per share for the first six months are reported at € 2.59 (previous year: € 2.73).

### Financial and net asset position

Due to the Group's expansion, investments grew year-on-year from € 48.5 million to € 52.8 million in the first half of 2012/2013. Whereas the first six months of the previous year saw the launch of operations at two new HORNBAACH DIY megastores with garden centers, in the first half of 2012/2013 we opened three new stores. Around 55% of these funds were invested in land and buildings, while the remainder was channeled into plant and office equipment at new and existing stores, as well as into intangible assets (predominantly IT software). Investments were financed in full from the cash flow of € 168.3 million from operating



activities (previous year: € 178.1m). Information about the financing and investment activities of the HORNBAACH-Baumarkt-AG Group can be found in the cash flow statement on Page 15.

The total assets of the HORNBAACH-Baumarkt-AG Group rose to € 1,747.9 million as of August 31, 2012, up 7.4% on the balance sheet date on February 29, 2012. This growth was chiefly driven by the substantial rise in cash and cash equivalents from € 404.3 million to € 497.8 million, as well as by the € 25.9 million increase in property, plant and equipment to € 670.4 million.

Shareholders' equity as reported in the balance sheet increased to € 858.4 million as of August 31, 2012, up 8.4%, or € 66.4 million, compared with the balance sheet date. The equity ratio amounted to 49.1% (February 29, 2012: 48.6%). Non-current liabilities reduced by 1.6% to € 464.0 million (February 29, 2012: € 471.6m). Current liabilities increased by 16.8%, or € 61.1 million, to € 425.5 million. This was mainly attributable to the increase in trade payables and other liabilities (plus € 48.1m) and income tax liabilities (plus € 16.2m), which was countered by a decline in provisions and deferred liabilities by € 5.2 million.

Cash and cash equivalents (€ 497.8m) exceeded financial debt (€ 427.9m) by € 69.9 million as of August 31, 2012. By comparison, on February 29, 2012 the net financial debt of the HORNBAACH-Baumarkt-AG Group amounted to € 27.7 million.

### **Employees**

A total of 14,072 individuals across Europe were in fixed employment at HORNBAACH-Baumarkt-AG or one of its subsidiaries at the reporting date on August 31, 2012 (February 29, 2012: 13,662).

## **Risk Report**

We provided a detailed presentation of the risks involved in our business activities on Pages 74 to 79 of the 2011/2012 Annual Report of the HORNBAACH-Baumarkt-AG Group. Over and above the information provided in the Annual Report, there have been no major changes in the first half of 2012/2013 which could result in any new risk assessment for the second half of the year. Furthermore, no future risks to the continued existence of the HORNBAACH-Baumarkt-AG Group have been identified on the basis of the information currently available.

## **Events After the Balance Sheet Date**

No events of material significance for assessing the earnings, financial and net asset position of HORNBAACH-Baumarkt-AG, or of the HORNBAACH-Baumarkt-AG Group, have occurred since the end of the first half of the financial year on August 31, 2012.

## Outlook

We reported at length on the macroeconomic, sector-specific, and strategic opportunities and risks involved in the business activities of the HORNBACH-Baumarkt-AG Group in the outlook on Pages 82 to 93 of the 2011/2012 Annual Report. Our basic assessment of the Group's medium to long-term sector-specific and strategic development potential was still valid upon publication of this interim report. However, we now assess the macroeconomic opportunities and risks facing the HORNBACH-Baumarkt-AG Group in the second half of 2012/2013 more cautiously than in the 2011/2012 Annual Report. This is because the development in macroeconomic indicators for large parts of the global economy, and for the euro area in particular, since summer 2012 has been less favorable than still expected in the spring.

Responding to increasing signs of an economic slowdown, in early July the International Monetary Fund (IMF) revised its GDP growth forecast of 3.6% issued for the global economy in April downwards to 3.5%. Among other factors, this forecast was based on the assumption that the unrest on the financial markets in the wake of the sovereign debt and bank crisis in the euro area would gradually reduce as a result of adequate political measures. On a regional level, the downward revision was chiefly due to a slightly more cautious assessment of growth prospects in key emerging economies in Asia and Latin America. The assessment for growth in the advanced economies remained unchanged at 1.4%. For Germany, however, the IMF made a notable upward revision from plus 0.6% to plus 1.0%. According to the Bloomberg Consensus estimates compiled on the basis of a survey of bank economists, both the EU 27 and the euro area countries will be in recession in 2012. These experts only expect the economic outlook to improve once again from 2013.

As is apparent from the following table, growth prospects for the current year in those European countries in which we operate can mostly be assessed more positively than the EU average. Having said this, they nevertheless show disparate expectations. For the Netherlands and the Czech Republic, the 2012 forecasts envisage a decline in macroeconomic output of 0.7% and 0.6% respectively. Romania, Sweden and Switzerland are expected to show GDP growth of around one percent, while Slovakia is even expected to achieve twice this level of growth. According to the Consensus estimates, the German economy is set to grow by just under one percent in 2012 and, like all other countries covered by our store network, to regain tempo once again in 2013.

### Rate of GDP change and growth forecasts in countries with HORNBACH DIY megastores and garden centers

Year-on-year percentage change Source: Eurostat, Bloomberg Consensus (2012; 2013)	2010	2011	2012 Forecast	2013 Forecast
Germany	4.2	3.0	0.9	1.3
Austria	2.1	2.7	0.7	1.3
Czech Republic	2.7	1.7	-0.6	1.3
Luxembourg	2.7	1.6	0.1	1.7
Netherlands	1.6	1.0	-0.7	0.5
Romania	-1.6	2.5	1.0	2.5
Slovakia	4.2	3.3	2.0	2.4
Sweden	6.2	3.9	1.1	1.9
Switzerland	3.0	2.1	1.0	1.5
<b>Euro area (EA 17)</b>	<b>2.0</b>	<b>1.5</b>	<b>-0.5</b>	<b>0.6</b>
<b>EU 27</b>	<b>2.0</b>	<b>1.5</b>	<b>-0.2</b>	<b>0.8</b>

A number of early indicators confirmed in August 2012 that Europe cannot expect to see any cyclical improvement in the near future. The Manufacturing Purchasing Managers Index, for example, remained significantly short of the expansion threshold. Not only that, surveys performed on behalf of the European Commission to assess industry and consumer confidence revealed an ongoing downturn in confidence, one that could have a more severe impact, at least temporarily, on consumer demand and on retail companies' sales forecasts than had still been expected in spring 2012. Ever darker clouds are also appearing on Germany's economic horizon due to the low pressure emanating from the debt crisis, as was demonstrated by the ifo Business Confidence index at the end of August 2012. Overall, there has been a marked increase in the macroeconomic uncertainty affecting the business prospects of the HORNBAACH-Baumarkt-AG Group through to the end of the current 2012/2013 financial year (balance sheet date: February 28, 2013).

## Outlook for the Group

### Expansion

Two further HORNBAACH DIY megastores with garden centers are set to open in the second half of the current 2012/2013 financial year. In Germany, new stores in Oberhausen and Bremen (replacement location) are on the agenda for the fourth quarter (December 1, 2012 to February 28, 2013). As already announced in the interim report for the first quarter, the new store opening in Bratislava originally envisaged for February 2013, is expected to be postponed to the first quarter of the 2013/2014 financial year. Including four new store openings and one replacement location, the total number of HORNBAACH DIY megastores with garden centers is expected to reach 138 (of which 46 in other European countries) by the end of the financial year (February 28, 2013).

### Forecast

Given the macroeconomic development trends outlined above, the basis for forecasting the future business performance of the HORNBAACH-Baumarkt-AG Group for the 2012/2013 financial year as a whole had changed upon completion of this report compared with the situation a quarter earlier. To account for the in some cases notably weaker economic forecasts and consumer confidence indicators across our European store network available upon completion of this report, we are thus making a slight downward revision in our growth expectations.

In respect of our **sales forecast** for the 2012/2013 financial year, we assume that the deterioration in the economic outlook outside Germany will mean that our original target of generating growth in consolidated sales in a medium single-digit percentage range will no longer be achievable. We now expect to generate sales growth in a low single-digit percentage range. We have reached this amended assessment because we now view the ongoing sales trend in our other European countries segment less favorably than in spring 2012. We now no longer expect it to be possible to make up for the year-on-year shortfall in like-for-like sales. In Germany, we still expect to generate like-for-like sales growth ahead of the sector average, but also see the possibility of an economically-induced slowdown in sales here as well in the following six months. This assessment is based on the assumption that Germany is not affected in the near future by any drastic deterioration in the macroeconomic framework and consumer confidence due to the euro debt crisis.

This more reserved outlook for sales is also reflected in a more cautious **earnings forecast**. In spring 2012, we still expected the operating earnings (EBIT) of the HORNBAACH-Baumarkt-AG Group for the current 2012/2013 financial year to match the figure reported for the 2011/2012 financial year (€ 128m). Consistent with our amended assessment, we now deem it likely that our 2012/2013 EBIT will fall slightly short of the previous year's figure.

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## Income Statement

€ million	2 <sup>nd</sup> Quarter 2012/2013	2 <sup>nd</sup> Quarter 2011/2012	Change %	1 <sup>st</sup> Half 2012/2013	1 <sup>st</sup> Half 2011/2012	Change %
Sales	816.7	803.9	1.6	1,681.9	1,667.6	0.9
Cost of goods sold	512.5	500.8	2.3	1,046.4	1,038.7	0.7
<b>Gross profit</b>	<b>304.2</b>	<b>303.1</b>	<b>0.4</b>	<b>635.5</b>	<b>628.9</b>	<b>1.1</b>
Selling and store expenses	211.9	208.4	1.7	445.6	436.3	2.1
Pre-opening expenses	2.8	2.3	22.0	5.7	5.0	13.4
General and administration expenses	33.7	30.4	10.9	69.0	62.6	10.3
Other income and expenses	7.8	2.9	166.7	10.7	7.2	48.0
<b>Earnings before interest and taxes (EBIT)</b>	<b>63.6</b>	<b>65.0</b>	<b>(2.1)</b>	<b>125.9</b>	<b>132.2</b>	<b>(4.8)</b>
Other interest and similar income	0.6	1.7	(63.0)	1.5	3.0	(51.7)
Other interest and similar expenses	6.1	6.3	(1.9)	11.9	12.5	(4.8)
Other financial result	0.5	(2.1)	(125.0)	(0.2)	(3.9)	(95.0)
<b>Net financial expenses</b>	<b>(5.0)</b>	<b>(6.6)</b>	<b>(25.1)</b>	<b>(10.7)</b>	<b>(13.4)</b>	<b>(20.6)</b>
<b>Consolidated earnings before taxes</b>	<b>58.6</b>	<b>58.3</b>	<b>0.5</b>	<b>115.2</b>	<b>118.8</b>	<b>(3.0)</b>
Taxes on income	17.0	15.4	10.9	32.7	31.8	3.0
<b>Consolidated net income</b>	<b>41.6</b>	<b>43.0</b>	<b>(3.2)</b>	<b>82.5</b>	<b>87.0</b>	<b>(5.2)</b>
Basic/diluted earnings per share (€)	1.31	1.35	(3.0)	2.59	2.73	(5.1)

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

## Statement of Comprehensive Income for the Period

€ million	2 <sup>nd</sup> Quarter 2012/2013	2 <sup>nd</sup> Quarter 2011/2012	1 <sup>st</sup> Half 2012/2013	1 <sup>st</sup> Half 2011/2012
<b>Consolidated net income</b>	<b>41.6</b>	<b>43.0</b>	<b>82.5</b>	<b>87.0</b>
Measurement of derivative financial instruments (cash flow hedge)				
Measurement of derivative hedging instruments directly in equity	(1.2)	(4.3)	(2.8)	(5.5)
Gains and losses from measurement of derivative financial instruments transferred to profit or loss	0.4	0.4	0.8	1.0
Exchange differences arising on the translation of foreign subsidiaries	3.4	5.3	1.3	8.8
Deferred taxes on gains and losses recognized directly in equity	0.2	1.0	0.6	1.2
<b>Other comprehensive income</b>	<b>2.8</b>	<b>2.4</b>	<b>(0.1)</b>	<b>5.5</b>
<b>Total comprehensive income</b>	<b>44.4</b>	<b>45.4</b>	<b>82.4</b>	<b>92.5</b>

Rounding up or down may lead to discrepancies between percentages and totals.

## Balance Sheet

Assets	August 31, 2012		February 29, 2012	
	€ million	%	€ million	%
<b>Non-current assets</b>				
Intangible assets	14.3	0.8	16.3	1.0
Property, plant, and equipment	670.4	38.4	644.4	39.6
Investment property	6.8	0.4	5.8	0.4
Financial assets	1.3	0.0	1.2	0.0
Non-current receivables and other assets	3.9	0.2	3.8	0.2
Non-current income tax receivables	8.0	0.5	8.0	0.5
Deferred tax assets	7.6	0.4	7.3	0.5
	<b>712.3</b>	<b>40.8</b>	<b>686.9</b>	<b>42.2</b>
<b>Current assets</b>				
Inventories	466.6	26.7	475.7	29.2
Other receivables and assets	68.1	3.9	57.2	3.5
Income tax receivables	3.1	0.2	4.1	0.2
Cash and cash equivalents	497.8	28.5	404.3	24.8
	<b>1,035.6</b>	<b>59.2</b>	<b>941.2</b>	<b>57.8</b>
	<b>1,747.9</b>	<b>100.0</b>	<b>1,628.1</b>	<b>100.0</b>

Equity and liabilities	August 31, 2012		February 29, 2012	
	€ million	%	€ million	%
<b>Shareholders' equity</b>				
Share capital	95.4	5.5	95.4	5.9
Capital reserve	143.6	8.2	143.6	8.8
Revenue reserves	619.3	35.4	553.0	34.0
	<b>858.4</b>	<b>49.1</b>	<b>792.0</b>	<b>48.6</b>
<b>Non-current liabilities</b>				
Non-current financial debt	401.3	23.0	407.3	25.0
Deferred tax liabilities	34.7	2.0	35.7	2.2
Other non-current liabilities	28.0	1.6	28.6	1.8
	<b>464.0</b>	<b>26.5</b>	<b>471.6</b>	<b>29.0</b>
<b>Current liabilities</b>				
Current financial debt	26.5	1.5	24.6	1.5
Trade payables and other liabilities	292.5	16.7	244.4	15.0
Income tax liabilities	44.1	2.5	27.8	1.7
Other provisions and accrued liabilities	62.4	3.6	67.6	4.2
	<b>425.5</b>	<b>24.3</b>	<b>364.5</b>	<b>22.4</b>
	<b>1,747.9</b>	<b>100.0</b>	<b>1,628.1</b>	<b>100.0</b>

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

## Statement of Changes in Equity

1 <sup>st</sup> Half 2011/2012 € million	Share capital	Capital reserve	Hedging reserve	Cumulative currency translation	Other revenue reserves	Total equity
<b>Balance at March 1, 2011</b>	<b>47.7</b>	<b>143.6</b>	<b>1.5</b>	<b>25.1</b>	<b>512.0</b>	<b>729.9</b>
Consolidated net income					87.0	87.0
Measurement of derivative financial instruments (cash flow hedge), net after taxes			(3.3)			(3.3)
Foreign currency translation				8.8		8.8
<b>Total comprehensive income</b>			<b>(3.3)</b>	<b>8.8</b>	<b>87.0</b>	<b>92.5</b>
Dividend distribution					(15.9)	(15.9)
Treasury stock transactions					(0.9)	(0.9)
Issue of bonus shares	47.7				(47.7)	0.0
<b>Balance at August 31, 2011</b>	<b>95.4</b>	<b>143.6</b>	<b>(1.8)</b>	<b>33.9</b>	<b>534.4</b>	<b>805.6</b>

1 <sup>st</sup> Half 2012/2013 € million	Share capital	Capital reserve	Hedging reserve	Cumulative currency translation	Other revenue reserves	Total equity
<b>Balance at March 1, 2012</b>	<b>95.4</b>	<b>143.6</b>	<b>(3.8)</b>	<b>30.0</b>	<b>526.8</b>	<b>792.0</b>
Consolidated net income					82.5	82.5
Measurement of derivative financial instruments (cash flow hedge), net after taxes			(1.5)			(1.5)
Foreign currency translation				1.3		1.3
<b>Total comprehensive income</b>			<b>(1.5)</b>	<b>1.3</b>	<b>82.5</b>	<b>82.4</b>
Dividend distribution					(15.9)	(15.9)
Treasury stock transactions					(0.1)	(0.1)
<b>Balance at August 31, 2012</b>	<b>95.4</b>	<b>143.6</b>	<b>(5.2)</b>	<b>31.3</b>	<b>593.3</b>	<b>858.4</b>

Rounding up or down may lead to discrepancies between percentages and totals.

## Cash Flow Statement

€ million	1 <sup>st</sup> Half 2012/2013	1 <sup>st</sup> Half 2011/2012
<b>Consolidated net income</b>	<b>82.5</b>	<b>87.0</b>
Depreciation and amortization of non-current assets	27.6	27.5
Change in provisions	0.0	0.3
Gains/losses on disposals of non-current assets	(0.2)	0.1
Change in inventories, trade receivables and other assets	(0.9)	(15.4)
Change in trade payables and other liabilities	60.7	75.1
Other non-cash income/expenses	(1.4)	3.5
<b>Cash flow from operating activities</b>	<b>168.3</b>	<b>178.1</b>
Proceeds from disposal of non-current assets and of non-current assets held for sale	0.8	2.1
Payments for investments in property, plant, and equipment	(51.8)	(46.5)
Payments for investments in intangible assets	(1.0)	(2.0)
<b>Cash flow from investing activities</b>	<b>(52.0)</b>	<b>(46.4)</b>
Dividends paid	(15.9)	(15.9)
Proceeds from taking up long-term debt	0.0	80.0
Repayment of long-term debt	(6.6)	(86.6)
Payments for transaction costs	0.0	(0.5)
Change in current financial debt	(0.2)	0.2
<b>Cash flow from financing activities</b>	<b>(22.7)</b>	<b>(22.8)</b>
Cash-effective change in cash and cash equivalents	93.6	108.8
Change in cash and cash equivalents due to changes in exchange rates	0.0	2.1
Cash and cash equivalents at March 1	404.3	422.6
<b>Cash and cash equivalents at August 31</b>	<b>497.8</b>	<b>533.5</b>

Rounding up or down may lead to discrepancies between percentages and totals.

The cash flow from operating activities was reduced by € 16.0 million on account of income tax payments (previous year: € 13.3m) and by € 12.9 million on account of interest payments (previous year: € 12.8m) and increased by € 1.5 million on account of interest received (previous year: € 3.0m).

The other non-cash income/expenses item largely consists of unrecognized foreign currency differences and deferred taxes.

# NOTES TO THE GROUP INTERIM REPORT

## Notes to the Interim Consolidated Financial Statements as of August 31, 2012

### (1) Accounting principles

This Group half-year financial report of HORNBACH-Baumarkt-AG and its subsidiaries for the 1<sup>st</sup> half as of August 31, 2012 has been prepared in accordance with § 315a of the German Commercial Code (HGB) based on International Financial Reporting Standards (IFRS) in the form requiring mandatory application in the European Union. The abridged half-year financial report has been prepared in accordance with IAS 34 "Interim Financial Reporting".

The accounting principles applied in the preparation of this interim report are basically consistent with those applied in the consolidated financial statements as of February 29, 2012. Furthermore, the HORNBACH Group has applied all of the accounting regulations requiring first-time application from the 2012/2013 financial year – to the extent that these are relevant for the HORNBACH-Baumarkt-AG Group. These regulations requiring first-time application have not had any material implications for the Group's net asset, financial or earnings position.

Pursuant to IAS 34 "Interim Financial Reporting", income tax expenses for the first half of the year have been calculated using the average annual tax rate expected for the financial year as a whole.

This interim report is to be read in conjunction with the consolidated financial statements of HORNBACH-Baumarkt-AG for the 2011/2012 financial year. Reference is made to these financial statements on account of the additional information they contain as to the specific accounting and valuation methods applied. The notes included therein also apply to this interim report, unless any amendments are expressly indicated. Moreover, this interim report is also consistent with German Accounting Standard No. 16 (DRS 16) – Interim Reporting – of the German Accounting Standards Committee (DRSC).

By resolution adopted by the Annual General Meeting on July 5, 2012, the group auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, was commissioned to perform an audit review of the half-year financial report of the HORNBACH-Baumarkt-AG Group.

### (2) Scope of consolidation

There were no changes in the scope of consolidation in the first half of 2012/2013.

### (3) Seasonal influences

Due to weather conditions, the HORNBACH-Baumarkt-AG Group generally reports a weaker business performance in the fall and winter than in the spring and summer months. These seasonal fluctuations are reflected in the figures for the first half. The business performance in the first six months as of August 31, 2012 does not necessarily provide an indication for the year as a whole.



**(4) Other income and expenses**

Other income and expenses are structured as follows:

€ million	2 <sup>nd</sup> Quarter 2012/2013	2 <sup>nd</sup> Quarter 2011/2012	Change %
Other income	10.4	4.9	112.7
Other expenses	2.6	2.0	31.7
<b>Other income and expenses</b>	<b>7.8</b>	<b>2.9</b>	<b>166.7</b>

€ million	1 <sup>st</sup> Half 2012/2013	1 <sup>st</sup> Half 2011/2012	Change %
Other income	14.6	9.9	47.1
Other expenses	3.9	2.7	44.7
<b>Other income and expenses</b>	<b>10.7</b>	<b>7.2</b>	<b>48.0</b>

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

The other income for the first half of 2012/2013 includes operating income of € 14.5 million (previous year: € 9.0m) and non-operating income of € 0.1 million (previous year: € 0.9m). Operating income includes an amount of € 6.1 million in connection with energy tax refunds, an amount of € 3.9 million from the reversal of provisions recognized in the 2010/2011 financial year, and an amount of € 2.2 million for compensation not yet invoiced. Other than these items, operating income mainly consists of advertising grants, ancillary revenues at DIY megastores with garden centers, and income from allocations within the HORNBACH HOLDING AG Group. The non-operating income for the first half of 2012/2013 consists of income of € 0.1 million due to the sale of plant and office equipment at a DIY megastore with a garden center no longer in use. The non-operating income for the first half of 2011/2012 mainly consisted of write-ups of € 0.7 million in the real estate segment. Of this total, € 0.4 million related to a piece of land held for sale and € 0.3 million to a piece of land already disposed of in the first half of the previous year. The write-ups were based on contractually agreed sale prices.

The other expenses for the first half of 2012/2013 consist of operating expenses of € 3.5 million (previous year: € 1.5m) and non-operating expenses of € 0.4 million (previous year: € 1.2m). Operating expenses mainly involve expenses for legal disputes, losses incurred in connection with damages, and impairments of receivables. Furthermore, the operating expenses for the first half of 2012/2013 also include service fees of € 0.6 million incurred in connection with energy tax compensation. The non-operating expenses for the first half of 2012/2013 mainly involve expenses of € 0.2 million incurred for investment projects not subject to further development and losses of € 0.1 million incurred in connection with real estate development. The non-operating expenses for the first half of 2011/2012 include an amount of € 0.7 million for the redevelopment agreement intended for historic burdens in connection with a DIY property owned by the Group. Furthermore, this item included expenses of € 0.4 million incurred for investment projects not subject to further development and impairment losses of € 0.1 million due to the write-down of a property held for sale to its expected net sales proceeds. The impairment losses were recognized in the real estate segment.

**(5) Earnings per share**

Basic earnings per share are calculated pursuant to IAS 33 "Earnings per Share" as the quotient of the income attributable to the shareholders of HORNBAACH-Baumarkt-AG for the period under report and the weighted average number of shares issued. As in the previous year, no dilutive effects had to be accounted for when calculating earnings per share.

**Basic earnings per share**

	<b>2<sup>nd</sup> Quarter 2012/2013</b>	<b>2<sup>nd</sup> Quarter 2011/2012</b>
Number of shares issued	31,807,000	31,807,000
Consolidated net income attributable to shareholders in HORNBAACH-Baumarkt-AG in € million	41.6	43.0
<b>Earnings per share in €</b>	<b>1.31</b>	<b>1.35</b>

	<b>1<sup>st</sup> Half 2012/2013</b>	<b>1<sup>st</sup> Half 2011/2012</b>
Number of shares issued	31,807,000	31,807,000
Consolidated net income attributable to shareholders in HORNBAACH-Baumarkt-AG in € million	82.5	87.0
<b>Earnings per share in €</b>	<b>2.59</b>	<b>2.73</b>

**(6) Other disclosures**

The personnel expenses of the HORNBAACH-Baumarkt-AG Group amounted to € 258.3 million at the end of the first half as of August 31, 2012 (previous year: € 249.8m).

Depreciation and amortization totaling € 27.6 million was recognized on intangible assets, property, plant and equipment, and investment property at the HORNBAACH-Baumarkt-AG Group in the first half of the 2012/2013 financial year (previous year: € 27.5m).

**(7) Shareholders' equity****Increase in share capital from company funds by issuing bonus shares**

By resolution of the Annual General Meeting held on July 7, 2011, the share capital of HORNBAACH-Baumarkt-AG was increased in the first half of the previous year by issuing bonus shares at a ratio of 1:1. As a result, the number of shares in HORNBAACH-Baumarkt-AG has doubled. Due to the conversion of a partial amount of € 47,710,500.00 of the revenue reserves reported in the annual balance sheet as of February 28, 2011 into share capital, the company's share capital doubled to € 95,421,000.00. The share capital is divided into 31,807,000 individual shares with a prorated nominal value of € 3.00 per share. The bonus shares have been included in the stock market listing since July 29, 2011 and have enjoyed profit entitlement since March 1, 2011.

**Employee shares**

On August 13, 2012, the Board of Management of HORNBAACH-Baumarkt-AG resolved pursuant to § 71 (1) No. 2 of the German Stock Corporation Act (AktG) to acquire up to 50,000 treasury stock shares. These shares are to be acquired for the (annual) issue of employee shares scheduled to take place at the end of 2012.

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

The share buyback began on August 14, 2012 and is limited until December 31, 2012. A total of 3,332 treasury stock shares had been acquired as of August 31, 2012.

**(8) Dividend**

As proposed by the Board of Management and Supervisory Board of HORNBAACH-Baumarkt-AG, following approval by the Annual General Meeting on July 5, 2012 a dividend of € 0.50 per share was distributed to shareholders for the 2011/2012 financial year.

**(9) Financial debt**

In the first half of the previous year, 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, 2016. These funds served to provide follow-up financing for the promissory note bond of the same amount maturing on June 30, 2011. The promissory note bond charges interest on the basis of the 6-month Euribor, plus a bank margin. To secure the interest rate, a forward swap with congruent terms was concluded in the 2010/2011 financial year already. The swap enables the floating interest payable half-yearly to be secured at a fixed level.

Customary bank covenants were agreed for the promissory note bond, non-compliance with which could lead to a premature repayment obligation. These regularly involve pari passu clauses and negative pledge declarations. The promissory note bond also requires compliance with specific financial ratios. These key financial ratios are based on consolidated figures at the HORNBAACH-Baumarkt-AG Group and require interest cover of at least 2.25 times and an equity ratio of at least 25%. Furthermore, maximum limits were also agreed in particular for financing facilities secured by land charges and financial debt taken up by subsidiaries of HORNBAACH-Baumarkt-AG.

As the aforementioned hedge meets the requirements for hedge accounting, changes in the value of the swaps are reported in the hedging reserve.

**(10) Contingent liabilities and other financial obligations**

These mainly involve obligations for rental, hiring, leasehold and leasing contracts for which the companies of the HORNBAACH-Baumarkt-AG Group do not constitute the economic owners of the assets thereby leased pursuant to IFRS regulations (Operating Lease). These amounted to € 1,127.5 million at the end of the first half as of August 31, 2012 (February 29, 2012: € 1,122.8m).

**(11) Related party disclosures**

In addition to the subsidiaries included in the consolidated financial statements, HORNBAACH-Baumarkt-AG also has direct or indirect relationships with associated companies when performing its customary business activities. These include the parent company, HORNBAACH HOLDING AG, as well as its direct and indirect subsidiaries. Apart from the transactions performed in the usual course of business and reported in the annual financial statements, no major transactions were undertaken with closely related companies and persons during the first half of 2012/2013.

## (12) Segment report

1 <sup>st</sup> Half 2012/2013 in € million 1 <sup>st</sup> Half 2011/2012 in € million	DIY stores	Real estate	Headquarters and consolidation	HORNBAACH- Baumarkt-AG Group
<b>Segment sales</b>	<b>1,681.4</b>	<b>70.6</b>	<b>(70.1)</b>	<b>1,681.9</b>
	1,667.1	65.9	(65.4)	1,667.6
Sales to third parties	1,681.4	0.0	0.0	1,681.4
	1,667.0	0.0	0.0	1,667.0
Rental income from third parties	0.0	0.5	0.0	0.5
	0.1	0.4	0.0	0.5
Rental income from affiliated companies	0.0	70.1	(70.1)	0.0
	0.0	65.4	(65.4)	0.0
<b>Segment earnings (EBIT)</b>	<b>114.3</b>	<b>22.9</b>	<b>(11.3)</b>	<b>125.9</b>
	122.3	21.1	(11.2)	132.2
<b>Depreciation and amortization/write-ups</b>	<b>16.8</b>	<b>6.9</b>	<b>4.0</b>	<b>27.6</b>
	17.1	5.5	4.3	26.9
<b>EBITDA</b>	<b>131.1</b>	<b>29.8</b>	<b>(7.3)</b>	<b>153.5</b>
	139.4	26.6	(6.9)	159.1
<b>Segment assets</b>	<b>727.8</b>	<b>560.6</b>	<b>440.7</b>	<b>1,729.1</b>
	758.3	504.2	472.9	1,735.3
of which: credit balances at banks	71.6	0.0	404.6	476.2
	74.0	0.0	438.5	512.5

Reconciliation in € million	1 <sup>st</sup> Half 2012/2013	1 <sup>st</sup> Half 2011/2012
<b>Segment earnings (EBIT) before "Headquarters and consolidation"</b>	<b>137.2</b>	<b>143.4</b>
Headquarters	(11.3)	(11.2)
Net financial expenses	(10.7)	(13.4)
<b>Consolidated earnings before taxes</b>	<b>115.2</b>	<b>118.8</b>

Rounding up or down may lead to discrepancies between totals.

# RESPONSIBILITY STATEMENT

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

Bornheim, September 26, 2012

The Board of Management of HORNACH-Baumarkt-Aktiengesellschaft

Steffen Hornbach

Roland Pelka

Frank Brunner

Susanne Jäger

Wolfger Ketzler

Ingo Leiner

Jürgen Schröcker

# REVIEW REPORT

To Hornbach-Baumarkt-Aktiengesellschaft

We have reviewed the condensed interim consolidated financial statements – comprising of income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and selected explanatory notes – together with the interim group management report of Hornbach-Baumarkt-Aktiengesellschaft, Bornheim bei Landau/Pfalz, for the period from March 1 to August 31, 2012, which are part of the half-year financial report according to § 37 w WpHG [„Wertpapierhandelsgesetz“: „German Securities Trading Act“]. The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

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

Frankfurt am Main, September 26, 2012

KPMG AG Wirtschaftsprüfungsgesellschaft

Bertram  
Auditor

Palm  
Auditor

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## FINANCIAL CALENDAR 2012/2013

September 27, 2012	Half-Year Financial Report 2012/2013 as of August 31, 2012
December 21, 2012	Interim Report: 3 <sup>rd</sup> Quarter of 2012/2013 as of November 30, 2012
March 21, 2013	Trading Statement 2012/2013
May 28, 2013	Annual Results Press Conference 2012/2013 DVFA Analysts' Conference Publication of Annual Report

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### DISCLAIMER

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