HALF-YEAR FINANCIAL REPORT
HORNBACH BAUMARKT AG GROUP

H1
2018/19

(MARCH 1 – AUGUST 31, 2018)

Es gibt immer was zu tun.

HORNBACH BAUMARKT AG GROUP

Half-Year Financial Report 2018/19 (March 1 – August 31, 2018)

Key Figures of the HORNBACH Baumarkt AG Group (in € million, unless otherwise stated)	2nd Quarter 2018/19	2nd Quarter 2017/18	Change in %	1st Half 2018/19	1st Half 2017/18	Change in %
Net sales	**1,087.6**	**1,042.7**	**4.3**	**2,249.6**	**2,173.1**	**3.5**
of which: in Germany	561.2	552.7	1.5	1,173.9	1,166.1	0.7
of which in other European countries	526.4	490.0	7.4	1,075.7	1,006.9	6.8
Like-for-like sales growth	3.4%	2.6%		2.8%	4.0%	
Gross margin as % of net sales	36.6%	36.9%		36.9%	37.4%	
EBITDA	86.6	83.8	3.3	172.1	181.0	(4.9)
Earnings before interest and taxes (EBIT)	**65.0**	**64.0**	**1.6**	**130.2**	**141.6**	**(8.0)**
Adjusted EBIT	**65.5**	**64.0**	**2.3**	**130.4**	**141.5**	**(7.9)**
Consolidated earnings before taxes	62.3	58.2	7.0	122.8	131.3	(6.5)
Consolidated net income	46.0	43.2	6.5	91.0	98.0	(7.2)
Basic/diluted earnings per share (€)	1.45	1.36	6.6	2.86	3.08	(7.1)
Investments	64.5	28.8	>100	129.2	49.5	>100

Misc. key figures of the HORNBACH Baumarkt AG Group (in € million, unless otherwise stated)	August 31, 2018	February 28, 2018	Change %
Total assets	2,083.6	1,997.7	4.3
Shareholders' equity	1,122.1	1,048.8	7.0
Shareholders' equity as % of total assets	53.9%	52.5%	
Number of stores	157	156	0.6
Sales area in 000 m² (based on BHB)	1,845	1,822	1.3
Number of employees	19,404	18,721	3.6

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

Summary

HORNBACH Baumarkt AG Group with robust first half – Forecast confirmed

- **Consolidated sales rise by 3.5% in first half of year – like-for-like growth of 2.8%**
- **Retail activities outside Germany continue to post well above-average growth rates**
- **First-half earnings performance held back by extreme summer weather and lower gross margin**
- **Board of Management confirms full-year sales and earnings forecasts for 2018/19**

The HORNBACH Baumarkt AG Group maintained its ground well in the first half of its 2018/19 financial year, particularly when the significantly less favorable weather conditions compared with the previous year's period are considered. Consolidated sales for the first half of 2018/19 (March 1 to August 31, 2018) grew by 3.5% to € 2,249.6 million (2017/18: € 2,173.1 million). On a like-for-like basis and net of currency items, consolidated sales grew by 2.8%, with this being driven above all by the company's retail activities outside Germany. Second-quarter consolidated sales rose by 4.3% to € 1,087.6 million, with like-for-like, currency-adjusted growth of 3.4%. In conjunction with a lower gross margin and less favorable cost ratios, the subdued level of sales growth in the first half meant the Group was unable to match the previous year's record level of earnings. Operating earnings (EBIT) adjusted for non-operating earnings items decreased by 7.9% to € 130.4 million (2017/18: € 141.5 million), and that despite slight growth in this key figure from € 64.0 million to € 65.5 million in the second quarter. Earnings per Baumarkt share came to € 2.86 at the end of the first six months (2017/18: € 3.08). The company expects to make up for most of the shortfall in earnings from the first quarter of 2018/19 in the second half of the year. The Board of Management has therefore confirmed the full-year sales and earnings forecasts for 2018/19.

Macroeconomic and Sector-Specific Framework

Having settled at a slightly slower pace in recent quarters, the **global economy** regained momentum once again in spring 2018. Due not least to the further escalation in the trade conflict between the US and its major trading partners in the EU and China, economists nevertheless recently pointed to significantly higher downward risks facing the global economy.

The upward trend in the European economy continued at a moderate pace. According to Eurostat, seasonally-adjusted real-term gross domestic product (GDP) rose by 0.4% in the second quarter of 2018 compared with the previous quarter, and that both in the **euro area** (EA 19) and the **European Union** (EU 28). Compared with the equivalent quarter in the previous year, economic output rose by 2.2% in each case. This figure reveals a slowdown in the rate of growth, a development due above all to less dynamic external trade. By contrast, the domestic economy proved robust in the first half of the calendar year, with this also being due to persistently high levels of consumer confidence and the further improvement in labor markets, even if consumer spending was held back by higher prices, particularly for energy and food.

Seasonally-adjusted output in the euro area **construction industry** rose by 1.3% in the second quarter of 2018 compared with the first quarter. The equivalent figure for the European Union as a whole was 1.2%. Compared with the previous year's quarter, output in the construction industry grew by 2.5% and 2.7% respectively. Above-average growth rates were reported for civil engineering, which posted a notably more dynamic performance than construction. The research and consulting network Euroconstruct has forecast growth of 2.5% for the European construction industry in 2018. This represents a slowdown compared with the very strong previous year (+3.9%). Growth of around 5% is expected for new housing construction in the current year. This has benefited above all from pleasing conditions on labor markets in numerous European countries. For subsequent years, however, building permit statistics point to a slowdown in the growth rate for new housing construction.

Retail sales growth adjusted for seasonal and price factors came to 0.6% in the euro area and 0.9% in the EU 28 countries in the second quarter of 2018, compared with 0.0% in each case in the first quarter of 2018. Compared with the previous year's quarter, calendar-adjusted retail sales grew by 1.6% in the euro area and by 2.1% in the EU 28 countries.

GDP growth rates in countries with HORNBACH DIY stores and garden centers (calendar year)

Percentage change on previous quarter Source: Eurostat (calendar year figures)	3rd Quarter 2017	4th Quarter 2017	1st Quarter 2018	2nd Quarter 2018
Germany	**0.6**	**0.5**	**0.4**	**0.5**
Austria	0.7	0.8	0.9	0.5
Czech Republic	0.5	0.7	0.5	0.5
Luxembourg	1.8	0.1	2.0	n/a
Netherlands	0.6	0.9	0.6	0.7
Romania	2.2	0.3	0.1	1.4
Slovakia	0.9	0.9	1.0	1.0
Sweden	0.7	0.8	0.8	1.0
Switzerland	0.7	0.6	0.6	n/a
Euro area (EA 19)	**0.7**	**0.7**	**0.4**	**0.4**
EU28	**0.7**	**0.6**	**0.4**	**0.4**

The **German economy** maintained its growth course. According to figures released by the Federal Statistical Office Destatis, GDP adjusted for price, seasonal and calendar-related factors grew by 0.5% in the second quarter of 2018 compared with the first quarter, in which economic output rose by 0.4%. Positive momentum came above all from the domestic economy. Private households increased their consumer spending by 0.3%. Public spending was 0.6% up on the previous quarter. Capital expenditure also rose, with 0.3% more being invested in equipment and 0.6% more in buildings than in the first quarter of 2018. By contrast, the external contribution was negative, with growth in the volume of exports (plus 0.7%) being more than offset by even higher import growth (plus 1.7%).

According to Destatis, building permits for the construction of a total of 168,500 residential units were issued in Germany in the period from January to June 2018. That represents a 0.6% reduction compared with the previous year's period. Demand for multi-story buildings remained high (plus 4.9%), but the number of building permits issued for new detached and semi-detached houses fell by 1.6% and 2.9% respectively – accompanied by an increase in the volume of costs per construction measure (plus 2.0% and 1.3% respectively). The number of renovation measures approved in the first six months of 2018 fell by 5.9% compared with the previous year's period. In terms of volumes, however, renovation measures were 1.3% ahead of the figure for the first half of 2017.

The **German retail sector** reported year-on-year price-adjusted sales growth of 1.4% and nominal sales growth of 3.0% in the first half of 2018, with particularly strong sales growth for food, beverages, and tobacco goods, as well as in the internet and mail order segments. On the other hand, sales with furnishings, household appliances, and building materials showed a slight reduction in both real and nominal terms.

The **German DIY retail sector** increased its aggregate gross nominal sales year-on-year by 1.7% to € 9.76 billion in the first half of the 2018 calendar year. This increase was driven by strong sales growth of 8.2% in the second quarter of 2018, which more than made up for the poor start in the first quarter. On a like-for-like basis, i.e. excluding stores newly opened, closed or subject to major conversion measures, sales in the sector fell by 7.4% in the period from January to March 2018, but rose by 7.9% in the months from April to June. Like in the previous year, by the end of the first six months the German DIY sector reported like-for-like sales growth of 1.4%.

Sales at DIY and home improvement stores in Germany (calendar year)

Source: GfK Total Store Report Deutschland	1st Quarter 2018	2nd Quarter 2018	1st Half 2018
Gross sales (€ billion)	3.76	6.00	9.76
Nominal year-on-year change (%)	(7.1)	8.2	1.7
Like-for-like year-on-year change (%)	(7.4)	7.9	1.4

Earnings, Financial and Asset Position

Development in HORNBACH store network

The first quarter of 2018 (Q1) witnessed the opening of two new DIY megastores with garden centers in Zwolle (Netherlands) and Affoltern (Switzerland) and the closure of one location in Alzey (Rhineland-Palatinate). There were no changes in the group-wide store network in the second quarter (Q2). As of August 31, 2018, the HORNBACH Baumarkt AG Group therefore operated 157 retail outlets (February 28, 2018: 156) with total sales areas of 1.85 million m², of which 97 in Germany and 60 in other European countries.

Seasonal and calendar-related factors

Impact of weather conditions

The first quarter of the 2018/19 financial year saw a significantly delayed start to the season due to an unusually frosty March. Summery weather conditions in April then provided the opportunity to make up much lost ground, while May brought unsettled weather extremes and storms. The summer of 2018 witnessed record heat in many areas and extreme aridity in some regions. All in all, weather conditions in the first six months of the current financial year were unfavorable and offered poorer conditions for implementing garden, construction, and renovation projects than in the previous year's period.

Number of business days

The first half of the 2018/19 financial year (March 1 to August 31, 2018) had approximately the same number of business days on average as did the previous year's period. The arithmetic calendar-related impact at the Group came to minus 1.5 business days in Q1, contrasting with plus 1.3 business days in Q2.

Sales Performance

2nd quarter of 2018/19

Consolidated sales at HORNBACH Baumarkt AG rose by 4.3% to € 1,087.6 million in the period from June 1 to August 31, 2018 (2017/18: € 1,042.7 million) and thus grew slightly more rapidly than in the first quarter (+2.8%). While the Germany region increased its net sales by 1.5% to € 561.2 million (2017/18: € 552.7 million), net sales in the Other European countries region rose year-on-year by 7.4% to € 526.4 million (2017/18: € 490.0 million).

On a like-for-like basis and net of currency items [↳ Glossary on Page 10], consolidated sales for the quarter under report grew by 3.4%, compared with 2.6% in the previous year's period. Including currency items for non-euro countries, namely the Czech Republic, Romania, Sweden, and Switzerland, we improved our group-wide like-for-like sales by 2.7% in the second quarter of 2018/19. In Germany, like-for-like sales grew by 1.2% in the second quarter of 2018/19. In other European countries, we posted growth of 5.8% in the period from June to August 2018. Including currency items, this growth came to 4.4%.

Like-for-like sales performance[1)]
(in percent)

2018/19 financial year 2017/18 financial year	1st Quarter	2nd Quarter	1st Half
Group	**2.3**	**3.4**	**2.8**
	5.4	2.6	4.0
Germany	**(0.2)**	**1.2**	**0.5**
	3.8	0.3	2.1
Other European countries	**5.2**	**5.8**	**5.5**
	7.5	5.3	6.4

1) Excluding currency items

1st half of 2018/19

Consolidated sales grew by 3.5% to € 2,249.6 million in the period under report from March 1 to August 31, 2018 (2017/18: € 2,173.1 million). Net sales in Germany showed cumulative growth of 0.7% to € 1,173.9 million (2017/18: € 1,166.1 million). In other European countries, we increased our first-half sales by 6.8% to € 1,075.7 million (2017/18: € 1,006.9 million). The international share of sales therefore rose from 46.3% to 47.8%. On a like-for-like basis, consolidated sales in the first half of the year improved by 2.8% net of currency items and by 2.2% including currency items.

- In the **Germany region** we generated like-for-like sales growth of 0.5% in the first half of 2018/19. Despite the subdued level of customer demand due to weather conditions in Q2, we thus nevertheless managed to make up for the slight dip in sales in the spring quarter (minus 0.2%). Alongside our sales performance, one factor that is important to our company is our ability to permanently establish our reputation among construction and DIY customers as the DIY store for projects. In view of this, one especially pleasing development in the period under report involved the top results HORNBACH achieved once again in 2018 in Kundenmonitor Deutschland, the most prestigious consumer survey for the German retail sector. Customers awarded us top marks in individual criteria including "Selection and Product Variety" and "Product Quality". Compared with our competitors, German DIY customers also see HORNBACH as top of the league when it comes to "Product Range" and "Prices".

- In the **Other European countries region**, where we pool our retail activities in eight countries outside Germany, like-for-like sales for the first half of 2018/19 rose year-on-year by 5.5% net of currency items and by 4.1% including currency items. These figures show that we exceeded the rates of change in major pan-European economic indicators and in particular GDP and private consumer spending growth rates. This sales growth was driven not least by the online shops we newly opened in Slovakia (September 2017), Sweden (October 2017), and Romania (January 2018).

Earnings Position

The following comments refer to the earnings performance of the HORNBACH Baumarkt AG Group. Information about the "Retail" and "Real estate" segments can be found in the segment report in the notes to the financial statements (Page 27).

2nd quarter of 2018/19

Earnings for the second quarter of 2018/19 were slightly ahead of the previous year's level.

- Gross profit increased by 3.4% to € 398.0 million in the quarter under report (2017/18: € 384.9 million) and thus grew less rapidly than sales. The **gross margin** [↪ Glossary on Page 11], i.e. gross profit as a percentage of net sales, decreased from 36.9% to 36.6%.

- **Selling and store expenses** grew more slowly than sales, rising by 3.5% to € 282.1 million (2017/18: € 272.7 million). This was due in particular to a lower personnel expense ratio (including bonuses), as well as to rental and advertising expenses rising less rapidly than sales. These factors more than offset the disproportionate increase in operating expenses and depreciation and amortization. The store expense ratio [↪ Glossary on Page 11] fell from 26.2% to 25.9%. **Pre-opening expenses** rose year-on-year from € 1.0 million to € 2.4 million in the second quarter of 2018/19. The pre-opening expense ratio [↪ Glossary on Page 11] came to 0.2%. **General and administration expenses** rose by 3.2% to € 51.2 million (2017/18: € 49.6 million). As a result, the administration expense ratio [↪ Glossary on Page 11] eased from 4.8% to 4.7%.

- Earnings before interest, taxes, depreciation and amortization (EBITDA) [↪ Glossary on Page 10] rose by 3.3% to € 86.6 million in the quarter under report (2017/18: € 83.8 million). **Operating earnings (EBIT)** increased by 1.6% to € 65.0 million (2017/18: € 64.0 million). **EBIT adjusted to exclude non-operating earnings items** [↪ Glossary on Page 10] grew by 2.3% to € 65.5 million.

- Net financial expenses improved from minus € 5.7 million to minus € 2.7 million. This development was mainly due to positive currency items, which reversed from minus € 1.6 million in the previous year's quarter to plus € 1.1 million in the quarter under report.

- Consolidated earnings before taxes rose to € 62.3 million, up 7.0% compared with the previous year's quarter (2017/18: € 58.2 million). Given a tax rate of 26.1% (2017/18: 25.8%), consolidated net income increased to € 46.0 million (2017/18: € 43.2 million). Second-quarter earnings per share came to € 1.45 (2017/18: € 1.36).

1st half of 2018/19

In conjunction with a lower gross margin and less favorable cost ratios, the subdued sales growth due to weather conditions in the first half of the year meant that earnings at the HORNBACH Baumarkt AG Group were unable to match the previous year's figure. Key data on the earnings performance in the first half of 2018/19 (March 1 to August 31, 2018) are as follows:

- Gross profit rose by 2.1% to € 830.1 million (2017/18: € 813.4 million). The **gross margin** slipped from 37.4% to 36.9%, a development mainly due to higher procurement prices, negative exchange rate items, and product range changes.
- **Selling and store expenses** rose by 4.2%, and thus more rapidly than sales, to € 595.8 million (2017/18: € 571.7 million). The store expense ratio increased from 26.3% to 26.5%. **Pre-opening expenses** grew to € 4.7 million (2017/18: € 2.1 million), corresponding to a pre-opening expense ratio of 0.2% (2017/18: 0.1%). By contrast, the **general and administration expenses** of € 105.5 million (2017/18: € 103.3 million) showed a slight decline as a percentage of net sales, falling from 4.8% to 4.7% of net sales.
- EBITDA decreased by 4.9% to € 172.1 million (2017/18: € 181.0 million). **Operating earnings (EBIT)** at the HORNBACH Baumarkt AG Group fell by 8.0% to € 130.2 million (2017/18: € 141.6 million). Based on a low volume of non-operating earnings items, **adjusted EBIT** for the first half of 2018/19 decreased by 7.9% to € 130.4 million (2017/18: € 141.5 million).
- Net financial expenses improved from minus € 10.3 million to minus € 7.5 million. This was mainly due to positive currency items of € 0.8 million, contrasting with the previous year's period in which earnings were held back by negative currency items of € 1.9 million.
- Consolidated earnings before taxes eased by 6.5% to € 122.8 million (2017/18: € 131.3 million). The tax rate rose slightly from 25.3% to 25.9%. Consolidated net income fell by 7.2% to € 91.0 million (2017/18: € 98.0 million). Earnings per share are reported at € 2.86 for the first half of 2018/19 (2017/18: € 3.08).

Financial and Asset Position

Financial position

Investments rose significantly from € 49.5 million in the previous year's period to € 129.2 million in the first half of 2018/19. A large share of the additional investment total related to the acquisition of a piece of land in Switzerland in the first quarter and to the buyback of two stores previous leased in the Greater Berlin region in the second quarter. Furthermore, the company also acquired land for its medium-term expansion in Europe. At € 99.9 million, around 77% of investments were channeled into land and buildings, while the remaining sum involved plant and office equipment at new and existing stores, as well as intangible assets (mainly IT software). Investments were fully financed by the cash flow of € 129.7 million from operations (2017/18: € 136.8 million). Information about the financing and investing activities of the HORNBACH Baumarkt AG Group can be found in the cash flow statement on Page 16.

Asset position

Total assets at the HORNBACH Baumarkt AG Group grew to € 2,083.6 million as of August 31, 2018, up 4.3% compared with the balance sheet date on February 28, 2018. This growth was mainly due to the increase in property, plant and equipment by € 98.8 million. This contrasted with a reduction in investment properties by € 11.4 million. Current assets amounted to € 823.6 million as of August 31, 2018 (February 28, 2018: € 824.5 million).

Shareholders' equity as reported in the balance sheet amounted to € 1,122.1 million as of August 31, 2018 (February 28, 2018: € 1,048.8 million). The **equity ratio** [↳ Glossary on Page 14] rose to 53.9%, up from 52.5% at the previous reporting date. Non-current liabilities showed a slight decrease of € 2.9 million to € 493.4 million (€ 496.3 million). Current liabilities increased by € 15.4 million to € 468.0 million (€ 452.6 million). Comparison of the figures as of the respective reporting dates shows that the reduction in trade payables (minus € 56.7 million) was countered by an increase in other current liabilities and contract liabilities. Due to the application of IFRS 15, part of other current liabilities has been transferred to the new "contract liabilities" balance sheet line item [↪ Notes from Page 20 onwards]. **Net financial debt** [↪ Glossary on Page 14] amounted to € 340.6 million as of August 31, 2018 (February 28, 2018: € 321.9 million).

Other Disclosures

Employees

A total of 19,404 employees across Europe were in fixed employment at HORNBACH Baumarkt AG or one of its subsidiaries as of the reporting date on August 31, 2018 (February 28, 2018: 18,721).

Statement of figures

Figures have been rounded up or down to the nearest million euro amount. Such rounding up or down may result in minor discrepancies between the various presentations. Percentages have been calculated on the basis of thousand euro figures.

Risk and Opportunity Report

We presented the risks and opportunities involved in the future business activities of the HORNBACH Baumarkt AG Group in detail in the Risk and Opportunity Reports in our 2017/18 Annual Report (from Page 65 onwards). This basic assessment of the Group's medium to long-term development potential had not changed materially upon publication of this interim report.

Outlook

We provided a detailed forecast of the macroeconomic and sector-specific framework and of the Group's expected business performance in 2018/19 on Pages 78 to 82 of the 2017/18 Annual Report of the HORNBACH Baumarkt AG Group. Upon publication of this interim report, we can confirm our basic assessments for the 2018/19 financial year as a whole.

The statements made concerning the expected performance of the Group in the 2018/19 financial year have not changed materially compared with the assessments published in the 2017/18 Annual Report of the HORNBACH Baumarkt AG Group.

The Board of Management can confirm the sales and earnings forecast for the 2018/19 financial year published on Pages 80 to 82 of the 2017/18 Annual Report.

Sales forecast

For the 2018/19 financial year as a whole, the sales forecast still provides for consolidated sales growth in a medium single-digit percentage range. After the notable slowdown in the rate of sales growth due to exceptional weather conditions in the first half of the financial year, the Board of Management expects to see stronger rates of growth in the second half. Sales are expected to benefit here from customers catching up with more extensive construction and renovation projects originally scheduled for July and August 2018 but in many cases postponed to a later date due to the extreme heat and aridity.

Earnings forecast

The Board of Management expects the company to make up for the shortfall in earnings reported for the first quarter of 2018/19 in the second half of the year, with strict cost discipline being one factor facilitating achievement of the annual target. As a result, the Board of Management still expects consolidated operating earnings (EBIT) net of non-operating earnings items for the 2018/19 financial year to roughly match the figure reported for the 2017/18 financial year (€ 110.0 million).

Brief Glossary of Key Performance Figures

In this quarterly statement we also refer to the following key performance figures that are not defined under IFRS to comment on our asset, financial, and earnings situation. These figures should also be viewed in the overall context of the information published in the Annual Report concerning the Group's management system.

Like-for-like sales net of currency items (change in %)	*Alternative key performance figure to measure the operating business performance and indicate the organic growth achieved by our retail activities (stationary stores and online shops)*	The calculation of like-for-like sales is based on all DIY stores with garden centers that have been in operation for at least one full year. No account is taken of stores newly opened, closed, or subject to substantial conversion measures in the past twelve months. Like-for-like sales are calculated excluding sales tax (net) and based on the local currency for the reporting period under comparison (currency-adjusted). The rate of change in like-for-like sales net of currency items is therefore a performance indicator independent of exchange rate factors. On a euro basis, like-for-like sales are also calculated including currency items for those countries in our European store network that have currencies other than the euro.
EBITDA	*Alternative key performance figure to comment on earnings performance*	EBITDA stands for earnings before interest, taxes, depreciation and amortization (on property, plant and equipment and on intangible assets). EBITDA is a cash flow-based figure, as depreciation and amortization, which do not impact on liquidity, are added to operating earnings (EBIT).
Adjusted EBIT	*Major key performance figure to comment on operating earnings performance*	To calculate this key figure, EBIT is adjusted to exclude non-operating earnings items. Non-operating expenses (e.g. impairment losses on assets, additions to provisions for onerous contracts) are added to EBIT, while non-operating income (e.g. income from disposals of properties, income from write-ups of assets impaired in previous years) are deducted. Adjusted EBIT is therefore particularly useful for management purposes and for comparing the operating earnings performance over time or in forecasts.

Cost ratios	*Alternative key performance figures for the development in store, pre-opening, and administration expenses as a percentage of net sales*	The store expense ratio is obtained by dividing selling and store expenses by net sales. Selling and store expenses comprise those costs incurred in connection with the operation of stationary DIY stores with garden centers and the online shops. They mainly include personnel expenses, costs of premises, and advertising expenses, as well as depreciation, amortization, and general operating expenses, such as transport expenses, service and maintenance. The pre-opening expense ratio is calculated by dividing pre-opening expenses by net sales. Costs incurred in connection with and upon the construction of a new stationary DIY store with a garden center through to opening are reported as pre-opening expenses. Pre-opening expenses largely comprise personnel expenses, costs of premises, and administration expenses. The administration expense ratio is the quotient of administration expenses and net sales. Administration expenses include all administrative expenses incurred in connection with the operation or construction of stationary DIY stores with garden centers and with the development and operation of online retail (e-commerce) and 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. As well as purely administrative expenses, they also include project-related expenses and in particular the expenses incurred for the increasing digitization of our business model (multichannel retail).
Equity ratio	*Alternative key performance figure to comment on asset position*	The equity ratio is derived by dividing shareholders' equity as reported in the balance sheet (equity posted) by total capital (balance sheet total).
Net financial debt	*Alternative key performance figure to comment on financial position*	This key figure is calculated as total current and non-current financial debt less cash and cash equivalents and – where applicable – less current financial assets. To avoid negative interest on cash investments, starting at the beginning of the 2016/17 financial year the Group channeled part of its cash and cash equivalents into near-liquid short-term financial investments with terms of between more than three months and a maximum of twelve months. These fixed-term deposits were repaid in full as of November 30, 2017. The inclusion of current financial assets in the calculation of net financial debt enhances comparability with the previous reporting period.
Gross margin	*Further key performance figure to comment on earnings performance*	The gross 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.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Income Statement

€ million	2nd Quarter 2018/19	2nd Quarter 2017/18	Change in %	1st Half 2018/19	1st Half 2017/18	Change in %
Sales	1,087.6	1,042.7	4.3	2,249.6	2,173.1	3.5
Cost of goods sold	689.6	657.9	4.8	1,419.5	1,359.7	4.4
Gross profit	**398.0**	**384.9**	**3.4**	**830.1**	**813.4**	**2.1**
Selling and store expenses	282.1	272.7	3.5	595.8	571.7	4.2
Pre-opening expenses	2.4	1.0	>100	4.7	2.1	>100
General and administration expenses	51.2	49.6	3.2	105.5	103.3	2.2
Other income and expenses	2.7	2.4	13.3	6.1	5.3	16.4
Earnings before interest and taxes (EBIT)	**65.0**	**64.0**	**1.6**	**130.2**	**141.6**	**(8.0)**
Interest and similar income	0.2	0.1	12.3	0.3	0.3	(24.1)
Interest and similar expenses	4.0	4.3	(7.2)	8.5	8.8	(2.9)
Other financial result	1.1	(1.6)	>100	0.8	(1.9)	>100
Net financial expenses	**(2.7)**	**(5.7)**	**(52.6)**	**(7.5)**	**(10.3)**	**(27.6)**
Consolidated earnings before taxes	**62.3**	**58.2**	**7.0**	**122.8**	**131.3**	**(6.5)**
Taxes on income	16.3	15.0	8.3	31.8	33.2	(4.3)
Consolidated net income	**46.0**	**43.2**	**6.5**	**91.0**	**98.0**	**(7.2)**
Basic/diluted earnings per share (€)	1.45	1.36	6.6	2.86	3.08	(7.1)

Statement of Comprehensive Income

€ million	2nd Quarter 2018/19	2nd Quarter 2017/18	1st Half 2018/19	1st Half 2017/18
Consolidated net income	**46.0**	**43.2**	**91.0**	**98.0**
Actuarial gains and losses on defined benefit plans	0.0	0.6	0.0	2.0
Deferred taxes on actuarial gains and losses on defined benefit plans	0.0	(0.1)	0.0	(0.4)
Measurement of available-for-sale financial assets	0.8	0.0	0.8	0.0
Other comprehensive income that will not be recycled at a later date	**0.8**	**0.5**	**0.8**	**1.6**
Measurement of derivative financial instruments (cash flow hedge)				
Measurement of derivative hedging instruments directly in equity [1]	0.0	0.0	0.0	0.0
Gains and losses from measurement of derivative financial instruments transferred to profit or loss	0.0	0.0	0.0	0.0
Exchange differences arising on the translation of foreign subsidiaries	3.2	(4.5)	1.5	(5.4)
Deferred taxes on gains and losses recognized directly in equity	0.0	0.0	0.0	0.0
Other comprehensive income that will be recycled at a later date	**3.2**	**(4.4)**	**1.5**	**(5.4)**
Total comprehensive income	**50.0**	**39.3**	**93.3**	**94.3**

[1] Represents the residual value of fair value changes and recognized changes in the value of corresponding hedge instruments in the period under report.

Balance Sheet

Assets	August 31, 2018 € million	%	February 28, 2018 € million	%
Non-current assets				
Intangible assets	18.2	0.9	18.9	0.9
Property, plant, and equipment	1,219.2	58.5	1,120.4	56.1
Investment property	7.3	0.4	18.7	0.9
Financial assets	7.3	0.4	6.5	0.3
Other non-current receivables and assets	3.7	0.2	4.2	0.2
Deferred tax assets	4.3	0.2	4.5	0.2
	1,260.0	**60.5**	**1,173.2**	**58.7**
Current assets				
Inventories	651.4	31.3	657.8	32.9
Trade receivables	10.8	0.5	8.9	0.4
Contract assets	1.4	0.1	n/a	n/a
Other current assets	61.6	3.0	53.4	2.7
Income tax receivables	1.8	0.1	2.2	0.1
Cash and cash equivalents	96.6	4.6	102.1	5.1
	823.6	**39.5**	**824.5**	**41.3**
	2,083.6	**100.0**	**1,997.7**	**100.0**

Equity and liabilities	August 31, 2018 € million	%	February 28, 2018 € million	%
Shareholders' equity				
Share capital	95.4	4.6	95.4	4.8
Capital reserve	143.6	6.9	143.6	7.2
Revenue reserves	883.0	42.4	809.8	40.5
	1,122.1	**53.9**	**1,048.8**	**52.5**
Non-current liabilities				
Non-current financial debt	407.8	19.6	412.6	20.7
Provisions for pensions	11.4	0.5	10.8	0.5
Deferred tax liabilities	26.4	1.3	26.0	1.3
Other non-current liabilities	47.9	2.3	46.9	2.3
	493.4	**23.7**	**496.3**	**24.8**
Current liabilities				
Current financial debt	29.3	1.4	11.4	0.6
Trade payables	197.0	9.5	253.7	12.7
Contract liabilities	32.1	1.5	n/a	n/a
Other current liabilities	94.4	4.5	88.0	4.4
Income tax liabilities	26.4	1.3	11.6	0.6
Other provisions and accrued liabilities	88.9	4.3	87.8	4.4
	468.0	**22.5**	**452.6**	**22.7**
	2,083.6	**100.0**	**1,997.7**	**100.0**

Statement of Changes in Equity

1st Half 2017/18 in € million	Share capital	Capital reserve	Hedging reserve	Cumulative currency translation	Other revenue reserves	Total equity
Balance at March 1, 2017	**95.4**	**143.6**	**0.0**	**39.3**	**732.3**	**1,010.6**
Consolidated net income					98.0	98.0
Actuarial gains and losses on defined benefit plans, net after taxes					1.6	1.6
Measurement of derivative financial instruments (cash flow hedge), net after taxes			0.0			0.0
Measurement of available for sale financial assets, net after taxes					0.0	0.0
Foreign currency translation				(5.4)		(5.4)
Total comprehensive income			**0.0**	**(5.4)**	**99.6**	**94.3**
Dividend distribution					(21.6)	(21.6)
Treasury stock transactions					(0.8)	(0.8)
Balance at August 31, 2017	**95.4**	**143.6**	**0.0**	**33.9**	**809.5**	**1,082.5**

1st Half 2018/19 in € million	Share capital	Capital reserve	Cumulative currency translation	Other revenue reserves	Total equity
Balance at March 1, 2018	**95.4**	**143.6**	**36.3**	**773.4**	**1,048.8**
Adjustments due to IFRS 15				1.8	1.8
Adjustments due to IFRS 9				0.2	0.2
Balance at March 1, 2018 (adjusted)	**95.4**	**143.6**	**36.3**	**775.4**	**1,050.8**
Consolidated net income				91.0	91.0
Measurement of available-for-sale financial assets, net after taxes				0.8	0.8
Foreign currency translation			1.5		1.5
Total comprehensive income			**1.5**	**91.8**	**93.3**
Dividend distribution				(21.6)	(21.6)
Treasury stock transactions				(0.3)	(0.3)
Balance at August 31, 2018	**95.4**	**143.6**	**37.9**	**845.2**	**1,122.1**

Cash Flow Statement

€ million	1st Half 2018/19	1st Half 2017/18
Consolidated net income	91.0	98.0
Depreciation and amortization of non-current assets	42.3	39.5
Change in provisions	(1.1)	2.0
Gains/losses on disposals of non-current assets and of non-current assets held for sale	(0.5)	(0.4)
Change in inventories, trade receivables and other assets	(5.7)	(11.7)
Change in trade payables and other liabilities	3.6	8.2
Other non-cash income/expenses	0.2	1.1
Cash flow from operating activities	129.7	136.8
Proceeds from disposal of non-current assets and of non-current assets held for sale	2.6	0.8
Payments for investments in property, plant, and equipment	(127.1)	(45.9)
Payments for investments in intangible assets	(2.1)	(3.6)
Cash paid for investments in connection with short-term finance planning	0.0	10.0
Cash flow from investing activities	(126.6)	(38.7)
Dividends paid	(21.6)	(21.6)
Repayment of long-term debt	(0.6)	(1.9)
Proceeds from group financing	13.0	0.0
Change in current financial debt	0.4	(15.2)
Cash flow from financing activities	**(8.8)**	**(38.6)**
Cash-effective change in cash and cash equivalents	(5.7)	59.4
Change in cash and cash equivalents due to changes in exchange rates	0.1	(0.9)
Cash and cash equivalents at March 1	102.1	113.0
Cash and cash equivalents at August 31	**96.6**	**171.6**

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

The cash flow from operating activities was reduced by income tax payments of € 16.7 million (2017/18: € 17.0 million) and interest payments of € 4.3 million (2017/18: € 4.7 million) and increased by interest received of € 0.3 million (2017/18: € 0.3 million).

The other non-cash income/expenses item mainly relates to deferred taxes, the period-based updating of financing expenses deferred using the effective interest method, and unrecognized exchange rate gains/losses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Interim Consolidated Financial Statements as of August 31, 2018

(1) Accounting principles

This group half-year financial report of HORNBACH Baumarkt AG and its subsidiaries for the 1st half as of August 31, 2018 has been prepared in accordance with § 315e 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 interim report has been prepared in accordance with IAS 34 "Interim Financial Reporting".

Pursuant to IAS 34 "Interim Financial Reporting", income tax expenses for the first half 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 2017/18 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).

Figures have been rounded up or down to the nearest million euros. This may result in discrepancies between figures in the various numeric presentations. Percentages have been calculated on the basis of € 000s.

Changes in accounting principles

The new standards, amendments to standards, and interpretations requiring first-time application in the 2018/19 financial year were described in the notes to the consolidated financial statements for 2017/18. Apart from the first-time application of the new standards outlined below, the other changes did not have any material implications for the consolidated financial statements.

Adoption of IFRS 9

The HORNBACH Baumarkt AG Group has implemented the accounting requirements for financial instruments set out in the accounting standard IFRS 9 "Financial Instruments" since March 1, 2018. Consistent with the transitional provisions, the Group has foregone making retrospective adjustments to its previous year's figures. The differential amount between the previous carrying amount and the carrying amount at the beginning of the financial year has rather been recognized under revenue reserves in the opening balance sheet.

IFRS 9 introduces a uniform model for classifying financial assets which involves classifying these assets into one of three categories: financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, and financial assets measured at fair value through profit or loss. Classification is based on the contractual cash flows and the business models in which these are managed.

Financial assets held within a business model whose object involves holding assets and which only provides for interest and principal payments at specified dates are measured at amortized cost. If the business model additionally provides for the sale of financial assets, then these are measured at fair value through other comprehensive income. All other financial assets are measured at fair value through profit or loss.

For equity instruments, IFRS 9 also provides for the option of irrevocably designating these instruments as "measured at fair value in equity". HORNBACH has decided to present changes in the fair value of all equity shares previously classified as "available for sale" in other comprehensive income [↳ Statement of comprehensive income on Page 13]. This is because these shares are held as long-term strategic participations that are not expected to be sold in the short to medium term. Upon the sale of these instruments, the value changes previously recognized in equity are no longer reclassified to the income statement. Dividends from such instruments continue to be recognized as other income in the income statement provided that the Group has a substantiated claim to receive the respective payments.

Trade receivables and other operating receivables continue to satisfy the criteria for recognition at amortized cost. Financial assets not allocable to either of the business models and financial assets not exclusively comprising interest and principal payments have been reclassified pursuant to IFRS 9 and measured at fair value through profit or loss.

The requirements for classifying and measuring financial liabilities in accordance with IFRS 9 are largely consistent with the existing IAS 39 requirements, as a result of which no amendments have arisen. All financial liabilities continue to be recognized at amortized cost.

The table below presents the original IAS 39 measurement categories as of February 28, 2018 and the new measurement categories as of March 1, 2018 for each class of financial assets and liabilities. The measurement items relate exclusively to the application of new impairment requirements.

€ million	Category according IAS 39[1]	Carrying amount 2.28.2018	Category according IFRS 9[2]	Reclassification effects	Valuation effects	Carrying amount 3.1.2018
Assets						
Financial assets	AfS	6.5	FVtOCI			6.5
Trade receivables	LaR	8.9	AC	(1.5)	0.2	7.6
Trade receivables due to non-recourse factoring that are not derecognized	LaR	n/a[3]	FVtPL	1.5		1.5
Other current and non-current assets						
Derivatives without hedge relationship	FAHfT	0.6	FVtPL			0.6
Other assets	LaR	37.4	AC			37.4
Cash and cash equivalents	LaR	102.1	AC			102.1
Equity and liabilities						
Financial debt						
Bonds	FLAC	248.8	AC			248.8
Liabilities to banks	FLAC	1.0	AC			1.0
Liabilities in connection with finance leases	n/a	174.1	n/a			174.1
Derivatives with hedge relationship	n/a	0.0	n/a			0.0
Derivatives without hedge relationship	FLHfT	0.1	FVtPL			0.1
Trade payables	FLAC	253.7	AC			253.7
Other current and non-current liabilities	FLAC	29.6	AC			29.6
Accrued liabilities	FLAC	22.2	AC			22.2

[1] Afs – Available for Sale
LaR – Loans and Receivables
n/a – not allocated to any category
FAHfT – Financial Assets Held for Trading
FLAC – Financial Liabilities measured at Amortized Cost
FLHfT – Financial Liabilities Held for Trading
[2] FVtOCI – at Fair Value through Other Comprehensive Income
AC – Amortized Cost
n/a – not allocated to any category
FVtPL – at Fair Value through Profit or Loss
[3] Recognized as of February 28, 2018 under trade receivables in the LaR category

In addition to the new classification requirements for financial assets, IFRS 9 also introduces a new impairment model. The new risk provision model is based on expected credit losses (the "expected credit loss model") and is applied to debt instruments measured at amortized cost or at fair value in equity, lease receivables, trade receivables, contract assets, and loan commitments and financial guarantees not measured at fair value through profit or loss.

Expected credit losses (ECL) are recognized either on the basis of 12-month ECL (Stage 1) or lifetime ECL if the credit risk has increased significantly since initial recognition (Stage 2) or impaired creditworthiness has been identified (Stage 3).

For trade receivables and contract assets, the Group has applied the simplified approach based on an allowance matrix. In this approach, companies are not required to track the changes in credit risk but are rather obliged to recognize a risk provision corresponding to the lifetime ECL both upon initial recognition and at each subsequent reporting date (allocation to Stage 2). The calculation of expected credit losses is based on an analysis of actual historic default rates by reference to common credit risk features and overdue days. If indexed, these historic default rates are adjusted, taking due account of forward-looking information, to account for the impact of current changes in the macroeconomic climate.

The contract assets relate to tradesman services that are still being performed and have not yet been invoiced. These items basically have the same risk characteristics as trade receivables for the same types of contract. The Group has therefore concluded that the expected loss rates for trade receivables represent an appropriate approximation of the loss rates for contract assets.

The Group excludes financial instruments that have only low default risk (investment grade) upon addition from application of the three-stage credit loss model. These assets are rather always allocated to Stage 1 of the model, with recognition of an allowance in the amount of the 12-month ECL. In particular, credit balances at banks are allocated to this field, as the funds are exclusively held on a short-term basis at banks of high credit standing that are covered by deposit guarantee schemes.

First-time application of IFRS 9 led to a reduction in impairments of receivables by € 0.2 million (before deferred taxes) as of March 1, 2018. This amount was recognized under revenue reserves.

Alongside the new classification requirements and impairment rules, IFRS 9 also involves changes in respect of hedge accounting. These did not result in any conversion items upon the initial application date. This is because, when applying IFRS 9 for the first time, the Group exercised its accounting option of continuing to recognize hedges in accordance with IAS 39 rather than with IFRS 9.

Adoption of IFRS 15

The Group applied IFRS 15 "Revenue from Contracts with Customers" in accordance with the modified retrospective method as of March 1, 2018. The requirements were therefore only applied retrospectively to those contracts that had not been fully performed upon the initial application date. Given the transition method selected, the figures for the comparative period have not been adjusted.

Apart from the matters referred to below, initial application of IFRS 15 has not led to any fundamental changes to recognition and measurement policies. The overwhelming share of sales is generated by way of simply structured merchandise sales contracts which have no long-term characteristics and in which control passes to the customer at a specified point in time. The handover of the merchandise to the customer or performance of the service is regularly taken as that point in time. No material changes compared with previous practice have arisen with regard to the determination of the time at which sales are recognized.

Upon initial application, the balance sheet values were amended for the following matter as of March 1, 2018:

- Due to the IFRS 15 requirements in respect of customer credits, from now on those credits for which non-utilization (breakage) is expected will be recognized through profit or loss at an earlier point in time. Unlike the previous approach, in future amounts relating to potential non-utilization will be recognized in accordance with the patterns in which customers call on their credits. Previously, these items were only retired upon expiry of the relevant claims. Given the transition provisions chosen, obligations relating to customer credits were therefore reduced within equity as of March 1, 2018. This led equity to increase by € 2.4 million (before deferred taxes).

Furthermore, initial application resulted in the following material statement amendments within the balance sheet:

- Expected customer returns will be presented on a gross basis in the balance sheet from now on. Specifically, this involves the recognition of a "Right to return" item within other current assets and the recognition of a "Refund liability" item within other current liabilities.

- Liabilities from prepayments received were reclassified to contract liabilities as of March 1, 2018, as were liabilities from customer vouchers previously recognized as other current liabilities.

- Uncompleted customer orders (tradesman service) previously recognized as unfinished services within inventories were reclassified to contract assets as of March 1, 2018 and offset against contract liabilities in cases where HORNBACH had already received the respective consideration. In this regard, recognition of the resultant expenses and sales does not have any impact on gross profit.

In addition to the aforementioned amendments to accounting policies, IFRS 15 has also resulted in the following matter that, given the transition provisions selected, will only be relevant to contracts concluded after March 1, 2018.

- The option of granting retrospective discounts (permanent low price guarantee) means that the sales for a specific period are subject to variability that is influenced by the occurrence or non-occurrence of a future event. A refund liability will be recognized from now on to account for this factor. No conversion item arose as of March 1, 2018. A refund liability of € 0.5 million has been recognized and charged to earnings as of August 31, 2018.

Overall, the adjustments made to balance sheet items as of March 1, 2018 as a result of IFRS 15 are as follows:

€ million	Carrying amount IAS 18 2.28.2018	Revaluation	Reclassification	Carrying amount IAS 15 3.1.2018
Assets				
Current assets				
Inventories	657.8	0.0	(1.5)	656.4
Contract assets	n/a	0.0	1.2	1.2
Other current assets	53.4	0.0	2.7	56.1
Equity and liabilities				
Shareholders' equity				
Revenue reserves	809.8	1.8	0.0	811.6
Non-current liabilities				
Deferred tax liabilities	26.0	0.7	0.0	26.6
Current liabilities				
Contract liabilities	n/a	(2.4)	28.4	26.0
Other current liabilities	88.0	0.0	(24.4)	63.6
Other provisions and accrued liabilities	87.8	0.0	(1.6)	86.2

The following overview presents the relevant balance sheet items as of August 31, 2018 pursuant to IFRS 15 as well as pursuant to previous accounting practice under IAS 18. The items credited or charged to earnings as of August 31, 2018 amount to a cumulative total of minus € 0.1 million and have not been explicitly presented.

€ million	IFRS 15 8.31.2018	IAS 18 8.31.2018	Change
Assets			
Non-current assets			
Deferred tax assets	4.3	4.1	0.1
Current assets			
Inventories	651.4	653.0	(1.6)
Contract assets	1.4	0.0	1.4
Other current assets	61.6	58.2	3.4
Equity and liabilities			
Shareholders' equity			
Revenue reserves	883.0	881.4	1.6
Non-current liabilities			
Deferred tax liabilities	26.4	25.6	0.8
Current liabilities			
Contract liabilities	32.1	0.0	32.1
Other current liabilities	94.4	123.5	(29.1)
Other provisions and accrued liabilities	88.9	90.8	(2.0)

Implications of IFRS 16 as of March 1, 2019

Apart from the more specific information provided below, the statements made in the consolidated financial statements as of February 28, 2018 still apply.

Given amended assumptions for contract extensions and interest rates, we now expect non-current assets and financial liabilities to increase by € 1.3 billion. Undiscounted financial obligations in this respect are expected to amount to € 1.4 billion. Real estate contracts will remain the key reason for this conversion item. Based on this estimate, we expect EBIT to improve by a high single-digit or low double-digit million euro amount.

Although the inventory of contracts for lease arrangements involving plant and office equipment is not yet complete, based on the information currently available we do not expect any material implications. All intermediary lease relationships have been identified. These are currently being assessed as operating or finance leases and classified as appropriate.

(2) 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, 2018 does not necessarily provide an indication for the year as a whole.

(3) Other income and expenses

Other income and expenses are structured as follows:

€ million	2nd Quarter 2018/19	2nd Quarter 2017/18	Change in %
Other income	6.2	4.5	36.5
Other expenses	3.5	2.2	61.5
Other income and expenses	**2.7**	**2.4**	**13.3**

€ million	1st Half 2018/19	1st Half 2017/18	Change in %
Other income	10.8	9.0	19.6
Other expenses	4.7	3.8	24.0
Other income and expenses	**6.1**	**5.3**	**16.4**

Other income for the first half of 2018/19 mainly results from operating income and chiefly relates to ancillary revenues at DIY stores with garden centers, income from disposal services, and income from allocations within the HORNBACH Holding AG & Co. KGaA Group, as well as from damages payments. The non-operating income of € 1.2 million included – without functional designation – in this figure (2017/18: € 0.1 million) relates to the sale of a piece of land not used for operations. This income is allocated to the "Real estate" segment.

Other expenses mainly relate to losses incurred for damages and to operating expenses in connection with impairments of receivables and to disposal losses.

(4) 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 HORNBACH 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

	2nd Quarter 2018/19	2nd Quarter 2017/18
Number of shares issued	31,807,000	31,807,000
Consolidated net income allocable to shareholders in HORNBACH Baumarkt AG in € million	46.0	43.2
Earnings per share in €	**1.45**	**1.36**

	1st Half 2018/19	1st Half 2017/18
Number of shares issued	31,807,000	31,807,000
Consolidated net income allocable to shareholders in HORNBACH Baumarkt AG in € million	91.0	98.0
Earnings per share in €	**2.86**	**3.08**

(5) Other disclosures

The personnel expenses of the HORNBACH Baumarkt AG Group amounted to € 359.3 million at the end of the first half of the 2018/19 financial year (2017/18: € 357.8 million).

Depreciation and amortization totaling € 42.3 million was recognized on intangible assets and property, plant and equipment and on finance lease utilization rights at the HORNBACH Baumarkt AG Group in the first half of the 2018/19 financial year (2017/18: € 39.5 million).

Accrued liabilities of € 5.7 million were reversed and credited to earnings in the first half of the 2018/19 financial year. Of this total, € 3.3 million related to selling and store expenses and € 2.4 million to general and administration expenses.

(6) Shareholders' equity

On July 9, 2018, the Board of Management of HORNBACH Baumarkt AG resolved pursuant to § 71 (1) No. 2 of the German Stock Corporation Act (AktG) to acquire up to 55,000 treasury stock shares. These shares are to be acquired for the annual issue of employee shares scheduled to take place at the end of 2018. The buyback of shares began on August 1, 2018 and is limited to February 28, 2019. By August 31, 2018, HORNBACH Baumarkt AG had acquired 13,287 treasury stock shares. In the statement of changes in equity, the acquisition costs for these shares (€ 0.3 million) have been recognized under "Treasury stock transactions".

The buyback of shares on the basis of this management board resolution is being executed in accordance with the safe harbor regulations set out in Article 5 of Regulation (EU) No. 596/2014 of the European Parliament and Council dated April 14, 2014 and with the delegated Regulation (EU) 2016/1052 of the Commission dated March 8, 2016.

(7) Dividend

As proposed by the Board of Management and Supervisory Board of HORNBACH Baumarkt AG, following approval by the Annual General Meeting on July 5, 2018 a dividend of € 0.68 per share was distributed to shareholders for the 2017/18 financial year.

(8) Contingent liabilities and other financial obligations

These mainly involve obligations for rental, hiring, leasehold and leasing contracts for which the companies of the HORNBACH Baumarkt AG Group do not constitute the economic owners of the assets thereby leased pursuant to IFRS regulations (operating lease). For the non-terminable basic leasing period, these amounted to € 932.4 million at the end of period under report (February 28, 2018: € 985.0 million).

(9) Related party disclosures

In addition to the subsidiaries included in the consolidated financial statements, HORNBACH Baumarkt AG also has direct or indirect relationships with associated companies when performing its customary business activities. These include the parent company, HORNBACH Holding AG & Co. KGaA, and its general partner (HORNBACH Management AG), as well as their direct and indirect subsidiaries. Apart from the transactions performed in the usual course of business and reported in the annual financial statements, no material transactions were undertaken with closely related companies and persons in the period under report.

(10) Fair value disclosures

The methods and principles applied to determine fair value are basically unchanged compared with the consolidated financial statements as of February 28, 2018. The following table presents the carrying amounts and fair values of individual financial assets and liabilities pursuant to IFRS 9 as of August 31, 2018 and pursuant to IAS 39 as of February 28, 2018. The effects of amended classification and measurement resulting from the introduction of IFRS 9 are presented in Note 1) "Accounting principles".

€ million	Category according IFRS 9	Carrying amount 8.31.2018	Fair value 8.31.2018	Category according IAS 39	Carrying amount 2.28.2018	Fair value 2.28.2018
Assets						
Financial assets	FVtOCI	7.3	7.3	AfS	6.5	6.5
Trade receivables	AC	9.2	9.2	LaR	8.9	8.9
Trade receivables due to non-recourse factoring that are not derecognized	FVtPL	1.6	1.6	LaR	n/a	n/a
Contract assets	AC	1.4	1.4	n/a	n/a	n/a
Other current and non-current assets						
Derivatives without hedge relationship	FVtPL	0.0	0.0	FAHfT	0.6	0.6
Other assets	AC	47.0	47.0	LaR	37.4	37.4
Cash and cash equivalents	AC	96.6	96.6	LaR	102.1	102.1
Equity and liabilities						
Financial debt						
Bonds	AC	249.2	261.8	FLAC	248.8	266.1
Liabilities to banks	AC	5.3	5.3	FLAC	1.0	1.0
Liabilities in connection with finance leases	n/a	169.2	193.9	n/a	174.1	200.4
Derivatives with hedge relationship	n/a	0.0	0.0	n/a	0.0	0.0
Derivatives without hedge relationship	FVtPL	0.0	0.0	FLHfT	0.1	0.1
Trade payables	AC	197.0	197.0	FLAC	253.7	253.7
Contract liabilities	AC	32.1	32.1	n/a	n/a	n/a
Other current and non-current liabilities	AC	119.1	119.1	FLAC	29.6	29.6
Accrued liabilities	AC	28.9	28.9	FLAC	22.2	22.2

Other assets of € 18.3 million (February 28, 2018: € 19.6 million), other liabilities of € 125.7 million (February 28, 2018: € 105.4 million), and accrued liabilities of € 55.5 million (February 28, 2018: € 59.3 million) are outside the scope of IFRS 7.

The following financial instruments measured by reference to input data in the fair value hierarchy have been recognized at fair value in the balance sheet or in the note disclosures:

€ million	Category IFRS 9	8.31.2018	Category IAS 39	2.28.2018
Assets				
Valuation based on level 2 input data				
Derivatives without hedge relationship	FVtPL	0.0	FAHfT	0.6
Valuation based on level 3 input data				
Financial assets	FVtOCI	7.3	AfS	6.5
Liabilities				
Valuation based on level 1 input data				
Bonds	AC	261.8	FLAC	266.1
Valuation based on level 2 input data				
Liabilities to banks	AC	5.3	FLAC	1.0
Liabilities in connection with finance leases	n/a	193.9	n/a	200.4
Derivatives with hedge relationship	n/a	0.0	n/a	0.0
Derivatives without hedge relationship	FVtPL	0.0	FLHfT	0.1

Derivative financial instruments without hedge relationships involve foreign currency items for outstanding orders.

Financial assets include an investment measured using level 3 input data. Reference is made in this respect to the disclosures made in the 2017/18 consolidated financial statements. A change in the measurement of this investment required recognition in equity in the first half of 2018/19. This was mainly due to a change in the relevant interest rate (WACC). The discount rate after taxes decreased from 5.7% to 5.4%. The following table presents the development in fair value:

Changes in financial assets level 3 input data in € million	2018/19	2017/18
As of March 1	**6.5**	**5.7**
Change in valuation (OCI)	0.8	0.0
Balance at August 31	**7.3**	**5.7**

The following overview presents the sensitivities of the main input factors as of August 31, 2018:

€ million	Fair value	
	Increase	Decrease
Rent (5% change)	0.9	(0.9)
Discount rate (50 basis point change)	(1.1)	1.4

(11) Segment report

1st Half 2018/19 in € million 1st Half 2017/18 in € million	Retail	Real estate	Headquarters and consolidation	HORNBACH Baumarkt AG Group
Segment sales	2,248.2	87.5	(86.1)	2,249.6
	2,172.4	86.6	(85.9)	2,173.1
Sales to third parties	2,248.2	0.0	0.0	2,248.2
	2,172.4	0.0	0.0	2,172.4
Rental income from third parties	0.0	1.4	0.0	1.4
	0.0	0.7	0.0	0.7
Rental income from affiliated companies	0.0	86.1	(86.1)	0.0
	0.0	85.9	(85.9)	0.0
Segment earnings (EBIT)	97.7	39.1	(6.5)	130.2
	114.2	38.2	(10.8)	141.6
Depreciation and amortization/write-ups	20.4	16.5	4.9	41.9
	19.5	15.7	4.3	39.5
EBITDA	118.1	55.6	(1.6)	172.1
	133.7	53.8	(6.6)	181.0
Segment assets	939.0	1,056.8	81.7	2,077.5
	940.3	940.5	129.9	2,010.7
of which: credit balances at banks	44.9	0.0	26.0	70.9
	94.8	0.0	54.1	148.9

Reconciliation in € million	1st Half 2018/19	1st Half 2017/18
Segment earnings (EBIT) before "Headquarters and consolidation"	136.8	152.4
Headquarters	(6.5)	(10.8)
Net financial expenses	(7.5)	(10.3)
Consolidated earnings before taxes	122.8	131.3

The table below presents a breakdown of sales by region and activity.

External sales by region 1st Half 2018/19 in € million	Retail	Real estate	HORNBACH Baumarkt AG Group
Germany	1,173.9	0.0	1,173.9
Other European countries	1,074.3	1.4	1,075.7
Revenue from contracts with customers	**2,248.2**	**1.4**	**2,249.6**

(12) Events after balance sheet date

HORNBACH Holding B.V. agreed two promissory note loans as of September 6, 2018. These have a total amount of € 95 million and are guaranteed by HORNBACH Baumarkt AG. The first tranche has a volume of € 52 million and a five-year term, while the second tranche has a volume of € 43 million and a seven-year term. Both tranches were disbursed on September 13, 2018 and have fixed interest coupons through to maturity. As well as financing the company's expansion in the Netherlands, these funds will also serve to buy back HORNBACH DIY stores with garden centers previously let from an investor. The buyback of four locations in total will significantly increase the volume of investments in the current 2018/19 financial year. Gross investments at the HORNBACH Baumarkt AG Group are now expected in a range of € 210 million to € 240 million (originally € 150 million to € 170 million).

The new HORNBACH store in Boras (Sweden) was opened at the end of September 2018. This means we now operate six locations in Sweden. No further new store openings are planned for the fourth quarter of 2018/19. By the end of the financial year on February 28, 2019, the total number of HORNBACH DIY stores with garden centers will remain unchanged at 158, of which 61 locations in other European countries.

RESPONSIBILITY STATEMENT (BALANCE SHEET OATH)

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 bei Landau, September 25, 2018

HORNBACH Baumarkt AG
The Board of Management

Steffen Hornbach

Roland Pelka

Susanne Jäger

Wolfger Ketzler

Karsten Kühn

Ingo Leiner

Dr. Andreas Schobert

REVIEW REPORT

To HORNBACH Baumarkt AG, Bornheim/Pfalz

We have reviewed the condensed interim consolidated financial statements – comprising the 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 AG, Bornheim bei Landau/Pfalz, for the period from March 1 to August 31, 2018 that are part of the half-year financial report according to § 115 WpHG [„Wertpapierhandelsgesetz“: „German Securities Trading Act“]. The preparation of the condensed interim consolidated financial statements in accordance with International Accounting Standard IAS 34 "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 IAS 34 "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 IAS 34 "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 25, 2018

KPMG AG
Wirtschaftsprüfungsgesellschaft

Bertram
Wirtschaftsprüfer
(Certified Public Auditor)

Palm
Wirtschaftsprüfer
(Certified Public Auditor)

FINANCIAL CALENDAR 2018/19

September 27, 2018	Half-Year Financial Report 2018/19 as of August 31, 2018
December 20, 2018	Quarterly Statement: 3rd Quarter of 2018/19 as of November 30, 2018
March 21, 2019	Trading Statement as of February 28, 2019
May 27, 2019	Annual Report 2018/19 as of February 28, 2019

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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.