

HALF-YEAR FINANCIAL REPORT  
HORNBAACH HOLDING AG GROUP

H1  
2014/2015

(MARCH 1 – AUGUST 31, 2014)

# HORNBACH HOLDING AG GROUP

## Half-Year Financial Report 2014/2015

(March 1 – August 31, 2014)

| Key Figures of the HORNBACH HOLDING AG Group<br>(in € million, unless otherwise stated) | 2 <sup>nd</sup> Quarter<br>2014/2015 | 2 <sup>nd</sup> Quarter<br>2013/2014 | Change<br>%   | 1 <sup>st</sup> Half<br>2014/2015 | 1 <sup>st</sup> Half<br>2013/2014 | Change<br>% |
|---|--------------------------------------|--------------------------------------|---------------|-----------------------------------|-----------------------------------|-------------|
| <b>Net sales</b>  | <b>940.4</b>                         | <b>938.6</b>                         | <b>0.2</b>    | <b>1,975.6</b>                    | <b>1,830.6</b>                    | <b>7.9</b>  |
| of which in other European countries  | 372.0                                | 369.2                                | 0.7           | 776.7                             | 731.6                             | 6.2         |
| Like-for-like sales growth  | (1.0)%                               | 4.6%                                 |               | 6.7%                              | (0.8)%                            |             |
| Gross margin as % of net sales  | 37.0%                                | 36.6%                                |               | 37.4%                             | 36.6%                             |             |
| EBITDA  | 83.8                                 | 106.0                                | (20.9)        | 189.9                             | 175.5                             | 8.2         |
| <b>EBIT</b>   | <b>65.3</b>                          | <b>87.1</b>                          | <b>(25.1)</b> | <b>152.7</b>                      | <b>138.3</b>                      | <b>10.4</b> |
| Consolidated earnings before taxes  | 57.6                                 | 78.7                                 | (26.8)        | 136.3                             | 121.4                             | 12.3        |
| Consolidated net income   | 41.8                                 | 55.2                                 | (24.3)        | 97.0                              | 86.4                              | 12.3        |
| Basic/diluted earnings per preference share<br>(€)                                      | 2.13                                 | 2.79                                 | (23.7)        | 4.88                              | 4.39                              | 11.2        |
| Investments   | 19.7                                 | 32.9                                 | (40.1)        | 54.2                              | 64.1                              | (15.4)      |

| Misc. key figures of the HORNBACH HOLDING AG Group<br>(in € million, unless otherwise stated) | August 31, 2014 | February 28, 2014 | Change<br>% |
|---|-----------------|-------------------|-------------|
| Total assets  | 2,465.3         | 2,362.3           | 4.4         |
| Shareholders' equity  | 1,242.8         | 1,164.1           | 6.8         |
| Shareholders' equity as % of total assets   | 50.4%           | 49.3%             |             |
| Number of employees   | 16,497          | 16,021            | 3.0         |

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

<sup>1)</sup> Including minority interests pursuant to IFRS

<sup>2)</sup> Head count at reporting date including persons in marginal employment

# INTERIM GROUP MANAGEMENT REPORT

## Summary

- HORNBAACH Group increases consolidated sales by 7.9% in first half of 2014/2015
  - DIY and garden stores: Like-for-like sales up 8.9% in Germany and 3.6% in other European countries
  - Builders' merchant business increases sales by 2.0% to € 119.7 million
- As expected, base effects hold back second-quarter business performance
- Six-month EBIT grows by 10.4% to € 152.7 million

The HORNBAACH HOLDING AG Group (HORNBAACH Group) generated substantial sales and earnings growth in the first half of the 2014/2015 financial year (March 1 to August 31, 2014). Consolidated sales for the first six months increased 7.9% to € 1,975.6 million (2013/2014: € 1,830.6 million). Consolidated operating earnings (EBIT) for the same period grew disproportionately compared with sales, rising by 10.4% to € 152.7 million. The convergence of several base effects in the second quarter prevented an even better performance for the first half of 2014/2015.

First-half sales at HORNBAACH-Baumarkt-AG, the largest operating subgroup (DIY retail) which, after five new store openings and two location closures in the first half of the year, was operating 144 DIY retail outlets across Europe as of August 31, 2014, grew by 8.3% to € 1,854.9 million (2013/2014: € 1,712.5 million). Like-for-like DIY sales net of currency items increased by 6.7% in the first half of 2014/2015. The greatest growth momentum came once again from the DIY stores and garden centers in Germany, where adjusted sales grew cumulatively by 8.9%. HORNBAACH thus outperformed the German DIY sector average once again in the period under report from March to August 2014. This development was also due to the popularity HORNBAACH's DIY megastores and garden centers continue to enjoy among German consumers. In the "Kundenmonitor Deutschland" consumer survey, HORNBAACH came first among DIY and home improvement stores in terms of overall satisfaction for the second year running in 2014. Outside Germany, all countries within the company's international sales network posted like-for-like sales growth in the first half of the 2014/2015 financial year. Other European countries improved their like-for-like DIY sales net of currency items by 3.6% in the first six months.

In the second quarter of 2014/2015 (June 1 to August 31, 2014), the HORNBAACH Group's sales grew slightly by 0.2% to € 940.4 million (2013/2014: € 938.6 million). The HORNBAACH-Baumarkt-AG subgroup increased its sales by 0.5% to € 878.3 million (2013/2014: € 873.5 million). Like-for-like DIY sales net of currency items fell 1.0% short of the comparative figures for the previous year's quarter. On the one hand, this slight downturn was mainly due to most regions having three business days fewer in the second quarter of the current financial year than last year. On the other hand, the standard set in the second quarter of 2013/2014 was very high, as customers took the opportunity to catch up with numerous construction, renovation and garden projects following miserable spring weather in 2013 and generated record sales in the process. Despite these negative base effects, adjusted sales at the DIY stores with garden centers virtually matched the previous year's figures, with shortfalls of 1.0% in both Germany and other European countries.

Sales at the 27 builders' merchant outlets at the HORNBAACH Baustoff Union GmbH subgroup rose 2.0% to € 119.7 million in the first half of 2014/2015 (2013/2014: € 117.3 million). The mild winter had led to purchases being brought forward to the first quarter of 2014/2015 (plus 10.1%). The second quarter, which due to weather factors had to bear comparison with a strong previous year's quarter, saw the reverse phenomenon, with sales falling 4.6% to € 61.7 million (2013/2014: € 64.7 million).

The HORNBAACH HOLDING AG Group's earnings showed disproportionate growth compared with sales in the first half of 2014/2015, and that despite the expected dip in sales and higher costs in the second quarter of 2014/2015 due in particular to expansion-related factors. Six-month consolidated operating earnings (EBIT) grew 10.4% to € 152.7 million (2013/2014: € 138.3 million). Consolidated earnings before taxes improved 12.3% to € 136.3 million (2013/2014: € 121.4 million). Cumulative net income for the period increased by 12.3% to € 97.0 million (2013/2014: € 86.4 million). Earnings per preference share for the first six months are reported at € 4.88 (2013/2014: € 4.39).

## Macroeconomic and Sector-Specific Framework

Despite picking up slightly as the first half of the 2014 calendar year progressed, according to the German Bundesbank the **global economy** nevertheless fell short of expectations. This was largely due to the shaky start to 2014. Driven in particular by a macroeconomic revival in China and the USA, the rate of expansion then regained momentum in the second quarter.

Looking at the **European economy**, figures released by Eurostat, the EU statistical office, reveal that real-term gross domestic product (GDP) in the European Union (EU 28) grew by 0.2% in the second quarter of 2014 compared with the previous quarter, following growth of 0.3% in the previous period. Economic output in the euro area (EU 18) persisted at the same level as in the first quarter of 2014, thus once again disappointing hopes that the upturn would gain in strength and consistency. European growth in the spring quarter was held back above all by the three euro area economic heavyweights, namely Germany, France and Italy. By mid-2014, the geopolitical escalation between Russia and Ukraine and worries as to the negative implications of spiraling sanctions and countersanctions seemed to be having an increasingly adverse impact on business confidence. By analogy, early indicators of consumer confidence in Europe have deteriorated overall since May 2014.

On the labor market, the slight trend towards improvement continued in the second quarter of the calendar year. The standardized unemployment rate for the euro area most recently stood at 11.5%, down from 12.0% one year earlier. This can be expected to have positively impacted on private consumer spending and real-term retail sales. Weaker developments have been seen recently in the European construction sector. Since May 2014, seasonally-adjusted month-by-month output in the construction trade has entered reverse gear both in the EU 28 and in the euro area.

The macroeconomic framework in those countries outside Germany where the HORNBAACH-Baumarkt-AG Group operates presents a mixed picture and deteriorated overall in the second quarter of 2014 compared with the previous quarter. Based on economic data available upon this report going to print, economic growth in Germany, Romania, Slovakia, Switzerland and the Czech Republic was weaker than in the first quarter of 2014. By contrast, the Netherlands, Austria and Sweden reported higher rates of real-term GDP growth than in the previous quarter.

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

| Percentage change on previous quarter<br>Source: Eurostat (calendar year figures) | 3 <sup>rd</sup> Quarter<br>2013 | 4 <sup>th</sup> Quarter<br>2013 | 1 <sup>st</sup> Quarter<br>2014 | 2 <sup>nd</sup> Quarter<br>2014 |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| <b>Germany</b>  | <b>0.3</b>                      | <b>0.4</b>                      | <b>0.7</b>                      | <b>(0.2)</b>                    |
| Austria   | 0.3                             | 0.4                             | 0.1                             | 0.2                             |
| Czech Republic  | 0.4                             | 1.5                             | 0.8                             | 0.0                             |
| Luxembourg  | 0.5                             | 1.0                             | 0.8                             | n.a.                            |
| Netherlands   | 0.2                             | 0.6                             | (0.4)                           | 0.5                             |
| Romania   | 1.5                             | 1.1                             | (0.2)                           | (1.0)                           |
| Slovakia  | 0.5                             | 0.6                             | 0.7                             | 0.6                             |
| Sweden  | 0.3                             | 1.6                             | (0.1)                           | 0.2                             |
| Switzerland   | 0.5                             | 0.1                             | 0.5                             | 0.0                             |
| <b>Euro area</b>  | <b>0.1</b>                      | <b>0.3</b>                      | <b>0.2</b>                      | <b>0.0</b>                      |
| <b>EU 28</b>  | <b>0.3</b>                      | <b>0.4</b>                      | <b>0.3</b>                      | <b>0.2</b>                      |

The **German economy** recently lost momentum. According to figures released by the Federal Statistical Office Destatis, GDP adjusted for price, seasonal and calendar factors fell by 0.2% in the second quarter of 2014 compared with the previous quarter. This was the first quarter-by-quarter decline since the first quarter of 2013. It should be noted, however, that unusually mild temperatures at the beginning of 2014 meant that output in several weather-dependent sectors of the economy was significantly higher than customary. Against this backdrop, the German economy grew by 0.7% in the first quarter of 2014.

With seasonally-adjusted growth of minus 4.2% in the spring, construction investments fell notably short of the figure for the previous quarter. This marked downturn was nevertheless largely due to the impact of investments being brought forward to the first quarter on account of the unusually mild winter in 2013/2014. Overall, 136,800 residential building permits were issued between January and June 2014, 9.6% more than in the first half of 2013.

Consumer spending also provided greater momentum than in the previous quarter. In the second quarter of 2014, both private and government consumer spending were 0.1% higher than in the first quarter of 2014. According to the Bundesbank, the positive development in private household spending also benefited from the strong labor market and wage and salary increases. Having said this, consumer confidence in Germany was held back by the ongoing geopolitical crises in Iraq, Israel, and Ukraine. As is documented in the results of the GfK consumer climate study for August, the news from around the world severely encroached upon German consumers' economic optimism.

Between January and July 2014, retail sales grew by 1.9% in nominal terms and by 1.3% in real (price-adjusted) terms compared with the previous year's period. Food retail posted sales growth of 2.6% in nominal terms and 1.1% in real terms. Non-food retail also performed positively in the first seven months of 2014, with nominal and real-term sales growth of 1.5% and 1.4% respectively.

Sector sales at DIY and garden centers in Germany declined by 3.7% to € 9.2 billion in the period from January to June 2014. It should be noted here that the previous year's figures still included sales at the Praktiker Group, which filed for insolvency in July 2013. On a like-for-like basis and excluding Praktiker/Max Bahr, the sector posted strong sales growth of 11.8% in the first half of the 2014 calendar year. Here, the sector benefited in particular from mild weather conditions in the first quarter of 2014, contrasting sharply with the previous year's severe winter.

## Earnings, Financial and Net Asset Situation\*

### Sales performance

In the second quarter of the 2014/2015 financial year (June 1 to August 31, 2014), the HORNBACH Group's sales showed slight growth of 0.2% to € 940.4 million (2013/2014: € 938.6 million). Driven by the high growth rates seen in the first three months, consolidated sales for the first half of 2014/2015 grew by 7.9% to € 1,975.6 million (2013/2014: € 1,830.6 million).

The HORNBACH HOLDING AG Group comprises the HORNBACH-Baumarkt-AG, HORNBACH Baustoff Union GmbH and HORNBACH Immobilien AG subgroups.

### HORNBACH-Baumarkt-AG subgroup

In the second quarter of 2014/2015 we launched operations at the first two of the six Praktiker/Max Bahr locations we have taken over in total. After several months of conversion work at a former Max Bahr location in Trier, at the beginning of June 2014 we opened a HORNBACH DIY megastore with a garden center that has replaced our smaller former location from 1990. In early July 2014, we boosted our presence in the Greater Nuremberg region by opening a reflagged location in Schwabach. This was followed at the end of July 2014 by the opening of a smaller-scale DIY store (HORNBACH Compact) in Bad Bergzabern in Rheinland-Pfalz, with which we have closed a regional supply gap in this rural catchment area. Furthermore, in August 2014 we closed our garden center in Geleen in the Netherlands. Following conversion work, we will be reopening this location as a DIY megastore with a garden center, most likely in summer 2015. Including two stores newly opened in Prague and Lübeck in the first quarter, we were thus operating a total of 144 retail outlets across the subgroup as of August 31, 2014 (February 28, 2014: 141). Of these, 95 stores are in Germany and 49 stores in other European countries. Total sales areas at the HORNBACH-Baumarkt-AG subgroup amounted to around 1.68 million m<sup>2</sup> as of August 31, 2014.

The HORNBACH-Baumarkt-AG subgroup slightly exceeded the previous year's level of sales in the second quarter of the 2014/2015 financial year, and that despite several negative base effects. Consolidated sales in the period from June 1 to August 31, 2014 increased by 0.5% to € 878.3 million (2013/2014: € 873.5 million). It should be noted that most regions had three additional business days available in the second quarter of the previous year. What's more, the basis for comparison with the previous year was already high. After all, in the second quarter of 2013/2014 customers took the opportunity to catch up with their construction, renovation, and garden projects following the miserable spring weather in 2013. Not only that, demand at our stores faltered at various points of summer 2014 due to the soccer World Cup (June 12 to July 13, 2014). In view of these factors, it can be deemed a success that the subgroup's like-for-like sales net of currency items only slipped by 1.0% compared with the previous year's quarter following growth of 4.6% one year earlier. Including currency items for non-euro countries, specifically the Czech Republic, Romania, Sweden, and Switzerland, the like-for-like downturn in the second quarter of 2014/2015 amounted to 1.5%.

Due to strong growth in the first three months, sales in the reporting period from March 1 to August 31, 2014 were significantly ahead of the previous year's figures. Consolidated sales for the first half of 2014/2015 grew 8.3% to € 1,854.9 million (2013/2014: € 1,712.5 million). Over the same period, the subgroup improved its like-for-like sales by 6.7% excluding and by 6.1% including currency items. Germany and other European countries witnessed similar developments in terms of their sales performance in the period under report.

#### ■ Germany

The domestic business was also prevented from performing better in the second quarter of 2014/2015 by the convergence of the aforementioned negative base effects. In the period from June to August 2014, sales at our retail outlets in Germany showed slight growth of 0.4% to € 509.0 million (2013/2014: € 506.8 million). On a like-for-like basis, i.e. excluding stores newly opened or closed in the past twelve months, sales declined by 1.0%. In June 2014, we more or less matched the previous year's level. In July 2014, our like-for-like sales fell slightly short of the same month in the previous year, which had witnessed a jump in sales of

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

around twelve percent. We slightly surpassed the challenging standard set in August 2013 (which benefited from like-for-like growth of 7.0%) in summer 2014, and that despite less favorable weather conditions.

Driven by the very pleasing sales momentum seen in the first quarter, our sales for the first six months showed substantial year-on-year growth. Sales for the first-half of 2014/2015 thus grew by 9.9% to € 1,083.5 million (2013/2014: € 985.7 million). On a like-for-like basis, we generated cumulative sales growth of 8.9%.

Thanks to its sustainable growth strategy, HORNBAACH once again outperformed the overall DIY sector in Germany. In the comparative period from March to August 2014, our like-for-like domestic sales thus exceeded the sector average calculated on the basis of the BHB sector association's monthly survey by around two percentage points. This way, HORNBAACH has further expanded its share of the German market as the 2014/2015 financial year has progressed.

This is due to the great popularity HORNBAACH's DIY megastores and garden centers continue to enjoy among German consumers. This is underlined by the company's very pleasing performance in Kundenmonitor Deutschland, the most prestigious consumer study for the German retail sector. The results of the 2014 Kundenmonitor survey show that, as in the previous year already, HORNBAACH (overall grade: 2.23) has been ranked first in terms of overall satisfaction in the DIY and home improvement store sector. HORNBAACH also came first in 19 of the total of 34 other assessment categories, including six of the nine product range-related disciplines. Furthermore, HORNBAACH came second in a further seven categories. Customers awarded us top marks for individual criteria including value for money, product quality, product range selection and variety, product range topicality, private label selection and quality, and product range, service and prices compared with competitors.

#### ■ Other European countries

Sales in the eight countries outside Germany ("other European countries") increased by 0.7% to € 369.3 million in the second quarter of 2014/2015 (2013/2014: € 366.7 million). Sales at the international HORNBAACH DIY megastores with garden centers for the six-month period grew by 6.2% to € 771.4 million (2013/2014: € 726.7 million). Given the higher growth in Germany, the international share of sales at the HORNBAACH-Baumarkt-AG subgroup slipped from 42.4% to 41.6% in the first six months.

Despite a more difficult macroeconomic framework compared with Germany, other European countries maintained their ground well in terms of like-for-like sales net of currency items, also reporting a slight reduction of 1.0% in the second quarter of 2014/2015 (including currency items: minus 2.1%). In the first half of 2014/2015, comparative store sales grew by 3.6% excluding and by 2.3% including currency items. International comparison shows that HORNBAACH once again outperformed the DIY sector and gained further market share in virtually all of its country markets in the first half of the 2014 calendar year.

#### **HORNBAACH Baustoff Union GmbH subgroup**

Due to weather conditions, the first-half performance of the HORNBAACH 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 clients, was diametrically opposed to that in the first six months of the previous year. Given the mild winter, a substantial volume of sales was brought forward to the first quarter of 2014/2015 (plus 10.1%). The second quarter of 2014/2015 then witnessed a corresponding reversal. In the previous year, by contrast, the severe winter led to a severe drop in sales in the first quarter of 2013/2014 and to a marked race to catch up in the second quarter. Consistent with these base effects, in the second quarter of 2014/2015 HBU's sales fell by 4.6% to € 61.7 million (2013/2014: € 64.7 million). In the first half of 2014/2015 as a whole, however, the subgroup nevertheless more than offset its weaker performance in the second quarter and defied the sector trend by increasing its sales by 2.0% to € 119.7 million (2013/2014: € 117.3 million). The HORNBAACH Baustoff Union GmbH subgroup currently operates 25 builders' merchant outlets in south-western Germany and two locations close to the border in France (Lorraine).

## Earnings performance

The following comments refer to the earnings performance of the overall HORNBAACH HOLDING AG Group.

### 2<sup>nd</sup> quarter of 2014/2015

In line with expectations, the HORNBAACH Group's earnings for the second quarter of 2014/2015 fell short of the previous year's record figures. This was mainly due to the slower sales performance in Germany and abroad on account of the base effects outlined above, as well as to a disproportionate increase in selling and store, pre-opening, and general and administration expenses compared with sales.

The gross margin developed positively in the quarter under report. As a percentage of net sales, gross profit improved by 0.4 percentage points to 37.0%. This factor was nevertheless more than offset by higher cost ratios. Selling and store expenses grew by 9.3% to € 239.6 million (2013/2014: € 219.3 million), thus rising substantially faster than net sales. This in turn was mainly due to higher personnel expenses due among other factors to a significant year-on-year increase in bonus provisions. Furthermore, the conversion costs for former Praktiker and Max Bahr locations in particular contributed towards a significant increase in operating expenses. The store expense ratio rose from 23.4% to 25.5%. Following three new store openings in the second quarter, as against one opening in the previous year's quarter, pre-opening expenses grew from € 1.9 million to € 5.2 million. Due primarily to higher project-related expenses and higher provisions for bonuses, administration expenses rose by € 3.7 million to € 39.2 million (2013/2014: € 35.4 million). The administration expense ratio increased from 3.8% to 4.2%.

Earnings before interest, taxes, depreciation and amortization (EBITDA) dropped year-on-year by 20.9% to € 83.8 million (2013/2014: € 106.0 million). Operating earnings (EBIT) fell 25.1% to € 65.3 million (2013/2014: € 87.1 million). Consolidated earnings before taxes reduced from € 78.7 million to € 57.6 million. Net income for the period decreased from € 55.2 million to € 41.8 million, while earnings per preference share for the second quarter of 2014/2015 amounted to € 2.13 (2013/2014: € 2.79).

### 1<sup>st</sup> half of 2014/2015

Thanks to the highly positive business performance and earnings growth seen in the first quarter, cumulative six-month earnings at the HORNBAACH Group were significantly ahead of the previous year's figures. This growth was principally driven by cumulative like-for-like sales growth in conjunction with an improved gross margin. Due largely to lower procurement prices accompanied by slightly higher retail prices, the gross margin rose year-on-year from 36.6% to 37.4%. This more than offset the growth in costs for the Group's store operations, expansion, and administration.

Largely due to the expansion-related increase in personnel expenses (including bonuses) and operating costs, selling and store expenses showed slightly disproportionate growth compared with sales in the first half of 2014/2015, rising 9.0% to € 499.6 million (2013/2014: € 458.3 million). As a result, the store expense ratio increased by 0.3 percentage points to 25.3%. The higher number of new store openings in the current financial year led pre-opening expenses to more than double from € 4.2 million to € 8.8 million. Administration expenses grew 10.2% to € 80.6 million in the six-month period (2013/2014: € 73.1 million). This slightly disproportionate growth compared with sales was mainly attributable to higher expenses for future-related projects, while the increase in operative and purely administrative administration expenses fell significantly short of the rate of sales growth. The administration expense ratio is reported at 4.1% (2013/2014: 4.0%). At € 3.2 million, other income and expenses remained more or less unchanged in the first half of 2014/2015.

Despite the weaker business performance in the second quarter of 2014/2015, all key earnings figures for the first half of the financial year showed disproportionate growth rates compared with sales. At € 189.9 million, six-month EBITDA were 8.2% ahead of the previous year's figure of € 175.5 million. The Group's half-year operating earnings (EBIT) grew 10.4% to € 152.7 million (2013/2014: € 138.3 million). At minus € 16.4 million, net financial expenses remained virtually constant in the period under report (2013/2014: minus € 16.9 million). Consolidated earnings before taxes improved 12.3% to € 136.3 million (2013/2014:



€ 121.4 million). Net income for the period grew by 12.3% to € 97.0 million (2013/2014: € 86.4 million). Earnings per preference share for the first six months are reported at € 4.88 (2013/2014: € 4.39).

#### Earnings performance by segment

The key earnings figures for the overall Group in the period under report were largely shaped by the development in earnings at the **HORNBACH-Baumarkt-AG subgroup**. Operating earnings (EBIT) here grew by 12.5% to € 122.3 million in the first six months (2013/2014: € 108.7 million). Further details about this company's earnings performance can be found in the Half-Year Financial Report 2014/2015 published separately by the HORNBACH-Baumarkt-AG subgroup.

The **HORNBACH Baustoff Union GmbH subgroup** slightly exceeded the previous year's earnings in the first six months of the 2014/2015 financial year. EBIT thus rose by 4.5% to € 5.6 million (2013/2014: € 5.3 million). This increase was primarily driven by a slightly higher gross margin and an improvement in other income and expenses, which more than offset higher store expenses.

Due mainly to higher rental income, the **HORNBACH Immobilien AG subgroup** increased its half-year operating earnings by 2.8% to € 26.6 million (2013/2014: € 25.9 million).

#### Financial and net asset situation

The HORNBACH Group's investments fell from € 64.1 million to € 54.2 million in the first half of 2014/2015. Around 51% of funds were channeled into land and buildings, while the remainder was invested in plant and office equipment at new and existing stores and in intangible assets (mainly IT software). The decline in investments is due to structural factors. Three of the four DIY megastores with garden centers newly opened in the first six months were let from third parties. The two new stores opened in the previous year's period, by contrast, were owned by HORNBACH Immobilien AG and involved corresponding investments in land and buildings. In the period under report in 2014/2015, the increase in funds invested by the HORNBACH-Baumarkt-AG subgroup from € 35.2 million to € 43.4 million – mainly in plant and office equipment – was opposed by a reduction in investments at the HORNBACH Immobilien AG subgroup from € 25.5 million to € 8.9 million. Investments were fully financed from the cash flow of € 188.1 million from operations (2013/2014: € 183.2 million). Information about the financing and investing activities of the HORNBACH HOLDING AG Group can be found in the cash flow statement on Page 17.

The total assets of the HORNBACH Group rose to € 2,465.3 million as of August 31, 2014, up 4.4% on the balance sheet date on February 28, 2014. This growth was substantially driven by the significant increase in cash and cash equivalents from € 428.8 million to € 511.3 million (plus 19.2%), the increase in receivables and other assets from € 72.9 million to € 95.4 million (plus 30.8%), and the increase in property, plant, and equipment by € 14.7 million to € 1,250.1 million (plus 1.2%). These items were mainly opposed by the € 22.7 million reduction in inventories to € 516.5 million.

Shareholders' equity as reported in the balance sheet amounted to € 1,242.8 million as of August 31, 2014 (February 28, 2014: € 1,164.1 million). The equity ratio increased to 50.4%, up from 49.3% at the previous balance sheet date. Non-current liabilities reduced by 5.5% to € 659.8 million (2013/2014: € 698.5 million). Current liabilities rose by 12.6%, or € 63.0 million, to € 562.7 million. This was chiefly driven by increases in trade payables and other liabilities (plus € 26.4 million), other provisions and accrued liabilities (plus € 20.6 million), and income tax liabilities (plus € 15.3 million). The net financial liabilities of the HORNBACH Group reduced from € 280.1 million at the balance sheet date on February 28, 2014 to € 159.9 million as of August 31, 2014.

**Employees**

A total of 16,497 employees across Europe were in fixed employment at the HORNBAACH HOLDING AG Group as of the reporting date on August 31, 2014 (February 28, 2014: 16,021). Since the 2014/2015 financial year, the calculation of employee totals has also included persons in marginal employment (so-called "mini-jobbers"). The comparative figures for the balance sheet date on February 28, 2014 have been retrospectively adjusted.

**Events After the Balance Sheet Date**

No events of material significance for assessing the earnings, financial and net asset position of HORNBAACH HOLDING AG, or of the HORNBAACH HOLDING AG Group, have occurred since the end of the first half of the financial year on August 31, 2014.

**Risk and Opportunity Report**

We presented the risks and opportunities involved in the future business activities of the HORNBAACH HOLDING AG Group in detail in the risk and opportunity reports in our 2013/2014 Annual Report (from Page 79 onwards). This basic assessment of the Group's medium to long-term development potential was still valid upon publication of this interim report.

**Outlook**

We presented the forecast macroeconomic and sector-specific framework and the Group's forecast business performance for 2014/2015 in detail on Pages 91 to 97 of the 2013/2014 Annual Report of the HORNBAACH HOLDING AG Group. Our basic assessment of the business prospects both for the DIY and builders' merchant sector and for HORNBAACH were still largely valid upon publication of this interim report.

With regard to the forecast macroeconomic framework for the second half of the 2014/2015 financial year (September 1, 2014 to February 28, 2015), however, we are now more cautious in our assessment of the economic outlook than in the 2013/2014 Annual Report. Given the conflict in Ukraine and the feared implications of EU sanctions against Russia on the one hand and the crises in the Middle East on the other hand, macroeconomic risks have now risen overall.

The latest macroeconomic data and key early indicators, such as the ZEW's Economic Sentiment Index and the Ifo Business Confidence Index, imply that, in contrast to earlier forecasts, the upturn in the euro area has now begun to falter. Geopolitical tension is taking its toll on the economic outlook and weighing on business and consumer confidence. In recent months, bank economists and research institutes have reduced their 2014 economic growth forecasts for Europe and Germany. The European Central Bank (ECB) has also become more skeptical as to the growth outlook in the euro area. Based on projections compiled by the ECB for the euro currency area in September 2014, annual real-term GDP is set to rise by 0.9% in 2014. The macroeconomic forecast issued in August 2014 has thus been reduced by 0.1%.

Despite increased uncertainty, the growth forecasts for our European network for 2014 remain positive. According to the Bloomberg "Consensus" and forecasts issued by the European Commission, all HORNBAACH countries are steering a growth course in 2014. Based on expert assessments, the Netherlands are set to emerge from recession in the current year. All other countries in our European store network are expected to achieve growth rates ahead of the euro area average.

#### Rate of real-term GDP change and growth forecasts in countries with HORNBAACH DIY megastores and garden centers

| Year-on-year percentage change<br>Source: Eurostat, European Commission, Bloomberg Consensus | 2012         | 2013         | 2014<br>Forecast |
|--|--------------|--------------|------------------|
| Germany  | 0.7          | 0.4          | 1.8              |
| Austria  | 0.9          | 0.3          | 1.3              |
| Czech Republic   | (1.0)        | (0.9)        | 2.5              |
| Luxembourg   | (0.2)        | 2.1          | 2.6              |
| Netherlands  | (1.2)        | (0.8)        | 0.5              |
| Romania  | 0.6          | 3.5          | 3.0              |
| Slovakia   | 1.8          | 0.9          | 2.4              |
| Sweden   | 0.9          | 1.6          | 2.2              |
| Switzerland  | 1.0          | 1.9          | 2.0              |
| <b>Euro area (EA 18)</b>   | <b>(0.7)</b> | <b>(0.4)</b> | <b>1.0</b>       |
| <b>EU 28</b>   | <b>(0.4)</b> | <b>0.1</b>   | <b>1.6</b>       |

#### Expansion

We still intend to open up to four new HORNBAACH DIY megastores with garden centers across the Group in the second half of the current 2014/2015 financial year. The former Praktiker location in Ulm and the previous Max Bahr location in Lüneburg were reopened as state-of-the-art HORNBAACH stores in September 2014 already. The reopening of the converted Max Bahr location in Kamen is scheduled for the third quarter of 2014/2015. We plan to close our standalone garden center in Lohfelden near Kassel and convert the neighboring old DIY store into a combined HORNBAACH DIY megastore with a garden center. This is expected to take place before the end of the financial year. The opening of the former Praktiker store in Saarbrücken (replacement location) originally scheduled for the end of February 2015 has been postponed to the 2015/2016 financial year. Here, it is planned to merge the location acquired from our affiliate HORNBAACH Immobilien AG with the directly adjacent HORNBAACH store from 1987 to create a project-based DIY megastore. The group-wide total number of HORNBAACH DIY megastores with garden centers is set to rise to up to 146 by February 28, 2015.

#### Sales and earnings forecast

The second half of the current 2014/2015 financial year will have to measure up to the challenging base effects inherited from the previous year. The second half of the previous financial year was characterized by strong like-for-like sales and earnings growth. Among other factors, this growth reflected the positive effects and windfall profits resulting from the consolidation of the DIY sector in Germany. As former Praktiker und Max Bahr locations are gradually reopened by major DIY competitors, we expect these positive market consolidation factors to diminish significantly in the course of 2014/2015. Moreover, the fourth quarter of 2013/2014 benefited from unusually mild weather conditions. These cannot necessarily be expected in the coming winter months of December 2014 to February 2015. Furthermore, it is not yet apparent whether the emerging deterioration in European consumer confidence will also impact on demand in the construction industry and DIY retail.

With regard to our **sales forecast**, our overall assessment of the expected positive and negative factors means that we continue to expect the HORNBACH Group's sales, i.e. net sales including stores newly opened, closed and extended, to show growth in a medium single-digit percentage range in the 2014/2015 financial year and most probably to exceed the rate of growth seen in the previous 2013/2014 financial year (plus 4.3%).

With regard to our **earnings forecast**, we still expect operating earnings (EBIT) at the HORNBACH HOLDING AG Group to show disproportionate growth compared with sales in the 2014/2015 financial year. Given the more difficult overall macroeconomic framework in the second half of the year, however, we see greater forecasting uncertainty than three months ago.

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## Income Statement

| € million  | 2 <sup>nd</sup> Quarter<br>2014/2015 | 2 <sup>nd</sup> Quarter<br>2013/2014 | Change<br>%   | 1 <sup>st</sup> Half<br>2014/2015 | 1 <sup>st</sup> Half<br>2013/2014 | Change<br>%  |
|--|--------------------------------------|--------------------------------------|---------------|-----------------------------------|-----------------------------------|--------------|
| Sales  | 940.4                                | 938.6                                | 0.2           | 1,975.6                           | 1,830.6                           | 7.9          |
| Cost of goods sold                                     | 592.2                                | 595.2                                | (0.5)         | 1,237.2                           | 1,160.0                           | 6.7          |
| <b>Gross profit</b>                                    | <b>348.3</b>                         | <b>343.5</b>                         | <b>1.4</b>    | <b>738.3</b>                      | <b>670.7</b>                      | <b>10.1</b>  |
| Selling and store expenses                             | 239.6                                | 219.3                                | 9.3           | 499.6                             | 458.3                             | 9.0          |
| Pre-opening expenses                                   | 5.2                                  | 1.9                                  | 178.5         | 8.8                               | 4.2                               | 108.0        |
| General and administration expenses                    | 39.2                                 | 35.4                                 | 10.5          | 80.6                              | 73.1                              | 10.2         |
| Other income and expenses                              | 1.0                                  | 0.2                                  | 322.7         | 3.2                               | 3.2                               | 1.0          |
| <b>Earnings before interest and taxes (EBIT)</b>       | <b>65.3</b>                          | <b>87.1</b>                          | <b>(25.1)</b> | <b>152.7</b>                      | <b>138.3</b>                      | <b>10.4</b>  |
| Interest and similar income                            | 0.2                                  | 0.2                                  | 10.9          | 0.5                               | 0.3                               | 38.1         |
| Interest and similar expenses                          | 7.2                                  | 7.5                                  | (4.5)         | 15.5                              | 15.2                              | 2.1          |
| Other financial result                                 | (0.7)                                | (1.1)                                | (37.6)        | (1.4)                             | (2.1)                             | (34.6)       |
| <b>Net financial expenses</b>                          | <b>(7.7)</b>                         | <b>(8.5)</b>                         | <b>(9.3)</b>  | <b>(16.4)</b>                     | <b>(16.9)</b>                     | <b>(3.1)</b> |
| <b>Consolidated earnings before taxes</b>              | <b>57.6</b>                          | <b>78.7</b>                          | <b>(26.8)</b> | <b>136.3</b>                      | <b>121.4</b>                      | <b>12.3</b>  |
| Taxes on income  | 15.8                                 | 23.5                                 | (32.6)        | 39.3                              | 35.0                              | 12.2         |
| <b>Consolidated net income</b>                         | <b>41.8</b>                          | <b>55.2</b>                          | <b>(24.3)</b> | <b>97.0</b>                       | <b>86.4</b>                       | <b>12.3</b>  |
| of which: income attributable to shareholders          | 33.8                                 | 44.4                                 | (23.7)        | 77.9                              | 70.1                              | 11.2         |
| of which: non-controlling interest                     | 8.0                                  | 10.8                                 | (26.4)        | 19.1                              | 16.3                              | 16.9         |
| <b>Basic/diluted earnings per share (€)</b>            | <b>2.10</b>                          | <b>2.76</b>                          | <b>(23.9)</b> | <b>4.85</b>                       | <b>4.36</b>                       | <b>11.2</b>  |
| <b>Basic/diluted earnings per preference share (€)</b> | <b>2.13</b>                          | <b>2.79</b>                          | <b>(23.7)</b> | <b>4.88</b>                       | <b>4.39</b>                       | <b>11.2</b>  |

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

## Statement of Comprehensive Income

| € million   | 2 <sup>nd</sup> Quarter<br>2014/2015 | 2 <sup>nd</sup> Quarter<br>2013/2014 | 1 <sup>st</sup> Half<br>2014/2015 | 1 <sup>st</sup> Half<br>2013/2014 |
|---|--------------------------------------|--------------------------------------|-----------------------------------|-----------------------------------|
| <b>Consolidated net income</b>  | <b>41.8</b>                          | <b>55.2</b>                          | <b>97.0</b>                       | <b>86.4</b>                       |
| Measurement of derivative financial instruments (cash flow hedge)                                   |                                      |                                      |                                   |                                   |
| Measurement of derivative hedging instruments directly in equity                                    | (1.5)                                | 3.2                                  | (2.5)                             | 2.6                               |
| Gains and losses from measurement of derivative financial instruments transferred to profit or loss | 1.1                                  | 0.0                                  | 1.8                               | 1.1                               |
| Exchange differences arising on the translation of foreign subsidiaries                             | 0.4                                  | (0.3)                                | 0.7                               | (2.9)                             |
| Deferred taxes on gains and losses recognized directly in equity                                    | 0.1                                  | (0.9)                                | 0.2                               | (1.0)                             |
| <b>Other comprehensive income that will be recycled at a later date</b>                             | <b>0.1</b>                           | <b>2.0</b>                           | <b>0.2</b>                        | <b>(0.2)</b>                      |
| <b>Total comprehensive income</b>   | <b>41.9</b>                          | <b>57.2</b>                          | <b>97.2</b>                       | <b>86.2</b>                       |
| of which: attributable to shareholders  | 33.7                                 | 46.0                                 | 77.8                              | 69.9                              |
| of which: attributable to non-controlling interest  | 8.2                                  | 11.2                                 | 19.3                              | 16.3                              |

Rounding up or down may lead to discrepancies between totals.

## Balance Sheet

| Assets   | August 31, 2014 |              | February 28, 2014 |              |
|--|-----------------|--------------|-------------------|--------------|
|  | € million       | %            | € million         | %            |
| <b>Non-current assets</b>                            |                 |              |                   |              |
| Intangible assets                                    | 11.2            | 0.5          | 12.0              | 0.5          |
| Property, plant, and equipment                       | 1,250.1         | 50.7         | 1,235.4           | 52.3         |
| Investment property                                  | 37.3            | 1.5          | 38.5              | 1.6          |
| Non-current receivables and other assets             | 5.2             | 0.2          | 5.1               | 0.2          |
| Non-current income tax receivables                   | 10.7            | 0.4          | 10.6              | 0.4          |
| Deferred tax assets                                  | 8.7             | 0.4          | 8.9               | 0.4          |
|  | <b>1,323.1</b>  | <b>53.7</b>  | <b>1,310.4</b>    | <b>55.5</b>  |
| <b>Current assets</b>                                |                 |              |                   |              |
| Inventories  | 516.5           | 20.9         | 539.1             | 22.8         |
| Other receivables and assets                         | 95.4            | 3.9          | 72.9              | 3.1          |
| Income tax receivables                               | 18.3            | 0.7          | 11.0              | 0.5          |
| Cash and cash equivalents                            | 511.3           | 20.7         | 428.8             | 18.2         |
| Non-current assets held for sale and disposal groups | 0.8             | 0.0          | 0.0               | 0.0          |
|  | <b>1,142.2</b>  | <b>46.3</b>  | <b>1,051.9</b>    | <b>44.5</b>  |
|  | <b>2,465.3</b>  | <b>100.0</b> | <b>2,362.3</b>    | <b>100.0</b> |

| Equity and liabilities                               | August 31, 2014 |              | February 28, 2014 |              |
|--|-----------------|--------------|-------------------|--------------|
|  | € million       | %            | € million         | %            |
| <b>Shareholders' equity</b>                          |                 |              |                   |              |
| Share capital  | 48.0            | 1.9          | 48.0              | 2.0          |
| Capital reserve                                      | 130.4           | 5.3          | 130.4             | 5.5          |
| Revenue reserves                                     | 847.0           | 34.4         | 781.9             | 33.1         |
| <b>Equity of shareholders of HORNBACH HOLDING AG</b> | <b>1,025.3</b>  | <b>41.6</b>  | <b>960.2</b>      | <b>40.6</b>  |
| Non-controlling interest                             | 217.5           | 8.8          | 203.9             | 8.6          |
|  | <b>1,242.8</b>  | <b>50.4</b>  | <b>1,164.1</b>    | <b>49.3</b>  |
| <b>Non-current liabilities</b>                       |                 |              |                   |              |
| Non-current financial debt                           | 576.1           | 23.4         | 614.7             | 26.0         |
| Provisions for pensions                              | 0.8             | 0.0          | 0.8               | 0.0          |
| Deferred tax liabilities                             | 57.2            | 2.3          | 57.4              | 2.4          |
| Other non-current liabilities                        | 25.7            | 1.0          | 25.6              | 1.1          |
|  | <b>659.8</b>    | <b>26.8</b>  | <b>698.5</b>      | <b>29.6</b>  |
| <b>Current liabilities</b>                           |                 |              |                   |              |
| Current financial debt                               | 95.0            | 3.9          | 94.3              | 4.0          |
| Trade payables and other liabilities                 | 326.4           | 13.2         | 300.0             | 12.7         |
| Income tax liabilities                               | 47.1            | 1.9          | 31.8              | 1.3          |
| Other provisions and accrued liabilities             | 94.2            | 3.8          | 73.6              | 3.1          |
|  | <b>562.7</b>    | <b>22.8</b>  | <b>499.7</b>      | <b>21.2</b>  |
|  | <b>2,465.3</b>  | <b>100.0</b> | <b>2,362.3</b>    | <b>100.0</b> |

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

## Statement of Changes in Equity

| 1 <sup>st</sup> Half 2013/2014<br>€ million  | Share capital | Capital<br>reserve | Hedging<br>reserve | Cumulative<br>currency<br>translation | Other<br>revenue<br>reserves | Equity<br>attributable<br>to share-<br>holders | Non-<br>controlling<br>interest | Total<br>group<br>equity |
|--|---------------|--------------------|--------------------|---------------------------------------|------------------------------|--|---------------------------------|--------------------------|
| <b>Balance at March 1, 2013</b>  | 48.0          | 130.4              | (6.0)              | 18.5                                  | 711.3                        | 902.2  | 194.7                           | 1,096.9                  |
| Consolidated net income  |               |                    |                    |                                       | 70.1                         | 70.1   | 16.3                            | 86.4                     |
| Measurement of derivative<br>financial instruments (cash<br>flow hedge), net after taxes |               |                    | 2.4                |                                       |                              | 2.4  | 0.3                             | 2.7                      |
| Foreign currency translation   |               |                    |                    | (2.6)                                 |                              | (2.6)  | (0.3)                           | (2.9)                    |
| <b>Total comprehensive income</b>  | <b>0.0</b>    | <b>0.0</b>         | <b>2.4</b>         | <b>(2.6)</b>                          | <b>70.1</b>                  | <b>69.9</b>                                    | <b>16.3</b>                     | <b>86.2</b>              |
| Dividend distribution  |               |                    |                    |                                       | (10.5)                       | (10.5)   | (3.8)                           | (14.2)                   |
| Transactions with other<br>shareholders  |               |                    |                    |                                       |                              |  | (0.3)                           | (0.3)                    |
| <b>Balance at August 31, 2013</b>  | <b>48.0</b>   | <b>130.4</b>       | <b>(3.6)</b>       | <b>15.9</b>                           | <b>770.9</b>                 | <b>961.7</b>                                   | <b>206.8</b>                    | <b>1,168.5</b>           |

| 1 <sup>st</sup> Half 2014/2015 in € million  | Share<br>capital | Capital<br>reserve | Hedging<br>reserve | Cumulative<br>currency<br>translation | Other<br>revenue<br>reserves | Equity<br>attributable<br>to share-<br>holders | Non-<br>controlling<br>interest | Total<br>group<br>equity |
|--|------------------|--------------------|--------------------|---------------------------------------|------------------------------|--|---------------------------------|--------------------------|
| <b>Balance at March 1, 2014</b>  | 48.0             | 130.4              | (4.3)              | 11.4                                  | 774.7                        | 960.2  | 203.9                           | 1,164.1                  |
| Consolidated net income  |                  |                    |                    |                                       | 77.9                         | 77.9   | 19.1                            | 97.0                     |
| Measurement of derivative<br>financial instruments (cash<br>flow hedge), net after taxes |                  |                    | (0.7)              |                                       |                              | (0.7)  | 0.2                             | (0.5)                    |
| Foreign currency translation   |                  |                    |                    | 0.6                                   |                              | 0.6  | 0.1                             | 0.7                      |
| <b>Total comprehensive income</b>  | <b>0.0</b>       | <b>0.0</b>         | <b>(0.7)</b>       | <b>0.6</b>                            | <b>77.9</b>                  | <b>77.8</b>                                    | <b>19.3</b>                     | <b>97.2</b>              |
| Dividend distribution  |                  |                    |                    |                                       | (12.6)                       | (12.6)   | (4.5)                           | (17.1)                   |
| Transactions with other<br>shareholders  |                  |                    |                    |                                       | (0.2)                        | (0.2)  | (1.3)                           | (1.5)                    |
| <b>Balance at August 31, 2014</b>  | <b>48.0</b>      | <b>130.4</b>       | <b>(5.0)</b>       | <b>12.0</b>                           | <b>839.9</b>                 | <b>1,025.3</b>                                 | <b>217.5</b>                    | <b>1,242.8</b>           |

Rounding up or down may lead to discrepancies between totals.



## Cash Flow Statement

| € million   | 1 <sup>st</sup> Half<br>2014/2015 | 1 <sup>st</sup> Half<br>2013/2014 |
|---|-----------------------------------|-----------------------------------|
| <b>Consolidated net income</b>  | <b>97.0</b>                       | <b>86.4</b>                       |
| Depreciation and amortization of non-current assets                                     | 37.2                              | 37.2                              |
| Change in provisions  | (0.7)                             | (0.6)                             |
| Gains/losses on disposals of non-current assets and of non-current assets held for sale | (0.5)                             | (0.2)                             |
| Change in inventories, trade receivables, and other assets                              | (9.3)                             | (24.8)                            |
| Change in trade payables and other liabilities  | 63.5                              | 82.2                              |
| Other non-cash income/expenses  | 0.8                               | 3.1                               |
| <b>Cash flow from operating activities</b>  | <b>188.1</b>                      | <b>183.2</b>                      |
| Proceeds from disposal of non-current assets and of non-current assets held for sale    | 1.1                               | 8.8                               |
| Payments for investments in property, plant, and equipment                              | (53.4)                            | (52.0)                            |
| Payments for investments in intangible assets   | (0.7)                             | (0.9)                             |
| Payments for investments in financial assets  | 0.0                               | (0.1)                             |
| Payments for acquisitions of shareholdings and other business units                     | 0.0                               | (11.0)                            |
| <b>Cash flow from investing activities</b>  | <b>(53.1)</b>                     | <b>(55.3)</b>                     |
| Dividends paid  | (17.1)                            | (14.2)                            |
| Repayment of long-term debt   | (42.3)                            | (20.5)                            |
| Payments for transaction costs  | (0.5)                             | 0.0                               |
| Change in current financial debt  | 7.5                               | 23.0                              |
| <b>Cash flow from financing activities</b>  | <b>(52.4)</b>                     | <b>(11.7)</b>                     |
| Cash-effective change in cash and cash equivalents                                      | 82.6                              | 116.2                             |
| Change in cash and cash equivalents due to changes in exchange rates                    | (0.2)                             | (0.3)                             |
| Cash and cash equivalents at March 1  | 428.8                             | 356.9                             |
| <b>Cash and cash equivalents at August 31</b>   | <b>511.3</b>                      | <b>472.8</b>                      |

Rounding up or down may lead to discrepancies between totals.

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 € 31.1 million (2013/2014: € 20.4 million) and interest payments of € 10.8 million (2013/2014: € 11.2 million) and increased by interest received of € 0.5 million (2013/2014: € 0.3 million).

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

## Notes to the Interim Consolidated Financial Statements as of August 31, 2014

### (1) Accounting principles

This Group half-year financial report of HORNBAACH HOLDING AG and its subsidiaries for the 1<sup>st</sup> half as of August 31, 2014 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 the year have been calculated using the average annual tax rate expected for the financial year as a whole.

This interim report is to be read in conjunction with the consolidated financial statements of HORNBAACH HOLDING AG for the 2013/2014 financial year. Reference is made to these financial statements on account of the additional information they contain as to the specific accounting and valuation methods applied. The notes included therein also apply to this interim report, unless any amendments are expressly indicated. Moreover, this interim report is also consistent with German Accounting Standard No. 16 (DRS 16) – Interim Reporting – of the German Accounting Standards Committee (DRSC).

By resolution adopted by the Annual General Meeting on July 10, 2014, the group auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, was commissioned to perform an audit review of the half-year financial report of the HORNBAACH HOLDING AG Group.

### Changes in accounting policies

The new standards, amendments to standards, and interpretations requiring first-time application in the 2014/2015 financial year are described in the notes to the consolidated financial statements for 2013/2014. Alongside a basic description of the relevant accounting principle, these also present any implications resulting from first-time application.

The amendments and new regulations requiring first-time mandatory application in the 2014/2015 financial year have not had any material implications for the group interim report of HORNBAACH HOLDING AG.

### (2) Scope of consolidation

HORNBAACH Asia Ltd., Hong Kong (Hong Kong), was included in the consolidated financial statements for the first time in the first quarter of 2014/2015. In the second quarter, the scope of consolidation was extended to include Hornbach Real Estate Duiven B.V., Duiven (Netherlands). Both companies were founded in the 2014/2015 financial year.

Furthermore, in the second quarter of 2014/2015 HORNBAACH Immobilien AG, Bornheim (Germany), increased its shareholding in SULFAT GmbH & Co. Objekt Saarbrücken KG, Pullach (Germany), a company fully included in the scope of consolidation, from 90% to 100%. The consideration paid for the minority interests thereby acquired amounted to € 0.1 million.

These changes to the scope of consolidation did not have any material implications for the Group's net asset, financial, or earnings position.

### (3) Seasonal influences

Due to weather conditions, the HORNBAACH HOLDING 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 results for the first six months as of August 31, 2014 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                        | 2 <sup>nd</sup> Quarter<br>2014/2015 | 2 <sup>nd</sup> Quarter<br>2013/2014 | Change<br>%  |
|----------------------------------|--------------------------------------|--------------------------------------|--------------|
| Other income                     | 5.1                                  | 3.7                                  | 37.9         |
| Other expenses                   | 4.0                                  | 3.4                                  | 17.5         |
| <b>Other income and expenses</b> | <b>1.0</b>                           | <b>0.2</b>                           | <b>322.7</b> |

| € million                        | 1 <sup>st</sup> Half<br>2014/2015 | 1 <sup>st</sup> Half<br>2013/2014 | Change<br>% |
|----------------------------------|-----------------------------------|-----------------------------------|-------------|
| Other income                     | 9.0                               | 7.9                               | 13.1        |
| Other expenses                   | 5.8                               | 4.7                               | 21.3        |
| <b>Other income and expenses</b> | <b>3.2</b>                        | <b>3.2</b>                        | <b>1.0</b>  |

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

Other income for the first half mainly relates to operating income and chiefly involves ancillary revenues at DIY megastores with garden centers, income from damages payments, income from disposals of non-current assets, as well as advertising grants and other supplier credits.

Other expenses mainly result from operating expenses. These chiefly involve impairments of receivables and losses incurred for damages.

**(5) Net financial expenses**

Interest expenses for the first half include expenses of € 0.4 million resulting from the reversal of a cash flow hedge relationship. As a result of the decision taken by the Board of Management to prematurely redeem a CZK loan in June 2014, the transaction expected upon designation is no longer applicable. The fair value changes of the hedging instrument recognized in equity through to reversal have therefore been recognized through profit or loss in net financial expenses.

**(6) 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 for the period under report and the weighted average number of shares issued. No dilutive effects had to be accounted for when calculating earnings per share.

|  | <b>2<sup>nd</sup> Quarter<br/>2014/2015</b> | 2 <sup>nd</sup> Quarter<br>2013/2014 |
|--|---|--------------------------------------|
| Consolidated net income in € million   | 33.8  | 44.4                                 |
| Additional dividend for preference shares in € million   | 0.2   | 0.2                                  |
| <b>Consolidated net income adjusted to account for additional dividend claims in € million</b> | <b>33.6</b>                                 | <b>44.1</b>                          |
| Number of ordinary shares issued   | 8,000,000                                   | 8,000,000                            |
| Number of preference shares issued   | 8,000,000                                   | 8,000,000                            |
|  | <b>16,000,000</b>                           | <b>16,000,000</b>                    |
| <b>Earnings per share in €</b>   | <b>2.10</b>                                 | <b>2.76</b>                          |
| Additional dividend claim per preference share in €  | 0.03  | 0.03                                 |
| <b>Earnings per preference share in €</b>  | <b>2.13</b>                                 | <b>2.79</b>                          |

|  | <b>1<sup>st</sup> Half<br/>2014/2015</b> | 1 <sup>st</sup> Half<br>2013/2014 |
|--|--|-----------------------------------|
| Consolidated net income in € million   | 77.9                                     | 70.1                              |
| Additional dividend for preference shares in € million   | 0.2                                      | 0.2                               |
| <b>Consolidated net income adjusted to account for additional dividend claims in € million</b> | <b>77.7</b>                              | <b>69.8</b>                       |
| Number of ordinary shares issued   | 8,000,000                                | 8,000,000                         |
| Number of preference shares issued   | 8,000,000                                | 8,000,000                         |
|  | <b>16,000,000</b>                        | <b>16,000,000</b>                 |
| <b>Earnings per share in €</b>   | <b>4.85</b>                              | <b>4.36</b>                       |
| Additional dividend claim per preference share in €  | 0.03                                     | 0.03                              |
| <b>Earnings per preference share in €</b>  | <b>4.88</b>                              | <b>4.39</b>                       |

Rounding up or down may lead to discrepancies between totals.

**(7) Other disclosures**

The personnel expenses of the HORNBACH HOLDING AG Group amounted to € 328.1 million at the end of the first half as of August 31, 2014 (2013/2014: € 289.2 million).

Depreciation and amortization totaling € 37.2 million was recognized on intangible assets, property, plant and equipment, and investment property at the HORNBACH HOLDING AG Group in the first half of the 2014/2015 financial year (2013/2014: € 37.2 million).

**(8) Shareholders' equity**

On July 7, 2014, 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 2014.

The buyback of shares pursuant to this management board resolution began on July 10, 2014 and is limited to February 28, 2015. By August 31, 2014 (in the period from July 10 to 21, 2014), HORNBACH-Baumarkt-AG acquired a total of 40,000 treasury stock shares and thus largely completed the share buyback.

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

**(9) Dividend**

As proposed by the Board of Management and Supervisory Board of HORNBACH HOLDING AG, following approval by the Annual General Meeting on July 10, 2014 dividends of € 0.77 per ordinary share and € 0.80 per preference share were distributed to shareholders for the 2013/2014.

**(10) 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 Group do not constitute the economic owners of the assets thereby leased pursuant to IFRS regulations (operating lease). These amounted to € 705.9 million at the end of the first half as of August 31, 2014 (February 28, 2014: € 738.8 million).

**(11) Related party disclosures**

In addition to the subsidiaries included in the consolidated financial statements, HORNBACH HOLDING AG 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 2014/2015.

**(12) Fair value disclosures**

The methods and principles used to calculate fair value have basically remained unchanged compared with the consolidated financial statements. Fair values are calculated on the basis of the three-level hierarchy. Consistent with the availability of input factors, fair values are calculated in line with the following hierarchy:

Level 1 – Current market prices on an active market for identical financial instruments

Level 2 – Current market prices on an active market for comparable financial instruments or using valuation models whose key input factors are based on observable market data

Level 3 – Input factors not based on observable market prices.

The following tables present 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                                     | Category | Carrying amount<br>8.31.2014 | Fair value<br>8.31.2014 | Carrying amount<br>2.28.2014 | Fair value<br>2.28.2014 |
|---|----------|------------------------------|-------------------------|------------------------------|-------------------------|
| <b>Assets</b>                                 |          |                              |                         |                              |                         |
| Other receivables and assets                  |          |                              |                         |                              |                         |
| Derivatives without hedge relationship        | FAHfT    | 0.0                          | 0.0                     | 0.3                          | 0.3                     |
| Other financial assets                        | LaR      | 85.1                         | 85.1                    | 63.9                         | 63.9                    |
| Cash and cash equivalents                     | LaR      | 511.3                        | 511.3                   | 428.8                        | 428.8                   |
| <b>Equity and liabilities</b>                 |          |                              |                         |                              |                         |
| Financial debt                                |          |                              |                         |                              |                         |
| Bonds   | FLAC     | 246.7                        | 269.1                   | 246.4                        | 263.3                   |
| Liabilities to banks                          | FLAC     | 415.6                        | 434.8                   | 454.1                        | 472.1                   |
| Liabilities in connection with finance leases | n.a.     | 0.9                          | 1.0                     | 1.0                          | 1.1                     |
| Derivatives with hedge relationship           | n.a.     | 7.2                          | 7.2                     | 7.4                          | 7.4                     |
| Derivatives without hedge relationship        | FLHfT    | 0.7                          | 0.7                     | 0.0                          | 0.0                     |
| Trade payables and other liabilities          | FLAC     | 247.3                        | 247.3                   | 252.2                        | 252.2                   |
| Accrued liabilities                           | FLAC     | 26.8                         | 26.8                    | 19.7                         | 19.7                    |

Rounding up or down may lead to discrepancies between totals.

Receivables and other assets of € 15.4 million (February 28, 2014: € 13.8 million), trade payables and other/sundry liabilities of € 104.8 million (February 28, 2014: € 73.5 million), and accrued liabilities of € 61.0 million (February 28, 2014: € 46.6 million) are outside the scope of IFRS 7.

| € million                              | 8.31.2014 | 2.28.2014 |
|--|-----------|-----------|
| <b>Assets</b>                          |           |           |
| Valuation based on level 2 Inputdata   |           |           |
| Financial assets held for trading      | 0.0       | 0.3       |
| <b>Equity and liabilities</b>          |           |           |
| Valuation based on level 2 Inputdata   |           |           |
| Derivatives with hedge relationship    | 7.2       | 7.4       |
| Financial liabilities held for trading | 0.7       | 0.0       |

Rounding up or down may lead to discrepancies between totals.

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.

**(13) Segment report**

| 1 <sup>st</sup> Half 2014/2015 in € million<br>1 <sup>st</sup> Half 2013/2014 in € million | HORNBACH-<br>Baumarkt-AG<br>subgroup | HORNBACH<br>Baustoff Union<br>GmbH<br>subgroup | HORNBACH<br>Immobilien AG<br>subgroup | Headquarters<br>and<br>consolidation | HORNBACH<br>HOLDING AG<br>Group |
|--|--------------------------------------|--|---------------------------------------|--------------------------------------|---------------------------------|
| <b>Segment sales</b>   | <b>1,854.9</b>                       | <b>119.7</b>                                   | <b>39.1</b>                           | <b>(38.2)</b>                        | <b>1,975.6</b>                  |
|  | 1,712.5                              | 117.3  | 38.1                                  | (37.3)                               | 1,830.6                         |
| Sales to third parties   | 1,854.4                              | 119.3  | 0.0                                   | 0.0                                  | 1,973.7                         |
|  | 1,711.9                              | 116.9  | 0.0                                   | 0.0                                  | 1,828.8                         |
| Sales to affiliated companies  | 0.0                                  | 0.4  | 0.0                                   | (0.4)                                | 0.0                             |
|  | 0.0                                  | 0.4  | 0.0                                   | (0.4)                                | 0.0                             |
| Rental income from third parties   | 0.5                                  | 0.0  | 1.3                                   | 0.0                                  | 1.8                             |
|  | 0.5                                  | 0.0  | 1.3                                   | 0.0                                  | 1.8                             |
| Rental income from affiliated companies  | 0.0                                  | 0.0  | 37.8                                  | (37.8)                               | 0.0                             |
|  | 0.0                                  | 0.0  | 36.9                                  | (36.9)                               | 0.0                             |
| <b>Segment earnings (EBIT)</b>   | <b>122.3</b>                         | <b>5.6</b>                                     | <b>26.6</b>                           | <b>(1.8)</b>                         | <b>152.7</b>                    |
|  | 108.7                                | 5.3  | 25.9                                  | (1.6)                                | 138.3                           |
| <b>Depreciation and amortization</b>   | <b>27.4</b>                          | <b>2.5</b>                                     | <b>7.3</b>                            | <b>0.0</b>                           | <b>37.2</b>                     |
|  | 27.6                                 | 2.5  | 7.1                                   | 0.0                                  | 37.2                            |
| <b>EBITDA</b>  | <b>149.7</b>                         | <b>8.1</b>                                     | <b>33.9</b>                           | <b>(1.8)</b>                         | <b>189.9</b>                    |
|  | 136.2                                | 7.8  | 33.0                                  | (1.6)                                | 175.5                           |
| <b>Segment assets</b>  | <b>1,751.7</b>                       | <b>134.5</b>                                   | <b>512.5</b>                          | <b>29.0</b>                          | <b>2,427.6</b>                  |
|  | 1,708.1                              | 133.5  | 521.7                                 | 12.9                                 | 2,376.2                         |
| of which: credit balances at banks   | 422.4                                | 0.8  | 22.2                                  | 29.1                                 | 474.6                           |
|  | 401.0                                | 0.9  | 20.9                                  | 15.5                                 | 438.4                           |

| Reconciliation in € million                                     | 1 <sup>st</sup> Half<br>2014/2015 | 1 <sup>st</sup> Half<br>2013/2014 |
|---|-----------------------------------|-----------------------------------|
| Segment earnings (EBIT) before "Headquarters and consolidation" | 154.4                             | 139.9                             |
| Headquarters  | (1.5)                             | (1.3)                             |
| Consolidation adjustments                                       | (0.3)                             | (0.3)                             |
| Net financial expenses  | (16.4)                            | (16.9)                            |
| <b>Consolidated earnings before taxes</b>                       | <b>136.3</b>                      | <b>121.4</b>                      |

Rounding up or down may lead to discrepancies between totals.

## 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.

Neustadt an der Weinstrasse, September 24, 2014

The Board of Management of HORNBACH HOLDING AG

Albrecht Hornbach

Roland Pelka



# REVIEW REPORT

To Hornbach Holding Aktiengesellschaft, 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 Aktiengesellschaft, Neustadt/Weinstrasse, for the period from March 1 to August 31, 2014, which are part of the half-year financial report according to § 37 w WpHG [“Wertpapierhandelsgesetz”: “German Securities Trading Act”]. The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company’s management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

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

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

Frankfurt am Main, September 24, 2014

KPMG AG Wirtschaftsprüfungsgesellschaft

Meurer  
Auditor

Palm  
Auditor

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## FINANCIAL CALENDAR 2014

|                    |   |
|--------------------|---|
| September 25, 2014 | Half-Year Financial Report 2014/2015 as of August 31, 2014<br>DVFA Analysts' Conference |
| December 22, 2014  | Interim Report: 3 <sup>rd</sup> Quarter 2014/2015 as of November 30, 2014               |
| March 24, 2015     | Trading Statement 2014/2015   |
| May 28, 2015       | Annual Results Press Conference 2014/2015<br>Publication of Annual Report               |

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### Investor Relations

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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.*