INTERIM REPORT
HORNBACH-BAUMARKT-AG GROUP

1st QUARTER
2014/2015
(MARCH 1 – MAY 31, 2014)

HORNBACH
Es gibt immer was zu tun.

HORNBACH-BAUMARKT-AG GROUP

Interim Report for the First Quarter of 2014/2015

(March 1 – May 31, 2014)

Key figures of the HORNBACH-Baumarkt-AG Group (in € million, unless otherwise stated)	1st Quarter 2014/2015	1st Quarter 2013/2014	Change %
Net sales	**976.7**	**838.9**	**16.4**
of which in other European countries	402.1	360.0	11.7
Like-for-like sales growth	14.6%	(5.9)%	
Gross margin as % of net sales	38.4%	37.4%	
EBITDA	86.7	51.2	69.3
Earnings before interest and taxes (EBIT)	**73.0**	**37.6**	**94.3**
Consolidated earnings before taxes	68.0	32.9	106.7
Consolidated net income	47.0	23.2	102.8
Basic/diluted earnings per share (€)	1.48	0.73	102.7
Investments	26.0	17.9	45.6

Misc. key figures of the HORNBACH-Baumarkt-AG Group (in € million, unless otherwise stated)	May 31, 2014	February 28, 2014	Change %
Total assets	1,814.1	1,670.3	8.6
Shareholders' equity	909.0	862.0	5.5
Shareholders' equity as % of total assets	50.1%	51.6%	
Number of stores	143	141	1.4
Sales area in 000 m² (based on BHB)	1,669	1,647	1.3
Number of employees	15,639	15,293	2.3

Rounding up or down may lead to discrepancies between percentages and totals. Calculation of percentage figures based on € 000s.
* Head count at reporting date including persons in marginal employment

Summary

- **HORNBACH-Baumarkt-AG Group with successful start to 2014/2015 financial year**
- **First-quarter sales up 16.4 % to € 977 million**
- **DIY megastores with garden centers post like-for-like sales growth of 14.6 % – all countries report positive growth**
- **Substantially disproportionate earnings growth – EBIT for first three months virtually doubles to € 73.0 million**
- **After new openings in Lübeck and Prague, store network grows to 143 DIY stores and garden centers in nine countries**
- **Full-year forecast for 2014/2015 remains unchanged**

The HORNBACH-Baumarkt-AG Group began the 2014/2015 financial year on a highly dynamic note. In the first three months of the current financial year (March 1 to May 31, 2014), the Group more than made up for the sharp drop in sales and earnings due to weather conditions in the previous year's quarter and posted record levels of sales and earnings. Consolidated sales for the first quarter of 2014/2015 increased by 16.4 % to € 976.7 million. This figure also includes sales at the two stores opened in Lübeck and Prague in March 2014. Like-for-like sales at the HORNBACH DIY megastores with garden centers showed group-wide growth of 14.6 %. The domestic business once again accounted for the strongest growth momentum. We can nevertheless also point to pleasing sales growth in the eight countries outside Germany.

Consistent with expectations, this sales performance together with an improved gross margin and more favorable store operation and administration expense ratios enabled earnings at the HORNBACH-Baumarkt-AG Group to significantly exceed the previous year's figures. Consolidated operating earnings (EBIT) virtually doubled to € 73.0 million (2013/2014: € 37.6 million). Net income totaled € 47.0 million (2013/2014: € 23.2 million). Earnings per share amounted to € 1.48 for the period under report (2013/2014: € 0.73). The Group has confirmed its sales and earnings forecast for the 2014/2015 financial year as a whole.

Earnings, Financial and Net Asset Situation

Development in HORNBACH store network

We celebrated the opening of two new stores in the first quarter of 2014/2015. In March 2014, we opened our 93rd location in Germany in Lübeck. In the same month, operations were launched in Prague-Čestlice, our third HORNBACH DIY megastore with a garden center in the Czech capital. Our store network in the Czech Republic now comprises nine locations. As of May 31, 2014, HORNBACH operated 143 retail outlets across the Group (February 28, 2014: 141). Of these, 50 stores are in other European countries. Total sales areas at the HORNBACH-Baumarkt-AG Group most recently amounted to around 1,670,000 m², while the average size of a HORNBACH DIY megastore with a garden center amounts to almost 11,700 m².

Sales performance

In the quarter under report (March 1 to May 31, 2014), the Group's sales more than made up for the ground lost in the same period in the previous year. While in spring 2013 the garden business was massively impaired by the prolonged winter in the months of March and April, the 2014 spring season benefited from mild weather conditions. In March 2014 in particular, customer demand for construction, renovation and gardening products and services virtually rocketed across our group network, with sales growth of 34.5 %. April and May 2014 also brought very pleasing sales performances. In the first quarter of 2014/2015, consolidated sales at HORNBACH-Baumarkt-AG grew year-on-year by 16.4 % to € 976.7 million (2013/2014: € 838.9 million), thus also significantly exceeding first-quarter sales in the year before last (2012/2013: € 865.1 million).

On a like-for-like basis, i.e. excluding stores newly opened or closed in the past twelve months, and net of currency items, group-wide sales grew by 14.6 % in the first quarter of 2014/2015. Including currency items, like-for-like sales growth amounted to 13.9 %. The strongest sales growth, also largely determining the quarterly performance, was generated in March, in which the Group's like-for-like sales increased by a third. The geographical segmentation figures reveal that HORNBACH's German store network once again showed the highest growth momentum. The "Other European countries" segment nevertheless also reported like-for-like sales growth in all three months in the reporting period.

GDP growth rates in countries with HORNBACH DIY megastores and garden centers

Percentage change on previous quarter Source: Eurostat (calendar year figures)	2nd Quarter 2013	3rd Quarter 2013	4th Quarter 2013	1st Quarter 2014
Germany	0.7	0.3	0.4	0.8
Austria	0.0	0.3	0.4	0.3
Czech Republic	0,3	0,3	1,8	0,0
Luxembourg	1.9	0.6	0.7	n.a.
Netherlands	0.0	0.1	1.0	-1,4
Romania	0.7	1.6	1.4	0.1
Slovakia	0.4	0.4	0.5	0.6
Sweden	0.1	0.3	1.6	-0.1
Switzerland	0.5	0.5	0.2	0.5
Euro area (EA 18)	**0.3**	**0.1**	**0.3**	**0.2**
EU 28	**0.4**	**0.3**	**0.4**	**0.3**

Germany

According to the assessment by the German Bundesbank, the upturn in the Germany economy has gained further significant ground since the beginning of 2014. Adjusted for seasonal and calendar factors, real-term gross domestic product (GDP) grew by 0.8 % in the first quarter of the 2014 calendar year compared with the previous quarter. The upward trend in the domestic economy has recently received additional momentum from investments in equipment, which have regained positive growth territory following a long period of weakness. To date, the strong levels of confidence among companies and consumers in Germany have not been adversely affected to any noticeable extent by negative factors in the international arena. On the contrary, the trend towards recovery in the euro area is thought to have helped improve the investment climate, previously long plagued by uncertainty. Private consumer spending remained a key growth driver in the first three months of 2014. Weather conditions played a major role here, as the exceptionally mild, dry winter hardly impaired economic activity in outdoor professions. Overall, construction investments showed strong growth, a development thought to have been driven in particular by housing construction. Demand for commercial construction has also risen noticeably in recent months. The German retail sector benefited from consumers' propensity to spend. Between January and April 2014, sales here rose by 1.2 % in real terms and by 2.0 % in nominal terms compared with the equivalent period in the previous year.

The DIY store and garden center sector also profited from the mild winter in the first calendar quarter of 2014. According to figures released by the BHB sector association, the sector generated nominal sales growth of 8.5 % in this period, contrasting with the 12.2 % downturn seen in the previous year's quarter. These figures include sales at the insolvent Praktiker Group. Significantly more positive developments are apparent in the sector figures excluding stores newly opened and closed, which no longer include sales at the Praktiker and Max Bahr DIY stores now closed. Including consolidation items, the German DIY sector thus generated like-for-like sales growth of 26.4 % in the period from January to March 2014. In the months of April and May, sales showed year-on-year growth in a medium to high single-digit percentage range.

In this competitive climate, HORNBACH's German DIY megastores with garden centers superbly asserted their position and continued to outperform the sector average. In the first three months of the 2014/2015 financial year (March 1 to May 31, 2014), sales at HORNBACH's domestic stores grew by a fifth to € 574.5 million (2013/2014: € 478.9 million). On a like-for-like basis, we increased our domestic sales by 19.4 %, thus further significantly exceeding the strong momentum already seen in the fourth quarter of 2013/2014.

Other European countries

Compared with developments in the German economy, the European rate of expansion remained more subdued. In the 2014 winter months, seasonally-adjusted real-term gross domestic product grew by 0.2 % in the euro area and by 0.3 % in the European Union (EU 28). Due not least to special factors, the discrepancies in growth rates between individual regions became more marked once again in the first calendar quarter of 2014. According to figures available from Eurostat, GDP growth rates in the nine countries in which HORNBACH operates its DIY megastores with garden centers ranged from 0.8 % in Germany to minus 1.4 % in the Netherlands. The Bundesbank largely attributes the weak figure for the Netherlands to decidedly weak levels of domestic consumption and exports of natural gas due to mild temperatures. Growth rates in Romania, Sweden, and the Czech Republic matched the previous quarter's figures. In Austria, Switzerland, and Slovakia, economic output grew by between 0.3 % and 0.6 % compared with the previous quarter.

GDP growth in the EU in the first calendar quarter of 2014 was lent positive momentum by the construction industry, which significantly increased its seasonally-adjusted output on account of the mild winter weather. Boosted by the first signs of improvement on the labor market, private consumer spending managed at least to generate marginally positive growth momentum. Seasonally-adjusted real-term retail sales (excluding vehicle retail) in the first quarter of 2014 were thus around 0.7 % ahead of the figure for the final quarter of 2013.

Demand for products and services relating to construction and renovation projects showed pleasing developments in the countries where we operate in the period under report. The positive trend apparent since the second quarter of 2013/2014 intensified further in the first three months of the 2014/2015 financial year. Including the most recent new store openings, sales in Other European countries, the segment in which the company's business activities in eight countries outside Germany are pooled, grew by 11.7 % to € 402.1 million (2013/2014: € 360.0 million). Due to the lower rate of growth compared with Germany, the international share of consolidated sales at HORNBACH-Baumarkt-AG decreased from 42.9 % to 41.2 %. On a like-for-like basis, sales outside Germany in the first quarter of 2014/2015 grew by 8.2 % excluding and by 6.7 % including currency items. On a regional level, we can report substantial like-for-like sales growth in all countries.

Earnings performance

The following information refers to the earnings performance of the HORNBACH-Baumarkt-AG Group in the first quarter of 2014/2015 (March 1 to May 31, 2014). Information about the performance of the "DIY store" and "Real estate" segments can be found in the segment report in the notes (Page 16).

In the reporting period from March to May 2014, the HORNBACH-Baumarkt-AG Group not only made up for the weather-related loss of earnings in the previous year's quarter, but also significantly exceeded the earnings reported for the same period in the year before last (2012/2013). Consistent with expectations, the high level of like-for-like sales growth in Germany and abroad together with an improvement in the gross margin led to markedly disproportionate earnings growth in the first quarter.

More favorable procurement terms in particular led to an improvement in the gross margin, i.e. gross profit as a percentage of net sales, from 37.4 % to 38.4 %. Primarily due to higher personnel expenses (including bonus payments) and operating expenses, selling and store expenses increased, albeit less rapidly than sales, by 9.0 % to € 261.4 million (2013/2014: € 239.8 million). As a result, the store expense ratio fell from 28.6 % to 26.8 %. Pre-opening expenses rose from € 2.7 million to € 3.6 million, increasing as a percentage of net sales from 0.3 % to 0.4 %. Driven mainly by higher personnel expenses, general and administration expenses grew by 9.9 % to € 39.9 million. The administration expense ratio improved from 4.3 % to 4.1 %. There were no material non-operating earnings items in the quarter under report.

Earnings before interest, taxes, depreciation and amortization (EBITDA) surged by 69.3 % to € 86.7 million in the first quarter of 2014/2015 (2013/2014: € 51.2 million). Operating earnings (EBIT) virtually doubled from € 37.6 million to € 73.0 million. Due to higher interest expenses, net financial expenses fell by 6.0 % to minus € 4.9 million (2013/2014: € 4.6 million). Consolidated earnings before taxes jumped from € 32.9 million in the previous year's quarter to € 68.0 million in the quarter under report. Net of taxes, net income for the period totaled € 47.0 million (2013/2014: € 23.2 million). Earnings per share amounted to € 1.48 in the period under report (2013/2014: € 0.73).

Financial and net asset situation

Due to the Group's expansion, investments in the first quarter of 2014/2015 rose to € 26.0 million (2013/2014: € 17.9 million). Of these funds, 51 % were invested in land and buildings, while the rest were channeled into plant and office equipment at new and existing stores, and into intangible assets. Investments were fully financed from the cash flow of € 124.1 million from operations (2013/2014: € 83.4 million). Information about the financing and investing activities of the HORNBACH-Baumarkt-AG Group can be found in the cash flow statement on Page 11.

Due mainly to higher cash and cash equivalents and the build-up in inventories, total assets rose to € 1,814.1 million as of May 31, 2014, up by 8.6 % compared with the balance sheet date on February 28, 2014. Cash and cash equivalents grew by € 100.6 million to € 471.7 million (plus 27.1 %). Shareholders' equity as reported in the balance sheet grew to € 909.0 million, up € 47.0 million (plus 5.5 %) compared with the previous balance sheet date. At 50.1 %, the equity ratio remains pleasingly high (February 28, 2014: 51.6 %). As of May 31, 2014, cash and cash equivalents exceeded financial debt by € 97.7 million (February 28, 2014: net financial debt of € 0.6 million).

Employees

A total of 15,639 employees across Europe were in fixed employment at HORNBACH-Baumarkt-AG or one of its subsidiaries as of the reporting date on May 31, 2014 (February 28, 2014: 15,293). Since the 2014/2015 financial year, the calculation of employee totals has also included persons in marginal employment (so-called "mini-jobbers"). The comparative figures for the balance sheet date on February 28, 2014 have been retrospectively adjusted.

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 2013/2014 Annual Report (from Page 77 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 published our outlook for the current 2014/2015 financial year at our Annual Results Press Conference on May 27, 2014. Details can be found in the Outlook on Pages 91 to 94 of our 2013/2014 Annual Report.

Expansion

In the period from June 2014 to February 2015, we aim to open a further total of up to seven new HORNBACH DIY megastores with garden centers across the Group. On the one hand, we intend to launch operations at six former Praktiker and Max Bahr stores we have taken over. Two of these stores (Trier and Saarbrucken) are replacement locations. On the other hand, we plan to close our standalone garden center in Lohfelden near Kassel and convert the nearby old DIY store into a combined HORNBACH DIY megastore with a garden center, most probably by the end of the financial year. Including replacement locations, the group-wide total number of HORNBACH DIY megastores with garden centers is expected to increase to up to 146 by February 28, 2015 (February 28, 2014: 141).

Sales and earnings forecast

The high sales and earnings growth seen in the first three months is due to be followed by three quarters in which our performance will have to stand up to comparison with exceptionally ambitious base figures from the previous year's comparative periods. The second quarter of 2013/2014 thus witnessed a sharp recovery following the inauspicious spring season. The company may not be able to match this level of earnings in the second quarter of the current financial year. Furthermore, the second half of the previous financial year was characterized by strong like-for-like sales and earnings growth driven, among other factors, by the positive impact and windfall profits resulting from the consolidation of the DIY sector in Germany. Given the headwind expected as former Praktiker and Max Bahr locations are gradually reopened by major competitors, we expect these positive consolidation-related factors to reduce significantly as the 2014/2015 financial year progresses. Finally, the fourth quarter of 2013/2014 also benefited from unusually mild weather conditions. These cannot be expected in the coming winter months of December 2014 through February 2015.

With regard to our **sales forecast**, our overall assessment of the expected positive and negative factors means that we continue to expect our consolidated sales, i.e. net sales including stores newly opened, closed and extended, to show growth in a medium single-digit percentage range in the 2014/2015 financial year and most probably to exceed the rate of growth seen in the previous 2013/2014 financial year (plus 4.4 %). With regard to our **earnings forecast**, we still expect operating earnings (EBIT) at the HORNBACH-Baumarkt-AG Group to show disproportionate growth compared with sales in the 2014/2015 financial year.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Income Statement

€ million	1st Quarter 2014/2015	1st Quarter 2013/2014	Change %
Sales	976.7	838.9	16.4
Cost of goods sold	601.2	525.2	14.5
Gross profit	**375.5**	**313.8**	**19.7**
Selling and store expenses	261.4	239.8	9.0
Pre-opening expenses	3.6	2.7	31.4
General and administration expenses	39.9	36.3	9.9
Other income and expenses	2.4	2.6	(9.2)
Earnings before interest and taxes (EBIT)	**73.0**	**37.6**	**94.3**
Other interest and similar income	0.3	0.2	52.3
Other interest and similar expenses	4.8	4.2	14.5
Other financial result	(0.4)	(0.7)	(35.5)
Net financial expenses	**(4.9)**	**(4.6)**	**6.0**
Consolidated earnings before taxes	**68.0**	**32.9**	**106.7**
Taxes on income	21.1	9.7	116.1
Consolidated net income	**47.0**	**23.2**	**102.8**
Basic/diluted earnings per share (€)	1.48	0.73	102.7

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	1st Quarter 2014/2015	1st Quarter 2013/2014
Consolidated net income	**47.0**	**23.2**
Measurement of derivative financial instruments (cash flow hedge)		
Measurement of derivative hedging instruments directly in equity	(0.4)	(0.2)
Gains and losses from measurement of derivative financial instruments transferred to profit or loss	0.9	0.6
Exchange differences arising on the translation of foreign subsidiaries	(0.4)	(1.9)
Deferred taxes on gains and losses recognized directly in equity	(0.1)	(0.1)
Other comprehensive income that will be recycled at a later date	**0.0**	**(1.6)**
Total comprehensive income	**47.0**	**21.5**

Rounding up or down may lead to discrepancies between totals.

Balance Sheet

Assets	Balance at May 31, 2014 € million	%	February 28, 2014 € million	%
Non-current assets				
Intangible assets	10.8	0.6	11.3	0.7
Property, plant, and equipment	723.9	39.9	711.9	42.6
Investment property	5.6	0.3	5.9	0.4
Financial assets	0.1	0.0	0.1	0.0
Non-current receivables and other assets	3.4	0.2	3.1	0.2
Non-current income tax receivables	4.9	0.3	4.8	0.3
Deferred tax assets	3.3	0.2	3.4	0.2
	752.0	**41.5**	**740.4**	**44.3**
Current assets				
Inventories	520.7	28.7	504.6	30.2
Other receivables and assets	59.6	3.3	48.9	2.9
Income tax receivables	10.0	0.6	5.3	0.3
Cash and cash equivalents	471.7	26.0	371.1	22.2
Non-current assets held for sale and disposal groups	0.2	0.0	0.0	0.0
	1,062.1	**58.5**	**929.9**	**55.7**
	1,814.1	**100.0**	**1,670.3**	**100.0**

Equity and liabilities	Balance at May 31, 2014 € million	%	February 28, 2014 € million	%
Shareholders' equity				
Share capital	95.4	5.3	95.4	5.7
Capital reserve	143.6	7.9	143.6	8.6
Revenue reserves	670.0	36.9	622.9	37.3
	909.0	**50.1**	**862.0**	**51.6**
Non-current liabilities				
Non-current financial debt	341.5	18.8	364.7	21.8
Provisions for pensions	0.8	0.0	0.8	0.0
Deferred tax liabilities	33.3	1.8	33.4	2.0
Other non-current liabilities	26.4	1.5	26.6	1.6
	401.8	**22.2**	**425.3**	**25.5**
Current liabilities				
Current financial debt	32.5	1.8	7.1	0.4
Trade payables and other liabilities	347.0	19.1	285.2	17.1
Income tax liabilities	31.3	1.7	21.2	1.3
Other provisions and accrued liabilities	92.6	5.1	69.4	4.2
	503.3	**27.7**	**382.9**	**22.9**
	1,814.1	**100.0**	**1,670.3**	**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

1st Quarter 2013/2014 € million	Share capital	Capital reserve	Hedging reserve	Cumulative currency translation	Other revenue reserves	Total equity
Balance at March 1, 2013	**95.4**	**143.6**	**(4.3)**	**27.2**	**561.2**	**823.2**
Consolidated net income					23.2	23.2
Measurement of derivative financial instruments (cash flow hedge), net after taxes			0.3			0.3
Foreign currency translation				(1.9)		(1.9)
Total comprehensive income			**0.3**	**(1.9)**	**23.2**	**21.5**
Balance at May 31, 2013	**95.4**	**143.6**	**(4.0)**	**25.3**	**584.4**	**844.7**

1st Quarter 2014/2015 € million	Share capital	Capital reserve	Hedging reserve	Cumulative currency translation	Other revenue reserves	Total equity
Balance at March 1, 2014	**95.4**	**143.6**	**(3.0)**	**22.8**	**603.1**	**862.0**
Consolidated net income					47.0	47.0
Measurement of derivative financial instruments (cash flow hedge), net after taxes			0.5			0.5
Foreign currency translation				(0.4)		(0.4)
Total comprehensive income			**0.5**	**(0.4)**	**47.0**	**47.0**
Balance at May 31, 2014	**95.4**	**143.6**	**(2.5)**	**22.4**	**650.1**	**909.0**

Rounding up or down may lead to discrepancies between totals.

Cash Flow Statement

€ million	1st Quarter 2014/2015	1st Quarter 2013/2014
Consolidated net income	**47.0**	**23.2**
Depreciation and amortization of non-current assets	13.8	13.7
Change in provisions	(0.2)	(0.1)
Gains/losses on disposals of non-current assets	(0.1)	(0.2)
Change in inventories, trade receivables and other assets	(32.0)	(57.6)
Change in trade payables and other liabilities	95.8	104.5
Other non-cash income/expenses	(0.2)	0.1
Cash flow from operating activities	**124.1**	**83.4**
Proceeds from disposal of non-current assets	0.3	0.5
Payments for investments in property, plant, and equipment	(25.7)	(17.3)
Payments for investments in intangible assets	(0.3)	(0.5)
Cash flow from investing activities	**(25.7)**	**(17.4)**
Repayment of long-term debt	(1.6)	(1.8)
Payments for transaction costs	(0.5)	0.0
Change in current financial debt	4.3	3.7
Cash flow from financing activities	**2.2**	**1.9**
Cash-effective change in cash and cash equivalents	100.6	68.0
Change in cash and cash equivalents due to changes in exchange rates	(0.1)	(0.1)
Cash and cash equivalents at March 1	371.1	317.2
Cash and cash equivalents at May 31	**471.7**	**385.0**

Rounding up or down may lead to discrepancies between totals.

The cash flow from operating activities was reduced by income tax payments of € 16.0 million (2013/2014: € 8.5 million) and interest payments of € 1.6 million (2013/2014: € 1.3 million) and increased by interest received of € 0.3 million (2013/2014: € 0.2 million).

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

NOTES

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

(1) Accounting principles

This unaudited group interim report of HORNBACH-Baumarkt-AG and its subsidiaries for the first quarter of 2014 has been prepared in accordance with § 315a of the German Commercial Code (HGB) based on International Financial Reporting Standards (IFRS) in the form requiring mandatory application in the European Union. The 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 quarter 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 2013/2014 financial year. Reference is made to these financial statements on account of the additional information they contain as to the specific accounting and valuation methods applied. The notes included therein also apply to this interim report, unless any amendments are expressly indicated. Moreover, this interim report is also consistent with German Accounting Standard No. 16 (DRS 16) – Interim Reporting – of the German Accounting Standards Committee (DRSC).

Changes in accounting principles

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

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

(2) Scope of consolidation

HORNBACH Asia Ltd., Hong Kong (Hong Kong), was included in the consolidated financial statements for the first time in the first quarter of 2014/2015. This company was founded in the 2014/2015 financial year.

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

(3) Seasonal influences

Due to weather conditions, the 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 quarter. The business performance in the first three months as of May 31, 2014 does not necessarily provide an indication for the year as a whole.

(4) ther income and expenses

Other income and expenses are structured as follows:

€ million	1st Quarter 2014/2015	1st Quarter 2013/2014	Change %
Other income	3.6	3.5	4.6
Other expenses	1.3	0.9	45.9
Other income and expenses	**2.4**	**2.6**	**(9.2)**

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

Other income for the first quarter mainly relates to operating income and chiefly involves ancillary revenues at DIY megastores with garden centers, income from damages payments, advertising grants, and income from allocations within the HORNBACH HOLDING AG Group.

Other expenses mainly relate to operating expenses in connection with losses incurred for damages and impairments of receivables.

(5) Net financial expenses

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

(6) Earnings per share

Basic earnings per share are calculated pursuant to IAS 33 "Earnings per Share" as the quotient of the income attributable to the shareholders of HORNBACH-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

	1st Quarter 2014/2015	1st Quarter 2013/2014
Number of shares issued	31,807,000	31,807,000
Consolidated net income attributable to shareholders in HORNBACH-Baumarkt-AG in € million	47.0	23.2
Earnings per share in €	**1.48**	**0.73**

(7) Other disclosures

The personnel expenses of the HORNBACH-Baumarkt-AG Group amounted to € 160.8 million at the end of the first quarter as of May 31, 2014 (2013/2014: € 141.8 million).

Depreciation and amortization totaling € 13.8 million was recognized on intangible assets, property, plant and equipment, and investment property at the HORNBACH-Baumarkt-AG Group in the first three months of the 2014/2015 financial year (2013/2014: € 13.7 million).

(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 € 1,228.6 million at the end of the first quarter as of May 31, 2014 (February 28, 2014: € 1,246.6 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, 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 quarter of 2014/2015.

(10) Fair value disclosures

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

Level 1 – Current market prices on an active market for identical financial instruments
Level 2 – Current market prices on an active market for comparable financial instruments or using valuation models whose key input factors are based on observable market data
Level 3 – Input factors not based on observable market prices.

The following tables present the carrying amounts of financial instruments broken down by IAS 39 measurement categories as well as their fair values broken down by balance sheet category:

€ million	Category	Carrying amount 5.31.2014	Fair value 5.31.2014	Carrying amount 2.28.2014	Fair value 2.28.2014
Assets					
Financial assets	AfS	0.1	0.1	0.1	0.1
Other receivables and assets					
Derivatives without hedge relationship	FAHfT	0.0	0.0	0.3	0.3
Other financial assets	LaR	53.2	53.2	39.9	39.9
Cash and cash equivalents	LaR	471.7	471.7	371.1	371.1
Equity and liabilities					
Financial debt					
Bonds	FLAC	246.6	262.5	246.4	263.3
Liabilities to banks	FLAC	121.5	122.0	119.9	121.1
Liabilities in connection with finance leases	n.a.	1.0	1.0	1.0	1.1
Derivatives with hedge relationship	n.a.	4.2	4.2	4.4	4.4
Derivatives without hedge relationship	FLHfT	0.6	0.6	0.0	0.0
Trade payables and other liabilities	FLAC	269.4	269.4	239.2	239.2
Accrued liabilities	FLAC	22.9	22.9	16.5	16.5

Rounding up or down may lead to discrepancies between totals.

Receivables and other assets of € 9.8 million (February 28, 2014: € 11.8 million), trade payables and other/sundry liabilities of € 103.9 million (February 28, 2014: € 72.6 million), and accrued liabilities of € 60.5 million (February 28, 2014: € 43.5 million) are outside the scope of IFRS 7.

€ million	5.31.2014	2.28.2014
Assets		
Valuation based on level 2 input data		
Financial assets held for trading	0.0	0.3
Equity and liabilities		
Valuation based on level 2 input data		
Derivatives with hedge relationship	4.2	4.4
Financial liabilities held for trading	0.6	0.0

Rounding up or down may lead to discrepancies between totals.

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 and the fair value of an interest swap for which the hedge relationship was reversed.

(11) Segment report

1st Quarter 2014/2015 in € million 1st Quarter 2013/2014 in € million	DIY stores	Real estate	Headquarters and consolidation	HORNBACH-Baumarkt-AG Group
Segment sales	**976.4**	**37.3**	**(37.0)**	**976.7**
	838.6	36.4	(36.1)	838.9
Sales to third parties	976.4	0.0	0.0	976.4
	838.6	0.0	0.0	838.6
Rental income from third parties	0.0	0.2	0.0	0.2
	0.0	0.3	0.0	0.3
Rental income from affiliated companies	0.0	37.0	(37.0)	0.0
	0.0	36.1	(36.1)	0.0
Segment earnings (EBIT)	**66.0**	**13.3**	**(6.3)**	**73.0**
	29.0	13.4	(4.8)	37.6
Depreciation and amortization/write-ups	**8.5**	**3.8**	**1.4**	**13.8**
	8.5	3.7	1.5	13.7
EBITDA	**74.5**	**17.1**	**(4.9)**	**86.7**
	37.5	17.1	(3.3)	51.2
Segment assets	**785.1**	**592.4**	**418.4**	**1,795.9**
	784.2	578.6	340.3	1,703.2
of which: credit balances at banks	42.9	0.0	383.8	426.7
	55.9	0.0	303.9	359.7

Reconciliation in € million	1st Quarter 2014/2015	1st Quarter 2013/2014
Segment earnings (EBIT) before "Headquarters and consolidation"	**79.3**	**42.4**
Headquarters	(6.3)	(4.8)
Net financial expenses	(4.9)	(4.6)
Consolidated earnings before taxes	**68.0**	**32.9**

Rounding up or down may lead to discrepancies between totals.

Bornheim, June 26, 2014

The Board of Management of HORNBACH-Baumarkt-Aktiengesellschaft

FINANCIAL CALENDAR 2014

June 26, 2014	Interim Report: 1st Quarter 2014/2015 as of May 31, 2014
July 9, 2014	Annual General Meeting Festhalle Landau, Landau/Pfalz
September 25, 2014	Half-Year Financial Report 2014/2015 as of August 31, 2014
December 22, 2014	Interim Report: 3rd Quarter 2014/2015 as of November 30, 2014

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DISCLAIMER

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