

HORNBACH Holding AG & Co. KGaA  
Group

Q3/9M  
2019/20

Quarterly Statement  
as of November 30, 2019

**HORNBACH**   
Holding

# HORNBAACH HOLDING AG & CO. KGAA GROUP

## Statement on 3<sup>rd</sup> Quarter and 1<sup>st</sup> Nine Months of 2019/20 (March 1 - November 30, 2019)

Key Figures of the HORNBAACH HOLDING AG & Co. KGaA Group (in € million, unless otherwise stated)	3 <sup>rd</sup> Quarter 2019/20	3 <sup>rd</sup> Quarter 2018/19	Change in %	Nine Months 2019/20	Nine Months 2018/19	Change in %
<b>Net sales</b>	<b>1,139.4</b>	<b>1,084.9</b>	<b>5.0</b>	<b>3,745.3</b>	<b>3,475.5</b>	<b>7.8</b>
of which: in Germany	608.5	589.8	3.2	2,020.7	1,899.7	6.4
of which: in other European countries	530.9	495.1	7.2	1,724.7	1,575.7	9.5
Like-for-like sales growth (DIY)	4.6 %	6.2 %		7.1 %	3.8 %	
Gross margin as % of net sales	35.0 %	35.0 %		35.6 %	35.8 %	
EBITDA	88.5	48.2	83.5	383.8	261.1	47.0
<b>EBIT</b>	<b>41.3</b>	<b>20.9</b>	<b>97.7</b>	<b>240.6</b>	<b>181.7</b>	<b>32.5</b>
<b>Adjusted EBIT</b>	<b>41.8</b>	<b>19.7</b>	<b>&gt;100</b>	<b>240.2</b>	<b>180.6</b>	<b>33.0</b>
Consolidated earnings before taxes	30.4	16.1	89.1	205.9	165.8	24.2
Consolidated net income	23.4	11.8	98.3	156.1	122.1	27.9
Basic/diluted earnings per share (€)	1.30	0.72	80.6	8.02	6.26	28.1
Investments	24.7	21.7	13.7	104.2	158.3	(34.2)

Misc. key figures of the HORNBAACH HOLDING AG & Co. KGaA Group (in € million, unless otherwise stated)	November 30, 2019	February 28, 2019	Change in %
Total assets	4,034.0	3,011.5	34.0
Shareholders' equity	1,630.6	1,507.1	8.2
Shareholders' equity as % of total assets	40.4 %	50.0 %	
Number of employees	21,465	21,055	1.9

Figures for 2019/20 financial year take due account of first-time application of new IFRS 16 lease accounting requirements. Previous year's figures not adjusted. Rounding up or down may lead to discrepancies between percentages and totals. Calculation of percentage figures based on € 000s.

<sup>1)</sup> Including minority interests pursuant to IFRS

## Summary

### High customer demand and improved cost ratios boost earnings

- Consolidated sales up 7.8 % to € 3.75 billion in first nine months of 2019/20 financial year
  - DIY stores and garden centers increase currency-adjusted like-for-like sales by 7.1 %
  - Builders' merchant business boosts sales by 12.4 % in first nine months of 2019/20
- After significant earnings growth in third quarter, nine-month adjusted EBIT rises 33.0 % to € 240.2 million
- Board of Management raises full-year forecast for 2019/20

The HORNBACH Group maintained its growth course in the first nine months of the 2019/20 financial year. Consolidated sales for the period from March 1 to November 30, 2019 grew by 7.8 % to € 3,745.3 million (2018/19: € 3,475.5 million). The largest operating subgroup, HORNBACH Baumarkt AG, increased its nine-month sales by 7.5 % to € 3,499.3 million (2018/18: € 3,256.1 million). This was due not least to a pleasing sales performance in the third quarter of 2019/20 (September 1 to November 30), in which sales rose by 4.8 % to € 1,054.5 million (2018/19: € 1,006.4 million). On a like-for-like basis and net of currency items, the subgroup's sales increased by 4.6 % in the third quarter (Q3) and by 7.1 % in the first nine months (9M), with growth momentum coming from both the stationary and the online business. DIY retail activities in Germany contributed to the subgroup's growth with like-for-like increases of 3.3 % in Q3 and 6.2 % in the first nine months of 2019/20. In other European countries, like-for-like sales net of currency items showed growth rates of plus 5.9 % (Q3) and plus 8.1 % (9M). Sales at the HORNBACH Baustoff Union GmbH subgroup rose by 8.5 % to € 84.5 million in the third quarter and by 12.4 % to € 244.8 million in the first nine months of 2019/20.

Thanks above all to dynamic demand from DIY customers in all countries across Europe in which HORNBACH operates, as well as to improved cost ratios, the Group's key earnings figures for the first nine months of 2019/20 showed clearly disproportionate growth compared with sales. Furthermore, positive conversion effects resulting from first-time application of the new IFRS 16 lease accounting requirements also contributed to the Group's EBIT growth. EBIT adjusted to exclude non-operating earnings items more than doubled to € 41.8 million in the third quarter (2018/19: € 19.7 million) and rose by 33.0 % to € 240.2 million in the first nine months of 2019/20 (2018/19: € 180.6 million). Earnings per share amounted to € 1.30 in the quarter under report (2018/19: € 0.72) and to € 8.02 in the nine-month period (2018/19: € 6.26). Given the significant earnings growth in the third quarter, the Board of Management raised the full-year earnings forecast for 2019/20.

## Earnings, Financial, and Asset Position

### Seasonal and calendar-related factors

#### Impact of weather conditions

The fall of 2019, which brought highly changeable weather in some areas, was milder and slightly wetter than the long-term average. Following a very warm and dry summer, the long hoped-for precipitation only arrived at the end of September. During a mild October and a November 2019 which became increasingly windy only toward the end of the month, weather conditions in many areas were mostly favorable for construction and renovation projects.

#### Number of business days

The third quarter and cumulatively the first nine months of 2019/20 (March 1 to November 30, 2019) had the same Group-wide average number of business days as in the previous year's respective periods.

### First-time application of new IFRS 16 accounting standard from March 1, 2019

The HORNBAACH Holding AG & Co. KGaA Group is applying the new IFRS 16 lease accounting requirements from the 2019/20 financial year onwards. This has led to amendments in the statement of items in the balance sheet and income statement of the HORNBAACH Group.

IFRS 16 basically requires all leases to be recognized in the balance sheet. At HORNBAACH, this particularly affects those real estate letting arrangements for our retail properties in Germany and abroad that were previously classified as operating leases. The recognition of these arrangements in the balance sheet has significantly increased the volume of right-of-use assets and lease liabilities. Based on the lease contracts recognized and measured as of March 1, 2019, application of IFRS 16 has resulted in the following material conversion effects in the balance sheet:

Key balance sheet figures HORNBAACH Holding AG & Co. KGaA Group (status: March 1, 2019)	Carrying amount February 28, 2019 € million	Carrying amount March 1, 2019 € million	IFRS 16 conversion effect (ceteris paribus) € million
Right-of-use assets	149.0	816.5	667.5
Lease liabilities	164.0	854.0	690.0

Within the income statement, most of the rental payments made for operating lease contracts were previously included within selling and store expenses. Since March 1, 2019, rather than rental expenses the company has recognized depreciation of right-of-use assets (selling and store expenses) and interest expenses for lease liabilities (net financial expenses). Assuming that all other factors remain unchanged ("ceteris paribus"), this will significantly increase EBIT. At the same time, the future recognition of interest expenses will place a significant charge on net financial expenses and earnings before taxes.

The following table summarizes the material currency-adjusted conversion effects resulting from IFRS 16 as recognized in the income statement for the first nine months of 2019/20 and for the 2019/20 financial year:

Key income statement figures HORNBAACH Holding AG & Co. KGaA Group (status: March 1, 2019)	IFRS 16 conversion effect Nine Months 2019/20 € million	IFRS 16 conversion effect 2019/20 financial year € million
Depreciation and amortization	58.2	77.0
<b>Adjusted EBIT</b>	<b>9.5</b>	<b>12.7</b>
Net financial expenses	(14.9)	(19.9)
<b>Earnings before taxes</b>	<b>(5.3)</b>	<b>(7.1)</b>

Differences due to rounding up or down to nearest € million

## Sales performance of the HORNBACK Group

The HORNBACK Holding AG & Co. KGaA Group (HORNBACK Group) comprises the HORNBACK Baumarkt AG, HORNBACK Baustoff Union GmbH, and HORNBACK Immobilien AG subgroups. Sales at the HORNBACK Group rose by 5.0 % to € 1,139.4 million (2018/19: € 1,084.9 million) in the third quarter of the 2019/20 financial year (September 1 to November 31, 2019) and by 7.8 % to € 3,745.3 million in the first nine months (2018/19: € 3,475.5 million).

### HORNBACK Baumarkt AG subgroup

The third quarter of 2019/20 witnessed the opening of two new DIY stores with garden centers in Prešov (Slovakia) and Kristianstad (Sweden). One small-scale location was closed in Neunkirchen (Saarland) at the end of August. As of November 30, 2019, the HORNBACK Baumarkt AG subgroup therefore operated a total of 159 retail outlets (February 28, 2019: 158) with sales areas of 1.87 million m<sup>2</sup>, of which 96 stores in Germany and 63 in other European countries.

The HORNBACK Baumarkt AG subgroup can report a very pleasing sales performance for the period under report. Based on growth of 7.5 % in the previous year's quarter, the subgroup's sales for the third quarter of 2019/20 grew by 4.8 % to € 1,054.5 million (2018/19: € 1,006.4 million). On a like-for-like basis and net of currency items [[Brief Glossary](#) on Page 10], subgroup-wide sales in Q3 increased by 4.6 % (2018/19: plus 6.2 %); including currency items, sales rose by 4.7 % (2018/19: plus 6.0 %). In the nine-month period, the subgroup improved its sales by 7.5 % to € 3,499.3 million (2018/19: € 3,256.1 million). On a like-for-like basis, subgroup-wide net sales rose by 7.1 % excluding currency items (2018/19: plus 3.8 %) and by 7.2 % including currency items (2018/19: plus 3.3 %).

Sales at the HORNBACK DIY stores with garden centers in Germany in the first nine months of 2019/20 were significantly ahead of the equivalent figures for the previous year, as well as of the DIY sector average. As a result, the Germany region edged closer to the high level of growth in the Other European Countries region. At the end of the first three quarters, the international share of the subgroup's sales amounted to 49.1 % (2018/19: 48.2 %). The table below presents key sales performance data for the first three quarters of 2019/20:

### Sales performance (DIY) by quarter

Key figures of the HORNBACK Baumarkt AG Group (in € million, unless otherwise stated)	1 <sup>st</sup> Quarter 2019/20	2 <sup>nd</sup> Quarter 2019/20	3 <sup>rd</sup> Quarter 2019/20	Nine Months 2019/20
<b>Net sales</b>	<b>1,260.7</b>	<b>1,184.0</b>	<b>1,054.5</b>	<b>3,499.3</b>
Year-on-year change (in %)	8.5	8.9	4.8	7.5
Like-for-like sales growth (in %) <sup>1)</sup>	7.8	8.8	4.6	7.1
<b>Net sales in Germany region</b>	<b>654.1</b>	<b>601.7</b>	<b>526.2</b>	<b>1,782.1</b>
Year-on-year change (in %)	6.8	7.2	2.4	5.6
Like-for-like sales growth (in %)	6.9	8.0	3.3	6.2
Domestic share of consolidated sales (in %)	51.9	50.8	49.9	50.9
<b>Net sales in Other European Countries region</b>	<b>606.6</b>	<b>582.3</b>	<b>528.3</b>	<b>1,717.2</b>
Year-on-year change (in %)	10.4	10.6	7.2	9.5
Like-for-like sales growth (in %) <sup>1)</sup>	8.7	9.6	5.9	8.1
International share of consolidated sales (in %)	48.1	49.2	50.1	49.1

<sup>1)</sup> Excluding currency items

### HORNBACK Baustoff Union GmbH subgroup

The HORNBACK Baustoff Union GmbH (HBU) subgroup operated a total of 31 builders' merchant outlets in south-western Germany and at two locations close to the border in France (Lorraine) as of November 30, 2019 (2018/19: 28). In the third quarter of 2019/20, HBU increased its sales by 8.5 % to € 84.5 million (2018/19: € 77.9 million). On a cumulative basis for the first nine months, the subgroup raised its net sales by 12.4 % to € 244.8 million (2018/19: € 217.7 million).

## Earnings performance

Key figures of the HORNBAACH Holding AG & Co. KGaA Group (in € million, unless otherwise stated)	3 <sup>rd</sup> Quarter 2019/20	3 <sup>rd</sup> Quarter 2018/19	Change in %	Nine Months 2019/20	Nine Months 2018/19	Change in %
<b>Net sales</b>	<b>1,139.4</b>	<b>1,084.9</b>	<b>5.0</b>	<b>3,745.3</b>	<b>3,475.5</b>	<b>7.8</b>
Gross profit	398.3	379.2	5.0	1,332.9	1,244.9	7.1
Gross margin as % of net sales <sup>1)</sup>	35.0	35.0	0 bp	35.6	35.8	(20) bp
EBITDA [ <a href="#">Brief Glossary</a> on Page 10]	88.5	48.2	83.5	383.8	261.1	47.0
<b>Operating earnings (EBIT)</b>	<b>41.3</b>	<b>20.9</b>	<b>97.7</b>	<b>240.6</b>	<b>181.7</b>	<b>32.5</b>
Non-operating income	0.0	1.2		1.4	2.4	
Non-operating expenses	0.5	0.0		1.0	1.4	
Adjusted EBIT [ <a href="#">Brief Glossary</a> on Page 10]	<b>41.8</b>	<b>19.7</b>	<b>&gt;100</b>	<b>240.2</b>	<b>180.6</b>	<b>33.0</b>
Consolidated earnings before taxes (EBT)	30.4	16.1	89.1	205.9	165.8	24.2
Consolidated net income	23.4	11.8	98.3	156.1	122.1	27.9
Store expenses as % of net sales <sup>1)</sup>	26.6	27.8	(120) bp	24.8	25.8	(100) bp
Pre-opening expenses as % of net sales <sup>1)</sup>	0.2	0.1	10 bp	0.2	0.2	0 bp
Administration expenses as % of net sales <sup>1)</sup>	5.0	5.4	(40) bp	4.6	4.8	(20) bp

Figures for 2019/20 financial year take due account of first-time application of new IFRS 16 lease accounting requirements. Previous year's figures not adjusted. Rounding up or down may lead to discrepancies between percentages and totals. Calculation of percentage figures based on € 000s.

<sup>1)</sup> Year-on-year change in base points (bp)

The following information refers to the earnings performance of the overall HORNBAACH Holding AG & Co. KGaA Group.

### 3<sup>rd</sup> quarter of 2019/20 (September 1 to November 30, 2019)

Key data concerning the earnings performance of the HORNBAACH Group in the third quarter:

- Gross profit increased in line with sales, rising by 5.0 % to € 398.3 million (2018/19: € 379.2 million). The **gross margin** [[Brief Glossary](#) on Page 11], i.e. gross profit expressed as a percentage of net sales, remained unchanged at 35.0 %.
- Selling and store expenses rose by 0.6 %, and thus notably more slowly than sales. The **store expense ratio** [[Brief Glossary](#) on Page 11] fell by around 120 base points in total from 27.8 % to 26.6 %. Of this reduction, around 90 base points were due to operating enhancements and around 30 base points to the (positive) IFRS 16 conversion effect. Due to the Group's expansion, the **pre-opening expense ratio** [[Brief Glossary](#) on Page 11] rose from 0.1 % to 0.2 %. At € 56.6 million, administration expenses in the quarter under report were 3.6 % lower than the previous year's figure (€ 58.7 million). As a result, the **administration expense ratio** [[Brief Glossary](#) on Page 11] fell from 5.4 % to 5.0 %.
- Benefiting from operating earnings improvements and the positive conversion effect resulting from first-time application of IFRS 16, earnings before interest, taxes, depreciation and amortization (**EBITDA**) rose by 83.5 % to € 88.5 million in the third quarter of 2019/20 (2018/19: € 48.2 million). Operating earnings (**EBIT**) surged by 97.7 % to € 41.3 million (2018/19: € 20.9 million). The figure for the quarter under report includes non-operating expenses of € 0.5 million, contrasting with the non-operating income of € 1.2 million included in the figure for the previous year's quarter. EBIT adjusted to exclude non-operating earnings items (**adjusted EBIT**) more than doubled to € 41.8 million (2018/19: € 19.7 million). Of this earnings growth, € 18.9 million (86 %) was attributable to the operating business while the IFRS 16 conversion effect contributed around € 3.2 million (14 %).
- **Net financial expenses** decreased from minus € 4.8 million to minus € 10.9 million, a development mainly due to the first-time recognition of the interest portion of lease expenses (IFRS 16), which accounted for around minus € 5.0 million in the quarter under report.
- **Consolidated earnings before taxes (EBT)** increased by 89.1 % to € 30.4 million (2018/19: € 16.1 million). **Consolidated net income** virtually doubled to € 23.4 million (2018/19: € 11.8 million). Third-quarter **earnings per share** are reported at € 1.30 (2018/19: € 0.72).

### First nine months of 2019/20

Thanks to the earnings growth achieved in the third quarter, the upward trend in key earnings figures at the HORNBACH Group continued in the first nine months (March 1 to November 30, 2019). This was principally due the growth in like-for-like sales net of currency items in conjunction with significantly better cost ratios in the DIY retail business.

Operating earnings (**EBIT**) for the nine-month period rose by 32.5% to € 240.6 million (2018/19: € 181.7 million). **Adjusted EBIT** showed cumulative growth of 33.0% to € 240.2 million (2018/19: € 180.6 million). Of this increase, € 50.1 million (84%) was due to the operating business and € 9.5 million (16%) to the IFRS 16 conversion effect. The adjusted EBIT margin rose year-on-year from 5.2% to 6.4%. Mainly as a result of IFRS 16 (negative effect in first nine months of 2019/20: € 14.9 million), cumulative **net financial expenses** fell from minus € 15.9 million to minus € 34.7 million.

Despite the negative IFRS 16 conversion effect of € 5.3 million, **consolidated earnings before taxes** increased by 24.2% to € 205.9 million (2018/19: € 165.8 million). Based on a tax rate of 24.2% (2018/19: 26.4%), **consolidated net income** grew to € 156.1 million (2018/19: € 122.1 million). Cumulative **earnings per Holding share** came to € 8.02 (2018/19: € 6.26).

### Earnings performance in the first nine months of 2019/20 by segment

Operating earnings (EBIT) at the **HORNBACH Baumarkt AG subgroup** rose by 47.8% to € 199.9 million (2018/19: € 135.2 million). Adjusted EBIT showed cumulative growth of 49.5% to € 200.9 million (2018/19: € 134.3 million). Of this increase, € 50.4 million (76%) was due to the operating business and € 16.1 million (24%) to the IFRS 16 conversion effect. The adjusted EBIT margin rose year-on-year from 4.1% to 5.7%. Further details on this subgroup's earnings performance can be found in its separately published Quarterly Statement.

At € 6.4 million, EBIT at the **HORNBACH Baustoff Union GmbH subgroup** almost matched the previous year's figure (2018/19: € 6.6 million). This development was mainly due to a lower gross margin and slightly disproportionate growth in store expenses. Excluding non-operating income of € 0.9 million from the sale of pieces of land in the second quarter, the subgroup's adjusted EBIT for the first nine months of 2019/20 fell by 17.8% to € 5.5 million. There were no non-operating items in the previous year.

Nine-month EBIT at the **HORNBACH Immobilien AG subgroup** grew by 1.4% to € 43.1 million (2018/19: € 42.5 million). Excluding non-operating disposal gains of € 7k (2018/19: € 142k), adjusted EBIT rose by 1.8% to € 43.1 million (2018/19: € 42.3 million).

## Financial and asset position

### Financial position

#### Bond issue at HORNBACK Baumarkt AG in October 2019

On October 17, 2019, HORNBACK Baumarkt AG placed a **corporate bond** with a volume of € 250 million and a seven-year term (ISIN DE000A255DH9). Based on a coupon of 3.250 % p.a. and an issue price of 99.232 %, the yield on the security, which was issued in denominations of € 100,000, amounted to 3.375 % p.a. The bond is guaranteed by Hornbach International GmbH and was admitted for trading on the Regulated Market at the Luxembourg Stock Exchange on October 25, 2019. The issue proceeds are to be used in particular to refinance the company's existing bond (ISIN DE000A1R02E0), which is due to mature on February 15, 2020.

#### Investing and financing activities

**Investments** fell to € 104.2 million in the first nine months of 2019/20, down from € 158.3 million in the previous year's period. It should be noted that total investments in the previous year included the acquisition of a piece of land with buildings in Switzerland (Q1 2018/19) as well as the buyback of two stores previously leased in the Greater Berlin region (Q2 2018/19). Total investments for the first nine months of 2019/20 include the buyback of a DIY store property (Chemnitz) by HORNBACK Immobilien AG. At € 62.1 million, around 60 % of investments were channeled into land and buildings, while the remainder related to plant and office equipment at new and existing stores and to intangible assets (mainly IT software).

The **cash flow from operating activities** rose from € 169.2 million to € 346.9 million in the first nine months of 2019/20. This was mainly due to the increase in consolidated net income, as well as to the significant improvement in working capital from minus € 30.6 million in the previous year's period to plus € 48.0 million. Furthermore, the figure for the period under report includes depreciation of € 70.1 million recognized on right-of-use assets (2018/19: € 9.4 million). The **outflow of funds for investing activities** rose from € 154.3 million to € 342.6 million in the first nine months of 2019/20. Here, the lower outflow of funds for investments in the period under report was countered by reclassifications of liquid funds amounting to € 247.1 million (2018/19: none) – these mainly resulting from the issue of the new corporate bond – to current financial assets with terms of more than three months. Including inflows of € 248.1 million from taking up financial loans (2018/19: € 95.0 million) and outflows of € 63.6 million to repay current and non-current lease liabilities (2018/19: € 7.8 million), the **inflow of funds from financing activities** amounted to € 143.1 million in the first nine months of 2019/20 (2018/19: € 49.6 million). Cash and cash equivalents increased over the nine-month period from € 228.5 million to their current level of € 464.3 million.

Detailed information about the financing and investing activities of the HORNBACK Group can be found in the cash flow statement on Page 16.

#### Asset position

Total assets at the HORNBACK Group grew by 34.0 % to € 4,034 million as of November 30, 2019 (balance sheet date on February 28, 2019: € 3,011.5 million). The principal reason for this increase was the first-time recognition of right-of-use assets for leased properties and of lease liabilities pursuant to IFRS 16. Shareholders' equity as posted in the balance sheet rose to € 1,630.6 million, up 8.2 % compared with the previous reporting date. At 40.4 %, the **equity ratio** [→ [Brief Glossary](#) on Page 11] remained at a high level (February 28, 2019: 50.0 %). **Net financial debt** [→ [Brief Glossary](#) on Page 11] rose from € 623.7 million to € 1,101.2 million. This was chiefly due to the increase in current and non-current lease liabilities resulting from application of IFRS 16. Excluding lease liabilities, net financial debt fell by 34.1 % to € 302.8 million as of November 30, 2019 (February 28, 2019: € 459.7 million).



## Other Disclosures

### Employees

A total of 21,465 employees across Europe were in fixed employment at the HORNBACH Holding AG & Co. KGaA Group as of the reporting date on November 30, 2019 (February 28, 2019: 21,055).

### Statement of figures

Figures have been rounded up or down to the nearest million euro amount. Such rounding up or down may result in minor discrepancies between the various presentations. Percentages have been calculated on the basis of thousand euro figures.

## Outlook

### Sales forecast confirmed

The Board of Management confirmed the sales forecast for the 2019/20 financial year most recently updated in the half-year financial report. Consolidated sales are therefore still expected to show growth in a medium to upper single-digit percentage range.

### Earnings forecast raised for the HORNBACH Group

The significant earnings growth for the third quarter and cumulatively for the first nine months makes it more likely that full-year earnings for 2019/20 will exceed recent expectations. Despite potential weather-related fluctuations and macroeconomic risks in the fourth quarter of 2019/20 (December 1, 2019 to February 29, 2020), the Board of Management has raised the earnings forecast of the HORNBACH Group for the 2019/20 financial year. Adjusted EBIT (2018/19: € 134.9 million) is now expected to show growth in a low to medium double-digit range (previously: "by more than 20 %). Earnings stand to be boosted above all by like-for-like DIY sales growth and improved cost ratios in the operating business. Furthermore, we still expect EBIT for the 2019/20 financial year to benefit on a scale of around € 12.7 million from the first-time application of IFRS 16 (basis for calculation: March 1, 2019).

## Brief Glossary of Key Performance Figures

In this quarterly statement we also refer to the following key performance figures that are not defined under IFRS to comment on our asset, financial, and earnings position. These figures should also be viewed in the overall context of the information published in the Annual Report concerning the Group's management system.

<b>Like-for-like sales net of currency items (change in %)</b>	<i>Alternative key performance figure to measure the operating business performance and indicate the organic growth achieved by our retail activities (stationary stores and online shops)</i>	The calculation of like-for-like sales is based on all DIY stores with garden centers that have been in operation for at least one full year. No account is taken of stores newly opened, closed, or subject to substantial conversion measures in the past twelve months. Like-for-like sales are calculated excluding sales tax (net) and based on the local currency for the reporting period under comparison (currency-adjusted). The rate of change in like-for-like sales net of currency items is therefore a performance indicator independent of exchange rate factors. On a euro basis, like-for-like sales are also calculated including currency items for those countries in our European store network that have currencies other than the euro.
<b>EBITDA</b>	<i>Alternative key performance figure to comment on earnings performance</i>	EBITDA stands for earnings before interest, taxes, depreciation and amortization (on property, plant and equipment and on intangible assets). EBITDA is a cash flow-based figure, as depreciation and amortization, which do not impact on liquidity, are added to operating earnings (EBIT).
<b>Adjusted EBIT</b>	<i>Major key performance figure to comment on operating earnings performance</i>	To calculate this key figure, EBIT is adjusted to exclude non-operating earnings items. Non-operating expenses (e.g. impairment losses on assets, additions to provisions for onerous contracts) are added to EBIT, while non-operating income (e.g. income from disposals of properties, income from write-ups of assets impaired in previous years) are deducted. Adjusted EBIT is therefore particularly useful for management purposes and for comparing the operating earnings performance over time or in forecasts.

<b>Cost ratios</b>	<i>Alternative key performance figures for the development in store, pre-opening, and administration expenses as a percentage of net sales</i>	<p>The <b>store expense ratio</b> is obtained by dividing selling and store expenses by net sales. Selling and store expenses comprise those costs incurred in connection with the operation of stationary DIY stores with garden centers and the online shops. They mainly include personnel expenses, costs of premises, and advertising expenses, as well as depreciation, amortization, and general operating expenses, such as transport expenses, service and maintenance.</p> <p>The <b>pre-opening expense ratio</b> is calculated by dividing pre-opening expenses by net sales. Costs incurred in connection with and upon the construction of a new stationary DIY store with a garden center through to opening are reported as pre-opening expenses. Pre-opening expenses largely comprise personnel expenses, costs of premises, and administration expenses.</p> <p>The <b>administration expense ratio</b> is the quotient of administration expenses and net sales. Administration expenses include all administrative expenses incurred in connection with the operation or construction of stationary DIY stores with garden centers and with the development and operation of online retail (e-commerce) and which cannot be directly allocated to such. They mainly consist of personnel expenses, legal and advisory expenses, depreciation and amortization, costs of premises, and IT, travel, and vehicle expenses. As well as purely administrative expenses, they also include project-related expenses and in particular the expenses incurred for the increasing digitalization of our business model (multichannel retail).</p>
<b>Equity ratio</b>	<i>Alternative key performance figure to comment on asset position</i>	The equity ratio is derived by dividing shareholders' equity as reported in the balance sheet (equity posted) by total capital (balance sheet total).
<b>Net financial debt</b>	<i>Alternative key performance figure to comment on financial position</i>	This key figure is calculated as total current and non-current financial debt less cash and cash equivalents and – where applicable – less current financial assets.
<b>Gross margin</b>	<i>Further key performance figure to comment on earnings performance</i>	The gross margin is defined as gross profit (net balance of sales and cost of goods sold) as a percentage of net sales. This key management figure is chiefly influenced by developments in procurement and retail prices, changes in the product mix, and currency items resulting from international procurement.

## Income Statement

€ million	3 <sup>rd</sup> Quarter 2019/20	3 <sup>rd</sup> Quarter 2018/19	Change in %	Nine Months 2019/20	Nine Months 2018/19	Change in %
Sales	1,139.4	1,084.9	5.0	3,745.3	3,475.5	7.8
Cost of goods sold	741.1	705.7	5.0	2,412.4	2,230.6	8.2
<b>Gross profit</b>	<b>398.3</b>	<b>379.2</b>	<b>5.0</b>	<b>1,332.9</b>	<b>1,244.9</b>	<b>7.1</b>
Selling and store expenses	303.6	301.9	0.6	930.0	898.4	3.5
Pre-opening expenses	2.2	1.0	124.9	5.5	5.7	(3.8)
General and administration expenses	56.6	58.7	(3.6)	171.9	167.5	2.6
Other income and expenses	5.5	3.3	64.3	15.1	8.4	80.6
<b>Earnings before interest and taxes (EBIT)</b>	<b>41.3</b>	<b>20.9</b>	<b>97.7</b>	<b>240.6</b>	<b>181.7</b>	<b>32.5</b>
Interest and similar income	0.2	0.3	(35.0)	0.5	0.6	(18.7)
Interest and similar expenses	12.5	5.7	>100	36.0	17.4	>100
Other financial result	1.3	0.5	>100	0.9	0.9	0.0
<b>Net financial expenses</b>	<b>(10.9)</b>	<b>(4.8)</b>	<b>&gt;100</b>	<b>(34.7)</b>	<b>(15.9)</b>	<b>&gt;100</b>
<b>Consolidated earnings before taxes</b>	<b>30.4</b>	<b>16.1</b>	<b>89.1</b>	<b>205.9</b>	<b>165.8</b>	<b>24.2</b>
Taxes on income	7.0	4.3	63.5	49.8	43.7	14.0
<b>Consolidated net income</b>	<b>23.4</b>	<b>11.8</b>	<b>98.3</b>	<b>156.1</b>	<b>122.1</b>	<b>27.9</b>
of which: income attributable to shareholders	20.8	11.5	80.6	128.3	100.2	28.1
of which: non-controlling interest	2.6	0.3	>100	27.9	21.9	27.3
<b>Basic/diluted earnings per share (€)</b>	<b>1.30</b>	<b>0.72</b>	<b>80.6</b>	<b>8.02</b>	<b>6.26</b>	<b>28.1</b>

Figures for 2019/20 financial year take due account of first-time application of new IFRS 16 lease accounting requirements. Previous year's figures not adjusted. Rounding up or down may lead to discrepancies between percentages and totals. Calculation of percentage figures based on € 000s.

## Balance Sheet

Assets <sup>1)</sup>	November 30, 2019		February 28, 2019	
	€ million	%	€ million	%
<b>Non-current assets</b>				
Intangible assets	16.5	0.4	17.6	0.6
Property, plant, and equipment	1,594.3	39.5	1,560.7	51.8
Right-of-use assets	754.7	18.7	149.0	4.9
Investment property	27.7	0.7	29.2	1.0
Financial assets	0.1	0.0	0.0	0.0
Other non-current receivables and assets	4.6	0.1	4.1	0.1
Deferred tax assets	13.1	0.3	12.5	0.4
	<b>2,411.0</b>	<b>59.8</b>	<b>1,773.2</b>	<b>58.9</b>
<b>Current assets</b>				
Inventories	767.1	19.0	798.9	26.5
Current financial assets	247.1	6.1	0.0	0.0
Trade receivables	45.1	1.1	37.4	1.2
Contract assets	1.8	0.0	1.6	0.1
Other current assets	82.2	2.0	71.1	2.4
Income tax receivables	15.5	0.4	10.5	0.3
Cash and cash equivalents	464.3	11.5	316.3	10.5
Non-current assets held for sale and disposal groups	0.0	0.0	2.5	0.1
	<b>1,623.0</b>	<b>40.2</b>	<b>1,238.3</b>	<b>41.1</b>
	<b>4,034.0</b>	<b>100.0</b>	<b>3,011.5</b>	<b>100.0</b>

<sup>1)</sup> Statement of previous year's figures adjusted due to IFRS 16.

Equity and liabilities <sup>1)</sup>	November 30, 2019		February 28, 2019	
	€ million	%	€ million	%
<b>Shareholders' equity</b>				
Share capital	48.0	1.2	48.0	1.6
Capital reserve	130.4	3.2	130.4	4.3
Revenue reserves	1,179.1	29.2	1,077.3	35.8
<b>Equity of shareholders of HORNBACH HOLDING AG &amp; Co. KGaA</b>	<b>1,357.4</b>	<b>33.6</b>	<b>1,255.7</b>	<b>41.7</b>
Non-controlling interest	273.2	6.8	251.4	8.3
	<b>1,630.6</b>	<b>40.4</b>	<b>1,507.1</b>	<b>50.0</b>
<b>Non-current liabilities</b>				
Non-current financial debt	682.4	16.9	443.7	14.7
Non-current lease liabilities	719.2	17.8	153.2	5.1
Provisions for pensions	25.0	0.6	14.3	0.5
Deferred tax liabilities	36.9	0.9	39.8	1.3
Other non-current liabilities	36.6	0.9	49.1	1.6
	<b>1,500.0</b>	<b>37.2</b>	<b>700.1</b>	<b>23.2</b>
<b>Current liabilities</b>				
Current financial debt	331.8	8.2	332.2	11.0
Current lease liabilities	79.2	2.0	10.8	0.4
Trade payables	217.4	5.4	241.7	8.0
Contract liabilities	28.4	0.7	30.9	1.0
Other current liabilities	112.7	2.8	76.5	2.5
Income tax liabilities	45.6	1.1	21.0	0.7
Other provisions and accrued liabilities	88.3	2.2	91.2	3.0
	<b>903.4</b>	<b>22.4</b>	<b>804.3</b>	<b>26.7</b>
	<b>4,034.0</b>	<b>100.0</b>	<b>3,011.5</b>	<b>100.0</b>

<sup>1)</sup> Statement of previous year's figures adjusted due to IFRS 16.

## Statement of Changes in Equity

Nine Months 2018/19 € million	Share capital	Capital reserve	Hedging reserve	Cumulative currency translation	Other revenue reserves	Equity attributable to share- holders	Non- controlling interest	Total group equity
<b>Balance at March 1, 2018</b>	48.0	130.4	(1.1)	18.5	1,020.4	1,216.2	246.8	1,462.9
Adjustments due to IFRS 15					1.3	1.3	0.4	1.8
Adjustments due to IFRS 9					0.5	0.5	0.0	0.5
<b>Balance at March 1, 2018 (adjusted)</b>	48.0	130.4	(1.1)	18.5	1,022.2	1,218.0	247.2	1,465.2
Consolidated net income					100.2	100.2	21.9	122.1
Actuarial gains and losses on defined benefit plans, net after taxes					0.2	0.2	0.1	0.3
Measurement of derivative financial instruments (cash flow hedge), net after taxes			0.2			0.2	0.0	0.2
Foreign currency translation				(1.5)		(1.5)	(0.1)	(1.6)
<b>Total comprehensive income</b>	0.0	0.0	0.2	(1.5)	100.4	99.1	21.9	121.0
Dividend distribution					(24.0)	(24.0)	(5.1)	(29.1)
Treasury stock transactions					(0.1)	(0.1)	0.0	(0.2)
<b>Balance at November 30, 2018</b>	48.0	130.4	(0.9)	17.0	1,098.5	1,292.9	263.9	1,556.9

Nine Months 2019/20 € million	Share capital	Capital reserve	Hedging reserve	Cumulative currency translation	Other revenue reserves	Equity attributable to share- holders	Non- controlling interest	Total group equity
<b>Balance at March 1, 2019</b>	48.0	130.4	(0.8)	17.1	1,061.0	1,255.7	251.4	1,507.1
Adjustments due to IFRS 16					0.7	0.7	0.0	0.7
<b>Balance at March 1, 2019 (adjusted)</b>	48.0	130.4	(0.8)	17.1	1,061.7	1,256.4	251.4	1,507.8
Consolidated net income					128.3	128.3	27.9	156.1
Actuarial gains and losses on defined benefit plans, net after taxes					(7.0)	(7.0)	(2.2)	(9.2)
Measurement of derivative financial instruments (cash flow hedge), net after taxes			0.2			0.2	0.0	0.2
Foreign currency translation				3.5		3.5	1.2	4.7
<b>Total comprehensive income</b>	0.0	0.0	0.2	3.5	121.3	125.0	26.9	151.8
Dividend distribution					(24.0)	(24.0)	(5.1)	(29.1)
Treasury stock transactions					0.1	0.1	0.0	0.1
<b>Balance at November 30, 2019</b>	48.0	130.4	(0.7)	20.6	1,159.1	1,357.4	273.2	1,630.6

## Cash Flow Statement

€ million <sup>1)</sup>	Nine Months 2019/20	Nine Months 2018/19
<b>Consolidated net income</b>	<b>156.1</b>	<b>122.1</b>
Depreciation and amortization of investments in property, plant, and equipment and in intangible assets	73.1	70.5
Depreciation of right-of-use assets	70.1	9.4
Change in provisions	1.7	(0.9)
Gains/losses on disposals of non-current assets and of non-current assets held for sale	(0.5)	(1.1)
Change in inventories, trade receivables, and other assets	9.8	(35.7)
Change in trade payables and other liabilities	38.2	5.2
Other non-cash income/expenses	(1.8)	(0.2)
<b>Cash flow from operating activities</b>	<b>346.9</b>	<b>169.2</b>
Proceeds from disposal of non-current assets and of non-current assets held for sale	8.7	4.1
Payments for investments in property, plant, and equipment	(101.4)	(154.8)
Payments for investments in intangible assets	(2.7)	(3.5)
Cash paid for investments in connection with short-term finance planning	(247.1)	0.0
Payments for acquisitions of shareholdings and other business units	(0.1)	0.0
<b>Cash flow from investing activities</b>	<b>(342.6)</b>	<b>(154.3)</b>
Dividends paid	(29.1)	(29.1)
Proceeds from taking up long-term debt	248.1	95.0
Repayment of long-term debt	(13.0)	(15.3)
Repayment of current and non-current lease liabilities	(63.6)	(7.8)
Payments for transaction costs	(1.4)	0.0
Change in ownership interest in a subsidiary without a change in control	0.0	(0.1)
Change in current financial debt	2.1	6.9
<b>Cash flow from financing activities</b>	<b>143.1</b>	<b>49.6</b>
Cash-effective change in cash and cash equivalents	147.4	64.5
Change in cash and cash equivalents due to changes in exchange rates	0.6	0.0
Cash and cash equivalents at March 1	316.3	164.1
<b>Cash and cash equivalents at November 30</b>	<b>464.3</b>	<b>228.5</b>

<sup>1)</sup> Statement of previous year's figures adjusted due to IFRS 16.



## Segment Report

Nine Months 2019/20 in € million Nine Months 2018/19 in € million	HORNBACH Baumarkt AG subgroup	HORNBACH Baustoff Union GmbH subgroup	HORNBACH Immobilien AG subgroup	Headquarters and consolidation	HORNBACH HOLDING AG & Co. KGaA Group
<b>Segment sales</b>	<b>3,499.3</b>	<b>244.8</b>	<b>60.1</b>	<b>(58.8)</b>	<b>3,745.3</b>
	3,256.1	217.7	60.2	(58.5)	3,475.5
Sales to third parties	3,495.9	244.6	0.0	0.0	3,740.5
	3,253.6	217.5	0.0	0.0	3,471.1
Sales to affiliated companies	0.0	0.1	0.0	(0.1)	0.0
	0.0	0.2	0.0	(0.2)	0.0
Rental income from third parties	3.3	0.1	1.4	0.0	4.9
	2.4	0.0	1.9	0.0	4.4
Rental income from affiliated companies	0.0	0.0	58.7	(58.7)	0.0
	0.0	0.0	58.3	(58.3)	0.0
<b>Segment earnings (EBIT)</b>	<b>199.9</b>	<b>6.4</b>	<b>43.1</b>	<b>(8.8)</b>	<b>240.6</b>
	135.2	6.6	42.5	(2.7)	181.7
<b>Depreciation and amortization/write-ups</b>	<b>173.6</b>	<b>5.9</b>	<b>13.2</b>	<b>(49.5)</b>	<b>143.2</b>
	64.1	5.2	10.2	0.0	79.5
<b>EBITDA</b>	<b>373.5</b>	<b>12.3</b>	<b>56.3</b>	<b>(58.3)</b>	<b>383.8</b>
	199.3	11.8	52.7	(2.7)	261.1
<b>Segment assets</b>	<b>3,811.8</b>	<b>191.5</b>	<b>492.0</b>	<b>(490.0)</b>	<b>4,005.3</b>
	2,151.8	181.8	461.3	20.5	2,815.3

Reconciliation in € million	Nine Months 2019/20	Nine Months 2018/19
<b>Segment earnings (EBIT) before "Headquarters and consolidation"</b>	<b>249.4</b>	<b>184.4</b>
Headquarters	(2.5)	(2.7)
Consolidation adjustments	(6.3)	0.0
Net financial expenses	(34.7)	(15.9)
<b>Consolidated earnings before taxes</b>	<b>205.9</b>	<b>165.8</b>

## FINANCIAL CALENDAR

March 20, 2020	2019/20 Trading Statement
May 27, 2020	Annual Report 2019/20 DVFA Analysts' Conference of HORNBACH Baumarkt AG
June 26, 2020	Quarterly Statement: 1 <sup>st</sup> Quarter of 2020/21
July 9/10, 2020	Annual General Meetings of HORNBACH Baumarkt AG and HORNBACH Holding AG & Co. KGaA
September 29, 2020	Half-Year Financial Report 2020/21 DVFA Analysts' Conference of HORNBACH Holding AG & Co. KGaA
December 22, 2020	Quarterly Statement: 3 <sup>rd</sup> Quarter of 2020/21

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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.*