HALF-YEAR FINANCIAL REPORT
HORNBACH HOLDING AG GROUP

H1
2011/2012

(MARCH 1 – AUGUST 31, 2011)

HORNBACH
HOLDING AG

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Key Figures of the HORNBACH HOLDING AG Group (in € million, unless otherwise stated)	2nd Quarter 2011/2012	2nd Quarter 2010/2011	Change %	1st Half 2011/2012	1st Half 2010/2011	Change %
Net sales	**862.1**	**830.1**	**3.9**	**1,780.2**	**1,656.8**	**7.5**
of which: in other European countries	351.2	327.2	7.3	710.5	653.5	8.7
Like-for-like sales growth	(0.2)%	3.7%		3.8%	0.8%	
Gross margin as % of net sales	36.8%	36.5%		36.9%	36.7%	
EBITDA	96.5	97.3	(0.8)	193.4	173.7	11.3
EBIT	**78.5**	**80.4**	**(2.3)**	**157.8**	**140.0**	**12.7**
Consolidated earnings before taxes	67.7	73.1	(7.3)	136.1	126.0	8.0
Consolidated net income [1)]	49.5	54.0	(8.3)	98.9	91.8	7.8
Basic/diluted earnings per preference share (€) [2)]	2.47	2.69	(8.2)	4.91	4.55	7.9
Investments	27.5	24.2	13.6	85.6	43.6	96.4

Misc. key figures of the HORNBACH HOLDING AG Group (in € million, unless otherwise stated)	August 31, 2011	February 28, 2011	Change %
Total assets	2,416.7	2,233.3	8.2
Shareholders' equity	1,051.3	962.4	9.2
Shareholders' equity as % of total assets	43.5%	43.1%	
Number of employees	14,344	13,768	4.2

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

1) including minority interests pursuant to IFRS.

2) The earnings per preference share figure accounts for the retrospective adjustment due to the issue of bonus shares (please see Note 5 in the notes to the financial statements).

INTERIM GROUP MANAGEMENT REPORT

Summary

- **HORNBACH Group upholds its growth course in first half of 2011/2012**
- **Half-year consolidated sales grow by 7.5%**
  - **DIY megastores and garden centers: Like-for-like sales up 3.8% – Greatest momentum in Germany – HORNBACH by far the best DIY store according to Kundenmonitor 2011 survey – Other European countries at previous year's level**
  - **Builders' merchant business posts 10.2% rise in sales and disproportionate earnings growth**
- **Group operating earnings (EBIT) grow by 12.7% to € 157.8 million**

The HORNBACH HOLDING AG Group (HORNBACH Group) maintained its growth course in the first half of the 2011/2012 financial year. Consolidated sales for the period from March 1 to August 31, 2011 increased by 7.5% to € 1,780.2 million. Sales at the 134 stores operated across Europe by HORNBACH-Baumarkt-AG, the largest operating subgroup, grew by 7.2% to € 1,667.6 million in the first half of the year. On a like-for-like basis, sales at HORNBACH's network of stores in nine European countries grew by 3.8% in the period under report, and even by 5.5% including currency items. This growth continues to be driven in particular by the DIY stores and garden centers in Germany. As a partner to project customers, HORNBACH has benefited disproportionately from the boom in new construction and renovation in Germany, leaving the rest of the sector way behind during the period under report. In this year's Kundenmonitor Deutschland survey, consumers ranked HORNBACH first in terms of overall satisfaction levels. In all, the company came top in 17 categories. With like-for-like sales growth of 7.1% in the first half, HORNBACH's stores in Germany more than offset the slowdown in sales due to economic developments in other parts of its international network. The HORNBACH Baustoff Union GmbH subgroup also posted a pleasing sales and earning performance in the period under report.

Earnings at the HORNBACH Group showed marked year-on-year growth in the first half of 2011/2012. This was due above all to like-for-like sales growth at the DIY megastores with garden centers in Germany in conjunction with a slight improvement in the group-wide gross margin. Operating earnings (EBIT) at the Group rose by 12.7% to € 157.8 million (previous year: € 140.0m). Net income for the period increased by 7.8% to € 98.9 million (previous year: € 91.8m). Earnings per preference share amounted to € 4.91 at the end of the first six months (previous year: € 4.55). The sales and earnings forecast for 2011/2012 as a whole remains unchanged. Accordingly, the Board of Management expects sales at the HORNBACH HOLDING AG Group to show growth in a medium single-digit percentage range and operating earnings (EBIT) to exceed the level reported for the 2010/2011 financial year (€ 159.1m).

Macroeconomic Framework and Sector Performance

Following dynamic developments in spring 2011, underlying macroeconomic conditions in the countries in which the HORNBACH-Baumarkt-AG Group operates deteriorated once again in the summer months. The **global economy** had begun 2011 with great momentum, driven in particular by emerging economies. The rapid growth in the first quarter of the calendar year was all the more remarkable given the negative impact of significant disruptions, such as the natural and nuclear catastrophe in Japan, political unrest in North Africa and the Middle East, severe flooding in Australia, and the sharp rise in energy and food prices. The economic upturn in Europe clearly gained momentum in the first three months of 2011. Compared with the fourth quarter of 2010, seasonally-adjusted gross domestic product (GDP) for the first quarter of 2011 grew by 0.7% in the EU 27 countries, and by 0.8% in the euro area (EU 17). Here, the European economy benefited from the dynamism of the German economy, which reported GDP growth of 1.3% compared with the previous quarter. The other countries in HORNBACH's network also posted positive growth rates.

After this, however, the economic news became increasingly gloomy as the first half of the year progressed. The mushrooming of the sovereign debt crisis in Europe and the USA, fears of a renewed global recession, and increasing inflation risks in the emerging economies created ever greater insecurity among businesses and consumers alike.

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

Percentage change on previous quarter Source: Eurostat (calendar year figures)	3rd Quarter 2010	4th Quarter 2010	1st Quarter 2011	2nd Quarter 2011
Germany	0.8	0.5	1.3	0.1
Luxembourg	0.7	2.8	0.1	n.a.
Netherlands	0.0	0.7	0.8	0.1
Austria	1.2	1.0	0.8	1.0
Romania	(0.7)	0.1	0.7	0.2
Slovakia	0.8	0.8	0.9	0.9
Sweden	1.9	1.6	0.8	1.0
Switzerland	0.7	0.6	0.6	0.4
Czech Republic	0.8	0.5	0.9	0.2
Euro area (EA17)	**0.4**	**0.3**	**0.8**	**0.2**
EU27	**0.5**	**0.2**	**0.7**	**0.2**

Against this backdrop, the **European** economy showed a sharper slowdown in the second quarter of the calendar year (Q2) than had been expected by economists. Seasonally-adjusted real-term GDP rose by a mere 0.2% compared with the first quarter of 2011 (Q1), and by 1.7% on the figure for the equivalent quarter in the previous year (Q2 2010). This lower rate of growth in Europe was due on the one hand to the upward distortion in economic output in Q1 2011, a period marked by significant retrospective growth in those sectors of the economy, such as construction, affected by the loss of production due to weather factors in the final quarter of 2010. On the other hand, consumers' purchasing power took a temporary knock from the sharp rise in energy and food prices. Overall, macroeconomic developments in Europe were characterized by a high degree of volatility in the first half of the year.

Private households, whose purchasing power had been curtailed by the substantial rise in energy prices, were clearly no longer able to provide any expansive momentum for consumer spending in the second quarter. Real-term retail sales slipped slightly in the spring of 2011 both compared with the first quarter and with the comparative period in the previous year. In general, private consumer spending has been affected more severely by the impact of the financial and sovereign debt crisis in Southern and Eastern Europe in particular than in the other regions of Europe, a factor also reflected in the negative quarterly development in retail turnover volumes. The retail sector also received less support from the European labor market in the first half of 2011. Following its previous recovery, one which could in any case only be termed hesitant, the labor market virtually ground to a halt in Q2. Considering that the slight improvement in unemployment totals was mainly driven by the ongoing favorable German labor market, developments in Europe as a whole were unsatisfactory. One small consolation is the flattening out in consumer price growth, a development predominantly due to the renewed decline in crude oil market prices after April 2011. The annual inflation rate (HVPI) in the euro area eased to 2.5% in July 2011, down from a peak of 2.8% three months earlier.

The regions in which the HORNBACH-Baumarkt-AG Group operates DIY megastores with garden centers showed partly disparate developments in the first six months of the 2011 calendar year. Based on the data available upon the preparation of this report, economic developments lost significant momentum in the second quarter in Germany, the Netherlands, Romania, the Czech Republic and, to a slightly lesser extent, in Switzerland, while Austria, Slovakia and Sweden managed to uphold the growth rates seen in the previous quarter.

The upturn in the German economy slowed markedly in the second quarter of 2011. According to the Federal Statistics Office, real-term GDP adjusted for seasonal and calendar factors grew by a mere 0.1% compared with the strong previous quarter. Economic output had still grown by an impressive 1.3% in Q1, a development nevertheless due in part to the economy making up for the weather-related loss of output in the previous quarter. Exports still grew by 2.3% in the period from April to June 2011, but were exceeded by imports, which showed higher growth of 3.2%. The trade balance thus contributed negatively to GDP. Capital expenditure, on the other hand, generated positive momentum, with higher volumes of investment in equipment (machines, appliances, vehicles) than in the previous quarter (plus 1.7%). This more than offset the expected decline in construction investments in Q2 (minus 0.9%) following exceptionally strong growth in Q1 (plus 7.0%). Having said this, on the whole the German construction sector still managed to generate respectable year-on-year growth in the first half of 2011. Construction investments were 13.2% up on the previous year's figure in Q1 and were still 2.4% ahead of the previous year's figure in Q2.

Consistent with these developments, incoming orders in the main construction sector in Germany showed nominal growth of 7.1% in the first six months of 2011, while total sales in the sector were even 15.3% up on the previous year's figure. Residential construction in particular is currently booming given the uncertainties surrounding the as yet unsolved debt situation in several EU member states. Residential construction posted nominal order growth of 26.5%. The number of building permits has also soared, with more than 30% more apartments in detached and semi-detached houses being approved in the first half of 2011. These figures are also reflected in the monthly results of the GfK consumer confidence survey. Consumers' propensity to spend is currently high. According to the GfK, large parts of the population are concerned about the stability of their currency and are therefore opting to invest their cash in stable assets, rather than saving for the future, a development that has so far benefited residential construction and the renovation market. Conversely, Germans have once again adopted a more cautious approach in terms of consumer spending. This showed its first year-on-year decline since the 2009 crisis year in Q2 2011 (minus 0.7%), a development due not only to economic uncertainty but also to the increase in inflation in the spring. Having said this, given the pleasing employment situation and positive developments in personal incomes, German consumer confidence most recently still remained in robust shape.

Turnover in the German retail sector grew year-on-year by 2.9% nominally and by 1.3% in real terms in the period from January to June 2011. While price-adjusted food retail sales failed to match the previous year's figures, most non-food retail segments posted positive developments. Retail sales involving furniture, household appliances and construction materials reported an above-average performance, with nominal growth of 3.0% and 2.8% respectively. According to the BHB sector association, sales in the DIY store and garden center segment in Germany grew overall by 2.0% to € 9.49 billion in the first half of 2011. This growth spurt was mainly driven by the first calendar quarter, for which the BHB/GfK report measured year-on-year growth of 3.3% in the DIY sector. In the second calendar quarter, the DIY stores and garden centers only achieved growth of 1.1%, as rainy weather in June led to a substantial downturn in sales, especially in weather-dependent garden product ranges. On a like-for-like basis, i.e. excluding stores newly opened or closed, DIY sales rose by 1.4% in the first six months of 2011.

Earnings, Financial and Net Asset Situation *

Sales performance

The HORNBACH Group can report a positive sales performance for the second quarter of the 2011/2012 financial year (March 1, 2011 to February 29, 2012). This is all the more respectable given that demand levels were burdened by negative seasonal base effects, less favorable weather conditions than in the previous year, and a decline in private consumer spending in some countries outside Germany. Consolidated sales for the period from June to August 2011 grew by 3.9% to € 862.1 million (previous year: € 830.1m). In the first half of the financial year (March 1 to August 31, 2011), the Group boosted its sales by 7.5% to € 1,780.2 million (previous year: € 1,656.8m). The HORNBACH HOLDING AG Group (HORNBACH Group) comprises the HORNBACH-Baumarkt-AG, HORNBACH Baustoff Union GmbH and HORNBACH Immobilien AG subgroups.

* Unless otherwise stated, HORNBACH-related time periods refer to the company's financial year (March to February).

HORNBACH-Baumarkt-AG subgroup

A new HORNBACH DIY megastore with a garden center was opened in Ostrava in the Czech Republic in the second quarter of 2011/2012. The standalone garden center in Neunkirchen (Saarland), no longer consistent with strategic requirements, was closed on schedule in June 2011. Including the store newly opened in the first quarter (Plžen), HORNBACH was thus operating 134 retail outlets across the Group with total sales areas of around 1,544,000 m² as of August 31, 2011 (February 28, 2011: 133). Of these, 91 stores are in Germany and 43 stores in other European countries.

Sales at the subgroup between June and August 2011 increased by 3.7% to € 803.9 million (previous year: € 775.3m). On a like-for like basis and net of currency items, the subgroup virtually matched the previous year's level of sales (minus 0.2%). Including currency items in the non-euro countries of Romania, Sweden, Switzerland and the Czech Republic, like-for-like sales grew by 1.6%. In the first half of the year (March 1 to August 31, 2011), the subgroup increased its unadjusted sales by 7.2% overall to € 1,667.6 million (previous year: € 1,555.2m). On a like-for-like basis and net of currency items, cumulative sales grew by 3.8%, and by 5.5% including currency items. The sales performance within the subgroup was somewhat uneven in the course of the first half of the year. While the HORNBACH stores in Germany in particular generated substantial sales growth, the sales performance of parts of the international store network was held back by negative economic factors in the wake of the financial and sovereign debt crisis.

- **Germany**

Following record sales growth in the first quarter (unadjusted sales: plus 11.2%), the stores in Germany upheld their very pleasing growth course in the second quarter of 2011/2012 as well. Unadjusted sales in Germany increased by 1.0% to € 452.8 million (previous year: € 448.2m). Like-for-like sales growth in the second quarter amounted to 2.2%, compared with plus 11.9% in the first quarter. This growth is all the more remarkable considering that Q2 of the current financial year was significantly affected by negative base effects. In June 2011 there were two business days fewer than in June 2010, for example, as the Ascension Day and Whitsun holidays were in June this year, as against in May in the previous year. Furthermore, weather conditions in the second quarter were diametrically opposed to those in the previous year. Whereas in 2010 optimal summer weather in June and July boosted garden sales dramatically, the weather in summer 2011 was variable and rainy at times.

Thanks to pleasing levels of overall demand at the German HORNBACH stores, however, unadjusted sales for the first half of 2011/2012 improved by 6.1%, and by 7.1% on a like-for-like basis. These figures also reflect customers' growing demand for solutions for larger-scale construction projects and renovation projects. According to the GfK, German consumers are currently characterized by a high degree of willingness to invest, with a preference for investing in tangible goods to protect their assets against the risks resulting from inflation and panic on the capital markets. Residential construction has witnessed an exceptional surge in activity in the year to date. As a project DIY store, HORNBACH drew disproportionate benefit from this trend in the period under report. Between March and August 2011, HORNBACH's domestic like-for-like sales outperformed the German sector average by more than seven percentage points.

This outperformance of the market is also underlined by the company's superb results in Kundenmonitor Deutschland 2011, the most important consumer survey in the German retail sector. Here, HORNBACH reached top position in the overall satisfaction category for the first time since 2006, and also improved its ranking, in some cases significantly, in virtually all categories and product range areas. Among other categories, HORNBACH was awarded top position in the "Specialist Advice", "Selection and Variety of Products and Services", "Merchandise Quality", and "Value for Money" criteria, as well as in a comparison of prices, services and product range with competitors and in the number of customers prepared to recommend the store to others. All in all, HORNBACH was ranked first in 17 categories, more than any of its competitors.

Other European countries

Unadjusted sales at the HORNBACH DIY megastores with garden centers outside Germany rose by 7.3% to € 351.1 million in the second quarter of 2011/2012 (previous year: € 327.1m). Sales in other European countries for the first half of 2011/2012 as a whole, including sales at newly opened stores, grew by 8.7% to € 710.4 million (previous year: € 653.4m). By the end of the first six months, the international share of consolidated sales at HORNBACH-Baumarkt-AG had risen, mainly as a result of the Group's expansion, from 42.0% to 42.6%.

The ongoing fragile state of the economies in Romania, Slovakia and the Czech Republic impacted negatively on the Group's overall sales performance in other European countries in the second quarter of 2011/2012. The economic recovery in these East European countries is clearly taking longer than expected. The construction sector is still suffering from a lack of orders. Domestic demand remains weak due to stagnating private consumer spending and public sector savings programs. As the difficult situation on the labor markets is only improving sluggishly, consumers are particularly cautious in terms of their expenditure, and are postponing larger-scale projects. All these factors have led to low or falling sales in the retail sector. HORNBACH has also not been able to escape the effects of this underlying framework.

At its locations in West European regions outside Germany - i.e. in Luxembourg, Austria, the Netherlands, Switzerland and Sweden - HORNBACH can report positive developments in most cases in the period under report, and that in spite of negative year-on-year base effects. In the second quarter of 2011/2012, these regions had a net total of up to three business days fewer than in the previous year's quarter - a period that had set a high standard to beat as the strongest quarter of the 2010/2011 financial year in terms of sales.

Overall, like-for-like sales in other European countries net of currency items fell slightly short of the previous year's figure, and were reported at minus 3.2% for the second quarter and minus 0.5% for the first half. Including currency items, sales grew by 0.8% in the second quarter, and by 3.5% in the first half of the year.

HORNBACH Baustoff Union GmbH subgroup

The HORNBACH Baustoff Union GmbH subgroup can also report a pleasing sales performance for the period under report. Thanks to the strong momentum provided by the construction industry, growth rates in the builders' merchant business exceeded those reported for DIY retail in Germany. Sales in the second quarter of 2011/2012 thus grew by 5.5% to € 57.9 million (previous year: € 54.8m). Sales for the first half of the year as a whole surged by 10.2% to € 111.9 million (previous year: € 101.5m). As of August 31, 2011, HORNBACH Baustoff Union GmbH was still operating an unchanged total of 24 outlets in south-western Germany.

Earnings performance

The following information refers to the earnings performance of the overall HORNBACH HOLDING AG Group.

2nd quarter of 2011/2012

Given the weaker level of sales growth, the company's operating earnings performance in the second quarter was not quite able to match the unusually dynamic level reached in the first quarter. At € 96.5 million, earnings before interest, taxes, depreciation and amortization (EBITDA) for the period from June to August 2011 almost matched the previous year's figure (€ 97.3m). EBIT decreased by 2.3%, or € 1.9 million, to € 78.5 million (previous year: € 80.4m), having built up a head start of € 19.7 million in the first three months of the year. In the six previous years, second-quarter operating earnings were in all cases higher than in the first quarter. Negative currency items led to a deterioration in net financial expenses, that were reported at minus € 10.8 million in the quarter under report (previous year: minus € 7.3m). Consolidated earnings before taxes declined by 7.3% to € 67.7 million (previous year: € 73.1m). Net income for the second quarter is reported at € 49.5 million (previous year: € 54.0m), while earnings per share amounted to € 2.47 (previous year: € 2.69).

1st half of 2011/2012

Earnings (EBIT) showed disproportionate growth compared with sales in the first half of 2011/2012. This was chiefly driven by like-for-like sales growth in Germany in conjunction with an improvement in the gross margin across the Group. As a percentage of net sales, the gross profit rose slightly from 36.7% to 36.9%. The main reasons for the rise in the gross margin were the positive impact of exchange rate movements on international procurement, changes in the product range, and a slight rise in average retail prices. These factors more than compensated for increased procurement prices. The Group's selling and store expenses showed moderate growth of 4.7% to € 434.2 million (previous year: € 414.5m), and thus declined as a percentage of sales. Within this item, the slightly disproportionate rise in personnel and operating expenses was countered by a relative decline in rental expenses and depreciation and amortization, as well as by lower advertising expenses. As a percentage of net sales (store expense ratio), selling and store expenses reduced from 25.0% to 24.4%. Due to the Group's expansion, the pre-opening expense ratio rose from 0.1% to 0.3%. Despite project-related costs, the administration expense ratio of 3.7% was only slightly up on the previous year's figure (3.6%).

EBITDA for the first six months of the current financial year grew by 11.3% to € 193.4 million (2010/2011: € 173.7m). The Group's operating earnings (EBIT) increased by 12.7% to € 157.8 million (previous year: € 140.0m). Due mainly to negative currency items of € 4.1 million (previous year: plus € 4.8m), the net financial expenses of the HORNBACH HOLDING AG Group deteriorated from minus € 13.9 million to minus € 21.7 million. As a result, consolidated earnings before taxes grew less rapidly than EBIT, improving by 8.0% to € 136.1 million (previous year: € 126.0m). Net income for the period grew by 7.8% to € 98.9 million (previous year: € 91.8m). Earnings per preference share are reported at € 4.91 for the first six months (previous year: € 4.55).

Earnings performance by segment

The key earnings figures for the overall Group for the period under report were mainly shaped by the earnings performance at **HORNBACH-Baumarkt-AG.** Operating earnings (EBIT) at this subgroup also showed disproportionate growth in the first half of the year, improving by 12.5% to € 132.2 million (previous year: € 117.5m). Further details about the earnings performance have been reported in the Half-Year Financial Report 2011/2012 published separately by the HORNBACH-Baumarkt-AG subgroup.

Earnings at the **HORNBACH Baustoff Union GmbH subgroup** grew significantly faster than sales in the first six months of the 2011/2012 financial year. EBIT rose by 22.5% to € 4.8 million (previous year: € 4.0m). Alongside pleasing sales growth in the builders' merchant business, this earnings growth was driven above all by an improved gross margin and increased cost awareness at the subgroup's headquarters and outlets.

Operating earnings at the **HORNBACH Immobilien AG subgroup** increased by 13.6% to € 22.3 million (previous year: € 19.7m). This pleasing earnings performance was driven by increased rental income and a relative reduction in expenses.

Financial and net asset position

Due to its expansion, the HORNBACH Group's investments grew year-on-year from € 43.6 million to € 85.6 million in the first half of 2011/2012. While no new HORNBACH DIY megastores with garden centers were opened in the first six months of the previous year, two new stores opened their doors in the first half of 2011/2012. Not only that, most of the investments for the replacement location in Sinsheim were also incurred in the period under report. Around 69% of the funds were invested in land and building, while the remainder was channeled into plant and operating equipment at new and existing stores, as well as into intangible assets (predominantly IT software). Investments were financed in full from the cash flow of € 190.0 million from operating activities (previous year: € 187.7m). Further details about the financing and investment activities of the HORNBACH HOLDING AG Group can be found in the cash flow statement on Page 15.

The total assets of the HORNBACH Group grew to € 2,416.7 million, up 8.2% on the balance sheet date as of February 28, 2011. This increase was mainly due to the marked rise in cash and cash equivalents (plus € 89.8m to € 563.8m), in property plant and equipment (plus € 60.4m), and in receivables and other assets (plus € 24.8m).

Equity posted rose by 9.2%, or € 88.9 million, compared with the balance sheet date to reach € 1,051.3 million as of August 31, 2011. The equity ratio improved to 43.5%, up from 43.1% as of February 28, 2011. Due mainly to the slight increase in non-current financial debt (plus € 16.5m to € 619.1m), non-current liabilities rose by 2.3% to € 704.9 million (February 28, 2011: € 688.7m). Current liabilities increased by € 78.4 million. The reduction in current financial debt by € 18.9 million was countered by the € 78.5 million increased in trade payables and higher income tax liabilities (plus € 18.3m).

The net financial debt of the HORNBACH Group reduced from € 322.1 million at the balance sheet date as of February 28, 2011 to € 229.9 million as of August 31, 2011.

Employees
A total of 14,344 individuals across Europe were in fixed employment at the HORNBACH HOLDING AG Group at the reporting date on August 31, 2011 (February 28, 2011: 13,768).

Risk Report

We provided a detailed presentation of the risks involved in our business activities on Pages 55 to 61 of the 2010/2011 Annual Report of the HORNBACH HOLDING AG Group. Over and above the information provided in the Annual Report, there have been no major changes in the first half of 2011/2012 which could result in any new risk assessment for the second half of the year. Furthermore, no future risks to the continued existence of the HORNBACH HOLDING AG Group have been identified on the basis of the information currently available.

Events After the Balance Sheet Date

No events of material significance for the assessment of the earnings, financial and net asset position of HORNBACH HOLDING AG, or of the HORNBACH HOLDING AG Group have occurred since the end of the first half of the financial year on August 31, 2011.

Outlook

We reported at length on the macroeconomic, sector-specific, and strategic opportunities involved in the business activities of the HORNBACH HOLDING AG Group in the outlook on Pages 63 to 72 of the 2010/2011 Annual Report. This basic assessment of the Group's medium to long-term development potential was still valid upon publication of this interim report. Given that the economic outlook for large parts of the global economy has deteriorated more rapidly than expected since August 2011, however, our assessment of the macroeconomic opportunities facing the HORNBACH Group in the second half of 2011/2012 is now more cautious than that provided in the 2010/2011 Annual Report.

Confidence in the future prospects for global growth on the part of companies, consumers, investors and economists was severely shaken during the summer months, with ever greater attention being paid to the high volumes of government debt in advanced economies. The pressure to consolidate public sector budgets has also been reflected in internal political disputes in the countries affected, a development that has further unsettled investors. The tandem debt crisis in America and Europe further intensified in August/September 2011, leading to an earlier than expected emergence of an economic slowdown. The fears of recession thereby triggered on global stock exchanges led to repeated panic-driven turbulence. This in turn has had a further detrimental impact on expectations as to investment and consumer spending

If any credence is to be given to economic indicators, Europe's economy could be facing a downward spiral. According to the Economic Sentiment Indicator of the European Commission, business confidence deteriorated more sharply in August 2011 than previously thought. It is still unclear whether a drastic downturn, one particularly perilous for the in any case weakened countries on the periphery of the euro area, or merely a slight dip in growth, is to be expected in the second half of 2011. Numerous bank economists have issued downward corrections in their forecasts for the euro area and Germany. However, they do not expect to see a double dip, i.e. return to recession, but rather a slowdown in the rate of growth in the coming months. Upon completion of this report, the forecasts for real-term GDP growth in the euro area in 2011 ranged between 1.4% and 2.0%.

Forecasts for the German economy have also been corrected in recent weeks. Economists nevertheless still expect the country's economic output to grow by around 3% in 2011. In its monthly report for August 2011, the Bundesbank also continued to predict a similar level of growth. Despite numerous global risk factors, the basic trend for the German economy in the second half of the year was still pointing upwards. According to the Bundesbank, the less favorable climate for the export sector will be mitigated by the ongoing highly robust state of the domestic economy, which has benefited in particular from companies' high investment propensity, a sharp rise in demand in the residential construction segment in recent months, the favorable outlook on the labor market, and the reduced pressure on prices. Consumer confidence has nevertheless been dealt a blow by the latest round of insecurity, particularly on the capital markets. At the same time, there is still a good chance that consumer confidence will continue to benefit from the strong labor market and from the pay rises already introduced or due in the foreseeable future.

The German Retail Federation (HDE) remained cautious in its growth forecast in August 2011 and tried to dampen hopes concerning the contribution made by private consumer spending to the performance of the overall economy. According to the HDE, the retail sector still only expects to see slight growth of 1.5% in nominal terms. Forecasts are more optimistic for the DIY store and garden center sector in Germany. At the end of August 2011, the BHB sector association confirmed the forecast issued at the beginning of the year, namely of achieving growth of 3%, but added that this represented an ambitious target. The sector nevertheless stands to receive support from the favorable outlook for residential construction. Double-digit growth rates in the number of building permits issued give grounds to expect promising levels of construction and renovation activity in the second half of 2011. Financing terms for house builders have also remained attractive and, together with the highly nervous state of the capital markets, provide an added incentive for consumers to invest in "concrete gold".

Outlook for the Group

Expansion

A new, larger HORNBACH store was opened in Sinsheim (Baden-Württemberg) on September 14, 2011. This has replaced the former location no longer consistent with current standards. The Group's expansion for the 2011/2012 financial year, involving a total of three new store openings, has thus been completed on schedule. Including two closures (garden center in Neunkirchen, former DIY store and garden center in Sinsheim), HORNBACH's network of locations at the end of the financial year (February 29, 2012) will comprise 134 outlets, of which 91 in Germany and 43 in other European countries, with total sales areas of around 1,548,000 m².

Forecast

From a current perspective, the probability of sales and earnings showing more positive developments than originally expected in the remainder of the financial year has reduced overall compared with the assessment at the end of the first quarter. The pleasing business performance to date, especially in Germany, gives reason to expect prolonged high growth rates, but the year-on-year basis for comparison is set to become ever more challenging as the financial year progresses. By way of reminder - in the third and fourth quarters of 2010/2011, like-for-like sales at the HORNBACH DIY megastores with garden centers in Germany reached new long-term record levels, with growth of 6.4% (Q3) and 8.2% (Q4) respectively. What's more, consumer confidence across the whole European network of the HORNBACH-Baumarkt-AG subgroup is coming under ever greater pressure from increased macroeconomic risks on account of the unsolved sovereign debt crisis. In view of the macroeconomic and sector-specific opportunities and risks referred to in this report, the Group is not making any amendments to its sales forecast for 2011/2012 as a whole. Accordingly, sales are expected to grow in a medium single-digit percentage range both at the HORNBACH HOLDING AG Group and at the HORNBACH-Baumarkt-AG subgroup. The earnings forecast most recently affirmed in the interim report for the first quarter of 2011/2012 is also still valid. The Board of Management thus continues to expect operating earnings (EBIT) at the HORNBACH HOLDING AG Group in excess of the level reported for the 2010/2011 financial year (€ 159.1m).

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Income Statement

€ million	2nd Quarter 2011/2012	2nd Quarter 2010/2011	Change %	1st Half 2011/2012	1st Half 2010/2011	Change %
Sales	862.1	830.1	3.9	1,780.2	1,656.8	7.5
Cost of goods sold	544.6	527.4	3.3	1,123.8	1,048.9	7.1
Gross profit	**317.5**	**302.7**	**4.9**	**656.5**	**607.8**	**8.0**
Selling and store expenses	207.2	196.2	5.6	434.2	414.5	4.7
Pre-opening expenses	1.9	1.1	76.8	4.7	1.7	178.1
General and administration expenses	31.9	29.8	7.0	65.3	59.8	9.2
Other income and expenses	2.0	4.8	(58.0)	5.6	8.1	(31.5)
Earnings before interest and taxes (EBIT)	**78.5**	**80.4**	**(2.3)**	**157.8**	**140.0**	**12.7**
Other interest and similar income	1.8	1.0	85.4	3.2	1.7	94.4
Other interest and similar expenses	10.3	10.3	0.0	20.6	20.1	2.5
Other financial result	(2.3)	2.0		(4.3)	4.5	
Net financial expenses	**(10.8)**	**(7.3)**	**47.2**	**(21.7)**	**(13.9)**	**55.6**
Consolidated earnings before taxes	**67.7**	**73.1**	**(7.3)**	**136.1**	**126.0**	**8.0**
Taxes on income	18.2	19.1	(4.5)	37.2	34.2	8.6
Consolidated net income	**49.5**	**54.0**	**(8.3)**	**98.9**	**91.8**	**7.8**
of which: income attributable to shareholders	39.4	42.8	(8.1)	78.3	72.6	7.9
of which: minority interests	10.2	11.2	(9.0)	20.6	19.2	7.3
Basic/diluted earnings per share (€)	**2.44**	**2.66**	**(8.3)**	**4.88**	**4.52**	**8.0**
Basic/diluted earnings per preference share (€)	**2.47**	**2.69**	**(8.2)**	**4.91**	**4.55**	**7.9**

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 Half 2011/2012	1st Half 2010/2011
Consolidated net income	**98.9**	**91.8**
Measurement of derivative financial instruments (cash flow hedge)		
Measurement of derivative hedging instruments directly in equity	(6.2)	(2.4)
Gains and losses from measurement of derivative financial instruments transferred to profit or loss	1.5	2.1
Exchange differences arising on the translation of foreign subsidiaries	8.5	8.9
Deferred taxes on gains and losses recognized directly in equity	1.2	0.1
Other comprehensive income	**5.1**	**8.6**
Total comprehensive income	**104.0**	**100.4**
of which: attributable to shareholders	82.1	78.8
of which: attributable to minority interests	21.9	21.6

Rounding up or down may lead to discrepancies between totals.

Balance Sheet

Assets	August 31, 2011		February 28, 2011	
	€ million	%	€ million	%
Non-current assets				
Intangible assets	19.4	0.8	20.8	0.9
Property, plant, and equipment	1,117.6	46.2	1,057.2	47.3
Investment property	44.9	1.9	44.0	2.0
Financial assets	2.5	0.1	2.6	0.1
Non-current receivables and other assets	5.2	0.2	5.7	0.3
Non-current income tax receivables	20.4	0.8	20.0	0.9
Deferred tax assets	13.8	0.6	15.1	0.7
	1,223.8	**50.6**	**1,165.4**	**52.2**
Current assets				
Inventories	498.1	20.6	488.7	21.9
Other receivables and assets	115.9	4.8	91.1	4.1
Income tax receivables	10.0	0.4	9.0	0.4
Cash and cash equivalents	563.8	23.3	474.0	21.2
Non-current assets held for sale and disposal groups	5.2	0.2	5.1	0.2
	1,192.9	**49.4**	**1,067.9**	**47.8**
	2,416.7	**100.0**	**2,233.3**	**100.0**

Equity and liabilities	August 31, 2011		February 28, 2011	
	€ million	%	€ million	%
Shareholders' equity				
Share capital	48.0	2.0	24.0	1.1
Capital reserve	130.4	5.4	130.4	5.8
Revenue reserves	683.2	28.3	635.5	28.5
Equity attributable to owners of the parent	**861.6**	**35.7**	**789.9**	**35.4**
Minority interests	189.7	7.8	172.5	7.7
	1,051.3	**43.5**	**962.4**	**43.1**
Non-current liabilities				
Non-current financial debt	619.1	25.6	602.7	27.0
Provisions for pensions	0.6	0.0	0.5	0.0
Deferred tax liabilities	63.6	2.6	64.4	2.9
Other non-current liabilities	21.5	0.9	21.2	0.9
	704.9	**29.2**	**688.7**	**30.8**
Current liabilities				
Current financial debt	174.5	7.2	193.5	8.7
Trade payables and other liabilities	355.3	14.7	276.8	12.4
Income tax liabilities	57.4	2.4	39.2	1.8
Other provisions and accrued liabilities	73.3	3.0	72.7	3.3
	660.6	**27.3**	**582.2**	**26.1**
	2,416.7	**100.0**	**2,233.3**	**100.0**

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

Statement of Changes in Equity

1st Half 2010/2011 € million	Share capital	Capital reserve	Hedging reserve	Cumulative currency translation	Other revenue reserves	Equity attributable to share-holders	Minority interests	Total group equity
Balance at March 1, 2010	**24.0**	**130.4**	**(4.4)**	**10.1**	**546.6**	**706.7**	**154.8**	**861.5**
Consolidated net income					72.6	72.6	19.2	91.8
Measurement of derivative financial instruments (cash flow hedge), net after taxes			(0.2)			(0.2)	0.0	(0.3)
Foreign currency translation				6.5		6.5	2.4	8.9
Total comprehensive income			**(0.2)**	**6.5**	**72.6**	**78.8**	**21.6**	**100.4**
Dividend distribution					(10.5)	(10.5)	(3.8)	(14.2)
Capital contributions from other shareholders							(0.1)	(0.1)
Balance at August 31, 2010	**24.0**	**130.4**	**(4.7)**	**16.6**	**608.8**	**775.1**	**172.4**	**947.5**

1st Half 2011/2012 € million	Share capital	Capital reserve	Hedging reserve	Cumulative currency translation	Other revenue reserves	Equity attributable to share-holders	Minority interests	Total group equity
Balance at March 1, 2011	**24.0**	**130.4**	**0.3**	**19.6**	**615.6**	**789.9**	**172.5**	**962.4**
Consolidated net income					78.3	78.3	20.6	98.9
Measurement of derivative financial instruments (cash flow hedge), net after taxes			(2.7)			(2.7)	(0.8)	(3.5)
Foreign currency translation				6.4		6.4	2.1	8.5
Total comprehensive income			**(2.7)**	**6.4**	**78.3**	**82.1**	**21.9**	**104.0**
Dividend distribution					(10.5)	(10.5)	(3.8)	(14.2)
Transactions with other shareholders					0.1	0.1	(0.9)	(0.8)
Issue of bonus shares	24.0				(24.0)	0.0	0.0	0.0
Balance at August 31, 2011	**48.0**	**130.4**	**(2.4)**	**26.0**	**659.6**	**861.6**	**189.7**	**1,051.3**

Rounding up or down may lead to discrepancies between totals.

Cash Flow Statement

€ million	1st Half 2011/2012	1st Half 2010/2011
Consolidated net income	**98.9**	**91.8**
Depreciation and amortization of non-current assets	36.2	33.7
Change in provisions	0.5	0.6
Gains/losses on disposals of non-current assets	0.3	0.0
Change in inventories, trade receivables, and other assets	(33.9)	(30.2)
Change in trade payables and other liabilities	84.3	90.1
Other non-cash income/expenses	3.7	1.5
Cash flow from operating activities	**190.0**	**187.7**
Proceeds from disposal of non-current assets and of non-current assets held for sale	2.2	45.1
Payments for investments in property, plant, and equipment	(83.1)	(37.2)
Payments for investments in intangible assets	(2.0)	(4.6)
Payments for acquisitions of shareholdings and other business units	(0.4)	(1.7)
Cash flow from investing activities	**(83.4)**	**1.6**
Dividends paid	(14.2)	(14.2)
Proceeds from taking up long-term debt	96.3	54.9
Repayment of long-term debt	(107.3)	(22.7)
Payments for transaction costs	(0.5)	(0.6)
Change in current financial debt	6.9	10.4
Cash flow from financing activities	**(18.9)**	**27.7**
Cash-effective change in cash and cash equivalents	87.7	216.9
Change in cash and cash equivalents due to changes in exchange rates	2.1	0.6
Cash and cash equivalents at March 1	474.0	335.1
Cash and cash equivalents at August 31	**563.8**	**552.6**

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 € 19.9 million on account of income tax payments (previous year: € 14.6m) and by € 21.4 million on account of interest payments (previous year: € 22.8m) and increased by € 3.2 million on account of interest received (previous year: € 1.7m).

The proceeds from disposal of non-current assets and of non-current assets held for sale reported for the previous year include purchase price payments of € 10.2 million in connection with the sale of land not required for operations by way of the disposal of three Austrian real estate companies executed in the 2008/2009 financial year.

The other non-cash income/expenses item largely consists of unrecognized foreign currency differences and deferred taxes.

NOTES TO THE GROUP INTERIM REPORT

Notes to the Interim Consolidated Financial Statements as of August 31, 2011

(1) Accounting principles

This Group half-year financial report of HORNBACH HOLDING AG and its subsidiaries for the first half as of August 31, 2011 has been prepared in accordance with § 315a of the German Commercial Code (HGB) based on International Financial Reporting Standards (IFRS) in the form requiring mandatory application in the European Union. The abridged half-year financial report has been prepared in accordance with IAS 34 "Interim Financial Reporting".

The accounting principles applied when preparing the interim report basically correspond to those applied in the consolidated financial statements as of February 28, 2011. Furthermore, the HORNBACH Group has implemented all new and revised International Financial Reporting Standards and Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) requiring application for the first time from the 2011/2012 financial year – to the extent that these are relevant for the HORNBACH HOLDING AG Group. These new and revised requirements have not had any material implications for the Group's net asset, financial and earnings position.

Pursuant to IAS 34 "Interim Financial Reporting", income tax expenses for the first half of the year have been calculated using the average annual tax rate expected for the financial year as a whole. This interim report is to be read in conjunction with the consolidated financial statements of HORNBACH HOLDING AG for the 2010/2011 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).

On the basis of a resolution adopted by the Annual General Meeting on July 8, 2011, the group auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, was commissioned to perform an audit review of the half-year financial report of the HORNBACH HOLDING AG Group.

(2) Scope of consolidation

The companies Hornbach Real Estate Best B.V., Nieuwegein (Netherlands), Hornbach Real Estate Amsterdam-Sloterdijk B.V., Amsterdam (Netherlands), and TIM HB S.R.L., Timisoara Bd. (Romania), were included in the consolidated financial statements for the first time in the first half of 2011/2012.

(3) Seasonal influences

Due to weather conditions, the HORNBACH HOLDING AG Group generally reports a weaker business performance in the autumn and winter than in the spring and summer months. These seasonal fluctuations are reflected in the figures for the first half. The business results for the first six months as of August 31, 2011 do not necessarily provide an indication of the results to be expected for the financial year as a whole.

(4) Other income and expenses

Other income and expenses are structured as follows:

€ million	2nd Quarter 2011/2012	2nd Quarter 2010/2011	Change %
Other income	4.8	6.8	(29.2)
Other expenses	2.8	2.0	38.3
Other income and expenses	**2.0**	**4.8**	**(58.0)**

€ million	1st Half 2011/2012	1st Half 2010/2011	Change %
Other income	9.6	11.4	(15.6)
Other expenses	4.0	3.2	24.0
Other income and expenses	**5.6**	**8.1**	**(31.5)**

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

The other income reported for the first half of 2011/2012 consists of operating income of € 8.7 million (previous year: € 11.0m) and non-operating income of € 0.9 million (previous year: € 0.4m). Operating income chiefly consists of income from advertising grants and other supplier credits, ancillary revenues at the DIY stores with garden centers, income from disposals of non-current assets, and income in connection with damages payments. The non-operating income for the first half of 2011/2012 mainly consists of an amount of € 0.7 million due to write-ups in the real estate segment. Of this sum, € 0.4 million relates to a piece of land held for sale and € 0.3 million to a piece of land disposed of in the current financial year. The write-ups have been based on contractually agreed sale prices. The non-operating income for the first half of 2010/2011 resulted from the sale of a DIY store property. This was leased back on a long-term basis together with the relevant land within the framework of an operating lease. There is the option of extending the letting period following expiry of the fixed term. The DIY store property and land were previously classified as held for sale.

The other expenses for the first half of 2011/2012 consist of operating expenses of € 2.5 million (previous year: € 2.5m) and non-operating expenses of € 1.5 million (previous year: € 0.7m). Operating expenses mainly involve write-downs of receivables, losses incurred in connection with damages and disposals of non-current assets. The non-operating expenses for the first half of 2011/2012 include an amount of € 0.7 million for the redevelopment agreement intended for historic burdens in connection with a DIY property owned by the Group (previous year: € 0.0m) and an amount of € 0.2 million to remedy defects on a property already sold (previous year: € 0.4m). Furthermore, this item also includes expenses of € 0.5 million for investment projects not subject to further development (previous year: € 0.1m) and impairment losses of € 0.1 million due to the write-down of a property held for sale to its expected net sales proceeds (previous year: € 0.0m). The impairment losses have been recognized in the "HORNBACH-Baumarkt-AG subgroup" segment. The previous year's figure also includes expenses of € 0.2 million for the sale of the piece of land disposed of in the sale and leaseback transaction referred to above.

(5) 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 HOLDING 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.

Bonus shares were issued to all shareholders in HORNBACH HOLDING AG at a ratio of 1:1 on July 29, 2011 (please also see Note 7). The total numbers of preference and ordinary shares have doubled from 4,000,000 to 8,000,000 in each case. At the same time, preference shareholders' additional dividend claims have remained unchanged overall. The additional dividend claim per share for preference shareholders has thus halved from € 0.06 to € 0.03. The calculation of earnings per share has been retrospectively adjusted to account for this change.

	2nd Quarter 2011/2012	2nd Quarter 2010/2011
Consolidated net income in € million	39.4	42.8
Additional dividend for preference shares in € million	0.2	0.2
Consolidated net income adjusted to account for additional dividend claims in € million	**39.1**	**42.6**
Number of ordinary shares issued	8,000,000	8,000,000
Number of preference shares issued	8,000,000	8,000,000
	16,000,000	**16,000,000**
Earnings per share in €	**2.44**	**2.66**
Additional dividend claim per preference share in €	0.03	0.03
Earnings per preference share in €	**2.47**	**2.69**

	1st Half 2011/2012	1st Half 2010/2011
Consolidated net income in € million	78.3	72.6
Additional dividend for preference shares in € million	0.2	0.2
Consolidated net income adjusted to account for additional dividend claims in € million	**78.1**	**72.4**
Number of ordinary shares issued	8,000,000	8,000,000
Number of preference shares issued	8,000,000	8,000,000
	16,000,000	**16,000,000**
Earnings per share in €	**4.88**	**4.52**
Additional dividend claim per preference share in €	0.03	0.03
Earnings per preference share in €	**4.91**	**4.55**

Rounding up or down may lead to discrepancies between totals.

(6) Other disclosures

The personnel expenses of the HORNBACH HOLDING AG Group amounted to € 264.0 million at the end of the first half as of August 31, 2011 (previous year: € 245.4m).

Depreciation and amortization totaling € 36.2 million was recognized on intangible assets and property, plant and equipment at the HORNBACH HOLDING AG Group in the first half of the 2011/2012 financial year (previous year: € 33.7m).

(7) Shareholders' equity

One of the resolutions adopted by the Annual General Meeting of HORNBACH HOLDING AG held on July 8, 2011 involved increasing the company's share capital from company funds by issuing bonus shares. The resolution and corresponding amendment to the Articles of Association have since been entered in the Commercial Register. The bonus shares have been accounted for in the company's stock market listing since July 29, 2011.

Due to the issue of bonus shares at a ratio of 1:1, the total number of HORNBACH HOLDING AG shares has doubled. The share capital of HORNBACH HOLDING AG, now also doubled, amounts to € 48,000,000.00 and is divided into 8,000,000 individual preference shares and 8,000,000 individual ordinary shares, each with a prorated nominal value of € 3.00 per share.

(8) Dividends

As proposed by the Board of Management and Supervisory Board of HORNBACH HOLDING AG, following approval by the Annual General Meeting on July 8, 2011, dividends of € 1.28 per ordinary share and € 1.34 per preference share were distributed to shareholders for the 2010/2011 financial year.

(9) Financial debt

In the first half of the previous year, the HORNBACH-Baumarkt-AG subgroup concluded promissory note bond agreements with a total volume of € 120 million in two tranches.

The first tranche involves two promissory note bonds with an equivalent value of € 20 million each, which were taken up in CZK and CHF respectively at the end of the first half of the 2010/2011 financial year. These promissory note bonds have floating interest rates based on the 6-month CZK PRIBOR and CHF LIBOR, plus a bank margin, and are due for repayment at the end of a five-year term. The funds serve to refinance investments made in the respective currencies.

The second tranche relates to a syndicated credit line of € 80 million to be utilized in the form of a (forward) promissory note bond with a five-year term from June 30, 2011. The funds are to be used to refinance the existing promissory note bond. Commitment interest had to be paid for the period until this promissory note bond, which is repayable upon maturity, was drawn down. Following drawdown, the promissory note bond has a floating interest rate based on the 6-month EURIBOR, plus a bank margin. The syndicated credit line was drawn down by way of the aforementioned promissory note bond on schedule as of June 30, 2011.

Customary bank covenants were agreed for the promissory note bonds. By analogy with the existing syndicated 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, maximum limits were also agreed, particularly in respect of financing facilities secured by land charges and the taking up of financial debt by subsidiaries of HORNBACH-Baumarkt-AG.

To secure the level of interest, congruent swaps and a forward swap were also agreed upon the conclusion of the aforementioned promissory note bond agreements. These interest swaps enable the floating interest payments based on the 6-month CZK PRIBOR, CHF LIBOR and EURIBOR rates, payable in each case on a half-yearly basis throughout the terms, to be converted into secured fixed interest payments. As each of these promissory note bond transactions meets the requirements for hedge accounting, changes in the value of the swaps are reported in the hedging reserve.

(10) Employee shares

On June 27, 2011, 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 25,000 treasury stock shares. Accounting for the bonus shares (please see Note 7), this corresponds to 50,000 individual shares. These shares are to be acquired for the (annual) issue of employee shares scheduled to take place at the end of 2011.

The repurchase 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.

The repurchase of shares began on July 8, 2011 and is limited until December 31, 2011. A total of 35,406 treasury stock shares had been acquired as of August 31, 2011.

(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 HOLDING AG Group do not constitute the economic owners of the assets thereby leased pursuant to IFRS regulations (Operating Lease). These amounted to € 717.7 million at the end of the first half of 2011/2012 (February 28, 2011: € 736.2m).

(12) Related party disclosures

In addition to the subsidiaries included in the consolidated financial statements, HORNBACH HOLDING AG also has direct or indirect relationships with associated companies when performing its customary business activities. Apart from the transactions reported in the annual financial statements, no major transactions were undertaken with closely related companies and persons during the first half of 2011/2012.

(13) Segment report

1st Half 2011/2012 in € million 1st Half 2010/2011 in € million	HORNBACH-Baumarkt-AG subgroup	HORNBACH Baustoff Union GmbH subgroup	HORNBACH Immobilien AG subgroup	Headquarters and consolidation	HORNBACH HOLDING AG Group
Segment sales	**1,667.6**	**111.9**	**34.5**	**(33.6)**	**1,780.2**
	1,555.2	101.5	31.8	(31.7)	1,656.8
Sales to third parties	1,667.0	111.3	0.0	0.0	1,778.3
	1,554.7	100.3	0.0	0.0	1,655.0
Sales to affiliated companies	0.0	0.5	0.0	(0.5)	0.0
	0.0	1.2	0.0	(1.2)	0.0
Rental income from third parties	0.5	0.0	1.4	0.0	1.9
	0.5	0.0	1.3	0.0	1.8
Rental income from affiliated companies	0.0	0.0	33.1	(33.1)	0.0
	0.0	0.0	30.5	(30.5)	0.0
Segment earnings (EBIT)	**132.2**	**4.8**	**22.3**	**(1.6)**	**157.8**
	117.5	4.0	19.7	(1.2)	140.0
Depreciation and amortization/write-ups	**26.9**	**2.4**	**6.4**	**0.0**	**35.6**
	26.1	2.1	6.0	(0.5)	33.7
EBITDA	**159.1**	**7.2**	**28.7**	**(1.6)**	**193.4**
	143.6	6.0	25.7	(1.7)	173.7
Segment assets	**1,735.3**	**123.3**	**487.8**	**26.1**	**2,372.6**
	1,615.6	114.7	466.5	21.0	2,217.8
of which: credit balances at banks	512.5	1.2	4.9	23.9	542.5
	478.1	0.8	35.9	18.5	533.2

Reconciliation in € million	1st Half 2011/2012	1st Half 2010/2011
Segment earnings (EBIT) before "Headquarters and consolidation"	159.4	141.1
Headquarters	(1.4)	(1.4)
Consolidation adjustments	(0.2)	0.2
Net financial expenses	(21.7)	(13.9)
Consolidated earnings before taxes	**136.1**	**126.0**

Rounding up or down may lead to discrepancies between totals.

RESPONSIBILITY STATEMENT

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

Neustadt an der Weinstrasse, September 27, 2011

The Board of Management of HORNBACH HOLDING AG

Albrecht Hornbach Roland Pelka

REVIEW REPORT

To Hornbach Holding Aktiengesellschaft, Neustadt/Weinstrasse

We have reviewed the condensed interim consolidated financial statements – comprising the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement, and selected explanatory notes - and the interim group management report of Hornbach Holding Aktiengesellschaft, Neustadt/Weinstrasse, for the period from March 1 to August 31, 2011, which are part of the half-year financial report according to § 37 w WpHG ["Wertpapierhandelsgesetz": "German Securities Trading Act"]. The preparation of the condensed interim consolidated financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report prepared in accordance with the regulations of the German Securities Trading Act applicable to interim group management reports is the responsibility of the Company's management. Our responsibility is to issue a review report on these condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and conduct the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material aspects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material aspects, in accordance with the regulations of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the regulations of the German Securities Trading Act applicable to interim group management reports.

Frankfurt am Main, September 27, 2011

KPMG AG Wirtschaftsprüfungsgesellschaft

Bertram	Kunisch
Auditor	Auditor

FINANCIAL CALENDAR 2011/2012

September 29, 2011	Half-Year Financial Report 2011/2012 as of August 31, 2011 DVFA Analysts' Conference
December 22, 2011	Interim Report: 3rd Quarter of 2011/2012 as of November 30, 2011
March 22, 2012	Trading Statement 2011/2012
May 24, 2012	Annual Results Press Conference 2011/2012 Publication of Annual Report

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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.