HALF-YEAR FINANCIAL REPORT
HORNBACH Holding AG & Co. KGaA Group

H1 2020/21

(MARCH 1 – AUGUST 31, 2020)

HORNBACH Holding

HORNBACH HOLDING AG & CO. KGaA GROUP

Half-Year Financial Report 2020/21 (March 1 – August 31, 2020)

Key Figures of the HORNBACH HOLDING AG & Co. KGaA Group (in € million, unless otherwise stated)	2nd Quarter 2020/21	2nd Quarter 2019/20	Change in %	1st Half 2020/21	1st Half 2019/20	Change in %
Net sales	**1,555.1**	**1,267.5**	**22.7**	**3,132.2**	**2,605.9**	**20.2**
of which: in Germany	844.6	682.6	23.7	1,736.0	1,412.2	22.9
of which: in other European countries	710.6	584.8	21.5	1,396.2	1,193.7	17.0
Like-for-like sales growth (DIY)	21.4%	8.8%		19.4%	8.3%	
Gross margin as % of net sales	35.2%	35.5%		35.6%	35.9%	
EBITDA	209.2	150.6	39.0	429.0	295.3	45.2
EBIT	**162.2**	**102.4**	**58.4**	**335.6**	**199.3**	**68.4**
Adjusted EBIT	**161.9**	**101.5**	**59.5**	**334.7**	**198.4**	**68.7**
Consolidated earnings before taxes	150.3	90.5	66.0	313.5	175.5	78.6
Consolidated net income [1)]	112.0	70.0	60.0	235.0	132.7	77.1
Basic/diluted earnings per share (€)	5.51	3.57	54.3	11.57	6.72	72.2
Investments	37.5	30.8	21.9	64.7	79.5	(18.7)

Misc. key figures of the HORNBACH HOLDING AG & Co. KGaA Group (in € million, unless otherwise stated)	August 31, 2020	February 29, 2020	Change in %
Total assets	4,073.7	3,760.2	8.3
Shareholders' equity	1,807.2	1,604.2	12.7
Shareholders' equity as % of total assets	44.4%	42.7%	
Number of employees	22,930	21,505	6.6

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

Summary

HORNBACH Group maintains strong growth in second quarter

- **Consolidated sales up 20.2 % to € 3.1 billion in first six months of 2020/21 financial year**
  - **DIY stores with garden centers post like-for-like, currency-adjusted sales growth of 19.4 %**
  - **Builders' merchant business boosts cumulative sales by 13.8 %**
- **Clearly disproportionate growth in half-year earnings: Adjusted EBIT up 68.7 % to € 334.7 million – EPS up 72.2 %**
- **Full-year sales and earnings forecast for 2020/21: Range now specified in greater detail**

The HORNBACH Group benefited once again in the second quarter of 2020/21 from the trend triggered by the coronavirus pandemic towards consumers spending more time within their own four walls. Consolidated sales for the period from March 1 to August 31, 2020 grew by 20.2 % to € 3,132.2 million (2019/20: € 2,605.9 million). The temporary restrictions on sales in the DIY retail business, which substantially reduced customer frequencies in some countries and regions at times in the first quarter, were fully lifted in the second quarter. The largest operating subgroup, HORNBACH Baumarkt AG, increased its net sales for the period from June 1 to August 31, 2020 by 23.0 %, as against 18.4 % in the period from March 1 to May 31, 2020. Its sales for the first-half as a whole thus rose by 20.6 % to € 2,949.0 million (2019/20: € 2,444.7 million). On a like-for-like basis and net of currency items, consolidated sales rose by 21.4 % in the second quarter (Q2) and by 19.4 % in the first half (H1). The DIY retail activities in Germany contributed to the Group's growth with a substantial increase in like-for-like sales of 24.3 % in the first half of 2020/21. Other European countries generated like-for-like sales growth (H1) of 14.4 %. The HORNBACH Baustoff Union subgroup increased its first-half net sales by 13.8 % to € 182.4 million. Together with improved cost ratios, this dynamic sales growth led to a significant jump in earnings. EBIT excluding non-operating earnings items (adjusted EBIT) increased by 59.5 % to € 161.9 million in the second quarter of 2020/21 (2019/20: € 101.5 million) and by 68.7 % to € 334.7 million in the first half of 2020/21 (2019/20: € 198.4 million). Six-month earnings per share grew year-on-year to € 11.57 (2020/21: € 6.72). In view of its ongoing pleasing earnings performance in the second quarter and more positive assessment of the risks relating to the coronavirus pandemic, the company has now specified its full-year forecast in greater detail.

Macroeconomic and Sector-Specific Framework

The first half of the 2020 calendar year was dominated by the effects of the coronavirus crisis, which led worldwide to an abrupt and steep downturn in economic output and the number of people in work.

In the second quarter, Europe witnessed its severest recession since the Second World War. In the first quarter of 2020, gross domestic product already fell compared with the previous quarter by 3.3 % in the European Union (EU 27) and by 3.7 % in the euro area (EA 19), and that even though most EU states did not impose lockdown measures or restrictions on contact until mid-March. Compared with the previous year's quarter, the downturn in GDP amounted to 2.7 % in the EU 27 and to 3.2 % in the EA 19 countries. According to figures released by Eurostat, in the second quarter economic output then fell by 11.4 % in the EU 27 and by 11.8 % in the EA 19 countries compared with the previous quarter and by 13.9 % and 14.7 % respectively compared with the previous year's quarter.

Adjusted for seasonal and calendar-related factors, **output in the construction industry** fell compared with the previous quarter by 2.7 % in the EU 27 and by 2.2 % in the EA 19 countries in the first quarter of 2020 and by 10.0 % and 8.9 % in the second quarter. Different parts of the **retail sector** were affected to very different extents by the lockdown measures and restrictions on contact. While individual segments such as grocery retailers and DIY stores benefited, European retail sales as a whole fell significantly in the first half of the year. Retail sales (excluding motor vehicle retail) adjusted for calendar-related factors fell by 2.2 % in the EU 27 and 2.6 % in the EA 19 countries compared with the previous year's quarter in the first quarter of 2020 and by

5.2 % in both regions compared with the previous quarter in the second quarter. By contrast, according to GfK figures gross DIY retail sales for the first half of the 2020 calendar year grew year-on-year by 15.6 % in Germany, 25.6 % in the Netherlands, 8.3 % in Austria, 3.5 % (in local currency) in Switzerland, and 0.3 % in the Czech Republic. It should be noted that DIY retail was affected, particularly in March and April 2020, by restrictions on sales in Austria, Switzerland, Luxembourg, the Czech Republic, Slovakia, and several German federal states.

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

Percentage change on previous quarter Source: Eurostat (calendar year figures)	3rd Quarter 2019	4th Quarter 2019	1st Quarter 2020	2nd Quarter 2020
Germany	**0.3**	**0.0**	**(2.0)**	**(9.7)**
Austria	(0.2)	(0.2)	(2.4)	(10.4)
Czech Republic	0.5	0.4	(3.3)	(8.7)
Luxembourg	0.4	0.4	(2.9)	n/a
Netherlands	0.3	0.5	(1.5)	(8.5)
Romania	0.5	1.2	0.3	(12.3)
Slovakia	0.4	0.6	(5.2)	(8.3)
Sweden	0.3	0.1	0.2	(8.3)
Switzerland	0.4	0.8	(2.5)	(8.2)
Euro area (EA 19)	**0.3**	**0.1**	**(3.7)**	**(11.8)**
EU27	**0.4**	**0.1**	**(3.3)**	**(11.4)**

The coronavirus pandemic caused a downturn of historic proportions in Germany's economic output as well. According to figures released by the Federal Statistical Office Destatis, GDP adjusted for price, seasonal and calendar-related factors fell compared with the respective previous quarter by 2.0 % in the first calendar quarter and by 9.7 % in the second quarter of 2020. Private consumer spending decreased by 2.5 % in the first quarter and by 10.9 % in the second quarter. Construction investments, which still grew by 5.1 % in the first quarter, then fell by 4.2 % in the second quarter compared with the previous quarter. This nevertheless corresponded to slight growth of 1.4 % compared with the same quarter in the previous year. According to Destatis, the number of building permits issued for residential units in Germany rose year-on-year by 7.0 % in the first half of 2020. New orders in the main construction trade fell by 3.5 %, while sales increased year-on-year by 6.5 %. Sales in the finishing trade rose by 5.4 % in the first half of 2020.

The German **retail sector** reported year-on-year price-adjusted growth of 0.8 % and nominal sales growth of 1.5 % in the first half of the 2020 calendar year compared with the second half of 2019. Sales with metal ware, coatings, construction, and home improvement goods grew by 14.2 % on a price-adjusted basis. Internet and mail order sales rose by 16.0 %. Based on initial findings, the reduction in sales tax since July 1, 2020 has not had any material impact, with retail sales in July decreasing by 0.9 % compared with the previous month.

Sales at DIY and home improvement stores in Germany (calendar year)

Source: BHB/GfK Total Store Report Deutschland	1st Quarter 2020	2nd Quarter 2020	1st Half 2020
Gross sales (€ billion)	4.38	7.44	11.82
Nominal year-on-year change (%)	5.5	22.5	15.6
Like-for-like year-on-year change (%)	6.0	22.9	16.0

According to the BHB sector association, the German **DIY retail sector** increased its aggregate gross nominal sales year-on-year by 15.6 % to € 11.82 billion in the first half of the 2020 calendar year. This exceptional boom benefited nearly all product groups, but especially coatings and decorating accessories, timber, garden equipment, and construction materials and chemicals. On a like-for-like basis, i.e. excluding stores newly opened, closed or subject to major conversion measures, sales in the sector rose by 16.0 % in the period from January to June 2020. Sales growth amounted to 6.0 % in the first quarter and to 22.9 % in the second quarter – and that despite temporary closures of stationary stores for private customers in Bavaria, Mecklenburg-Western Pomerania, Lower Saxony, and Saxony.

Earnings, Financial, and Asset Position

Seasonal and Calendar-Related Factors

Impact of weather conditions
All in all, the first half of the 2020/21 financial year offered favorable conditions for implementing DIY projects. In many regions, the spring and summer were mainly dry and sunny with moderate temperatures. Midsummer, with temperatures of 30 degrees and higher, only arrived at the end of July. After a very dry start to the summer, the second half of August brought strong rainfall and storms to several regions. Overall, however, rain volumes fell short of the long-term average.

Number of business days
In the first half of the 2020/21 financial year (March 1 to August 31, 2020), there were on average 1.2 business days fewer than in the previous year's period. The arithmetic calendar-related impact at the Group came to minus 1.3 business days in Q1 and plus 0.1 business days in Q2.

Sales Performance of the HORNBACH Group

Sales at the HORNBACH Group (HORNBACH Holding AG & Co. KGaA Group) rose by 22.7% to € 1,555.1 million (2019/20: € 1,267.5 million) in the second quarter of the 2020/21 financial year (June 1 to August 31, 2020) and by 20.2% to € 3,132.2 million in the first six months (2019/20: € 2,605.9 million).

The HORNBACH Holding AG & Co. KGaA Group comprises the HORNBACH Baumarkt AG, HORNBACH Baustoff Union GmbH, and HORNBACH Immobilien AG subgroups.

HORNBACH Baumarkt AG subgroup

Impact of coronavirus pandemic on DIY retail business
While the sales performance in the first quarter of 2020/21 was affected by official measures taken to contain the coronavirus pandemic, which varied on a regional and local level (see Quarterly Statement as of May 31, 2020), all HORNBACH DIY stores and garden centers were open throughout the second quarter.

Development in HORNBACH store and logistics network
No new DIY stores and garden centers were opened in the first half of 2020. As of August 31, 2020, the HORNBACH Baumarkt AG subgroup therefore operated 160 retail outlets with total sales areas of 1.89 million m², of which 96 locations in Germany and 64 in other European countries.

The company expanded its logistics capacities, on the one hand by extending the logistics center in Enzersdorf, from where the DIY stores and garden centers in Austria and Eastern Europe are supplied, and on the other hand by opening new store dispatch centers to handle the sharp rise in online retail volumes.

Sales performance in 2nd quarter of 2020/21
Sales at the HORNBACH Baumarkt AG subgroup rose by 23.0 % to € 1,456.8 million in the period from June 1 to August 31, 2020 (2019/20: € 1,184.0 million) and thus grew more rapidly than in the first quarter (plus 18.4 %), which was influenced by temporary restrictions on sales in some regions. Net sales in the Germany region grew by 24.4 % to € 748.6 million (2019/20: € 601.7 million), while the Other European Countries region increased its quarterly net sales year-on-year by 21.6 % to € 708.2 million (2019/20: € 582.3 million).

On a like-for-like basis and net of currency items [↳Brief Glossary on Page 13], the subgroup's sales grew by 21.4 % in the quarter under report, compared with growth of 8.8 % in the previous year. Including currency items for non-euro countries, namely the Czech Republic, Romania, Sweden, and Switzerland, we improved our subgroup-wide like-for-like sales by 21.5 % in the second quarter of 2020/21. In Germany, like-for-like sales grew by 24.1 % in the second quarter of 2020/21. In other European countries, we generated growth of 18.6 % in the period from June to August 2020. Including currency items, this growth came to 18.8 %.

Like-for-like sales performance of HORNBACH DIY stores and garden centers (DIY) 1)
(in percent)

2020/21 financial year 2019/20 financial year	1st Quarter	2nd Quarter	1st Half
HORNBACH Baumarkt AG subgroup	**17.5**	**21.4**	**19.4**
	7.8	8.8	8.3
Germany	**24.4**	**24.1**	**24.3**
	6.9	8.0	7.4
Other European Countries	**10.3**	**18.6**	**14.4**
	8.7	9.6	9.2

1) Excluding currency items

Sales performance in 1st half of 2020/21

Sales at the HORNBACH Baumarkt AG subgroup grew by 20.6 % to € 2,949.0 million in the period under report from March 1 to August 31, 2020 (2019/20: € 2,444.7 million). Net sales in Germany showed cumulative growth of 24.0 % to € 1,557.0 million (2019/20: € 1,255.8 million). In other European countries, we increased our first-half sales by 17.1 % to € 1,391.9 million (2019/20: € 1,188.9 million). The international share of sales therefore decreased from 48.6 % to 47.2 %. On a like-for-like basis, the subgroup's half-year sales improved by 19.4 % excluding and by 19.5 % including currency items.

- In the **Germany region**, we generated like-for-like sales growth of 24.3 % in the first half of 2020/21 (2019/20: plus 7.4 %). Based on our own calculations, this means that we significantly outperformed the sector average and gained additional market share. Our stationary business at DIY stores with garden centers contributed the largest share of our sales growth in absolute terms. Our online business, which is dovetailed with our stationary DIY retail business (interconnected retail: "ICR"), gained significant momentum due to the coronavirus pandemic and generated sales growth of nearly 70 % in the first half of 2020/21.

  The pleasing business performance in the period under report also reflects our popularity with DIY and home improvement customers. As in the previous year already, in 2020 HORNBACH was ranked first for "Overall satisfaction" in Kundenmonitor Deutschland, the most prestigious consumer survey in the German retail sector. Customers also awarded us the best marks in major individual criteria, such as "Value for money", "Product range selection and diversity", "Merchandise and product quality", and "Private label quality". German DIY store customers also see HORNBACH as having the edge over its competitors in criteria including "Product range", "Prices", "Specialist advice", and "Service".

- In the **Other European Countries region**, where we pool our retail activities in eight countries outside Germany, like-for-like sales for the first half of 2020/21 rose year-on-year by 14.4 % net of currency items (2019/20: plus 9.2 %) and by 14.5 % including currency items (2019/20: plus 9.4 %). HORNBACH further extended its market position in key country markets. Based on the DIY sales indicators for four countries outside Germany available to us upon completion of this financial report, HORNBACH's growth rates in the period from January to July 2020 were in most cases significantly higher than the sector averages. As in Germany, our dynamic business performance in other European countries was also driven to an above-average extent – measured in terms of growth rates – by interconnected retail sales.

HORNBACH Baustoff Union GmbH subgroup

The HORNBACH Baustoff Union GmbH (HBU) subgroup, which focuses on the needs of professional customers in its key target groups in the main construction and subconstruction trades, as well as on private construction clients, operated a total of 33 builders' merchant outlets in south-western Germany and at two locations close to the border in France (Lorraine) as of August 31, 2020. This means that two locations in Germany have been added compared with the previous year's period. All builders' merchant outlets were consistently open throughout the first half of the year.

In the second quarter of 2020/21, the HBU subgroup increased its sales year-on-year by 17.8 % to € 97.9 million (2019/20: € 83.1 million). On a cumulative basis for the first six months, the HORNBACH Baustoff Union GmbH subgroup increased its net sales by 13.8 % to € 182.4 million (2019/20: € 160.3 million).

Earnings Performance

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

2nd quarter of 2020/21

The HORNBACH Group generated significantly higher earnings in the summer quarter of 2020/21 than in the previous year's period. This was mainly due to the further acceleration in sales growth in the second quarter of 2020/21 compared with the previous quarter together with the fact that costs rose far less rapidly than sales. Key data on the earnings performance in the second quarter of 2020/21 are as follows:

- Gross profit rose by 21.7 % to € 548.0 million in the quarter under report (2019/20: € 450.1 million). The **gross margin**, i.e. gross profit as a percentage of net sales [↳Brief Glossary on Page 14], eased from 35.5 % to 35.2 %.

- **Selling and store expenses** grew significantly less rapidly than sales, rising by 13.1 % to € 332.2 million (2019/20: € 293.6 million). This increase was due on the one hand to higher personnel expenses, with additional capacities required in sales and logistics due to ongoing higher customer totals. On the other hand, when compared with the first quarter the figures were affected by the resumption of advertising activities and of modernization activities in the store network. Overall, the store expense ratio [↳Brief Glossary on Page 14] fell from 23.2 % to 21.4 %. Due to reduced expansion activities, **pre-opening expenses** fell year-on-year from € 2.4 million to € 1.1 million in the second quarter of 2020/21, corresponding to a reduction in the pre-opening expense ratio [↳Brief Glossary on Page 14] from 0.2 % to 0.1 %. **General and administration expenses** fell by 4.1 % to € 55.3 million (2019/20: € 57.7 million), with this being due in particular to lower material costs. The administration expense ratio [↳Brief Glossary on Page 14] therefore decreased from 4.6 % to 3.6 %.

- As a result of the improvement in operating earnings, earnings before interest, taxes, depreciation, and amortization (**EBITDA**) [↳Brief Glossary on Page 13] rose by 39.0 % to € 209.2 million in the second quarter of 2020/21 (2019/20: € 150.6 million).

- Operating earnings (**EBIT**) at the HORNBACH Group rose by 58.4 % to € 162.2 million (2019/20: € 102.4 million). Disposal gains from the sale of a piece of land not required for operations led to non-operating income of € 0.3 million on the level of the HORNBACH Baustoff Union subgroup in the second quarter. In the previous year's quarter, non-operating income amounted to € 0.9 million. EBIT adjusted to exclude non-operating earnings items [↳**adjusted EBIT**: Brief Glossary on Page 13] improved by € 60.4 million, or 59.5 %, to € 161.9 million (2019/20: € 101.5 million). The adjusted EBIT margin rose year-on-year from 8.0 % to 10.4 %.

- At minus € 11.9 million, **net financial expenses** were approximately at the previous year's level (minus € 11.8 million).

- Consolidated earnings before taxes (**EBT**) [↳Brief Glossary on Page 13] grew year-on-year by 66.0 % to € 150.3 million (2019/20: € 90.5 million).

- Based on a tax rate of 25.4 % (2019/20: 22.7 %), **consolidated net income** increased by 60.0 % to € 112.0 million (2019/20: € 70.0 million). Second-quarter **earnings per share** are reported at € 5.51 (2019/20: € 3.57).

1st half of 2020/21

Thanks to continued strong growth in the second quarter, the key earnings figures of the HORNBACH Group for the first half (March 1 to August 31, 2020) also increased significantly. Key data on the earnings performance in the first half of 2020/21 are as follows:

- Gross profit increased by 19.2 % to € 1,114.5 million (2019/20: € 934.6 million). The **gross margin** decreased by around 30 base points from 35.9 % to 35.6 %. The reduction in the gross margin primarily resulted from the changed product mix due to the growth in the ICR business. Compared with the average shopping cart of customers in our stationary DIY business, the average e-commerce shopping cart includes a greater share of lower-margin items. The growing share of sales attributable to our online business is changing the Group's product mix and depressing the margin. Not only that, this also increases the freight costs incurred to deliver goods to customers, which are only partly covered by the delivery charges paid (freight revenues). Due to the sharp rise in demand in our online shops, these factors were particularly relevant in the first half of 2020/21. Thanks to improved conditions in group-wide procurement, adjustments to retail prices, and positive currency items, however, it was possible to offset a large share of the reduction in the margin.

- **Selling and store expenses** grew less rapidly than sales, rising by 6.7 % to € 668.4 million (2019/20: € 626.3 million). The store expense ratio fell from 24.0 % to 21.3 %. **Pre-opening expenses** came to € 1.5 million (2019/20: € 3.3 million). **General and administration expenses** remained almost unchanged at € 115.1 million (2019/20: € 115.3 million). The administration expense ratio fell from 4.4 % to 3.7 %. Cumulative store and administration expenses include special bonuses for the dedication shown by employees in the extreme conditions due to the coronavirus pandemic.

- **EBITDA** increased by 45.2 % to € 429.0 million (2019/20: € 295.3 million).

- **EBIT** at the HORNBACH Group improved by 68.4 % to € 335.6 million in the first six months of 2020/21 (2019/20: € 199.3 million). Excluding non-operating earnings items, **adjusted EBIT** increased by 68.7 % to € 334.7 million (2019/20: € 198.4 million). The adjusted EBIT margin rose to 10.7 %, up from 7.6 % in the previous year's period.

- **Net financial expenses** improved from minus € 23.7 million to minus € 22.1 million. Within this line item, the reduction in interest expenses by € 2.0 million more than offset the higher volume of negative currency items (net balance of minus € 0.4 million).

- **Consolidated earnings before taxes** rose by 78.6 % to € 313.5 million (2019/20: € 175.5 million). The tax rate increased from 24.4 % to 25.0 %. **Consolidated net income** including minority interests grew by 77.1 % to € 235.0 million (2019/20: € 132.7 million). **Earnings per share** are reported at € 11.57 for the first half of 2020/21 (2019/20: € 6.72).

Earnings performance in the first half of 2020/21 by segment

Operating earnings (EBIT) at the **HORNBACH Baumarkt AG subgroup** rose by 79.6% to € 307.0 million in the first six months of 2020/21 (2019/20: € 170.9 million). There were no non-operating earnings items in the first half of 2020/21 (2019/20: minus € 0.5 million). Adjusted EBIT grew by 79.1 % to € 307.0 million (2019/20: € 171.4 million).

EBIT at the **HORNBACH Baustoff Union GmbH subgroup increased** to € 6.0 million (2019/20: € 4.8 million). Earnings benefited from strong sales growth and the less marked rise in store and administration expenses. By contrast, the gross margin decreased slightly. Disposals gains from the sale of land not required for operations produced non-operating income of € 0.3 million in the second quarter (2019/20: € 0.9 million). Adjusted EBIT at the subgroup therefore amounted to € 5.7 million in the first half of 2020/21 (2019/20: € 3.8 million).

At the **HORNBACH Immobilien AG subgroup,** half-year EBIT grew by 2.2 % to € 30.0 million (2019/20: € 29.3 million). Non-operating income of € 0.6 million was generated in the first half from the sale of the former HORNBACH Compact location in Neunkirchen. Adjusted EBIT thus came to € 29.4 million. There were no non-operating earnings items in the previous year.

Financial and Asset Position

Financial position

Investments totaled € 64.7 million in the first half of 2020/21 (2019/21: € 79.5 million). Total investments for the first half of 2019/20 included the buyback of a DIY store property (Chemnitz) by HORNBACH Immobilien AG. At € 38.0 million, around 59 % 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 € 317.3 million to € 510.0 million in the first half of 2020/21. The increase in the inflow of funds from operating activities was driven not only by higher consolidated net income, but also by the improvement in working capital by around € 90 million. Net income for the first half of the year includes depreciation of € 45.5 million recognized on right-of-use assets (2019/20: € 47.6 million). The outflow of funds for investment activities decreased from minus € 94.2 million to minus € 60.9 million. To avoid negative interest rates, in the previous year cash and cash equivalents of € 20 million were reallocated to current financial assets and recognized as an outflow of funds for investing activities. The outflow of funds for financing activities, which totaled € 77.0 million (2019/20: € 74.0 million), included an amount of € 42.6 million for repayments of current and non-current lease liabilities (2019/20: € 42.6 million). Information about the financing and investing activities of the HORNBACH Group can be found in the cash flow statement on Page 19.

Asset position

Total assets at the HORNBACH Group grew to € 4,073.7 million as of August 31, 2020, up 8.3 % compared with the balance sheet date on February 29, 2020. The principal reason for this growth was the € 370.6 million increase in cash and cash equivalents accompanied by a slight reduction in right-of-use assets (minus € 27.0 million) and a € 61.1 million reduction in inventories. Shareholders' equity as posted in the balance sheet amounted to € 1,807.2 million as of August 31, 2020 (February 29, 2020: € 1,604.2 million). At 44.4 %, the **equity ratio** [↳Brief Glossary on Page 14] remained high (February 29, 2020: 42.7 %). Mainly due to the increase in cash and cash equivalents, **net financial debt** [↳Brief Glossary on Page 14] fell from € 1,170.6 million to € 776.5 million as of August 31, 2020. Excluding current and non-current lease liabilities pursuant to IFRS 16, net financial debt decreased to € 5.7 million as of August 31, 2020 (February 29, 2020: € 375.2 million).

Other Disclosures

Changes in composition of Board of Management

On September 24, 2020, the Supervisory Boards of HORNBACH Management AG and HORNBACH Baumarkt AG appointed Karin Dohm (48) as a new member of the Boards of Management of the two companies as of January 1, 2021. By extending its Board of Management, the company is preparing at an early stage for the succession to CFO Roland Pelka (63). After nearly 25 years of board responsibility at HORNBACH Baumarkt AG and HORNBACH Management AG, Roland Pelka will be retiring during the next financial year. Karin Dohm has a degree in economics and is also a fully qualified auditor and tax advisor. She most recently held international management positions at the Deutsche Bank Group. Thanks to her former consulting experience and current supervisory board activities, she has in-depth experience of the retail sector.

Employees

A total of 22,930 employees across Europe were in fixed employment at the HORNBACH Holding AG & Co. KGaA Group as of the reporting date on August 31, 2020 (February 29, 2020: 21,505).

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.

Risk and Opportunity Report

We presented the risks and opportunities involved in the future business activities of the HORNBACH Holding AG & Co. KGaA Group in detail in the Risk and Opportunity Reports in our 2019/20 Annual Report (from Page 77 onwards). This basic assessment of the Group's medium to long-term development potential had not changed materially upon publication of this interim report.

With regard to the risks and opportunities resulting from the coronavirus pandemic, the current assessment after the first six months of the 2020/21 financial year is more positive than the comments provided in the 2019/20 Annual Report (Page 83). Through to the completion of this interim report, it was apparent that no repeat was to be expected of the widespread lockdown on large parts of public life and economic activity in the countries in which HORNBACH operates. Substantial restrictions on sales or even store closures, such as those which severely limited activities in our DIY retail business in several countries and German federal states in spring 2020, are viewed as unlikely. Our risk assessment of the coronavirus crisis is therefore mainly focused on macroeconomic risks, which nevertheless still involve a high degree of forecasting uncertainty.

Outlook

Macroeconomic and Sector-Specific Framework

We presented our forecast of the macroeconomic and sector-specific framework on Pages 92 and 93 of the 2019/20 Annual Report of the HORNBACH Holding AG & Co. KGaA Group. Published at the end of May 2020, this was still colored by the peak of the crisis in the spring. At the time, it was only possible to provide a highly diffuse and fragmented impression of the impact that the far-reaching measures taken to contain coronavirus infections would have on the global economy. The gradual emergence of macroeconomic data on the historic reduction in economic output in the second quarter of the calendar year and expected extent of the recovery in the third calendar quarter have since made it possible to provide a better assessment of the economic situation and an outlook for 2020.

Based on its Summer Forecast published at the beginning of July 2020, the European Commission expected the recession in 2020 to be even deeper and more regionally varied than still assumed in the spring. According to this forecast, the euro area economy would contract by 8.7 % this year and grow by 6.1 % in 2021. For the EU 27 countries, GDP was expected to fall by 8.3 % in 2020 and grow by 5.8 % next year. In its Monthly Report for August 2020, the German Bundesbank expected real-term GDP in the euro area to grow sharply in the third quarter, with this growth also notably being driven by positive developments in the consumption of goods. According to the economists, however, this growth would be insufficient to offset the loss of GDP in the first half of the year. Moreover, the economy was expected to recover significantly more slowly in the further course of the third quarter than in the months from May to July 2020. Furthermore, no widespread improvement was yet apparent internationally in terms of the development in the number of infections.

For Germany, the experts expected the economy to perform more positively than the European average. There had been increasing recent indications that the coronavirus-related downturn in the German economy in 2020 would prove less severe than initially feared. At the beginning of September, the Federal Government revised its economic forecast upwards and predicted a crisis-related downturn in gross domestic product (GDP) of 5.8 % for 2020, compared with its previous forecast of minus 6.3 %. The first bank economists have also raised their economic forecasts for Germany and believe that the economy might possibly return even more quickly to its pre-crisis level.

Key indicators pointed to economic recovery. Among others, the HDE's Consumption Barometer also rose for the fourth consecutive month in September 2020. Consumer confidence in Germany has improved further. That is also reflected in the cumulative sales growth reported by German retailers, even if there are significant disparities within the sector. In Germany as in other European countries, the DIY sector demonstrated its systemic relevance and, in the year to date, has witnessed a substantial year-on-year increase in customer demand.

Forecast Business Performance of the HORNBACH Holding AG & Co. KGaA Group in 2020/21

On Pages 94 to 100 of the 2019/20 Annual Report of the HORNBACH Holding AG & Co. KGaA Group, we provided an assessment of the HORNBACH Group's forecast business performance in 2020/21. These comments too were shaped by the substantial uncertainties resulting from the COVID-19 pandemic. As already set out above in the Risk and Opportunity Report, in light of the positive developments in the second quarter and first half of 2020/21 our assessment of the further operating performance in HORNBACH's international network is now more positive than previously. This assessment has also benefited from the latest political news and the lessons already learned in terms of containing the coronavirus crisis. We are convinced that the DIY retail sector, which played a key role in showing that stationary customer businesses could be responsibly organized with high safety standards, particularly during the peak of the crisis, will most likely not be subject to any widespread store closures. Demand among consumers for the products and services offered by our stationary DIY stores, garden centers, and online shops remains significantly higher than before the crisis. No abrupt end to this consumer trend is currently foreseeable. However, there is still the general risk that any unexpected and sudden intensification in the number of infections or drastic deterioration in labor markets and consumers' incomes could harm the consumer climate during the second half of 2020/21. This would potentially lead to a severe reduction in sales.

Expansion

A DIY megastore with a garden center was opened on schedule in Oradea (Romania) at the end of September 2020. We therefore now operate seven locations in Romania. No further openings of new DIY stores and garden centers are scheduled for the second half of 2020/21. The total number of HORNBACH DIY stores and garden centers will therefore amount to 161 at the end of the financial year on February 28, 2021, of which 65 locations in other European countries. Alongside its DIY retail activities, HORNBACH plans to launch a new specialist store concept under the "Bodenhaus" brand, most likely in the fourth quarter of 2020/21. Mainly targeting professional customers, this specialist retail concept for hard floor coverings - particularly tiles, parquet floors, laminates, vinyl, and decking - is initially to be tested at two locations in Berlin and Cologne.

Sales and earnings forecast

Given the pleasing growth generated in the first half of 2020/21 and the more positive assessment for the second half of 2020/21 (September 1, 2020 to February 28, 2021), the current annual forecast, published by way of ad-hoc announcement on August 10, 2020, can now be specified in greater detail. The forecast range of sales and earnings growth has been narrowed, with the lower limits raised. Consolidated sales for the 2020/21 financial year (2019/20: € 4.7 billion) are now expected to show growth in a corridor of between plus 8 % (previously: plus 5 %) and plus 15 %. Adjusted EBIT is expected to range between € 270 million (previously: € 230 million) and € 330 million (2019/20: € 227 million).

Brief Glossary of Key Performance Figures

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

Like-for-like sales net of currency items (change in %)	*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)*	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.
EBITDA	*Alternative key performance figure to comment on earnings performance*	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).
Adjusted EBIT	*Major key performance figure to comment on operating earnings performance*	To calculate this key figure, EBIT is adjusted to exclude non-operating earnings items. Non-operating expenses (e.g. impairment losses on assets, expenses due to discontinuation of projects) 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.
EBT	*Alternative key performance figure to comment on operating earnings performance*	Given IFRS 16 lease accounting, consolidated earnings before taxes (EBT) are becoming increasingly important as an alternative key performance figure. EBT is the key earnings figure that shows the impact on the income statement of IFRS 16 effects; these comprise depreciation of right-of-use assets and interest expenses for financial debt.

Cost ratios	*Alternative key performance figures for the development in store, pre-opening, and administration expenses as a percentage of net sales*	The store expense ratio 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, advertising expenses, and general operating expenses (such as transport expenses, service and maintenance), as well as depreciation and amortization. The pre-opening expense ratio 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 supplies and disposal, and administration expenses. The administration expense ratio 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 and digitalization expenses.
Equity ratio	*Alternative key performance figure to comment on asset position*	The equity ratio is derived by dividing shareholders' equity as reported in the balance sheet (equity posted) by total capital (balance sheet total).
Net financial debt	*Alternative key performance figure to comment on financial position*	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.
Gross margin	*Further key performance figure to comment on earnings performance*	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.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Income Statement

€ million	2nd Quarter 2020/21	2nd Quarter 2019/20	Change in %	1st Half 2020/21	1st Half 2019/20	Change in %
Sales	1,555.1	1,267.5	22.7	3,132.2	2,605.9	20.2
Cost of goods sold	1,007.2	817.4	23.2	2,017.7	1,671.3	20.7
Gross profit	**548.0**	**450.1**	**21.7**	**1,114.5**	**934.6**	**19.2**
Selling and store expenses	332.2	293.6	13.1	668.4	626.3	6.7
Pre-opening expenses	1.1	2.4	(54.0)	1.5	3.3	(53.9)
General and administration expenses	55.3	57.7	(4.1)	115.1	115.3	(0.2)
Other income and expenses	2.8	6.0	(53.2)	6.1	9.6	(36.0)
Earnings before interest and taxes (EBIT)	**162.2**	**102.4**	**58.4**	**335.6**	**199.3**	**68.4**
Interest and similar income	0.1	0.2	(23.0)	0.3	0.3	15.0
Interest and similar expenses	10.8	11.7	(7.0)	21.6	23.6	(8.4)
Other financial result	(1.2)	(0.4)	>(100)	(0.8)	(0.4)	(94.8)
Net financial expenses	**(11.9)**	**(11.8)**	**(0.8)**	**(22.1)**	**(23.7)**	**6.8**
Consolidated earnings before taxes	**150.3**	**90.5**	**66.0**	**313.5**	**175.5**	**78.6**
Taxes on income	38.2	20.5	86.4	78.5	42.8	83.3
Consolidated net income	**112.0**	**70.0**	**60.0**	**235.0**	**132.7**	**77.1**
of which: income attributable to shareholders	88.3	57.1	54.7	185.2	107.5	72.3
of which: non-controlling interest	23.8	13.0	83.3	49.8	25.3	97.2
Basic/diluted earnings per share (€)	**5.51**	**3.57**	**54.3**	**11.57**	**6.72**	**72.2**

Statement of Comprehensive Income

€ million	2nd Quarter 2020/21	2nd Quarter 2019/20	1st Half 2020/21	1st Half 2019/20
Consolidated net income	**112.0**	**70.0**	**235.0**	**132.7**
Actuarial gains and losses on defined benefit plans	0.1	(9.6)	6.6	(15.6)
Deferred taxes on actuarial gains and losses on defined benefit plans	0.2	1.7	(0.9)	2.6
Other comprehensive income that will not be recycled at a later date	**0.2**	**(7.9)**	**5.8**	**(12.9)**
Measurement of derivative financial instruments (cash flow hedge)				
Measurement of derivative hedging instruments directly in equity [1)]	(0.1)	(0.1)	(0.1)	(0.1)
Gains and losses from measurement of derivative financial instruments transferred to profit or loss	0.1	0.1	0.2	0.2
Exchange differences arising on the translation of foreign subsidiaries	5.4	3.0	(7.0)	2.9
Deferred taxes on gains and losses recognized directly in equity	0.0	0.0	0.0	0.0
Other comprehensive income that will possibly be recycled at a later date	**5.4**	**3.0**	**(6.9)**	**3.0**
Total comprehensive income	**117.7**	**65.1**	**233.8**	**122.7**
of which: attributable to shareholders	93.0	53.2	184.3	99.5
of which: attributable to non-controlling interest	24.7	11.9	49.5	23.2

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

Balance Sheet

Assets	August 31, 2020		February 29, 2020	
	€ million	%	€ million	%
Non-current assets				
Intangible assets	15.8	0.4	16.1	0.4
Property, plant, and equipment	1,605.8	39.4	1,595.3	42.4
Investment property	26.9	0.7	26.4	0.7
Right-of-use assets	714.3	17.5	741.3	19.7
Financial assets	0.1	0.0	0.1	0.0
Other non-current receivables and assets	4.0	0.1	4.7	0.1
Deferred tax assets	14.0	0.3	13.1	0.3
	2,380.9	**58.4**	**2,397.1**	**63.7**
Current assets				
Inventories	800.2	19.6	861.3	22.9
Trade receivables	48.1	1.2	39.3	1.0
Contract assets	1.4	0.0	1.6	0.0
Other current assets	93.5	2.3	82.5	2.2
Income tax receivables	10.6	0.3	8.7	0.2
Cash and cash equivalents	738.9	18.1	368.3	9.8
Non-current assets held for sale and disposal groups	0.0	0.0	1.5	0.0
	1,692.8	**41.6**	**1,363.1**	**36.3**
	4,073.7	**100.0**	**3,760.2**	**100.0**

Equity and liabilities	August 31, 2020		February 29, 2020	
	€ million	%	€ million	%
Shareholders' equity				
Share capital	48.0	1.2	48.0	1.3
Capital reserve	130.4	3.2	130.4	3.5
Revenue reserves	1,320.7	32.4	1,160.4	30.9
Equity of shareholders of HORNBACH HOLDING AG & Co. KGaA	**1,499.1**	**36.8**	**1,338.8**	**35.6**
Non-controlling interest	308.1	7.6	265.4	7.1
	1,807.2	**44.4**	**1,604.2**	**42.7**
Non-current liabilities				
Non-current financial debt	600.0	14.7	675.6	18.0
Non-current lease liabilities	689.0	16.9	712.9	19.0
Pensions and similar obligations	18.8	0.5	24.9	0.7
Deferred tax liabilities	34.4	0.8	34.1	0.9
Other non-current liabilities	42.3	1.0	42.3	1.1
	1,384.6	**34.0**	**1,489.9**	**39.6**
Current liabilities				
Current financial debt	144.6	3.5	67.9	1.8
Current lease liabilities	81.8	2.0	82.4	2.2
Trade payables	275.3	6.8	266.5	7.1
Contract liabilities	45.0	1.1	34.4	0.9
Other current liabilities	120.8	3.0	83.3	2.2
Income tax liabilities	82.9	2.0	26.5	0.7
Other provisions and accrued liabilities	131.6	3.2	105.1	2.8
	881.9	**21.6**	**666.1**	**17.7**
	4,073.7	**100.0**	**3,760.2**	**100.0**

Statement of Changes in Equity

1st Half 2019/20 in € million	Share capital	Capital reserve	Hedging reserve	Cumulative currency translation	Other revenue reserves	Equity attributable to shareholders	Non-controlling interest	Total group equity
Balance at March 1, 2019	**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
Balance at March 1, 2019 (adjusted)	**48.0**	**130.4**	**(0.8)**	**17.1**	**1,061.7**	**1,256.4**	**251.4**	**1,507.8**
Consolidated net income					107.5	107.5	25.3	132.7
Actuarial gains and losses on defined benefit plans, net after taxes					(9.9)	(9.9)	(3.1)	(12.9)
Measurement of derivative financial instruments (cash flow hedge), net after taxes			0.0			0.0	0.0	0.0
Exchange differences arising on the translation of foreign subsidiaries				1.9		1.9	1.0	2.9
Total comprehensive income	**0.0**	**0.0**	**0.0**	**1.9**	**97.6**	**99.5**	**23.2**	**122.7**
Dividend distribution					(24.0)	(24.0)	(5.1)	(29.1)
Treasury stock transactions					0.0	0.0	(0.7)	(0.7)
Balance at August 31, 2019	**48.0**	**130.4**	**(0.8)**	**19.0**	**1,135.3**	**1,331.9**	**268.7**	**1,600.6**

1st Half 2020/21 in € million	Share capital	Capital reserve	Hedging reserve	Cumulative currency translation	Other revenue reserves	Equity attributable to shareholders	Non-controlling interest	Total group equity
Balance at March 1, 2020	**48.0**	**130.4**	**(0.6)**	**24.0**	**1,137.0**	**1,338.8**	**265.4**	**1,604.2**
Consolidated net income					185.2	185.2	49.8	235.0
Actuarial gains and losses on defined benefit plans, net after taxes					4.4	4.4	1.4	5.8
Measurement of derivative financial instruments (cash flow hedge), net after taxes			0.1			0.1	0.0	0.1
Exchange differences arising on the translation of foreign subsidiaries				(5.4)		(5.4)	(1.6)	(7.0)
Total comprehensive income	**0.0**	**0.0**	**0.1**	**(5.4)**	**189.6**	**184.3**	**49.5**	**233.8**
Dividend distribution					(24.0)	(24.0)	(5.1)	(29.1)
Treasury stock transactions					0.0	0.0	(1.8)	(1.8)
Balance at August 31, 2020	**48.0**	**130.4**	**(0.5)**	**18.7**	**1,302.6**	**1,499.1**	**308.1**	**1,807.2**

Cash Flow Statement

€ million	1st Half 2020/21	1st Half 2019/20
Consolidated net income	**235.0**	**132.7**
Depreciation and amortization of investments in property, plant, and equipment and in intangible assets	47.9	48.5
Depreciation of right-of-use assets	45.5	47.6
Change in provisions	1.0	1.2
Gains/losses on disposals of non-current assets and of non-current assets held for sale	(1.7)	(0.5)
Change in inventories, trade receivables, and other assets	37.1	33.5
Change in trade payables and other liabilities	142.0	56.1
Other non-cash income/expenses	3.2	(1.7)
Cash flow from operating activities	**510.0**	**317.3**
Proceeds from disposal of non-current assets and of non-current assets held for sale	3.7	5.3
Payments for investments in property, plant, and equipment	(63.1)	(77.3)
Payments for investments in intangible assets	(1.6)	(2.2)
Cash paid for investments in connection with short-term finance planning	0.0	(20.0)
Cash flow from investing activities	**(60.9)**	**(94.2)**
Dividends paid	(29.1)	(29.1)
Repayment of long-term debt	(6.1)	(9.1)
Repayment of current and non-current lease liabilities	(42.6)	(42.6)
Change in current financial debt	0.8	6.9
Cash flow from financing activities	**(77.0)**	**(74.0)**
Cash-effective change in cash and cash equivalents	372.1	149.1
Change in cash and cash equivalents due to changes in exchange rates	(1.4)	0.6
Cash and cash equivalents at March 1	368.3	316.3
Cash and cash equivalents at August 31	**738.9**	**466.0**

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 income tax payments of € 24.5 million (2019/20: € 22.3 million) and interest payments of € 16.3 million (2019/20: € 17.5 million) and increased by interest received of € 0.3 million (2019/20: € 0.3 million). Of interest payments, an amount of € 12.8 million (2019/20: € 13.7 million) involves interest paid in connection with leases.

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

GROUP NOTES

Notes to the Interim Consolidated Financial Statements as of August 31, 2020

(1) Accounting principles

This group half-year financial report of HORNBACH Holding AG & Co. KGaA and its subsidiaries for the 1st half as of August 31, 2020 has been prepared in accordance with § 315e (1) 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 interim report has been prepared in accordance with IAS 34 "Interim Financial Reporting".

Pursuant to IAS 34 "Interim Financial Reporting", income tax expenses for the first half 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 & Co. KGaA for the 2019/20 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).

Figures have been rounded up or down to the nearest million euros. This may result in discrepancies between figures in the various numeric presentations. Percentages have been calculated on the basis of € 000s.

Changes in accounting principles

The new standards, amendments to standards, and interpretations requiring first-time application in the 2020/21 financial year were described in the 2019/20 consolidated financial statements. These changes did not have any material implications for the consolidated financial statements.

IFRS 16 "Leases"

In the second quarter of 2020, the International Accounting Standards Board (IASB) published an amendment to IFRS 16 that permits lessees to recognize rent concessions directly related to COVID-19 through profit or loss rather than as adjustments to the right-of-use assets. This amendment has not yet been adopted by the European Parliament; approval is nevertheless deemed highly likely. To be eligible, rent adjustments must satisfy the following conditions:

- They must be directly related to COVID-19.
- The change to lease payments leads to revised consideration for the lease that is substantially the same or less than the consideration for the lease immediately prior to such change.
- The reduction in lease payments only relates to payments due on or before June 30, 2021.
- No other substantive changes are made to the terms of the lease.

(2) Impact of COVID-19

The Group's business activities were influenced to a limited extent in the period under report by the global spread of the COVID-19 pandemic. The overwhelming share of the Group's sales locations was not affected by store closures, or only for a temporary period. Further details about this can be found in the interim group management report.

The discretionary decisions and estimates made by the management when preparing the abridged interim group report impact on the measurement of the assets and liabilities thereby recognized, as well as on the income and expenses stated for the period under report. In making discretionary decisions and estimates, the management took account of all available information concerning expected economic developments and country-specific government countermeasures. Due to the currently unforeseeable global implications of the COVID-19 pandemic, however, these discretionary decisions and estimates made by the management are subject to increased uncertainty. Actual amounts may diverge from the assessments and estimates made by the management. Changes in these amounts may impact materially on the interim consolidated financial statements. This information has been factored into the following range of topics:

Impairment tests of non-financial assets (including right-of-use assets)
In the period under report, the Group performed a review to ascertain whether the repercussions of the COVID-19 pandemic had led to any specific indications of potential impairment among its non-financial assets. This analysis took account of:

- The development in the Group's operating performance during the period under report
- Forward-looking analysis of the Group's operative planning
- The development in the market capitalization compared with equity posted during the period under report
- Qualitative comparison within the DIY sector.

The review established that there are currently no further indications of impairment. In this respect, the company planning underlying the consolidated financial statements as of February 29, 2020 retains its validity. The assumptions and estimates made in these consolidated financial statements are nevertheless subject to increased uncertainty. Future changes in expected cash flows and discount rates may lead to the recognition of write-downs or write-ups in future.

Inventories
HORNBACH was only affected to a limited extent by lockdown-related store closures. In this respect, the company was not exposed to any inventory-related risks that were materially in excess of normal levels. Impairments have therefore been recognized for inventories based on the principle of net realizable value and are reviewed on a monthly basis. No COVID-19-related material increase in the impairment rate for inventories is discernible at the Group in the period under report.

Trade receivables and other current assets
Given the cash and carry principle, the company's risk exposure is mainly limited to debit and credit card companies of suitable creditworthiness. Furthermore, a material share of the default risk relating to trade receivables is outsourced by way of factoring agreements. A suitable risk provision based on historic empirical values is stated to cover any liability quotas.

Traditional trade receivables mainly involve customers of suitable creditworthiness. No COVID-19-related material increase in the expected default risk is discernible at the Group in the period under report. The year-on-year increase in the expected default risk is chiefly due to the higher business volumes seen in the first half of 2020/21.

Sales
The Group's sales are influenced by seasonal factors and affected by weather conditions. Alongside these factors, the performance in the first half of 2020/21 was also influenced by the fact that not all of our locations were subject to lockdown measures. It is not possible to provide a quantitative categorization of the sales growth. Further details about this can be found in the interim group management report.

No material change in the rate of returns is discernible in the period under report.

Government grants

HORNBACH received government grants in those states/countries that were affected by lockdown measures in the first half of 2020/21. Group-wide grants totaling € 2.9 million were recognized in the period under report, with these being passed on to employees or paid as social security contributions. The grants received therefore represent a transitory item within the financial statements. The portion of grants meeting the requirements of IAS 20 has been deducted from the respective expenses in the income statement (net statement).

Personnel expenses

To acknowledge the dedication shown by employees during the pandemic in the 1st half of 2020/21, the management decided to pay a one-off bonus. The resultant expenses recognized in the period under report amounted to € 6.9 million. These outlays have been allocated to the respective functional expenses.

Other COVID-19-related expenses

The measures required to protect our customers and employees and to uphold stationary sales include commissioning security firms and additional temporary staff, as well as extensive disinfection and hygiene-related measures. As of the reporting date, the resultant expenses amounted to € 12.1 million. These outlays have been allocated to the respective functional expenses.

(3) Seasonal influences

Due to weather conditions, the HORNBACH Holding AG & Co. KGaA Group generally reports a weaker business performance in the fall and winter than in the spring and summer months. These seasonal fluctuations are reflected in the figures for the first half. The business performance in the first six months as of August 31, 2020 does not necessarily provide an indication for the year as a whole.

(4) Other income and expenses

Other income and expenses are structured as follows:

€ million	2nd Quarter 2020/21	2nd Quarter 2019/20	Change in %
Other income	5.7	12.3	(53.6)
Other expenses	2.9	6.3	(54.3)
Other income and expenses	**2.8**	**6.0**	**(53.2)**

€ million	1st Half 2020/21	1st Half 2019/20	Change in %
Other income	10.8	17.9	(39.7)
Other expenses	4.6	8.3	(44.1)
Other income and expenses	**6.1**	**9.6**	**(36.0)**

Other income for the first half of 2020/21 mainly results from operating income and chiefly relates to ancillary revenues at DIY stores with garden centers, income from damages payments and disposal services, and income from disposals of non-current assets. The non-operating income of € 0.9 million included without functional designation in this line item (2019/20: € 0.9 million) relates to the sale of two items of real estate and is allocated to the "HORNBACH Immobilien AG subgroup" and "HORNBACH Baustoff Union GmbH subgroup" segments.

Other expenses mainly relate to operating expenses. These predominantly involve impairments of receivables, losses incurred for damages, and losses incurred upon the disposal of assets.

(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 & Co. KGaA 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.

	2nd Quarter 2020/21	2nd Quarter 2019/20
Number of ordinary shares issued	16,000,000	16,000,000
Consolidated net income allocable to shareholders in HORNBACH Holding AG & Co. KGaA in € million	88.3	57.1
Earnings per share in €	**5.51**	**3.57**

	1st Half 2020/21	1st Half 2019/20
Number of ordinary shares issued	16,000,000	16,000,000
Consolidated net income allocable to shareholders in HORNBACH Holding AG & Co. KGaA in € million	185.2	107.5
Earnings per share in €	**11.57**	**6.72**

(6) Other disclosures

The personnel expenses of the HORNBACH Holding AG & Co. KGaA Group amounted to € 466.0 million at the end of the first half of the 2019/20 financial year as of August 31, 2020 (2019/20: € 420.8 million).

Depreciation and amortization totaling € 47.9 million was recognized on intangible assets and property, plant and equipment at the HORNBACH Holding AG & Co. KGaA Group in the first six months of the 2020/21 financial year (2019/20: € 48.5 million). An amount of € 45.5 million involved depreciation of right-of-use assets in connection with leases (2019/20: € 47.6 million).

No non-operating earnings items requiring allocation to functional expenses arose in the first half of 2020/21. In the previous year, selling and store expenses included non-operating income of € 0.4 million while pre-opening expenses included non-operating expenses of € 0.5 million.

(7) Shareholders' equity

On July 6, 2020, 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 60,000 treasury stock shares. These shares are to be acquired for the annual issue of employee shares scheduled to take place at the end of 2020. The buyback of shares began on August 3, 2020 and is limited to February 28, 2021. By August 31, 2020, HORNBACH Baumarkt AG had acquired 50,000 treasury stock shares. In the statement of changes in equity, the acquisition costs for these shares (€ 1.8 million) have been recognized under "Treasury stock transactions".

The buyback of shares on the basis of this management board resolution is being executed in accordance with the safe harbor regulations set out in Article 5 of Regulation (EU) No. 596/2014 of the European Parliament and Council dated April 14, 2014 and with the delegated Regulation (EU) 2016/1052 of the Commission dated March 8, 2016.

(8) Dividend

As proposed by the Board of Management of the general partner HORNBACH Management AG and the Supervisory Board of HORNBACH Holding AG & Co. KGaA, following approval by the Annual General Meeting on July 10, 2020 a dividend of € 1.50 per share was distributed to shareholders for the 2019/20 financial year.

(9) Contingent liabilities, guarantees and other financial obligations

These mainly involve financial obligations in connection with investment projects, as well as rental, hiring, leasehold, and lease contracts in which the leased items had not yet been handed over for use as of the balance sheet date or which are outside the scope of IFRS 16. These items amounted to € 99.8 million at the end of the period under report (February 29, 2020: € 133.9 million).

The company had contingent liabilities of € 189.1 million as of the balance sheet date (February 29, 2020: € 138.5 million). These mainly relate to conditionally deferred rental relationships and outstanding land purchase contracts. The timing of any potential outflow of funds for contingent liabilities is uncertain, as they depend on various external factors that are outside HORNBACH's control.

(10) Related party disclosures

In addition to the subsidiaries included in the consolidated financial statements, HORNBACH Holding AG & Co. KGaA 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 2020/21.

(11) Fair value disclosures

The methods and principles applied to determine fair value are basically unchanged compared with the consolidated financial statements as of February 29, 2020. The following table presents the carrying amounts and fair values of individual financial assets and liabilities pursuant to IFRS 9 as of August 31, 2020:

€ million	Category	Carrying amount 08.31.2020	Fair value 08.31.2020	Carrying amount 02.29.2020	Fair value 02.29.2020
Assets					
Financial assets	FVtOCI	0.1	0.1	0.1	0.1
Trade receivables	AC	46.3	46.3	37.5	37.5
Trade receivables due to non-recourse factoring that are not derecognized	FVtPL	1.8	1.8	1.8	1.8
Contract assets	AC	1.4	1.4	1.6	1.6
Other current and non-current assets					
Derivatives with hedge relationship	n/a	1.5	1.5	2.0	2.0
Derivatives without hedge relationship	FVtPL	1.4	1.4	0.3	0.3
Other assets	AC	72.6	72.6	63.9	63.9
Cash and cash equivalents	AC	738.9	738.9	368.3	368.3
Equity and liabilities					
Financial debt					
Bonds	AC	246.9	259.0	246.6	261.2
Liabilities to banks	AC	496.9	497.9	496.5	495.0
Lease liabilities	n/a	770.8	--	795.3	--
Derivatives without hedge relationship	FVtPL	0.9	0.9	0.3	0.3
Trade payables	AC	275.3	275.3	266.5	266.5
Contract liabilities	AC	45.0	45.0	34.4	34.4
Other current and non-current liabilities	AC	19.4	19.4	15.9	15.9
Accrued liabilities	AC	39.5	39.5	24.4	24.4

Other current and non-current assets of € 22.0 million (February 29, 2020: € 21.0 million), other current and non-current liabilities of € 143.7 million (February 29, 2020: € 101.5 million), and accrued liabilities of € 90.8 million (February 29, 2020: € 79.0 million) are outside the scope of IFRS 7.

The following financial instruments measured by reference to input data in the fair value hierarchy have been recognized at fair value in the balance sheet or in the note disclosures:

€ million	Category	08.31.2020	02.29.2020
Assets			
Valuation based on level 2 input data			
Derivatives with hedge relationship	n/a	1.5	2.0
Derivatives without hedge relationship	FVtPL	1.4	0.3
Equity and liabilities			
Valuation based on level 1 input data			
Bonds	AC	259.0	261.2
Valuation based on level 2 input data			
Liabilities to banks	AC	497.9	495.0
Lease liabilities	n/a	--	--
Derivatives without hedge relationship	FVtPL	0.9	0.3

The derivative financial instruments with hedge relationships recognized in the balance sheet mainly relate to interest hedges (interest swaps). Derivative financial instruments without hedge relationships involve foreign currency items for outstanding orders.

(12) Segment report

1st Half 2020/21 in € million 1st Half 2019/20 in € million	HORNBACH Baumarkt AG subgroup	HORNBACH Baustoff Union GmbH subgroup	HORNBACH Immobilien AG subgroup	Central division	Consolidation adjustments	HORNBACH Holding AG & Co. KGaA Group
Segment sales	**2,949.0**	**182.4**	**39.8**	**0.0**	**(39.0)**	**3,132.2**
	2,444.7	160.3	40.0	0.0	(39.1)	2,605.9
Sales to third parties	2,947.1	182.3	0.0	0.0	0.0	3,129.5
	2,442.5	160.2	0.0	0.0	0.0	2,602.7
Sales to affiliated companies	0.0	0.1	0.0	0.0	(0.1)	0.0
	0.0	0.1	0.0	0.0	(0.1)	0.0
Rental income from third parties	1.8	0.1	0.8	0.0	0.0	2.7
	2.2	0.0	1.0	0.0	0.0	3.3
Rental income from affiliated companies	0.0	0.0	38.9	0.0	(38.9)	0.0
	0.0	0.0	39.0	0.0	(39.0)	0.0
EBIT	**307.0**	**6.0**	**30.0**	**(2.0)**	**(5.4)**	**335.6**
	170.9	4.8	29.3	(1.6)	(4.1)	199.3
of which: depreciation and amortization	112.6	4.3	8.8	0.0	(32.4)	93.3
	116.4	3.9	8.8	(32.9)	0.0	96.1
Segment earnings (adjusted EBIT)	**307.0**	**5.7**	**29.4**	**(2.0)**	**(5.4)**	**334.7**
	170.9	3.8	29.3	(1.6)	(4.1)	198.4
EBITDA	**419.7**	**10.3**	**38.8**	**(2.0)**	**(37.8)**	**429.0**
	287.3	8.6	38.1	(1.6)	(37.1)	295.3
Segment assets	**3,828.1**	**197.4**	**472.1**	**50.0**	**(498.6)**	**4,049.0**
	3,611.6	187.4	485.5	33.9	(537.0)	3,781.4
of which: credit balances at banks	620.4	2.3	25.7	49.4	0.0	697.9
	373.5	2.1	19.5	32.4	0.0	427.4

Reconciliation in € million	1st Half 2020/21	1st Half 2019/20
Segment earnings (adjusted EBIT)	**334.7**	**198.3**
Non-operating effects	0.9	0.9
Net financial expenses	(22.1)	(23.7)
Consolidated earnings before taxes	**313.5**	**175.5**

The table below presents a breakdown of external sales by region and activity:

1st Half 2020/21 in € million 1st Half 2019/20 in € million	HORNBACH Baumarkt AG subgroup	HORNBACH Baustoff Union GmbH subgroup	HORNBACH Immobilien AG subgroup	HORNBACH HOLDING AG & Co. KGaA Group
Germany	**1,557.0**	**178.2**	**0.8**	**1,736.0**
	1,255.8	155.5	0.9	1,412.2
Other European countries	**1,391.9**	**4.3**	**0.0**	**1,396.2**
	1,188.9	4.8	0.1	1,193.7
Revenue from contracts with customers	**2,949.0**	**182.5**	**0.8**	**3,132.2**
	2,444.7	160.3	1.0	2,605.9

Bornheim bei Landau/Pfalz, September 24, 2020

HORNBACH Holding AG & Co. KGaA
represented by HORNBACH Management AG

Albrecht Hornbach

Roland Pelka

RESPONSIBILITY STATEMENT (BALANCE SHEET OATH)

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.

Bornheim bei Landau/Pfalz, September 24, 2020

HORNBACH Holding AG & Co. KGaA
represented by HORNBACH Management AG

Albrecht Hornbach Roland Pelka

REVIEW REPORT

To HORNBACH Holding AG & Co. KGaA, Neustadt an der Weinstrasse

We have performed a limited review of the condensed interim consolidated financial statements, which comprise the income statement and the statement of comprehensive income for the period from 1 March to 31 August 2020, the balance sheet as at 31 August 2020, the statement of changes in equity, the statement of cash flows and the selected explanatory notes, together with the interim group management report of HORNBACH Holding AG & Co. KGaA, Neustadt an der Weinstrasse/Germany, for the period from 1 March to 31 August 2020, that are part of the semi-annual financial report pursuant to Section 115 German Securities Trading Act (WpHG). The executive directors are responsible for the preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the German Securities Trading Act (WpHG) applicable to interim group management reports. Our responsibility is to issue an attestation report on the condensed interim consolidated financial statements and on the interim group management report based on our limited review.

We conducted our limited review of the condensed interim consolidated financial statements and of the interim group management report in accordance with the German Generally Accepted Standards for the Limited Review of Financial Statements promulgated by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform the limited review in a manner that, based on critical assessment, we can preclude with a certain level of assurance, that, in material respects, the condensed interim consolidated financial statements have not been prepared in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, or that, in material respects, the interim group management report has not been prepared in accordance with the requirements of the German Securities Trading Act (WpHG) applicable to interim group management reports. A limited review is primarily confined to making enquiries of the Company‘s employees and performing analytical assessments and therefore does not offer the assurance that can be obtained through an audit of financial statements. Since we were not engaged to perform an audit of financial statements, we cannot issue an auditor’s report.

Based on our limited review no matters have come to our attention that cause us to assume that, in material respects, the condensed interim consolidated financial statements of HORNBACH Holding AG & Co. KGaA, Neustadt an der Weinstrasse/Germany, have not been prepared in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, or that, in material respects, the interim group management report has not been prepared in accordance with the requirements of the German Securities Trading Act (WpHG) applicable to interim group management reports.

Mannheim, September 24, 2020

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Steffen Schmidt
Wirtschaftsprüfer
(German Public Auditor)

Patrick Wendlandt
Wirtschaftsprüfer
(German Public Auditor)

FINANCIAL CALENDAR

September 29, 2020	Half-Year Financial Report 2020/21 as of August 31, 2020 DVFA Analysts Conference of HORNBACH Holding & Co. KGaA
December 22, 2020	Quarterly Statement: 3rd Quarter of 2020/21 as of November 30, 2020
March 23, 2021	Trading Statement 2020/21 as of February 28, 2021
May 27, 2021	Annual Report 2020/21 as of February 28, 2021 DVFA Analysts Conference of HORNBACH Baumarkt AG

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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 exceptional 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.