HALF-YEAR FINANCIAL REPORT
HORNBACH Holding AG & Co. KGaA Group

H1 2016/2017

(MARCH 1 – AUGUST 31, 2016)

HORNBACH HOLDING AG & CO. KGaA GROUP

Half-Year Financial Report 2016/2017

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Key Figures of the HORNBACH Holding AG & Co. KGaA Group (in € million, unless otherwise stated)	2nd Quarter 2016/2017	2nd Quarter 2015/2016	Change %	1st Half 2016/2017	1st Half 2015/2016	Change %
Net sales	**1,070.5**	**1,002.5**	**6.8**	**2,186.7**	**2,054.6**	**6.4**
of which: in Germany	615.4	602.5	2.1	1,262.4	1,232.8	2.4
of which in other European countries	455.1	400.0	13.8	924.3	821.8	12.5
Like-for-like sales growth	4.5%	4.0%		4.5%	1.3%	
Gross margin as % of net sales	36.3%	36.8%		36.5%	37.3%	
EBITDA	99.3	94.1	5.5	198.8	190.3	4.5
EBIT	**76.0**	**74.4**	**2.2**	**152.5**	**151.1**	**0.9**
Consolidated earnings before taxes	68.8	66.7	3.2	137.2	138.8	(1.2)
Consolidated net income	50.9	52.8	(3.5)	101.8	105.1	(3.1)
Basic/diluted earnings per share (€)	2.59	2.63	(1.5)	5.16	5.22	(1.1)
Investments	34.5	51.8	(33.5)	84.4	82.6	2.2

Misc. key figures of the HORNBACH Holding AG & Co. KGaA Group (in € million, unless otherwise stated)	August 31, 2016	February 29, 2016	Change %
Total assets	2,713.1	2,679.7	1.2
Shareholders' equity [1)]	1,399.5	1,333.6	4.9
Shareholders' equity as % of total assets	51.6%	49.8%	
Number of employees	17,691	17,373	1.8

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

1) Including minority interests pursuant to IFRS.

INTERIM GROUP MANAGEMENT REPORT

Summary

HORNBACH Group gains momentum in second quarter and boosts earnings (EBIT) in first half of 2016/2017 – Full-year forecast confirmed

- **Consolidated sales at HORNBACH Holding AG & Co. KGaA grow 6.4% to € 2.2 billion in first six months**
  - **HORNBACH Baumarkt AG posts pleasing half-year like-for-like sales growth: Germany plus 2.5%, other European countries plus 7.1%**
  - **HORNBACH Baustoff Union GmbH increases half-year net sales by 2.6%**
- **At € 152.5 million, cumulative operating earnings (EBIT) slightly up on previous year**
- **HORNBACH DIY stores with garden centers ranked first for overall satisfaction in Kundenmonitor Deutschland 2016 survey**

Driven by a pleasing sales and earnings performance, the HORNBACH Holding AG & Co. KGaA Group (HORNBACH Group) gained additional momentum in the second quarter of 2016/2017 and exceeded the previous year's operating earnings in the first half of the year. Consolidated sales for the second quarter grew by 6.8% to € 1,070.5 million (2015/2016: € 1,002.5 million) and for the first six months of 2016/2017 (March 1 to August 31, 2016) by 6.4% to € 2,186.7 million (2015/2016: € 2,054.6 million). Consolidated operating earnings (EBIT) rose by 2.2% to € 76.0 million in the second quarter (2015/2016: € 74.4 million) and cumulatively by 0.9% to € 152.5 million (2015/2016: € 151.1 million). The sales and earnings forecast for the 2016/2017 financial year as a whole has been confirmed.

HORNBACH Baumarkt AG subgroup – the largest operating subgroup (DIY retail), which was operating 154 DIY retail outlets across Europe as of August 31, 2016 – boosted its sales by 7.0% to € 1,003.6 million in the second quarter (2015/2016: € 938.2 million) and by 6.7% to € 2,062.5 million in the first half of 2016/2017 (2015/2016: € 1,933.4 million). On a like-for-like basis and net of currency items, this subgroup increased its sales by 4.5% in both the second quarter and the first half of 2016/2017. The greatest momentum came from the retail activities in eight European countries outside Germany, which cumulatively increased their share of the subgroup's sales from 42.3% to 44.6%. In other European countries, like-for-like sales net of currency items surged by 7.7% in the second quarter and by 7.1% in the first half. The HORNBACH DIY stores with garden centers in Germany raised their like-for-like sales by 2.2% in the second quarter and by 2.5% in the first six months of 2016/2017.

Sales at the 27 builders' merchant outlets operated by the **HORNBACH Baustoff Union GmbH subgroup** increased by 4.1% to € 66.5 million in the second quarter of 2016/2017 (2015/2016: € 63.9 million) and cumulatively by 2.6% to € 123.3 million in the six-month period (2015/2016: € 120.2 million).

The HORNBACH Group improved its operating earnings performance in the course of the first half compared with the first three months of the 2016/2017 financial year. This was due above all to the pleasing sales growth achieved in Germany and abroad in conjunction with a less marked reduction in the gross margin and improved cost ratios. Cumulatively for the first six months, earnings before interest, taxes, depreciation and amortization (EBITDA) improved by 4.5% to € 198.8 million (2015/2016: € 190.3 million). Consolidated operating earnings (EBIT) for the half-year period grew by 0.9% to € 152.5 million (2015/2016: € 151.1 million). Consolidated net income for the period is reported at € 101.8 million (2015/2016: € 105.1 million). Earnings per KGaA share came to € 5.16 in the six-month period under report (2015/2016: € 5.22).

Macroeconomic and Sector-Specific Framework

Based on the assessment of the German Bundesbank, **global economic growth** remained subdued in the second calendar quarter of 2016 as well, with the industrialized economies in particular posting only moderate rates of growth. The economic situation in emerging economies appears to be stabilizing further. The vote by the British electorate on June 23, 2016 in favor of the UK exiting from the European Union triggered an event previously viewed by many market players as representing a major downward risk for the global economy. According to initial consumer and company surveys, however, confidence levels in the wake of the referendum have only deteriorated to any noticeable extent in the United Kingdom.

Growth in the **European economy** eased slightly in the second quarter of 2016. According to figures released by Eurostat, the EU's statistics office, real-term gross domestic product (GDP) in the European Union (EU 28) and the euro area (EA 19) grew by 0.4% and 0.3% respectively compared with the previous quarter. In the first quarter, GDP had risen by 0.5% in both cases. On average, economic growth in the first two quarters was therefore consistent with the moderate underlying pace seen over the past three years, one which has nevertheless sufficed to gradually bring down unemployment totals. These factors in turn have also boosted private consumer spending and housing construction.

The macroeconomic framework in the countries in which the HORNBACH Group operates outside Germany showed a mixed picture. Based on the macroeconomic data available upon the release of this report, economic growth in Germany, Austria, and Sweden was weaker in the second quarter than in the first quarter of 2016. By contrast, Slovakia and the Czech Republic reported higher rates of real-term GDP growth than in the previous quarter. Growth rates remained unchanged in the Netherlands and Romania.

Real-term 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 2015	4th Quarter 2015	1st Quarter 2016	**2nd Quarter 2016**
Germany	**0.2**	**0.4**	**0.7**	**0.4**
Austria	0.3	0.4	0.6	0.1
Czech Republic	1.0	0.3	0.4	0.9
Luxembourg	1.1	1.5	0.7	n.a.
Netherlands	0.3	0.2	0.6	0.6
Romania	1.6	1.2	1.5	1.5
Slovakia	1.0	1.0	0.8	0.9
Sweden	0.8	1.6	0.4	0.3
Switzerland	(0.1)	0.4	0.1	n.a.
Euro Area	**0.4**	**0.4**	**0.5**	**0.3**
EU 28	**0.4**	**0.5**	**0.5**	**0.4**

The **German economy** upheld its growth course, albeit at a slightly slower pace. According to figures disclosed by the Federal Statistical Office, destatis, GDP adjusted for price, seasonal and calendar factors grew by 0.4% compared with the previous quarter in the second quarter of 2016. Here, the external trade balance in particular provided positive signals while consumer spending also offered support, but weak gross investments held back the rate of growth.

The German construction industry is benefiting not only from persistently low interest rates, but also from the ongoing stable situation on the labor market, immigration, and migration within the country. Housing construction is booming at a faster rate than at any time in the past 16 years. Building permits were issued for the construction of a total of 182,820 residential units in the first half of 2016, equivalent to 30.4%, or around 42,700 more units than in the first six months of 2015. The main construction trade therefore reported correspondingly high new orders (plus 18.1%) and revenues (plus 8.3%) in the first half of 2016.

Building permits issued for residential units by building type in 1st half of 2016 (calendar year)

Source: Federal Statistical Office (Destatis)	1st Half 2016	Year-on-year change (absolute)	Year-on-year change (%)
New apartments in residential buildings	**154,484**	**33,935**	**28.2**
with 1 apartment	50,064	5,367	12.0
with 2 apartments	11,384	1,754	18.3
with 3 or more apartments	80,672	18,937	30.7
Residential establishments (including accommodation for refugees)	12,400	7,877	174.2
New apartments in non-residential buildings	**2,502**	**642**	**34.5**
Construction measures on existing buildings	**25,834**	**8,080**	**45.5**
Residential and non-residential buildings (all construction measures)	**182,820**	**42,657**	**30.4**

Against this robust economic backdrop, private households notched up their consumer spending by 2.5% in nominal terms in the first six months of the 2016 calendar year. This also benefited the German retail sector (excluding motor vehicle retail), which accounts for around one third of private household consumer spending. In the period from January to June 2016, retail sales rose year-on-year by 2.6% in nominal terms.

The German DIY retail sector reported aggregate gross sales of € 9.45 billion for the first half of the 2016 calendar year, equivalent to year-on-year nominal sales growth of 1.5%. This positive sector performance by midyear was chiefly driven by the high volume of sales generated in the second quarter. In the months from April to June 2016, German DIY companies achieved growth of 3.0% compared with the previous year's quarter and boosted their aggregate gross sales to € 5.61 billion. The sector thus more than offset the market development seen in the first quarter of 2016 (nominal: minus 0.7%). In terms of like-for-like sales as well, i.e. excluding stores newly opened, closed or subject to substantial conversion measures, the growth achieved in the second quarter (plus 2.1%) enabled the sector to more than make up for the shortfall reported for the first calendar quarter of 2016 (minus 1.4%) and to post positive growth of 0.7% at the end of the six-month period.

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

Source: GfK Total Store Report Deutschland	1st Quarter 2016	2nd Quarter 2016	1st Half 2016
Gross sales (€ billion)	3.84	5.61	9.45
Nominal year-on-year change (%)	(0.7)	3.0	1.5
Like-for-like year-on-year change (%)	(1.4)	2.1	0.7

Earnings, Financial and Asset Situation*

Sales performance

The HORNBACH Group's sales in the second quarter of the 2016/2017 financial year (June 1 to August 31, 2016) grew by a substantial 6.8% to € 1,070.5 million (2015/2016: € 1,002.5 million). Consolidated sales for the first six months as a whole rose by 6.4% to € 2,186.7 million (2015/2016: € 2,054.6 million).

The HORNBACH Holding AG & Co. KGaA Group comprises the HORNBACH Baumarkt AG, HORNBACH Baustoff Union GmbH, and HORNBACH Immobilien AG subgroups.

HORNBACH Baumarkt AG subgroup

2nd quarter of 2016/2017

The second quarter (Q2) of the 2016/2017 financial year witnessed a dynamic sales performance. Sales at the subgroup in the period from June 1 to August 31, 2016 grew by 7.0% to € 1,003.6 million (2015/2016: € 938.2 million). The greatest momentum came from the subgroup's retail activities outside Germany. Whereas net sales in the Germany region grew by 1.9% to € 550.9 million (2015/2016: € 540.5 million), sales in the Other European countries region showed year-on-year growth – due in part to the expansion program – of 13.8% to € 452.7 million (2015/2016: € 397.7 million).

Calculated as a group-wide average, the quarter under report had 1.2 business days more than the equivalent period in the previous year. On a group-wide basis, the lowest level of year-on-year sales growth was reported for June 2016. This can be attributed on the one hand to unsettled weather conditions, with catastrophic volumes of rain in some areas. On the other hand, demand at our stores also dipped periodically during the Euro 2016 Football Championships (June 10 to July 10, 2016). In July 2016, our sales picked up momentum compared with the previous month and subsequently reached their second-quarter peak in August, which benefited at times from highly summery weather conditions.

On a like-for-like basis and net of currency items [↦ Brief Glossary on Page 13], subgroup sales increased by 4.5% in the quarter under report, building on the growth of 4.0% already achieved in the previous year's quarter. Including currency items for non-euro countries, namely the Czech Republic, Romania, Sweden, and Switzerland, we improved our subgroup-wide like-for-like sales by 4.2% in the second quarter of 2016/2017. In other European countries, like-for-like sales growth in the period from June to August 2016 came to 7.7% net of currency items, and to 7.0% including currency items. In Germany, we generated like-for-like sales growth of 2.2% in the second quarter of 2016/2017.

Like-for-like sales performance of HORNBACH DIY stores with garden centers (DIY) [1)]

(in percent)

2016/2017 financial year 2015/2016 financial year	1st quarter	2nd quarter	1st half
HORNBACH Baumarkt AG subgroup	**4.4**	**4.5**	**4.5**
	(1.1)	4.0	1.3
Germany	**2.7**	**2.2**	**2.5**
	(2.4)	4.0	0.6
Other European countries	**6.6**	**7.7**	**7.1**
	0.7	4.0	2.3

[1)] Excluding currency items

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

1st half of 2016/2017

Sales at the HORNBACH Baumarkt AG subgroup grew by 6.7% to € 2,062.5 million in the period under report from March 1 to August 31, 2016 (2015/2016: € 1,933.4 million). Compared with the first half of 2015/2016, our stores had a group-wide average of 2.3 additional business days. Net sales in Germany showed cumulative growth of 2.4% to € 1,142.8 million (2015/2016: € 1,116.1 million). In other European countries, we boosted our first-half sales by 12.5% to € 919.7 million (2015/2016: € 817.3 million). As a result, the international share of sales rose from 42.3% to 44.6%.

On a like-for-like basis and net of currency items, consolidated sales grew by 4.5% in the first half of the year, thus latching seamlessly onto the pleasing performance posted for the first quarter of 2016/2017. Including currency items, the HORNBACH Baumarkt AG subgroup posted adjusted sales growth of 4.1% in the first half of its financial year. This pleasing sales performance was driven, albeit to a different extent, both by the domestic stores and by the stores outside Germany.

- In the **Germany region**, we upheld the stable growth course already seen in the two preceding quarters in the summer months of 2016 (Q2) as well. In the first half of 2016/2017, we generated cumulative like-for-like sales growth of 2.5%. Based on our calculations, HORNBACH's DIY stores with garden centers thus outperformed the German DIY sector average by around two percentage points in the period from March to August 2016.

  This outperformance of the market in terms of sales is underlined by the company's excellent results in Germany's most prestigious consumer survey for the retail sector, Kundenmonitor Deutschland 2016, in which HORNBACH was ranked first among DIY and home improvement stores in terms of overall satisfaction with an overall grade of 2.20. HORNBACH came top in 19 of the 46 other assessment categories and was ranked second in twelve further categories. Customers awarded us the best marks in particular for the individual criteria of "Value for money", "Product quality", "Product selection and variety", "Willingness to select supplier in future", and "Specialist advice". What is particularly valuable is that DIY customers see HORNBACH as being well ahead of its competitors in terms of its product range, prices, advertising, and especially its specialist advice. All this confirms the success and attractiveness of our unmistakable retail format, one that has long stood for far more than an excellently operated stationary retail business. The increasing digitization of our business within our interconnected retail (ICR) strategy has additionally boosted customers' awareness and is creating added value. That in turn is underlined by the top marks we achieved in "Media assistance in using the materials/tools purchased", a new category added to the survey for the first time in 2016.

- The **Other European countries region**, in which the retail activities in eight countries outside Germany are pooled, continued to generate the strongest growth momentum within the HORNBACH Baumarkt AG subgroup in the first half of the financial year. Here, we improved our like-for-like sales net of currency items by 7.1% compared with the first half of 2015/2016, and by 6.3% including currency items. We were thus significantly ahead of the rates of change in major European economic indicators, such as economic growth and private consumer spending in particular.

  HORNBACH has successfully established itself as a project partner to DIY store customers within its international network. These days, that not only applies to the stationary DIY stores with garden centers, but increasingly to our e-commerce activities as well. Professional customers and home improvement enthusiasts in Austria, Switzerland, the Netherlands, the Czech Republic, and Luxembourg are now also using HORNBACH's online shop to make their purchases. With its focus on construction and renovation projects, our retail concept enables us to benefit to an above-average extent from the growth in the European housing construction market. Based on forecasts compiled by the Euroconstruct research and advisory network, the volume of new housing construction and renovation is set to grow by more than three percent in 2016.

HORNBACH Baustoff Union GmbH subgroup

The HORNBACH Baustoff Union GmbH (HBU) subgroup, which focuses on the needs of professional customers in its main target groups in the main construction and subconstruction trades, as well as on private construction clients, noticeably accelerated its sales performance in the second quarter of 2016/2017 compared with the previous quarter.

Following the subdued start to 2016/2017 due to weather conditions – in the first quarter (March to May 2016) sales growth came to 0.8% as a result of weak demand in the "Roof", "Façade", and "Garden" product ranges – the subgroup's net sales for the second quarter of 2016/2017 grew by 4.1% to € 66.5 million (2015/2016: € 63.9 million). This performance was driven in particular by the strong sales growth posted for August 2016. On a cumulative basis for the first six months, HORNBACH Baustoff Union GmbH increased its consolidated sales by 2.6% to € 123.3 million (2015/2016: € 120.2 million). Some of the highest sales growth at HBU was reported for the traditional product ranges of "Construction" and "Civil Engineering". This resulted in particular from increased demand in the housing construction business. HBU has thus outperformed the builders' merchant sector average in Germany in 2016 to date.

Having opened a further outlet in the second quarter, as of August 31, 2016 the HORNBACH Baustoff Union GmbH subgroup was operating 25 builders' merchant outlets in south-western Germany, as well as two locations close to the border in France (Lorraine).

Earnings performance

The following information refers to the earnings performance of the overall HORNBACH Holding AG & Co. KGaA Group.

Due to contractual amendments and the conclusion of new rental agreements at individual DIY locations, since the fourth quarter of 2015/2016 there have been some structural movements within the income statement as these contracts now require classification as finance leases (previously: operating leases). As a result, rental expenses have been exchanged for depreciation and interest expenses. In the period under report, this factor impacted positively on operating earnings (EBIT) and negatively on the net financial result.

2nd quarter of 2016/2017

The operating earnings performance of the HORNBACH Group improved in the second quarter of 2016/2017 compared with the previous quarter. This improvement was mainly driven by the pleasing like-for-like, currency-adjusted sales performance at the DIY stores in the HORNBACH Baumarkt AG subgroup, sales growth at the HORNBACH Baustoff Union GmbH subgroup, and the reduction in pre-opening expenses at the Group. These factors more than offset the lower gross margin and the disproportionate rise in costs for the increasing digitization of our DIY retail business.

Gross profit grew by 5.3% to € 388.4 million in the quarter under report (2015/2016: € 368.7 million), and thus slightly less rapidly than sales. The gross margin, i.e. the gross profit as a percentage of net sales, slipped from 36.8% auf 36.3%. The decline in the gross margin, which in the first quarter of 2016/2017 has still amounted to 110 base points, thus narrowed to minus 50 base points in the second quarter.

Selling and store expenses rose by 7.0% to € 265.9 million (2015/2016: € 248.6 million), and thus rose slightly faster than sales (6.8%). Personnel expenses, including bonuses, increased by 5.5% and thus grew less rapidly than sales. Rental expenses decreased by € 3.9 million. This factor was offset by a € 3.5 million increase in depreciation. These opposing items were chiefly due to the higher number rental contracts structured as finance leases. Due to the rescheduling of marketing campaigns within the financial year, advertising expenses grew as a proportion of sales, as did general and administration expenses as a result of increased maintenance measures. The store expense ratio [↦ Brief Glossary on Page 14] remained unchanged at 24.8%.

Pre-opening expenses fell to € 0.8 million in the second quarter of 2016/2017, in which no new store openings took place, down from € 3.5 million in the previous year's quarter, which witnessed two store openings. The pre-opening expense ratio [↦ Brief

Glossary on Page 14] therefore decreased from 0.3% to 0.1%. **General and administration expenses** showed slightly disproportionate growth of 7.5% to € 48.1 million (2015/2016: € 44.8 million). At 4.5%, the administration expense ratio [↦ Brief Glossary on Page 14] remained at the same level as in the previous year's quarter – and that despite the clearly disproportionate increase in expenses incurred to expand e-commerce within the ICR strategy at the HORNBACH Baumarkt AG subgroup.

Earnings before interest, taxes, depreciation and amortization (**EBITDA**) [↦ Brief Glossary on Page 13] grew by 5.5% to € 99.3 million in the quarter under report (2015/2016: € 94.1 million). This growth was chiefly driven by the disproportionate increase in gross profit, which rose more sharply than expenses net of depreciation. Disposal gains on the sale of a piece of land no longer required for operations at the HORNBACH Immobilien AG subgroup led to non-operating income of € 0.7 million in the second quarter. **Operating earnings (EBIT)** at the HORNBACH Group rose by 2.2% to € 76.0 million (2015/2016: € 74.4 million). **EBIT adjusted to exclude non-operating items** [↦ Brief Glossary on Page 13] increased by 1.3% to € 75.4 million (2015/2016: € 74.4 million).

Net financial expenses improved from minus € 7.7 million to minus € 7.2 million. Here, the € 1.6 million improvement in interest expenses was countered by negative currency items of € 1.0 million. **Consolidated earnings before taxes** increased to € 68.8 million, up 3.2% on the equivalent figure for the previous year's quarter (€ 66.7 million). Due to a higher tax rate (26.0%, as against 20.9% in the previous year's quarter), **consolidated net income** for the period fell by 3.5% to € 50.9 million (2015/2016: € 52.8 million). Second-quarter **earnings per share** came to € 2.59 (2015/2016: € 2.63).

1st half of 2016/2017

In the first half of the 2016/2017 financial year, the HORNBACH Group slightly exceeded the previous year's level of EBIT. This was principally due to the pleasing sales growth generated in Germany and abroad in conjunction with a less marked reduction in the gross margin and improved cost ratios. Key data concerning the earnings performance in the first half of 2016/2017 (March 1 to August 31, 2016) are as follows:

- **Gross profit** rose by 4.2% to € 799.0 million (2015/2016: € 767.1 million). The gross margin slipped from 37.3% to 36.5% (minus 80 base points). The decline in the gross margin was chiefly due to lower retail prices and changes in the product mix, the effects of which could only be partly offset by more favorable procurement terms.
- **Selling and store expenses** grew less rapidly than sales, rising by 5.3% to € 553.4 million (2015/2016: € 525.4 million). The store expense ratio decreased from 25.6% to 25.3%. **Pre-opening expenses** virtually halved to € 2.8 million, as a result of which the pre-opening expense ratio fell from 0.3% to 0.1%. **General and administration expenses** increased by 5.9% to € 95.2 million (2015/2016: € 89.9 million). The administration expense ratio remained unchanged at 4.4%.
- Earnings before interest, taxes, depreciation and amortization (**EBITDA**) improved by 4.5% to € 198.8 million (2015/2016: € 190.3 million). The **operating earnings (EBIT)** of the HORNBACH Group rose 0.9% to € 152.5 million (2015/2016: € 151.1 million). Similar to operating earnings (EBIT), **EBIT adjusted for non-operating income and expenses** grew by 0.5% to € 151.9 million in the period under report (2015/2016: € 151.2 million). In the first half of 2016/2017 we recognized non-operating income of € 0.7 million from the sale of a piece of land (2015/2016: € 0k). This item was opposed by negligible non-operating expenses of € 34k resulting from the discontinuation of a construction project (2015/2016: € 23k).
- Due in particular to negative currency items, **net financial expenses** deteriorated from minus € 12.4 million to minus € 15.3 million.
- At € 137.2 million, **consolidated earnings before taxes** almost matched the previous year's figure (€ 138.8 million).
- Given a slightly higher tax rate than in the previous year's period, **consolidated net income** for the period decreased by 3.1% to € 101.8 million (2015/2016: € 105.1 million). **Earnings per share** are reported at € 5.16 at the end of the first six months (2015/2016: € 5.22).

Earnings performance in the 1st half of 2016/2017 by segment

At € 119.5 million, operating earnings (EBIT) at the **HORNBACH Baumarkt AG subgroup** fell 2.4% short of the previous year's figure of € 122.4 million. Further details on this subgroup's earnings performance can be found in its separately published Half-Year Financial Report 2016/2017.

EBIT at the **HORNBACH Baustoff Union GmbH subgroup** grew by 6.9%, and thus more rapidly than sales, to € 5.8 million (2015/2016: € 5.4 million). This pleasing earnings performance was driven in particular by the subgroup's strategic alignment, which involves foregoing low-margin revenues to ensure a stable gross margin. Furthermore, the subgroup's earnings in the period under report were further bolstered by a high degree of cost discipline.

At the **HORNBACH Immobilien AG subgroup** we increased half-year operating earnings by 9.3% to € 29.6 million (2015/2016: € 27.1 million). This earnings growth was chiefly due to the 13.7% reduction in real estate expenses to € 10.3 million (2015/2016: € 11.9 million) and to the disposal gains of € 0.7 million generated from the sale of a piece of land.

Financial and net asset situation

Investments showed a slight year-on-year increase from € 82.6 million to € 84.4 million in the first half of 2016/2017. Around 68% of this total was invested in land and buildings, while the rest was channeled into plant and operating equipment at new and existing stores, as well as into intangible assets (mainly IT software). Furthermore, in the period under report liquid funds of € 60 million were reclassified as current financial assets with terms of more than three months and reported as an outflow of cash for investment activities. Investments were fully financed from the cash flow of € 198.1 million from operations (2015/2016: € 174.4 million). Information about the financing and investing activities of the HORNBACH Holding AG & Co. KGaA Group can be found in the cash flow statement on Page 19.

Total assets at the HORNBACH Group grew to € 2,713.1 million as of August 31, 2016, up 1.2% compared with the balance sheet date on February 29, 2016. This growth was mainly driven by the € 49.4 million increase in property, plant and equipment to € 1,557.3 million. Current assets decreased by € 9.7 million to € 1,075.3 million, with reductions reported in particular for cash and cash equivalents (€ 80.8 million). This factor was opposed by increases in other current assets (plus € 8.9 million) and in current financial assets due to the reclassification of a € 60 million portion of liquid funds.

Shareholders' equity as reported in the balance sheet amounted to € 1,399.5 million as of August 31, 2016 (February 29, 2016: € 1,333.6 million). The **equity ratio** [↦ Brief Glossary on Page 14] rose to 51.6%, up from 49.8% at the previous reporting date. At € 741.2 million, non-current liabilities remained virtually unchanged. Current liabilities reduced by € 35.8 million to € 572.4 million (€ 608.2 million). The promissory note bond of € 80 million at HORNBACH Baumarkt AG was repaid on schedule as of June 30, 2016 using existing liquid funds, i.e. without any follow-up financing. This was the main reason for the reduction in current financial debt by € 85.6 million to € 66.7 million. Trade payables decreased by € 4.6 million to € 264.1 million. This factor was countered by increases in other current liabilities (plus € 29.0 million) and income tax liabilities (plus € 17.6 million).

Including current financial assets, **net financial debt** [↦ Brief Glossary on Page 14] reduced to € 370.2 million as of August 31, 2016 (February 29, 2016: € 441.1 million).

Employees

A total of 17,691 employees across Europe, of which 7,231 outside Germany, were in fixed employment at the HORNBACH Holding AG & Co. KGaA Group as of the reporting date on August 31, 2016 (February 29, 2016: 17,373/7,034).

Events After the Balance Sheet Date

No events of material significance for the assessment of the earnings, financial and net asset situation of HORNBACH Holding AG & Co. KGaA or of the HORNBACH Holding AG & Co. KGaA Group have occurred since the end of the first half as of August 31, 2016.

Risk and Opportunity Report

We presented the risks and opportunities involved in the future business activities of the HORNBACH Holding AG & Co. KGaA Group in detail in the Risk and Opportunity Reports in our 2015/2016 Annual Report (from Page 79 onwards). This basic assessment of the Group's medium to long-term development potential was still largely valid 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 2016/2017 on Pages 91 to 97 of the 2015/2016 Annual Report of the HORNBACH Holding AG & Co. KGaA Group. Our basic assessments concerning the business prospects for the DIY sector on the one hand and for HORNBACH on the other were still largely valid upon publication of this interim report.

Macroeconomic and sector-specific framework

Notwithstanding the uncertainty created by the Brexit vote and terror attacks, the euro area economy remains in robust shape, with Germany receiving some of the most positive assessments. Key domestic indicators are persistently high and thus continue to lend support to growth forecasts. This situation also has positive implications for domestic consumer spending. In August 2016, GfK confirmed its forecast that full-year private consumer spending would rise by around 2% in real terms. Private consumer spending is thus set to remain the most important driver of the German economy. There are currently also no signs of any fundamental change in demand in the construction industry or in DIY retail. According to the forecasts compiled by the European Commission, all countries within HORNBACH's network are set to maintain their growth course in 2016.

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

Year-on-year percentage change Source: European Commission	2014	2015	2016 Forecast
Germany	1.6	1.7	1.6
Austria	0.4	0.9	1.5
Czech Republic	2,0	4,2	2,1
Luxembourg	4.1	4.8	3.3
Netherlands	1.0	2.0	1.7
Romania	3.0	3.8	4.2
Slovakia	2.5	3.6	3.2
Sweden	2.3	4.1	3.4
Switzerland	1.9	0.9	1.2
Euro area (EA 19)	**0.9**	**1.7**	**1.6**
EU 28	**1.4**	**2.0**	**1.8**

Forecast business performance of the HORNBACH Holding AG & Co. KGaA Group in 2016/2017

Expansion

Our expansion program provides for one further new DIY store opening in the second half of the current 2016/2017 financial year, with a new location scheduled to be opened in Amsterdam at the end of the fourth quarter of 2016/2017 (December 1, 2016 to February 28, 2017). This will be our twelfth store in the Netherlands. By the end of the financial year on February 28, 2017, the group-wide total number of HORNBACH DIY stores with garden centers is set to increase to 155, of which 57 at locations in other European countries.

Sales and earnings expectations for the HORNBACH Holding AG & Co. KGaA Group

The outlook and other statements made concerning the expected performance of the Group in the 2016/2017 financial year have not changed materially compared with the assessments published in the 2015/2016 Annual Report of the HORNBACH Holding AG & Co. KGaA Group.

The Board of Management can confirm the sales and earnings forecast for the 2016/2017 financial year published on Pages 94 to 97 of the 2015/2016 Annual Report. Accordingly, the company still expects to generate consolidated sales growth in a medium single-digit percentage range. With regard to the earnings forecast, the company still expects its operating earnings (EBIT) to significantly exceed the figure for the previous 2015/2016 financial year (€ 137.5 million) and its EBIT net of non-operating income and expenses to match or slightly exceed the level reported for the 2015/2016 financial year (€ 151.2 million).

Brief Glossary of Alternative Key Performance Figures

In this management report we also refer to the following alternative 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	*Alternative key performance figure to comment on operating earnings performance*	This key figure is calculated by deducting non-operating earnings items from earnings before interest and taxes (EBIT). 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 disposal of real estate, income from write-backs of assets impaired in previous years) are deducted from EBIT. The adjusted EBIT figure is therefore particularly useful 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 situation*	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 situation*	Net financial debt is calculated as the total of current and non-current financial debt less cash and cash equivalents and – where applicable – less current financial assets. To avoid negative interest rates on cash deposits, from the beginning of the 2016/2017 financial year part of the company's cash and cash equivalents has been reclassified as near-liquid current financial assets with terms of more than three and up to a maximum of twelve months. The inclusion of current financial assets in the calculation of net financial debt enhances comparability with the previous period.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Income Statement

€ million	2nd Quarter 2016/2017	2nd Quarter 2015/2016	Change %	1st Half 2016/2017	1st Half 2015/2016	Change %
Sales	1,070.5	1,002.5	6.8	2,186.7	2,054.6	6.4
Cost of goods sold	682.1	633.8	7.6	1,387.7	1,287.5	7.8
Gross profit	**388.4**	**368.7**	**5.3**	**799.0**	**767.1**	**4.2**
Selling and store expenses	265.9	248.6	7.0	553.4	525.4	5.3
Pre-opening expenses	0.8	3.5	(78.3)	2.8	5.2	(46.4)
General and administration expenses	48.1	44.8	7.5	95.2	89.9	5.9
Other income and expenses	2.4	2.5	(4.4)	4.9	4.5	7.5
Earnings before interest and taxes (EBIT)	**76.0**	**74.4**	**2.2**	**152.5**	**151.1**	**0.9**
Interest and similar income	0.2	0.2	11.4	0.7	0.5	50.2
Interest and similar expenses	6.9	8.5	(19.2)	14.8	15.1	(2.0)
Other financial result	(0.6)	0.6	>(100)	(1.3)	2.3	>(100)
Net financial expenses	**(7.2)**	**(7.7)**	**(6.4)**	**(15.3)**	**(12.4)**	**24.3**
Consolidated earnings before taxes	**68.8**	**66.7**	**3.2**	**137.2**	**138.8**	**(1.2)**
Taxes on income	17.9	13.9	28.6	35.3	33.7	4.9
Consolidated net income	**50.9**	**52.8**	**(3.5)**	**101.8**	**105.1**	**(3.1)**
of which: income attributable to shareholders	41.5	42.3	(1.9)	82.5	83.7	(1.4)
of which: non-controlling interest	9.4	10.5	(10.2)	19.3	21.4	(9.7)
Basic/diluted earnings per share (€)	**2.59**	**2.63**	**(1.5)**	**5.16**	**5.22**	**(1.1)**
Basic/diluted earnings per preference share (€)	-	**2.66**	-	-	**5.25**	-

Statement of Comprehensive Income

€ million	2nd Quarter 2016/2017	2nd Quarter 2015/2016	1st Half 2016/2017	1st Half 2015/2016
Consolidated net income	**50.9**	**52.8**	**101.8**	**105.1**
Actuarial gains and losses on defined benefit plans	(4.3)	3.9	(6.2)	0.4
Deferred taxes on actuarial gains and losses on defined benefit plans	0.8	(0.8)	1.1	(0.1)
Other comprehensive income that will not be recycled at a later date	**(3.5)**	**3.2**	**(5.0)**	**0.3**
Measurement of derivative financial instruments (cash flow hedge)				
Measurement of derivative hedging instruments directly in equity [1]	0.1	(2.1)	(0.7)	(2.3)
Gains and losses from measurement of derivative financial instruments transferred to profit or loss	0.4	4.5	1.1	5.6
Exchange differences arising on the translation of foreign subsidiaries	1.2	(5.8)	(0.9)	(1.7)
Deferred taxes on gains and losses recognized directly in equity	0.0	(0.7)	(0.1)	(1.0)
Other comprehensive income that will be recycled at a later date	**1.7**	**(4.1)**	**(0.7)**	**0.6**
Total comprehensive income	**49.1**	**51.9**	**96.1**	**106.1**
of which: attributable to shareholders	39.7	42.0	78.0	84.9
of which: attributable to non-controlling interest	9.3	9.9	18.1	21.2

[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 [1]	August 31, 2016 € million	%	February 29, 2016 € million	%
Non-current assets				
Intangible assets	13.4	0.5	12.2	0.5
Property, plant, and equipment	1,557.3	57.4	1,507.9	56.3
Investment property	42.0	1.5	41.0	1.5
Non-current receivables and other assets	5.6	0.2	8.8	0.3
Non-current income tax receivables	3.7	0.1	8.2	0.3
Deferred tax assets	15.9	0.6	16.5	0.6
	1,637.8	**60.4**	**1,594.8**	**59.5**
Current assets				
Inventories	624.2	23.0	623.0	23.2
Current financial assets	60.0	2.2	0.0	0.0
Trade receivables	33.8	1.2	30.6	1.1
Other short-term assets	63.3	2.3	54.4	2.0
Income tax receivables	22.7	0.8	24.8	0.9
Cash and cash equivalents	268.9	9.9	349.7	13.1
Non-current assets held for sale and disposal groups	2.4	0.1	2.4	0.1
	1,075.3	**39.6**	**1,085.0**	**40.5**
	2,713.1	**100.0**	**2,679.7**	**100.0**

Equity and liabilities [1]	August 31, 2016 € million	%	February 29, 2016 € million	%
Shareholders' equity				
Share capital	48.0	1.8	48.0	1.8
Capital reserve	130.4	4.8	130.4	4.9
Revenue reserves	979.7	36.1	925.9	34.6
Equity of shareholders of HORNBACH Holding AG & Co. KGaA	**1,158.1**	**42.7**	**1,104.3**	**41.2**
Non-controlling interest	241.5	8.9	229.3	8.6
	1,399.5	**51.6**	**1,333.6**	**49.8**
Non-current liabilities				
Non-current financial debt	632.4	23.3	638.5	23.8
Provisions for pensions	21.8	0.8	14.6	0.5
Deferred tax liabilities	51.0	1.9	52.3	1.9
Other non-current liabilities	35.9	1.3	32.6	1.2
	741.2	**27.3**	**737.9**	**27.5**
Current liabilities				
Current financial debt	66.7	2.5	152.3	5.7
Trade payables	264.1	9.7	268.7	10.0
Other short-term liabilities	112.3	4.1	83.3	3.1
Income tax liabilities	41.3	1.5	23.7	0.9
Other provisions and accrued liabilities	88.0	3.2	80.3	3.0
	572.4	**21.1**	**608.2**	**22.7**
	2,713.1	**100.0**	**2,679.7**	**100.0**

[1] Previous year's figures adjusted; please see "Disclosure amendments".

Statement of Changes in Equity

1st Half 2015/2016 € million	Share capital	Capital reserve	Hedging reserve	Cumulative currency translation	Other revenue reserves	Equity attributable to share-holders	Non-controlling interest	Total group equity
Balance at March 1, 2015	**48.0**	**130.4**	**(4.6)**	**23.9**	**843.4**	**1,041.1**	**217.9**	**1,259.0**
Consolidated net income					83.7	83.7	21.4	105.1
Actuarial gains and losses on defined benefit plans, net after taxes					0.3	0.3	0.1	0.3
Measurement of derivative financial instruments (cash flow hedge), net after taxes			2.1			2.1	0.2	2.3
Foreign currency translation				(1.2)		(1.2)	(0.4)	(1.7)
Total comprehensive income	**0.0**	**0.0**	**2.1**	**(1.2)**	**84.0**	**84.9**	**21.2**	**106.1**
Dividend distribution					(12.6)	(12.6)	(4.5)	(17.1)
Transactions with shareholders					(3.0)	(3.0)	0.0	(3.0)
Treasury stock transactions					0.0	0.0	(0.9)	(0.9)
Balance at August 31, 2015	**48.0**	**130.4**	**(2.5)**	**22.7**	**911.8**	**1,110.4**	**233.6**	**1,344.0**

1st Half 2016/2017 € million	Share capital	Capital reserve	Hedging reserve	Cumulative currency translation	Other revenue reserves	Equity attributable to share-holders	Non-controlling interest	Total group equity
Balance at March 1, 2016	**48.0**	**130.4**	**(1.8)**	**21.6**	**906.0**	**1,104.3**	**229.3**	**1,333.6**
Consolidated net income					82.5	82.5	19.3	101.8
Actuarial gains and losses on defined benefit plans, net after taxes					(3.8)	(3.8)	(1.2)	(5.0)
Measurement of derivative financial instruments (cash flow hedge), net after taxes			0.1			0.1	0.1	0.2
Foreign currency translation				(0.7)		(0.7)	(0.2)	(0.9)
Total comprehensive income	**0.0**	**0.0**	**0.1**	**(0.7)**	**78.7**	**78.0**	**18.1**	**96.1**
Dividend distribution					(24.0)	(24.0)	(5.1)	(29.1)
Transactions with other shareholders					(0.2)	(0.2)	0.1	(0.2)
Treasury stock transactions							(0.9)	(0.9)
Balance at August 31, 2016	**48.0**	**130.4**	**(1.7)**	**20.9**	**960.5**	**1,158.1**	**241.5**	**1,399.5**

Cash Flow Statement

€ million	1st Half 2016/2017	1st Half 2015/2016
Consolidated net income	**101.8**	**105.1**
Depreciation and amortization of non-current assets	46.2	39.1
Change in provisions	2.1	1.2
Gains/losses on disposals of non-current assets and of non-current assets held for sale	(0.2)	(0.3)
Change in inventories, trade receivables and other assets	(4.7)	(10.7)
Change in trade payables and other liabilities	50.4	39.8
Other non-cash income/expenses	2.5	0.2
Cash flow from operating activities	**198.1**	**174.4**
Proceeds from disposal of non-current assets and of non-current assets held for sale	2.9	1.1
Payments for investments in property, plant, and equipment	(81.2)	(81.2)
Payments for investments in intangible assets	(3.2)	(1.4)
Cash paid for investments in connection with short-term finance planning	(60.0)	0.0
Cash flow from investing activities	**(141.5)**	**(81.5)**
Dividends paid	(29.1)	(17.1)
Proceeds from taking up long-term debt	0.0	70.0
Repayment of long-term debt	(95.4)	(89.7)
Payments for transaction costs	0.0	(0.1)
Change in ownership interest in a subsidiary without a change in control	(0.1)	0.0
Change in current financial debt	(12.7)	9.9
Cash flow from financing activities	**(137.3)**	**(27.0)**
Cash-effective change in cash and cash equivalents	(80.7)	65.9
Change in cash and cash equivalents due to changes in exchange rates	(0.1)	(0.1)
Cash and cash equivalents at March 1	349.7	400.9
Cash and cash equivalents at August 31	**268.9**	**466.7**

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 € 10.9 million (2015/2016: € 29.4 million) and interest payments of € 11.9 million (2015/2016: € 10.9 million) and increased by interest received of € 3.5 million (2015/2016: € 0.5 million).

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

NOTES

Notes to the Interim Consolidated Financial Statements as of August 31, 2016

(1) Accounting principles

This Group half-year financial report of HORNBACH Holding AG & Co. KGaA and its subsidiaries for the 1st half as of August 31, 2016 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 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 of 2016/2017 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 Holding AG & Co. KGaA for the 2015/2016 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 2016/2017 financial year were described in the notes to the consolidated financial statements for 2015/2016. Alongside a basic description of the relevant accounting principle, these also present any implications expected to result from first-time application.

The amendments and new regulations requiring first-time mandatory application in the 2016/2017 financial year have not had material implications for the group interim report of HORNBACH Holding AG & Co. KGaA.

Disclosure amendments

To enhance the presentation of information, short-term fixed-term deposits not counting as cash and cash equivalents will in future be recognized as current financial assets. This extension to the balance sheet has not led to any adjustment to the previous year's figures. In the quarterly statement on the first quarter of 2016/2017 this item was recognized under "Receivables and other assets".

Furthermore, the level of detail provided has been increased for the recognition of "Receivables and other assets" and "Trade payables and other liabilities". To date, miscellaneous and sundry components were not recognized separately. From now on, these items will be reported separately. The previous year's figures have been adjusted accordingly. In the quarterly statement on the first quarter of 2016/2017 these items were recognized in the same way as in the 2015/2016 consolidated financial statements.

(2) Scope of consolidation

In the second quarter of 2016/2017, HORNBACH Immobilien AG, Bornheim (Germany), increased its share of the capital in SULFAT GmbH & Co. Objekt Düren KG, Pullach (Germany) and SULFAT GmbH & Co. Objekt Bamberg KG, Pullach (Germany), both of which companies are fully included in the scope of consolidation, from 90% to 100% in both cases. The consideration paid for the minority interests thereby acquired amounted to € 33k and € 58 respectively. Both companies are affiliated to HORNBACH Immobilien AG, Bornheim (Germany).

This change in the scope of consolidation did not have any material implications for the asset, financial, or earnings position.

(3) Seasonal influences

Due to weather conditions, the HORNBACH Holding AG & Co. KGaA 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 results for the first six months as of August 31, 2016 do not necessarily provide an indication of the results to be expected for the year as a whole.

(4) Other income and expenses

Other income and expenses are structured as follows:

€ million	2nd Quarter 2016/2017	2nd Quarter 2015/2016	Change %
Other income	5.3	5.0	6.7
Other expenses	2.9	2.5	18.1
Other income and expenses	**2.4**	**2.5**	**(4.4)**

€ million	1st Half 2016/2017	1st Half 2015/2016	Change %
Other income	9.3	8.3	11.0
Other expenses	4.4	3.8	15.3
Other income and expenses	**4.9**	**4.5**	**7.5**

Other income for the first half of 2016/2017 principally involves operating income and predominantly relates to ancillary revenues at DIY stores with garden centers, income from damages payments, advertising expense grants, and income from disposals of non-current assets. Non-operating income amounts to € 0.7 million (2015/2016: € 0.0 million) and comprises a disposal gain of the same amount generated from a real estate sale. This gain resulted from the sale of a piece of land designated as held for sale at the end of the 2015/2016 financial year and is allocated to the "HORNBACH Immobilien AG subgroup" segment.

Other expenses mainly relate to operating expenses. These chiefly include impairments of receivables, losses upon the disposal of assets, and losses incurred for damages.

(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 HORNBACH Holding AG & Co. KGaA 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.

	2nd Quarter 2016/2017	2nd Quarter 2015/2016
Consolidated net income attributable to shareholders in HORNBACH Holding AG & Co. KGaA in € million	41.5	42.3
Additional dividend for preference shares in € million	-	0.2
Consolidated net income adjusted to account for additional dividend claims in € million	**41.5**	**42.1**
Number of ordinary shares issued	16,000,000	8,000,000
Number of preference shares issued	-	8,000,000
	16,000,000	**16,000,000**
Earnings per share in €	**2.59**	**2.63**
Additional dividend claim per preference share in €	-	0.03
Earnings per preference share in €	**-**	**2.66**

	1st Half 2016/2017	1st Half 2015/2016
Consolidated net income attributable to shareholders in HORNBACH Holding AG & Co. KGaA in € million	82.5	83.7
Additional dividend for preference shares in € million	-	0.2
Consolidated net income adjusted to account for additional dividend claims in € million	**82.5**	**83.5**
Number of ordinary shares issued	16,000,000	8,000,000
Number of preference shares issued	-	8,000,000
	16,000,000	**16,000,000**
Earnings per share in €	**5.16**	**5.22**
Additional dividend claim per preference share in €	-	0.03
Earnings per preference share in €	**-**	**5.25**

(6) Other disclosures

The personnel expenses of the HORNBACH Holding AG & Co. KGaA Group amounted to € 353.1 million at the end of the first half as of August 31, 2016 (2015/2016: € 339.2 million).

Depreciation and amortization totaling € 46.2 million was recognized on intangible assets and property, plant and equipment and on finance lease utilization rights at the HORNBACH Holding AG & Co. KGaA Group in the first half of the 2016/2017 financial year (2015/2016: € 39.1 million).

(7) Shareholders' equity

On July 11, 2016, 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 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 2016. The buyback of shares began on August 1, 2016 and is limited to February 28, 2017. By August 31, 2016, HORNBACH Baumarkt AG had acquired 33,352 treasury stock shares. In the statement of changes in equity, the acquisition costs for these shares (€ 0.9 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, 2016 and with the delegated Regulation (EU) 2016/1052 of the Commission dated March 8, 2016.

(8) Dividend

As proposed by the Board of Management of the general partner HORNBACH Management AG and the Supervisory Board of HORNBACH Holding AG & Co. KGaA, following approval by the Annual General Meeting on July 8, 2016 a dividend of € 1.50 per share was distributed to shareholders for the 2015/2016 financial year.

(9) Contingent liabilities and other financial obligations

These mainly involve obligations for rental, hiring, leasehold and leasing contracts for which the companies of the HORNBACH Holding AG & Co. KGaA Group do not constitute the economic owners of the assets thereby leased pursuant to IFRS regulations (operating lease). These amounted to € 609.2 million at the end of the first half of 2016/2017 (February 29, 2016: € 568.3 million).

(10) Related party disclosures

In addition to the subsidiaries included in the consolidated financial statements, HORNBACH Holding AG & Co. KGaA also has direct or indirect relationships with associated companies when performing its customary business activities. Apart from the transactions reported in the annual financial statements, no major transactions were undertaken with closely related companies and persons during the first half of 2016/2017.

(11) Fair value disclosures

The methods and principles applied to determine fair value are basically unchanged compared with the consolidated financial statements as of February 29, 2016. The following table presents the carrying amounts of financial instruments broken down by IAS 39 measurement categories as well as their fair values broken down by balance sheet category:

€ million [1]	Category	Carrying amount 8.31.2016	Fair value 8.31.2016	Carrying amount 2.29.2016	Fair value 2.29.2016
Assets					
Financial assets	AfS	0.0	0.0	0.0	0.0
Current financial assets	LaR	60.0	60.0	0.0	0.0
Trade receivables	LaR	33.8	33.8	30.6	30.6
Other short- and long term assets					
Derivatives with hedge relationship	n.a.				
Derivatives without hedge relationship	FAHfT	0.0	0.0	0.1	0.1
Other short-term assets	LaR	47.4	47.4	48.7	48.7
Cash and cash equivalents	LaR	268.9	268.9	349.7	349.7
Equity and liabilities					
Current and non-current financial debt					
Bonds	FLAC	247.9	274.9	247.6	267.3
Liabilities to banks	FLAC	260.3	280.0	365.3	372.0
Liabilities in connection with finance leases	n.a.	190.2	221.8	175.9	181.8
Derivatives with hedge relationship	n.a.	0.6	0.6	1.6	1.6
Derivatives without hedge relationship	FLHfT	0.1	0.1	0.3	0.3
Trade payables	FLAC	264.1	264.1	268.7	268.7
Other short- and long-term liabilities	FLAC	27.6	27.6	25.5	25.5
Accrued liabilities	FLAC	25.8	25.8	22.8	22.8

[1] Previous year's figures adjusted; please see "Disclosure amendments".

Other assets of € 21.5 million (February 29, 2016: € 14.4 million), other liabilities of € 120.6 million (February 29, 2016: € 90.4 million), and accrued liabilities of € 58.0 million (February 29, 2016: € 53.1 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		8.31.2016	2.29.2016
Assets			
Valuation based on level 2 input data			
Derivatives without hedge relationship	FAHfT	0.0	0.1
Equity and liabilities			
Valuation based on level 1 input data			
Bonds	FLAC	274.9	267.3
Valuation based on level 2 input data			
Liabilities to banks	FLAC	280.0	372.0
Liabilities in connection with finance leases	n.a.	221.8	181.8
Derivatives with hedge relationship	n.a.	0.6	1.6
Derivatives without hedge relationship	FLHfT	0.1	0.3

The derivative financial instruments with hedge relationships recognized in the balance sheet mainly relate to interest hedges (interest swaps). Derivative financial instruments without hedge relationships involve foreign currency items for outstanding orders.

(12) Segment report

1st Half 2016/2017 in € million 1st Half 2015/2016 in € million	HORNBACH Baumarkt AG subgroup	HORNBACH Baustoff Union GmbH subgroup	HORNBACH Immobilien AG subgroup	Headquarters and consolidation	HORNBACH Holding AG & Co. KGaA Group
Segment sales	**2,062.5**	**123.3**	**39.6**	**(38.7)**	**2,186.7**
	1,933.4	120.2	39.3	(38.4)	2,054.6
Sales to third parties	2,061.6	122.9	0.0	0.0	2,184.6
	1,932.5	119.9	0.0	0.0	2,052.4
Sales to affiliated companies	0.0	0.4	0.0	(0.4)	0.0
	0.0	0.3	0.0	(0.4)	0.0
Rental income from third parties	0.8	0.0	1.3	0.0	2.1
	0.9	0.0	1.3	0.0	2.2
Rental income from affiliated companies	0.0	0.0	38.3	(38.3)	0.0
	0.0	0.0	38.0	(38.0)	0.0
Segment earnings (EBIT)	**119.5**	**5.8**	**29.6**	**(2.4)**	**152.5**
	122.4	5.4	27.1	(3.8)	151.1
Depreciation and amortization	**36.6**	**2.6**	**7.0**	**0.0**	**46.2**
	29.2	2.7	7.2	0.1	39.1
EBITDA	**156.1**	**8.4**	**36.6**	**(2.3)**	**198.8**
	151.5	8.2	34.3	(3.7)	190.3
Segment assets	**2,008.1**	**154.5**	**480.5**	**27.9**	**2,670.9**
	1,829.1	144.0	489.7	44.1	2,506.9
of which: credit balances at banks	200.8	1.9	17.7	22.4	242.9
	385.4	1.4	13.8	43.1	443.6

Reconciliation in € million	**1st Half 2016/2017**	1st Half 2015/2016
Segment earnings (EBIT) before "Headquarters and consolidation"	**154.9**	**154.9**
Headquarters	(1.8)	(3.1)
Consolidation adjustments	(0.6)	(0.6)
Net financial expenses	(15.3)	(12.4)
Consolidated earnings before taxes	**137.2**	**138.8**

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.

Neustadt an der Weinstrasse, September 27, 2016

HORNBACH Holding AG & Co. KGaA
represented by HORNBACH Management AG

Albrecht Hornbach Roland Pelka

REVIEW REPORT

To HORNBACH Holding AG & Co. KGaA, Neustadt/Weinstrasse

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 Holding AG & Co. KGaA, Neustadt/Weinstrasse, for the period from March 1 to August 31, 2016 that 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 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 27, 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

Meurer Auditor	Palm Auditor

FINANCIAL CALENDAR 2016/2017

September 29, 2016	Half-Year Financial Report 2016/2017 as of August 31, 2016
December 22, 2016	Quarterly Statement: 3rd Quarter of 2016/2017 as of November 30, 2016
March 23, 2017	Trading Statement 2016/2017
May 30, 2017	Annual Results Press Conference 2016/2017 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 unusual weather conditions, 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.