INTERIM REPORT

HORNBACH-BAUMARKT-AG GROUP

FIRST NINE MONTHS 2012/2013

(MARCH 1 – NOVEMBER 30, 2012)

Es gibt immer was zu tun.

HORNBACH-BAUMARKT-AG GROUP

Nine-Month Interim Report 2012/2013

(March 1 – November 30, 2012)

Key figures of the HORNBACH-Baumarkt-AG Group (in € million, unless otherwise stated)	3rd Quarter 2012/2013	3rd Quarter 2011/2012	Change %	Nine Months 2012/2013	Nine Months 2011/2012	Change %
Net sales	**746.4**	**742.3**	**0.6**	**2,428.3**	**2,409.8**	**0.8**
of which: in other European countries	322.3	314.9	2.4	1,032.9	1,025.3	0.7
Like-for-like sales growth	(2.0)%	1.0%		(0.8)%	2.9%	
Gross margin as % of net sales	36.3%	36.7%		37.3%	37.4%	
EBITDA	21.4	35.8	(40.4)	174.9	194.9	(10.3)
Earnings before interest and taxes (EBIT)	**7.2**	**22.1**	**(67.4)**	**133.1**	**154.3**	**(13.8)**
Consolidated earnings before taxes	(0.6)	18.9	(103.3)	114.6	137.7	(16.8)
Consolidated net income	(0.4)	13.9	(103.0)	82.1	100.9	(18.6)
Basic/diluted earnings per share (€)[1]	(0.01)	0.44	(103.0)	2.58	3.17	(18.6)
Investments	38.2	24.6	55.1	90.9	73.1	24.4

Misc. key figures of the HORNBACH-Baumarkt-AG Group (in € million, unless otherwise stated)	November 30, 2012	February 29, 2012	Change %
Total assets	1,723.1	1,628.1	5.8
Shareholders' equity	856.0	792.0	8.1
Shareholders' equity as % of total assets	49.7%	48.6%	
Number of stores	137	134	2.2
Sales area in 000 m² (based on BHB)	1,592	1,549	2.8
Number of employees	14,201	13,662	3.9

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

[1] Earnings per share account for the retrospective adjustment due to the issue of bonus shares (please see Note 6 in the Notes to the Consolidated Financial Statements).

INTERIM GROUP MANAGEMENT REPORT

Summary

- **Third-quarter sales slightly up on previous year**
- **Earnings down on previous year**
- **Weakening sales performance, especially in other European countries**

The sales performance of the HORNBACH-Baumarkt-AG Group lost momentum in the third quarter of 2012/2013 compared with the previous quarter. Consolidated sales grew by 0.6% to € 746.4 million in the period from September 1 to November 30, 2012 (previous year: € 742.3m). In the first nine months, the Group's stores at 137 locations across 9 European countries generated sales growth of 0.8% to € 2,428.3 million (previous year: € 2,409.8m). On a like-for-like basis, i.e. excluding sales at stores newly opened or closed, and net of currency items, HORNBACH's third-quarter sales dropped by 2.0% (including currency items: minus 1.9%). Cumulative like-for-like sales for the first nine months fell by 0.8%. While nine-month sales at the HORNBACH DIY megastores with garden centers in Germany still showed slight growth of 0.7%, like-for-like sales net of currency items in the international store network fell 2.6% short of the previous year's figure (including currency items: 2.7%).

In terms of its earnings, the HORNBACH-Baumarkt-AG Group was unable to match the previous year's strong results either in the third quarter or in the nine-month period. This weaker earnings performance compared with the previous year is chiefly due to the downturn in like-for-like sales in other European countries in conjunction with increased store and administration expenses. Consolidated operating earnings (EBIT) for the first nine months fell by 13.8% to € 133.1 million (previous year: € 154.3m). The sales and earnings forecast for the 2012/2013 financial year as a whole has been adjusted.

Macroeconomic Framework

The global economic slowdown continued in the third quarter of 2012. While the euro area crisis still remains the key focal point of this global economic weakness, large emerging economies are now also witnessing a deterioration in their economic performance. Most major industrialized and emerging economies have been affected by the downturn in growth.

Europe has seen disparate developments in terms of economic output. According to Eurostat, the European statistics authority, seasonally-adjusted real-term gross domestic product (GDP) in the European Union as a whole (EU 27) improved by 0.1% in the third quarter of 2012 compared with the previous quarter. Economic output in the euro area (EU 17), by contrast, deteriorated by 0.1% compared with the previous quarter. Economic growth in Germany as well slowed further in the summer. According to the Federal Statistical Office, real-term gross domestic product adjusted for seasonal and calendar factors grew by a mere 0.2% in the third quarter compared with the previous quarter, having still grown by 0.3% in the spring and by 0.5% in the winter. On the other hand, persistently low interest rates and the European sovereign debt crisis have stimulated the German housing construction market. Ongoing strong demand for residential property for own use and for investment has not only driven house prices upwards, but has also provided added momentum in this segment of the construction market. Public construction, by contrast, is developing weakly now that the effects of the economic stimulus programs implemented in the course of the crisis are waning. Seasonally-adjusted private consumer spending increased in summer 2012, a development also promoted by the pleasing situation on the labor market and substantial pay increases. Due not least to the low level of credit interest, customers have recently become less willing to save. The deterioration in the macroeconomic climate has now left visible marks on the labor market in Germany. The expansion in employment totals came to a halt in the course of the summer, while seasonally-adjusted unemployment has noticeably increased.

Macroeconomic conditions showed disparate developments in the international network covered by the HORNBACH-Baumarkt-AG Group in the third quarter. Based on the macroeconomic data available upon the completion of this report, economic output declined in the Czech Republic, Netherlands, and Romania, while Austria, Germany, Slovakia, Sweden and Switzerland posted GDP growth.

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

Percentage change on previous quarter Source: Eurostat (calendar year disclosures)	4th Quarter 2011	1st Quarter 2012	2nd Quarter 2012	**3rd Quarter 2012**
Germany	-0.1	0.5	0.3	0.2
Austria	0.1	0.3	0.1	0.1
Czech Republic	0.0	-0.6	-0.4	-0.3
Luxembourg	-0.4	0.1	0.4	n.a.
Netherlands	-0.7	0.1	0.1	-1.1
Romania	-0.2	-0.2	0.1	-0.5
Slovakia	0.8	0.5	0.6	0.6
Sweden	-1.1	0.5	0.7	0.5
Switzerland	0.3	0.5	-0.1	0.6
Euro area (EU 17)	**-0.4**	**0.0**	**-0,2**	**-0,1**
EU 27	**-0.3**	**-0.1**	**-0,2**	**0,1**

The extent to which consumer confidence will be affected by any potential change in outlook on the labor market remains to be seen. All in all, the economy currently presents a mixed picture, one that can in all likelihood be expected to darken further towards the end of the year. Here, the uncertainties resulting from the smoldering sovereign debt crisis in the euro area are just as relevant as the mixed economic signals coming from other regions around the world.

Earnings, Financial and Net Asset Situation

Development in HORNBACH's store network

No further HORNBACH DIY megastores with garden centers were opened in the third quarter of 2012/2013. Including three new stores already opened in the first half of the year in Romania (Timisoara), Sweden (Sundbyberg) and Switzerland (Riddes), HORNBACH was operating 137 retail outlets across the Group as of November 30, 2012 (February 29, 2012: 134). Of these, 91 stores are located in Germany and 46 in other European countries. Total sales areas at the HORNBACH-Baumarkt-AG Group amounted to around 1,592,000 m² as of November 30, 2012, while the average size of a HORNBACH DIY megastore with a garden center now exceeds 11,600 m².

Sales performance

The sales performance of the HORNBACH-Baumarkt-AG Group lost momentum in the third quarter of 2012/2013 compared with the previous quarter. Consolidated sales thus only showed slight growth of 0.6% to € 746.4 million in the period from September 1 to November 30, 2012 (previous year: € 742.3 million). On a like-for-like basis, i.e. excluding sales at stores newly opened or closed, and net of currency items third-quarter sales declined by 2.0%. Including currency items in non-euro countries, namely the Czech Republic, Romania, Sweden and Switzerland, like-for-like sales decreased by 1.9% in the third quarter of 2012/2013.

Consolidated sales for the nine-month period (March 1 to November 30, 2012) showed slight growth of 0.8% to € 2,428.3 million (previous year: € 2,409.8m). Cumulative like-for-like sales net of currency items declined by 0.8%. Including currency items, the downturn in sales also amounts to 0.8%. As already the case in the first half of the year, the Group's sales performance varied from region to region in the nine-month period as well. While HORNBACH's stores in Germany, Luxembourg and Romania posted slight overall sales growth, the uncertainty created by the euro debt crisis left its mark on consumer behavior at the DIY stores and garden centers in the other countries within our European network.

- **Germany**

The sales performance at the stores in HORNBACH's home market weakened in the third quarter. Following slight growth in the first quarter (plus 0.2%) and second quarter (plus 1.6%), in the third quarter sales dropped by 0.8% to € 424.1 million (previous year: € 427.4m). The Group's like-for-like sales performance in Germany was also unable to match the growth seen in the first half (plus 1.3%). In the period from September 1 to November 30, 2012, like-for-like sales in Germany thus slipped by 0.6%. On a cumulative basis for the first nine months, overall sales in Germany grew by 0.8% to € 1,395.4 million (previous year: € 1,384.5m), while like-for-like sales rose by 0.7% in the first nine months. HORNBACH's domestic like-for-like sales performance outstripped the German sector average in all months in the period under comparison from March to November 2012.

- **Other European countries**

Sales at the HORNBACH DIY megastores with garden centers outside Germany grew by 2.4% to € 322.3 million in the third quarter of 2012/2013 (previous year: € 314.9m). In the first nine months of 2012/2013, sales in other European countries, including sales at newly opened stores, increased slightly by 0.7% to € 1.032.9 million (previous year: € 1,025.3m). At 42.5%, the international share of consolidated sales at HORNBACH-Baumarkt-AG remained unchanged compared with the previous year.

The slowdown in sales was more marked in other European countries than in Germany. The decline in consumer confidence as a result of the smoldering sovereign debt crisis was felt more clearly outside Germany. Consumers' waning propensity to spend is reflected in the development in like-for-like sales. Net of currency items, overall like-for-like sales in other European countries fell short of the previous year's figures, and are reported at minus 3.8% for the third quarter and at minus 2.6% for the first nine months. Including currency items, sales fell by 3.5% in the third quarter, and by 2.7% in the first nine months. Virtually all of the countries in HORNBACH's network outside Germany reported reductions in like-for-like sales net of currency items. Luxembourg and Romania were the only countries to report increased sales, with significant sales growth in the case of Romania.

Earnings performance

The following information refers to the earnings performance of the HORNBACH-Baumarkt-AG Group. Information about the performance of the "DIY stores" and "Real estate" segments can be found in the segment report in the notes to the financial statements (Page 17).

3rd quarter of 2012/2013

The decline in like-for-like sales led to a deterioration in the HORNBACH-Baumarkt-AG Group's earnings performance in the third quarter. In the period from September to November 2012, earnings before interest, taxes, depreciation and amortization (EBITDA) fell by 40.4% to € 21.4 million (previous year: € 35.8m). Operating earnings (EBIT) dropped by 67.4% to € 7.2 million (previous year: € 22.1m). Given the year-on-year decline in net financial expenses to minus € 7.8 million (previous year: minus € 3.2m), pre-tax earnings fell to minus € 0.6 million (previous year: € 18.9m). Net income for the period dropped to minus € 0.4 million (previous year: € 13.9m). Third-quarter earnings per share are reported at minus € 0.01 (previous year: € 0.44).

First nine months of 2012/2013

Compared with the record figures reported in the previous year, the HORNBACH-Baumarkt-AG Group's earnings declined in the first nine months of 2012/2013. This was mainly due to the downturn in like-for-like sales in conjunction with higher store and administration expense ratios. By contrast, the gross profit as a percentage of net sales amounted to 37.3%, thus more or less matching the high previous year's figure (37.4%). Selling and store expenses at the Group grew by 3.1% to € 676.2 million (previous year: € 655.8m), and thus more rapidly than consolidated sales. As a percentage of net sales, store expenses increased from 27.2% to 27.8% (store expense ratio). Due to the Group's expansion, pre-opening expenses grew by € 1.4 million to € 7.5 million (previous year: € 6.1m). Driven mainly by costs for central forward-looking projects, the administration expense ratio rose to 4.3% (previous year: 3.9%).

EBITDA for the first nine months of 2012/2013 decreased by 10.3% to € 174.9 million (previous year: € 194.9m). Consolidated earnings (EBIT) slipped by 13.8% to € 133.1 million (previous year: € 154.3m). Due to lower interest income, net financial expenses deteriorated to minus € 18.5 million (previous year: minus € 16.6m). Consolidated earnings before taxes reduced by 16.8% to € 114.6 million (previous year: € 137.7m). Net income for the period dropped by 18.6% to € 82.1 million (previous year: € 100.9m). Earnings per share for the first nine months are reported at € 2.58 (previous year: € 3.17).

Financial and net asset position

The Group invested € 90.9 million in the first nine months of 2012/2013 (previous year: € 73.1m). Of this total, around 57% was invested in land and buildings, while the rest was channeled into plant and office equipment at new and existing stores, as well as into intangible assets (predominantly IT software). Investments were fully financed by the cash flow of € 163.0 million from operating activities (previous year: € 184.5m). Information about the financing and investment activities of the HORNBACH-Baumarkt-AG Group can be found in the cash flow statement on Page 11.

Total assets grew to € 1,723.1 million as of November 30, 2012, up by 5.8% compared with the balance sheet date on February 29, 2012. This growth was chiefly driven by the increases in cash and cash equivalents by € 45.9 million to € 450.2 million, and in property, plant and equipment by € 49.8 million to € 694.2 million. Shareholders' equity as reported in the balance sheet rose to € 856.0 million, up 8.1%, or € 64.0 million, compared with the balance sheet date. As a result, the equity ratio increased from 48.6% to 49.7%. Cash and cash equivalents (€ 450.2m) exceeded financial debt (€ 425.7m) by € 24.5 million as of November 30, 2012. By comparison, on February 29, 2012, the net financial debt of the HORNBACH-Baumarkt-AG Group amounted to € 27.6 million.

Employees

A total of 14,201 individuals across Europe were in fixed employment at HORNBACH-Baumarkt-AG or one of its subsidiaries at the reporting date on November 30, 2012 (February 29, 2012: 13,662).

Outlook

Two further HORNBACH DIY megastores with garden centers are scheduled to be opened in Germany in the fourth quarter of the 2012/2013 financial year. New store openings are thus on the agenda in Oberhausen (December 2012) and Bremen (February 2013). The new store in Bremen is set to replace an older existing location. Including these new store openings, the total number of HORNBACH DIY megastores with garden centers is expected to reach 138 (of which 46 in other European countries) by the end of the financial year (February 28, 2013).

Against the backdrop of the macroeconomic trends outlined above and declining sales momentum, the basis for forecasting the future business performance of the HORNBACH-Baumarkt-AG Group in the 2012/2013 financial year has changed since the situation one quarter ago. We have therefore revised our growth expectations and reduced our sales and earnings forecast. We already informed the public of this in an ad-hoc announcement released on November 27, 2012.

With regard to our full-year sales forecast for 2012/2013, as a result of the deteriorating economic climate we now expect consolidated sales only to match the previous year's figure (€ 3,001m). We have revised our expectations here, as we now assess the trend in sales both in Germany and in other European countries less favorably than in spring 2012 and at the end of the first half. In terms of like-for-like sales, we expect to see zero growth in Germany and a reduction in other European countries. Our like-for-like sales performance in Germany should nevertheless exceed the sector average. This assessment is based on the assumption that the euro debt crisis does not trigger any sudden drastic deterioration in the macroeconomic framework and in consumer confidence in Germany.

When revising our sales expectations, we also adjusted our earnings forecast. Based on this assessment, the operating earnings (EBIT) of the HORNBACH-Baumarkt-AG Group for the 2012/2013 financial year as a whole will also fall short of the previous year's figure (€ 128m).

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Income Statement

€ million	3rd Quarter 2012/2013	3rd Quarter 2011/2012	Change %	Nine Months 2012/2013	Nine Months 2011/2012	Change %
Sales	746.4	742.3	0.6	2,428.3	2,409.8	0.8
Cost of goods sold	475.3	469.8	1.2	1,521.6	1,508.5	0.9
Gross profit	**271.1**	**272.5**	**(0.5)**	**906.7**	**901.3**	**0.6**
Selling and store expenses	230.6	219.5	5.1	676.2	655.8	3.1
Pre-opening expenses	1.8	1.1	62.7	7.5	6.1	22.2
General and administration expenses	34.6	32.2	7.3	103.6	94.8	9.3
Other income and expenses	3.0	2.5	22.0	13.7	9.7	41.4
Earnings before interest and taxes (EBIT)	**7.2**	**22.1**	**(67.4)**	**133.1**	**154.3**	**(13.8)**
Other interest and similar income	0.4	1.8	(80.8)	1.8	4.9	(62.7)
Other interest and similar expenses	7.9	6.0	32.9	19.8	18.5	7.3
Other financial result	(0.3)	0.9	(132.2)	(0.5)	(3.0)	(83.9)
Net financial expenses	**(7.8)**	**(3.2)**	**144.7**	**(18.5)**	**(16.6)**	**11.2**
Consolidated earnings before taxes	**(0.6)**	**18.9**	**(103.3)**	**114.6**	**137.7**	**(16.8)**
Taxes on income	(0.2)	5.0	(104.0)	32.5	36.8	(11.6)
Consolidated net income	**(0.4)**	**13.9**	**(103.0)**	**82.1**	**100.9**	**(18.6)**
Basic/diluted earnings per share (€)	(0.01)	0.44	(103.0)	2.58	3.17	(18.6)

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

Statement of Comprehensive Income for the Period

€ million	3rd Quarter 2012/2013	3rd Quarter 2011/2012	Nine Months 2012/2013	Nine Months 2011/2012
Consolidated net income	**(0.4)**	**13.9**	**82.1**	**100.9**
Measurement of derivative financial instruments (cash flow hedge)				
Measurement of derivative hedging instruments directly in equity	(0.5)	(1.2)	(3.3)	(6.7)
Gains and losses from measurement of derivative financial instruments transferred to profit or loss	0.5	0.3	1.3	1.3
Exchange differences arising on the translation of foreign subsidiaries	(2.1)	(7.5)	(0.7)	1.3
Deferred taxes on gains and losses recognized directly in equity	0.0	0.2	0.6	1.4
Other comprehensive income	**(2.0)**	**(8.2)**	**(2.2)**	**(2.7)**
Total comprehensive income	**(2.5)**	**5.7**	**79.9**	**98.2**

Rounding up or down may lead to discrepancies between totals.

Balance Sheet

Assets	November 30, 2012 € million	%	February 29, 2012 € million	%
Non-current assets				
Intangible assets	13.1	0.8	16.3	1.0
Property, plant, and equipment	694.2	40.3	644.4	39.6
Investment property	5.5	0.3	5.8	0.4
Financial assets	1.2	0.0	1.2	0.0
Non-current receivables and other assets	3.8	0.2	3.8	0.2
Non-current income tax receivables	6.4	0.4	8.0	0.5
Deferred tax assets	7.6	0.4	7.3	0.5
	731.9	**42.5**	**686.9**	**42.2**
Current assets				
Inventories	464.7	27.0	475.7	29.2
Other receivables and assets	68.3	4.0	57.2	3.5
Income tax receivables	6.7	0.4	4.1	0.2
Cash and cash equivalents	450.2	26.1	404.3	24.8
Non-current assets held for sale and disposal groups	1.2	0.1	0.0	0.0
	991.2	**57.5**	**941.2**	**57.8**
	1,723.1	**100.0**	**1,628.1**	**100.0**

Equity and liabilities	November 30, 2012 € million	%	February 29, 2012 € million	%
Shareholders' equity				
Share capital	95.4	5.5	95.4	5.9
Capital reserve	143.6	8.3	143.6	8.8
Revenue reserves	617.0	35.8	553.0	34.0
	856.0	**49.7**	**792.0**	**48.6**
Non-current liabilities				
Non-current financial debt	377.9	21.9	407.3	25.0
Deferred tax liabilities	33.7	2.0	35.7	2.2
Other non-current liabilities	28.6	1.7	28.6	1.8
	440.2	**25.5**	**471.6**	**29.0**
Current liabilities				
Current financial debt	47.8	2.8	24.6	1.5
Trade payables and other liabilities	287.2	16.7	244.4	15.0
Income tax liabilities	42.8	2.5	27.8	1.7
Other provisions and accrued liabilities	49.1	2.8	67.6	4.2
	426.9	**24.8**	**364.5**	**22.4**
	1,723.1	**100.0**	**1,628.1**	**100.0**

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

Statement of Changes in Equity

Nine Months 2011/2012 in € million	Share capital	Capital reserve	Hedging reserve	Cumulative currency translation	Other revenue reserves	Total equity
Balance at March 1, 2011	**47.7**	**143.6**	**1.5**	**25.1**	**512.0**	**729.9**
Consolidated net income					100.9	100.9
Measurement of derivative financial instruments (cash flow hedge), net after taxes			(3.9)			(3.9)
Foreign currency translation				1.3		1.3
Total comprehensive income			**(3.9)**	**1.3**	**100.9**	**98.2**
Dividend distribution					(15.9)	(15.9)
Issue of bonus shares	47.7				(47.7)	0.0
Balance at November 30, 2011	**95.4**	**143.6**	**(2.5)**	**26.4**	**549.2**	**812.2**

Nine Months 2012/2013 € million	Share capital	Capital reserve	Hedging reserve	Cumulative currency translation	Other revenue reserves	Total equity
Balance at March 1, 2012	**95.4**	**143.6**	**(3.8)**	**30.0**	**526.8**	**792.0**
Consolidated net income					82.1	82.1
Measurement of derivative financial instruments (cash flow hedge), net after taxes			(1.4)			(1.4)
Foreign currency translation				(0.7)		(0.7)
Total comprehensive income			**(1.4)**	**(0.7)**	**82.1**	**79.9**
Dividend distribution					(15.9)	(15.9)
Balance at November 30, 2012	**95.4**	**143.6**	**(5.2)**	**29.3**	**592.9**	**856.0**

Rounding up or down may lead to discrepancies between totals.

Cash Flow Statement

€ million	Nine Months 2012/2013	Nine Months 2011/2012
Consolidated net income	**82.1**	**100.9**
Depreciation and amortization of non-current assets	41.7	41.4
Change in provisions	(0.7)	3.0
Gains/losses on disposals of non-current assets and of non-current assets held for sale	(0.4)	(0.1)
Change in inventories, trade receivables and other assets	(2.8)	(6.4)
Change in trade payables and other liabilities	44.3	44.2
Other non-cash income/expenses	(1.2)	1.6
Cash flow from operating activities	**163.0**	**184.5**
Proceeds from disposal of non-current assets and of non-current assets held for sale	1.1	3.5
Payments for investments in property, plant, and equipment	(89.6)	(62.5)
Payments for investments in intangible assets	(1.3)	(2.4)
Payments for acquisitions of consolidated affiliated companies and other business units	0.0	(8.1)
Cash flow from investing activities	**(89.8)**	**(69.6)**
Dividends paid	(15.9)	(15.9)
Proceeds from taking up long-term debt	0.0	80.0
Repayment of long-term debt	(9.7)	(89.7)
Proceeds from group financing activities	(0.6)	0.0
Payments for transaction costs	0.0	(1.8)
Change in current financial debt	(0.8)	(1.9)
Cash flow from financing activities	**(27.0)**	**(29.2)**
Cash-effective change in cash and cash equivalents	46.2	85.7
Change in cash and cash equivalents due to changes in exchange rates	(0.2)	0.6
Cash and cash equivalents at March 1	404.3	422.6
Cash and cash equivalents at November 30	**450.2**	**508.9**

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 € 20.3 million on account of income tax payments (previous year: € 26.1m) and by € 21.9 million on account of interest payments (previous year: € 21.6m) and increased by € 1.8 million on account of interest received (previous year: € 4.9m).

The other non-cash income/expenses item largely consists of unrecognized foreign currency differences, prorated reversals of deferred expenses for financial liabilities and deferred taxes.

Notes to the Interim Consolidated Financial Statements as of November 30, 2012

(1) Accounting principles

This unaudited group interim report of HORNBACH-Baumarkt-AG and its subsidiaries for the first nine months as of November 30, 2012 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 interim report has been prepared in accordance with IAS 34 "Interim Financial Reporting".

The accounting principles applied in the preparation of this interim report are basically consistent with those applied in the consolidated financial statements as of February 29, 2012. Furthermore, the HORNBACH Group has applied all of the new and revised International Financial Reporting Standards and Interpretations of the Financial Reporting Interpretation Committee requiring first-time application from the 2012/2013 financial year – to the extent that these are relevant for the HORNBACH-Baumarkt-AG Group. These new and revised regulations requiring first-time application have not had any material implications for the Group's net asset, financial or earnings position.

Pursuant to IAS 34 "Interim Financial Reporting", income tax expenses for the first nine months of 2012/2013 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 2011/2012 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).

(2) Scope of consolidation

The Dutch real estate company Hornbach Real Estate Best B.V., Nieuwegein (Netherlands), all of the shares in which were acquired from HORNBACH Immobilien AG as of September 3, 2012, was included in the consolidated financial statements for the first time in the first nine months of 2012/2013. This change in the scope of consolidation did not have any material implications for the net asset, financial and earnings position.

(3) 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 nine months. The business performance in the first nine months as of November 30, 2012 does not necessarily provide an indication for the year as a whole.

(4) Other income and expenses

Other income and expenses are structured as follows:

€ million	3rd Quarter 2012/2013	3rd Quarter 2011/2012	Change %
Other income	5.1	5.0	1.8
Other expenses	2.1	2.5	(18.0)
Other income and expenses	**3.0**	**2.5**	**22.0**

€ million	Nine Months 2012/2013	Nine Months 2011/2012	Change %
Other income	19.7	15.0	31.7
Other expenses	6.0	5.3	14.0
Other income and expenses	**13.7**	**9.7**	**41.4**

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

The other income for the first nine months of 2012/2013 includes operating income of € 19.6 million (previous year: € 13.9m) and non-operating income of € 0.1 million (previous year: € 1.1m). Operating income includes an amount of € 6.1 million in connection with energy tax refunds, an amount of € 3.9 million from the reversal of provisions recognized in the 2010/2011 financial year, and an amount of € 2.2 million for compensation not yet invoiced. Other than these items, operating income mainly consists of advertising grants, ancillary revenues at DIY megastores with garden centers, and income from allocations within the HORNBACH HOLDING AG Group. The non-operating income for the first nine months of 2012/2013 consists of income of € 0.1 million due to the sale of plant and office equipment at a DIY megastore with a garden center no longer in use. The non-operating income for the first nine months of 2011/2012 mainly consisted of write-ups of € 0.9 million in the real estate segment. Of this total, € 0.4 million related to a piece of land held for sale and € 0.5 million to two pieces of land already disposed of in the first nine months of the previous year. The write-ups were based on contractually agreed sale prices.

The other expenses for the first nine months of 2012/2013 consist of operating expenses of € 4.2 million (previous year: € 2.3m) and non-operating expenses of € 1.8 million (previous year: € 3.0m). Operating expenses mainly involve expenses for legal disputes, losses incurred in connection with damages, and impairments of receivables. Furthermore, the operating expenses for the first nine months of 2012/2013 also include service fees of € 0.6 million incurred in connection with energy tax compensation. The non-operating expenses for the first nine months of 2012/2013 mainly involve the addition of an amount of € 1.4 million to a provision for the refurbishment obligation at a DIY store property sold and leased back (previous year: € 1.5m). Moreover, non-operating expenses for the first nine months of 2011/12 included an amount of € 0.7 million for the redevelopment agreement intended for historic burdens in connection with DIY store land owned by the Group, an amount of € 0.5 million incurred for investment projects not subject to further development, and impairment losses of € 0.1 million due to the write-down of a property now sold to its expected net sale proceeds. The impairment losses were recognized in the real estate segment.

(5) Net financial expenses

HORNBACH-Baumarkt-AG is currently reviewing the possibility of prematurely repaying its corporate bond of € 250 million (please see Note 10). As a result, the estimate of the remaining term of the bond issue expenses deferred using the effective interest rate method has been reassessed. This has resulted in interest expenses of € 1.8 million.

(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-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

	3rd Quarter 2012/2013	3rd Quarter 2011/2012
Number of shares issued	31,807,000	31,807,000
Consolidated net income attributable to shareholders in HORNBACH-Baumarkt-AG in € million	(0.4)	13.9
Earnings per share in €	**(0.01)**	**0.44**

	Nine Months 2012/2013	Nine Months 2011/2012
Number of shares issued	31,807,000	31,807,000
Consolidated net income attributable to shareholders in HORNBACH-Baumarkt-AG in € million	82.1	100.9
Earnings per share in €	**2.58**	**3.17**

(7) Other disclosures

The personnel expenses of the HORNBACH-Baumarkt-AG Group amounted to € 388.9 million at the end of the first nine months as of November 30, 2012 (previous year: € 373.6m).

Depreciation and amortization totaling € 41.7 million was recognized on intangible assets and property, plant and equipment at the HORNBACH-Baumarkt-AG Group in the first nine months of the 2012/2013 financial year (previous year: € 41.4m).

(8) Shareholders' equity

Increase in share capital from company funds by issuing bonus shares

By resolution of the Annual General Meeting held on July 7, 2011, the share capital of HORNBACH-Baumarkt-AG was increased by issuing bonus shares at a ratio of 1:1. As a result, the number of shares in HORNBACH-Baumarkt-AG has doubled. Due to the conversion of a partial amount of € 47,710,500.00 of the revenue reserves reported in the annual balance sheet as of February 28, 2011 into share capital, the company's share capital doubled to € 95,421,000.00. The share capital is divided into 31,807,000 individual shares with a prorated nominal value of € 3.00 per share. The bonus shares have been included in the stock market listing since July 29, 2011 and have enjoyed profit entitlement since March 1, 2011.

Employee shares

On August 13, 2012, 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. The share buyback program began on August 14, 2012 and is limited until December 31, 2012.

Given the significant year-on-year reduction in daily trading volumes for HORNBACH-Baumarkt-AG shares, only 16,157 of the 37,360 HORNBACH-Baumarkt-AG shares issued to employees on November 13, 2012 could be acquired on the market within the share buyback program. HORNBACH HOLDING AG then made 21,203 HORNBACH-Baumarkt-AG shares available to HORNBACH-Baumarkt-AG by way of a securities loan effective as of November 13, 2012 for the purpose of issuing employee shares. The securities loan will expire upon the return of the 11,425 shares still outstanding as of November 30, 2012. A total of 25,935 treasury stock shares had been acquired as of November 30, 2012.

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-Baumarkt-AG, following approval by the Annual General Meeting on July 5, 2012 a dividend of € 0.50 per share was distributed to shareholders for the 2011/2012 financial year.

(10) Financial debt

The Board of Management of HORNBACH-Baumarkt-AG intends to prematurely redeem the corporate bond with a term originally agreed to run until November 15, 2014. Since November 15, 2012, the redemption price pursuant to the contractually agreed termination option amounts to 100%. This premature redemption is subject to a notice period of 30 to 60 days.

Subject to approval by the Supervisory Board, the redemption amount, with a nominal total of € 250 million, is to be refinanced by issuing a new long-term bond. The precise termination date is to be set in the coming months depending on the capital market climate for issuing the new bond. The Board of Management reserves the right to waive its intention to terminate the bond in the event of unfavorable capital market conditions.

This debt restructuring measure is intended to strengthen the company's capital structure on more favorable terms in the long term. The funds will serve to finance further expansion. In particular, the company plans to maintain a supply of liquidity enabling it to act flexibly to exploit growth opportunities.

In the previous year, HORNBACH-Baumarkt-AG took up an unsecured promissory note bond of € 80.0 million with a floating interest rate and a term running until June 30, 2016. These funds served to provide follow-up financing for the promissory note bond of the same amount maturing on June 30, 2011. The promissory note bond charges interest on the basis of the 6-month Euribor, plus a bank margin. To secure the interest rate, a forward swap with congruent terms was concluded in the 2010/2011 financial year already. The swap enables the interest payable to be exchanged for fixed interest payments.

Customary bank covenants were agreed for the promissory note bond, non-compliance with which could lead to a premature repayment obligation. These involve pari passu clauses and negative pledge declarations. The promissory note bond also requires compliance with specific financial ratios. These key financial ratios are based on consolidated figures at the HORNBACH-Baumarkt-AG Group and require interest cover of at least 2.25 times and an equity ratio of at least 25%. Furthermore, maximum limits were also agreed in particular for financing facilities secured by land charges and financial debt taken up by subsidiaries of HORNBACH-Baumarkt-AG.

As the aforementioned hedge meets the requirements for hedge accounting, changes in the value of the swaps are reported in the hedging reserve.

In the third quarter of the previous year, HORNBACH-Baumarkt-AG took up a syndicated credit line of € 250 million. This facility, which has a 5-year term, serves to prematurely replace the existing syndicated credit line of € 200 million at HORNBACH-Baumarkt-AG otherwise scheduled to mature in June 2013. To ensure constant availability of credit lines, it was agreed that the new credit line would take effect within a period of 15 banking days, i.e. as of December 14, 2011, and that the termination of the former credit line would take effect as of the same date.

The credit line may also be drawn down up to an amount of € 25 million in foreign currencies, and particularly in CHF, SEK and CZK. Moreover, supplementary bilateral loan agreements of up to € 50 million may also be agreed (also in foreign currencies) within the credit framework.

Any amounts drawn down from the credit line are charged interest based on the 3-month or 6-month EURIBOR or the corresponding IBOR plus an interest margin. The relevant interest margin is determined based on the rating granted to HORNBACH-Baumarkt-AG by an internationally recognized rating agency. Margin premiums are charged for utilization rates above specified thresholds and for utilization in foreign currencies. A provision fee based on the respective interest margin is charged for the unutilized portion of the credit line.

Customary bank covenants were agreed for the syndicated loan. By analogy with the previous credit line, interest cover (EBITDA/gross interest expenses) of at least 2.25 and an equity ratio of at least 25% must be met on the level of the HORNBACH-Baumarkt-AG Group. Furthermore, alongside the warranties, guarantees and disclosure duties customary for such financial transactions, the Group also committed itself not to perform specified actions or measures. These relate in particular to compliance with maximum limits for the encumbrance of assets, financing facilities secured by land charges, and the taking up of financial debt by subsidiaries. There are also limits on the volume of loans which may be granted to third parties outside the HORNBACH-Baumarkt-AG Group.

(11) 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 € 1,125.1 million at the end of the first nine months as of November 30, 2012 (February 29, 2012: € 1,122.8m).

(12) 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, as well as its direct and indirect subsidiaries. Apart from the transactions performed in the usual course of business and reported in the annual financial statements, no major transactions were undertaken with closely related companies and persons during the first nine months of 2012/2013.

(13) Events after the end of the quarter under report

The Board of Management of HORNBACH-Baumarkt-AG resolved on December 3, 2012 to extend the deadline for the buyback of HORNBACH-Baumarkt-AG shares for the issue of employee shares in 2012 pursuant to § 71 (1) No. 2 of the German Stock Corporation Act (AktG) by two months through to the end of the 2012/2013 financial year (balance sheet date: February 28, 2013).

(14) Segment report

Nine Months 2012/2013 in € million Nine Months 2011/2012 in € million	DIY stores	Real estate	Headquarters and consolidation	HORNBACH-Baumarkt-AG Group
Segment sales	**2,427.6**	**107.2**	**(106.4)**	**2,428.3**
	2,409.2	99.1	(98.4)	2,409.8
Sales to third parties	2,427.5	0.0	0.0	2,427.5
	2,409.1	0.0	0.0	2,409.1
Sales to affiliated companies	0.1	0.0	0.0	0.1
	0.1	0.0	0.0	0.1
Rental income from third parties	0.0	0.7	0.0	0.7
	0.0	0.7	0.0	0.7
Rental income from affiliated companies	0.0	106.4	(106.4)	0.0
	0.0	98.4	(98.4)	0.0
Segment earnings (EBIT)	**115.8**	**32.5**	**(15.2)**	**133.1**
	141.8	29.9	(17.4)	154.3
Depreciation and amortization/write-ups	**25.2**	**10.6**	**6.0**	**41.7**
	25.7	8.4	6.4	40.5
EBITDA	**141.0**	**43.1**	**(9.2)**	**174.9**
	167.5	38.3	(11.0)	194.9
Segment assets	**748.6**	**578.6**	**375.2**	**1,702.4**
	715.9	499.9	472.9	1,688.7
of which: credit balances at banks	89.5	0.0	339.9	429.4
	52.6	0.0	436.1	488.7

Reconciliation in € million	Nine Months 2012/2013	Nine Months 2011/2012
Segment earnings (EBIT) before "Headquarters and consolidation"	**148.3**	**171.7**
Headquarters	(15.2)	(17.4)
Net financial expenses	(18.5)	(16.6)
Consolidated earnings before taxes	**114.6**	**137.7**

Rounding up or down may lead to discrepancies between totals.

Bornheim, December 21, 2012

The Board of Management of HORNBACH-Baumarkt-Aktiengesellschaft

FINANCIAL CALENDAR 2013

March 21, 2013	Trading Statement 2012/2013
May 28, 2013	Annual Results Press Conference 2012/2013 DVFA Analysts' Conference HORNBACH-Baumarkt-AG Publication of Annual Report
June 27, 2013	Interim Report: 1st Quarter of 2013/2014 as of May 31, 2013
July 4, 2013	Annual General Meeting of HORNBACH-Baumarkt-AG Festhalle Landau, Landau/Pfalz
September 26, 2013	Half-Year Financial Report 2013/2014 as of August 31, 2013
December 20, 2013	Interim Report: 3rd Quarter of 2013/2014 as of November 30, 2013

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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.