

HORNBACH Baumarkt AG Group

1st QUARTER
2016/2017

Quarterly Statement
as of May 31, 2016



HORNBACH BAUMARKT AG GROUP

Statement on 1st Quarter of 2016/2017 (March 1 – May 31, 2016)

Key figures of the HORNBACH Baumarkt AG Group (in € million, unless otherwise stated)	1 st Quarter 2016/2017	1 st Quarter 2015/2016	Change %
Net sales	1,058.9	995.2	6.4
of which: in Germany	591.9	575.7	2.8
of which in other European countries	467.0	419.6	11.3
Like-for-like sales growth	4.4%	(1.1)%	
Gross margin as % of net sales	37.4%	38.5%	
EBITDA	79.7	79.7	0.1
Earnings before interest and taxes (EBIT)	61.5	65.2	(5.6)
Consolidated earnings before taxes	55.6	63.5	(12.4)
Consolidated net income	41.9	46.2	(9.3)
Basic/diluted earnings per share (€)	1.32	1.45	(9.0)
Investments	45.2	27.0	67.6

Misc. key figures of the HORNBACH Baumarkt AG Group (in € million, unless otherwise stated)	May 31, 2016	February 29, 2016	Change %
Total assets	2,126.7	1,986.4	7.1
Shareholders' equity	1,011.9	972.9	4.0
Shareholders' equity as % of total assets	47.6%	49.0%	
Number of stores	154	153	0.7
Sales area in 000 m ² (based on BHB)	1,790	1,771	1.1
Number of employees	16,847	16,600	1.5

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

Summary

- HORNBACH Baumarkt AG Group posts pleasing start to 2016/2017 financial year
- Consolidated sales first exceed one billion euro mark in first quarter of 2016/2017, rising 6.4% to € 1,059 million
- Like-for-like currency-adjusted sales with group-wide growth of 4.4%
- Operating earnings of € 62 million fall slightly short of previous year's figure
- Sales and earnings forecast confirmed for 2016/2017 financial year

The HORNBACH Baumarkt AG Group began the 2016/2017 financial year with pleasing sales growth. Consolidated sales exceeded the one billion euro mark for the first time in the first quarter of 2016/2017 (March 1 to May 31, 2016) and grew by 6.4% to € 1,058.9 million (2015/2016: € 995.2 million). On a like-for-like basis and net of currency items, consolidated sales increased by 4.4% in the first three months, and that although fluctuating weather conditions, at times extreme, in the spring of 2016 impeded the implementation of construction and renovation projects in many areas. Consolidated operating earnings (EBIT) decreased by 5.6% to € 61.5 million. This was largely due to a lower gross margin and higher expenses for interconnected retail and e-commerce. Earnings per Baumarkt share are reported at € 1.32 for the first three months (2015/2016: € 1.45). The full-year sales and earnings forecast for 2016/2017 has been confirmed.

Earnings, Financial, and Net Asset Situation

Development in HORNBACH store network

In the first quarter of 2016/2017 (March 1 to May 31, 2016), we launched operations at two new megastores and closed one small existing location due to the lack of any possibility to extend the site:

Number	Location	Country	Sales area in m ² (weighted as per BHB)	Opening/closure	Date
154	Prague - Velká Chuchle	Czech Republic	14,600	Opening	03.23.2016
153	Mannheim - Käfertal	Germany	4,000	Closure	04.30.2016
154	Innsbruck	Austria	7,600	Opening	05.23.2016

As of May 31, 2016, the HORNBACH Baumarkt AG Group operated a total of 154 retail outlets (February 29, 2016: 153), of which 98 in Germany (99).

Seasonal and calendar-related fluctuations

As a general rule, due to seasonal factors within the financial year the HORNBACH Baumarkt AG Group reports a stronger business performance in the spring and summer months than in the fall and winter. Exceptional weather conditions may have a significant impact on the Group's sales performance within these reporting periods. Compared with the corresponding periods in previous years, this may also result in seasonal base effects. Any assessment of the business performance should also take account of those base effects that may result from different numbers of business days in the comparative periods. The Group's business performance in the three-month period to May 31, 2016 does not necessarily provide an indication of its full-year business performance.

In the first three months of the 2016/2017 financial year, the weather conditions were unfavorable for our DIY retail business across large sections of our international network. Average temperatures and volumes of precipitation in spring 2016 were consistent with long-term averages, but there were extreme fluctuations in the period from March to May 2016. Sunny and warm spells were repeatedly followed in many areas by sudden deteriorations in weather conditions, with heavy rain, snow, and sleet. May 2016 then brought very severe weather, especially in the south of Germany. In the first quarter of 2016/2017, there was a group-wide average of one business day more than in the previous year's quarter. In our assessment, the positive calendar factor was insufficient to compensate for the negative weather factors.

Sales performance of the HORNBACH Baumarkt AG Group

Consolidated sales exceeded the one billion euro mark for the first time in the first quarter of 2016/2017, growing by 6.4% to € 1,058.9 million (2015/2016: € 995.2 million). On a like-for-like basis, i.e. excluding sales at stores newly opened or closed in the past twelve months, and net of currency items, consolidated sales rose by 4.4% in the first quarter (2015/2016: minus 1.1%). Including currency items for non-euro countries, namely the Czech Republic, Romania, Sweden, and Switzerland, we generated group-wide like-for-like growth of 4.0%.

From a geographical perspective, this pleasing sales growth was driven both by the Germany region and the Other European countries region. Given the extreme weather fluctuations seen in the months of March to May 2016, a detrimental factor when it comes to planning and implementing some construction and home improvement projects, the sales performance in the opening quarter of this financial year can be termed very pleasing.

Key data relating to the sales performance in the first quarter of 2016/2017 is as follows:

Germany region

- Net sales up 2.8% to € 591.9 million (2015/2016: € 575.7 million)
- Like-for-like sales growth of 2.7%
- Outperformance of German DIY sector extended compared with Q1 2015/2016

Other European countries region

- Net sales with significant growth of 11.3% to € 467.0 million (2015/2016: € 419.6 million)
- International share of consolidated sales increases from 42.2% to 44.1%
- Like-for-like, currency-adjusted sales up 6.6% – including currency items up 5.7%

Earnings performance

The following comments refer to the earnings performance of the HORNBACH Baumarkt AG Group. Information about the "Retail" and "Real estate" segments can be found in the segment report on Page 10. Key data relating to the earnings performance in the first quarter of 2016/2017 (March 1 to May 31, 2016) is as follows:

- Gross profit rose by 3.2% to € 395.9 million in the first quarter of 2016/2017 (2015/2016: € 383.6 million). The gross margin decreased from 38.5% to 37.4%. This reduction chiefly resulted from lower retail prices and changes in the product mix due among other factors to the growing share of e-commerce sales.
- Selling and store expenses rose by 4.8%, and thus less rapidly than sales, in the period under report. As a result, the store expense ratio decreased from 27.8% to 27.3%. At 0.2%, the pre-opening expense ratio remained unchanged. General and administration expenses, which rose by 5.8%, also increased less rapidly than sales. Pure administration expenses grew by 3.1%, thus declining as a proportion of sales, while the expenses incurred to expand e-commerce and for our interconnected retail (ICR) strategy increased by 14.3%.
- At € 79.7 million, earnings before interest, taxes, depreciation and amortization (EBITDA) for the first quarter of 2016/2017 were at the same level as in the previous year's quarter.
- Operating earnings (EBIT) decreased by 5.6% to € 61.5 million (2015/2016: € 65.2 million). Non-operating income and expenses played a negligible role in the income statement for the first quarter of 2016/2017. Adjusted EBIT thus largely corresponds to EBIT.
- Due in particular to negative currency items and a higher interest charge, net financial expenses deteriorated significantly from minus € 1.7 million to minus € 5.9 million. This figure also accounts for the higher interest charge resulting from the reclassification of eleven former operating lease contracts as finance lease contracts.
- Consolidated earnings before taxes fell by 12.4% to € 55.6 million (2015/2016: € 63.5 million).
- Net income for the period is reported at € 41.9 million (2015/2016: € 46.2 million). Earnings per share came to € 1.32 in the first quarter of 2016/2017 (2015/2016: € 1.45).

Financial and net asset situation

Consistent with the Group's expansion, investments rose from € 27.0 million to € 45.2 million in the first three months of the current 2016/2017 financial year. Of this total, around 67% was invested in land and buildings, while the remainder was channeled into plant and office equipment at new and existing stores, as well as into intangible assets (mainly IT software). Furthermore, we restructured cash and cash equivalents of € 50 million into current financial assets with terms of more than three months. Investments were fully financed by the cash flow of € 105.1 million from operations (2015/2016: € 126.9 million). Information about the financing and investing activities of the HORNBACH Baumarkt AG Group can be found in the cash flow statement on Page 9.

Total assets grew to € 2,127 million as of May 31, 2016, up 7.1% compared with the balance sheet date on February 29, 2016. This was mainly due to increases in receivables and other assets (plus € 54 million), property, plant and equipment (plus € 43 million), and inventories (plus € 35 million). Shareholders' equity as reported in the balance sheet rose by 4.0% to € 1,012 million. At 47.6%, the equity ratio remained high (February 29, 2016: 49.0%). Including current financial assets, net financial debt decreased to € 188 million as of May 31, 2016 (February 29, 2016: € 230 million).

Employees

A total of 16,847 employees were in fixed employment at HORNBACH Baumarkt AG or one of its subsidiaries as of the reporting date on May 31, 2016 (February 29, 2016: 16,600).

Other Disclosures

New quarterly reporting format

Following a change in European Community law, the obligation for publicly listed companies in the EU to provide quarterly reporting was lifted in 2015. As a result, the legal obligation for publicly listed companies to issue quarterly reports was rescinded in Germany as well. Pursuant to § 51 a of the Stock Exchange Rules of the Frankfurt Stock Exchange, we are drawing on the option of preparing condensed quarterly statements in German and English for the first and third quarters of the financial year rather than full quarterly reports. This statement pools all relevant information in a new format. Furthermore, we will as previously continue to prepare a half-year financial report as well as the combined management report in the Annual Report of the HORNBACH Baumarkt AG Group.

The figures reported have been rounded up or down to the nearest million euro amounts. Discrepancies may therefore arise between the various figures presented. Percentages have been calculated on the basis of thousand euro amounts.

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 € 1,054.2 million at the end of the first quarter as of May 31, 2016 (February 29, 2016: € 1,016.8 million).

Outlook

The outlook and other statements made concerning the expected performance of the Group in the 2016/17 financial year have not changed materially compared with the assessments published in the 2015/2016 Annual Report of the HORNBACH Baumarkt AG Group.

The Board of Management can confirm the sales and earnings forecast for the 2016/2017 financial year published on Pages 86 to 88 of the 2015/2016 Annual Report. Accordingly, the company still expects to generate consolidated sales growth in a medium single-digit percentage range. With regard to the earnings forecast, the company still expects its operating earnings (EBIT) to significantly exceed the figure for the previous 2015/2016 financial year (€ 90.2 million) and its EBIT net of non-operating income and expenses to match the level reported for the 2015/2016 financial year (€ 99.3 million).

Income Statement

€ million	1 st Quarter 2016/2017	1 st Quarter 2015/2016	Change %
Sales	1,058.9	995.2	6.4
Cost of goods sold	663.0	611.6	8.4
Gross profit	395.9	383.6	3.2
Selling and store expenses	289.4	276.2	4.8
Pre-opening expenses	2.0	1.8	16.0
General and administration expenses	45.6	43.0	5.8
Other income and expenses	2.6	2.6	1.2
Earnings before interest and taxes (EBIT)	61.5	65.2	(5.6)
Interest and similar income	0.4	0.2	76.1
Interest and similar expenses	5.6	3.6	55.9
Other financial result	(0.7)	1.7	>(100)
Net financial expenses	(5.9)	(1.7)	>100
Consolidated earnings before taxes	55.6	63.5	(12.4)
Taxes on income	13.7	17.3	(20.6)
Consolidated net income	41.9	46.2	(9.3)
Basic/diluted earnings per share (€)	1.32	1.45	(9.0)

Statement of Comprehensive Income

€ million	1 st Quarter 2016/2017	1 st Quarter 2015/2016
Consolidated net income	41.9	46.2
Actuarial gains and losses on defined benefit plans	(1.8)	(3.5)
Deferred taxes on actuarial gains and losses on defined benefit plans	0.3	0.7
Other comprehensive income that will not be recycled at a later date	(1.5)	(2.8)
Measurement of derivative financial instruments (cash flow hedge)		
Measurement of derivative hedging instruments directly in equity ¹⁾	0.0	0.0
Gains and losses from measurement of derivative financial instruments transferred to profit or loss	0.5	0.5
Exchange differences arising on the translation of foreign subsidiaries	(1.7)	4.0
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	(1.4)	4.3
Total comprehensive income	39.0	47.7

¹⁾ Represents the residual value of fair value changes and recognized changes in the value of corresponding hedge instruments in the period under report.

Balance Sheet

Assets	May 31, 2016		February 29, 2016	
	€ million	%	€ million	%
Non-current assets				
Intangible assets	13.1	0.6	12.0	0.6
Property, plant, and equipment	1,034.4	48.6	991.7	49.9
Investment property	14.9	0.7	14.9	0.7
Financial assets	3.9	0.0	3.9	0.0
Non-current receivables and other assets	3.9	0.2	3.9	0.2
Non-current income tax receivables	1.7	0.1	1.7	0.1
Deferred tax assets	10.1	0.5	10.5	0.5
	1,081.9	50.9	1,038.6	52.3
Current assets				
Inventories	623.6	29.3	588.4	29.6
Other receivables and assets	112.8	5.3	58.7	3.0
Income tax receivables	14.5	0.7	17.7	0.9
Cash and cash equivalents	293.9	13.8	283.0	14.2
	1,044.8	49.1	947.8	47.7
	2,126.7	100.0	1,986.4	100.0

Equity and liabilities	May 31, 2016		February 29, 2016	
	€ million	%	€ million	%
Shareholders' equity				
Share capital	95.4	4.5	95.4	4.8
Capital reserve	143.6	6.8	143.6	7.2
Revenue reserves	772.8	36.3	733.8	36.9
	1,011.9	47.6	972.9	49.0
Non-current liabilities				
Non-current financial debt	433.3	20.4	418.5	21.1
Provisions for pensions	16.7	0.8	14.6	0.7
Deferred tax liabilities	28.2	1.3	28.6	1.4
Other non-current liabilities	33.6	1.6	32.1	1.6
	511.8	24.1	493.7	24.9
Current liabilities				
Current financial debt	98.6	4.6	94.5	4.8
Trade payables and other liabilities	390.5	18.4	335.6	16.9
Income tax liabilities	21.7	1.0	14.5	0.7
Other provisions and accrued liabilities	92.2	4.3	75.3	3.8
	603.0	28.4	519.8	26.2
	2,126.7	100.0	1,986.4	100.0

Statement of Changes in Equity

1 st Quarter 2015/2016 € million	Share capital	Capital reserve	Hedging reserve	Cumulative currency translation	Other revenue reserves	Total equity
Balance at March 1, 2015	95.4	143.6	(1.8)	39.6	645.6	922.4
Consolidated net income					46.2	46.2
Actuarial gains and losses on defined benefit plans, net after taxes					(2.8)	(2.8)
Measurement of derivative financial instruments (cash flow hedge), net after taxes			0.3			0.3
Foreign currency translation				4.0		4.0
Total comprehensive income			0.3	4.0	43.4	47.7
Balance at May 31, 2015	95.4	143.6	(1.5)	43.6	688.9	970.1

1 st Quarter 2016/2017 € million	Share capital	Capital reserve	Hedging reserve	Cumulative currency translation	Other revenue reserves	Total equity
Balance at March 1, 2016	95.4	143.6	(0.5)	36.8	697.6	972.9
Consolidated net income					41.9	41.9
Actuarial gains and losses on defined benefit plans, net after taxes					(1.5)	(1.5)
Measurement of derivative financial instruments (cash flow hedge), net after taxes			0.3			0.3
Foreign currency translation				(1.7)		(1.7)
Total comprehensive income			0.3	(1.7)	40.4	39.0
Balance at May 31, 2016	95.4	143.6	(0.2)	35.0	738.0	1,011.9

Cash Flow Statement

€ million	1 st Quarter 2016/2017	1 st Quarter 2015/2016
Consolidated net income	41.9	46.2
Depreciation and amortization of non-current assets	18.2	14.5
Change in provisions	0.1	(0.1)
Gains/losses on disposals of non-current assets and of non-current assets held for sale	(0.1)	(0.1)
Change in inventories, trade receivables and other assets	(36.7)	(26.5)
Change in trade payables and other liabilities	80.4	92.6
Other non-cash income/expenses	1.4	0.4
Cash flow from operating activities	105.1	126.9
Proceeds from disposal of non-current assets and of non-current assets held for sale	0.3	0.3
Payments for investments in property, plant, and equipment	(43.6)	(26.3)
Payments for investments in intangible assets	(1.6)	(0.7)
Cash paid for investments in connection with short-term finance planning	(50.0)	0.0
Cash flow from investing activities	(94.9)	(26.7)
Repayment of long-term debt	(0.9)	(1.2)
Change in current financial debt	1.8	1.7
Cash flow from financing activities	0.9	0.5
Cash-effective change in cash and cash equivalents	11.1	100.7
Change in cash and cash equivalents due to changes in exchange rates	(0.3)	0.2
Cash and cash equivalents at March 1	283.0	334.8
Cash and cash equivalents at May 31	293.9	435.7

Segment Report

1 st Quarter 2016/2017 in € million 1 st Quarter 2015/2016 in € million	Retail	Real estate	Headquarters and consolidation	HORNBACH Baumarkt AG Group
Segment sales	1,058.5	41.6	(41.2)	1,058.9
	994.8	39.9	(39.5)	995.2
Sales to third parties	1,058.4	0.0	0.0	1,058.4
	994.8	0.0	0.0	994.8
Rental income from third parties	0.0	0.4	0.0	0.4
	0.0	0.4	0.0	0.4
Rental income from affiliated companies	0.0	41.2	(41.2)	0.0
	0.0	39.5	(39.5)	0.0
Segment earnings (EBIT)	49.8	16.2	(4.5)	61.5
	56.2	15.5	(6.5)	65.2
Depreciation and amortization	9.2	7.4	1.5	18.2
	8.8	4.1	1.6	14.5
EBITDA	59.0	23.6	(2.9)	79.7
	65.0	19.5	(4.9)	79.7
Segment assets	961.2	889.5	249.7	2,100.4
	898.7	644.2	315.6	1,858.5

Reconciliation in € million	1 st Quarter 2016/2017	1 st Quarter 2015/2016
Segment earnings (EBIT) before "Headquarters and consolidation"	66.0	71.7
Headquarters	(4.5)	(6.5)
Net financial expenses	(5.9)	(1.7)
Consolidated earnings before taxes	55.6	63.5

FINANCIAL CALENDAR 2016

June 24, 2016	Quarterly Statement: 1 st Quarter of 2016/2017 as of May 31, 2016
July 7, 2016	Annual General Meeting of HORNBACH Baumarkt AG Festhalle Landau, Landau/Pfalz
September 29, 2016	Half-Year Financial Report 2016/2017 as of August 31, 2016
December 22, 2016	Quarterly Statement: 3 rd Quarter of 2016/2017 as of November 30, 2016

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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.