*The spoken word has precedence*

**Presentation to Shareholders**

**at the Annual General Meeting of**

**HORNBACH Baumarkt AG**

**(virtual)**

**Erich Harsch**

**Chief Executive Officer**

**Bornheim/ Pfalz**

**Wednesday, July 7, 2021**

Dear Shareholders,
Ladies and Gentlemen,
Dear Guests,

I would like to offer you a very warm welcome to this year's Annual General Meeting on behalf of the entire Board of Management of HORNBACH Baumarkt AG. Like last year, the coronavirus situation meant we decided to hold this year's meeting on a virtual basis. I am delighted by the great interest you have shown in HORNBACH by taking part in today's meeting.

I would also like to welcome the representatives of **shareholders' associations and banks** and the **press.** And I would offer a particularly warm welcome to our **employees,** whether they are participating in today's meeting as guests or in their capacity as shareholders. Our employees, particularly those working on location at stores and in our logistics, had a tough time in recent months and did a fantastic job for our customers. For this achievement, and above all for your great powers of improvisation and perseverance, I would like to thank you as representatives of the Group's total of more than 23,000 staff.

Ladies and gentlemen,
I will begin by commenting on the results for the past financial year. I will then deal with the key figures for the 1st quarter of the current financial year and finish by giving you a brief outlook for the 2021/22 financial year as a whole.

Our Annual Report for the past financial year is available online at our website. I will therefore limit my comments to the most important facts and figures. In this context, I would refer in particular to the explanatory report of the Board of Management in respect of the disclosures made pursuant to § 289a and § 315a of the German Commercial Code (HGB), which you can find on Pages 95 and 96 of the Annual Report.

I will look first at **major developments in the 2020/21 financial year,** which was of course dominated by the impact of the coronavirus pandemic.

The past financial year was an absolutely exceptional year for us. During the pandemic, people spent far more time at home and worked to make their "refuges" more livable. For many people, implementing projects at home and in the garden was a welcome pastime during the otherwise uneventful period of the pandemic. Indeed, these projects may have prevented them from going up the wall! The withdrawal by consumers into their own four walls and greater number of people working from home led to record levels of demand for DIY product ranges. Here, HORNBACH was able to meet these needs particularly well, and often better than others, with its range of products and services. More about that later.

In the past financial year, we opened a new DIY megastore with a garden center in Oradea in Romania and two specialist stores in our new BODENHAUS sales concept in Berlin and Cologne. BODENHAUS focuses on all kinds of hard floorings, such as tiles, parquet, laminate, vinyl, and terrace tiles. The concept aims above all to meet the needs of professional tradespeople. Having said that, it also addresses the needs of private end consumers who wish to lay their own floors or have them laid for them. Unlike at traditional specialist retails, nearly all products at BODENHAUS are available in large quantities either directly on site or can be reserved and ordered via the online shop.

As of the balance sheet date, HORNBACH Baumarkt AG operated 161 DIY stores with garden centers in nine countries, as well as the two BODENHAUS specialist stores. Total sales areas amounted to around 1.92 million square meters. The average DIY store size amounted to around more than 11,800 square meters.

We had 98 locations in Germany as of February 28, 2021. In our international business, and listed in the order in which we entered the respective markets, we had a total of 65 stores in Austria, the Netherlands, Luxembourg, the Czech Republic, Switzerland, Sweden, Slovakia, and Romania. In all countries in which we operate, we combine the stationary offering at our stores with our online shops to form what we call interconnected retail.

If you will permit, I would like to highlight a few details of our sales performance in the past financial year. Thanks to successful growth of 15.6 percent, our sales passed the five billion euro mark for the first time in the 2020/21 financial year. At 14.7 percent, our like-for-like sales growth net of currency items was higher than at any time since our IPO in 1993.

Net sales in **Germany** grew by 18.2 percent to around Euro 2.7 billion. Our like-for-like sales here rose by 18.6 percent. Our **international** HORNBACH locations, which were harder hid by lockdown measures than their German counterparts, particularly in spring 2020, increased their net sales by 12.8 percent to around Euro 2.5 billion. On a like-for-like basis and net of currency items, sales growth here came to 10.8 percent.

Based on figures for the 2020 calendar year, we outperformed the German sector average by more than eight percentage points and expanded our market share from 11.3 percent to 12.0 percent, and that without opening any new DIY stores. We also gained market share in other countries, outperforming the sector by more than four percentage points in Austria, for example, and by 2.5 percentage points in Switzerland.

One particularly striking aspect in the past financial year was the growth in our online DIY business.

Our **online sales** (including click & collect) more than doubled year-on-year to Euro 852 million. The online share of the subgroup's sales rose from around 10 percent to nearly 17 percent. A glance at the details underlines the extent to which consumers turned to our online channels, particularly during periods in which our stationary activities were subject to restrictions. Direct mail sales showed growth of 74 percent. Click & collect, a service we have long offered at HORNBACH under its German name of "Reservieren & Abholen", even surged by 180 percent. During the lockdown from mid-December 2020 to February 2021, click & collect was the only way for most of our locations to provide private customers with goods on a stationary basis. Now that stores have reopened, we have also seen that our customers are making far greater use of our online service than before the pandemic, but still like to shop at our stationary stores. Customer behavior has changed sustainably.

If we cast a glance at the latest statistics published by Dähne Verlag on gross sales at Germany's five largest DIY store operators, it is clear that, even among these sector leaders, we reported by far the highest level of relative year-on-year sales growth in the 2020 calendar year. With growth of more than 21 percent, we were four percentage points ahead of Toom, seven ahead of Bauhaus, and even nine ahead of Obi. At 11.6 percent, the lowest level of sales growth in 2020 was reported by Hagebau, which we also overtook in terms of total sales. We maintained our top position in terms of sales per square meter and sales per store, with a very substantial lead over our competitors. Our surface productivity and high volume of sales per store provide a key foundation for our price leadership.

Based on information so far available to us from the DIY sector, by the way, at the beginning of the current calendar year we even managed to extend this impressive lead in terms of sales growth even more clearly, and that especially in the two tough lockdown months of January and February.

**So what do we do differently from our competitors?**
Well, we all know that there are many paths to success. I will not be able to examine them all today, but I would like to focus specifically on three aspects:

HORNBACH pressed ahead with linking its stationary retail to digital options more consistently and at an earlier stage than any other player in the sector. The clearest example here is click & collect. This is a model that has been all the rage since last year and has used more intensively by customers than before in every month since the outbreak of the coronavirus pandemic.

HORNBACH introduced this service across the whole of Germany exactly 10 years ago, in June 2011, and was the first retailer in the DIY sector to do so. We have optimized this further in the years since, expanded the number of articles that can be reserved, and streamlined our processing times. That meant we were well prepared for the onslaught that hit us especially during the months of hard lockdown when our stores had to close for private customers. The individual stores managed to process high numbers of customer orders in this time. Not infrequently, the rush of orders meant that all available timeslots were fully booked.

By successfully combining click & collect, direct mail orders, and sales with commercial customers, we almost matched the previous year's level of sales in January and February of this year, for example, and that despite the restrictions. This way, we were able to cope relatively well with the closure of the stationary private customer business in most of our 163 stores.

None of that can be taken for granted, and that brings me to the second key success factor: the interconnection of our services in procurement and logistics. Thanks to the successful and forward-looking agility of our procurement structures, as well as to technically assisted merchandise planning in our logistics, we ensured that we could reliably meet our customers' needs even in challenging times, with supply bottlenecks and volatile prices on global markets. That is why, looking forward, our current and future investments in logistics are a crucial factor for us.

Having said that, from my point of view our employees are the most important ingredient in our strong performance. In times of crisis, it pays off particularly clearly if a company has a healthy culture of individual responsibility – and people willing to take the initiative enthusiastically, at their own accord, appropriately, and with a focus on customers, rather than waiting for instructions. Had we needed to organize everything on a uniform basis from headquarters, many solutions would have arrived too late. In any case, a uniform approach would not have worked given the numerous differences in the rules and regulations in force in individual regions. Notwithstanding all these differences, we nevertheless drew on what might be called best practice, for which colleagues shared opinions and learned from each other. Acceptance levels and the specific effectiveness of any given approach are then far higher in most cases than when instructions are simply issued from "on high". What's more, given its excellent technological infrastructure HORNBACH was from the outset very well placed to perform any consultation processes needed at short notice on virtual platforms.

It makes an enormous difference for any corporate culture if people are used to acting in line with rules and instructions issued by their bosses or if they are encouraged to acquire and cultivate the ability to act in line with their own best instincts in dealing individually and appropriately with any completely unexpected situation.

In that respect at least, we are pleased that this crisis also gave us the opportunity to demonstrate HORNBACH's performance capacity across all distribution channels. It means not only that the investments we made in our online shops in the past have paid off. We also showed that HORNBACH can successfully do justice to customers' permanently changing needs.

I would now like to turn to the most important key earnings figures for the past financial year.

Adjusted **EBIT** rose by more than 50 percent to Euro 278.8 million. Of this, Euro 187.0 million was attributable to the Retail segment and Euro 113.2 million to the Real Estate segment. The adjustment involves excluding non-operating, extraordinary charges on earnings. At Euro 20.2 million, these were at roughly the same level as in the previous year.

**EBIT** including these non-operating earnings items increased from Euro 163.9 million in the previous year to Euro 258.6 million in 2020/21.

**Earnings before taxes** (EBT) also grew significantly in the past financial year, rising to Euro 200.2 million. **Consolidated net income** almost doubled and amounted to Euro 153.1 million.

I am especially pleased to present our **earnings per share** of Euro 4.82 to you. This corresponds to a year-on-year increase of 95 percent.

These strong earnings figures also boosted our share price, which stood at Euro 33.70 at the end of the financial year. The share price therefore doubled since the beginning of the financial year. Following publication of our first-quarter results on June 25, our share stood at Euro 37.75 and thus continued to benefit from upward momentum.

**i**Let us have a look at the Group’s **financial and asset position** in the 2020/21 financial year.

Cash-effective investments rose from Euro 97.1 million in the previous year to Euro 139.6 million in the 2020/21 year under report. Somewhat more than half of investments involved land and buildings, while the rest was mainly channeled into plant and operating equipment at new and existing stores, as well as into software.

The funds for investments were taken in full from the cash flow from operating activities, which amounted to Euro 333.5 million in the 2020/21 financial year. The free cash flow came to Euro 196.6 million.

This positive cash flow was also reflected in our balance sheet via the increase in cash and cash equivalents. Our balance sheet continued to show great stability and continuity in the past financial year. Due to the increase in liquidity and higher inventories, **consolidated total assets** grew to Euro 3.8 billion as of February 28, 2021.

At the same time, our **equity ratio** rose from 31.8 percent in the previous year to 33.3 percent. It therefore remains high, particularly when compared with those at other retail companies.

In summary, I can establish that:
**2020/21 was one of the most successful years in the company’s history. The HORNBACH Baumarkt AG Group benefited from past investments in its ICR strategy and thus further significantly improved its asset, financial, and earnings position after an already very good previous year.**

Dear shareholders,

It is important to us that you too should participate in the company's successful performance. Given the pleasing earnings growth, the Board of Management and Supervisory Board of HORNBACH Baumarkt AG are therefore proposing an increase of one third in the dividend to Euro 0.90 per share for approval by today's Annual General Meeting. This corresponds to a payout ratio of 19 percent and a dividend yield of 2.7 percent as of February 28, 2021. We believe this level of distribution represents a good compromise between allowing our shareholders to participate fairly in an exceptionally good financial year and a level of dividend that we can also maintain and ideally further extend in the long term. As you will be aware, in its dividend policy HORNBACH aims to distribute a dividend each year that at least matches the previous year's dividend. In the long term, we still view a distribution ratio of 30 percent as appropriate. Against this backdrop, I would encourage you to approve this higher level of dividend.

Ladies and gentlemen,

Let me turn now to our current business performance and to our outlook. We published our first-quarter results on June 25.

In the first three months of the new 2021/22 financial year, we latched seamlessly onto the success of the past financial year. Compared with the record figure reported for the previous year's quarter, we increased our **consolidated sales** by a further 5.6 percent to around Euro 1.6 billion. And that, although our sales activities were even more highly restricted than in the previous year's Q1 and, on top of that, the weather was also unusually cold in the spring.

On a like-for-like basis and net of currency items, our group-wide sales rose by 4.3 percent in the first three months. Thanks to our interconnected retail strategy, we were able to satisfy the persistently high demand for DIY product ranges very well and, where necessary, divert this demand to our online channels.

In **Germany,** we managed to maintain the previous year's level of sales although around 60 percent of our stores on average were not regularly open. Our stores in

Germany have only been accessible to private customers without restrictions since June 7.

In **Other European Countries**, our net sales grew by 9.5 percent on a like-for-like basis and net of currency items. Luxembourg, Romania, Sweden, and Switzerland were the only countries where our stores fully open in the first quarter; in all other countries, restrictions were also in force, in this case through to May 10.

Online orders and click & collect sales showed further above-average growth in the first quarter of 2021/22. Overall, **online sales** (including click & collect) rose to Euro 375 million, up 71 percent on the previous year's quarter. On a rolling twelve-month basis, we thus exceeded the one billion euro mark for the first time, with online sales accounting for around one fifth of total sales.

Our earnings performance has moved to a significantly higher level than prior to the pandemic. It has to be said that sales are significantly harder to generate in lockdown conditions. That is simply because far more input was required from our colleagues on location to meet the surge in click & collect sales. Year-on-year, the further rise in order volumes in the online shop led to higher costs to ship goods to customers. Moreover, there was an upward adjustment in some cost categories, and here particularly in advertising and maintenance expenses, both of which had been significantly scaled back during the first wave of the pandemic in the previous year.

Operating earnings adjusted to exclude non-operating earnings items (adjusted EBIT) showed a slight decline of 3.9 percent to Euro 153.8 million but maintained their ground well and were significantly higher than the figure of Euro 84.1 million reported for the pre-crisis Q1 of 2019/20.

When we published our Q1 results on June 25, we also specified our sales and earnings forecast for the current financial year in greater detail.

Due to our strong performance in the first quarter and persistently high customer demand for DIY and construction product ranges, we now expect the current year's **consolidated sales** to exceed the figure of Euro 5.1 billion reported for the 2020/21 financial year by between 1 and 5 percent.

We currently see our **adjusted consolidated operating earnings** (adjusted EBIT) for the current financial year at between Euro 240 million and Euro 278 million, i.e. significantly ahead of adjusted EBIT for the 2019/20 financial year, which stood at Euro 182 million. We therefore aim to achieve an adjusted EBIT margin of between 4.6 percent and 5.2 percent in the 2021/22 financial year. Again, this is significantly ahead of the figure of 4.1 percent reported for the pre-crisis 2019/20 financial year and the average figure of 3.6 percent for the past 20 years.

I have to say that it is still difficult to assess the macroeconomic risks resulting from the ongoing uncertainties surrounding the pandemic. And then there are imponderables concerning commodity price rises and supply bottlenecks on global procurement markets. However, these risks are countered by the visible progress currently being made in combating the pandemic across Europe and what we believe will be a long-term rise in demand for construction and DIY products.

Ladies and gentlemen,
Many aspects of what I said earlier about our employees hold just as true for our customers. There too, it is all about offering different options. We aim to draw on a useful mix of various offerings from the real and virtual worlds in such a way that all customers can interact with HORNBACH in the way that best suits them. That is why we at HORNBACH believe in the world of interconnected retail – the customer-focused dovetailing of the online business with the stationary retail business.

During the coronavirus pandemic, this flexibility provided us with decisive benefits. That will be just as true in future, when shopping experiences individually tailored to customers are increasingly the norm. In the past year, many people became accustomed to shopping on line, reserving goods in advance at the store, and using other virtual channels. They will do so more frequently in future as well. Even though we witnessed a great rush of customers whenever we were allowed to reopen our stores after extended periods of lockdown, online interactions nevertheless also remained high. That shows us that customers want both approaches – and ideally on a closely interconnected basis.

That means that when we think about investments, we do not make distinctions between stationary and online. We are rather consistently focusing on enhancing our business model in line with customers' needs and in ways that harbor the greatest benefits for our customers. That includes stationary stores just as much as new product ranges in the online shop, extended remote advice solutions, and online configurators.

Five new openings of DIY megastores with garden centers in other European countries are scheduled for the current financial year. In Trollhättan, we opened our eighth store in Sweden on June 29. This will be followed in the second half of the year by new store openings in Romania, the Netherlands, and Switzerland. Furthermore, we will be replacing an older store in Paderborn with a new one. A total of five new store openings is also scheduled for the coming financial year. The investment budget is therefore expected to significantly exceed the figure of Euro 140 million for the previous year.

As far as the web shop and its technological links to the stores are concerned, we talk here about investments not so much in terms of CAPEX, but rather of current expenses, such as personnel expenses for developers and technological infrastructure costs. Here too, we will be further developing our activities in the current year. Specifically, we will be relocating our shops to a new platform that, as well as enhanced scalability, will offer numerous operating benefits. That is important if we wish to defend and extend our lead in this area. After all, during the pandemic our competitors also noticed the benefits of being available to their customers across all channels. Having said that, I think they will face a great challenge in catching up with the great head start we already built up in the past and will now continue to extend.

Dear shareholders, I am delighted to have had the opportunity today not only to present the highlights of the past year but also to show you some of the basic approaches that are very important to us and some of our perspectives for the future.

Thank you for your interest!