HALF-YEAR FINANCIAL REPORT
HORNBACH BAUMARKT AG GROUP

H1
2016/2017

(MARCH 1 – AUGUST 31, 2016)

HORNBACH
Es gibt immer was zu tun.

HORNBACH BAUMARKT AG GROUP

Half-Year Financial Report 2016/2017

(March 1 – August 31, 2016)

Key figures of the HORNBACH Baumarkt AG 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	**1,003.6**	**938.2**	**7.0**	**2,062.5**	**1,933.4**	**6.7**
of which: in Germany	550.9	540.4	1.9	1,142.8	1,116.1	2.4
of which in other European countries	452.7	397.7	13.8	919.7	817.3	12.5
Like-for-like sales growth	4.5%	4.0%		4.5%	1.3%	
Gross margin as % of net sales	36.9%	37.5%		37.2%	38.0%	
EBITDA	76.4	71.9	6.3	156.1	151.5	3.0
Earnings before interest and taxes (EBIT)	**57.9**	**57.2**	**1.4**	**119.5**	**122.4**	**(2.4)**
Consolidated earnings before taxes	52.9	54.4	(2.7)	108.6	117.9	(7.9)
Consolidated net income	39.6	44.2	(10.4)	81.5	90.4	(9.8)
Basic/diluted earnings per share (€)	1.25	1.39	(10.1)	2.56	2.84	(9.9)
Investments	27.8	47.4	(41.2)	73.1	74.3	(1.7)

Misc. key figures of the HORNBACH Baumarkt AG Group (in € million, unless otherwise stated)	August 31, 2016	February 29, 2016	Change %
Total assets	2,030.3	1,986.4	2.2
Shareholders' equity	1,028.4	972.9	5.7
Shareholders' equity as % of total assets	50.7%	49.0%	
Number of stores	154	153	0.7
Sales area in 000 m² (based on BHB)	1,791	1,771	1.1
Number of employees	16,874	16,600	1.7

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

INTERIM GROUP MANAGEMENT REPORT

Summary

HORNBACH Baumarkt AG Group boosts sales and earnings (EBIT) in second quarter of 2016/2017 and confirms full-year forecast

- **Consolidated sales grow 6.7% to € 2.1 billion in first six months of 2016/2017**
- **Pleasing like-for-like sales growth in first half: Germany plus 2.5%, other European countries plus 7.1%**
- **At € 119.5 million, half-year operating earnings (EBIT) almost match previous year's figure**
- **HORNBACH ranked first for overall satisfaction in Kundenmonitor Deutschland 2016 survey**

Benefiting from accelerated sales growth in the second quarter of 2016/2017, the HORNBACH Baumarkt AG Group almost regained the previous year's level of operating earnings in the first half of its financial year. Consolidated sales grew by 6.7% to € 2,062.5 million (2015/2016: € 1,933.4 million) in the first six months of 2016/2017 (March 1 to August 31, 2016). At € 119.5 million, cumulative consolidated operating earnings (EBIT) are now only 2.4% short of the previous year's figure. The sales and earnings forecast for the 2016/2017 financial year as a whole has been confirmed.

The second quarter of the 2016/2017 financial year witnessed dynamic sales growth. Consolidated sales at HORNBACH Baumarkt AG increased by 7.0% to € 1,003.6 million in the period from June 1 to August 31, 2016 (2015/2016: € 938.2 million). On a like-for-like basis and net of currency items, sales in the nine countries covered by HORNBACH's store network grew by 4.5% in the second quarter of 2016/2017. Retail activities outside Germany provided the greatest momentum. In other European countries, like-for-like sales net of currency items rose by 7.7% in the second quarter, while the stores in Germany increased their like-for-like sales by 2.2%.

In the first half of 2016/2017 as a whole, like-for-like consolidated sales net of currency items rose by 4.5%. With like-for-like growth of 2.5%, the HORNBACH DIY stores with garden centers in the Germany region significantly outperformed the DIY sector average 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 German 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. The Other European countries region, in which retail activities in eight countries outside Germany are pooled, continued to generate the strongest growth momentum within the HORNBACH Baumarkt AG Group in the first half of the financial year. Here, like-for-like sales net of currency items showed year-on-year growth of 7.1% in the first half of 2016/2017. The international share of consolidated sales increased from 42.3% to 44.6% in the first half.

Driven by pleasing like-for-like sales growth in Germany and abroad and by improved cost ratios, in the second quarter of 2016/2017 the HORNBACH Baumarkt AG Group raised its consolidated operating earnings (EBIT) by 1.4% to € 57.9 million (2015/2016: € 57.2 million). In the first quarter of 2016/2017, by contrast, EBIT still fell 5.6% short of the previous year's figure.

Cumulatively for the first six months, earnings before interest, taxes, depreciation and amortization (EBITDA) improved by 3.0% to € 156.1 million (2015/2016: € 151.5 million). At € 119.5 million, consolidated operating earnings (EBIT) fell 2.4% and thus slightly short of the previous year's figure of € 122.4 million. Consolidated net income for the period is reported at € 81.5 million (2015/2016: € 90.4 million). Earnings per share came to € 2.56 in the first half of 2016/2017 (2015/2016: € 2.84).

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 Baumarkt AG 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.

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 Net Asset Situation*

Development in HORNBACH store network

We did not launch operations at any new locations in the second quarter of 2016/2017 (June 1 to August 31, 2016). HORNBACH Baumarkt AG operated a group-wide total of 154 retail outlets as of August 31, 2016 (February 29, 2016: 153), of which 98 (99) in Germany and 56 (54) in other European countries. Total sales areas at the HORNBACH Baumarkt AG Group amounted to around 1.79 million m² as of August 31, 2016 (February 29, 2016: 1.77 million m²).

Sales performance

2nd quarter of 2016/2017

The second quarter (Q2) of the 2016/2017 financial year witnessed a dynamic sales performance. Consolidated sales at HORNBACH Baumarkt AG 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 Group'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 Group's expansion – 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 12], consolidated 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 group-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[1)]

(in percent)

2016/2017 financial year 2015/2016 financial year	1st quarter	2nd quarter	1st half
Group	**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

Consolidated sales 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 Group posted like-for-like 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 Group 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.

Earnings performance

The following information refers to the earnings performance of the HORNBACH Baumarkt AG Group. Information about the performance of the "DIY store" and "Real estate" segments can be found in the segment report in the notes (Page 24).

Due to contractual amendments and the conclusion of new rental agreements at individual 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

In terms of key operating earnings figures, the earnings performance of the HORNBACH Baumarkt AG Group made up lost ground 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 in both Germany and abroad, the decrease in selling and store expenses as a percentage of sales, and the reduction in pre-opening expenses. These factors more than offset the lower gross margin and the disproportionate rise in costs for the increasing digitization of our retail business.

Gross profit grew by 5.4% to € 370.6 million in the quarter under report (2015/2016: € 351.5 million), and thus slightly less rapidly than sales. The gross margin, i.e. the gross profit as a percentage of net sales, slipped from 37.5% auf 36.9%. The decline in the gross margin, which in the first quarter of 2016/2017 has still amounted to 110 base points, was thus reduced to minus 60 base points in the second quarter.

Selling and store expenses rose by 6.5% to € 267.4 million (2015/2016: € 251.0 million), and thus also fell slightly short of the level of sales growth (7.0%). Personnel expenses, including bonuses, increased by 5.6% and thus also grew less rapidly than sales. Rental expenses decreased by € 4.1 million. This factor was offset by a € 3.7 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 13] eased from 26.8% to 26.6%.

Pre-opening expenses fell to € 0.7 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 13] therefore decreased from 0.4% to 0.1%.

General and administration expenses showed clearly disproportionate growth of 9.8% to € 46.5 million (2015/2016: € 42.4 million). The increase in the administration expense ratio [↦ Brief Glossary on Page 13] from 4.5% to 4.6% was principally due to higher expenses incurred to expand e-commerce within our ICR strategy (plus 21.1%). By contrast, purely administrative and operating-related administration expenses rose overall by 6.7%, and thus declined as a proportion of sales.

Earnings before interest, taxes, depreciation and amortization (**EBITDA**) [↦ Brief Glossary on Page 12] grew by 6.3% to € 76.4 million in the period under report (2015/2016: € 71.9 million). This growth was chiefly driven by the disproportionate increase in gross profit, which rose more sharply than expenses net of depreciation. **Operating earnings (EBIT)** rose by 1.4% to € 57.9 million (2015/2016: € 57.2 million). **Net financial expenses** deteriorated from minus € 2.8 million to minus € 5.0 million. This in turn was primarily due to a € 1.3 million increase in interest expenses and negative currency items of € 0.9 million. As a result, **consolidated earnings before taxes** fell to € 52.9 million, down 2.7% on the equivalent figure for the previous year's quarter (€ 54.4 million). Due to a higher tax rate (25.2%, as against 18.7% in the previous year's quarter), **consolidated net income** for the period dropped by 10.4% to € 39.6 million (2015/2016: € 44.2 million). Second-quarter **earnings per share** came to € 1.25 (2015/2016: € 1.39).

1st half of 2016/2017

In the course of the first half of the 2016/2017 financial year, the HORNBACH Baumarkt AG Group reduced the year-on-year shortfall in its consolidated operating earnings (EBIT) compared with the first three months of the 2016/2017 financial year.

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 4.3% to € 766.5 million (2015/2016: € 735.2 million). The gross margin slipped from 38.0% to 37.2% (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 5.6% to € 556.8 million (2015/2016: € 527.2 million). The store expense ratio decreased from 27.3% to 27.0%. **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 7.8% to € 92.1 million (2015/2016: € 85.4 million). The administration expense ratio rose from 4.4% to 4.5%.
- Earnings before interest, taxes, depreciation and amortization (**EBITDA**) improved by 3.0% to € 156.1 million (2015/2016: € 151.5 million).
- At € 119.5 million, **operating earnings (EBIT)** at the HORNBACH Baumarkt AG Group fell 2.4% short of the previous year's figure of € 122.4 million. Non-operating earnings items were negligible both in the first half of 2016/2017 and in the previous year's period. The **adjusted EBIT** figure [↦ Brief Glossary on Page 12] is therefore largely consistent with operating earnings.
- Due in particular to negative currency items and higher interest expenses, **net financial expenses** showed a significant deterioration from minus € 4.5 million to minus € 10.9 million.
- **Consolidated earnings before taxes** decreased by 7.9% to € 108.6 million (2015/2016: € 117.9 million).
- **Consolidated net income** for the period is reported at € 81.5 million (2015/2016: € 90.4 million). **Earnings per share** came to € 2.56 at the end of the first half of 2016/2017 (2015/2016: € 2.84).

Financial and net asset situation

Investments showed a slight year-on-year reduction from € 74.3 million to € 73.1 million in the first half of 2016/2017. Around 67% 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 € 50 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 € 169.1 million from operations (2015/2016: € 165.4 million). Information about the financing and investing activities of the HORNBACH Baumarkt AG Group can be found in the cash flow statement on Page 18.

Total assets at the HORNBACH Baumarkt AG Group grew to € 2,030.3 million as of August 31, 2016, up 2.2% compared with the balance sheet date on February 29, 2016. This growth was mainly driven by the € 51.2 million increase in property, plant and equipment to € 1,042.9 million. Current assets decreased by € 9.7 million to € 938.1 million, with reductions reported in particular for cash and cash equivalents (€ 56.3 million) and income tax receivables (€ 7.0 million). These factors were opposed by increases in other current assets (plus € 6.3 million) and in current financial assets due to the reclassification of a € 50 million portion of liquid funds.

Shareholders' equity as reported in the balance sheet amounted to € 1,028.4 million as of August 31, 2016 (February 29, 2016: € 972.9 million). The **equity ratio** [↦ Brief Glossary on Page 13] rose to 50.7%, up from 49.0% at the previous reporting date. Non-current liabilities increased by € 11.5 million to € 430.0 million (€ 418.5 million). Current liabilities reduced by € 32.9 million to € 486.9 million (€ 519.8 million). The promissory note bond of € 80 million at HORNBACH Baumarkt AG was repaid 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 € 75.4 million to € 19.1 million. Trade payables decreased by € 7.6 million to € 249.7 million. This factor was countered by increases in other current liabilities (plus € 29.8 million) and income tax liabilities (plus € 13.5 million).

Including current financial assets, **net financial liabilities** [↦ Brief Glossary on Page 13] reduced to € 172.4 million as of August 31, 2016 (February 29, 2016: € 230.0 million).

Employees

A total of 16,874 employees across Europe, of which 7,231 outside Germany, were in fixed employment at HORNBACH Baumarkt AG or one of its subsidiaries as of the reporting date on August 31, 2016 (February 29, 2016: 16,600/7,034).

Events After the Balance Sheet Date

No events of material significance for the assessment of the earnings, financial and net asset situation of HORNBACH Baumarkt AG or of the HORNBACH Baumarkt AG 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 Baumarkt AG Group in detail in the Risk and Opportunity Reports in our 2015/2016 Annual Report (from Page 78 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 83 to 88 of the 2015/2016 Annual Report of the HORNBACH Baumarkt AG 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 Baumarkt AG Group in 2016/2017

Expansion

Our expansion program provides for one further new 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 Baumarkt AG 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 Baumarkt AG Group.

The Board of Management can confirm the sales and earnings forecast for the 2016/2017 financial year published on Pages 86 to 88 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 (€ 90.2 million) and its EBIT net of non-operating income and expenses to match the level reported for the 2015/2016 financial year (€ 99.3 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	1,003.6	938.2	7.0	2,062.5	1,933.4	6.7
Cost of goods sold	633.0	586.6	7.9	1,296.0	1,198.2	8.2
Gross profit	**370.6**	**351.5**	**5.4**	**766.5**	**735.2**	**4.3**
Selling and store expenses	267.4	251.0	6.5	556.8	527.2	5.6
Pre-opening expenses	0.7	3.5	(79.6)	2.8	5.2	(47.4)
General and administration expenses	46.5	42.4	9.8	92.1	85.4	7.8
Other income and expenses	2.0	2.5	(18.8)	4.6	5.1	(8.6)
Earnings before interest and taxes (EBIT)	**57.9**	**57.2**	**1.4**	**119.5**	**122.4**	**(2.4)**
Interest and similar income	0.0	0.2	(75.8)	0.5	0.4	7.2
Interest and similar expenses	4.7	3.5	32.1	10.3	7.1	44.2
Other financial result	(0.4)	0.6	(167.1)	(1.1)	2.2	(147.7)
Net financial expenses	**(5.0)**	**(2.8)**	**80.7**	**(10.9)**	**(4.5)**	**144.0**
Consolidated earnings before taxes	**52.9**	**54.4**	**(2.7)**	**108.6**	**117.9**	**(7.9)**
Taxes on income	13.3	10.2	30.7	27.1	27.5	(1.6)
Consolidated net income	**39.6**	**44.2**	**(10.4)**	**81.5**	**90.4**	**(9.8)**
Basic/diluted earnings per share (€)	1.25	1.39	(10.1)	2.56	2.84	(9.9)

Statement of Comprehensive Income

€ million	2nd Quarter 2016/2017	2nd Quarter 2015/2016	1st Half 2016/2017	1st Half 2015/2016
Consolidated net income	**39.6**	**44.2**	**81.5**	**90.4**
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)]	0.0	0.0	0.0	0.0
Gains and losses from measurement of derivative financial instruments transferred to profit or loss	0.2	0.5	0.7	1.0
Measurement of available for sale financial assets	1.9	0.4	1.9	0.4
Exchange differences arising on the translation of foreign subsidiaries	1.0	(5.8)	(0.7)	(1.8)
Deferred taxes on gains and losses recognized directly in equity	(0.1)	(0.1)	(0.2)	(0.3)
Other comprehensive income that will be recycled at a later date	**3.0**	**(5.1)**	**1.6**	**(0.7)**
Total comprehensive income	**39.1**	**42.3**	**78.0**	**90.0**

[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	13.3	0.7	12.0	0.6
Property, plant, and equipment	1,042.9	51.4	991.7	49.9
Investment property	14.9	0.7	14.9	0.7
Financial assets	5.8	0.3	3.9	0.2
Non-current receivables and other assets	3.8	0.2	3.9	0.2
Non-current income tax receivables	1.7	0.1	1.7	0.1
Deferred tax assets	9.9	0.5	10.5	0.5
	1,092.1	**53.8**	**1,038.6**	**52.3**
Current assets				
Inventories	589.4	29.0	588.4	29.6
Current financial assets	50.0	2.5	0.0	0.0
Trade receivables	8.3	0.4	11.9	0.6
Other short-term assets	53.1	2.6	46.8	2.4
Income tax receivables	10.6	0.5	17.7	0.9
Cash and cash equivalents	226.7	11.2	283.0	14.2
	938.1	**46.2**	**947.8**	**47.7**
	2,030.3	**100.0**	**1,986.4**	**100.0**

Equity and liabilities [1]	August 31, 2016 € million	%	February 29, 2016 € million	%
Shareholders' equity				
Share capital	95.4	4.7	95.4	4.8
Capital reserve	143.6	7.1	143.6	7.2
Revenue reserves	789.4	38.9	733.8	36.9
	1,028.4	**50.7**	**972.9**	**49.0**
Non-current liabilities				
Non-current financial debt	430.0	21.2	418.5	21.1
Provisions for pensions	21.8	1.1	14.6	0.7
Deferred tax liabilities	27.2	1.3	28.6	1.4
Other non-current liabilities	35.9	1.8	32.1	1.6
	514.9	**25.4**	**493.7**	**24.9**
Current liabilities				
Current financial debt	19.1	0.9	94.5	4.8
Trade payables	249.7	12.3	257.4	13.0
Other short-term liabilities	108.0	5.3	78.2	3.9
Income tax liabilities	28.0	1.4	14.5	0.7
Other provisions and accrued liabilities	82.1	4.0	75.3	3.8
	486.9	**24.0**	**519.8**	**26.2**
	2,030.3	**100.0**	**1,986.4**	**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	Total equity
Balance at March 1, 2015	**95.4**	**143.6**	**(1.8)**	**39.6**	**645.6**	**922.4**
Consolidated net income					90.4	90.4
Actuarial gains and losses on defined benefit plans, net after taxes					0.3	0.3
Measurement of derivative financial instruments (cash flow hedge), net after taxes			0.6			0.6
Measurement of available for sale financial assets, net after taxes					0.4	0.4
Foreign currency translation				(1.8)		(1.8)
Total comprehensive income			**0.6**	**(1.8)**	**91.2**	**90.0**
Dividend distribution					(19.1)	(19.1)
Treasury stock transactions					(0.9)	(0.9)
Balance at August 31, 2015	**95.4**	**143.6**	**(1.2)**	**37.8**	**716.7**	**992.4**

1st Half 2016/2017 € million	Share capital	Capital reserve	Hedging reserve	Cumulative currency translation	Other revenue reserves	Total equity
Balance at March 1, 2016	**95.4**	**143.6**	**(0.5)**	**36.8**	**697.6**	**972.9**
Consolidated net income					81.5	81.5
Actuarial gains and losses on defined benefit plans, net after taxes					(5.0)	(5.0)
Measurement of derivative financial instruments (cash flow hedge), net after taxes			0.5			0.5
Measurement of available for sale financial assets, net after taxes					1.9	1.9
Foreign currency translation				(0.7)		(0.7)
Total comprehensive income			**0.5**	**(0.7)**	**78.3**	**78.0**
Dividend distribution					(21.6)	(21.6)
Treasury stock transactions					(0.9)	(0.9)
Balance at August 31, 2016	**95.4**	**143.6**	**(0.1)**	**36.0**	**753.4**	**1,028.4**

Cash Flow Statement

€ million	1st Half 2016/2017	1st Half 2015/2016
Consolidated net income	**81.5**	**90.4**
Depreciation and amortization of non-current assets	36.6	29.2
Change in provisions	1.6	0.9
Gains/losses on disposals of non-current assets and of non-current assets held for sale	0.7	(0.3)
Change in inventories, trade receivables and other assets	2.2	(0.5)
Change in trade payables and other liabilities	44.7	45.0
Other non-cash income/expenses	1.8	0.8
Cash flow from operating activities	**169.1**	**165.4**
Proceeds from disposal of non-current assets and of non-current assets held for sale	0.8	0.8
Payments for investments in property, plant, and equipment	(69.9)	(73.0)
Payments for investments in intangible assets	(3.2)	(1.4)
Cash paid for investments in connection with short-term finance planning	(50.0)	0.0
Cash flow from investing activities	**(122.3)**	**(73.5)**
Dividends paid	(21.6)	(19.1)
Repayment of long-term debt	(81.8)	(2.3)
Change in current financial debt	0.3	3.1
Cash flow from financing activities	**(103.1)**	**(18.3)**
Cash-effective change in cash and cash equivalents	(56.2)	73.6
Change in cash and cash equivalents due to changes in exchange rates	(0.1)	(0.1)
Cash and cash equivalents at March 1	283.0	334.8
Cash and cash equivalents at August 31	**226.7**	**408.3**

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 € 6.5 million (2015/2016: € 17.4 million) and interest payments of € 6.7 million (2015/2016: € 2.8 million) and increased by interest received of € 0.7 million (2015/2016: € 0.4 million).

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

NOTES

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

(1) Accounting principles

This Group half-year financial report of HORNBACH Baumarkt AG 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 the year have been calculated using the average annual tax rate expected for the financial year as a whole.

This interim report is to be read in conjunction with the consolidated financial statements of HORNBACH Baumarkt AG for the 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 Baumarkt AG.

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) Seasonal influences

Due to weather conditions, the HORNBACH Baumarkt AG Group generally reports a weaker business performance in the fall and winter than in the spring and summer months. These seasonal fluctuations are reflected in the figures for the first half. The business performance in the first six months as of August 31, 2016 does not necessarily provide an indication for the year as a whole.

(3) Other income and expenses

Other income and expenses are structured as follows:

€ million	2nd Quarter 2016/2017	2nd Quarter 2015/2016	Change %
Other income	4.4	4.4	1.1
Other expenses	2.4	1.9	26.5
Other income and expenses	**2.0**	**2.5**	**(18.8)**

€ million	1st Half 2016/2017	1st Half 2015/2016	Change %
Other income	8.1	7.9	2.6
Other expenses	3.5	2.8	22.7
Other income and expenses	**4.6**	**5.1**	**(8.6)**

Other income for the first half of 2016/2017 results from operating income and chiefly relates to ancillary revenues at DIY stores with garden centers, income from damages payments, advertising expense grants, and income from allocations within the HORNBACH HOLDING AG & Co. KGaA Group.

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

(4) Earnings per share

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

Basic earnings per share

	2nd Quarter 2016/2017	2nd Quarter 2015/2016
Number of shares issued	31,807,000	31,807,000
Consolidated net income attributable to shareholders in HORNBACH-Baumarkt-AG in € million	39.6	44.2
Earnings per share in €	**1.25**	**1.39**

	1st Half 2016/2017	1st Half 2015/2016
Number of shares issued	31,807,000	31,807,000
Consolidated net income attributable to shareholders in HORNBACH-Baumarkt-AG in € million	81.5	90.4
Earnings per share in €	**2.56**	**2.84**

(5) Other disclosures

The personnel expenses of the HORNBACH Baumarkt AG Group amounted to € 334.8 million at the end of the first half as of August 31, 2016 (2015/2016: € 320.9 million).

Depreciation and amortization totaling € 36.6 million was recognized on intangible assets and property, plant and equipment and on finance lease utilization rights at the HORNBACH Baumarkt AG Group in the first half of the 2016/2017 financial year (2015/2016: € 29.2 million).

(6) 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.

(7) Dividend

As proposed by the Board of Management and Supervisory Board of HORNBACH Baumarkt AG, following approval by the Annual General Meeting on July 7, 2016 a dividend of € 0.68 per share was distributed to shareholders for the 2015/2016 financial year.

(8) Contingent liabilities and other financial obligations

These mainly involve obligations for rental, hiring, leasehold and leasing contracts for which the companies of the HORNBACH Baumarkt AG Group do not constitute the economic owners of the assets thereby leased pursuant to IFRS regulations (operating lease). These amounted to € 1,056.8 million at the end of period under report (February 29, 2016: € 1,016.8 million).

(9) Related party disclosures

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

(10) Fair value disclosures

The methods and principles applied to determine fair value are basically unchanged compared with the consolidated financial statements as of February 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	5.8	5.8	3.9	3.9
Current financial assets	LaR	50.0	50.0	0.0	0.0
Trade receivables	LaR	8.3	8.3	11.9	11.9
Other current and non-current assets					
Derivatives without hedge relationship	FAHfT	0.0	0.0	0.1	0.1
Other current assets	LaR	37.8	37.8	38.2	38.2
Cash and cash equivalents	LaR	226.7	226.7	283.0	283.0
Equity and liabilities					
Current and non-current financial debt					
Bonds	FLAC	247.9	274.9	247.6	267.3
Liabilities to banks	FLAC	10.7	10.9	88.0	88.2
Liabilities in connection with finance leases	n.a.	190.2	221.8	175.9	181.8
Derivatives with hedge relationship	n.a.	0.1	0.1	1.1	1.1
Derivatives without hedge relationship	FLHfT	0.1	0.1	0.3	0.3
Trade payables	FLAC	249.7	249.7	257.4	257.4
Other current and non-current liabilities	FLAC	25.4	25.4	23.1	23.1
Accrued liabilities	FLAC	23.9	23.9	20.9	20.9

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

Other assets of € 19.1 million (February 29, 2016: € 12.4 million), other liabilities of € 118.5 million (February 29, 2016: € 87.2 million), and accrued liabilities of € 54.0 million (February 29, 2016: € 49.5 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
Valuation based on level 3 input data			
Financial assets	AfS	5.8	3.9
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	10.9	88.2
Liabilities in connection with finance leases	n.a.	221.8	181.8
Derivatives with hedge relationship	n.a.	0.1	1.1
Derivatives without hedge relationship	FLHfT	0.1	0.3

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

Financial assets include an investment measured using level 3 input data. Reference is made in this respect to the disclosures made in the 2015/2016 consolidated financial statements. A measurement change requiring recognition in equity arose for this investment in the 1st half of 2016/2017. This chiefly related to a change in the relevant interest rate (WACC). The discount rate after taxes decreased from 6.2% to 5.2%. The following table presents the development in fair value.

Changes in financial assets (Level 3 input data) € million	2016/2017	2015/2016
As of March 1	**3.9**	**2.0**
Change in valuation (OCI)	1.9	0.4
Balance at August 31	**5.8**	**2.4**

The sensitivities in key input factors as of August 31, 2016 are presented in the following overview:

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

(11) Segment report

1st Half 2016/2017 in € million 1st Half 2015/2016 in € million	DIY stores	Real estate	Headquarters and consolidation	HORNBACH Baumarkt AG Group
Segment sales	**2,061.7**	**83.2**	**(82.4)**	**2,062.5**
	1,932.5	80.1	(79.2)	1,933.4
Sales to third parties	2,061.6	0.0	0.0	2,061.6
	1,932.5	0.0	0.0	1,932.5
Rental income from third parties	0.0	0.8	0.0	0.8
	0.0	0.9	0.0	0.9
Rental income from affiliated companies	0.0	82.4	(82.4)	0.0
	0.0	79.2	(79.2)	0.0
Segment earnings (EBIT)	**96.5**	**32.9**	**(9.9)**	**119.5**
	105.6	29.1	(12.3)	122.4
Depreciation and amortization	**18.7**	**14.7**	**3.2**	**36.6**
	17.8	8.1	3.2	29.2
EBITDA	**115.2**	**47.6**	**(6.7)**	**156.1**
	123.4	37.2	(9.1)	151.5
Segment assets	**921.8**	**901.1**	**185.2**	**2,008.1**
	841.9	667.1	320.1	1,829.1
of which: credit balances at banks	109.8	0.0	91.0	200.8
	99.1	0.0	286.3	385.4

Reconciliation in € million	1st Half 2016/2017	1st Half 2015/2016
Segment earnings (EBIT) before "Headquarters and consolidation"	**129.4**	**134.7**
Headquarters	(9.9)	(12.3)
Net financial expenses	(10.9)	(4.5)
Consolidated earnings before taxes	**108.6**	**117.9**

RESPONSIBILITY STATEMENT

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

Bornheim bei Landau, September 27, 2016

HORNBACH Baumarkt AG
The Board of Management

Steffen Hornbach

Roland Pelka

Susanne Jäger

Wolfger Ketzler

Karsten Kühn

Ingo Leiner

Dr. Andreas Schobert

REVIEW REPORT

To HORNBACH Baumarkt AG, Bornheim/Pfalz

We have reviewed the condensed interim consolidated financial statements – comprising the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and selected explanatory notes – together with the interim group management report of HORNBACH Baumarkt AG, Bornheim bei Landau/Pfalz, for the period from March 1 to August 31, 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 DVFA Analysts' Conference

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DISCLAIMER

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