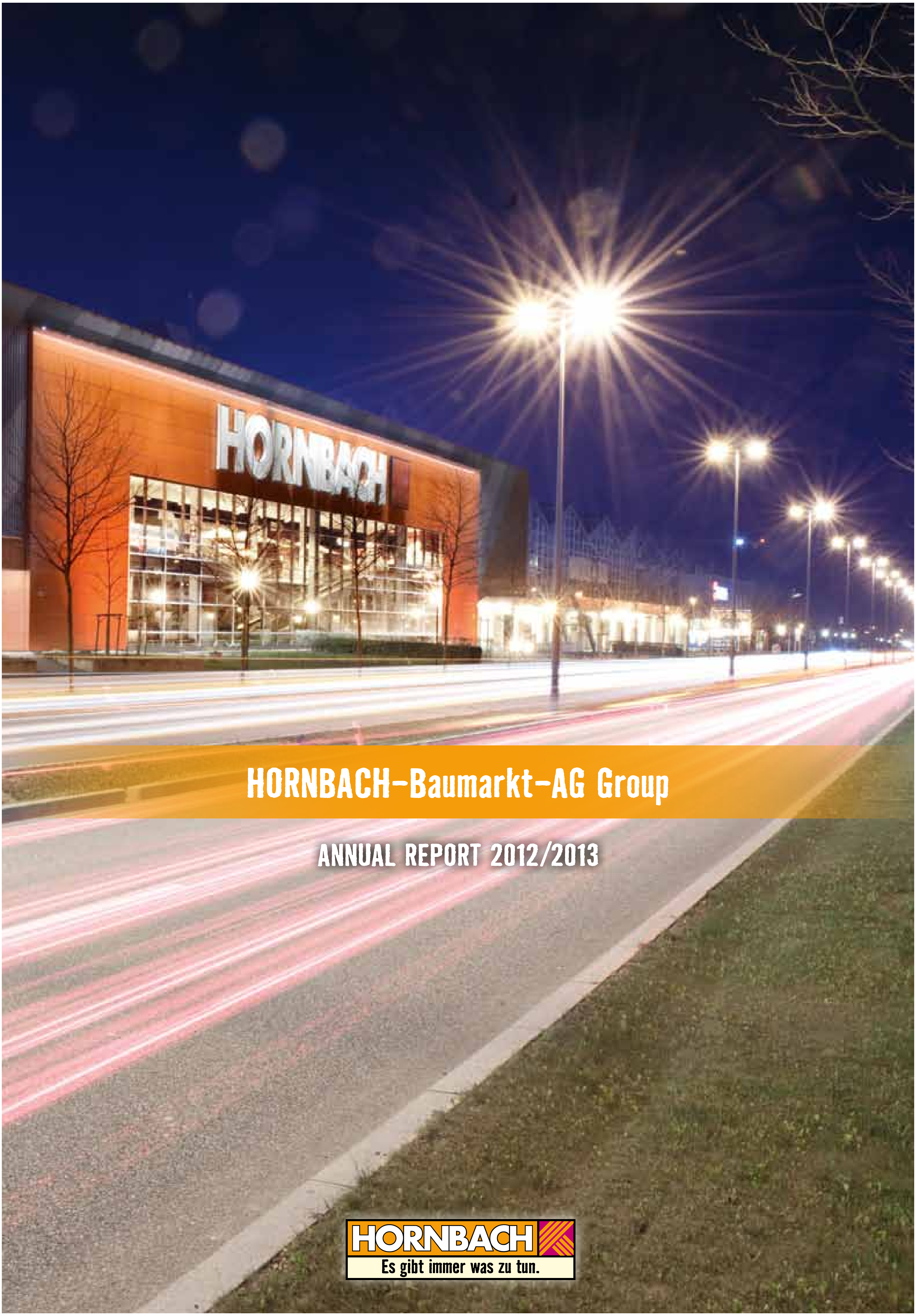

HORNBACH-Baumarkt-AG Group

ANNUAL REPORT 2012/2013

Es gibt immer was zu tun.

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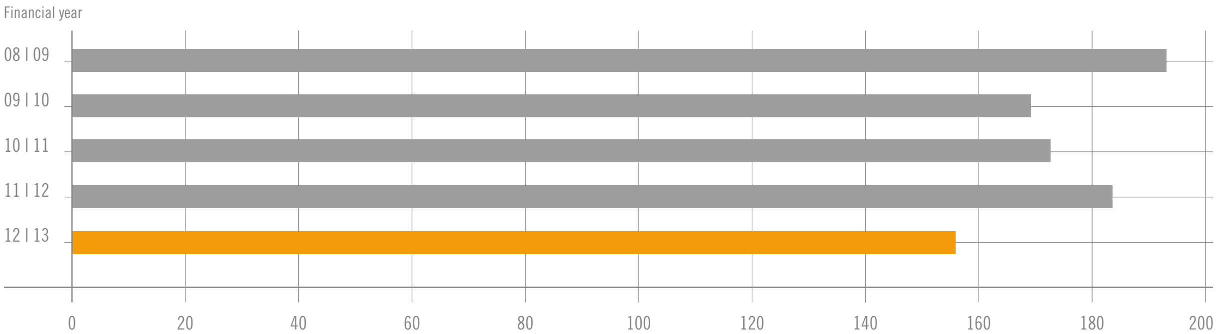
Key Group, Financial and Operating Data

Amounts shown in € million unless otherwise stated	Change financial year 2012/2013 on previous year	2012/2013	2011/2012	2010/2011	2009/2010	2008/2009	2007/2008	2006/2007	2005/2006	2004/2005	2003/2004
		IFRS									
Sales and earnings figures [1]											
Net sales	0.6%	3,020	3,001	2,836	2,686	2,599	2,469	2,392	2,234	2,094	1,923
of which in other European countries	0.6%	1,279	1,272	1,195	1,109	1,065	962	862	788	688	611
Sales growth as % of net sales		0.6	5.8	5.6	3.4	5.2	3.2	7.1	6.7	8.9	18.2
EBITDA [2]	(15.5)%	156	184	173	169	193	142	160	137	152	127
as % of net sales		5.2	6.1	6.1	6.3	7.4	5.7	6.7	6.1	7.3	6.6
EBIT [3]	(22.7)%	99	128	119	115	137	79	96	70	91	65
as % of net sales		3.3	4.3	4.2	4.3	5.3	3.2	4.0	3.1	4.3	3.4
Earnings before taxes and extraordinary result	(30.1)%	74	106	102	96	122	56	73	44	68	44
as % of net sales		2.5	3.5	3.6	3.6	4.7	2.3	3.0	1.9	3.2	2.3
Net income for the year	(32.4)%	52	77	76	68	95	47	61	25	43	28
as % of net sales		1.7	2.6	2.7	2.5	3.7	1.9	2.5	1.1	2.1	1.5
Gross margin as % of net sales		37.3	37.4	37.4	36.8	36.6	36.3	36.0	35.7	36.4	35.7
Store expenses as % of net sales [4]		29.7	29.0	29.3	29.6	29.1	29.4	29.0	29.5	28.8	28.6
Costs of central administration as % of net sales [4]		4.7	4.3	4.2	4.1	4.1	4.1	3.9	4.1	3.9	3.7
Pre-opening expenses as % of net sales [4]		0.3	0.2	0.1	0.1	0.3	0.3	0.2	0.5	0.5	0.6
Cash flow figures											
Cash flow from operating activities	(8.6)%	95	104	153	156	124	67	197	16	124	46
Investments	12.4%	117	104	68	68	82	105	88	144	92	71
Proceeds from divestments		3	11	38	3	66	43	40	96	23	39
Earnings potential [5]	(5.6)%	105	111	158	160	132	74	202	27	134	57
as % of net sales		3.5	3.7	5.6	6.0	5.1	3.0	8.4	1.2	6.4	3.0
Dividend distribution	0.0%	15.9	15.9	15.9	13.7	13.7	13.6	13.5	13.2	13.1	13.1
Balance sheet and financial figures											
Total assets	(1.9)%	1,597	1,628	1,592	1,439	1,425	1,351	1,331	1,286	1,274	1,162
Non-current assets	8.2%	722	668	621	601	565	569	616	612	635	638
Inventories	1.2%	482	476	459	428	496	479	446	496	426	425
Cash and cash equivalents	(21.5)%	317	404	423	296	236	167	193	72	143	49
Shareholders' equity	3.7%	822	792	730	655	591	516	471	415	399	363
Shareholders' equity as % of total assets		51.4	48.6	45.9	45.5	41.5	38.2	35.4	32.3	31.3	31.3
Return on shareholders' equity based on net income - in %		6.5	10.2	10.9	11.0	17.1	9.4	13.7	6.1	11.4	7.9
Net working capital	(2.3)%	349	358	319	312	349	345	306	407	317	306
Additions to non-current assets	12.5%	117	104	68	68	84	105	87	140	88	73
Inventory turnover rate per year		4.0	4.0	4.0	3.7	3.4	3.4	3.3	3.1	3.1	3.1
Retail store data											
Number of stores		138	134	133	131	129	125	120	124	117	110
of which in Germany		92	91	92	92	92	91	89	92	88	83
of which in other European countries		46	43	41	39	37	34	31	32	29	27
Like-for-like sales growth in %		(1.4)	2.8	2.6	0.7	1.4	(0.2)	4.0	0.5	1.5	5.2
Sales area in m² (based on BHB)	3.2%	1,597,949	1,549,085	1,513,722	1,480,216	1,446,794	1,384,901	1,307,572	1,319,484	1,198,209	1,115,900
Weighted average net sales per m² in €	(1.1)%	1,912	1,933	1,903	1,828	1,839	1,810	1,833	1,753	1,796	1,804
Average store size in m²	0.2%	11,579	11,560	11,381	11,299	11,215	11,079	10,896	10,641	10,241	10,145
Weighted average sales per store		22.1	22.3	21.7	20.7	20.6	20.1	19.9	18.7	18.4	18.3
Other information											
Employees - annual average - converted into full-time equivalents	4.0%	12,674	12,188	11,520	11,357	11,005	10,528	10,091	10,046	9,407	8,499
Sales per employee in € 000s	(3.2)%	238	246	246	237	236	235	237	222	223	226
Number of shares [6]		31,807,000	31,807,000	15,903,500	15,903,500	15,740,060	15,685,020	15,506,120	15,200,320	15,097,830	15,011,500
Earnings per share in € [6]		1.64	2.43	4.76	4.32	6.04	2.98	3.95	1.64	2.88	1.86

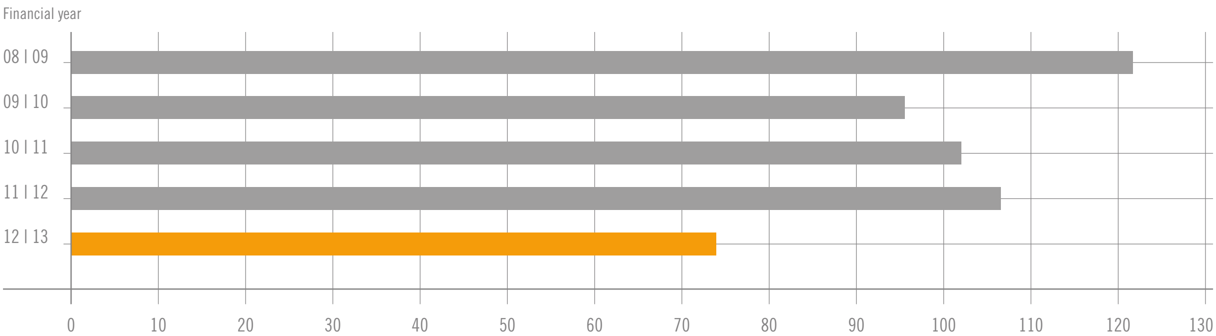
1) Starting in the 2003/2004 financial year: other taxes (e.g. property tax) have been included under operating expenses
2) Earnings before interest, taxes, depreciation and amortization; starting in the 2007/2008 financial year: excluding net currency result
3) Earnings before interest and taxes; starting in the 2007/2008 financial year: excluding net currency result
4) Starting in the 2003/2004 financial year: excluding interest
5) Cash flow from operating activities, plus pre-opening expenses
6) Starting in the 2011/2012 financial year: change in number of shares following issue of bonus shares as of July 29, 2011 (c.f. Note (9) in notes to consolidated financial statements)

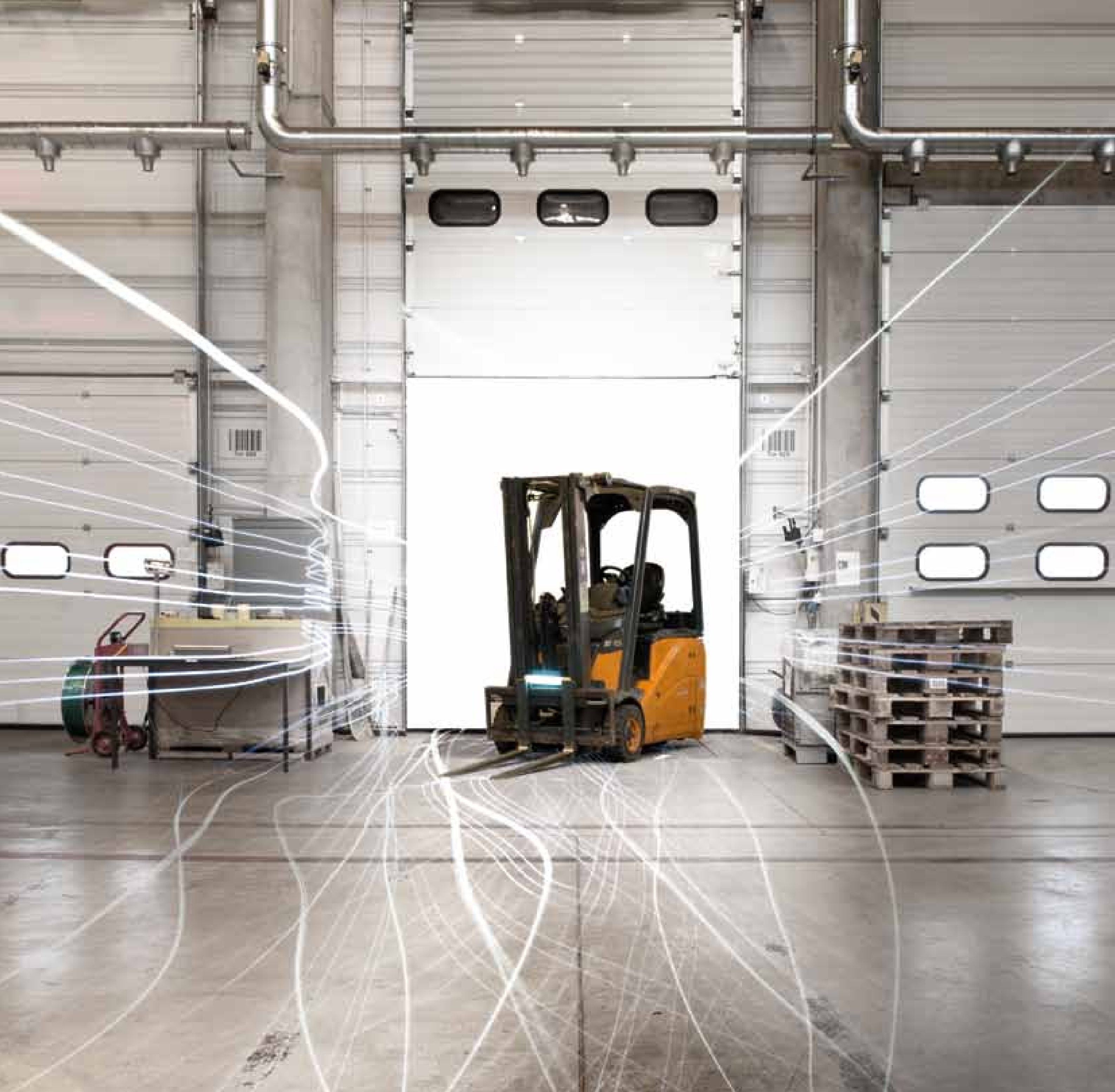
Structure of consolidated balance sheet
(€ million)

Earnings before interest, taxes, depreciation and amortization (EBITDA)
(€ million)



Earnings before taxes
(€ million)



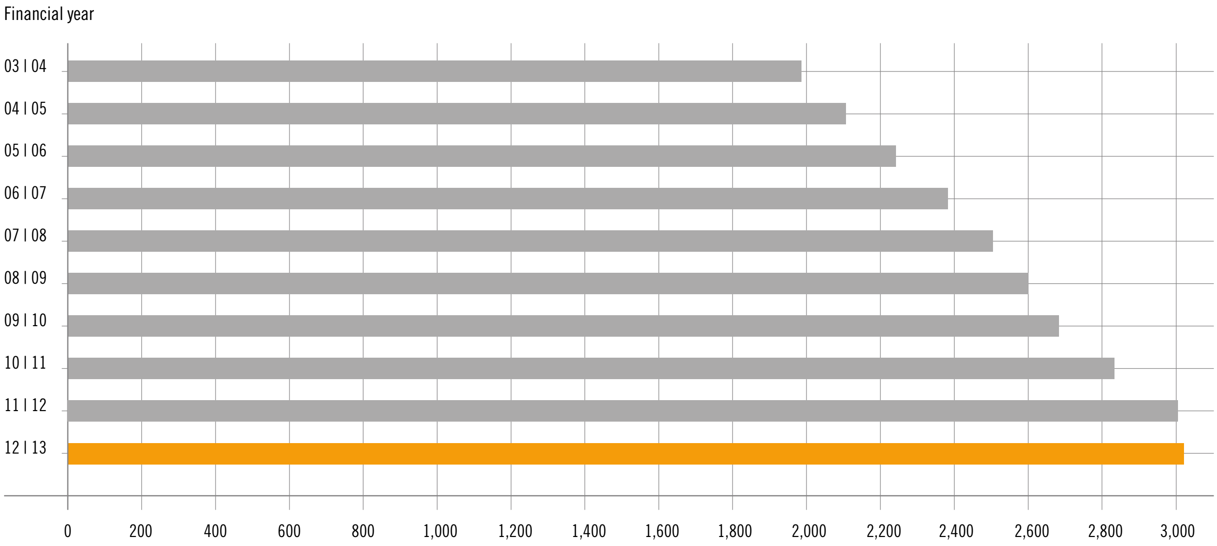


Time and Space

Those are the dimensions for any project. Anyone looking to build a house, renovate a bathroom, cultivate a garden, or simply paint the walls of their home needs time and space to put their plans and dreams into practice. HORNBACH offers its customers the ideal concept to help them implement their projects quickly and professionally. As to the right place, customers now have a choice between HORNBACH's 138 DIY megastores with garden centers and the Group's increasingly important internet store. This virtual DIY store is already reality in Germany and Austria, and further countries are set to follow. Scratch the surface of this concept and you will find a wealth of experience and innovation when it comes to perfectly organizing time and space.

COMPANY PROFILE

Sales performance of the HORNBACH-Baumarkt-AG Group
(net, € million)



The HORNBACH Group is characterized by its ability to respond to the challenges of trading in DIY, home improvement and garden products, and to set new standards in the process.

Since the company was founded in 1877, five generations of the Hornbach family have been active in almost all areas of the construction sector – in the building trade, as manufacturers of prefabricated components and, for the first time in 1900, as builders' merchants.

As one of the pioneers in Germany and Europe, HORNBACH opened its first DIY store in 1968 and combined it with a garden center – at its time unique in Europe. This combination has since developed into a European standard in the DIY sector today.

In the second half of the 1980s, HORNBACH added a new dimension to the market with its concept of large DIY and home improvement megastores with garden centers. Today, an impressively presented range of around 50,000 top quality DIY and gardening articles is available to DIY customers in spacious stores and at permanently low prices. Well-trained, service-oriented employees make project customers and DIY enthusiasts, especially those on the lookout for solutions for extensive renovation and construction projects, the focus of their activities.

The consistent implementation of the company's concept, coupled with the high expectations it places in the quality of its locations, its stores, its product range and employees, have facilitated the dynamic growth shown by the company in recent years and form the basis for further expansion. With an average sales area of more than 11,000 m² per store, HORNBACH has underlined its unique position in the DIY megastore with garden center segment and also has the highest level of sales area productivity of any of the leading DIY companies in

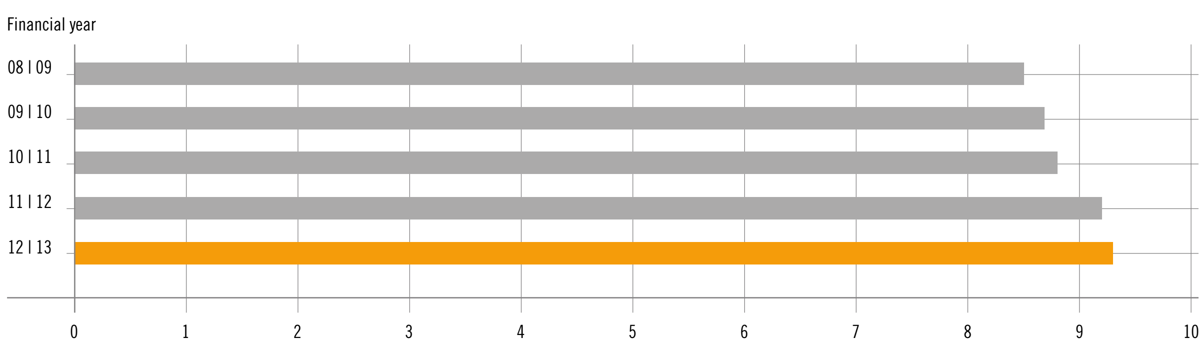
Germany. The net sales of the HORNBACH-Baumarkt-AG Group grew by 0.6% to € 3,020 million in the 2012/2013 financial year. At the balance sheet date on February 28, 2013, the Group operated 138 DIY megastores with garden centers in nine countries across Europe (92 of which in Germany) with total sales areas of around 1.6 million square meters.

Following the company's successful entry into the Austrian market in August 1996, it has consistently pressed ahead with its expansion into neighboring European countries. Stores were subsequently opened in the Netherlands, Luxembourg and the Czech Republic. The company's international growth continued with its expansion to Switzerland, Sweden and Slovakia. The entry into the Romanian market followed in the summer of 2007. As of February 28, 2013, HORNBACH was operating a total of 46 DIY megastores with garden centers in eight countries outside Germany. The international share of consolidated sales amounted to 42.4% in the 2012/2013 financial year and is set to rise further in future. The Group will nevertheless also continue to pursue opportunities for expansion in Germany. Since December 1, 2010, the stationary retail business has been supplemented by HORNBACH's online shop, with which the Group aims to make targeted use of the opportunities presented by multichannel retailing.

HORNBACH-Baumarkt-AG is a publicly listed stock corporation. The ordinary shares in the company (ISIN DE0006084403) are listed on the German Stock Exchange and are admitted to the subsection of the official market with additional admissions obligations (the "Prime Standard"). Of approximately 31.8 million ordinary shares in the company, 76.4% are held by HORNBACH HOLDING AG, while 18.4% are owned by independent shareholders. The British retail group Kingfisher plc held a stake of around 5.2% at the balance sheet date.

HORNBACH is also present in the debt market with a corporate bond. On February 15, 2013, the company successfully placed a seven-year bond with a volume of € 250 million and an interest coupon of 3.875% (ISIN: DE000A1R02E0). The issue proceeds were used to prematurely redeem the existing bond in place since November 2004 (interest coupon: 6.125%) on February 25, 2013.

HORNBACH's DIY market share in Germany
(in %)



Sustainability

A brush? Just a few bristles and a wooden grip, you would think. End of story. What many people don't know is that today brushes are there not only to provide a clean finish but also to promote sustainability. That's why HORNBACH makes sure its suppliers only work with timber from responsible forestry in their production. Good tools and a good conscience. These timber products are easily recognized because they bear the Forest Stewardship Council® (FSC®) quality seal. A sustainable approach to natural resources and a desire to safeguard the future for coming generations – key ecological dimensions of time and space.

TO OUR SHAREHOLDERS

Dear Shareholders,

We can look back on a demanding 2012/2013 financial year. Faced by numerous challenges that we as a company were unable to influence, we nevertheless generated earnings with which we can be satisfied. The crucial point here is that we continued to channel substantial resources and our innovative strength, and that without making any cutbacks, into our sustainable, long-term growth. Viewed from this perspective, 2012/2013 was an important stepping stone on the way to the Group's future development. Given the difficult underlying conditions, it is no surprise that our key sales and earnings figures ultimately failed to match the high standard set in the 2011/2012 financial year.

In 2010/2011 and 2011/2012, we boosted our consolidated sales by just under six percent each year. We originally targeted a similar rate of growth for the past 2012/2013 financial year as well. In the end, however, we only managed to post slight sales growth of 0.6% to € 3,020 million. More than anything, this noticeably lower level of sales momentum in the year under report was due to the acceleration in the economic downturn in the European Union.

Europeans may have become more or less accustomed to the euro debt crisis as an ongoing state of affairs. However, the threat of state bankruptcy in Greece and widespread doubts as to politicians' ability to implement reforms engendered even greater uncertainty among consumers, businesses, and investors across large parts of Europe from summer 2012 onwards. Consequently, the European Union fell even more deeply into recession towards the end of 2012. In many countries, this noticeably reduced people's willingness to consume and invest. It also did not fail to leave its mark on the retail sector, and on the DIY sector in particular.

We too felt the strong economic headwind in the eight countries outside Germany in which we operate, and that with very few exceptions. Consumers were far more nervous in the second half of the financial year than was the case in Germany. To be on the safe side, private households in numerous European countries put back their construction or renovation projects. This situation was made worse by further negative factors, such as the real estate crisis in the Netherlands, or by Swiss residents going on cross-border shopping sprees. All in all, these factors placed an ever greater damper on demand at our DIY megastores with garden centers outside Germany the further the financial year progressed. It became apparent in the third quarter of 2012/2013 that it would no longer be possible to make up for the shortfall in like-for-like sales to the extent necessary to meet the previous sales forecast for the HORNBACH-Baumarkt-AG Group. We therefore revised our forecast downwards in November 2012. We then achieved our target of matching the previous year's level of consolidated sales.

Pleasingly robust sales performance in Germany

The 2012/2013 financial year showed once more why it is so important that we have a strong presence in the German DIY market. In the past, or to be more precise, prior to the financial and economic crisis in 2009, we repeatedly faced critical questions as to why we did not focus our expansion exclusively on countries outside Germany, not even to mention the hype about growth opportunities in Eastern Europe. Had we acted on all these supposedly great ideas, then we would have steered a far less successful course through the stormy waters of the sovereign debt crisis in the past two years. Among economists, Germany is viewed as a something of a safe haven. Numerous other European Union countries face economic problems, while rising unemployment is adversely affecting consumer demand. In Europe's largest economy, by contrast, growth rates, the labor markets and consumer confidence were most recently in comparatively robust state.

Against this backdrop, DIY customers in our home market seemed more interested in implementing their DIY and renovation projects than allowing themselves to be excessively distracted by concerns about the euro. This enabled us to maintain our like-for-like sales in Germany at the previous year's level. That in itself is already a respectable achievement. After all, the 5.8% growth achieved in the 2011/2012 financial year meant that the standard to beat in terms of our like-for-like sales performance in Germany was higher than at any time in the past twenty years. The information provided on Page 41 onwards of this Annual Report makes it clear that we had to hold our ground against significant base effects, particularly in the first and fourth quarters. Our stable performance in Germany enabled us to limit the downturn in like-for-like sales on group level to minus 1.4%.

In the interests of completeness, we should mention that our sales performance in the fourth quarter, which in any case had three business days fewer across the Group than in the previous year, took a far greater knock from unfavorable weather conditions than in the previous year. We should also mention, however, that we significantly outperformed the overall DIY store and garden center sector in most countries in our European network in the past year and thus gained further market share. In Romania, we even posted a turnaround, generating like-for-like sales growth for the first time since the 2008/2009 financial year, and that in defiance of the highly negative market trend. That is how we would evaluate our sales performance.

How did our costs develop? All in all, selling and store, pre-opening and administration expenses remained below their respective budget targets. That is especially true of our selling and store expenses, our largest cost block. This enabled us to offset part of the shortfall in sales contributions. We deliberately accepted the additional expenses required for key forward-looking projects in our administration departments. Alongside numerous innovations aimed at continually optimizing our operating processes, these related above all to the further development and expansion of our online retail activities.

HORNBACH's online store in Germany has now matured into a virtual DIY store and garden center. Our customers can find practically the whole HORNBACH product range there, optimally inform themselves, and plan their projects. They can decide how they would prefer to handle their purchases, whether to have the goods conveniently delivered to their homes, reserve and collect them from the store, or discuss things with specialist sales staff at the store and deal with it all there. The internet is a huge challenge, but also an enormous opportunity, and one we are enthusiastically seizing.

These forward-looking projects cost a great deal. If it was only about short-term profit maximization, then we could easily cut our costs by a double-digit million amount. However, that would incompatible with our strategy of sustainable growth. We are convinced that we are making these "down payments" at the right time and that they will significantly improve our competitive opportunities in the long term. In the short and medium term, that may well infringe on our earnings performance in years like 2012/2013. After all, cost structures that are in line with or slightly below budget collide with a level of sales that due to economic factors is lower than originally budgeted.

In view of this, our earnings for the 2012/2013 financial year were noticeably lower than in the previous year. Operating earnings (EBIT) fell by 22.7% to € 99.3 million. Consolidated net income dropped from € 77.4 million to € 52.3 million. Our aim is to rapidly improve our level of earnings once again in the coming years. The question no one can answer is whether we will be able to bid farewell to the difficult times in the 2013/2014 financial year already. The unusually long winter through to May 2013 literally froze the new season in the starting blocks, and that across the entire DIY sector.

Focusing clearly on our customers' projects, we will leave no stone unturned to make up for the shortfall in sales at the beginning of the year at the earliest opportunity. I am proud to see the energy and passion which our employees, now numbering more than 14,000 across nine countries, are channeling into this race to catch up. I would like to take this opportunity to extend a particularly warm thank you to them!

Steffen Hornbach
Chairman of the Board of Management
HORNBACH-Baumarkt-AG

REPORT OF THE SUPERVISORY BOARD

Albrecht Hornbach

Dear Ladies and Gentlemen,

In the past 2012/2013 financial year we dealt in great detail with the company's situation, its perspectives and its strategic alignment. We advised the Board of Management in its management of the company and monitored its conduct in accordance with the requirements of the law, the Articles of Association and the Code of Procedure. At our meetings, the Board of Management provided us with regular, prompt and extensive written and oral reports on the business performance and economic situation of the company and its subsidiaries. The Supervisory Board was involved in decisions of major significance for the company. Moreover, the Supervisory Board Chairman was in regular contact with the Board of Management, and especially with its Chairman, outside the framework of meetings to discuss significant issues and also to hold a number of working meetings.

Meetings of the Supervisory Board

Four Supervisory Board meetings were held in total in the 2012/2013 financial year. One member of the Supervisory Board attended fewer than half of the meetings. No conflicts of interest arose on the part of members of the Board of Management and Supervisory Board in the year under report.

At our meetings, we dealt in detail with the economic situation of the company, its business performance, corporate strategy and planning, investment and financial policy, opportunity and risk situation and its risk management, and corporate governance on the basis of oral and written reports provided by the Board of Management and discussed these matters with the Board of Management. The Board of Management also provided regular oral and written reports on the company's situation and on the development in its earnings and financial situation compared with the previous year and the budget. Budget variances were discussed and substantiated. Those actions of the Board of Management requiring our approval were discussed in detail. Following thorough examination and discussion of the proposals submitted by the Board of Management, the Supervisory Board approved all of the respective measures at its meetings.

At the meeting held on May 15, 2012 to approve the annual financial statements, we examined the annual and consolidated financial statements in great detail in the presence of the auditor, as was also the case on May 22, 2013. We also formally accepted the report from the Audit Committee on its work and the findings of its audit. All of the questions raised by Supervisory Board members were answered in detail by the auditors. The report of the Supervisory Board, the joint corporate governance report of the Board of Management and the Supervisory Board, the risk report, and the compliance report were also discussed and approved at this meeting. The agenda for the Annual General Meeting, including the proposed resolutions, was approved. Furthermore, at the meeting held on May 15, 2012 the Chairman of the Board of Management, Steffen Hornbach, was appointed for a further five-year term in office through to August 26, 2017 in line with the recommendation submitted by the Personnel Committee.

At the meeting held directly before the Annual General Meeting on July 5, 2012, the Board of Management reported on the current situation of the Group. Moreover, dates were agreed for regular meetings up to and including the 2013/2014 financial year.

On December 19, 2012, the Board discussed the Group's current business situation, the risk report and the compliance report. The issue of a bond with a volume of € 250 million planned by the Board of Management to prematurely refinance an old bond was approved. At the same meeting, the updated Declaration of Conformity with the German Corporate Governance Code was submitted pursuant to § 161 of the German Stock Corporation Act (AktG) and then made permanently available to shareholders on the company's homepage. Apart from a few exceptions, HORNBACH-Baumarkt-AG has complied with and continues to comply with the recommendations of the German Corporate Governance Code. Only the following recommendations have not been complied with for the reasons outlined in the Declaration of Conformity: the agreement of a deductible in the D&O insurance policy for Supervisory Board members, the setting of a cap on severance pay for members of the Board of Management, that the Supervisory Board Chairman also chairs the committee dealing with contracts with the Board of Management, the formation of a nomination committee, the statement of targets for diversity and a commensurate representation of women, that the Supervisory Board should not include more than two former members of the Board of Management, and the individualized disclosure of compensation or benefits granted to Supervisory Board members for services rendered in person. Further information about corporate governance at HORNBACH-Baumarkt-AG can be found in the joint report of the Board of Management and the Supervisory Board from Page 20 onwards.

At its final meeting in the past 2012/2013 financial year, held on February 27, 2013, the Supervisory Board discussed the Group's current business situation, and examined and approved the budget for the financial years 2013/2014 to 2017/2018. Furthermore, the Codes of Procedure for the Supervisory Board and Board of Management were updated and matters relating to the Board of Management were discussed.

Committees and committee meetings

The Supervisory Board has established three committees. The current composition of the committees can be found on Page 17 of this Annual Report.

The Audit Committee met five times in the year under report. Meetings were held in May, June, September, December and February. In May 2012, the Audit Committee discussed the annual financial statements of HORNBACH-Baumarkt-AG and the consolidated financial statements, the management reports, the proposed appropriation of profits and the audit reports, including the dependent company report, in the presence of the auditor and of the Chairman of the Board of Management and the Chief Financial Officer. Key focuses of discussion at this meeting also included the risk and compliance reports of the Board of Management, group internal audit reports, the reports compiled by the Board of Management on the financial situation of the company and the candidate to be proposed for election as auditor. The financial report for the first quarter was discussed at the June meeting and on September 26, 2012 the half-year financial report was discussed in the presence of the auditors. In December 2012, the key focuses for the audit of the annual financial statements were determined together with the auditors. At the same meeting, the Committee addressed the nine-month financial report, the risk and compliance reports, and the company's financial situation, including the restructuring of the bond and the performance of new stores. In February 2013, the budget for the financial years 2013/2014 to 2017/2018 was discussed in detail and approved. The internal audit plan for the 2013/2014 financial year was adopted at the same meeting.

The Audit Committee Chairman reported in detail on the work of the committee to full Supervisory Board meetings.

The Personnel Committee held two meetings. The May meeting dealt with the forthcoming extension to the management board contract with the Chairman of the Board of Management. In February 2013, the Committee discussed the forthcoming extension of the contract with a member of the Board of Management.

It was not necessary to convene the Mediation Committee established pursuant to § 27 (3) of the German Codetermination Act (MitBestimmG).

Personnel-related matters

On March 11, 2013, Jürgen Schröcker, a member of the Board of Management since October 1, 2004, informed the Chairman of the Supervisory Board and the Chairman of the Supervisory Board Personnel Committee that he would like to tackle new professional challenges upon the expiry of his management board contract as of December 31, 2013. Jürgen Schröcker stood down from his position on the Board of Management as of March 31, 2013. His duties as Marketing Director were assumed by Steffen Hornbach, Chairman of the Board of Management, as of April 1, 2013. The business allocation plan for the Board of Management was amended accordingly.

Annual and consolidated financial statements

KPMG Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (KPMG), Berlin and Frankfurt am Main, audited the annual financial statements of HORNBACH-Baumarkt-AG and the consolidated financial statements as of February 28, 2013, as well as the management reports of HORNBACH-Baumarkt-AG and the Group and provided them each with an unqualified audit opinion. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Moreover, KPMG confirmed that the early warning risk management system conformed to requirements and that no risks to the company's ongoing existence had been identified.

Key focuses of the audit in the 2012/2013 financial year included select IT-related processes and checks (e.g. audit of SAP release change), the functionality of internal controls of key financial reporting processes, the audit of the ongoing value of non-current assets (IAS 36), the assessment of stores with negative store results, the audit of the existence and measurement of inventories, the audit of the completeness and measurement of provisions, the audit of the recognition and measurement of deferred and current tax assets and liabilities, the audit of the recognition of the premature repayment of the corporate bond executed in the year under report and of the newly issued bond, compliance with credit terms in connection with group financing, the delineation of the scope of consolidation, the correctness of the annual financial statements included in the consolidated financial statements, the consolidation of capital, the completeness and accuracy of note disclosures, and the completeness and consistency of the disclosures made in the management report accompanying the separate and consolidated financial statements.

The financial statements and audit reports were provided to all Supervisory Board members in good time. They were examined in detail at the meeting of the Audit Committee on May 22, 2013 and at the subsequent meeting of the Supervisory Board held on the same day to approve the financial statements. The auditor took part in these discussions. He reported on the principal audit findings and was available to provide further information and to answer questions. Based on the findings of the preliminary audit performed by the Audit Committee and of our own examination of the documents provided by the Board of Management and the auditor, we did not raise any objections and endorse KPMG's audit findings. We approve the annual financial statements prepared by the Board of Management for HORNBACH-Baumarkt-AG and the Group as of February 28, 2013; the annual financial statements of HORNBACH-Baumarkt-AG are thus adopted. We endorse the appropriation of profits proposed by the Board of Management.

Furthermore, the Supervisory Board reviewed the report from the Board of Management on relationships with associated companies pursuant to § 312 of the German Stock Corporation Act (AktG). Neither this review nor KPMG's audit gave rise to any objections. KPMG granted the following audit opinion:

"Based on the audit and assessment we have undertaken in accordance with professional standards, we confirm that
1. the factual disclosures made in the report are correct
2. the performance of the company in the transactions listed in the report was not incommensurately high."

Based on the conclusive findings of its audit, the Supervisory Board has no objections to the statement provided by the Board of Management at the end of its report pursuant to § 312 of the German Stock Corporation Act (AktG).

Despite increasingly tough conditions, HORNBACH-Baumarkt-AG posted good results overall in the past 2012/2013 financial year and asserted its position in its competitive environment. The Supervisory Board would like to extend its thanks and appreciation to the Board of Management and to all employees, both in Germany and abroad, for their commitment and successful work in the past financial year.

Bornheim, May 2013

The Supervisory Board

Albrecht Hornbach
Chairman

DIRECTORS & OFFICERS

Supervisory Board

Albrecht Hornbach
Chairman
Chairman of Board of Management
HORNBACH HOLDING AG

Dr. Wolfgang Rupf
Further Deputy Chairman
Managing Director, Rupf Industries GmbH
and Rupf Engineering GmbH

Kay Strelow*
Deputy Chairman
Section Manager, Berlin-Marzahn Store

Jörg Heine*
Incoming Merchandise Manager, Duisburg Store

Rudolf Helfer*
Senior Occupational Safety Specialist

Sabine Hoffmann*
Customer Service Employee

Martin Hornbach
Member of Board of Management
Corivus AG

Véronique Laury
CEO Castorama France
Kingfisher France S.A.S.

Christian Lilie*
District Manager, Germany South

Johannes Otto*
Assistant Store Manager, Schwetzingen Store

Joerg Walter Sost
Managing Partner
J. S. Consulting GmbH

Prof. Dr.-Ing. Jens P. Wulfsberg
Professor of Production Technology
Universität der Bundeswehr Hamburg

* employee representatives

Supervisory Board Committees

Audit Committee
Dr. Wolfgang Rupf Chairman
Albrecht Hornbach
Martin Hornbach
Johannes Otto
Joerg Walter Sost since May 15, 2012

Personnel Committee
Dr. Wolfgang Rupf Chairman
Rudolf Helfer
Joerg Walter Sost since May 15, 2012

Mediation Committee
Dr. Wolfgang Rupf Chairman
Albrecht Hornbach
Kay Strelow

Board of Management

Members and their areas of responsibility

Steffen Hornbach
Chairman
Graduate in Engineering
Strategic Development, New Distribution Channels, After Sales Services, Marketing, Market Research, Internal Communications, Public Relations, Environmental Issues, Project Show / Sales Promotion

Roland Pelka
Deputy Chairman
Graduate in Business Administration
Finance, Accounting and Tax, Group Controlling, Risk Management, Loss Prevention, Information Technology, Investor Relations

Frank Brunner
Graduate in Industrial Engineering (FH)
Operative Store Management, Sales and Services

Susanne Jäger
Businesswoman
Strategic and Operative Procurement, Store Planning, Store Development, Imports, Quality Assurance

Wolfger Ketzler
Attorney and Tax Advisor
Personnel, Real Estate Development, Internal Audit and Legal, Construction and Technical Procurement

Ingo Leiner
Businessman
Logistics, Company Development, In-house Consulting

Jürgen Schröcker until March 31, 2013
Graduate in Business Administration
Marketing, Market Research, Internal Communications, Public Relations, Environmental Issues, Project Show / Sales Promotion

The timesavers

Got the internal fittings perfectly planned, and then it strikes you at the last moment that you're missing a roll of insulation wool? No problem. Just check availability online and then reserve the amount you need at HORNBACH's online store. No time later it will be ready for you to pick up from the nearest store. Hmm, and while you're there…


HÖRMANN

CORPORATE GOVERNANCE

Declaration on Corporate Governance and Corporate Governance Report

Our actions are guided by the principles of responsible, transparent corporate management and control (corporate governance). HORNBACH has always accorded priority to high-quality corporate governance. It forms the basis for sustainable economic success and helps us enhance the trust placed in our company by our customers, business partners, investors, employees and the financial markets. The standards and guidelines we adhere to at the company over and above legal requirements are summarized below in the company's Declaration on Corporate Governance (§ 289a of the German Commercial Code – HGB), which also includes the Corporate Governance Report of the Board of Management and Supervisory Board.

Declaration of Conformity with the German Corporate Governance Code pursuant to § 161 of the German Stock Corporation Act (AktG) dated December 19, 2012

The Board of Management and Supervisory Board of HORNBACH-Baumarkt-Aktiengesellschaft hereby declare pursuant to § 161 of the German Stock Corporation Act (AktG) that the recommendations of the "German Corporate Governance Code" in the version dated May 15, 2012 and published in the electronic Federal Official Gazette on June 15, 2012 have basically been met since the previous Declaration of Conformity and are still met. Application was and is not made of the recommendations in Points 3.8 (3), 4.1.5, 4.2.3 (4) and (5), 5.2 (2) Sentence 1, 5.3.3, 5.4.1 (2) and (3), 5.4.2 Sentence 3 and 5.4.6 (3) Sentence 1.

These deviations from the recommendations were or are due to the following considerations:

a) Point 3.8 (3):
In Point 3.8, (3), the Code recommends agreeing a specified deductible in any D&O insurance policy taken out for supervisory board members. For supervisory board members as well, this should be based on the legal requirements for management board members arising due to the Act on the Appropriateness of Management Board Compensation (VorstAG) dated July 31, 2009. No such deductible has been agreed at the expense of Supervisory Board members. This would reduce the attractiveness of Supervisory Board activities, and thus also the company's chances in the competition to attract qualified candidates. Furthermore, it would also improperly apply to employee representatives. The recommendation made in Point 3.8 (3) has therefore not been and is not followed.

b) Point 4.2.3 (4) and (5):
Furthermore, no application has been or is made of the recommendations in Point 4.2.3 (4) and (5) of the Code ("severance pay cap"). The deviation to Point 4.2.3 (4) and (5) is due to competition-related factors. Apart from that, it still has to be definitively clarified whether and how the recommendations in Point 4.2.3 (4) are legally enforceable.

c) Point 5.2 (2) Sentence 1:
The recommendations in Point 5.2 (2) Sentence 1 of the Code include the recommendation that the supervisory board chairman should also chair the committee that handles contracts with management board members. The company has deviated and continues to deviate from this recommendation. This is to avoid any mere appearance of a conflict of interest on the part of the Supervisory Board Chairman that could result from the fact that he is the brother of the Chairman of the Board of Management of HORNBACH-Baumarkt-Aktiengesellschaft.

d) Point 5.3.3:
In Point 5.3.3, the Code recommends that the supervisory board should form a nomination committee composed exclusively of shareholder representatives which proposes suitable candidates to the supervisory board for its election proposals to the Annual General Meeting. The company's Supervisory Board has not formed such a committee. Based on our experience to date, the establishment of such a committee would not appear to be necessary.

e) Point 5.4.1 (2) and (3) and Point 4.1.5:
The company deviates from the recommendations made in Points 5.4.1 (2) and (3) and in Point 4.1.5. In the composition

of its Board of Management and Supervisory Board, as well as of other management positions, HORNBACH-Baumarkt-Aktiengesellschaft accords priority above all to the knowledge, ability and expert experience of the individual in question.

f) Point 5.4.2 Sentence 3:

In Point 5.4.2 Sentence 3, the Code recommends that the supervisory board should not include more than two former management board members. This is intended to ensure the autonomy of the supervisory board in its advising and monitoring of the management board. However, the Code does not stipulate any number of years for which a former member of the management board is impaired in this respect following his departure from the management board. As a matter of precaution, the company therefore declares that it deviates from the recommendation made in Point 5.4.2 Sentence 3, even though Dr. Wolfgang Rupf, Albrecht Hornbach and Martin Hornbach retired from their positions on the Board of Management of HORNBACH-Baumarkt-Aktiengesellschaft on October 31, 1996, October 31, 2001 and December 31, 2001 respectively.

g) Point 5.4.6 (3) Sentence 1:

In Point 5.4.6 (3) Sentence 1, the Code recommends that the compensation of supervisory board members be reported in the notes to the financial statements or the management report on an individual basis and broken down into its constituent components. As the compensation of the Supervisory Board is governed by the Articles of Association, we see no necessity to disclose individual compensation packages.

Bornheim bei Landau, December 19, 2012

HORNBACH-Baumarkt-Aktiengesellschaft
The Supervisory Board The Board of Management

The above Declaration of Conformity dated December 19, 2012 has been published on the internet together with all earlier Declarations of Conformity and is also available as a download [www.hornbach-group.com/Declaration/HBM].

Relevant corporate governance practices

We base our entrepreneurial activities on the legal frameworks valid in the various countries in which we operate. This places a wide variety of obligations on the HORNBACH-Baumarkt-AG Group and its employees in Germany and abroad. As well as managing the company responsibly in accordance with the relevant laws, ordinances and other guidelines we have also compiled internal group guidelines setting out the system of values and management principles we adhere to at the Group.

Compliance

In a competitive climate, only those companies which manage to convince their customers with their innovation, quality, reliability, dependability and fairness on an ongoing basis will succeed in the long term. Here, we see compliance with legal requirements, internal company guidelines and ethical principles (compliance) as absolutely crucial. HORNBACH's corporate culture is based on these principles, key aspects of which are also formulated in the company's Corporate Compliance Policy [**Internet**: www.hornbach-group.com/Compliance_Policy/HBM]. These focus above all on the integrity of our business dealings, protecting our internal expertise, compliance with antitrust law and all requirements governing international trade, correct documentation and financial communications, and equality of opportunity and the principle of sustainability.

At HORNBACH, adherence with compliance requirements is consistently expected of its employees and business partners and is also monitored, with sanctions being imposed where necessary. In October 2009, the Board of Management entrusted the coordination and documentation of compliance activities across the Group to a Chief Compliance Officer. This manager is responsible for establishing and permanently optimizing the organizational structures necessary to enforce the Group's Corporate Compliance Policy. The group internal audit department audits compliance with the Corporate Compliance Policy at regular intervals.

Our system of values: the HORNBACH foundation

HORNBACH is a forward-looking, family-managed company and is characterized by a clear system of values. The values on which this system is based are honesty, credibility, reliability, clarity and trust in people. This system of values, which had already been lived over many decades, was summarized in the so-called "HORNBACH foundation" in 2004. This model forms the cornerstone for our corporate strategy, everyday behavior, and responsibility towards society. It lays down the basic values governing how we behave towards our customers, as well how our employees behave towards each other. Moreover, this foundation helps our shareholders, customers and the general public, as well as our employees, to understand what the basis of our business success is [**Internet**: www.hornbach-group.com/Fundament].

Compliance with social, safety, and environmental standards

The development of company guidelines governing minimum social standards, environmental protection, product safety and equality of opportunities forms an integral component of our corporate policy, as does monitoring compliance with such. Within our Corporate Social Responsibility (CSR) framework, we have issued group-wide guidelines to ensure that HORNBACH meets its responsibilities towards individuals, society at large and the environment [**Internet**: www.hornbach-group.com/CSR-Guidelines]. The CSR guidelines cover four areas of responsibility:

- **Minimum social standards**: In our procurement activities we ensure that acceptable minimum social standards are complied with in the manufacture of our products. We base our standards here on the conventions of the International Labor Organization (ILO). With the assistance of standardized factory audits and targeted checks on location, we are actively working to ensure compliance with these standards. These efforts are continuing to focus above all on direct imports from non-EU countries. We are endeavoring to make sure that a continuously higher share of our suppliers and upstream suppliers commit to these regulations.

- **Rainforest protection**: In our procurement of timber and related products we ensure that the timber is cultivated and felled in accordance with generally accepted rules, especially those governing rainforest protection. For all timber products sold by HORNBACH we make sure that the timber does not stem from forest depletion, but rather from sustainable forestry and that social welfare and occupational safety standards are adhered to in the timber production process. To this end, we work together with WWF Woodgroup and other environmental protection organizations, such as Greenpeace, Robin Wood etc. HORNBACH currently stocks around 4,500 articles bearing the Forest Stewardship Council (FSC) seal for sustainable forestry. We only offer FSC-certified tropical woods.

- **Product safety**: We guarantee to our customers that all of our products meet the utmost safety standards. Within the framework of an ongoing multistage process to assure the quality and audit the safety of its products, the company ensures that all DIY products sold at HORNBACH are fully functional and do not involve any health risks. These checks are performed by employees in HORNBACH's quality management department with support from internationally certified inspection institutes. Alongside extensive product tests (initial sample inspections), the company focuses on auditing suppliers in the country of manufacture. The quality controllers also audit environmental and social welfare standards at the factories. This way, we ensure that no forced labor or child labor is involved in the production of our merchandise. Not only that, we also perform random checks to audit compliance with strict quality standards along the entire procurement chain – from production via transport to sale at our stores.

- **Equality of opportunity (diversity)**: We ensure that our employees enjoy equal opportunities. We consistently oppose any kind of discrimination. HORNBACH is committed to promoting a liberal and open society based on shared values both within and outside the company. It is in this spirit that we also signed the corporate "Diversity Charter" initiated by the Federal Government in 2008 and have worked with print campaigns dedicated to "Tolerance within Society" aimed at raising people's awareness of this topic.

Dualistic management structure

HORNBACH-Baumarkt-AG, based in Bornheim bei Landau, is governed by the requirements of German stock corporation, capital market and codetermination law, as well as by the provisions of its own Articles of Association. Accordingly, HORNBACH-Baumarkt-AG has a dualistic management structure, which assigns management of the company to the Board of Management and supervision of the company to the Supervisory Board.

Composition and modus operandi of Supervisory Board

The Supervisory Board of HORNBACH-Baumarkt-AG consists of twelve members and, consistent with the German Codetermination Act (MitBestimmG), includes equal numbers of shareholder and employee representatives. Shareholder representatives are elected by the Annual General Meeting. The Supervisory Board Chairman coordinates the work of the Supervisory Board and attends to the affairs of the Supervisory Board externally. In the event of a parity of votes in the Supervisory Board, the Supervisory Board Chairman has the decisive vote in the second round, should renewed voting also produce a parity.

The Board of Management and Supervisory Board work together closely in the interests of the company. The Supervisory Board monitors the management of the company and accompanies the Board of Management in an advisory capacity. It appoints members of the Board of Management, dismisses them and is responsible for concluding, amending and terminating their employment contracts. Any actions by the Board of Management that could materially influence the company's net asset, financial or earnings position require prior approval by the Supervisory Board. The Code of Procedure for the Supervisory Board contains a catalog of the transactions and actions requiring such approval. The Supervisory Board may at any time resolve to extend or reduce the list of such transactions.

Supervisory Board members are solely bound by the company's best interests. They are not dependent on any assignments or instructions. In their decisions, they may not pursue personal interests or exploit business opportunities available to the company for their personal benefit. Supervisory Board members are obliged to disclose any conflicts of interest to the Supervisory Board Chairman, especially any such conflicts arising due to their performing any consultant or directorship function at customers, suppliers, lenders or other business partners of the company. Any conflicts of interest on the part of a Supervisory Board member that are material and not only temporary should result in the termination of the mandate. No conflicts of interest arose in the year under report. Advisory and other service agreements and contracts for work between a Supervisory Board member and the company require approval by the Supervisory Board. There were no contracts requiring such approval with Supervisory Board members of HORNBACH-Baumarkt-Aktiengesellschaft in the 2012/2013 financial year.

The Supervisory Board has the following committees:

- Mediation Committee
- Personnel Committee
- Audit Committee

The composition of the committees can be found on Page 17 of this report. Their activities have been described in detail in the Report of the Supervisory Board (Page 12 onwards).

Composition and modus operandi of Board of Management

The Board of Management of HORNBACH-Baumarkt-AG has a Chairman and a Deputy Chairman and consisted of seven members at the end of the 2012/2013 financial year. The composition and areas of responsibility of the Board of Management are presented on Page 17 of this report.

The Board of Management has a self-imposed Code of Procedure. The management of the company's business is the joint responsibility of all of its members. Compliance activities to ensure that the company adheres to laws, legal requirements and its own internal guidelines represent a key management task. The Board of Management usually meets once a week, or on an ad-hoc basis when necessary.

The Board of Management provides the Supervisory Board with regular, prompt and extensive information on all matters relevant to the company's corporate strategy, planning, business performance, financial and earnings position, risk situation and risk management. Furthermore, it presents the group investment, financial and earnings budgets to the Supervisory Board both for the forthcoming financial year and for the medium term (five years). The Chairman of the Board of Management provides immediate report to the Supervisory Board Chairman of any significant events of material relevance for any assessment of the situation, development and management of the company. Transactions and measures requiring approval by the Supervisory Board are presented to the Supervisory Board in good time. Members of the Board of Management are obliged to disclose any conflicts of interest to the Supervisory Board without delay and to inform other members of the Board of Management. Members of the Board of Management may only pursue sideline activities, in particular Supervisory Board mandates outside the Group, with the approval of the Supervisory Board Chairman.

Annual General Meeting

Shareholders of HORNBACH-Baumarkt-AG exercise their rights, including their voting rights, at the Annual General Meeting. The Annual General Meeting resolves in particular on the appropriation of profits, the discharge of the acts of the Board of Management and Supervisory Board, and elects shareholder representatives to the Supervisory Board, as well as the auditor. Shareholders are regularly informed of all significant dates by means of the financial calendar published in the annual and quarterly reports and on the company's homepage. The Annual General Meeting is generally chaired by the Supervisory Board Chairman. HORNBACH-Baumarkt-AG provides its shareholders with the services of a voting proxy bound to vote in line with instructions.

Reporting and audit of financial statements

The HORNBACH-Baumarkt-AG Group prepares its financial reports in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The separate financial statements of HORNBACH-Baumarkt-AG are prepared in accordance with the German Commercial Code (HGB). In line with legal requirements, the auditor is elected by the Annual General Meeting. The Audit Committee prepares the Supervisory Board's proposal to the Annual General Meeting with regard to the auditor to be elected. The auditor is independent and is responsible for the audit of the consolidated and separate financial statements, as well as for the audit review of half-year financial reports.

HORNBACH-Baumarkt-AG has a risk management system which is continuously developed and updated to account for any changes in underlying conditions. The functionality of the early warning risk management system is reviewed by the auditors.

Transparency

The company's shareholders, all capital market participants, financial analysts, investors, shareholder associations and the media are regularly provided with up-to-date information about the company's situation and any material changes in its business situation. Here, the internet represents the main channel of communication. All individuals with access to insider information in the course of their activities for the company are informed of the resultant obligations for them under insider law.

HORNBACH-Baumarkt-AG reports on its situation and results in its

- Quarterly reports and half-year financial report,
- Annual report,
- Annual results press conference,
- Teleconferences with international financial analysts and investors,
- Events with financial analysts and investors in Germany and abroad.

Dates of relevance to the company's regular financial reporting activities have been summarized in the financial calendar published on the internet communications platform of the HORNBACH Group at **www.hornbach-group.com.** Alongside this regular reporting, any information arising at HORNBACH-Baumarkt-AG which is not publicly known and which is likely to influence the company's share price significantly is published in the form of ad-hoc announcements.

Directors' dealings and shareholdings

Members of the Board of Management and the Supervisory Board of HORNBACH-Baumarkt-AG, as well as individuals closely related to such members, are required by § 15a of the German Securities Trading Act (WpHG) and Point 6.6 of the German Corporate Governance Code to disclose transactions involving shares in the company or related financial instruments. In the year under report, the company was not notified of any transactions performed by persons in management positions or individuals closely related to such pursuant to § 15a of the German Securities Trading Act (WpHG) (Directors' Dealings).

Compensation Report

The compensation report presents the basic features and structure of the compensation of the Board of Management and the Supervisory Board. It forms a constituent component of the group management report (see Page 73) and, apart from the disclosure of individual compensation, is based on the recommendations of the German Corporate Governance Code.

Compensation of the Board of Management

Compensation system at HORNBACH-Baumarkt-AG

The compensation of members of the Board of Management is determined in line with the requirements of stock corporation law and of the Act on the Appropriateness of Management Board Compensation (VorstAG), taking due account of levels of compensation customary in the market. Total compensation of members of the Board of Management comprises the components of fixed annual salary, annual variable compensation, plus ancillary benefits customary to the market and the company. Total compensation is regularly reviewed by the Supervisory Board in terms of its appropriateness.

- Fixed annual salary:
  Members of the Board of Management receive a fixed annual salary laid down in their individual contracts, which is paid monthly in twelve equal portions at the end of each calendar month. Fixed salaries are graded at different levels for the Chairman, Deputy Chairman, and regular members of the Board of Management.

- Variable compensation:
  In addition to their fixed annual salaries, members of the Board of Management also receive annual variable compensation in line with the company's sustainable performance. This is based both on company targets and on targets agreed for individual members of the Board of Management. The key success factor used to determine variable compensation is average consolidated net income after taxes (IFRS) at HORNBACH-Baumarkt-AG. The calculation of variable compensation is based on the three-year average level of consolidated net income after taxes (IFRS) at HORNBACH-Baumarkt-AG.

  Individual variable compensation is separately graded at different levels for the Chairman, Deputy Chairman and for each regular member of the Board of Management. For no individual member of the Board of Management does it exceed 1% of the three-year average level of consolidated net income after taxes (IFRS) at HORNBACH-Baumarkt-AG. Of variable compensation calculated on the basis of average consolidated net income after taxes (IFRS), up to 25% is calculated and determined in several stages following achievement of the targets individually set for each member of the Board of Management for the respective financial year. This process is based on targets individually agreed in advance for each member of the Board of Management. To set these targets, the Supervisory Board of HORNBACH-Baumarkt-AG and the respective member of the Board of Management reach a target agreement before the beginning of each financial year in which the individual targets, their respective percentage weighting and the respective degree of target achievement are determined by the full Supervisory Board. Following completion of the financial year, the full Supervisory Board determines the degree of individual target achievement for the respective member of the Board of Management.

The remaining 75% of variable compensation is determined on the sole basis of the average level of consolidated net income after taxes (IFRS) at HORNBACH-Baumarkt-AG for the past three years. For all members of the Board of Management, the level of variable compensation is capped at a maximum of 150% of the respective fixed salary of the individual member of the Board of Management. No further variable compensation is granted.

- Internal ratio of compensation components:
  No specific ratio of fixed salary to variable compensation components has been stipulated. In particular, apart from the cap at a maximum of 150% of the fixed salary, no specific relationship has been determined for the amount of fixed annual salary compared with the amount of annual variable compensation.

  The structure of annual variable compensation ensures that the overwhelming share of such compensation (75%) is based on long-term factors, thus complying with the predominantly multiyear nature of such compensation called for in the relevant legislation. In individual cases, the compensation system may be adapted by the full Supervisory Board, taking due account of legal requirements, to the extent deemed necessary to account for the duties and performance of the respective member of the Board of Management.

Retirement and pension commitments
Members of the Board of Management of HORNBACH-Baumarkt-AG are granted individual contractually agreed pension commitments. These consist of a defined contribution pension scheme amounting to 25% of their fixed salaries, payable in two equal shares of 50% as of August 31 and February 28 of each year. The defined contribution pension scheme involves the following key aspects.

- Direct, defined contribution capital commitment executed by way of direct commitment
- Accumulation of policy reserve and netting with pension provisions in balance sheet
- Retirement pension payable upon retirement from age 65 or earlier if appropriate, but at the earliest from age 60 in line with the respective Supervisory Board resolution either as a one-off payment, in several annual installments or as a pension, one-off payment of pension capital upon death or invalidity
- Guaranteed return on pension capital of 2% p.a. plus excess return on capital commitment
- The claims are vested for all current members of the Board of Management and after five years for future new members of the Board of Management, with the period of company affiliation being imputed
- Insurance against insolvency via the Pension Assurance Association (PSVaG), Cologne, with additional cover by recognizing trust assets for the pension contributions
- Annual 1% indexing in current pensions
- Voluntary contributions permitted by members of Board of Management from fixed and variable compensation components due in future in unspecified amounts up to a maximum of one total annual compensation package.

Regulations governing premature departure from the company (severance pay regulations)
The employment contracts concluded with members of the Board of Management do not provide for the payment of compensation in the event of their activity on the Board of Management being terminated prematurely without compelling reason or due to a change of control. HORNBACH-Baumarkt-AG thus deviates from the recommendations made in Points 4.2.3 (4) and (5) of the German Corporate Governance Code. In individual cases, payments may nevertheless be made, based on a corresponding Supervisory Board resolution,

to a member of the Board of Management retiring from the Board prematurely, particularly when the reasons for such retirement do not lie with the respective member.

Additional benefits

Members of the Board of Management of HORNBACH-Baumarkt-AG receive the following particular benefits to an extent customary to the market and the company. Some of these are deemed benefits in kind and are taxed accordingly:

- Reimbursement of travel and other expenses incurred in the interests of HORNBACH-Baumarkt-AG based on the actual amounts incurred
- Grants towards private health insurance, voluntary retirement pension scheme or alternatively contributions to a private life insurance policy
- Accident insurance covering fatality and invalidity
- Temporary continuation of payment of compensation in event of sickness or death
- Claim to provision of a company car for work-related and private use.

Compensation of the Board of Management for the 2012/2013 financial year

Total compensation of the Board of Management of HORNBACH-Baumarkt-AG for the 2012/2013 financial year amounted to € 5,505k. Of this sum, € 2,653k constituted fixed compensation and € 2,852k involved performance-related components. Termination benefits of € 625k were incurred for active members of the Board of Management in the 2012/2013 financial year. These involve expenses to endow pension provisions. There are corresponding value credits. Compensation for former members of the Board of Management totaled € 631k in the 2012/2013 financial year (2011/2012: € 0k). The members of the Board of Management held a combined total of 59,010 shares in HORNBACH-Baumarkt-AG at the balance sheet date on February 28, 2013.

Given the company's size and its market position, we believe that the total compensation of the Board of Management is appropriate. At the 2011 Annual General Meeting, shareholders voted with a three-quarters majority to forego the disclosure of the compensation of members of the Board of Management on an individual basis up to and including the 2015/2016 financial year (opting-out clause).

Compensation of the Supervisory Board

Supervisory Board compensation is governed by § 15 of the Articles of Association of HORNBACH-Baumarkt-AG.

As well as the reimbursement of his or her expenses, from the 2012/2013 financial year onwards each Supervisory Board member receives fixed compensation of € 20,000 retrospectively payable on the day after the Annual General Meeting acknowledging the annual financial statements for the respective financial year. The Chairman receives two-and-a-half times and the Deputy Chairman twice the fixed compensation.

From the 2012/2013 financial year onwards, Supervisory Board members who also sit on a Supervisory Board committee receive additional committee compensation of € 9,000 for the Audit Committee, € 6,000 for the Personnel Committee, and € 4,000 for the Mediation Committee, should this be convened. This compensation is retrospectively payable together with the fixed compensation. Supervisory Board members who chair a Supervisory Board committee receive two-and-a-half times the respective committee compensation.

The compensation of the Supervisory Board for the 2012/2013 financial year totals € 392k. Of this total, € 310k relates to basic compensation and € 82k to committee activity. Supervisory Board members held a combined total of 65,900 shares in HORNBACH-Baumarkt-AG at the balance sheet date.

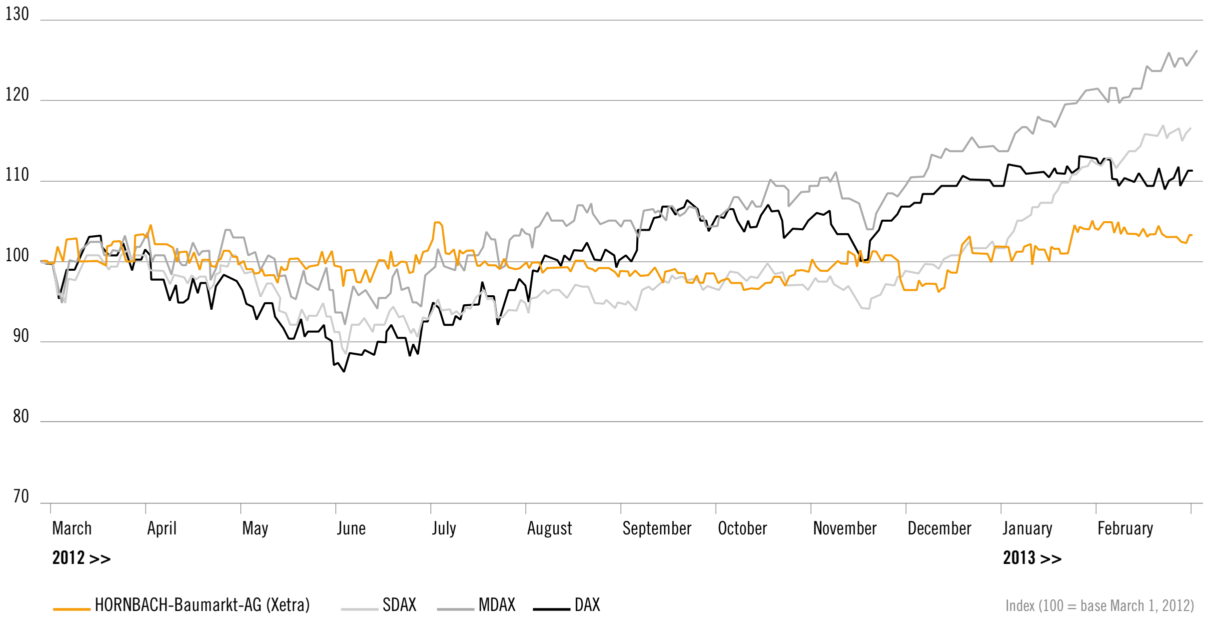
The unassuming helpers

On the road from dawn to dusk, carrying goods, putting back thousands of miles, defying all weathers – they're an old hand in the DIY business. At night they are put in chains and during the day it takes just a coin to turn them into hard-working helpers. Until their tires glow and it's clear the customer has absolutely everything he needs for his project.


ORNBACH

THE HORNBACH-BAUMARKT SHARE

Share price performance: March 1, 2012 to February 28, 2013



Hunt for returns leads investors to equities

Many investors will retain fond memories of 2012 as a good year on the stock markets. Historically low interest rates meant that even highly defensive investors were increasingly obliged to invest in equities and thus to accept higher risks. The strategy tried and tested over decades of investing large shares of assets in government bonds with impeccable creditworthiness no longer works in times of debt crisis. Fixed income investments alone are no longer a source of adequate yields. In the hunt for returns, there is thus no alternative to the stock market. The Dax, the German lead index, certainly felt the effects of this tailwind in the 2012 financial year, rising by almost 30% to 7,612 points. That marked the highest gain for nine years. During the year, there was the odd nail-biting moment within the maelstrom of macroeconomic jitters and the sovereign debt crisis. Toward the middle of 2012, the Dax returned to a level of 6,000 as investors worried about the future of the euro. Once ECB boss Mario Draghi had signaled a clear commitment to uphold the currency area, the index then embarked on a distinct rally from July 2012. In spring 2013, the German lead index was well on the way to what would then become a new all-time high in May 2013, and that despite temporary setbacks due to the threat of government bankruptcy in Cyprus. At the end of our financial year (February 28, 2013), the Dax amounted to 7,742 points, thus rising by 11.5% in the twelve-month period. German small-cap stocks performed even better. The SDax rose by 16.5%, while the MDax even surged by 26.3%.

The HORNBACH-Baumarkt-AG share (ISIN DE0006084403) was regrettably unable to match this performance. In the past, it has been apparent that the Baumarkt share is relatively crisis-resistant, particularly in times of great uncertainty on the financial markets. Conversely, the share has also been less prone to join in any euphoria in the overall market. This pattern was clearly recognizable once again in the course of the past financial year.

Stable sideways movement

The Baumarkt share was listed at a Xetra price of € 25.20 on March 1, 2012. While fears of a break-up in the euro area sent stock markets plummeting through until June 2012, our share remained unaffected and tended sideways. This reflects the trust investors place in our share. Given the sales and earnings performance of the HORNBACH-Baumarkt-AG Group, however, there was little potential for upward development in the share price in the further course of the 2012/2013 financial year.

As described in detail in the group management report (please see Page 36 onwards), HORNBACH had to contend with the recession across large parts of Europe in the third and fourth quarters in particular. On November 27, 2012, the company reduced its sales and earnings forecast for 2012/2013 as a whole to account for the increasingly subdued economic backdrop. The general public was informed by ad-hoc announcement that consolidated sales would most probably match the previous year's figure of € 3.0 billion and that operating earnings would fall short of the record figure of € 128 million posted for the 2011/2012 financial year. In the wake of this profit warning, the Baumarkt share price dipped slightly, reaching its annual low at € 24.20 on December 10, 2012. This situation was exacerbated by investors' more pessimistic overall assessment of growth prospects in the European DIY sector. Unfavorable weather conditions in the 2012/2013 winter, which significantly impaired customer demand at DIY stores and garden centers, also played a part in attracting investors' interest towards other sectors. The Baumarkt share thus lacked momentum to break out of its sideways motion. It reached its annual high at € 26.40 on February 5, 2013. On the balance sheet date on February 28, 2013, the share closed at € 26.00, thus posting growth of 3.2% over the twelve-month period.

The performance of the HORNBACH-Baumarkt-AG stock over a long-term investment horizon was notably more attractive. Anyone who bought the security at the beginning of March 2003, for example, and then kept it in the portfolio for ten years would have been pleased to see annual average share price growth of 9.9%. By reinvesting the dividend, they could have achieved 15.2% growth a year with the Baumarkt share. Given these figures, it is clear that our share is mostly to be found in the portfolios of so-called value investors, a group which has accompanied our company over decades in some cases. They particularly trust the company's management, the quality and sustainability of its unmistakable business model, and our market position in Germany and eight other European countries. Not only that, HORNBACH can point to a stable financial structure, a further increase in its equity ratio, and high cash holdings, factors that meet the investment needs of investors keen on safety and stability.

Successful bond placement in February 2013

HORNBACH exploited the low interest rates available at the beginning of 2013 to refinance its non-current financial debt. The company successfully placed a seven-year bond (ISIN DE000A1R02E0) with a volume of € 250 million on February 15, 2013. The issue was several times oversubscribed, with great demand from private and institutional investors alike. The bond received an interest coupon of 3.875%, upon issue the lowest coupon for an issuer in this rating class (Standard & Poor's: BB+; Moody's: Ba2). Based on the issue price of 99.25%, this corresponds to a yield of 4.00% p.a. The proceeds were used to prematurely redeem the ten-year high-yield bond (ISIN XS0205954778), placed in November 2004 with a coupon of 6.125%, on February 25, 2013. This significantly improved the maturity profile of the Group's financial liabilities. Given the great interest shown in the new Eurobond by private investors in particular, within a few weeks the price reached more than 104%, corresponding to a yield of around 3.2%. The bond issue offers long-term security for the HORNBACH Group's further growth.

Key data about the HORNBACH-Baumarkt-AG share (IFRS)		2012/2013	2011/2012
Nominal value of the share	€	3.00	3.00
Dividend[1)]	€	0.50	0.50
Basic earnings per share	€	1.64	2.43
Total dividend payment	€ 000s	15,904	15,904
Shareholders' equity per share[2)]	€	25.83	24.90
Market capitalization[2)]	€ 000s	826,982	796,765
Share price (Xetra)[2)]	€	26.00	25.05
12-month high	€	26.40	28.00
12-month low	€	24.20	21.50
Shares issued	Number	31,807,000	31,807,000
Price / earnings ratio[2)]		15.9	10.3

1) 2012/2013: subject to resolution by the Annual General Meeting
2) At the end of the financial year (the last day in February)

Highly transparent financial communications

Our investor relations activities once again provided shareholders, analysts, the financial media and the general public with prompt information on the business performance of HORNBACH-Baumarkt-AG in the past financial year. All quarterly reports, annual reports, press releases and additional financial information were published on the internet communications platform of the HORNBACH Group (www.hornbach-group.com), where we have pooled all of our information and services, especially for shareholders and press representatives. This separate site for corporate communications thus complements the product-related and marketing content available at HORNBACH's internet site at www.hornbach.com.

The Annual General Meeting, the annual results press conference, analysts' conferences and meetings with investors in Germany and abroad give us the opportunity to maintain our dialog with the capital markets. Moreover, we draw on personal contacts with investors and the media to present our company's objectives and strategy. Here, we outline the special features of our concept, our market position, and the Group's future growth prospects, as well as our current performance figures.

Dividend at previous year's level

The Board of Management and the Supervisory Board of HORNBACH-Baumarkt-AG will propose a dividend at the same level as in the previous year for approval by the Annual General Meeting on July 4, 2013. This corresponds to a dividend of € 0.50 per share with dividend entitlement. This way, the company intends to maintain a fair balance between the interests of its shareholders on the one hand, and the company's growth financing on the other.

The share of HORNBACH-Baumarkt-AG (ISIN DE0006084403) represents a solid long-term investment with high intrinsic value. Of around 31.8 million ordinary shares in HORNBACH-Baumarkt-AG, an unchanged total of 76.4% were held by the parent company, HORNBACH HOLDING AG, at the balance sheet date on February 28, 2013, while 18.4% were in free float. The British retail group Kingfisher plc holds a 5.2% stake.

Within the German Stock Exchange index system, HORNBACH-Baumarkt-AG is admitted for trading in the Prime Standard. Among other requirements, membership in this index obliges companies to meet high transparency standards.

Basic data about the HORNBACH-Baumarkt share

Type of share	Bearer shares (individual ordinary shares)
Stock exchanges	Frankfurt, Xetra
Market segment	Prime Standard
Security identification numbers	ISIN DE0006084403 WKN 608440
Stock market code	HBM
Bloomberg	HBM GY
Reuters (Xetra)	HBMG.DE

Investor Relations
Axel Müller
Tel: (+49) 0 63 48 / 60 - 24 44
Fax: (+49) 0 63 48 / 60 - 42 99
invest@hornbach.com
Internet: www.hornbach-group.com

FINANCIAL CALENDAR 2013

May 28, 2013	Annual Results Press Conference 2012/2013 Publication of Annual Report DVFA Analysts' Conference
June 27, 2013	Interim Report: 1st Quarter 2013/2014 as of May 31, 2013
July 4, 2013	Annual General Meeting of HORNBACH-Baumarkt-AG Festhalle Landau, Landau/Pfalz
September 26, 2013	Half-Year Financial Report 2013/2014 as of August 31, 2013
December 20, 2013	Interim Report: 3rd Quarter 2013/2014 as of November 30, 2013

The workhorses

There's one area of a HORNBACH DIY megastore and garden center where space is at a particular premium – the building materials store and drive-in facility. Here, even large wooden beams and whole pallets of building materials can be picked up directly in the van. For our professional customers, with their eyes firmly on the clock, that saves a great deal of time. To shift large volumes safely and conveniently, it takes a real workhorse to do the job.

GROUP MANAGEMENT REPORT

Macroeconomic Framework

Global economy shifts down a gear

According to figures released by the International Monetary Fund (IMF), the global economy grew by 3.2% in 2012, and thus at a notably weaker rate than in the two previous years and the average for the past decade. Following an upturn in the first calendar quarter, global economic growth weakened noticeably once again in the two following quarters. For large parts of the year, these developments were due in particular to the debt crisis in the euro area. Through to the fall of 2012, however, levels of economic growth remained highly subdued in major emerging economies as well. Only towards the end of the year were there once again increasing signs of a gradual rise in global economic momentum. Viewed on a regional level, data from the German Bundesbank would appear to indicate that the group of emerging economies stepped up a gear in the fourth quarter of 2012. In the industrialized economies, by contrast, the low level of growth seen previously has reverted to a decline in production, one that has clearly left its mark in Europe as well.

Europe in recession

Eurostat, the European Union statistics authority, has calculated that gross domestic product (GDP) in the 2012 calendar year declined by 0.3% in the European Union as a whole (EU 27), and even by 0.6% in the euro area. The recession already underway since the fall of 2011 intensified sharply in the fourth quarter of 2012. Seasonally-adjusted real-term GDP fell by 0.5% and 0.6% respectively compared with the relatively stable previous quarter. By the end of 2012, the unfavorable economic developments within the euro area had spread to increasing numbers of countries.

As a result, macroeconomic conditions in the nine countries across Europe in which HORNBACH's stores are located also deteriorated increasingly in the fourth quarter of 2012. Based on the economic data available upon completion of this report, Germany, which in the first nine months of 2012 had stood firm as rock in the European storm, also felt a tangible downturn in economic output. The economic downturn in the Netherlands and the Czech Republic slowed compared with the third quarter. However, from a full-year perspective both countries suffered a marked weakening in their economies in 2012, with GDP downturns of 1.0% and 1.3% respectively. By contrast, the other countries in our network mostly posted marginally positive economic growth in a range of 0.2% to 1.0% in 2012, and thus significantly ahead of the EU average. Slovakia even achieved growth of 2.0%.

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

Percentage change on previous quarter Source: Eurostat (calendar year figures)	1st Quarter 2012	2nd Quarter 2012	3rd Quarter 2012	4th Quarter 2012	Calendar Year 2012 vs. 2011
Germany	**0.5**	**0.3**	**0.2**	**(0.6)**	**0.7**
Luxembourg	0.0	0.5	(0.5)	1.6	0.2
Netherlands	0.1	0.2	(1.0)	(0.4)	(1.0)
Austria	0.4	0.1	0.1	(0.1)	0.8
Romania	(0.1)	0.6	(0.2)	0.4	0.3
Slovakia	0.3	0.4	0.3	0.2	2.0
Sweden	0.4	0.8	0.3	0.0	0.8
Switzerland	0.5	(0.1)	0.6	0.2	1.0
Czech Republic	(0.5)	(0.6)	(0.4)	(0.2)	(1.3)
Euro area	**(0.1)**	**(0.2)**	**(0.1)**	**(0.6)**	**(0.6)**
EU 27	**(0.1)**	**(0.2)**	**0.1**	**(0.5)**	**(0.3)**

Alongside declining demand from outside Europe, the poor performance of the European economy in the course of 2012 chiefly resulted from home-made problems in the euro area. Consumer, business and investor confidence all clearly took a knock from the intensification in the crisis in the summer of 2012, as is apparent in, among other sources, the sentiment indicators calculated by the European Commission. Both consumer confidence and the business confidence index plummeted from the spring through to the fall of 2012. Consistent with this picture was the weak level of domestic demand, the primary cause of the recession. Gross fixed capital formation fell sharply in the euro area, reducing by a quarterly average of around four percent compared with the respective previous year's period. In particular, this reflected a sharp drop in output by more than five percent in the European construction industry. In terms of the countries where HORNBACH operates, the downturn in construction output was especially severe in the Czech Republic (minus 6.6%), the Netherlands (minus 8.6%) and Slovakia (minus 12.3%). This was the result not only of restrictions on housing construction activity and uncertainties surrounding fiscal support for real estate, but also of reductions in public and commercial construction investments.

Not only that, given rising state duties, shrinking real-term incomes, rapidly rising unemployment, and a widespread feeling of uncertainty, private households remained unwilling to spend. Private consumer spending contracted by more than one percent within the twelve-month period. Accordingly, real-term retail sales fell by 0.9% in the European Union and even by 1.8% in the euro area in 2012. Five of the nine countries in HORNBACH's store network – Germany, the Netherlands, Austria, the Czech Republic, and Slovakia – witnessed a contraction in real-term retail sales. The Eurostat figures show positive growth rates for Luxembourg, Romania, Sweden, and Switzerland. Indicators available from trade association surveys show that in most European countries demand levels in the DIY store and garden center sector, i.e. in the DIY retail sector, fared less favorably in 2012 than in the overall retail sector.

German economy proves resilient

The German economy successfully held the European recession at bay for large parts of 2012 and notwithstanding difficult macroeconomic omens managed to post moderate growth. According to figures released by the Federal Statistical Office (Destatis), real-term gross domestic product was 0.7% higher than in the previous year (calendar-adjusted: 0.9%). However, Europe's largest economy ran out of steam towards the end of 2012. Fourth-quarter real-term GDP adjusted for seasonal and calendar factors shrank by 0.6% compared with the previous quarter. Despite generating positive growth in each of the first three quarters of 2012, the German economy consistently lost momentum.

The key factors influencing domestic demand, and thus the most important means of assessing the underlying framework for German DIY stores and garden centers, as well as for the builders' merchant business, showed disparate developments in 2012. According to the harmonized consumer price index (HCPI), the annual inflation rate rose by 2.1%. As real-term incomes rose faster than inflation in 2012, as had also been the case in the two previous years, private households had increasing spending power. Adjusted for inflation, private consumer spending grew by 0.6%. Consumers were thus a source of only modest momentum. GfK consumer surveys nevertheless pointed to consistently positive consumer confidence. This was chiefly due to the robust situation on the labor market and substantial income growth. On the other hand, capital expenditure in Germany in 2012 fell notably short of the figure for the previous year. That applied not only to investments in equipment (down by 4.8% in real terms), but also to construction investments. Following strong price-adjusted growth of 5.8% in the previous year, these then contracted by 1.5% in 2012. Overall, construction activity in Germany showed a divided picture. In real terms, housing construction investments grew year-on-year by 1.5% in 2012, while non-housing construction fell by almost five percent.

Housing still key driver for construction industry

Underlying conditions for housing construction, such as ongoing low interest rates, real-term income growth, and the stable situation on the labor market, remained favorable in the final quarter of 2012. The pace of expansion nevertheless failed to match the high tempo seen in 2010 and 2011. To a considerable extent this was due to the shift in new construction activity away from detached houses and towards apartment blocks, and not least to the high level achieved in the previous year. Based on official Destatis statistics for 2012, the number of applications submitted for apartment block building permits rose by 13.3% in 2012. Building permits for semidetached houses increased by 3.6%, while permits for detached houses fell by 5.8%. Around 239,500 housing units were approved in total in 2012. That corresponds to growth of 4.8% and is all the more remarkable given the jump of almost 22% seen in the previous year. New orders in the main construction trade grew by 4.2% in 2012, thus benefiting in particular from the growth momentum in the German housing construction sector.

The construction sector posted slight growth in 2012. The annual results for the main construction trade were nevertheless frustrated by the early and severe onset of winter in December, which given the position of the Christmas holidays in any case had four working days fewer than in the previous year. At € 93.8 billion, nominal full-year sector sales were thus a mere 0.4% higher in 2012 than in the previous year. Due to weather conditions, sales plummeted in December 2012 compared with the same month in the previous year (minus 10%), thus contrasting starkly with the 24% growth reported for December 2011.

Light and shade in the retail sector

German construction material traders concluded 2012 with slight nominal sales growth. According to the Federal Association of German Builders' Merchants (BDB), member companies reported sales growth of 2.5%. This growth was primarily driven by improved business with commercial customers in the housing construction segment, as well as by energy efficiency modernization. By contrast, sales with private customers declined by 3.6%. The BDB attributed the reluctance shown by many private homeowners to renovate their homes in terms of energy efficiency to the government's failure to introduce tax incentives promoting renovation measures. In December 2012, after more than a year of negotiations, federal and state governments were unable to reach agreement concerning a compromise solution.

According to Destatis, sales in the German retail sector (excluding motor vehicle retail) grew by 2.0% in nominal terms in 2012. Part of the increased spending power at private households thus also benefited retailers. Price-adjusted retail sales volumes matched the previous year's figure (plus 0.1%) Food retailers turned over 0.3% more in real terms and 3.0% more in nominal terms. On a price-adjusted basis, non-food retailers matched the previous year's figure (plus 1.3% in nominal terms).

As is apparent from more detailed official statistics, German consumers' rush on durable goods slowed considerably compared with the previous year. Sales with furniture, other furnishings and household goods rose by a mere 1.2% in real terms and by 2.0% in nominal terms, thus contrasting with the growth rates of 4.5% and 5.3% seen in the previous year. Consumers spent less, in some cases considerably so, on works of art, coins and antiquities. Retail sales with coating materials and DIY and home improvement goods fell by 1.8% in real terms (plus 0.7% in nominal terms). By contrast, retailers reported higher sales with curtains, carpets, flooring and wallpaper, with real-term growth of 2.0% and nominal growth of 1.7%.

Online retail continues to boom

Mail order and internet retailers were once again among the winners in the German retail sector in 2012. According to figures released by the German E-Commerce and Distance Selling Trade Association (bvh), sales surged by 15.6% to € 39.3 billion and now account for a 9.2% share of total retail sales (2011/2012: 8.2%). The key growth driver here is internet retail (e-commerce), which boosted its sales by 27.2% to € 27.6 billion in 2012.

DIY and garden stores almost at previous year's level

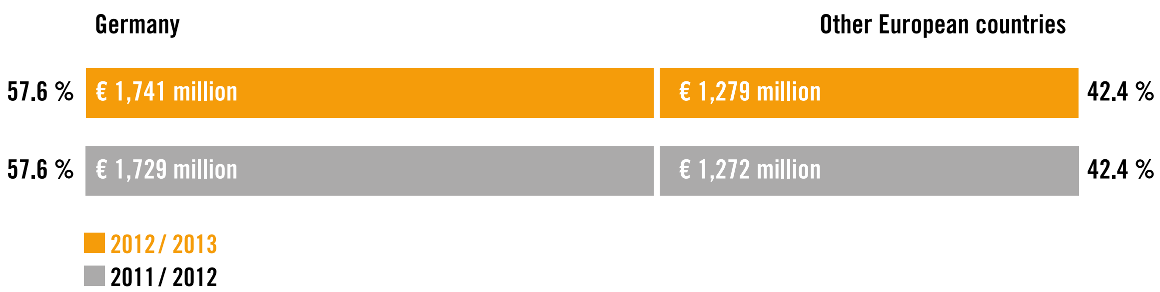
In 2012, German DIY stores and garden centers were unable to latch onto the series of successes seen in the three previous years. According to the BHB sector association, sales in the DIY sector in Germany in 2012 fell slightly short of the previous year's figures. Based on the BHB/GfK report, large-scale DIY stores with indoor sales areas of at least 1,000 m² per outlet reported a slight reduction in nominal gross sales by 0.6% to € 18.6 billion (2011/2012: € 18.7 billion). On a like-for-like basis, i.e. excluding stores newly opened, closed or significantly renovated in the year under report, the DIY sector in Germany fell 0.8% short of the previous year's sales.

In terms of full-year sales, the BHB association reported a clear dividing line within the year. Basically satisfactory sales figures in the months from January to August were insufficient to offset the reluctance among consumers to spend apparent from September 2012 onwards. One striking aspect was the loss of sales due to weather conditions, particularly in April and the late fall of 2012, reflected in a lack of demand for seasonally appropriate product ranges. Garden-related products in particular performed significantly more weakly in 2012 than in the previous year. At € 3.8 billion, gross sales at smaller-scale DIY stores with sales areas of less than 1,000 m² (DIY shops) matched the previous year's figures in the 2012 calendar year. The market volume of all of Germany's DIY and home improvement stores that, according to the harmonized sector calculation, comprises sales at all DIY megastores with garden centers and DIY shops, declined by 0.5% to € 22.4 billion in 2012 (2011/2012: € 22.5 billion).

The German DIY sector nevertheless steered a growth course with its online stores in 2012. Based on figures compiled by the BHB sector association and the market research company IFH Retail Consultants, stationary DIY players notched up new record sales of around € 343 million from their e-commerce activities. The DIY sector thus posted online sales growth of around 33% compared with the previous year. Alongside internet stores operated by stationary DIY players, other distribution channels are also participating in the online boom. According to IFH's calculations, total internet sales with core DIY product ranges totaled € 1.3 billion in Germany in 2012, thus surging by 22% compared with the previous year.

Sales Performance

Sales by region



Consolidated sales slightly ahead of previous year's figure

The HORNBACH-Baumarkt-AG Group's sales are primarily generated in the DIY store segment (please see segment report in the notes on the consolidated financial statements). Sales in the real estate segment principally involve rental income from the group-internal letting of DIY store properties to operating units in the DIY store segment. This income is fully consolidated as "Rental income from affiliated companies" in the segment report. In view of this, the following comments refer exclusively to the sales performance of the DIY store segment. When commenting on our sales performance, we also subdivide our sales into geographical segments, namely "Germany" and "Other European countries", where the activities in the eight countries outside Germany are summarized (please also see segment report in the notes on the consolidated financial statements).

Notwithstanding the increasingly subdued economic climate across Europe, in the past financial year (March 1, 2012 to February 28, 2013) the HORNBACH-Baumarkt-AG Group generated slight growth in its net sales, which rose by 0.6% to € 3,020 million (2011/2012: € 3,001 million). Sales were thus absolutely in line with the forecast updated at the end of the first nine months. Net sales in Germany increased by 0.7% to € 1,741 million in the 2012/2013 financial year (2011/2012: € 1,729 million). Outside Germany (Other European countries), and including three newly opened stores, we reported sales growth of 0.6% to € 1,279 million (2011/2012: € 1,272 million). The international stores' share of consolidated sales remained unchanged at 42.4%. As expected, the HORNBACH-Baumarkt-AG Group felt the effects of the recession in Europe in the second half of the financial year, and particularly in the final quarter of 2012/2013. This was reflected above all in the like-for-like sales performance at HORNBACH's DIY megastores with garden centers.

German business robust – Europe falters

The following comments refer to the development in like-for-like sales at the HORNBACH-Baumarkt-AG Group, which thus take no account of stores newly closed or opened in the past twelve months. As in the previous year, the Group's like-for-like sales performance in the 2012/2013 financial year was divided along geographical lines. However, the factors holding back sales compared with 2011/2012 in the DIY stores outside Germany intensified significantly in the second half of the year and also spilled over to countries that had still reported positive like-for-like sales growth in the past financial year.

Like-for-like sales performance* by quarter
(in percent)

2012/2013 financial year 2011/2012 financial year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Group	**(1.1)**	**0.7**	**(2.0)**	**(3.9)**	**(1.4)**
	7.7	(0.2)	1.0	2.6	2.8
Germany	**(0.1)**	**2.8**	**(0.6)**	**(2.6)**	**0.0**
	11.9	2.2	3.5	5.2	5.8
Other European countries	**(2.4)**	**(1.8)**	**(3.8)**	**(5.7)**	**(3.2)**
	2.3	(3.2)	(2.4)	(0.8)	(1.0)

* Excluding currency items

Like-for-like sales net of currency items fell by 1.4% across the Group in the 2012/2013 financial year, thus contrasting with the growth of 2.8% generated in the previous year. Overall, currency items for the cumulative twelve-month period were negligible. On average, there were three business days fewer across the Group in the year under report than in the previous year. Seasonal influences on the Group's sales performance and the base effects from the previous year's periods are apparent in the presentation by quarter (please see above table).

Like-for-like consolidated sales were 1.1% down on the previous year's figure in the first quarter of 2012/2013 (March to May). It should be noted that the Group's like-for-like sales had grown by 7.7% in the first quarter of 2011/2012, and thus faster than in any first quarter since the launch of its expansion into other European countries in 1996. Not only that, cool and rainy weather conditions, particularly in April 2012, held back the sales performance in the spring season, an important period within the overall financial year. Thanks to slight sales growth in the second quarter, we reported a like-for-like sales performance of minus 0.2% by the end of the first half of 2012/2013, thus virtually matching the previous year's sales.

In the second half of the year (September to February), the negative impact of the ever deeper and broader recession across Europe increasingly gained the upper hand and held back our sales performance across large parts of our European network. Following a 2.0% reduction in like-for-like sales in the third quarter, the marked deterioration in confidence among consumers and in the construction industry led to a 3.9% downturn in like-for-like sales in the fourth quarter. Moreover, customer demand in all countries suffered from the early and severe onset of winter in December 2012.

- Germany
  As in the three previous financial years already, HORNBACH's locations in Germany performed significantly better than our network of stores in other European countries once again in the year under report. Adjusted growth rates for the months from March to May 2012 showed sharply opposed developments. Strong growth in March was followed in April by a weather-induced downturn in sales in a high single-digit percentage range. The pleasing performance in May contributed to a virtually unchanged quarterly figure (minus 0.1%), which thus followed on the 11.9% jump in domestic sales one year earlier. Sales at the stores in Germany showed a wide range of fluctuations in the second quarter of 2012/2013. This was largely due to an

unsettled and at times overly wet summer, a factor that left its mark on garden product sales in particular. For the second quarter as a whole, however, we managed to post pleasing sales growth, with like-for-like growth of 2.8%. By the end of the first six months, our cumulative sales were 1.3% ahead of the previous year's record figure.

Customer demand was more subdued in the second half of the financial year compared with the strong growth rates seen a year earlier. This also reflected the decline in consumer confidence since June 2012, a key indicator that would only recover at the beginning of 2013. The bad news surrounding the euro sovereign debt crisis and the macroeconomic slowdown did not simply pass the Germans by, even if their confidence held up well compared with other Europeans. Our like-for-like sales performance in Germany in the period from December 2012 to February 2013 was additionally burdened by calendar-related factors – our stores had three business days fewer than in the previous year – and the early onset of what would turn out to be a severe winter. In 2012/2013 as a whole, we nevertheless managed to maintain the level of sales achieved following strong growth in the previous year.

HORNBACH once again outperformed its competitors in Germany by a significant margin. According to the BHB sector association, the DIY sector reported a downturn in like-for-like sales by 0.8% in the period from January to December 2012. By contrast, our domestic stores posted slight sales growth in the 2012 calendar year, thus outperforming the German sector average by around one-and-a-half percentage points. HORNBACH thus further expanded its market position. As a percentage of aggregate sales at all German DIY stores and garden centers (€ 22.4 billion), HORNBACH's market share grew from 9.2% to 9.3%. If the calculation is based only on those DIY stores and garden centers with sales areas of more than 1,000 m² in Germany (market volume: € 18.6 billion), then we increased our market share in this segment from 11.0% to 11.1%.

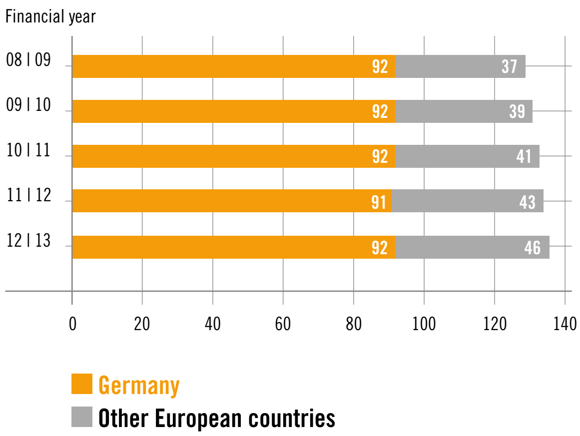
Overall, our retail concept, with its particular focus on the needs of project customers, enabled us to benefit to an above-average extent from demand in the German housing construction and renovation business. This success was also driven by HORNBACH's online store (www.hornbach.de), which has impacted positively on brand building and on customer retention levels.

- Other European countries

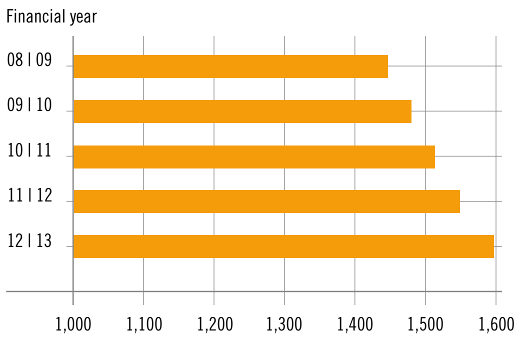
Like-for-like sales outside Germany declined by 3.2% in the 2012/2013 financial year (including currency items: by 3.3%). This weaker sales performance in line with expectations was mainly due to the faltering economic situation across large parts of Europe on account of the debt crisis. Consumer uncertainty was far more pronounced here than in Germany in the second half of the financial year. As 2012 progressed, private households in various European countries stepped firmly on the brakes in terms of their consumer spending. This situation was exacerbated by restrictions in the housing construction and real estate sector, which also left their mark on the DIY business. The Netherlands, for example, has witnessed a severe crisis in its real estate sector now that mortgage interest will no longer be fully deductible for tax purposes. Our stores in Austria, where we managed to uphold the high level of like-for-like sales attained in the previous year, were able to escape this overall downward trend. In Romania, we successfully achieved a turnaround in the year under report. Here, we defied the negative market trend by generating like-for-like sales growth for the first time since the 2008/2009 financial year.

Alongside our own sales performance, comparison with developments in the overall sector is also highly significant. Based on the information available, in the year under report HORNBACH significantly outperformed its competitors in five out of seven countries outside Germany, and thus acquired further market share despite the tough economic climate. In two countries, our figures were consistent with the sector average.

Stores and sales areas at the HORNBACH-Baumarkt-AG Group
(No. of HORNBACH DIY megastores with garden centers)



(Total sales areas in thousand square meters)



Development in HORNBACH's store network

HORNBACH launched operations with five new DIY megastores with garden centers in the 2012/2013 financial year under report. In May 2012, a new HORNBACH DIY megastore with a garden center was opened in **Sundbyberg** near Stockholm (Sweden). Our Swedish store network now comprises four locations.

In July 2012, we opened a new megastore in **Timisoara**, our fifth location in Romania. This was followed in August 2012 by a new store in **Riddes** (Wallis Canton), thus extending our store network in Switzerland to six HORNBACH DIY megastores with garden centers.

The fourth quarter witnessed two new store openings in Germany. In December 2012, a new HORNBACH store opened its doors in **Oberhausen**. In February 2013, the expansion program for the financial year was rounded off with the opening of a newly built store at the **Bremen** location. This store has replaced the previous store located nearby.

Including the four stores newly opened and the replacement location, a total of 138 retail outlets were in operation across the Group as of February 28, 2013 (February 29, 2012: 134). Sales areas at the 92 stores in Germany amounted to around 988,000 m². The 46 DIY megastores with garden centers in other European countries had sales areas of around 610,000 m². The international stores are located in Austria (11), Netherlands (9), Luxembourg (1), Czech Republic (8), Switzerland (6), Sweden (4), Slovakia (2), and Romania (5).

Total sales areas amounted to around 1,598,000 m² at the HORNBACH-Baumarkt-AG Group as of February 28, 2013. As in the previous year, the HORNBACH DIY megastores with garden centers had average sales areas of around 11,600 m².

Earnings Performance

Key earnings figures of the HORNBACH-Baumarkt-AG Group

Key figure (€ million, unless otherwise stated)	2012/2013	2011/2012	Change
Net sales	3,020	3,001	0.6%
EBITDA	155.8	184.3	(15.5)%
EBIT	99.3	128.4	(22.7)%
Earnings before taxes	74.4	106.5	(30.1)%
Consolidated net income	52.3	77.4	(32.4)%
EBITDA margin	5.2%	6.1%	
EBIT margin	3.3%	4.3%	
Tax rate	29.7%	27.3%	

(Differences due to rounding up or down to nearest € million)

Earnings performance of the HORNBACH-Baumarkt-AG Group
Consistent with expectations, the earnings of the HORNBACH-Baumarkt-AG Group for the 2012/2013 financial year fell short of the previous year's record figures. This was mainly due to a weakening like-for-like sales performance in the DIY store segment, a development that accelerated in the second half of the year, and the resultant deterioration in cost ratios.

Consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) dropped by 15.5% to € 155.8 million (2011/2012: € 184.3 million). The EBITDA margin (as a percentage of net sales) slipped to 5.2%, down from 6.1% in the previous year. Consistent with the forecast we issued after the first nine months, the consolidated operating earnings (EBIT) of € 99.3 million fell short of the previous year's figure of € 128.4 million (minus 22.7%). The EBIT margin is reported at 3.3% (2011/2012: 4.3%).

A positive one-off operating item of € 5.5 million relating to electricity tax in Germany was credited to earnings and recognized under other income and expenses in the 2012/2013 financial year (please see comments on DIY store segment).

Consolidated earnings before taxes (EBT) dropped by 30.1% to € 74.4 million (2011/2012: € 106.5 million). This decrease, higher in percentage terms than that in EBIT, was primarily due to the deterioration in net interest expenses from minus € 19.3 million to minus € 24.0 million. The reduction in this item mainly resulted from lower interest income than in the previous year and from the additional interest expenses incurred upon the premature repayment of the corporate bond (ISIN XS0205954778, WKN: A0C4RP) as of February 25, 2013, which originally had a term running until November 15, 2014. This factor was countered by an improvement in negative currency items (including forward exchange transactions) from minus € 2.5 million to minus € 0.9 million. Overall, net financial expenses deteriorated from minus € 22.0 million to minus € 24.9 million.

Consolidated net income fell by 32.4% to € 52.3 million (2011/2012: € 77.4 million). The Group's tax rate increased from 27.3% to 297%. The return on sales after taxes decreased from 2.6% to 1.7%. Earnings per share (please see Note 9) are reported at € 1.64 (2011/2012: € 2.43).

Key earnings figures for the DIY store segment

Key figure (€ million, unless otherwise stated)	2012/2013	2011/2012	Change
Net sales	3,019	3,000	0.6%
of which in Germany	1,741	1,729	0.7%
of which in other European countries	1,279	1,272	0.6%
Like-for-like sales growth	(1.4)%	2.8%	
EBITDA	107.7	152.0	(29.1)%
EBIT	74.2	115.7	(35.9)%
EBITDA margin	3.6%	5.1%	
EBIT margin	2.5%	3.9%	
Gross margin	37.3%	37.4%	
Store expenses as % of net sales	31.1%	30.3%	
Pre-opening expenses as % of net sales	0.3%	0.2%	
General and administration expenses as % of net sales	4.1%	3.5%	

(Differences due to rounding up or down to nearest € million)

Earnings performance of the DIY store segment

The DIY store segment comprises the operating retail business at the HORNBACH DIY megastores with garden centers within the Group. At the balance sheet date on February 28, 2013, we were operating 138 DIY retail outlets across Europe (2011/2012: 134). Net sales in this segment showed slight growth of 0.6% to € 3,019 million in the 2012/2013 year under report (2011/2012: € 3,000 million).

In the 2012/2013 financial year, the key operating earnings figures in the DIY store segment fell significantly short of the high previous year's figures. This was chiefly due to a weakening like-for-like sales performance, particularly in countries outside Germany. Overall, the sales momentum in the DIY store segment slowed noticeably compared with the previous 2011/2012 financial year. As a result, cost ratios were significantly less favorable, even though selling and store, pre-opening and administration expenses as a whole were even within their respective budget targets.

Gross margin

The gross margin almost matched the previous year's level in the 2012/2013 financial year under report. As a percentage of net sales, the gross profit amounted to 37.3% (2011/2012: 37.4%). We virtually managed to offset increases in procurement prices with the assistance of a slight rise in retail prices and changes in our product mix. Currency items in our international procurement activities played a negligible role in the year under report.

Selling and store, pre-opening and administration expenses

Selling and store expenses in the DIY store segment rose by 3.3% to € 940.1 million (2011/2012: € 909.7 million), and thus increased moderately. Personnel expenses (including bonuses), the largest cost block within selling and store expenses, showed growth of plus 2.3%, and thus below average compared with this item as a whole. Not only that, the year-on-year increase in rental and operating expenses, albeit lower than planned, was countered by a reduction in advertising expenses in absolute terms. Utility expenses and depreciation were more or less at the same level as in the previous year. As a percentage of net sales, selling and store expenses rose from 30.3% to 31.1%.

Due to the higher number of new store openings, pre-opening expenses grew from € 6.2 million to € 9.6 million (please also see Note 4). After three new store openings in the 2011/2012 financial year, operations began at five new HORNBACH locations in the year under report. The pre-opening expense ratio increased from 0.2% to 0.3% as a result.

Administration expenses grew by 16.2% to € 123.2 million in the year under report (2011/2012: € 106.1 million). As in the previous year, a major share of this increase was due to important forward-looking projects in the Group's administrative departments. Among others, these include developing and extending our online retail and customer service activities, as well as innovations aimed at further optimizing our operating processes. In view of this, the administration expense ratio increased from 3.5% to 4.1%.

Other income and expenses

Other income and expenses showed a marked increase from € 15.7 million to € 20.5 million in the year under report. One prime reason for this increase was the conclusive clarification of outstanding issues in connection with the supply of utility energies in Germany by the energy-related services provider we commissioned to this end. On this basis, it was possible to reverse provisions of € 3.9 million recognized in previous years. Other than this, other income and expenses also include an amount of € 1.6 million for compensation not yet invoiced, net of service amounts. A further reason for the increase in this item related to income from the group allocation, which rose from € 3.6 million to € 4.1 million. Furthermore, other income and expenses were positively influenced by a base effect within other non-operating income and expenses. In the 2011/2012 financial year, impairment losses in Romania were the main reason for negative other non-operating income and expenses of minus € 1.4 million. In the year under report, by contrast, there were no material non-operating items within other income and expenses.

EBITDA and EBIT

EBITDA in the DIY store segment fell 29.1% to € 107.7 million in the 2012/2013 financial year (2011/2012: € 152.0 million), equivalent to an EBITDA margin of 3.6% (2011/2012: 5.1%). Operating earnings (EBIT) dropped 35.9% to € 74.2 million (2011/2012: € 115.7 million). EBIT was equivalent to 2.5% of net sales in the year under report (2011/2012: 3.9%).

Earnings performance in the real estate segment

All the real estate activities in the HORNBACH-Baumarkt-AG Group are pooled in the real estate segment. Its main business activities involve building and subsequently letting DIY store properties within the Group. These either remain in group ownership or are sold following construction to an external investor and then leased back. The respective DIY store properties are charged to the DIY store segment on rental and other terms customary to the market. Earnings in the real estate segment were significantly ahead of the previous year's figures in the 2012/2013 financial year.

Key earnings figures for the real estate segment

Key figure (€ million, unless otherwise stated)	2012/2013	2011/2012	Change
Rental income	143.6	132.5	8.4%
Real estate expenses	97.8	92.7	5.5%
Net rental income	45.8	39.8	15.1%
Disposal gains/losses	0.3	(0.5)	-
Net real estate income	46.1	39.2	17.4%
EBITDA	57.7	47.0	22.8%
EBIT	42.8	35.9	19.2%

Earnings from rental activities

Rental income in the real estate segment, 99% of which comprises internal rental income, grew by 8.4% to € 143.6 million in the year under report (2011/2012: € 132.5 million). Driven mainly by higher operating expenses and depreciation, real estate expenses for the same period nevertheless rose less markedly, increasing by 5.5% to € 97.8 million (2011/2012: € 92.7 million). Earnings from rental activities grew by 15.1% to € 45.8 million in the year under report (2011/2012: € 39.8 million).

Disposal gains/losses and net real estate income

We generated marginal disposal gains of € 0.3 million in the year under report. These contrasted with disposal losses of € 0.5 million from real estate transactions in the 2011/2012 financial year. Net income on real estate activities rose by 17.4% to € 46.1 million (2011/2012: € 39.2 million).

Other income and expenses

Other income and expenses (excluding disposal gains/losses) are reported at minus € 1.4 million for the 2012/2013 financial year (2011/2012: minus € 1.7 million). Earnings for the year under report were reduced by other expenses and provisions for the refurbishment of DIY store properties, as well as by impairment losses recognized for pieces of land.

EBITDA and EBIT

Thanks to higher rental income in conjunction with a less marked increase in real estate expenses and a year-on-year reduction in charges on earnings due to real estate development, we were able to report pleasing earnings growth in the real estate segment in the reporting period from March 1, 2012 to February 28, 2013. EBITDA thus rose by 22.8% to € 57.7 million (2011/2012: € 47.0 million) and EBIT grew by 19.2% to € 42.8 million (2011/2012: € 35.9 million).

Earnings performance by geographical region

Our German retail business gained further significance in terms of the Group's earnings performance in the 2012/2013 financial year. As is apparent from the breakdown by geographical regions in the segment report, the weighting of earnings contributions has shifted in favor of the Germany segment. This reflects the robust performance in like-for-like sales in the domestic business, which thus contributed to a significantly more stable earnings performance than that in the other European countries segment.

EBITDA in Germany fell by 3.6% from € 68.2 million to € 65.8 million, thus contrasting with the 15.5% downturn in EBITDA on group level. The domestic share of the Group's EBITDA rose from 37% to 42%. EBIT in the Germany segment decreased from € 33.9 million to € 29.6 million. The domestic share of operating earnings thus improved from 26% to 30% in the 2012/2013 financial year. The EBIT margin in Germany amounted to 1.7%, as against 2.0% one year earlier.

In the 2012/2013 financial year as well, the domestic share of operating earnings included significant expenses for sustainable innovation projects. A major portion of the project-related administration expenses of around € 22 million (2011/2012: around € 13 million) related to the further expansion in our online store, which since being launched in December 2010 has offered ever more articles, order possibilities, and service information. The costs attributable to the planned international rollout of online retailing have been charged on within group allocations. Not only that, we also pressed ahead with developing the Customer Service Center for German stores. Alongside these projects, we also worked on a series of other development projects in the fields of procurement, logistics, and operations at DIY megastores with garden centers which are intended to promote the Group's further growth.

Against this backdrop, administration expenses in the Germany segment increased by 9.0% in the year under report. If these upstream costs for central forward-looking projects are deducted from the income statement of the Germany segment, then our administration expenses were at the same level as in the previous year, as a result of which our adjusted domestic EBIT for the 2012/2013 financial year was around ten percent higher than the previous year's figure.

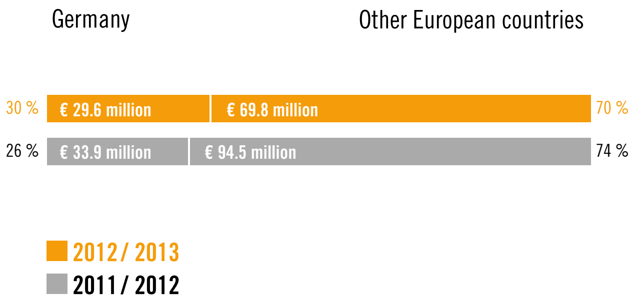
Earnings contributions from our international activities, which are pooled on the level of the HORNBACH International GmbH subgroup, reduced year-on-year on account of the weaker like-for-like sales performance. With EBITDA of € 90.1 million in the period under report (2011/2012: € 116.1 million), the international business accounted for around 58% (2011/2012: 63%) of EBITDA at the HORNBACH-Baumarkt-AG Group. EBIT in the international business dropped from € 94.5 million to € 69.8 million. As a result, the international share of EBIT decreased from 74% to 70%. With an EBIT margin of 5.5% (2011/2012: 7.4%), the other European countries segment remains more profitable than the Germany segment.

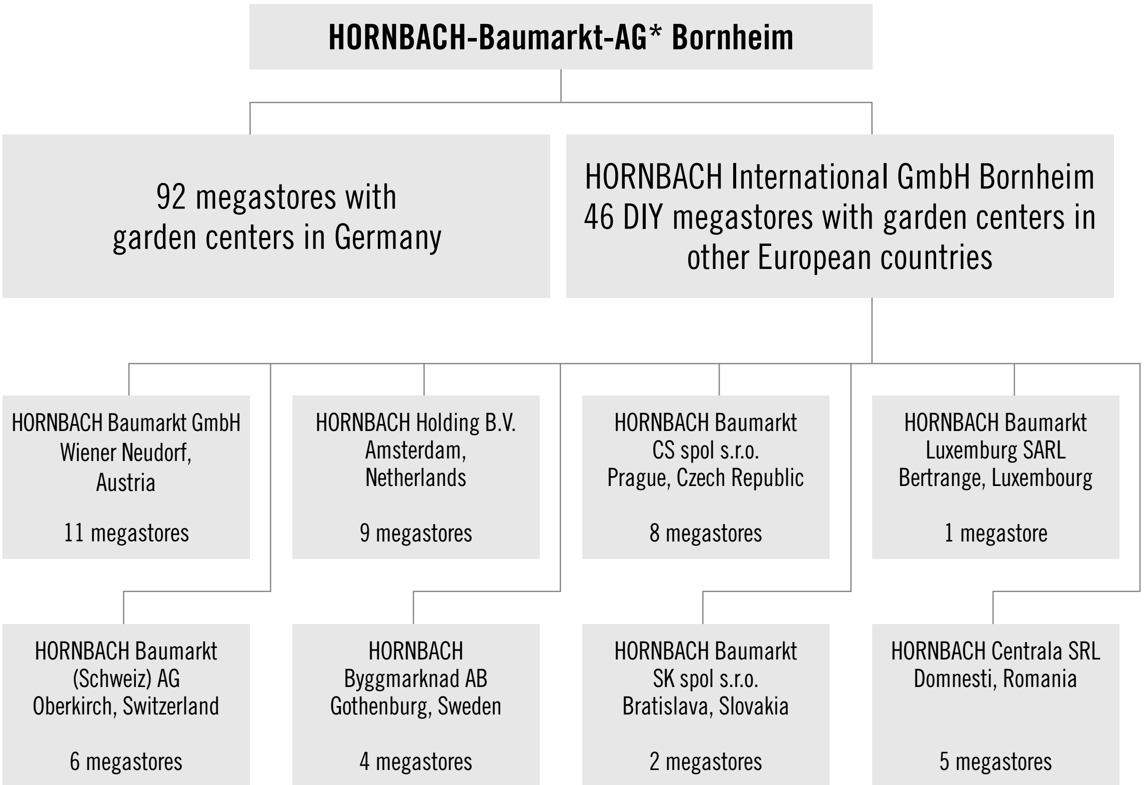
Dividend proposal

The Board of Management and Supervisory Board of HORNBACH-Baumarkt-AG will propose a dividend of € 0.50 per ordinary share with dividend entitlement (ISIN: DE0006084403), and thus unchanged on the previous year, for approval by the Annual General Meeting on July 4, 2013.

EBIT by segment
(€ million)

EBIT by region
(share in %)





* Plus further shareholdings as presented in the complete overview provided in the notes to the consolidated financial statements (status: February 28, 2013)

Financial Situation

Principles and objectives of financial management

Financing measures are performed by the Group Treasury department at HORNBACH-Baumarkt-AG. The central organization of financial management enables the HORNBACH Group to maintain a uniform presence on the financial markets and to provide centralized liquidity management for the overall Group. HORNBACH-Baumarkt-AG grants financial assistance in the form of guarantees and letters of comfort only for its subsidiaries. The information required for efficient liquidity management is provided by rolling group financial planning covering all relevant companies, which is updated monthly and has a budgeting horizon of twelve months, as well as by short-term financial forecasting which is updated daily. Based on the information available, the financing requirements of individual units within the Group are initially settled using surplus liquidity from other group companies by means of a cash pooling system. Such liquidity bears interest at market rates on the basis of internal group loan agreements.

External financing requirements are covered by taking up loans from banks and on the capital market. Moreover, to date DIY store properties have been sold to investors upon completion, with their utilization being secured by rental agreements (sale and leaseback). Here, efforts have been made to meet the IAS 17 criteria governing classification as "Operating Leases". Due to the amendments expected in IAS 17 lease accounting and the expected discontinuation of the "operating lease" classification, future transactions will be reviewed in terms of their advantageousness. External financing generally takes the form of unsecured loans and real estate sales (sale and leaseback). Consistent with HORNBACH's forward-looking financial policy, financial liabilities due to mature are refinanced at the earliest possible opportunity.

In line with internal risk principles, derivative financial instruments are held solely for hedging purposes. The nominal values and measurement of existing derivative financial instruments have been presented in the notes on the consolidated balance sheet in the notes to the financial statements.

Financial debt

At the balance sheet date on February 28, 2013, the net financial debt of the Group amounted to € 64.9 million (2011/2012: € 27.7 million) and was structured as follows:

Type of financing	Liabilities broken down into remaining terms						2.28.2013	2.29.2012
€ million	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	Total	Total
Short-term bank debt[1]	1.1						1.1	5.7
Mortgage loans	7.1	5.9	5.1	4.5	3.9	1.9	28.4	50.7
Other loans[2) 3)]			19.3	79.7			99.0	121.3
Bonds[3]						245.8	245.8	247.1
Negative fair values of derivative financial instruments	0.2		0.7	4.3	1.3		6.5	5.7
Finance leases	0.2	0.2	0.3	0.3	0.3	0.0	1.3	1.5
Total financial debt	**8.6**	**6.2**	**25.3**	**88.8**	**5.5**	**247.7**	**382.1**	**431.9**
Cash and cash equivalents							317.2	404.3
Net financial debt							**64.9**	**27.7**

(Differences due to rounding up or down to nearest € million)

1) Financing facilities with nominal terms of under one year (overdraft and short-term interim financing facilities) and interest deferrals

2) Loans not secured by mortgages

3) The costs relating to the taking up of the corporate bond and the promissory note bonds have been spread pro rata temporis over the respective terms.

The Group had no short-term financing facilities as of the balance sheet date on February 28, 2013. The current financial debt (up to 1 year) of € 8.6 million (2011/2012: € 24.6 million) consists of interest deferrals of € 1.1 million (2011/2012: € 5.7 million), liabilities of € 0.2 million relating to the measurement of derivative financial instruments (2011/2012: € 5.7 million), and the portion of long-term financing facilities maturing in the short term, amounting to € 7.3 million (2011/2012: € 13.3 million).

Solid capital structure

HORNBACH enjoys great flexibility in terms of its financing and draws on a wide range of different financing instruments.

At the beginning of 2013, HORNBACH-Baumarkt-AG thus exploited the favorable capital market climate to place a new seven-year corporate bond of € 250 million on the market on February 15, 2013. The proceeds from the issue were used to prematurely redeem the existing bond, issued in November 2004 with an interest coupon of 6.125%, on February 25, 2013. This has significantly improved the maturity profile of the Group's financial liabilities. The issue was several times oversubscribed, with great demand from both private and institutional investors. The new bond has an interest coupon of 3.875%. In combination with the issue price of 99.25%, this results in a yield of 4.00% p.a.

As of June 30, 2011, HORNBACH-Baumarkt-AG took up an unsecured promissory note bond of € 80.0 million with a term running until June 30, 2016. The funds served to redeem the promissory note bond of the same amount maturing on June 30, 2011. In addition, the Group still has the promissory note bond concluded by HORNBACH Baumarkt CS spol s.r.o. in CZK in the 2010/2011 financial year with an original volume of € 20 million and a term running until August 31, 2015. Due to the pleasing liquidity situation, the promissory note bond concluded by HORNBACH (Schweiz) AG in CHF with an original volume of € 20 million was prematurely redeemed as of December 31, 2012. The relevant interest swap was redeemed as of the same date at fair value.

The value of the financing facilities secured by land charges amounted to € 28.4 million at the balance sheet date (2011/2012: € 50.7 million). Land charges of € 85.5 million had been provided as of February 28, 2013 as security for mortgage loans (2011/2012: € 146.5 million).

At the balance sheet date on February 28, 2013, the HORNBACH-Baumarkt-AG Group had free credit lines amounting to € 300.2 million (2011/2012: € 313.8 million) at customary market conditions. These include a syndicated credit line of € 250 million with a term running until December 14, 2016. The credit line may also be drawn down in foreign currencies, particularly CHF, SEK and CZK, up to an amount of € 25 million. Furthermore, supplementary bilateral loan agreements of up to € 50 million may also be concluded within the credit framework (also in foreign currencies). Upon utilization, the interest is based on the 3-month or 6-month Euribor, or the equivalent Ibor, plus an interest margin. The applicable interest margin is determined by reference to the company rating granted to HORNBACH-Baumarkt-AG by an internationally recognized rating agency. Margin premiums apply should the level of utilization exceed specified threshold values and when the facility is drawn down in foreign currencies. A provision fee dependent on the respective interest margin is charged for the unutilized portion of the credit line. To ensure the maximum possible degree of flexibility, all major group companies have credit lines denominated in their local currencies, generally at local banks.

No assets have been provided as security for the credit lines, the promissory note bonds, or the bond. The relevant contractual arrangements nevertheless require compliance with customary bank covenants, non-compliance with which could lead to a premature repayment obligation. These regularly involve pari passu clauses and negative pledge declarations, as well as cross default arrangements for major financing facilities. In the case of the syndicated credit line at HORNBACH-Baumarkt-AG and the promissory note bond agreements at the HORNBACH-Baumarkt-AG Group, they also require compliance with specific financial ratios. These key financial ratios are based on consolidated figures at the

HORNBACH-Baumarkt-AG Group and require interest cover of at least 2.25 times and an equity ratio of at least 25%. Maximum limits for financing facilities secured by land charges and financing facilities taken up by subsidiaries were also agreed. The interest cover, net debt/EBITDA ratio, equity ratio, agreed financing limits, and company liquidity (cash and cash equivalents, plus unutilized committed credit lines) are regularly monitored within the internal risk management framework. Further key figures are calculated on a quarterly basis. Should the values fall short of certain target levels, then countermeasures are initiated at an early stage. All covenants were complied with at all times in the year under report. Further information about financial debt can be found in Note 22 of the notes on the consolidated balance sheet.

Cash and cash equivalents amounted to € 317.2 million at the balance sheet date (2011/2012: € 404.3 million). As in the past, liquidity is managed in the form of fixed deposits on the money market with maximum investment horizons of three months. In the course of the financial crisis, the Group set maximum deposit totals per bank to enhance security by spreading liquidity holdings more widely.

Key financial figures of the HORNBACH-Baumarkt-AG Group

Key figure	Definition		2.28.2013	2.29.2012
Net financial debt	Current financial debt + non-current financial debt – cash and cash equivalents	€ million	64.9	27.7
Interest cover	Adjusted(*) EBITDA / Gross interest expenses		6.0	7.6
Net debt / EBITDA	Net financial debt / Adjusted(*) EBITDA		0.4	0.1

* EBITDA excluding changes in non-current provisions and gains/losses on the disposal of non-current assets as reported in the cash flow statement

Investments of € 116.6 million

The HORNBACH-Baumarkt-AG Group invested a total of € 116.6 million in the 2012/2013 financial year (2011/2012: € 103.8 million), mainly in land, buildings and plant and office equipment at existing DIY stores with garden centers, and at stores under construction. The funds of € 116.6 million (2011/2012: € 103.8 million) required for the cash-effective investments were mainly acquired from the cash flow of € 94.9 million from operating activities (2011/2012: € 103.8 million). The remaining amount was covered by reducing liquid funds. Around 53% of total investments were channeled into new real estate, including properties under construction. Around 47% of total investments mainly involved replacing and extending plant and office equipment.

The most significant investment projects related to the DIY megastores with garden centers opened in the 2012/2013 financial year in Oberhausen (Germany), Riddes (Switzerland), and Timisoara (Romania), construction work on DIY megastores with garden centers due to be opened in subsequent financial years, the conversion and extension of existing stores, the acquisition of land for the Group's further expansion, investments in plant and office equipment, and in intangible assets, especially software.

Cash flow statement

Cash flow statement (abridged) € million	2012/2013	2011/2012
Cash flow from operating activities	94.9	103.8
of which: funds from operations[1]	108.0	144.0
of which change in working capital[2]	(13.1)	(40.2)
Cash flow from investing activities	(113.3)	(92.7)
Cash flow from financing activities	(68.6)	(30.7)
Cash-effective change in cash and cash equivalents	**(87.0)**	**(19.6)**

(Differences due to rounding up or down to nearest € million)

[1] Consolidated earnings after taxes, plus depreciation of non-current assets and changes in provisions, minus gains/plus losses on the disposal of non-current assets, plus/minus other non-cash expenses/income
[2] Difference between "Change in inventories, trade receivables and other assets" and "Change in trade payables and other liabilities"

The inflow of funds from operating activities reduced from € 103.8 million in the previous year to € 94.9 million in the 2012/2013 financial year. Here, the inflow of funds from operations decreased from € 144.0 million to € 108.0 million. This reduction was chiefly due to the weaker like-for-like sales performance and the resultant deterioration in cost ratios. The change in working capital (changes in inventories, trade receivables and other assets plus changes in trade payables and other liabilities) resulted in an outflow of funds of € 13.1 million, as against an outflow of funds of € 40.2 million in the previous year. The outflow of € 13.1 million was largely due to reductions in other liabilities, as well as to the building up of inventories for the Group's expansion. The higher outflow of funds in the previous year largely resulted from a balance sheet date factor involving the earlier settlement of supplier liabilities.

The outflow of funds for investing activities increased from € 92.7 million to € 113.3 million. Here, the increase in investments by € 12.8 million to € 116.6 million was opposed by a lower volume of proceeds from disposals of non-current assets, amounting to € 3.3 million (previous year: € 11.1 million). As in the previous year, no DIY megastores with garden centers were disposed of in the framework of sale and leaseback transactions in the 2012/2013 financial year.

The outflow of funds for financing activities totaled € 68.6 million in the 2012/2013 financial year, compared with an outflow of € 30.7 million in the previous year. This figure includes the scheduled and premature redemption of non-current financial debt amounting to € 45.5 million. Current financial loans decreased by € 4.8 million (previous year: outflow of € 0.02m). Gross financial debt reduced from € 431.9 million in the previous year to € 382.1 million in the year under report.

Rating

Since 2004, the creditworthiness of the HORNBACH-Baumarkt-AG Group has been rated by the leading international rating agencies Standard & Poor's and Moody's Investors Service. Upon completion of this report, both agencies had in their most recent publications confirmed their ratings at "BB+" with a stable outlook in the case of Standard & Poor's and "Ba2" with a positive outlook at Moody's.

Asset Situation

Equity ratio rises to 51.4%

Balance sheet of the HORNBACH-Baumarkt-AG Group (abridged version)

€ million	2.28.2013	2.29.2012	Change
Non-current assets	740.5	686.9	7.8%
Current assets	857.0	941.2	(8.9)%
Assets	**1,597.4**	**1,628.1**	**(1.9)%**
Shareholders' equity	821.7	792.0	3.7%
Non-current liabilities	438.6	471.6	(7.0)%
Current liabilities	337.1	364.5	(7.5)%
Equity and liabilities	**1,597.4**	**1,628.1**	**(1.9)%**

(Differences due to rounding up or down to nearest € million)

Total assets at the Group fell year-on-year by € 30.7 million, or minus 1.9%, to € 1,597.4 million. This decrease was chiefly due to the reduction in cash and cash equivalents from € 404.3 million to € 317.2 million, which in turn mainly resulted from the Group's expansion and repayment of financial debt. This was opposed above all by the expansion-related increase in property, plant and equipment and inventories. The equity of the Group as stated in the balance sheet amounted to € 821.7 million at the end of the financial year (2011/2012: € 792.0 million). The equity ratio rose from 48.6% in the previous year to 51.4%.

Non-current and current assets

Non-current assets amounted to € 740.5 million at the balance sheet date (2011/2012: € 686.9 million), and thus accounted for around 46% of total assets (2011/2012: 42%). Property, plant and equipment and investment property rose by € 57.8 million (8.9%) from € 650.3 million to € 708.1 million. Additions of € 113.9 million to property, plant and equipment were countered by depreciation of € 50.4 million and disposals of assets amounting to € 0.9 million. Adjustments to account for exchange rate movements led property, plant and equipment and investment property to decrease by € 3.5 million. Furthermore, application of IFRS 5 required real estate classified as held for sale amounting to a net total of € 1.3 million to be reclassified out of property, plant and equipment and investment property to current assets.

Non-current income tax receivables involve a claim to payment of a corporate income tax credit with a present value of € 6.4 million (2011/2012: € 8.0 million). This item was capitalized in the 2007/2008 and 2010/2011 financial years due to legislative amendments (SEStEG).

Current assets decreased by 8.9% from € 941.2 million to € 857.0 million, equivalent to around 54% of total assets (2011/2012: 58%). Here, the growth-driven increase in inventories was offset by a reduction in cash and cash equivalents. Inventories rose from € 475.7 million to € 481.6 million. Further measures to optimize capital committed nevertheless enabled the inventory turnover rate to be maintained consistently high at 4.0. Receivables and other assets (including income tax receivables) amounted to € 57.1 million (2011/2012: € 61.2 million).

Non-current and current liabilities

Liabilities, including provisions, amounted to € 775.7 million at the balance sheet date, as against € 836.1 million in the previous year. Non-current liabilities fell from € 471.6 million to € 438.6 million. This reduction in non-current liabilities by € 33.0 million was chiefly due to the premature repayment of a promissory note bond of € 21.9 million in Switzerland, as well as to various one-off repayments of loans amounting to around € 9.2 million. The non-current liabilities reported include deferred tax liabilities of € 33.5 million (2011/2012: € 35.7 million).

Current liabilities fell from € 364.5 million to € 337.1 million. Largely due to repayments of existing financial liabilities, current financial debt reduced by € 16.0 million to € 8.6 million (2011/2012: € 24.6 million). Trade payables and other liabilities totaled € 248.8 million at the balance sheet date, compared with € 244.4 million in the previous year. Other provisions and accrued liabilities fell by € 9.3 million from € 67.6 million to € 58.3 million. The net debt of the HORNBACH-Baumarkt-AG Group, i.e. financial debt less cash and cash equivalents, grew to € 64.9 million at the balance sheet date, up from € 27.7 million in the previous year.

Off-balance sheet financing instruments and rental obligations

In addition to the DIY megastores with garden centers owned by the HORNBACH-Baumarkt-AG Group and those used on the basis of finance lease agreements, there are 42 stores and one logistics center that are let from the associate company HORNBACH Immobilien AG or its subsidiaries, as well as 57 DIY megastores with garden centers that are let from third parties. Moreover, the Group also has a small number of additional land leasehold, leasing and rental agreements.

The obligations under rental, hiring, leasehold and leasing contracts relate exclusively to rental agreements for which the companies of the HORNBACH-Baumarkt-AG Group do not constitute the economic owners of the assets thereby leased pursuant to IFRS accounting standards (Operating Lease). The rental agreements principally relate to DIY megastores with garden centers in Germany and other countries. The terms of the rental agreements usually amount to between 15 and 20 years, with subsequent rental extension options. The respective agreements include rent adjustment clauses.

Key balance sheet figures of the HORNBACH-Baumarkt-AG Group

Key figure	Definition		2.28.2013	2.29.2012
Equity ratio	Equity / Total assets	%	51.4	48.6
Return on equity	Annual net income / Average equity	%	6.5	10.2
Return on total capital	NOPAT[1]/ Average total capital[2]	%	8.1	11.5
Debt / equity ratio (gearing)	Net debt / Equity	%	7.9	3.5
Additions to non-current assets, including advance payments for land		€ million	116.6	103.7
Net working capital	Inventories and receivables less trade payables	€ million	349.5	357.8
Inventory turnover rate	Cost of goods sold / Average inventories		4.0	4.0

[1] Net operating profit after tax, defined as EBIT minus unchanged standardized tax rate of 30% at the HORNBACH Group
[2] Average total capital, defined as average equity plus average net debt

At February 28, 2013, obligations under rental, hiring, leasehold and leasing contracts amounted to € 1,125.0 million (2011/2012: € 1,122.8 million). This slight increase is mainly due to various rental adjustments and rental extensions implemented in the year under report.

Overall assessment of earnings, financial and net asset situation

The HORNBACH-Baumarkt-AG Group performed satisfactorily in the 2012/2013 financial year and strengthened its market position. Consolidated sales showed slight growth, and that despite an increasingly subdued economic climate across Europe and poor weather conditions in the fourth quarter. It is pleasing to note that we managed to maintain like-for-like sales at the HORNBACH DIY megastores with garden centers in Germany at the high previous year's level and expanded our market share yet again. Given the recession across Europe, our international activities, which upheld their share of sales, performed satisfactorily. Due in particular to a weaker like-for-like sales performance and less favorable cost ratios, in line with the forecast the Group's earnings for the 2012/2013 financial year fell short of the record figures reported for the previous year.

Irrespective of its short-term earnings position, HORNBACH pressed ahead with its sustainable innovation projects in the year under report. A large share of the project-related administration expenses were incurred for the consistent expansion in our e-commerce activities. Furthermore, further development projects also helped improve the foundations for the Group's long-term growth.

The equity ratio has risen to 51.4%. The capital structure and liquidity remain at good levels. In view of our broad spectrum of financing sources, we enjoy a high degree of security and flexibility to finance our further growth. Overall, the economic situation of the Group is satisfactory.

Non-Financial Performance Indicators

No normal DIY store – dedicated to projects

"We're no normal DIY store. We're a project DIY store". Consistent with this image of itself, HORNBACH focuses above all on project customers. We are the address for people with big plans – construction and renovation projects in their houses, apartments and gardens – people with a passion for home improvement. At HORNBACH, they can rely on a partner that offers them a comprehensive range of services for their project – with easily accessible locations, great breadth and depth of product range, the right volume of stock on hand for their projects, uncomplicated and easily comprehensible merchandise presentation, dependable permanently low prices, and professional advice. In this, customers can depend not only on our high-performance stationary retail store network, but also on our extensive online offering. In Germany and successively in other countries, customers now have the option of conveniently making their purchases at our internet store. Not only that, customers in all HORNBACH countries can find inspiring project ideas, product information, and planning and implementation aids on the internet.

HORNBACH's concept – a European recipe for success

Our unmistakable position as the top address for projects was honored once again in various consumer surveys and sector studies in the past financial year.

In the "Kundenmonitor" study issued by ServiceBarometer AG since 1992 and one of Germany's most renowned customer satisfaction surveys, almost 6,000 DIY customers were surveyed about their home DIY store once again in 2012. Of the ten large DIY chains covered by the survey, HORNBACH was awarded the best average marks in many key individual categories. Among others, we came top in categories particularly important to project customers, such as "product range compared with competitors", "merchandise and product quality", "value for money", "prices compared with competitors", and "service compared with competitors".

In the international arena as well, consumers confirmed that HORNBACH had created benefits for its customers and clearly differentiated itself from its competitors with its consistent project focus. In the "Kundenmonitor 2012" survey performed by analogy with its German counterpart in Austria and Switzerland, for example, we came first in the "product range", "selection and product variety", and "prices compared with competitors" categories. In Austria, we also scored highly in categories such as "value for money", while in Switzerland we came top in terms of "product quality".

HORNBACH received the best assessment in the annual Swedish Quality Index (SKI) customer satisfaction survey, and that for the fifth year in succession. We even improved on the very high satisfaction figures already awarded in 2011, and received correspondingly high marks in individual categories. Our Dutch customers were also particularly satisfied in 2012 and singled out HORNBACH as "Retailer of the Year" in the DIY store category. In the Czech Republic, HORNBACH scored very highly in terms of its prices and product range in the "Do it yourself 2012" survey performed by GfK. We also received top marks in the "specialist advice" category.

Homogenous store network across Europe

HORNBACH has decades of experience in operating DIY megastores with garden centers. The network of 138 stores in nine countries across Europe forms the stationary foundation for implementing the company's project concept. Our portfolio of locations in Germany and abroad is highly homogenous, with 84% of the Group's sales areas as of the balance sheet date at stores which are larger than 10,000 m². This facilitates the rapid rollout of universal and/or innovative concepts to old and new sales areas alike.

What's more, the combination of homogeneity and large surfaces generates substantial logistics benefits, thus securing a competitive advantage for us. Moreover, we are also working continuously on bringing the design of older stores in line with the latest standards, and on enhancing operating processes to enable customers' wishes to be met even more closely. These measures include signs, shelving measures, adjustments to the layout of stores, through to store extensions and the further enhancement of product ranges. Alongside our stationary retail business, in December 2010 we began work on rapidly building up and expanding our online retail business. Our guiding principle here is that customers should decide whether they prefer to visit us on location at one of our stores, or on the internet, or via a combination of both channels. That is why we offer our customers all the channels they need to implement their projects.

Virtual DIY store and garden center at www.hornbach.de
For our project customers, it has become absolutely normal to plan construction and renovation projects in detail on the internet. Since being launched, HORNBACH's online store (www.hornbach.de) has grown into a high-performance virtual DIY megastore and garden center. Our online customers can now inform themselves about more than 50,000 articles and their prices. Extensive additional information enables them to compare the various articles. Numerous text and image guidelines and more than 40 "Meisterschmiede" videos offer ideas and assistance in preparing and implementing projects.

One core aspect of our internet presence is the direct relationship our customers have to their preferred HORNBACH store. The range of services offered by the respective store is presented irrespective of the customer's location. This way, our customers can inform themselves online about our current training sessions, presentations within the monthly changing Project Shows, and opening times, as well as about the availability of specific articles at the particular store. Not only that, they can find information online about our services, such as our tradesman service, our paint mixing service, the builders' merchant drive-in service, or our rental service. It goes without saying that our internet store also offers customers the possibility of having articles delivered directly to their homes. And whenever the timing is particularly crucial, our customers can also use our "Reserve online and pick up at the store" service. Just four hours after the reservation, all of the articles are ready to be collected from the desired HORNBACH store. This service is a real timesaver, especially for our professional customers.

Consistent permanent low price strategy
We have relied on an uncompromising, credible permanently low price strategy for many years now. This is consistently valid for all of our business activities. Our retail prices at our stores and at our HORNBACH internet store are therefore identical. This differentiates us from the discount campaigns and differences in prices between the online business and stationary DIY retail often seen at our competitors. We see this as providing the best foundation for achieving sustainable, above-average growth and high earnings strength in the long term. Our aim is to retain customers at HORNBACH on a permanent basis by offering the highest possible degree of transparency, reliability and honesty in our pricing policies. The price guarantee accompanying the permanently low prices is intended to provide our customers with the certainty that they can focus all of their energies at all times on solving their projects.

HORNBACH tradesman service in all countries
When making purchases, HORNBACH customers are according ever greater priority to supplementary services connected to their project. For customers who wish to select their products at our stores, but then prefer to entrust the necessary work to experienced specialists (do-it-for-me customers), we made the HORNBACH tradesman service even more attractive in the 2012/2013 financial year. According to an internal survey, these efforts have been rewarded with maximum customer satisfaction, which was also reflected in the year under report by a very high willingness to recommend these services to further potential customers.

Complex tasks, such as house door, interior door, and window installation, were in particularly great demand in the past financial year. Our tile laying service benefited from strong demand for bathroom renovations HORNBACH's tradesman service offered 23 tasks in the year under report, including cobble laying, terrace construction, and decoration services.
HORNBACH's strength in recognizing trends at an early stage is also reflected in its "Bathroom House" and "Kitchen Center". Planning and advice are available at the store, while the assembly is taken care of by our tradesman partners. The

benefit for our customers is that they receive the product and the tradesman's work from a single source. That helps elderly customers, for example, in deciding to have their bathrooms renovated in line with their needs.

The key benefit for customers is that it makes their renovation projects easier to handle. HORNBACH sees to the organization and coordination and is also the direct contact partner should any complications arise. It also offers numerous benefits to our tradesman partners – punctual, fast payment handling by our company, no advance financing of goods, and the assumption of product guarantees by HORNBACH. Not only that, our partners are relieved of administrative tasks, thus enabling them to acquire additional customers without time-consuming acquisition work, as well as to benefit from further training opportunities. By offering this unique concept, HORNBACH has built up a competitive advantage within the sector. The tradesman service has been available in all regions since the year under report.

Sense-based brand communications

Our brand communications in the 2012/2013 financial year focused on the sensual aspects of home improvement projects – feeling, seeing, hearing, experiencing, testing limits, being proud of what you did with your own hands, a passion for something – feelings and sensations that are increasingly rare. The joy felt by DIY enthusiasts when tackling their own projects was presented in exaggerated form in the "Nobody feels it like you do" campaign.

In the first half of the year this message was conveyed by two very different spots. In "Festival", a DIY enthusiast completely absorbed in his project prepares to take a swing with his hammer and feels that he will hit this nail right on the head. He experiences this positive feeling in his own world. He feels as if he is in paradise, on cloud nine, as a star in an arena full of cheering fans. The "Symphony" spot focused on the acoustic aspects of a project. In the ears of the DIY enthusiast, a pneumatic sounds like drums, a paint roller sounds like a trombone and a saw produces the dulcet tones of a cello. In the fall, the "Tear" spot portrayed the deep identification felt by a DIY enthusiast with his own four walls. This message was brought home by showing the story of a man who suddenly in the middle of his day-to-day life feels the symptoms of his "poorly" home right under his skin.

In parallel to these image adverts, the specific project benefits HORNBACH offers its customers were presented in a highly memorable and typically unconventional way under the motto of "Everything for the project". In Germany, these focused on advertising the "Order and have delivered" and "Reserve online and pick up at store" online services. In the international regions, adverts focused on price. These campaigns were backed up with accompanying online adverts, especially advertising banners, moving image advertising, and search engine marketing. Further marketing activities, such as print and out-of-home adverts, events, and the company's presence on the Facebook and Twitter social media platforms rounded off the campaigns. Our advertising booklets and the Project Shows held at our stores made a key contribution towards honing our brand profile both in Germany and abroad once again in the 2012/2013 financial year.

HORNBACH adverts hit home and clearly "touch the right spot" with DIY enthusiasts. That is reflected in the advertising tracking with which we also measure the strength of our brand communication, as well as in the feedback received in specialist circles. Particularly worth mentioning for 2012 are the results of a survey performed by the "Batten & Company" institute, which singled out HORNBACH as one of the ten companies to have achieved the greatest increase in its brand strength since 2009. HORNBACH is one of Germany's top 25 retail brands. Not only that, recognition also came from the advertising industry. As in previous years already, our campaigns were awarded numerous national and international prizes.

Personnel activities create sustainability

560 new jobs

At the balance sheet date on February 28, 2013, there were 14,222 individuals (2011/2012: 13,662) in active fixed employment at HORNBACH-Baumarkt-AG or at one of its subsidiaries. This corresponds to an increase of 4.1%. In Germany, the number of employees rose from 8,093 to 8,434 (plus 4.2%). In other European countries, the total workforce grew by 3.9% to 5,788 (2011/2012: 5,569). As an annual average and converted into full-time equivalents, the HORNBACH-Baumarkt-AG Group has 12,674 employees (2011/2012: 12,188). Women account for around 44% of the Group's workforce. Overall, women hold 17% of the management positions at the Group.

Uniform recruitment and initial training process

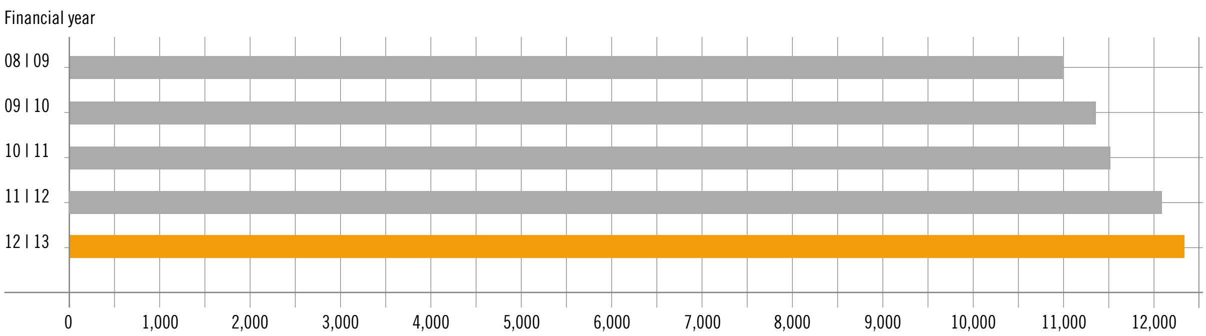
To ensure that we are perceived as an attractive employer and attract the right employees on an international basis, we work with a centralized, electronically assisted application process (eRecruiting system) in Germany, Austria, and the Netherlands. This way, interested applicants can find suitable jobs quickly and easily here in the various countries and then apply online. To ensure that new sales employees have a successful start to their work at HORNBACH, in these countries we have also implemented a standardized initial training process, one whose core elements involve working with trained mentors and making intense use of self-study media.

Ongoing training and development

We are committed to the ongoing further development of our staff. In the year under report, around 7,600 employees in Germany drew on our range of seminars to enhance their product range, system, and advisory skills. Not only that, 124 employees took part in in-house training programs to qualify as specialist bathroom and kitchen advisors (certified course accredited by Chamber of Commerce).

One key component of our efforts to secure the next generation of staff involves training employees in a total of 23 vocations in Germany, Austria, Luxembourg, and Switzerland. Alongside this, 61 young people completed a dual study program at HORNBACH in Romania as part of a pilot project. Furthermore, we offer nine dual study programs in which the practical stages can be performed at all European stores. A total of 756 young people were actively employed as trainees across the Group as of the balance sheet date (2011/2012: 799).

Number of employees
(annual average converted into full-time equivalents)



Targeted management development and succession planning

A total of 122 participants successfully completed our training programs to qualify as divisional heads, assistant managers and store managers in the past financial year. These training programs are offered on a uniform basis in Germany, Austria, Luxembourg, Switzerland, Sweden, and Romania and are due to be rolled out further.

Our management development activities are based on a structured succession process installed across the Group for the first time in the 2012/2013 financial year. This enables us to identify our need for next-generation operative managers better and faster than previously. Thanks to this employee training, any positions becoming vacant can be quickly filled with internal candidates. This is based on the uniform group-wide employee appraisal process. A functional level model was also newly introduced in the year under report. This aims to structure all job profiles at the company in line with objective criteria and thus provide clear, fair rules for dealing with topics such as compensation, ancillary benefits, and career opportunities.

IT successfully manages extensive release change

Since January 21, 2013, all of the HORNBACH Group's stores, administrative departments, and logistics centers have been working with a new release of our merchandise and logistics software. In preparation for this change, our information technology (IT) successfully coped with more than 12,000 test cases. HORNBACH thus laid the foundations necessary to benefit from the software manufacturer's technical upgrades. In particular, fiscal amendments can now be input directly and no longer have to be retrospectively programmed on an in-house basis. Following this change, the maintenance period has been extended until at least 2020.

A further focus of IT activities in the 2012/2013 financial year involved pressing ahead with the rollout of the new "FastPOS" checkout system. Following Germany, Sweden, Austria, and Switzerland, the stores in Luxembourg and the Netherlands were converted in the year under report. With FastPOS, the checkout keyboard is replaced by a touch-sensitive monitor. This system, which is based on Java technology, has more than proved itself in practice. Significantly shorter training periods and improved user management have helped make day-to-day work easier for our checkout teams.

With the help of IT, we have optimized key processes in our human resources systems. In mid-2012, for example, we introduced a browser-based employee survey system. Compared with the previous approach, this solution has significantly reduced the volume of processing and enhanced employee acceptance levels. The eRecruiting system introduced in Germany in summer 2011 has proven its worth and was rolled out to Austria and the Netherlands in the period under report. This system has shown tangible benefits in terms of lightening the workload at stores.

Sales tax rates in the Czech Republic were raised by one percentage point each to 15% and 21% as of January 1, 2013. The resultant adjustments to IT systems ran smoothly.

Group logistics secure competitive advantages

One key success factor in the operation of DIY megastores with garden centers across Europe is our sophisticated merchandise management system in conjunction with our homogenous store network. By operating our own group logistics system, we have over the years built up a competitive advantage in terms of store service levels and procuring transport services. Our logistics system combines direct supplies to stores, indirect deliveries via central warehouses, and cross-docking.

We launched operations at a fourth logistics center in Soltau (Niedersachsen) at the beginning of the 2013 financial year, thus extending our logistics capacities for imports and central storage in particular.

Corporate Responsibility

In the interests of corporate responsibility, the HORNBACH Group has imposed a set of rules governing its entrepreneurial activity. These ensure that the company meets its responsibilities towards the environment, its employees, and society as a whole.

Responsibility for the environment

Timber only from responsible forestry

One particular focus remained the ongoing communication concerning the fight against illegal tropical timber felling, underlined by the assumption of a guarantee for the origin of timber from certified sources. We are committed to attracting customers' attention to timbers bearing the quality seal of the Forest Stewardship Council® (FSC®). Back in 1996, our company already provided the WWF and Greenpeace with a voluntary undertaking not to import any uncertified tropical timber. We set up our own quality management and environmental department in February 2002. One focus of its activities involves working to protect rainforests and promote responsible forestry which also meets social and work safety standards. There is growing public awareness in this area. The FSC seal is also gaining in importance in political terms. Forests in municipal ownership in Germany, for example, are now also obtaining certification, thus offering increased possibilities of satisfying the rising demand for certified timber products. Given this focus, HORNBACH was and is well-prepared for the European Timber Regulation (995/2010) that took effect as of March 3, 2013. Among other requirements, this regulation includes a duty of care for all timbers and timber products imported from outside the European Union and also bans the import of illegally felled timbers.

Most extensive FSC-certified product range

Many consumers check when buying timber products to see whether the timber comes from responsible forestry. They see DIY stores as bearing a particular responsibility to ensure that only products from sustainable forestry are on offer.

To meet our customers' expectations in this area while also doing justice to our own commitment to sustainability, in 2007 HORNBACH became the first international DIY chain to be awarded the FSC Chain of Custody certificate GFA-COC-002007. This enables the timber supply chain to be checked from the place of origin through to the end product. The company's entitlement to this certificate is reviewed in annual audits performed by an independent testing institute. HORNBACH was successfully recertified in 2012. Trade companies that are themselves certified and all environmentally-aware DIY enthusiasts can now choose from a range of around 4,500 timber products bearing the FSC seal at all HORNBACH stores. That is the most extensive range on offer anywhere in the European DIY sector.

As part of our commitment to protecting the forests, HORNBACH participated in developing an information platform showing how forests can be put to rational use. Here, HORNBACH is cooperating with the Swiss company Papiliorama and the FSC Switzerland. Within this cooperation, HORNBACH also acts as official sponsor to the Papiliorama nature reserve in Shipstern in Belize (Central America) and thus covers a major share of the necessary budget.

HORNBACH relies on “Healthy Living” quality seal

There has been a sharp increase in consumers' sensitiveness towards contaminants in the air and in products. Allergic reactions to specific materials are arising ever more frequently, so that home improvement enthusiasts and construction clients have to pay increasing attention to the composition of the materials used. In terms of housing construction and renovation, energy efficiency became the top priority at the latest upon the introduction of the Energy Savings Ordinance. The problem here is that insulation and suitably built windows mean that rooms are now virtually air-tight. The climate in the room remains constant, but it is difficult for any harmful substances in the air to escape. The "Healthy Living" project aims to help consumers avoid contaminant substances when building and designing their interiors.

To enable our customers to recognize at first glance which products are especially low in pollutants, HORNBACH has introduced its own seal of approval. The quality of the articles thereby certified is checked in careful tests performed by independent institutes, such as the Sentinel-Haus Institut in Freiburg and the eco-Institut in Cologne, and subsequently awarded the "Healthy Living" seal of approval. These products stand for less polluted ambient air and permanently better quality of living. The seal of approval means that the products tested for contaminants can easily be found at the stores. A separate website on the topic provides detailed information and answers to frequently asked questions. We will be continually expanding our range of "Healthy Living" products in the coming years.

Comprehensive waste concept with customer service

Given the increasing scarcity of resources, a commitment to the environment in today's world would be unthinkable without recycling. To minimize the number of journeys required, HORNBACH's stores use compressors for high-volume waste, such as paper and plastics. A comprehensive waste concept promotes the separation, and thus recycling, of recyclable fractions as secondary commodities, while also helping to reduce the volume of non-recyclable waste.

Since the 2012/2013 financial year, customers in Germany have had the opportunity of depositing broken energy-saving light bulbs, LEDs, and luminescent tubes free of charge in suitable containers at the stores. With this voluntary service, HORNBACH will make it easier for consumers to dispose of these items in future during its usual opening hours, which are significantly more generous than those at municipal collection points. As a further voluntary service, the company has also enabled customers to return broken small electrical appliances, such as drills, fret saws, and battery-powered drills. The aim here is to contribute towards protecting the environment and help avoid such products being illegally disposed of in normal household waste.

Logistics: fewer miles, less packaging

With its logistics centers, HORNBACH is also making a sustainable contribution towards protecting the environment. In its logistics activities, the Group continued to work on reducing its CO_2 emissions in the year under report as well. Enhanced tour planning and making optimal use of available freight capacities have enabled us to reduce the number of miles traveled, and thus also our truck requirements. This has been accompanied by a reduction in the volume of emissions per loading unit. The company also checks whether the haulers have engines corresponding to the Euro 5 standard, in which the Emissions Directive governing pollutant emissions has been set out since 2009.

Having said this, group logistics by no means rely solely on truck-based transport. Heavy goods, such as tiles from Italy, are transported across the Alps by rail. Containers from the import hub of Rotterdam are also returned not by truck, but by inland waterway and rail.

A further field of action involves freeing the merchandise delivered from unnecessary packaging material. This is achieved, for example, by working with reusable, durable transport containers in circuits between suppliers, our stores and logistics centers.

By consistently managing time slots at incoming merchandise gateways at the logistics centers, we have managed to reduce truck waiting times, thus enhancing working conditions for drivers and employees alike.

Further reduction in car pool CO_2 statistics

To continue to account for ecological and economic factors, the maximum CO_2 limit has been reduced from 180 to 170 grams per kilometer. No vehicles with higher emissions are listed. For the vehicles ordered in the year under report, average consumption and CO_2 emissions were further reduced compared with the previous year. The average consumption of the vehicles ordered currently amounts to 4.6 liters per 100 kilometers, while average CO_2 emissions amount to 120.8 grams per kilometer.

By accounting for fuel consumption in the calculation of the monthly mobility installment, drivers are incentivized to select lower consumption vehicles. What's more, a first hybrid vehicle has been included in the vehicle portfolio. By introducing new Company Car Guidelines, the company is also creating the possibility for employees to select a vehicle from a lower class than that to which they would be entitled.

Energy-saving measures at stores

The company also actively takes account of environmental protection factors when building and operating its stores. The new lighting technology introduced in 2009 has benefited not only all new stores - further existing stores were upgraded in the year under report, so that 117 stores now have the new technology (2011/2012: 84). At its core, this sustainable lighting technology involves introducing electronic control gear for the operation of halogen metal vapor lamps. Central lighting control now allows the lighting to be dimmed and means that only that volume of light actually required in a given area is used. What's more, the lighting system is tailored to make optimal use of daylight. The installation of large light domes and long light bands in the roofs of new stores also assists in using natural light. The new lighting technology not only increases the operating lifetime of the lighting equipment by around 50%, but also helps reduce annual energy costs. Not only that, it has also noticeably improved lighting quality in the shelves.

A further contribution towards saving energy is due to the Building Control Technology (BCT) that we included in our new building standards in 2008. This system manages the operating times of energy-consuming systems in line with requirements, thus optimizing energy consumption volumes. The system has so far been installed in 16 new DIY stores and rolled out to 89 existing stores. A total of 105 of our stores are thus equipped with the latest technological standard (2011/2012: 88). 17 further existing stores are due to be upgraded in the 2013/2014 financial year. Efficiency is also the top priority in terms of heating energy. Here, consistent waste heat recovery in the ventilation system ensures a lower volume of consumption. This technology is used when building new stores, as is enhanced heat insulation based on a new façade system. This has benefited the new stores opened in the year under report.

Based on weekly consumption statistics, each HORNBACH store is able to gain a precise picture of its own energy efficiency. By drawing on various energy-saving technologies, we managed to further reduce the annual CO_2 emissions of our group-wide store network in the year under report.

Responsibility for our employees

68 nations under one roof

In our behavior towards our employees, we accord absolute priority to ensuring equality of opportunity and rejecting any kind of discrimination. Ethnic origin, gender, age, physical restrictions and religious affiliation play no role in the assessment of applicants. The only qualities that count are specialist competence, a willingness to learn, and team spirit. By signing the "Diversity Charter" in 2008, the company clearly underlined its commitment to a working environment that is free of prejudice. People from a total of 68 countries across four continents work together in the nine countries in which HORNBACH operates.

The company's success is closely linked to the competence and motivation of its employees. Their willingness to roll up their sleeves, and thus to improve the Group's earnings, is honored by our bonus model. The possibility of acquiring employee shares represents another way of enabling employees to participate in the company's success.

Key focus on employee satisfaction

HORNBACH performed an employee survey in the 2012/2013 financial year to evaluate the working climate at the company and employee satisfaction levels. The findings and resultant changes at the company are being taken as an opportunity to consistently respond to employees' wishes and ideas. The positive overall balance is reflected in the pleasingly high score received in the "Identification with the company" index.

Even in a positive working environment, the possibility of conflicts arising between employees or with their superiors cannot be excluded. To provide a neutral point of contact, one which may also be initially approached without involving the opponent in the conflict, the company has created the position of ombudsman. His job is to listen to both sides, moderate and if possible solve the problem without this resulting in any disadvantage for the employee. This point of contact is used by employees from across the Group and has met with high acceptance levels.

Responsibility for society

Focus on children and young people

One particular sign of our social responsibility towards our employees was the establishment in 2002 of the HORNBACH Foundation "People in Need". This has since offered assistance in cases of fatality, accidents and severe illness. Employees in turn document their solidarity with the Foundation with their "Employees help Employees" campaign, in which HORNBACH-Baumarkt-AG doubles the donations collected. Moreover, the Foundation is also a contact point for people outside the company who are in situations of dire need. All in all, the Foundation supported 106 individuals with a total of more than € 155,000 in the year under report.

However, our commitment to society is by no means limited to the work performed by the Foundation. HORNBACH supports the work of many local associations and organizations at our locations. When selecting projects, priority is generally accorded to projects benefiting children and young people. Environmental protection and heritage conservation are two other areas in which the company is active to the benefit of society.

As a member of the Rhine/Neckar European Metropolitan Region, our Group is promoting academic excellence in the region. HORNBACH-Baumarkt-AG has thus continued to support a research project at the German Cancer Research Center (DKFZ) in Heidelberg with € 100,000 a year. HORNBACH Immobilien AG also supports the project with a donation of the same amount. Among other measures, this has facilitated the research carried out by a young female scientist of international standing.

Compliance with minimum social standards

For more than ten years now, HORNBACH has voluntarily ensured that minimum social standards are complied with at factories producing goods for the company. To this end, HORNBACH commissions independent audit institutes to check and evaluate factories' compliance with international standards at regular intervals. The institutes audit and assess aspects such as child labor, inhumane working conditions, inadequate safety standards, e.g. too small escape routes or inadequate fire protection, as well as compliance with local legislation and the suitability of accommodation.

No products from child labor

Over and above this, our basic rules of social responsibility include recognizing the international standards set out in the conventions of the International Labor Organization (ILO). The company thus only procures its products from factories meeting minimum standards, such as exclusion of child and forced labor, no intimidation of employees through maltreatment or verbal threats, no depositing of ID papers with employers, adherence to work safety regulations, and compliance with environmental legislation. Where accommodation is provided, it must be located outside production and materials storage areas. Suppliers have to ensure that these standards are also met by their upstream suppliers. Compliance with these regulations is checked with annual factory audits.

Risk Report

Risk management at the Group

All entrepreneurial activity directly involves opportunities and risks. Effectively managing opportunities and risks therefore represents a critical success factor in sustainably securing the company's value. The Board of Management of HORNBACH-Baumarkt-AG is committed to risk-conscious corporate management which accords top priority at all times to safeguarding the continued existence of the overall company and its subsidiaries. The risk management system (RMS) implemented by the Board of Management is intended to achieve ongoing enhancements in the early identification of risks with the aim of proactively managing such risks, as well as continuously optimizing the company's opportunity/risk profile. On this basis, the Board of Management has adopted the following principles:

Risk policy principles

The generation of economic profit necessarily involves risk taking. Nonetheless, no action or decision may entail any existential risk, i.e. any threat to the continued existence of the company or any of its operations. As a matter of principle, the Group does not enter into any risks which relate neither to its core processes nor to its support processes. Core processes involve developing and implementing the respective business models, procuring merchandise and services, location decisions, safeguarding liquidity and developing specialist and management personnel. Any earnings risks entered into have to be justified by an appropriate level of expected return. The relevant key figures are based on the return on capital committed. Risks which cannot be avoided have to be insured against, where this is economically expedient. Residual risks have to be controlled by means of a range of risk management instruments.

Organization and process

The risk management system in place at the HORNBACH-Baumarkt-AG Group forms an integral part of the company's management structure. It consists of the central components of early risk identification, controlling and planning processes, reporting and an internal control system, and is continually enhanced and optimized.

Responsibility for establishing, organizing and maintaining a suitable, target-based risk management system, and the internal control system in particular, lies with the Board of Management. In terms of the organization and maintenance of the system, the Board of Management is supported by the Director of Group Controlling / Risk Management.

Risk managers at the Group's operations in Germany and abroad are responsible for taking suitable measures to manage risks in their area of responsibility. When identifying and evaluating risks and determining appropriate measures to manage such risks, risk managers are supported by a central risk controller responsible for coordinating risk management processes and aggregating the risks thereby reported.

Risks are evaluated in terms of their implications and their probability of occurrence and are allocated to so-called risk classes in which the risks are classified as representing "high", "medium" or "low" risks overall. In cases where they cannot be quantified, they are assessed in terms of their qualitative implications. The target figures used at the Group (including EBIT) serve as a basis for reference in this respect.

The principles and regulations underlying the risk management system are documented in a risk management handbook. This sets out uniform principles for the overall Group concerning the structures and processes necessary for the early detection of risks. To support the risk management process, a standard software solution has been implemented across the Group which offers assistance in recording and documenting risks and the relevant risk management measures.

Risks are updated quarterly and reported to the Board of Management. The Supervisory Board and Audit Committee discuss the current risk situation on a half-yearly basis. Alongside this scheduled reporting, ad-hoc reporting structures are also in place and have been implemented in the risk management process for risks arising unexpectedly.

The internal control system currently in place is based on standardized documentation requirements at the Group for all processes and related risks which could have a material impact on the financial reporting process. The internal control system is supported in this respect by the relevant work instructions and handbooks available on the Group's intranet.

Within the framework of its activities, the Group Internal Audit Department regularly audits the functionality of the existing risk management system. When auditing the annual financial statements, the external auditor also assesses whether the early warning risk identification system is suitable to provide early warning of any developments that could threaten the continued existence of the company.

Internal control and risk management system in respect of the group financial reporting process (report and explanatory comments pursuant to § 315 (2) No. 5 HGB)

The objective of the internal control and risk management system in respect of the financial reporting process is to identify and evaluate those risks which could prevent the consolidated financial statements from conforming to the relevant requirements. Corresponding control measures and clear responsibilities are allocated for the risks thereby identified. These are intended to provide reasonable assurance of the possibility of preparing financial statements for the overall Group and those subsidiaries requiring consolidation that conform to the relevant requirements in spite of the risks thereby identified.

The HORNBACH-Baumarkt-AG Group began to structure its existing internal control system in respect of the financial reporting process in previous years and to document this uniformly for the overall Group in a risk matrix.

In the course of the 2012/2013 financial year, this documentation of the control measures associated with key standard group processes was continuously extended. The current status of this documentation has been provided to foreign subsidiaries to enable them to review and, where necessary, supplement their risk and control measure descriptions.

Alongside defined control mechanisms, such as technical system and manual agreement processes, key elements of the internal control system include the separation of functions and the existence of guidelines and work instructions, and compliance with such. The principle of dual control is applied throughout the financial reporting process, and compliance is required with specified approval processes. Clearly defined company and management structures, clearly allocated responsibilities and adequate regulations governing access to the information and accounting systems relevant to the financial statements based on a standard authorization concept valid for the entire Group serve to further manage and control risks. These principal control measures are integrated into financial reporting processes.

Group companies prepare their financial statements locally. They are responsible for taking due account of local requirements and compliance with group-wide guidelines in the form of work instructions and accounting and organization handbooks, as well as for the correct reconciliation of local separate financial statements with the IFRS financial statements prepared in accordance with group-wide uniform accounting policies. The accounting handbook in particular sets out clear instructions limiting employees' discretionary scope in terms of the recognition, measurement and disclosure of assets and liabilities, thus reducing the risk of accounting inconsistencies within the Group. The managers responsible for the accounting treatment of the relevant items at individual group companies submit quarterly group-internal declarations of completeness confirming the correctness and completeness of the respective separate financial statements. On group level, the Group Accounting Department and Group Controlling Department perform further checks on the plausibility and correctness of the accounting data input into the financial statements. The process of preparing consolidated financial statements is centrally coordinated by way of a specified deadline and activity plan and monitored both centrally and locally. Subsidiaries are supported by central contact partners throughout the entire financial reporting process.

Major changes to financial reporting processes due to new laws, legislative amendments or changes in internal processes are discussed prior to implementation at international finance conferences for all managers with significant involvement in the group financial reporting process. Specialist accounting or financial reporting issues and complex matters either involving particular risks or requiring special expertise are monitored and processed centrally. External experts, such as chartered surveyors, are drawn on in particular to assess the fair values of real estate in the context of impairment tests or to measure pension provisions.

All significant processes relevant to financial reporting are uniformly portrayed across the Group in a common IT system for the overall Group. This complete integration of all major finance systems within a uniform IT system ensures the integrity of the data on which the separate and consolidated financial statements are based. In conjunction with the accounting handbook valid for the whole Group, the use of uniform account codes across the Group and central management of the account system ensure uniform accounting treatment of transactions of the same nature.

This also serves as a basis for group consolidation in accordance with the relevant requirements. Consolidation measures and the necessary agreement activities are performed centrally by a consolidation department. The checks to be undertaken in the consolidation processes, such as the consolidation of liabilities, expenses or revenues, are performed both automatically by the system and manually.

The risk of any system breakdown or loss of data is minimized by centrally managing and monitoring all significant IT systems involved in the financial reporting process and regularly performing system backups. As an integral component of the internal control system, within the framework of its activities the Group Internal Audit Department regularly audits the effectiveness of the internal control system in respect of the financial reporting process on the basis of trial samples reviewed in line with a risk-oriented audit plan. Alongside these internal audits, the external auditor also assesses the effectiveness of internal checks of relevance to the financial reporting process within the framework of its audit. Having said this, even suitable, functional systems cannot provide absolute certainty concerning the identification and management of risks.

Financial risks

The Group's financial risks comprise foreign currency, interest rate, liquidity, and credit risks. Responsibility for managing these risks lies with the treasury department.

Foreign currency risks

In general, HORNBACH is exposed to foreign currency risks on account of its activities in countries with currencies other than the euro. Specifically, these involve Swiss francs, Czech crowns, Swedish crowns, and Romanian leis. Any depreciation in a foreign currency against the euro can lead to a reduction in consolidated earnings when translating the separate financial statements of foreign subsidiaries into euros, the Group's currency. These risks are not hedged at the Group.

Furthermore, the increasingly international business activities of the Group result in rising foreign currency requirements both for handling international procurement and for financing objects of investment in foreign currencies. Any change in the exchange rate between the respective national currency and the procurement currencies (chiefly EUR and USD) could have a direct negative impact on earnings. Open foreign currency positions in USD are largely secured by hedging transactions (forward exchange contracts and USD fixed-term deposits). Where possible, investments are financed in the functional currency of the respective country company (natural hedging). Open foreign currency positions arising at the Group in EUR, which mainly relate to intragroup deliveries and services invoiced in EUR and intragroup EUR loans, are not hedged.

Interest rate risks

Fixed-rate agreements or interest rate exchange agreements (interest swaps) have been concluded to secure the interest rates on existing non-current liabilities. The interest swaps enable floating interest rates on loans to be exchanged for fixed interest rates, thus securing the interest payments on loans which could have a significant influence on the Group's annual earnings.

Liquidity risks

The acquisition of land, investments in DIY megastores with garden centers and procurement of large quantities of merchandise require liquidity to be permanently available. The financing of the company's further expansion is secured by the inflow of funds from the operating cash flow and where necessary by sale and leaseback transactions, as well as by bilateral bank loans and credit lines, a syndicated credit line of € 250 million with a term running until December 14, 2016, a promissory note bond at HORNBACH-Baumarkt-AG with a volume of € 80 million and a term running until June 30, 2016, a promissory note bond taken up in local currency by a subsidiary of HORNBACH-Baumarkt-AG with an equivalent volume of € 20 million and a term running until August 31, 2015, and not least the € 250 million bond issued by HORNBACH-Baumarkt-AG in February 2013, which has a term running until February 15, 2020.

HORNBACH is countering the risk of no longer being able to obtain longer-term financing for new locations from banks or via sale and leaseback transactions due to financing conditions on the capital markets by flexibly adjusting its investments, maintaining a substantial liquidity cushion, and with short and medium-term financing based on existing credit lines. No security in the form of assets was granted in connection with the bond and the syndicated credit line at HORNBACH-Baumarkt-AG, or the promissory note bonds at the HORNBACH-Baumarkt-AG Group. The contractual terms nevertheless require compliance with specified customary covenants. Failure to do so may possibly result in immediate repayment being required for the funds drawn down. This would necessitate follow-up financing, which would only be possible on stricter refinancing terms. Alongside general covenants, such as pari passu, negative pledge, and cross default covenants, specific financial covenants were also agreed for the promissory note bonds and the syndicated credit line. These require compliance with an equity ratio of at least 25% and interest cover (adjusted EBITDA / gross interest expenses) of at least 2.25 on the level of the HORNBACH-Baumarkt-AG Group. Furthermore, maximum limits have been set for financial liabilities secured by land charges and for financial liabilities at subsidiaries. The bond is governed by general covenants, such as pari passu, negative pledge, and cross default covenants, but not by any financial covenants.

Compliance with these covenants is monitored on an ongoing basis. All covenants were complied with at all times during the 2012/2013 financial year. As of February 28, 2013, the equity ratio amounted to 51.4% (2011/2012: 48.6%) and interest cover amounted to 6.0 (2011/2012: 7.6).

The information required for efficient liquidity management is provided by rolling group financial planning with a twelve-month budgeting horizon, which is updated monthly, as well as by a daily financial forecast. The Group currently faces no risks in connection with any follow-up financing necessary to cover maturing financial liabilities. At present, no liquidity risks are discernible.

Credit risks

The company limits the risk of any financial loss in connection with financial investments and derivative financial instruments by working exclusively with contractual partners of strong creditworthiness and selecting banks covered by collective deposit security arrangements. Moreover, bank deposits have been distributed among several financial institutions in order to counter the increased risk of bank deposit default in the context of the financial market crisis and the subsequent European credit and sovereign debt crisis. This approach was also maintained in the 2012/2013 financial year. The company's retail format (cash and carry) means that the risk of receivables defaults in its operating divisions is already considerably reduced.

Further detailed information about financial risks and sensitivity analyses can be found in Note 33 in the notes to the consolidated financial statements.

External risks

Macroeconomic and sector-specific risks

The dependency of HORNBACH DIY megastores with garden centers on general macroeconomic developments and levels of disposable household income could become apparent in the form of unwillingness on the part of customers to make purchases in periods of low economic growth. In particular, the different duration of the impact of the global financial and economic crisis and the subsequent European debt crisis on economic performance figures and employment statistics within Europe would appear to indicate that the risks in terms of stagnating or declining DIY sales in those European countries in which HORNBACH operates are still present.

Irrespective of this, a major dependency on economic developments in Germany has been identified. The further expansion into other European countries is intended to achieve an ongoing diversification of risk. Furthermore, the company generates a substantial share of its sales with seasonal articles whose turnover is significantly affected by external factors, such as weather conditions.

Natural hazards

The climate change observable around the world also directly affects HORNBACH locations in Germany and other European countries. In addition to potential natural catastrophes (e.g. flooding), the Group is also exposed to risks resulting from fire and explosions. The principal insurable natural hazards and any potential interruption to operations arising as a result are covered by group-wide insurance policies.

Operating risks

Location and sales risks

Investments in unsuitable locations could have a significant negative impact on the Group's earnings power. To minimize such risks, investments in new locations are therefore prepared on the basis of detailed market research analysis, with investment decisions being taken on the basis of dynamic investment calculations and sensitivity analyses. The risk of unsatisfactory sales performance due to additional existing factors, such as customer behavior and the local competitive situation, can nevertheless not be excluded entirely. Ongoing investments therefore have to be made in locations, enhancing customer service levels, and in new concepts in order to maintain the company's competitiveness, especially in countries with low market growth and intense competition.

Procurement risks

To avoid the loss of major suppliers, the Group has developed an efficient early warning system that monitors suppliers continuously on the basis of various quantitative and qualitative criteria. The implications of any potential supplier loss are further reduced by probing the market for alternative substitutes at an early stage. Should there be any deterioration in the macroeconomic situation, however, then the risk of the Group losing suppliers and being unable to procure such products elsewhere at short notice cannot be excluded entirely. The overall Group has a total of four central warehouses in order to reduce the risk of any interruption to the logistics chain and optimize the supply of merchandise. In its procurement of merchandise, HORNBACH is subject, among other risks, to increasing purchasing prices for articles involving a high share of crude oil, copper or steel as a result of volatile prices on the international commodities markets. Furthermore, higher prices for products involving energy-intensive manufacturing processes could lead to an increase in overall procurement costs, one which it might not be possible to pass on to customers, or only following a certain delay.

Legal risks

Legislative and regulatory risks

As a result of its business activities in various countries, the HORNBACH-Baumarkt-AG Group is subject to various national legislative frameworks and regulations. Legislative amendments may therefore lead to higher compliance costs. Alongside risks such as those relating to damages claims due to infringements of patents or industrial property rights, or of damages resulting from environmental or product liability, the Group's future earnings situation may also be negatively affected in particular by any tightening up of national construction laws or regulations governing the acquisition of land. To help avert fraudulent actions, the Board of Management adopted a group-wide Corporate Compliance Policy in the 2010/11 financial year already.

Risks relating to legal disputes

In the course of their business operations, the companies of the HORNBACH-Baumarkt-AG Group are inevitably confronted with legal claims on the part of third parties, both in court and out of court. Precautionary accounting measures are taken by recognizing a suitable level of provisions for existing risks in connection with legal disputes. At present, HORNBACH is not involved in any current or foreseeable court or arbitration proceedings which could have any significant impact on the Group's economic situation.

Management and organizational risks

IT risks

The management of the Group is heavily dependent on high-performance information technology (IT). The ongoing maintenance and optimization of IT systems is performed by highly qualified internal and external experts. Unauthorized data access, and the misuse or loss of data are averted by using appropriate up-to-date virus software, firewalls, adequate access and authorization concepts and existing backup systems. Appropriate emergency plans are in place for unexpected breakdowns in IT systems.

Personnel risks

The deployment of highly motivated and qualified employees represents one of the foundations for HORNBACH's success. This pillar of the corporate culture is therefore of great significance for the overall Group. The maintenance of employee satisfaction is evaluated in regular employee surveys carried out by external service providers, while employee qualification levels are continually improved with appropriate training and development measures. Performance-based bonus models support the company in reaching this objective. In its retention of highly qualified specialist and management personnel, however, HORNBACH is dependent on a variety of external factors, such as overall developments on the labor market or in the sector, and is also subject to the specific impact of demographic changes in individual countries.

Overall assessment of risk situation

There were no risks to the continued existence of the HORNBACH-Baumarkt-AG Group in the 2012/2013 financial year. From a current perspective, there are also no discernible risks that could endanger the continued existence of the company in future or sustainably impair its earnings, financial or net asset position.

Other Disclosures

Disclosures under § 315 (4) HGB and explanatory report

As the parent company of the HORNBACH-Baumarkt-AG Group, HORNBACH-Baumarkt-AG participates in an organized market as defined in § 2 (7) of the German Securities Acquisition and Takeover Act (WpÜG) by means of the shares with voting rights thereby issued and therefore reports in accordance with § 315 (4) of the German Commercial Code (HGB).

Composition of share capital

The share capital of HORNBACH-Baumarkt-AG, amounting to € 95,421,000, is divided into 31,807,000 ordinary bearer shares with a prorated amount in the share capital of € 3.00 per share. Each individual ordinary share entitles its holder to one vote at the Annual General Meeting. Reference is made to the relevant requirements of stock corporation law in respect of the further rights and obligations for ordinary shares.

Direct or indirect shareholdings in the capital

HORNBACH HOLDING AG, based in Le Quartier Hornbach 19, 67433 Neustadt an der Weinstrasse, Germany, holds more than 10% of the voting rights. Its shareholding, and thus its share of voting rights, amounted to 76.4% as of February 28, 2013.

Statutory requirements and provisions in the Articles of Association relating to the appointment and dismissal of members of the Board of Management and amendments to the Articles of Association

The appointment and dismissal of members of the Board of Management (§ 84 and § 85 of the German Stock Corporation Act – AktG) and amendments to the Articles of Association (§ 133 and § 179 of the German Stock Corporation Act – AktG) are based on the requirements of stock corporation law.

Change of control

Substantial agreements taking effect upon any change of control are in place between HORNBACH-Baumarkt-AG and third parties in respect of contracts relating to the long-term financing of the Group.

Powers of the Board of Management to issue shares

Pursuant to § 4 of the company's Articles of Association (Share Capital), the Board of Management is authorized until July 7, 2016, subject to approval by the Supervisory Board, to increase the company's share capital by a total of up to € 15,000,000.00 by issuing new ordinary shares on one or several occasions in return for cash contributions (Authorized Capital I). The new shares may in each case be issued as ordinary shares with voting rights or as non-voting preference shares. The Board of Management is authorized, subject to approval by the Supervisory Board, to determine the further details concerning the execution of capital increases. Shareholders are generally to be granted subscription rights when the authorized capital is drawn on. However, the Board of Management is entitled, subject to approval by the Supervisory Board, to exclude shareholders' subscription rights:

- in order to settle residual amounts
- to the extent necessary to grant subscription rights to the holders of conversion or option rights issued or still to be issued by the company or by direct or indirect wholly-owned subsidiaries to the extent that they would be entitled to such shares having exercised their respective conversion or option rights
- to offer new shares up to a total volume of € 1,500,000.00 to employees of the company and its subsidiaries for subscription as employee shares
- to the extent that the proportion of share capital attributable to the new shares for which subscription rights are excluded does not exceed a total of ten percent of the existing share capital either at the time of this authorization being adopted or at the time at which such authorization takes effect or is exercised and that the issue price of the new shares does not fall significantly short of the stock market price. Shares issued, disposed of or to be issued by any other direct or analogous application of § 186 (3) Sentence 4 of the German Stock Corporation Act (AktG) are to be imputed to this restriction to ten percent of the share capital. This relates in particular to the disposal of treasury stock undertaken on the basis of an authorization to dispose of treasury stock pursuant to § 71 and § 186 (3)

Sentence 4 of the German Stock Corporation Act (AktG), as well as to shares issued or to be issued in order to service bonds with conversion and/or option rights in cases where the respective bonds were issued on the basis of an authorization pursuant to § 221 (4) and § 186 (3) Sentence 4 of the German Stock Corporation Act (AktG).

The Board of Management is authorized until July 7, 2016, subject to approval by the Supervisory Board, to increase the company's share capital by a total of up to € 30,000,000.00 by issuing new individual shares on one or several occasions in return for cash or non-cash contributions (Authorized Capital II). The new shares may in each case be issued as ordinary shares with voting rights or as non-voting preference shares. The Board of Management is authorized, subject to approval by the Supervisory Board, to determine the further details concerning the execution of capital increases. Shareholders are generally to be granted subscription rights when the authorized capital is drawn on. However, the Board of Management is authorized, subject to approval by the Supervisory Board, to exclude shareholders' subscription rights to the extent that the capital increases in return for non-cash contributions are undertaken for the purpose of acquiring companies or shareholdings in companies.

The Board of Management is further authorized, subject to approval by the Supervisory Board, to exclude shareholders' subscription rights to the extent required to grant subscription rights to owners of conversion or option rights issued or still to be issued by the company or its direct or indirect wholly-owned subsidiaries to the extent that the holders of these rights would be entitled to such shares following the exercising of their conversion or option rights. Moreover, residual amounts may also be excluded from shareholders' subscription rights.

The Supervisory Board is authorized to adjust the wording of the Articles of Association in line with the respective volume and level of utilization of the authorized capital and of any conditional capital.

Dependent company report

A report on relationships with associate companies has been compiled for the 2012/2013 financial year pursuant to § 312 of the German Stock Corporation Act (AktG). With regard to those transactions requiring report, the report states: "Our company has received adequate counterperformance for all legal transactions executed with associate companies in accordance with the circumstances known to us at the time at which the legal transactions were performed and has not been disadvantaged by such transactions. No measures requiring report arose during the financial year."

Events after the balance sheet date

No events that could be of material significance for the assessment of the net asset, financial or earnings position of HORNBACH-Baumarkt-AG or of the HORNBACH-Baumarkt-AG Group occurred between the balance sheet date on February 28, 2013 and the preparation of this annual report.

Compensation report

The compensation report sets out the basic features and structure of the compensation paid to the Board of Management and Supervisory Board. It is a constituent component of the Group Management Report and has been presented in the Corporate Governance chapter from Page 25 onwards of this Annual Report.

Outlook

The European DIY sector will continue to provide HORNBACH with growth opportunities in future as well. These are to be assessed in conjunction with the risks outlined in the Risk Report. Upon completion of this report, the assessment of the future macroeconomic framework for the retail activities of the HORNBACH-Baumarkt-AG Group still involved great uncertainties. At core, these relate to the latent euro crisis. Our opportunities are closely linked to future developments in government finances, labor markets, real-term incomes, and consumer confidence in Europe. What's more, the business performance of DIY and garden stores could be affected in the coming years by a series of sector-specific development trends (megatrends). Against this backdrop, the company is consistently enhancing its retail format and corporate strategy, aiming to ensure continuity, reliability and sustainability so as to make optimal use of potential opportunities for future growth.

Macroeconomic opportunities

Global economy looks to euro crisis

The global economy is set to consistently gain momentum in the two-year forecast period through to 2014, but continues to look with concern at developments in the euro area debt crisis. The economy there is set to develop more hesitantly than originally expected. This is the summary that can be put together from the individual puzzle pieces available in spring 2013 in terms of assessing future macroeconomic developments. Having said this, the uncertainties surrounding growth prospects have intensified significantly once again compared with the fall of 2012. This is because the forecasts issued by bank economists and economic research institutes have in some cases been overtaken by current developments. The political stalemate arising after the parliamentary elections in Italy in February 2013 and the sudden intensification in the euro crisis due to the threat of state bankruptcy in Cyprus in March 2013 have thus yet to be reflected in the global economic outlook issued by the International Monetary Fund. In January 2013, the IMF made a slight downward revision to the forecast issued in the fall for the two-year period through to 2014. Accordingly, the IMF most recently expected to see global growth of 3.5% (previously 3.6%) in 2013, rising to 4.1% (previously 4.2%) in 2014. However, the revisions to the euro area forecasts were more substantial. Rather than slight growth, the IMF now expects the euro area to contract by 0.2% in 2013 and only to return to growth in 2014 (plus 1.0%). Due to the uncertainty surrounding the sustainability of any solution to the debt crisis, the IMF continues to view the euro area as a major downside risk for the global economic outlook.

Growth in Europe only in small steps

Defying previous expectations, the 2013 Winter Forecast compiled by the European Commission for the first time and published in February 2013 also only predicts a gradual return to economic growth. After a disappointing second half of 2012, the prospects for 2013 remain subdued. The EU is expected to post growth of a mere 0.1% in 2013. Economic output in the euro area is set to contract by 0.3%. Having said this, the Commission believes that Europe will slowly return to expansion, with economic growth of 1.6% in the EU and 1.4% in the euro area forecast for 2014.

Key early indicators, such as the Purchasing Managers Index, the ZEW Economic Sentiment Indicator, the Ifo Business Confidence Index, and the Eurozone Economic Sentiment Indicator brought the message home in March 2013 that in the wake of the discussions surrounding the Cyprus rescue package any talk of a rapid, sustainable stabilization in the EU economy was still premature. Given the background referred to above, it can be assumed that the European labor market will not bottom out before 2014. It is a similar picture for construction investments. As the real estate market is in crisis in various countries and no rapid stabilization in terms of building permits is yet discernible, residential construction volumes both in EU 27 countries and in the euro area can only be expected to show any turnaround after 2013.

European consumers, by contrast, have provided a gleam of hope. Consumer confidence has maintained its ground well, and that despite ever higher unemployment and the renewed intensification in the euro crisis. The slight improvement since the fall of 2012 indicates that private consumer spending – supported by low inflation – will gradually lend buoyancy to the European economy once again. The Commission expects to see notable growth momentum from 2014 due to the recovery in domestic demand by then.

Growth forecasts for European Union countries are once again characterized by great disparity. While those peripheral countries in southern Europe that have been particularly hard hid by the debt crisis will be confronted by a further significant downturn in economic output in 2013 as well, most countries in northern and eastern Europe can hope to see a stabilization in their economies, or even positive growth rates in 2013. The forecasts for most countries in which HORNBACH operates its DIY megastores with garden centers are notably more positive than the EU average. According to Eurostat, only the Netherlands can expect to see a downturn in real-term GDP (minus 0.6%) in 2013. The Czech economy is expected to match the previous year's figure. Estimates for Germany, Luxembourg, and Austria range from 0.5% to 0.7%. At the top end of the expectations issued for 2013 are Slovakia (plus 1.1%), Sweden (plus 1.3%), Switzerland (plus 1.4%), and Romania (plus 1.6%). According to the Eurostat forecast for 2014, GDP in the Netherlands is set to grow by 1.1%. All other HORNBACH countries clearly exceed expectations for the euro area (plus 1.4%), with growth forecasts ranging between 1.6% (Luxembourg) and 2.9% (Slovakia).

German economy gains momentum

Based on assessments issued by banks and research institutes, the German economy has already set out on a race to catch up in 2013. According to the median forecast issue by the Centre for European Economic Research (ZEW), German GDP is forecast to show real-term growth of 0.7% in 2013. With forecast growth of 1.0%, private consumer spending is set to play a key role here, while capital expenditure will continue to mark time. In 2014, private consumer spending is due to maintain its tempo at plus 1.0%. In line with the forecast, capital expenditure should then spring into action with growth of 4.3% and contribute to the accelerated growth of 1.8% in economic output.

According to the Economic Barometer issued by the German Institute for Economic Research (DIW), the German economy grew by half a percent in the first quarter of 2013 compared with the weak fourth quarter of 2012. The persistently strong labor market situation has encouraged hopes that Europe's largest economy has regained tempo once again. The number of people in employment is expected to increase further in the coming months and lend momentum to incomes. The DIW believes that growth will be supported by private household incomes, and thus ultimately by private consumer spending. German citizens most recently documented their confidence in developments in the German economy, as was confirmed by the stable level of consumer confidence measured by the GfK consumer survey in March 2013. People's expectations as to future economic developments thus improved for the third time in succession, and that despite the euro crisis, while their expectations as to their personal incomes and propensity to spend eased slightly at nonetheless high levels.

Disclosures by the Federal Statistical Office show that sales in the German retail sector grew by 1.6% nominally and by 0.2% in real terms in the first two months of 2013 compared with January and February 2012. Despite record employment and rising incomes, German retailers nevertheless expect sales for 2013 as a whole to stagnate. The Association of German Retailers (HDE) thus expects sales to show low nominal growth of one percent to around € 432 billion. Given expected inflation of around two percent, the price-adjusted (real-term) sales predicted in the HDE forecast will thus fall short of 2012 figures. As in previous years, online retail is still booming. According to the HDE, e-commerce sales will virtually match the growth of 13% achieved in the previous year and surge by a further 12% to more than € 33 billion.

European housing construction expects end to hard times

Given the impact of the euro crisis on private households' income situations and willingness to invest, experts continue to assess underlying conditions for the European construction industry as unfavorable. However, an end to the hard times for housing construction is now in sight. That is the conclusion reached by the Euroconstruct research and advisory network in its forecast in December 2012. While housing construction work in the 19 EU countries analyzed reduced by 3.5% in 2012, the process of contraction is expected to slow to around minus 1% or at best even stabilize in 2013. The construction experts are confident that housing construction will regain positive territory with growth of around 2.5% in 2014.

In their medium-term forecast for the period from 2012 to 2015, the Euroconstruct researchers paint an overwhelmingly positive picture for seven of the countries in HORNBACH's network. Housing construction in Germany is thus thought to have the potential for average annual growth of 2.5%, a rate only topped in Europe by Norway (plus 4.9% p.a.). Housing construction volumes are set to grow by just over one percent a year in Austria and Switzerland, and by 0.5% and 0.3% respectively in Slovakia and Sweden. For the Netherlands, plagued by a real estate crisis, the construction expects have forecast a slight reduction in housing construction work averaging 0.3% a year. With an annual contraction of 2%, new housing construction volumes in the Czech Republic are set to show clearly below-average developments. This is due in particular to rising consumer prices, falling real-term incomes, tax charges, and increased job insecurity.

Notwithstanding the fragile macroeconomic backdrop, the German construction industry remains positive in its assessment. The two main construction industry associations (*Hauptverband der Bauindustrie* and *Zentralverband des Baugewerbes*) expect growth of 2% in nominal construction sales in 2013. Housing construction will remain the key growth driver for the main construction trade, with sales growth of 3.5%. According to the forecast issued by the association, commercial construction and public construction are set to show moderate nominal sales growth of 1.0% and 1.5% respectively.

Sector-specific opportunities

The medium-term macroeconomic framework and the outlook for the construction and retail sectors also offer the DIY sector positive development opportunities overall in the countries where we operate. What's more, DIY store and garden center operators stand to benefit in future from specific megatrends harboring various degrees of potential in individual country markets in terms of rising demand for products and services relating to construction, renovation and gardens. Looking forward, developments are crucially dependent on both the macroeconomic framework and consumer and business confidence levels remaining stable. In assessing future sector-specific opportunities, particular importance has to be accorded to downside risks, such as those resulting from any potential further escalation in the European sovereign debt crisis.

Based on the key factors outlined above, such as employment totals, income levels, consumer confidence, and developments in the construction industry, the European DIY sector is placing its hopes in the prospect that, following the economic setback suffered in the second half of 2012, customer demand will gradually recover in the course of 2013 and 2014. IFH Retail Consultants expect the aggregate market volume for all DIY stores and garden centers in EU 27 countries to grow by between 0.5% and 0.7% in 2013 (2012: minus 0.5%). The German sector is slightly more optimistic in its assessment of its prospects for 2013. The BHB sector association thus expects to see a low level of nominal sales growth ranging between 1.0% and 2.0%. The association basically saw potential for sales growth in garden product ranges, which due to weather conditions were in less demand than usual in 2012. Furthermore, the BHB hoped to see growth momentum from private housing construction. Given that the winter had large parts of Europe and Germany firmly in its grip until well into April, the annual performance of the sector in 2013 will crucially depend on a strong start to the seasonal business in the second and third calendar quarters.

In the hunt for growth factors, one key aspect of relevance to the entire European construction and modernization sector is the great need for solutions in terms of energy-saving building technology and energy efficiency and of contemporary interior fittings. Overall, we believe that the outlook is favorable for increasing sales and earnings in the DIY sector in Germany and abroad. These growth prospects are backed up by, among other factors, the megatrends briefly described below.

Opportunities due to sustainability

Construction work on existing buildings (the modernization and renovation market) has become an ever more important factor in the business performance of DIY and garden stores in recent years. The share of construction work involving new housing, by contrast, is declining across Europe and most recently accounted for significantly less than half of total housing construction investments. In Germany, sales in the modernization market have exceeded new construction volumes since 1998. In 2011, more than three quarters of the total construction volumes of around € 166 billion involved modernization projects. Three key trends are responsible for this development:

- The **age structure of existing real estate** indicates an increasing need for maintenance and modernization. In Germany, for example, three quarters of all apartments are more than 30 years old. Less than 5% have been built since 2000. Almost one in three detached houses in Germany is in need of renovation. Half of the owner-occupied houses built between 1949 and 1960 have not yet been comprehensively renovated and no longer meet current technology standards in terms of energy efficiency. Given that the property will decline in value and attractiveness on the housing market unless renovation measures are undertaken, the need for construction services and materials can be expected to increase.

- In view of the long-term increase in energy costs and climate protection, renovating buildings in terms of their energy efficiency is becoming an ever more important factor – one promoted not least by numerous laws, directives, ordinances and subsidies on European and national levels. **Energy-efficient construction and renovation** enable a residential property's energy costs to be cut by around three quarters and the property's operating costs to be sustainably reduced over its lifecycle. At the same time, energy-efficiency renovation makes a major contribution towards cutting CO_2 emissions. Energy efficiency is therefore one of the top themes in the European DIY sector.

- Given demographic developments in Europe, **barrier-free construction** involves the challenge of adapting existing living space and urban infrastructure to enable elderly people to retain their freedom and live independently in their familiar surroundings for as long as possible. Demand for senior-friendly construction solutions, such as barrier-free access to buildings and apartments, the installation of elevators, and doorway-widening and sanitary conversion measures, will therefore continue to rise.

These three megatrends can also be summarized under the heading of "sustainability". The ecological, economic and social dimension of sustainable construction is ever more important as a key competitive factor, not only in the real estate market. At the same time, by offering the right range of products and services, high-performing industrial and retail players, as well as tradesmen, stand to benefit from the ever greater sales potential resulting from this development.

Opportunities due to consumer trends

Past experience shows that people are more likely to withdraw into their private sphere during periods of uncertainty than at other times ("homing"). Consumers spend more time at home again and are prepared to invest in decorating and equipping their own four walls. This is not just a German phenomenon but also a key international motivation for home improvement as a popular leisure activity. This is all the more relevant at present, as consumers in numerous regions across Europe are benefiting from low mortgage interest rates and prefer to channel their resources into private house construction or renovation projects than into alternative capital investments that are increasingly viewed as unsafe or unattractive.

The realization of "living worlds" is playing an ever greater role in modernization projects in consumers' houses, apartments and gardens. Consumers are showing growing awareness of trends and influences from the realms of fashion, art, architecture and the media. Consumers' desire to map these living trends onto their own four walls is socially motivated by a desire for durable values, quality (of living), individualism and emotional flair. Compared with specialist retailers, the DIY store sector still has great potential for development, and thus new opportunities, in terms of addressing its target groups in ways which arouse their emotions, presenting "living worlds", and advising consumers on complex interior design projects.

Opportunities due to new market potential

Numerous different sales formats are competing for the favor of DIY enthusiasts, construction clients and garden lovers in the European DIY market. By offering suitable customer focus and specialist retail concepts, DIY store operators have the opportunity to acquire additional market share at the cost of other sales formats. This growth potential is inversely proportionate to the share of the total DIY market accounted for by DIY stores in a given country.

Germany is the largest DIY market in Europe. Having said this, DIY and home improvement stores in Germany have so far only exhausted part of their customer potential. In Germany, this distribution channel only covers around half of the core DIY market, which has a market volume of around € 44 billion. The other half of the market is accounted for by specialist retailers (e.g. specialist tile, interior decoration, lighting or sanitary stores), builders' merchants, and timber merchants. In other European countries, DIY stores account for a higher share of the market, in some cases considerably so.

Alongside activities to boost competitiveness in stationary retail formats, since 2010 the DIY store and garden center sector has also increasingly relied on the internet as a distribution channel. Online retail has reported by far the strongest growth rates within the overall retail sector. E-commerce with DIY product ranges has posted an above-average performance in this respect. According to forecasts compiled by IFH Retail Consultants, online sales in Germany involving typical DIY store product groups are set to grow by 19% and 17% in 2013 and 2014. The experts expect online sales with all DIY and home improvements formats available in the stationary retail sector to shown even more dynamic developments, with forecast growth rates of 26% and 21%.

Specialists see multichannel retailing, in which the stationary business is closely dovetailed with online retail, as representing one of the most promising sales formats within e-commerce. Not only that, e-commerce is also set to become even more sociable. Social media offer innumerable platforms for consumers to share their experience with projects, products, and prices, as well as with providers and their service and quality standards. Ever more companies in the DIY sector are dealing closely with these networks and entering into active dialog with their customers.

Opportunities due to internationalization

Over and above the opportunities available in the German DIY market, the company’s expansion into other countries offers additional growth prospects. Numerous leading German DIY store players already took the decision to expand outside their own borders years ago. Outside Germany, they hope to benefit from greater sales potential and higher profitability than in the saturated German market. Not only that, internationalization also helps companies spread their market risks more widely. It should be noted, however, that regional DIY markets are increasingly gaining in maturity and that some EU countries are having trouble recovering from the downstream impact of the financial and sovereign debt crisis on employment and income levels. These factors increase the strategic, as well as the equity requirements placed in DIY retail players if they wish to generate attractive sales and earnings growth in the longer term as well.

Strategic opportunities

Our aim is to continually expand HORNBACH's position in the European DIY market by means of organic growth. Our sales and profitability are to be sustainably increased by expanding our internationally successful retail format. This involves focusing on the strategic enhancement of our concept and the expansion of our store network at locations offering above-average growth potential in Germany and abroad.

- The company's strategy focuses on the concept of projects. HORNBACH is increasingly able to differentiate itself from its competitors with this approach, which is reflected in its product range, service and pricing policies. Our solid financial resources, public corporate rating and the flexibility available to us in refinancing the business on the capital market will enable us to invest considerable sums in **differentiating HORNBACH's format** in future as well.

- One unshakable component of our uniform strategy across the Group is our reliable **permanent low price policy**. We believe that we are better able to retain customers at HORNBACH in the long term by offering and guaranteeing the best market price on a permanent basis. In particular, our main target group of project customers, who often undertake large-scale renovation work, needs to be able to budget in the long term. This is not possible with temporary discount campaigns.

- DIY customers are increasingly according priority not only to competitive prices, but also to the **quality** and **sustainability** of the products and advisory services on offer. Above all the lifestyle-driven customer target group, who base their lifestyles on health and sustainability factors, is playing an increasingly important role in this respect. These so-called "LOHAS" (lifestyle of health and sustainability) mostly have above-average incomes, and are conscious, critical consumers. They accord great value to quality, brand and design. With our focus on the quality and sustainability of our product ranges, accompanied by professional advice, we are particularly well-placed to meet the high standards of these target groups. We are the DIY sector leaders, for example, in our procurement of FSC-certified timber products.

- We believe that we are excellently positioned in the sector with regard to the ever more important market for **modernization** and, within this market, especially with regard to the increasingly strict legal requirements governing building **energy efficiency**. We will in future continue to present complex projects, such as the insulation of facades or the replacement of windows and doors, as "Project Shows" at the stores. The "Project Show" is an innovative marketing instrument aimed at intensifying the project concept. Presentations held in special event sections at the stores provide customers with specialist advice, information and suggestions as to how they can undertake renovation projects or realize their dream living space either under their own steam or with specialist support. These activities are accompanied by service packages from our tradesman service. Moreover, further sales momentum may also be provided by public sector programs subsidizing the renovation of old properties in terms of energy efficiency or to make them senior-friendly. Here, we offer an extensive database of subsidy opportunities on our homepage.

- Furthermore, we are expanding our range of services, information and advice in order to attract **new customer groups** to HORNBACH. These include home improvement demonstrations at the stores intended to motivate customers to do it themselves, and special workshops for women. These measures are backed up by the promotion of specialist skills on the part of the store personnel with the aim of achieving a further increase in product expertise and advisory competence, and thus in customer satisfaction. Our DIY megastores with garden centers are also increasingly of interest to professional customers. Generous opening hours, the stocking of large quantities, the rapid handling of purchases at our drive-in stores and builders' merchant centers, and the uncomplicated acceptance of residual volumes no longer required make HORNBACH an attractive alternative to traditional specialist retail or wholesale procurement sources.

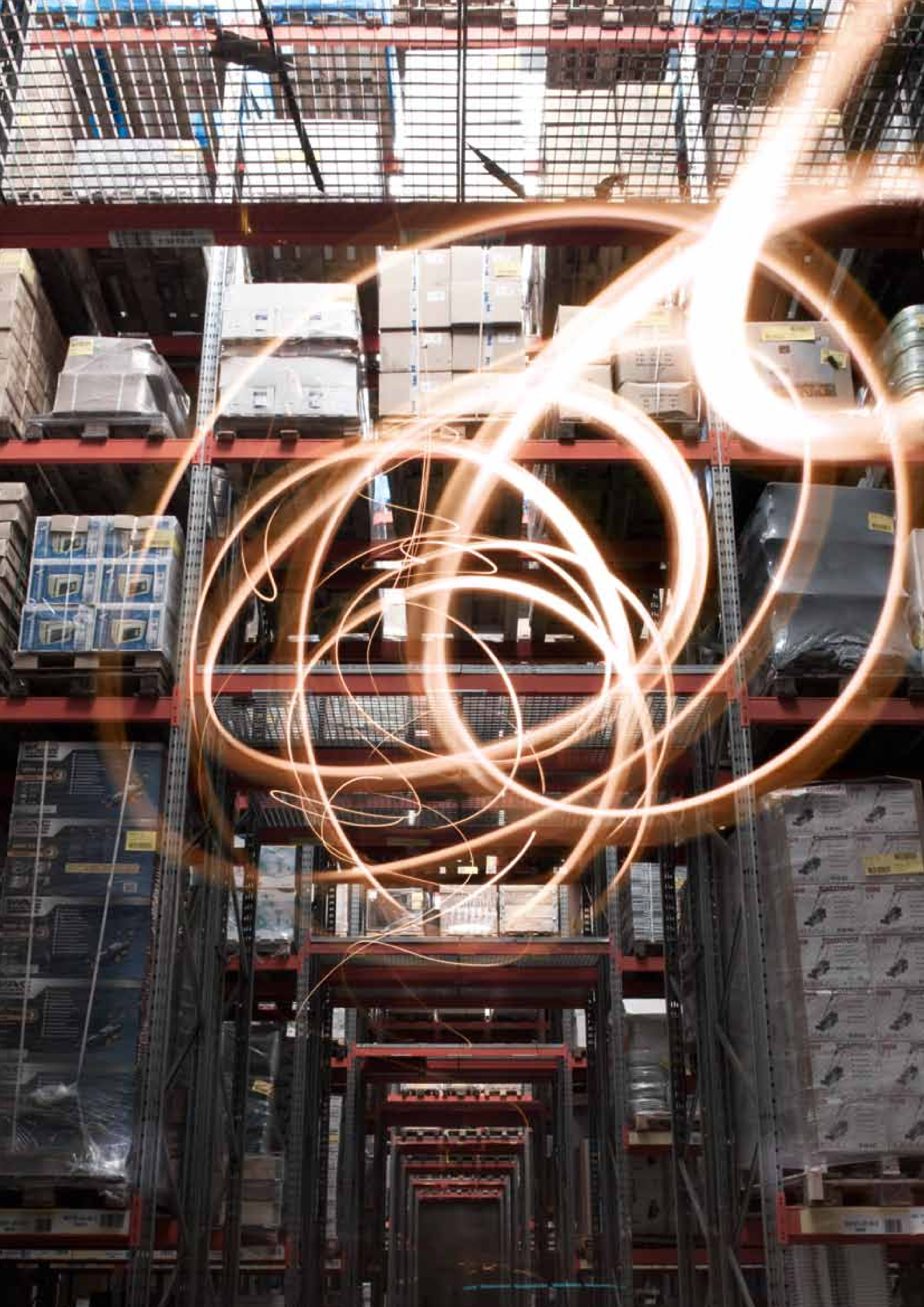
- We see the **Buy-it-yourself** (BIY) or Do-it-for-me market segment as offering promising growth opportunities. This segment includes the target group of those customers who are on the lookout for solutions for their home improvement projects and who wish to purchase the product ranges themselves, but who then prefer to have the work undertaken by a specialist. We also view this market segment within the broader context of the ageing population in Germany and other parts of Europe. Our tradesman service aims to tap this potential.

- Since December 1, 2010, DIY enthusiasts and tradesmen have also been able to shop at HORNBACH on the internet (www.hornbach.de). The **online shop** represents a key strategic addition to our stationary retail business. By taking this step, we aim to targetedly exploit the considerable future growth potential retail experts see in multichannel retailing. Not only that, the online shop offers us the opportunity of acquiring new customers outside our store network catchment areas and arousing their interest in the HORNBACH brand.

- The exploitation of opportunities is not limited to further enhancing our concept or accessing market segments. We are also focusing on **optimizing our operating processes**. The processes involved in store organization, sales and the links to procurement and logistics are subject to a process of ongoing enhancement. This is expected to have a sustainable positive impact on the Group's sales and earnings performance.

- The **internationalization** of group procurement provides us with broad-based access to global procurement markets, and enables us to forge strategic, long-term partnerships with suppliers and industry. These partnerships benefit both sides. We provide each supplier with the opportunity to supply all of our stores as efficiently as possible. Suppliers are able make large-scale logistical deliveries directly to each location, or to supply the merchandise indirectly via our central logistics hubs. We thus provide regional manufacturers as well with the opportunity of growing outside their existing sales regions and supplying goods to additional countries. The fact that our retail format is increasingly attracting professional customers to HORNBACH has enabled us to acquire production specialists who would otherwise only supply professional specialist retailers. The flexible dovetailing of our suppliers with the company's logistics structures optimizes our value chain and secures a significant competitive advantage for us. The proximity of our suppliers to procurement structures in the individual countries enables us to optimally adapt our product selection to regional requirements in those countries and to improve our margins due to benefits of scale. We are tapping further earnings potential by increasingly developing private labels in cooperation with partners. These provide our customers with attractive value for money, while at the same time differentiating us from competitors.

- HORNBACH is committed to **organic growth**. We will continue to track down opportunities in our expansion across Europe in future as well. In the densely occupied German DIY market, we are relying on selective growth in attractive catchment areas. Here, we can draw on our structural advantages and benefits of scale, especially our high surface productivity together with the largest average store size in the market. In our expansion, we will be focusing on countries outside Germany. Due to their lower degree of market saturation in the DIY megastore and garden center segment compared with Germany, most other European regions harbor above-average growth opportunities.



Outlook for the Group

Since the financial crisis in 2009, the basis for forecasting future developments has been subject to greater macroeconomic uncertainties than previously. At core, these relate to how industrialized economies plan to regain control of the problems resulting from excessive government debt. Financial markets reacted very sensitively to the outcome of the elections in Italy and the risk of state bankruptcy in Cyprus in spring 2013, thus rekindling worries about an intensification in the euro crisis, as well as triggering fundamental doubts as to international political willingness to implement reforms. Future developments remain subject to numerous risks. Market volatility has increased across the board. Short to medium-term developments in sales, procurement, and refinancing markets are difficult to predict.

One crucially important factor for the business prospects of the HORNBACH-Baumarkt-AG group is the future development in consumer demand in those countries in which we operate. Private consumer spending is decisively affected by the development in levels of employment and disposable income, factors affected not least by the development in inflation, savings measures to consolidate government finances, and social security, and healthcare reforms. Forward-looking parameters, such as expectations as to developments in the overall economy and in personal incomes, or consumers' propensity to spend, act as confidence indicators pointing to future developments in real economic data. Alongside these issues, unusual weather conditions may also significantly affect consumer behavior and our seasonal business, although this factor cannot be accounted for in our forecast.

The statements made concerning the two-year forecast period are based on the company's medium-term planning, which has a budgeting horizon of five years and is extrapolated annually. The corporate budget for the financial years 2013/2014 to 2017/2018, into which the annual budget for 2013/2014 is integrated, was approved by the Supervisory Board at the end of February 2013.

Expansion

We have still not planned any market entry in a new country for the two-year forecast period, but will rather focus on expanding and modernizing our store network in our existing country markets, i.e. in Germany and eight other European countries. Depending on the progress made in the building permit and construction planning stages, store openings may be rescheduled between individual years. Some of the planned new store openings serve to replace existing locations no longer meeting the latest standards. The majority of new stores is to be opened outside Germany.

We plan to open up to four new HORNBACH DIY megastores with garden centers across the Group in the 2013/2014 financial year. Outside Germany, three locations are planned. Upon completion of this report, the locations in Slovakia, Sweden and the Netherlands were under construction. In Germany, we plan to open a new store in Heidelberg. This will replace the existing store, with sales areas of just 4,000 m², in operation since 1985.

Up to six new store openings are planned across Europe for the 2014/2015 financial year. Of these, up to four stores will be in other European countries. One new store opening is on the agenda in Germany. Furthermore, the DIY store and standalone garden center at the Kassel location are due to be replaced by a newly built combined HORNBACH DIY megastore and garden center. Including replacement locations and closures, the group-wide total number of HORNBACH DIY megastores with garden centers based on the expansion planned for the current and next financial year should rise to up to 145 by February 28, 2015 (February 28, 2013: 138).

Investments

The gross investment volume at the HORNBACH-Baumarkt-AG Group is budgeted to range between € 120 million and € 150 million in each of the 2013/2014 and 2014/2015 financial years. The overwhelming share of these funds will be channeled into building new stores, equipping new and existing stores, converting and extending existing stores, and IT infrastructure.

HORNBACH enjoys maximum flexibility in terms of financing its investments. Alongside the free cash flow from operating activities, the company's cash resources and free credit lines mean that a large volume of disposable liquidity is available. Furthermore, if need be there is the possibility of financing investment projects, for example by taking up additional promissory note bonds. No sale and leaseback transactions have been budgeted for the forecast period.

Sales performance

We originally based our forecast for the 2013/2014 financial year on the base scenario that our consolidated sales would achieve higher growth rates than in the 2012/2013 financial year under report. This was to be partly driven by a turnaround in like-for-like sales at the Group, which were expected to regain positive growth rates once again in 2013/2014. This forecast also reflected the assumption that the economies in the countries across Europe in which we operate would gradually recover in 2013.

However, the start to the 2013/2014 financial year on March 1, 2013, and thus after the completion of the budgeting process, was anything but promising. Across Europe, consumer demand for DIY retail products literally froze due to the unusually prolonged winter lasting into April. According to the monthly survey performed by the BHB sector association, German DIY store operators reported like-for-like reductions of almost a quarter of their sales in March 2013 alone. HORNBACH continued to outperform the DIY sector as a whole. Upon the completion of this report, however, it was apparent that due to weather conditions the Group's performance in the first quarter of 2013/2014 (March 1 to May 31, 2013) would be significantly weaker than in the previous year, and that both in Germany and in other European countries.

Against this backdrop, in April 2013 the Management Board revised the base scenario for 2013/2014 and is now more cautious in its assessment of the sales performance of the HORNBACH-Baumarkt-AG Group. One particular uncertainty is the extent to which the shortfall in sales in the first six weeks can be made up in the further course of the 2013/2014 financial year as a whole.

We remain optimistic about our 2014/2015 financial year, provided that there is no recurrence of the extremely prolonged winter weather conditions in spring 2014. In conjunction with the larger number of new store openings, the recovery in gross domestic product and consumer demand forecast for 2014 should result in improved sales momentum at the HORNBACH-Baumarkt-AG Group in the 2014/2015 financial year. We aim to achieve ongoing improvements in the operating processes underlying our sales and our services by introducing numerous measures and concepts. Our aim is to continually enhance customer satisfaction levels by competently extending the range of advice and assistance provided to our customers both in the stationary business and at the online store.

- Based on our expectations, **Germany** will post like-for-like growth ahead of the group average once again in the 2013/2014 financial year. Due to the shortfall in sales expected in the important first quarter, the likelihood that like-for-like sales will also miss the growth target originally set and rather merely match or fall short of the previous year's figure has risen significantly. We continue to expect a positive sales trend for the following 2014/2015 financial year. This forecast is based on the assumption that the consumer climate will remain more or less stable and continue to be supported by robust developments in employment and income levels. However, any significant macroeconomic turbulence in the two-year forecast period, for example as a result of an unexpected intensification in the euro debt crisis or of exogenous price shocks on commodity markets, would place an additional burden on the development in our like-for-like sales. Given our strong competitive position, we are confident that HORNBACH will continue to outperform the German sector average and thus acquire further market share in future as well.

- The statements concerning the revision of expectations for the domestic business in 2013/2014 are basically also transferrable to the sales forecast for **other European countries**. Due to the more fragile state of the macroeconomic framework in most EU countries outside Germany, however, the downside risk in the other European countries segment is to be classified higher overall. We therefore expect to see a lower rate of like-for-like sales growth than in Germany in the 2013/2014 financial year. As the long winter led to substantial losses of sales in the first quarter of 2013/2014 in other European countries as well, we believe that the most likely scenario is that like-for-like sales will not match the level seen in the 2012/2013 financial year.

  In the 2014/2015 financial year, we intend to improve our sales in other European countries once again compared with 2013/2014. Our aim is to achieve like-for-like sales growth, in some cases significant, in the countries outside Germany. We see this aim as realistic not only because of the positive economic outlook for 2014 in the countries in which we operate, but also due to the ongoing substantial backlog of work in the European construction and modernization market. Thanks to our focus on project and professional customers, we have above-average growth potential in this regard compared with our competitors. Should there be any significant deterioration in the macroeconomic framework, then this would also involve an additional risk to like-for-like sales at our locations in other European countries.

Sales forecast

We expect our consolidated sales, i.e. our net sales accounting for new openings, closures and extensions of stores, for the 2013/2014 financial year to slightly exceed the level seen in the 2012/2013 financial year. In the following 2014/2015 financial year, our sales should achieve a higher growth rate than in 2013/2014.

Earnings performance

Our future earnings performance is mainly based on the earnings contributions expected from the “DIY stores” and “Real estate” segments.

- The operating earnings performance of the **DIY store segment** is primarily dependent on the rate of change in like-for-like sales. A further key factor is the gross margin, which we believe will match the level seen in the previous year in the 2013/2014 financial year and then tend slightly downwards in the following years. We see this as being due above all to the increased pressure on margins on account of the sharp growth in e-commerce in DIY store sector. The growing range of internet stores can be expected to lead to tougher price competition. We intend to counter the negative impact on prices largely with positive volume effects and by raising our share of private labels.

  Due to the expected development in like-for-like sales, the store expense ratio (store expenses as a percentage of net sales) will remain at around the same level as in the previous year in the 2013/2014 financial year and is expected to decrease significantly in the 2014/2015 financial year. This development will be driven above all by savings in general operating expenses and great cost discipline at the stores. Pre-opening expenses will increase year-on-year in 2013/2014, as they already include costs incurred for stores scheduled to be opened in the first months of the following year. In the 2014/2015 financial year, pre-opening expenses should then fall to levels significantly below the 2012/2013 financial year (€ 9.6 million).

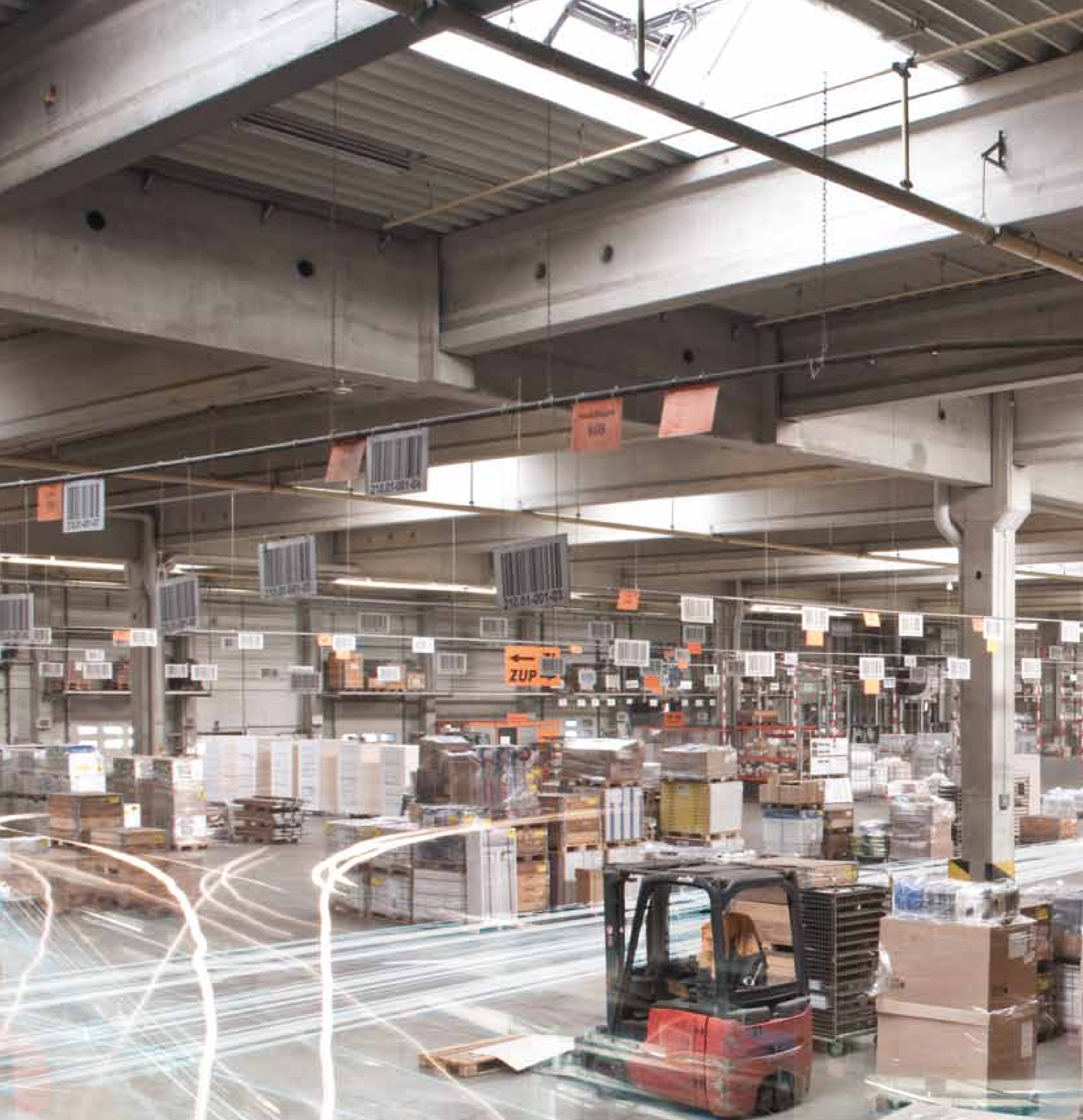
  We will continue to channel targeted resources into key forward-looking projects in the forecast period, such as in particular into consistently expanding our online store in Germany and other European countries. In view of this, the administration expense ratio will increase further in 2013/2014. From the 2014/2015 financial year onwards, the administration expense ratio is expected to gradually decline.

- The earnings performance of the **real estate segment** in the two-year forecast period through to the end of February 2015 will mainly be characterized by the stable development in rental income in line with the Group's expansion.

Earnings forecast
The earnings forecast is based on the assumption that there is no unexpected macroeconomic downturn, such as due to any escalation in the European sovereign debt crisis, in the two-year forecast period.

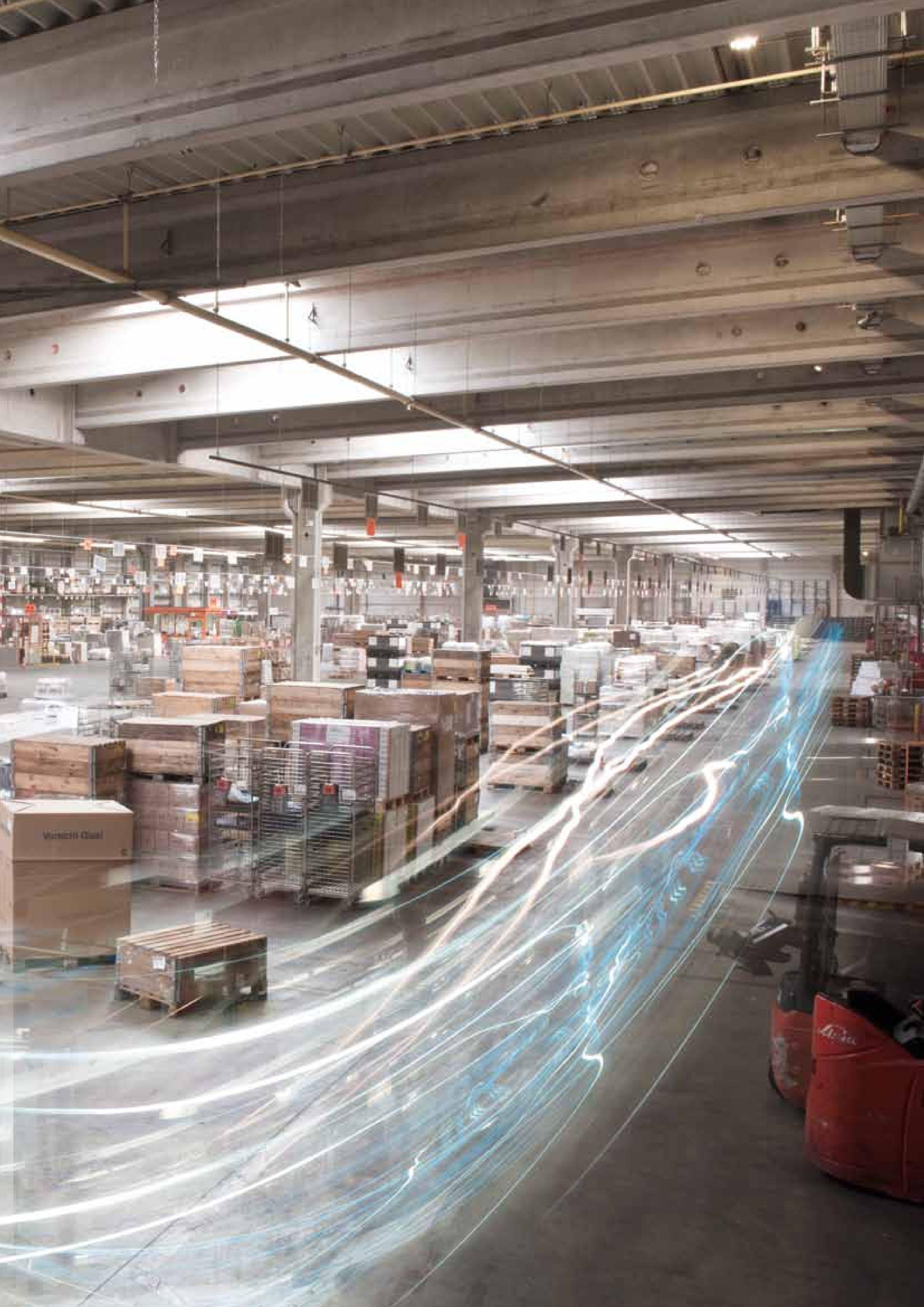
The earnings performance of the Group in the 2013/2014 and 2014/2015 financial years will be determined by the development in earnings in the DIY store segment. We expect operating earnings (EBIT) at the HORNBACH-Baumarkt-AG Group for the 2013/2014 financial year not to match the level seen in the 2012/2013 financial year (€ 99.3 million). The Group's earnings strength should improve significantly once again in the 2014/2015 financial year. EBIT should then show clearly disproportionate growth compared with sales.

DISCLAIMER
This annual report is to be read in the context of the audited financial data of the HORNBACH-Baumarkt-AG Group and the disclosures made in the notes to the consolidated financial statements contained in the annual report. It contains statements relating to the future based on assumptions and estimates made by HORNBACH's Board of Management. Forward-looking statements are 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 turn out to be accurate. The assumptions may involve risks and uncertainties which could result in actual events differing significantly from the forecast statements. The factors which could produce such variances include changes in the economic and business environment, particularly in respect of consumer behavior and the competitive environment in those retail markets of relevance for HORNBACH. Furthermore, they include a lack of acceptance of new sales formats or new product ranges, as well as changes to the corporate strategy. HORNBACH has no plans to update the forecast statements, neither does it accept any obligation to do so.



Getting organized

Like perfectly choreographed dancers, endless loaders spin round the main hall at HORNBACH's logistics center. Organizing the flow of goods from suppliers to stores on location requires great skill from each and every employee. The backbone of the whole process is a sophisticated merchandise system that is a symbiosis of expertise and state-of-the-art technology. The challenge – to get the right product to the right place at the right time.



CONSOLIDATED FINANCIAL STATEMENTS

Income Statement of the HORNBACH-Baumarkt-AG Group

for the Period from March 1, 2012 to February 28, 2013

	Notes	2012/2013 € 000s	2011/2012 € 000s	Change %
Sales	1	3,019,959	3,001,049	0.6
Cost of goods sold	2	1,892,307	1,878,131	0.8
Gross profit		**1,127,652**	**1,122,918**	**0.4**
Selling and store expenses	3	896,251	870,819	2.9
Pre-opening expenses	4	9,896	7,172	38.0
General and administration expenses	5	140,615	129,414	8.7
Other income and expenses	6	18,422	12,900	42.8
Earnings before interest and taxes (EBIT)		**99,312**	**128,413**	**(22.7)**
Other interest and similar income		2,100	5,983	(64.9)
Other interest and similar expenses		26,119	25,245	3.5
Other financial result		(928)	(2,699)	(65.6)
Net financial expenses	7	**(24,947)**	**(21,961)**	**13.6**
Consolidated earnings before taxes		**74,365**	**106,452**	**(30.1)**
Taxes on income	8	22,066	29,074	(24.1)
Consolidated net income		**52,299**	**77,378**	**(32.4)**
Basic/diluted earnings per share (€)	9	1.64	2.43	(32.5)

Statement of Comprehensive Income of the HORNBACH-Baumarkt-AG Group

for the Period from March 1, 2012 to February 28, 2013

	Notes	2012/2013 € 000s	2011/2012 € 000s
Consolidated net income		**52,299**	**77,378**
Actuarial gains and losses on defined benefit plans	23	(4,267)	1,322
Measurement of derivative financial instruments (cash flow hedge)			
Measurement of derivative hedging instruments directly in equity		(2,605)	(8,785)
Gains and losses from measurement of derivative financial instruments transferred to profit or loss		1,798	1,650
Exchange differences arising on the translation of foreign subsidiaries		(2,739)	4,845
Deferred taxes on gains and losses recognized directly in equity	8	1,135	1,646
Other comprehensive income		**(6,678)**	**678**
Total comprehensive income		**45,621**	**78,056**

Balance Sheet of the HORNBACH-Baumarkt-AG Group

as of February 28, 2013

Assets	Notes	2.28.2013 € 000s	2.29.2012 € 000s
Non-current assets			
Intangible assets	11	12,949	16,291
Property, plant, and equipment	12	702,110	644,437
Investment property	12	6,005	5,824
Financial assets	13	1,278	1,229
Non-current receivables and other assets	14/23	3,822	3,821
Non-current income tax receivables	26	6,422	7,985
Deferred tax assets	15	7,870	7,337
		740,456	**686,924**
Current assets			
Inventories	16	481,584	475,659
Other receivables and assets	17	51,795	57,179
Income tax receivables	26	5,340	4,070
Cash and cash equivalents	18	317,178	404,250
Non-current assets held for sale and disposal groups	19	1,076	0
		856,973	**941,158**
		1,597,429	**1,628,082**

Equity and liabilities	Notes	2.28.2013 € 000s	2.29.2012 € 000s
Shareholders' equity	**20**		
Share capital		95,421	95,421
Capital reserve		143,623	143,623
Revenue reserves		582,661	552,961
		821,705	**792,005**
Non-current liabilities			
Non-current financial debt	22	373,442	407,304
Provisions for pensions	23	3,884	0
Deferred tax liabilities	15	33,479	35,668
Other non-current liabilities	24/27	27,826	28,636
		438,631	**471,608**
Current liabilities			
Current financial debt	22	8,620	24,601
Trade payables and other liabilities	25	248,764	244,434
Income tax liabilities	26	21,459	27,848
Other provisions and accrued liabilities	27	58,250	67,586
		337,093	**364,469**
		1,597,429	**1,628,082**

Statement of Changes in Equity of the HORNBACH-Baumarkt-AG Group

2011/2012 financial year € 000s	Notes	Share capital	Capital reserve	Hedging reserve	Cumulative currency translation	Other revenue reserves	Total equity
Balance at March 1, 2011		**47,710**	**143,623**	**1,457**	**25,131**	**511,951**	**729,872**
Consolidated net income						77,378	77,378
Actuarial gains and losses on defined benefit plans, net after taxes	23					1,063	1,063
Measurement of derivative financial instruments (cash flow hedge), net after taxes				(5,230)			(5,230)
Foreign currency translation					4,845		4,845
Total comprehensive income				**(5,230)**	**4,845**	**78,441**	**78,056**
Dividend distribution	21					(15,904)	(15,904)
Treasury stock transactions	20					(19)	(19)
Issue of bonus shares	20	47,711				(47,711)	0
Balance at February 29, 2012		**95,421**	**143,623**	**(3,773)**	**29,976**	**526,758**	**792,005**

2012/2013 financial year € 000s	Notes	Share capital	Capital reserve	Hedging reserve	Cumulative currency translation	Other revenue reserves	Total equity
Balance at March 1, 2012		**95,421**	**143,623**	**(3,773)**	**29,976**	**526,758**	**792,005**
Consolidated net income						52,299	52,299
Actuarial gains and losses on defined benefit plans, net after taxes	23					(3,430)	(3,430)
Measurement of derivative financial instruments (cash flow hedge), net after taxes				(509)			(509)
Foreign currency translation					(2,739)		(2,739)
Total comprehensive income				**(509)**	**(2,739)**	**48,869**	**45,621**
Dividend distribution	21					(15,904)	(15,904)
Treasury stock transactions	20					(17)	(17)
Balance at February 28, 2013		**95,421**	**143,623**	**(4,282)**	**27,237**	**559,706**	**821,705**

Cash Flow Statement of the HORNBACH-Baumarkt-AG Group

	Notes	2012/2013 € 000s	2011/2012 € 000s
Consolidated net income		**52,299**	**77,378**
Depreciation and amortization of non-current assets	10	56,493	57,104
Change in provisions		2,058	7,477
Gains/losses on disposals of non-current assets and of non-current assets held for sale		(861)	(159)
Change in inventories, trade receivables and other assets		(5,762)	(15,157)
Change in trade payables and other liabilities		(7,370)	(25,046)
Other non-cash income/expenses		(1,977)	2,181
Cash flow from operating activities		**94,880**	**103,778**
Proceeds from disposal of non-current assets and of non-current assets held for sale		3,346	11,118
Payments for investments in property, plant, and equipment		(113,324)	(93,008)
Payments for investments in intangible assets		(2,729)	(2,621)
Payments for acquisitions of shareholdings and other business units		(545)	(8,148)
Cash flow from investing activities		**(113,252)**	**(92,659)**
Dividends paid	21	(15,904)	(15,904)
Proceeds from taking up long-term debt and bond issue	22	248,125	80,000
Repayment of long-term debt and bond		(293,657)	(93,100)
Proceeds from group financing activities		(76)	(62)
Payments for transaction costs		(2,304)	(1,591)
Change in current financial debt		(4,779)	(21)
Cash flow from financing activities		**(68,595)**	**(30,678)**
Cash-effective change in cash and cash equivalents		(86,967)	(19,559)
Change in cash and cash equivalents due to changes in exchange rates		(105)	1,219
Cash and cash equivalents at March 1		404,250	422,590
Cash and cash equivalents at balance sheet date		**317,178**	**404,250**

Cash and cash equivalents include cash on hand, credit balances at banks, and other short-term deposits.

The other non-cash income/expenses item mainly relates to deferred taxes, unrecognized exchange rate gains/losses, and prorated reversals of accrued expenses for financial liabilities.

The cash flow from operating activities was reduced by income tax payments of € 29,469k (2011/2012: € 30,461k) and interest payments of € 30,206k (2011/2012: € 26,513k) and increased by interest received of € 2,100k (2011/2012: € 5,983k).

The proceeds from disposal of non-current assets and of non-current assets held for sale include proceeds of € 1,348k from disposals in previous years (2011/2012: € 2,718k).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Explanatory notes on the principles and methods applied in the consolidated financial statements

Basis of preparation

In line with § 315a of the German Commercial Code (HGB), HORNBACH-Baumarkt-AG prepares consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as requiring mandatory application in the European Union. HORNBACH-Baumarkt-AG and its subsidiaries are included in the consolidated financial statements of HORNBACH HOLDING AG. The consolidated financial statements and group management report of HORNBACH HOLDING AG are published in the electronic Federal Official Gazette (Bundesanzeiger).

HORNBACH-Baumarkt-AG is a publicly listed stock corporation whose legal domicile is in Bornheim, Germany. HORNBACH-Baumarkt-AG and its subsidiaries develop and operate DIY megastores with garden centers on an international basis.

The financial year of HORNBACH-Baumarkt-AG and thus of the Group runs from March 1 of each year through to the final day of February of the following year.

Individual items in the income statement and the balance sheet have been grouped together in the interests of clarity. These items have been reported separately in the notes to the financial statements. In line with IAS 1 "Presentation of Financial Statements", a distinction has been made in the balance sheet reporting between non-current and current debt capital. Debt items are treated as current if they are due within one year. The consolidated financial statements have been compiled in euros. This represents the functional currency at HORNBACH-Baumarkt-AG. The figures have been rounded off to the nearest thousand or million euros. Such rounding up or down may result in minor discrepancies between the figures depicted in the various sections of these notes.

Assumptions and estimates have been made when preparing the consolidated financial statements which have an effect on the recognition and/or measurement of assets, liabilities, income and expenses as presented. These assumptions and estimates mainly relate to uniform procedures applied across the Group in respect of economic useful lives, the recognition and measurement of provisions, the calculation of current market values and the ability to obtain future tax relief. The principal assumptions and estimates which, due to their uncertainty, may result in discrepancies in the level of assets and liabilities reported have been outlined in the notes to the respective items. Changes are accounted for as a credit or charge to operations upon receipt of further information.

The Board of Management of HORNBACH-Baumarkt-AG prepared the consolidated financial statements and approved them for publication on May 2, 2013. The period in which adjusting events could be accounted for thus expired as of this date.

Amendments to recognition and measurement methods as a result of new standards
Application has been made of all International Financial Reporting Standards and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) valid and requiring mandatory application at the balance sheet date, to the extent that such are relevant for the HORNBACH-Baumarkt-AG Group.

The following new standards, revised standards and interpretations required application for the first time in the 2012/2013 financial year:

- Amendments to IFRS 7 "Disclosures – Transfer of Financial Assets": The amendments to IFRS 7 involve extended note disclosure obligations upon transfers of financial assets. This is intended to clarify the nature of the relationships between financial assets not requiring complete derecognition and the corresponding financial liabilities. Furthermore, it should be possible to better judge the nature of and in particular the risks associated with any continuing involvement with derecognized financial assets. The amendments also require additional disclosures to be made when a disproportionately high number of transfers with continuing involvement arise, for example at around the end of a reporting period. These amendments have no implications for the consolidated financial statements of HORNBACH-Baumarkt-AG.

Standards and interpretations not applied prematurely
The IASB has issued the following standards, interpretations, and revisions to existing standards of relevance to the HORNBACH-Baumarkt-AG Group which only require mandatory application in later financial years and which the HORNBACH-Baumarkt-AG Group has also not applied prematurely:

- Amendments to IAS 1 "Presentation of Items of Other Comprehensive Income": These amendments affect the presentation of other comprehensive income within the statement of comprehensive income. In future, those items of other comprehensive income that are reclassified at a later date to the income statement (recycling) must be presented separately from items of other comprehensive income that will never be reclassified. Where items are recognized on a gross basis, i.e. without netting with deferred tax items, the deferred taxes should now no longer be recognized as an aggregate total, but rather allocated to the two groups of items. This amendment requires first-time application in financial years beginning on or after July 1, 2012. The amendments to the standard will lead to the presentation of the respective items being adjusted to the new requirements in future consolidated financial statements of HORNBACH-Baumarkt-AG.

- Amendments to IAS 12 "Recovery of Underlying Assets": In the case of investment property, it is often difficult to assess whether existing temporary tax differences will be reversed by further use or upon disposal. The amendment to IAS 12 clarifies that the measurement of deferred taxes should be based on the refutable assumption that such items will be reversed by disposal. This amendment requires first-time application in financial years beginning on or after January 1, 2013. The amendments have no implications for the consolidated financial statements of HORNBACH-Baumarkt-AG.

- IAS 19 "Employee Benefits" (revised 2011): Alongside more extensive disclosure obligations for employee benefits, the revised standard has resulted in particular in the following amendments: There is currently an option as to how unexpected fluctuations in pension obligations, so-called actuarial gains and losses, may be presented in the financial statements. These may be recognized (a) through profit or loss in the income statement, (b) under other comprehensive income (OCI) or (c) over time using the so-called corridor method. To ensure greater transparency and comparability of these items, the revised version of IAS 19 has eliminated this option. In future, it will only be permitted to recognize these items directly and in full under other comprehensive income. Moreover, retrospective service cost must now be recognized directly through profit or loss in the year in which it arises. Furthermore, the expected income from plan assets is currently determined at the beginning of the accounting period on the basis of the management's subjective expectations concerning the development in the value of the investment portfolio. Upon application of IAS 19 (revised 2011), it will only be permitted at the beginning of the respective period to recognize a typical return on plan assets at the level of the current discount rate for pension obligations.

As the HORNBACH-Baumarkt-AG Group already bases its accounting on the method due to be applicable in future, first-time application of this standard is not expected to have any implications.

The amended definition of termination benefits will impact on the recognition of top-up payments committed in the context of part-time early retirement agreements. Previously, these top-up payments were classified as termination benefits and accordingly recognized at their full amounts as provisions upon the signing of part-time early retirement agreements. Due to the amended definition of termination benefits, upon application of IAS 19 (revised 2011) these top-up payments will no longer meet the requirements for recognition as termination benefits. They will rather basically involve other long-term employee benefits accumulated in installments over the employee's respective period of service.

As a result of the amended definition of termination benefits, the top-up payments committed in the context of part-time early retirement agreements now constitute other long-term employee benefits. First-time application of the amended standard will not have any material implications for the presentation of the net asset, financial and earnings position of the HORNBACH-Baumarkt-AG Group as, with only a few exceptions, the employees due to benefit from part-time early retirement arrangements have already reached the passive stage of such arrangements.

This amendment requires first-time application in financial years beginning on or after January 1, 2013.

- Amendments to IAS 27 “Separate Financial Statements”: Upon the adoption of IFRS 10 "Consolidated Financial Statements", the requirements governing the principle of control and preparation of consolidated financial statements will be transferred out of IAS 27 and definitively treated in IFRS 10 (please see comments on IFRS 10). As a result, IAS 27 will in future only include those requirements governing the accounting treatment of subsidiaries, joint ventures and associates in IFRS separate financial statements. The amendment requires first time application in financial years beginning on or after January 1, 2014. The amendments to IAS 27 will not have any implications for the net asset, financial and earnings position of the HORNBACH-Baumarkt-AG Group.

- Amendments to IAS 28 "Investments in Associates and Joint Ventures": The adoption of IFRS 11 "Joint Arrangements" also resulted in adjustments being made to IAS 28. As previously, IAS 28 governs application of the equity method. However, its scope of application will be significantly extended due to the adoption of IFRS 11. In future, not only investments in associates, but also investments in joint ventures will have to be measured using the equity method (please see IFRS 11). Application of proportionate consolidation for joint ventures will thus become obsolete. In future, potential voting rights and other derivative financial instruments will also have to be accounted when assessing whether a company has significant influence and/or when determining the share held by an investor in the company's assets.

A further amendment relates to recognition pursuant to IFRS 5 in cases where only part of the investment in an associate or a joint venture is intended for sale. IFRS 5 should then be partially applied when only one share or part of an investment held in an associate (or in a joint venture) meets the "held for sale" criterion. The amendment requires first time application in financial years beginning on or after January 1, 2014. First-time application of the amended standard is not expected to have any implications for the future consolidated financial statements of HORNBACH-Baumarkt-AG.

- Amendments to IAS 32 and IFRS 7 "Offsetting Financial Assets and Financial Liabilities": This supplement to IAS 32 clarifies the requirements in place for offsetting financial instruments. The supplement explains the significance of the current legal right to set-off and clarifies which methods involving gross settlement may be deemed to constitute net settlement pursuant to the standard. These clarifications are also accompanied by extended note disclosure requirements in IFRS 7. The amendment to IAS 32 requires first-time application in financial years beginning on or after January 1, 2014. The amendment to IFRS 7 requires first-time application in financial years beginning on or after January 1, 2013. First-time application of the amended standard is not expected to have any implications for the future consolidated financial statements of HORNBACH-Baumarkt-AG.

- IFRS 10 "Consolidated Financial Statements": In this standard, the concept of control is provided with a new, comprehensive definition. If one company controls another company, then the parent company must consolidate the subsidiary. Under the new concept, control exists when voting or other rights mean that the potential parent company can exercise power over the potential subsidiary, when it participates in positive or negative variable returns from the potential subsidiary, and when it can influence these returns on account of its power over the potential subsidiary. This new standard might have implications for the scope of consolidation, such as for special purpose entities. Where differing qualifications in terms of subsidiary status are ascertained under IAS 27/SIC-12 and IFRS 10, retrospective application must be made of IFRS 10. Early application is only permitted if undertaken in parallel with the application of IFRS 11 and IFRS 12, as well as with the amendments to IAS 27 and IAS 28 introduced in 2011. The new standard requires first-time application in financial years beginning on or after January 1, 2014. First-time application of the amended standard is not expected to have any implications for the future consolidated financial statements of HORNBACH-Baumarkt-AG.

- IFRS 11 "Joint Arrangements": This standard provides new requirements for the accounting treatment of joint arrangements. The decisive criterion under the new concept is whether the entity constitutes a joint operation or a joint venture. A joint operation exists when the parties exercising joint control have direct rights over the assets and obligations for the liabilities. The individual rights and obligations are recognized on a prorated basis in the consolidated financial statements. In a joint venture, by contrast, the parties exercising joint control have rights over the net asset surplus. This right is presented in the consolidated financial statements by application of the equity method. The option of proportionate consolidation in the consolidated financial statements is thus obsolete. The new standard requires first-time application in financial years beginning on or after January 1, 2014. Specific transitional requirements have been laid down for the transition, e.g. from proportionate consolidation to the equity method. Earlier application is only permitted in parallel with IFRS 10 and IFRS 12, as well as with the amendments to IAS 27 and IAS 28 introduced in 2011. First-time application of the amended standard will not have any implications for the future consolidated financial statements of HORNBACH-Baumarkt-AG.

- IFRS 12 "Disclosure of Interests in Other Entities": This standard governs the disclosure obligations for interests held in other entities. The disclosures required are considerably more extensive than those required to date under IAS 27, IAS 28 und IAS 31. The new standard requires first-time application in financial years beginning on or after January 1, 2014. First-time application of the amended standard is not expected to lead to extended note disclosures in the consolidated financial statements of HORNBACH-Baumarkt-AG.

- IFRS 13 "Fair Value Measurement": This standard lays down uniform requirements for fair value measurement in IFRS financial statements. In future, all fair value measurements called for by other standards will have to comply with the uniform requirements of IFRS 13. Only IAS 17 and IFRS 2 will continue to be governed by their own requirements. IFRS 13 defines fair value as the exit price, i.e. as the price that would be obtained upon the sale of the asset, or the price that would have to be paid to assign a liability. A three-level hierarchy system graded in terms of dependence on observable market prices is to be introduced in line with the system already known for the fair value measurement of financial assets. This new method of fair value measurement may result in values that differ from those determined in line with existing requirements. The new standard requires first-time application in financial years beginning on or after January 1, 2013. First-time application of the amended standard is not expected to have any material implications for the future consolidated financial statements of HORNBACH-Baumarkt-AG.

Standards, interpretations and amendments published as of the balance sheet date, but not yet adopted into European law by the EU Commission

The following requirements had been published in English by the IASB and the IFRIC but not yet endorsed by the EU as of the balance sheet date.

- IFRS 9 "Financial Instruments": The recognition and measurement of financial instruments in line with IFRS 9 is set to replace IAS 39. In future, financial assets will be classified and measured in only two groups - at amortized cost and at fair value. The group of financial assets measured at amortized cost consists of those financial assets which only provide for a right to payment of interest and principal amounts at specified dates and which are also held within a business model whose objective is the holding of assets. All other financial assets belong to the group measured at fair value. As previously, financial assets in the first category may be redesignated to the fair value category in specific circumstances ("fair value option"). Changes in the value of financial assets in the fair value category must basically be recognized through profit or loss. For specific equity instruments, however, use may be made of the option of recognizing changes in value under other comprehensive income; dividend claims relating to these assets must nevertheless be recognized through profit or loss. The requirements for financial liabilities have basically been taken over from IAS 39. The main difference relates to the recognition of value changes for financial liabilities measured at fair value. In future, these will have to be broken down. The portion allocable to a company's proprietary credit risk must be recognized under other comprehensive income, while the remaining portion of the change in value must be recognized through profit or loss. Subject to adoption into EU law, which is still outstanding, IFRS 9 will require first-time application in financial years beginning on or after January 1, 2015.

- Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date and Transition Disclosures”: These amendments enable users to forego stating adjusted previous year’s figures upon the first-time application of IFRS 9. Originally, this relief was only possible if premature application was made of IFRS 9 prior to January 1, 2012. This relief involves additional note disclosures for IFRS 7 upon the date of transition. Subject to adoption into EU law, which is still outstanding, these amendments – by analogy with the requirements of IFRS 9 – will require first-time application in financial years beginning on or after January 1, 2015.

- Amendments to IFRS 10, IFRS 12 and IAS 27 "Investment Entities": The amendments include a definition of the concept of investment entities and remove such companies from the scope of IFRS 10 "Consolidated Financial Statements". Accordingly, investment entities do not consolidate the companies they control in their IFRS consolidated financial statements. This exception to general principles is not to be viewed as an option. Rather than fully consolidating participating interests held for investment purposes, investment entities recognize such interests at fair value and recognize period-based fluctuations in value through profit or loss. The amendments do not have any implications for consolidated financial statements that include investment entities unless the group parent company is itself an investment entity. Subject to adoption into EU law, which is still outstanding, these amendments will require first-time application in financial years beginning on or after January 1, 2014.

- Amendments to IFRS 10, IFRS 11 and IFRS 12 "Transition Guidance": These amendments include clarification and offer additional relief upon the transition to IFRS 10, IFRS 11, and IFRS 12. Adjusted comparative information is thus only required for the preceding comparative period. Furthermore, in connection with note disclosures on non-consolidated structured entities, the obligation to disclose comparative information for periods prior to first-time application of IFRS 12 has also been waived. Subject to adoption into EU law, which is still outstanding, the amendments to IFRS 10, IFRS 11 and IFRS 12 will require first-time application in financial years beginning on or after January 1, 2014.

- Improvements to IFRS 2009-2011: Amendments were made to five standards within the annual improvement project. The adjustments made to the formulations contained in individual IFRS standards are intended to clarify existing requirements. Alongside these, there are also amendments with implications for accounting, recognition, and measurement, as well as for note disclosures. These relate to the following standards: IAS 1, IAS 16, IAS 32, IAS 34, and IFRS 1.

The implications of IFRS 9, which is expected to require application from 2015, for the consolidated financial statements are currently being investigated. From a current perspective, the other requirements are not expected to have any material implications.

Consolidation principles

The annual financial statements of the companies included in the consolidated financial statements are based on uniform recognition and measurement principles.

The separate financial statements of the companies included in the consolidated financial statements have been prepared as of the balance sheet date for the consolidated financial statements.

In the case of acquisitions based on contracts concluded prior to March 31, 2004, the capital consolidation was based on the purchase method by offsetting the relevant acquisition costs of the investment against the reassessed prorated shareholders' equity on the date of acquisition of the subsidiary. Any remaining debit differences were capitalized as goodwill following allocation of hidden reserves and hidden burdens and were subject to straight-line amortization in line with their anticipated useful lives up to the end of the 2004/2005 financial year, with a corresponding charge to operations. There were no remaining credit differences at the end of the 2004/2005 financial year.

In the case of acquisitions based on contracts concluded subsequent to March 31, 2004, application is made of IFRS 3 "Business Combinations", IAS 36 (2004 revision) "Impairment of Assets" and IAS 38 (2004 revision) "Intangible Assets". The capital consolidation of these acquisitions is thus based on the purchase method. Any resultant goodwill and the residual carrying amount as of March 1, 2005 of goodwill resulting from acquisitions undertaken prior to March 31, 2004 are not subject to scheduled amortization but are rather tested for impairment at least once a year pursuant to IAS 36.

Intercompany profits relating to non-current assets and inventories are eliminated by means of a charge to operations. Intercompany income and expenses and receivables and liabilities between the consolidated companies have been offset against each other:

Scope of consolidation

In addition to HORNBACH-Baumarkt-AG, the consolidated financial statements include 9 domestic and 25 foreign subsidiaries by way of full consolidation.

As the sole shareholder in HORNBACH International GmbH, HORNBACH-Baumarkt-AG holds, either directly or indirectly, 100% of the voting rights in the consolidated subsidiaries.

As in the previous year, all direct and indirect subsidiaries of HORNBACH-Baumarkt-AG have been included in the consolidated financial statements for the 2012/2013 financial year.

The real estate company HORNBACH Real Estate Best B.V., Nieuwegein, Netherlands, was included in the consolidated financial statements of HORNBACH-Baumarkt-AG for the first time in the 2012/2013 financial year.

The development in the scope of consolidation was as follows:

	2012/2013	2011/2012
March 1	**34**	**32**
Companies consolidated for the first time	1	2
February 28/29	**35**	**34**

The changes in the scope of consolidation had no material implications for the income statement.

The changes in the scope of consolidation in the current 2012/2013 financial year resulted in the following aggregate changes in individual asset and liability items.

€ 000s	Additions 2012/2013	Additions 2011/2012
Property, plant, and equipment	566	7,952
Other assets	1	847
Non-current liabilities	0	621
Current liabilities	551	4,395

Consolidated shareholdings

Company name and domicile	Shareholding in %	Equity[1] in thousands, local currency	Local currency
Germany [2]			
HORNBACH International GmbH, Bornheim	100	106,019	EUR
AWV-Agentur für Werbung und Verkaufsförderung GmbH, Bornheim	100	265	EUR
Ollesch & Fitzner GmbH, Bornheim	100	554	EUR
BM Immobilien Gamma GmbH, Bornheim	100	(4)	EUR
BM Immobilien Lambda GmbH, Bornheim	100	19	EUR
HB Reisedienst GmbH, Bornheim	100	7,272	EUR
HB Services GmbH, Bornheim	100	19	EUR
HORNBACH Versicherungs-Service GmbH, Bornheim	100	109	EUR
HORNBACH Solar-, Licht- und Energiemanagement GmbH, Bornheim	100	(34)	EUR
Other European countries			
HORNBACH Baumarkt CS spol s.r.o., Prague, Czech Republic	100[4]	1,627,377	CZK
HORNBACH Baumarkt GmbH, Wiener Neudorf, Austria	100	69,076	EUR
EZ Immobilien Beta GmbH, Wiener Neudorf, Austria	100	6,689	EUR
HL Immobilien Lambda GmbH, Wiener Neudorf, Austria	100	(167)	EUR
HS Immobilien Sigma GmbH, Wiener Neudorf, Austria	100	(736)	EUR
HORNBACH Baumarkt Luxemburg SARL, Bertrange, Luxembourg	100	10,306	EUR
HORNBACH Baumarkt (Schweiz) AG, Oberkirch, Switzerland	100	100,221	CHF
HORNBACH Byggmarknad AB, Gothenburg, Sweden	100	82,579	SEK
HIAG Fastigheter i Sisjön AB, Gothenburg, Sweden	100	500	SEK
HORNBACH Holding B.V., Amsterdam, Netherlands	100	79,685	EUR
HORNBACH Bouwmarkt (Nederland) B.V., Driebergen-Rijsenburg, Netherlands	100	12,555	EUR
HORNBACH Real Estate Breda B.V., Breda, Netherlands	100	2,192	EUR
HORNBACH Real Estate Best B.V., Nieuwegein, Netherlands	100	15	EUR
HORNBACH Real Estate Amsterdam-Sloterdijk, Amsterdam, Netherlands	100	(28)	EUR
HORNBACH Real Estate Tilburg B.V., Tilburg, Netherlands	100	534	EUR
HORNBACH Real Estate Groningen B.V., Groningen, Netherlands	100	487	EUR
HORNBACH Real Estate Wateringen B.V., Wateringen, Netherlands	100	929	EUR
HORNBACH Real Estate Alblasserdam B.V., Alblasserdam, Netherlands	100	(334)	EUR
HORNBACH Real Estate Nieuwegein B.V., Nieuwegein, Netherlands	100	1,017	EUR
HORNBACH Real Estate Nieuwerkerk B.V., Nieuwerkerk, Netherlands	100	(2)	EUR
HORNBACH Real Estate Geleen B.V., Geleen, Netherlands	100	77	EUR
HORNBACH Reclame Activiteiten B.V., Nieuwegein, Netherlands	100	(24)	EUR
HORNBACH-Baumarkt SK spol. s.r.o., Bratislava, Slovakia	100	18,849	EUR
HORNBACH Centrala SRL, Domnesti, Romania	100[3]	5,430	RON
TIM HB SRL, Timisoara Bd., Romania	100	3,501	RON

[1] Shareholders' equity corresponds to the local equity; in the case of HORNBACH Centrala SRL and TIM HB SRL, however, equity has been determined in accordance with IFRS.
[2] of which: 100 % direct shareholding.
[3] of which: 4.0193 % direct shareholding.
[4] of which: 0.0033 % direct shareholding.

Control and profit and loss transfer agreements are in place between HORNBACH-Baumarkt-AG on the one hand and HORNBACH International GmbH and Ollesch & Fitzner GmbH on the other.

Currency translation

In the separate financial statements of HORNBACH-Baumarkt-AG and its consolidated subsidiaries, transactions in currencies other than the respective company's functional currency have been translated into the relevant functional currency at the transaction rate. All receivables and liabilities in currencies other than the respective company's functional currency have been measured, irrespective of any currency hedges, at the reporting date rate. The resultant exchange gains and losses have generally been included in the income statement. Forward exchange transactions have been recognized at fair value.

In line with IAS 21, the annual financial statements of foreign group companies have been translated into euros on the basis of the functional currency concept. This is the local currency for all of the companies in view of the fact that the foreign companies conduct their business independently from a financial, economic and organizational point of view. Accordingly, non-current assets, other assets and liabilities have been translated at the median rate on the reporting date. Income and expense items have been translated using average rates. Exchange rate differences arising from the translation of the annual financial statements of foreign subsidiaries are recognized directly in equity in a separate item within revenue reserves.

The most important foreign exchange rates applied are as follows:

Country	Rate on reporting date		Average rate	
	2.28.2013	2.29.2012	2012/2013	2011/2012
RON Romania	4.3588	4.3486	4.46426	4.25397
SEK Sweden	8.4475	8.8088	8.66173	9.02505
CHF Switzerland	1.2209	1.2051	1.20870	1.22086
CZK Czech Republic	25.6370	24.8430	25.18442	24.74297
USD USA	1.3129	1.3443	1.28992	1.38438

Accounting policies

Assets have generally been measured at amortized cost. Derivative financial instruments and assets measured at fair value through profit and loss have been recognized at fair value. Revenues such as rental income, interest income and dividends have been deferred.

Goodwill

Goodwill is tested for impairment once a year. Should any events or changes in circumstances indicate any impairment in value, then such impairment test must be performed more frequently. Pursuant to IAS 36, the carrying amounts of the smallest cash generating units, including the share of goodwill allocated to such units, are compared with the higher of the fair value less costs to sell and the value in use (so-called recoverable amount) of such units.

If the carrying amount of the cash generating unit exceeds its recoverable amount, then a write-down is required. The impairment loss for a cash generating unit is initially allocated to goodwill. Any remaining impairment loss is subsequently recognized for the other assets in the cash generating unit. However, assets may only be written down at maximum to the recoverable amount of the individual asset identified. Goodwill is not written up.

Individual DIY stores are viewed as cash generating units at the HORNBACH-Baumarkt-AG Group. The value in use is calculated on the basis of the discounted future cash flows of a cash generating unit expected on the basis of the detailed financial budget for the coming financial year and in the strategic five-year plan. Periods reaching further into the future have been based on a growth factor of 1.0% (2011/2012: 1.0%). The strategic five-year plan is largely based on the developments expected in consumer spending as stated in economic forecasts published by economic research institutes. A detailed financial budget for the coming financial year is then compiled on this basis.

Discounting is based on average equity and debt capital costs after taxes (WACC= Weighted Average Cost of Capital). The calculation of the costs of equity is based on the yield expected on a long-term risk-free federal bond. The costs of debt capital are based on the aforementioned base rate and include a risk premium. This risk premium is appropriate to the rating of HORNBACH-Baumarkt-AG or of a relevant peer group. The discount rates applied for the respective cash generating units take account of the specific equity capital structures of a peer group, and of country risk. Discount rates of between 5.1% and 7.2% were applied in the 2012/2013 financial year (2011/2012: 5.8% to 7.6%).

Intangible assets (except goodwill)

Intangible assets with finite useful lives are recognized at amortized cost.

Amortization is determined using the straight-line method based on the following economic useful lives:

	Years
Software and licenses	3 to 8
Other intangible assets	3 to 8

Impairment losses are recognized when there are indications of impairment and the recoverable amount falls short of the carrying amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use. Corresponding write-ups are recognized when the reasons for impairment losses recognized in previous years no longer apply.

There are no intangible assets with indefinite useful lives.

Property, plant and equipment and investment property

Property, plant and equipment and investment property are recognized at amortized cost.

Depreciation is undertaken on a straight-line basis. If there are indications of any impairment in value and if the recoverable amount is less than the amortized cost, then impairment losses are recognized for the respective items of property, plant and equipment. Corresponding write-ups are recognized when the reasons for impairment losses recognized in previous years no longer apply.

Depreciation is uniformly based on the following economic useful lives across the Group:

	Years
Buildings and outdoor facilities (including rented property)	15 to 33
Other equipment, plant, and office equipment	3 to 15

Should major components of property, plant and equipment have different useful lives, then these components are recognized and measured separately.

Financing costs incurred in connection with real estate development ("building interest") which can be directly allocated to the acquisition, construction or establishment of land and buildings ("qualifying assets") are capitalized as a component of costs in accordance with IAS 23 “Borrowing Costs (revised)".

Leases

Leased items of property, plant and equipment which are to be viewed in economic terms as asset purchases with long-term financing (finance leases) are recognized pursuant to IAS 17 “Leases” at fair value at the beginning of the leasing relationship, unless the present value of the leasing payments is lower. The relevant assets are depreciated over their economic useful lives or over the term of the contract if shorter. Application is made of the same method of depreciation applicable to comparable assets acquired or manufactured. Moreover, an equivalent financial liability is capitalized at the amount of the fair value of the asset or the present value of the minimum leasing payments, if lower. Where group companies act as lessees within an operating lease, i.e. when all significant risks and rewards remain with the lessor, then the leasing expenses are recognized on a straight-line basis in the income statement.

Inventories

Inventories are carried at cost or at their net sale value, if lower. The net sale value is taken to be the expected realizable sales proceeds less the costs incurred up to disposal. The acquisition costs of inventory holdings are determined using weighted average prices. Costs of unfinished services relate to customer orders for merchandise deliveries, including services provided, with tradesmen commissioned by HORNBACH. Unfinished products and unfinished services mainly involve directly allocable costs of material and invoiced tradesman services.

Taxes

Taxes levied by the respective countries on taxable income and changes in deferred tax items are recognized as taxes on income. These are calculated in accordance with the relevant national legislation on the basis of the tax rates applicable at the balance sheet date, or due to be applicable in the near future.

Other taxes are allocated to the respective functional divisions and recognized under the corresponding expenses for the relevant function.

In line with IAS 12, deferred taxes are recognized and measured using the balance sheet liability method based on the tax rate expected to be valid at the realization date. Deferred tax assets are recognized for the tax benefits expected to arise from future realizable losses carried forward. Deferred tax assets arising from deductible temporary differences and tax losses carried forward which exceed temporary taxable differences are only recognized to the extent that it can be assumed with reasonable certainty that the company in question will generate sufficient taxable income in future.

Deferred tax assets and liabilities are netted for each company or fiscal unity provided that such are due to or from the same tax authority.

Non-current assets held for sale and disposal groups

Land, buildings and other non-current assets and disposal groups which are very likely to be sold in the coming financial year are measured at fair value less costs to sell, if such is lower than the carrying amount.

Pensions and similar obligations

Consistent with legal requirements in the respective countries and with individual commitments made to members of the Board of Management, group companies of HORNBACH-Baumarkt-AG have obligations relating to defined contribution and defined benefit pension plans. In the case of defined benefit plans, provisions have been calculated using the projected unit credit method in accordance with IAS 19 “Employee Benefits”. When determining the pension obligation in accordance with actuarial principles, this method accounts for the pensions known of and claims vested as of the balance sheet date, as well as for the increases in salaries and pensions to be expected in future. The plan assets are deducted at fair value from the obligations. Should this result in a net asset, then this is recognized, provided that it does not exceed the present value of future reductions in contributions or repayments or any retrospective service costs. Actuarial gains or losses are recognized directly in equity, having accounted for any deferred taxes. In the case of defined contribution plans, the contributions are recognized as expenses upon becoming due for payment.

Provisions and accrued liabilities

Provisions are recognized for uncertain obligations to third parties where such are likely to result in a future outflow of resources. Provisions are stated at the expected settlement amount, having accounted for all identifiable risks, and are not offset against recourse claims. If the overall effect is material, non-current provisions are measured at present value discounted to the end of the respective terms. Provisions for pending losses and onerous contracts are recognized if the contractual obligations in connection with stores rented from third parties are higher than the expected economic benefits. In the case of accrued liabilities, the date and level of the respective liability are no longer uncertain.

Financial instruments

Financial instruments are contracts which result in a financial asset at one company and a financial liability or equity instrument at another company. On the one hand, these include primary financial instruments such as trade receivables and payables, financial receivables and financial liabilities. On the other hand, they also include derivative financial instruments, such as options, forward exchange transactions, interest swaps and currency swaps. Customary purchases and sales of foreign exchange are generally recognized as of the transaction date. Customary purchases and sales of all other financial assets are generally recognized as of the settlement date, i.e. on the date at which the asset is delivered. Upon initial recognition, financial instruments are recognized at cost. This corresponds to their fair value.

Financial assets are basically derecognized once the contractual rights to payment have expired. Furthermore, financial assets are derecognized when the contractual rights to payment, and thus all significant risks and rewards or powers of disposal over these assets, have been assigned. Financial liabilities are derecognized once they have been settled, i.e. once the liability has been repaid, cancelled or has expired.

Primary financial instruments

In accordance with IAS 39 “Financial Instruments: Recognition and Measurement”, asset-side financial instruments are subsequently measured at amortized cost, at cost, or at fair value. Primary financial instruments constituting liabilities are measured at amortized cost. The HORNBACH-Baumarkt-AG Group has so far not made any use of the option of classifying financial assets or financial liabilities as measured at fair value through profit or loss.

Financial assets are classified as available for sale pursuant to IAS 39. They are measured at fair value, where this can be reliably determined, and otherwise at cost. Investments and prepayments for financial assets are recognized at cost, as there is no active market for these items and their fair values cannot be reliably determined at reasonable expense. These exclusively relate to equity instruments.

Receivables and other assets (except derivatives) are carried at amortized cost or at present value, if lower. Value reductions are stated to account for all identifiable risks. These are determined on the basis of individual risk assessments and depending on the maturity structure of overdue receivables. Specific cases of default lead to the receivable in question being derecognized. Impairment accounts are maintained for trade receivables and the financial assets recognized under other receivables and assets. Amounts from impairment accounts are derecognized, with a corresponding charge to the carrying amount of the impaired assets, in cases such as when insolvency proceedings against the debtor have been completed, or when the receivable is deemed irretrievably lost.

Cash and cash equivalents include cash on hand and short-term deposits with maturity dates of less than three months. These items are measured at amortized cost.

Financial debt (bank loans, bonds) are recognized at the respective loan amount, less transaction costs, and subsequently measured at amortized cost. The difference to the repayment amount is recognized as an expense over the term of the bond and the promissory note bonds using the effective interest method. All other debt items are also recognized at amortized cost. This mostly corresponds to the respective repayment amount.

Derivative financial instruments

Derivative financial instruments, such as forward exchange transactions and interest swaps, are used to hedge exchange rate and interest risks. In line with the Group's risk principles, no derivative financial instruments are held for speculative purposes. Upon addition, derivative financial instruments are recognized in the balance sheet at fair value. Any transaction costs incurred are immediately recognized as expenses.

Derivatives which are not integrated into an effective hedging relationship as defined in IAS 39 are subject to mandatory classification as held for trading (financial assets/liabilities held for trading) and are thus measured at fair value through profit or loss. The fair values of forward exchange transactions (including the embedded forward exchange transactions) are determined on the basis of market conditions at the balance sheet date. The fair value of interest swaps is determined by the financial institutions with which they were concluded.

Upon entering into a hedging transaction, the HORNBACH-Baumarkt-AG Group classifies certain derivatives as hedging future cash flows or planned transactions (cash flow hedges). Changes in the fair value of those cash flow hedges viewed as effective are recognized directly in equity under revenue reserves, taking due account of deferred taxes, until the result of the hedged item is recognized. Non-effective gains and losses are recognized through profit or loss.

Sales

Income from the sale of goods is recognized upon transfer of ownership, taking due account of the expected level of goods returned.

Cost of goods sold

As well as the direct acquisition costs of the merchandise in question, the cost of goods sold also includes ancillary acquisition costs, such as freight charges, customs duties and other services rendered, as well as write-downs on inventories.

Rental income

Rental income from operating lease arrangements is recognized on a straight-line basis under sales over the term of the rental contract.

Government grants

Government grants awarded to cover expenses incurred and for assistance purposes are recognized as income in the income statement. Grants awarded for non-current assets reduce the cost of such assets accordingly.

Expenses
Rental expenses for operating lease arrangements are recognized on a straight-line basis as expenses over the term of the rental contract.

Outlays on advertising campaigns and sales promotion measures are recognized as expenses once the relevant powers of disposal have been granted or the respective service received.

The reversal of provisions and accrued liabilities has generally been recognized as a reduction in expenses within the functional expense group in which the costs of recognizing the corresponding provision or accrued liability were originally presented.

Interest expenses and interest income are recognized in accordance with the period of the respective financial debt.

Tax expenses include current and deferred taxes unless they relate to facts or circumstances accounted for directly in equity.

Segment Report

Segment reporting is consistent with the accounting policies applied in the consolidated financial statements (IFRS). Sales to external third parties represent net sales. Transfer prices between the segments are equivalent to those applied to external third parties.

Segment delineation

The allocation of business fields (segments) corresponds to the internal reporting system used by the Board of Management of the HORNBACH-Baumarkt-AG Group for managing the company. The “DIY store” segment includes the 138 (2011/2012: 134) DIY megastores and garden centers grouped together in the HORNBACH-Baumarkt-AG Group. The “Real estate” segment includes the retail properties owned by companies in the HORNBACH-Baumarkt-AG Group, which let and charge the properties to the respective DIY stores with garden centers within the Group at normal market conditions. The “Headquarters and consolidation” reconciliation column includes administration and consolidation items not attributable to the individual segments.

Segment earnings

Earnings before interest and taxes (EBIT) have been taken to represent the segment earnings.

Segment assets and liabilities

Apart from income tax receivables, income tax liabilities and deferred taxes, asset and liability items in the consolidated balance sheet have been directly allocated to the individual segments as far as possible. Remaining assets and liabilities have been allocated as appropriate. Liabilities in the consolidated balance sheet have been increased by liabilities to group companies in the individual segments and have been allocated to the individual segments in line with their causation. The resultant adjustments have been eliminated in the “Headquarters and consolidation” reconciliation column. Investments relate to the non-current assets allocable to the respective segment.

2012/2013 in € million 2011/2012 in € million	DIY stores	Real estate	Headquarters and consolidation	HORNBACH-Baumarkt-AG Group
Segment sales	**3,019.0**	**143.6**	**(142.6)**	**3,020.0**
	3,000.1	132.5	(131.6)	3,001.0
Sales to third parties	3,018.9	0.0	0.0	3,018.9
	3,000.0	0.0	0.0	3,000.0
Sales to affiliated companies	0.1	0.0	0.0	0.1
	0.1	0.0	0.0	0.1
Rental income from third parties	0.0	1.0	0.0	1.0
	0.0	0.9	0.0	0.9
Rental income from affiliated companies	0.0	142.6	(142.6)	0.0
	0.0	131.6	(131.6)	0.0
Segment earnings (EBIT)	**74.2**	**42.8**	**(17.7)**	**99.3**
	115.7	35.9	(23.2)	128.4
of which: depreciation and amortization/write-ups	33.5	14.9	8.1	56.5
	36.2	11.1	8.6	55.9
Segment assets	**711.4**	**580.1**	**286.3**	**1,577.8**
	734.3	512.6	361.8	1,608.7
of which: credit balances at banks	54.6	0.0	246.2	300.8
	62.4	0.0	324.3	386.7
Investments	**45.4**	**60.0**	**11.2**	**116.6**
	36.6	54.6	12.5	103.7
Segment liabilities	**298.5**	**70.1**	**352.2**	**720.8**
	295.0	121.4	356.2	772.6
of which: financial debt	7.3	49.0	325.8	382.1
	5.7	99.2	327.1	431.9

Reconciliation in € million	2012/2013	2011/2012
Segment earnings (EBIT) before "Headquarters and consolidation"	**117.0**	**151.6**
Headquarters	(17.7)	(23.2)
Net financial expenses	(24.9)	(22.0)
Consolidated earnings before taxes	**74.4**	**106.5**
Segment assets	**1,577.8**	**1,608.7**
Deferred tax assets	7.9	7.3
Income tax receivables	11.7	12.1
Total assets	**1,597.4**	**1,628.1**
Segment liabilities	**720.8**	**772.6**
Deferred tax liabilities	33.5	35.7
Income tax liabilities	21.5	27.8
Total liabilities	**775.7**	**836.1**

Geographical disclosures

In the interests of comprehensibility, the mandatory geographical disclosures for sales to third parties and non-current assets have been supplemented on a voluntary basis with additional information.

The geographical disclosures have been subdivided into the "Germany" and "Other European countries" regions. The "Other European countries" region includes the Czech Republic, Austria, the Netherlands, Luxembourg, Switzerland, Sweden, Slovakia, and Romania.

Sales are allocated to the geographical regions in which they were generated. Apart from income tax receivables, income tax liabilities and deferred taxes, all assets have been allocated to the region in which they are located. Investments relate to non-current assets allocated to the respective region. The reconciliation column includes consolidation items.

2012/2013 in € million 2011/2012 in € million	Germany	Other European countries	Reconciliation	HORNBACH-Baumarkt-AG Group
Sales	**1,950.1**	**1,279.4**	**(209.5)**	**3,020.0**
	1,927.9	1,272.1	(199.0)	3,001.0
Sales to third parties	1,740.6	1,278.3	0.0	3,018.9
	1,728.9	1,271.1	0.0	3,000.0
Sales to affiliated companies	209.4	0.2	(209.5)	0.1
	199.0	0.1	(199.0)	0.1
Rental income from third parties	0.1	0.9	0.0	1.0
	0.0	0.9	0.0	0.9
EBIT	**29.6**	**69.8**	**0.0**	**99.3**
	33.9	94.5	0.0	128.4
Depreciation and amortization/write-ups	**36.2**	**20.3**	**0.0**	**56.5**
	34.3	21.6	0.0	55.9
EBITDA	**65.8**	**90.1**	**0.0**	**155.8**
	68.2	116.1	0.0	184.3
Assets	**1,188.4**	**833.8**	**(444.4)**	**1,577.8**
	1,217.6	929.3	(538.2)	1,608.7
of which: non-current assets*)	361.2	360.6	0.0	721.8
	341.9	333.7	(8.0)	667.6
Investments	**65.3**	**51.4**	**(0.1)**	**116.6**
	44.5	59.3	(0.1)	103.7

*) These involve property, plant and equipment, investment property, intangible assets and non-current deferrals and accruals. This item does not include non-current income tax receivables of € 6.4 million (2011/2012: € 8.0 million) for the Germany region.

Notes on the Consolidated Income Statement

(1) Sales

Sales mainly involve revenues in the DIY store segment. Furthermore, revenues of € 1,037k (2011/2012: € 959k) from the letting of real estate have also been reported under sales.

The sales of the Group broken down into business fields and regions have been depicted in the segment report.

(2) Cost of goods sold

The cost of goods sold represents the expenses required for the generation of sales and is structured as follows:

	2012/2013 € 000s	2011/2012 € 000s
Expenses for auxiliary materials and purchased goods	1,864,434	1,855,359
Expenses for services rendered	27,873	22,772
	1,892,307	**1,878,131**

(3) Selling and store expenses

Selling and store expenses include those costs incurred in connection with the operation of DIY megastores with garden centers. These mainly involve personnel expenses, costs of premises and advertising expenses, as well as depreciation and amortization. Moreover, this item also includes general operating expenses, such as administration expenses, transport costs, maintenance and upkeep, and rental expenses for plant and office equipment.

(4) Pre-opening expenses

Pre-opening expenses mainly relate to those expenses arising at or close to the time of the construction up to the opening of new DIY megastores with garden centers. Pre-opening expenses mainly consist of personnel expenses, advisory expenses, costs of premises, advertising expenses, administration expenses, miscellaneous personnel expenses, and depreciation and amortization.

(5) General and administration expenses

General and administration expenses include all costs incurred by administration departments in connection with the operation or construction of DIY stores with garden centers which cannot be directly allocated to such. They mainly consist of personnel expenses, legal and advisory expenses, depreciation and amortization, costs of premises and miscellaneous administration expenses, such as IT, travel and vehicle expenses.

(6) Other income and expenses

Other income and expenses are structured as follows:

	2012/2013 € 000s	2011/2012 € 000s
Other income from operating activities		
Income from advertising allowances and other reimbursements of suppliers	3,683	6,248
Income from allocations within the HORNBACH HOLDING Group	2,414	2,572
Income from disposal of non-current assets	867	1,065
Income from damages	941	942
Income from payment differences	330	667
Miscellaneous other income	16,775	9,622
	25,010	**21,116**
Other income from non-operating activities		
Income from disposal of real estate	532	73
Income from reversal of provisions for onerous contracts	55	210
Income from write-ups to property, plant, and equipment and investment property	0	1,196
Other non-operating income	101	169
	688	**1,648**
Other income	**25,698**	**22,764**

Miscellaneous other income from operating activities includes income of € 6.1 million in connection with energy tax compensation. This results from the reversal of provisions recognized in the 2010/2011 financial year (€ 3.9 million) and from compensation not yet settled (€ 2.2 million). Other than this, this item principally relates to ancillary revenues at the DIY stores with garden centers, income from disposal activities, other income from personnel grants, and income from the writing back of receivables.

	2012/2013 € 000s	2011/2012 € 000s
Other expenses from operating activities		
Losses due to damages	1,311	1,122
Impairments and defaults on receivables	1,007	1,154
Losses on disposal of non-current assets	376	298
Expenses from payment differences	198	144
Miscellaneous other expenses	2,432	1,792
	5,324	**4,510**
Other expenses from non-operating activities		
Impairment of property, plant, and equipment, intangible assets and investment property	514	1,704
Losses on disposal of non-current assets	263	681
Additions to provisions for onerous contracts	190	370
Impairment of non-current assets held for sale	0	100
Other non-operating expenses	985	2,499
	1,952	**5,354**
Other expenses	**7,276**	**9,864**
Net income from other income and expenses	**18,422**	**12,900**

Miscellaneous other expenses include settlements of € 1.0 million for existing and potential legal claims. Furthermore, this item also includes service fees of € 0.6 million due in connection with energy tax compensation.

Other non-operating expenses include an amount of € 0.8 million (2011/2012: € 1.5 million) for the addition to a provision for the refurbishment obligation at a DIY store property sold and leased back.

(7) Net financial expenses

	2012/2013 € 000s	2011/2012 € 000s
Other interest and similar income		
Interest income on financial instruments measured at amortized cost	1,950	5,833
of which: from affiliated companies	23	23
Other	150	150
of which: from affiliated companies	150	150
	2,100	**5,983**
Other interest and similar expenses		
Interest expenses on financial instruments measured at amortized cost	22,982	21,737
of which: to affiliated companies	1	0
Interest expenses on financial instruments used as hedging instruments	1,798	1,650
Interest expenses from compounding of provisions	16	753
Other	1,323	1,105
of which: to affiliated companies	160	187
	26,119	**25,245**
Net interest expenses	**(24,019)**	**(19,262)**
Other financial result		
Gains/losses on derivative financial instruments	(576)	238
Gains and losses from foreign currency exchange	(352)	(2,937)
	(928)	**(2,699)**
Net financial expenses	**(24,947)**	**(21,961)**

In line with IAS 17 “Leases”, financial leasing contracts are recognized under property, plant and equipment, with the interest component of the leasing installments, amounting to € 93k (2011/2012: € 107k) being recognized under interest and similar expenses. Net interest expenses do not include interest incurred for financing the construction stage of real estate development measures. This interest amounted to € 2,637k in the year under report (2011/2012: € 2,432k) and has been capitalized as a component of the costs of the property, plant and equipment concerned. As in the previous year, the average financing cost rate used to determine the volume of borrowing costs eligible for capitalization amounted to 5.9%.

(Deferred) interest payments on interest swaps included as a hedging instrument within cash flow hedges pursuant to IAS 39 are netted for each swap contract and recognized on the basis of their net amount either as interest income or interest expenses.

Gains/losses on derivative financial instruments include gains and losses of € -576k on derivative currency instruments (2011/2012: € 405k). The previous year’s figure also includes the ineffective portion, amounting to € -167k, of the change in value of an interest swap deployed as a hedging instrument in a hedging relationship pursuant to IAS 39. The hedged item and hedging transaction expired as of June 30, 2011.

The gains and losses from foreign currency exchange for the 2012/2013 financial year chiefly result from the measurement of foreign currency receivables and liabilities. This resulted in net income of € 4,265k (2011/2012: expenses of € 3,444k). Furthermore, this item also includes realized exchange rate gains of € 3,629k (2011/2012: € 7,555k) and realized exchange rate losses of € 8,246k (2011/2012: € 7,048k).

(8) Taxes on income

The taxes on income reported include the taxes on income paid or payable in the individual countries, as well as deferred tax accruals.

As in the previous year, the German companies included in the HORNBACH-Baumarkt-AG Group are subject to an average trade tax rate of approximately 14% of their trading income. The corporate income tax rate continues to amount to 15%, plus 5.5% solidarity surcharge.

As in the previous year, all domestic deferred tax items have been valued at an average tax rate of 30%. The calculation of foreign income taxes is based on the relevant laws and regulations in force in the individual countries. The income tax rates applied to foreign companies range from 16% to 31%.

The actual income tax charge of € 22,066k (2011/2012: € 29,074k) is € 244k lower (2011/2012: € 2,862k) than the expected tax charge of € 22,310k (2011/2012: € 31,936k) which would have been payable by applying the average tax rate of 30% at HORNBACH-Baumarkt-AG (2011/2012: 30%) to the Group's pre-tax earnings of € 74,365k (2011/2012: € 106,452k).

Deferred tax assets have been stated for as yet unutilized losses carried forward amounting to € 23,918k (2011/2012: € 19,524k). HORNBACH-Baumarkt-AG expects it to be possible to offset the tax losses carried forward, which in some cases are attributable to start-up losses in individual countries, against future earnings in full.

No deferred tax assets have been reported in the case of losses carried forward amounting to € 4,330k (2011/2012: € 7,120k), as future realization of the resultant benefit is not expected. Of these, losses carried forward of € 3,481k are due to expire within the next 6 years. The previous year's figures included losses carried forward of € 1,663k and € 4,808k whose use is limited to 5 and 7 years respectively. There are no time limits on the utilization of all other losses carried forward for which no deferred tax assets have been stated.

In the 2012/2013 financial year, no deferred tax assets were recognized for the first time for losses carried forward whose utilization was previously not viewed as likely (2011/2012: € 163k). Furthermore, no deferred tax assets were derecognized in the 2012/2013 financial year for losses carried forward whose utilization is no longer deemed likely (2011/2012: € 182k). In the previous year, the income from first-time recognition and expenses for derecognition of these deferred tax items were included in deferred tax income.

Breakdown of the tax charge:

	2012/2013 € 000s	2011/2012 € 000s
Current taxes on income		
Germany	5,741	7,425
Other countries	17,633	21,905
	23,374	**29,330**
Deferred tax expenses/income		
due to changes in temporary differences	(1,412)	(1,144)
due to changes in tax rates	859	(8)
due to losses carried forward	(755)	896
	(1,308)	**(256)**
Taxes on income	**22,066**	**29,074**

The transition from the expected to the actual income tax charge is as follows:

	2012/2013		2011/2012	
	€ 000s	%	€ 000s	%
Expected income tax charge	22,310	100.0	31,936	100.0
Difference between local tax rate and group tax rate	(5,205)	(23.3)	(6,420)	(20.1)
Tax-free income	(320)	(1.4)	(345)	(1.1)
Tax reductions/increases due to changes in tax rates	859	3.9	(8)	0
Tax increases attributable to expenses not deductible for tax purposes	4,551	20.4	3,533	11.1
Tax increases attributable to unstated losses carried forward	50	0.2	793	2.5
Non-period current and deferred taxes	(179)	(0.8)	(415)	(1.3)
Taxes on income	**22,066**	**99.0**	**29,074**	**91.1**
Effective tax rate in %	29.7		27.3	

Taxes on income include non-period current tax income of € 251k (2011/2012: € 1,399k) and non-period deferred taxes of € 72k (2011/2012: € 984k). The non-period current tax income includes tax income of € 104k from the change in the present value of corporate income tax claims.

The taxes recognized directly in equity in the financial year under report relate to the following items:

	2012/2013 € 000s	2011/2012 € 000s
Actuarial gains and losses on defined benefit plans		
Actuarial gains and losses on defined benefit plans before taxes	(4,267)	1,322
Change in deferred taxes	837	(259)
	(3,430)	**1,063**
Measurement of derivative financial instruments (cash flow hedge)		
Changes in fair value of derivative financial instruments before taxes	(807)	(7,135)
Change in deferred taxes	298	1,905
	(509)	**(5,230)**
Exchange differences arising on the translation of foreign subsidiaries	**(2,739)**	**4,845**
Other comprehensive income, net after taxes	**(6,678)**	**678**
of which: other comprehensive income before taxes	(7,813)	(968)
of which: change in deferred taxes	1,135	1,646

(9) Earnings per share

Basic earnings per share are calculated in line with IAS 33 "Earnings per Share" by dividing the consolidated net income allocable to the shareholders of HORNBACH-Baumarkt-AG by the weighted average number of shares in circulation during the financial year. As in the previous year, no dilutive effects arose in the 2012/2013 financial year.

Bonus shares were issued at a ratio of 1:1 to all shareholders in HORNBACH-Baumarkt-AG on July 29, 2011. The number of shares in HORNBACH-Baumarkt-AG doubled from 15,903,500 to 31,807,000 as a result.

	2012/2013	2011/2012
Weighted number of shares issued	31,807,000	31,807,000
Consolidated net income allocable to shareholders in HORNBACH-Baumarkt-AG (in €)	52,299,112	77,377,911
Earnings per share in €	**1.64**	**2.43**

(10) Other disclosures on the income statement

Personnel expenses

The individual expense items include the following personnel expenses:

	2012/2013 € 000s	2011/2012 € 000s
Wages and salaries	428,470	413,037
Social security contributions and pension expenses	92,358	88,208
	520,828	**501,245**

Wages and salaries also include expenses for temporary employees.

Depreciation and amortization

	2012/2013 € 000s	2011/2012 € 000s
Scheduled amortization of intangible assets and depreciation of property, plant, and equipment and investment property	55,979	55,400
Impairment of property, plant, and equipment, intangible assets and investment property	514	1,704
	56,493	**57,104**

The impairment losses recognized in the 2012/2013 financial year relate to land not used for operations. In the previous year, impairment losses related to plant and office equipment. Reference is also made to the disclosures on intangible assets and property, plant and equipment in Notes 11 and 12 respectively.

Depreciation and amortization is included in the following items in the income statement:

2012/2013 financial year € 000s	Intangible assets	Property, plant, and equipment and investment property	Total
Selling and store expenses	925	44,920	45,845
Pre-opening expenses	0	75	75
General and administration expenses	5,186	4,873	10,059
Other income and expenses	0	514	514
	6,111	**50,383**	**56,493**

2011/2012 financial year € 000s	Intangible assets	Property, plant, and equipment and investment property	Total
Selling and store expenses	873	43,680	44,553
Pre-opening expenses	0	356	356
General and administration expenses	5,919	4,572	10,491
Other income and expenses	0	1,704	1,704
	6,792	**50,312**	**57,104**

Notes on the Consolidated Balance Sheet

(11) Intangible assets

The development in intangible assets in the 2011/2012 and 2012/2013 financial years was as follows:

€ 000s	Franchises, industrial property rights, and similar rights and values as well as licenses to such rights and values	Goodwill	Assets under construction	Total
Cost				
Balance at March 1, 2011	75,195	3,860	81	79,136
Additions	2,582	0	39	2,621
Disposals	186	589	0	775
Reclassifications	94	0	(80)	14
Foreign currency translation	7	0	0	7
Balance at February 29/March 1, 2012	**77,692**	**3,271**	**40**	**81,003**
Additions	2,483	0	246	2,729
Disposals	1,095	0	4	1,099
Reclassifications	60	0	(16)	44
Foreign currency translation	(6)	0	0	(6)
Balance at February 28, 2013	**79,134**	**3,271**	**266**	**82,671**
Amortization				
Balance at March 1, 2011	58,096	589	0	58,685
Additions	6,792	0	0	6,792
Disposals	187	589	0	776
Reclassifications	3	0	0	3
Foreign currency translation	8	0	0	8
Balance at February 29/March 1, 2012	**64,712**	**0**	**0**	**64,712**
Additions	6,111	0	0	6,111
Disposals	1,094	0	0	1,094
Foreign currency translation	(7)	0	0	(7)
Balance at February 28, 2013	**69,722**	**0**	**0**	**69,722**
Carrying amount at February 28, 2013	**9,412**	**3,271**	**266**	**12,949**
Carrying amount at February 29, 2012	12,980	3,271	40	16,291

Additions to franchises, industrial property rights and similar rights and values and licenses to such rights and values mainly relate to the acquisition of software licenses and expenses incurred to prepare the software for its intended use.

The goodwill relates to garden centers in the Netherlands. The disposals in the previous year related to the closure of a HORNBACH garden center in the DIY stores segment in the 2010/2011 financial year.

As in the previous year, there are no major restrictions on ownership and disposition rights.

(12) Property, plant and equipment and investment property

The development in property, plant and equipment in the 2011/2012 and 2012/2013 financial years was as follows:

€ 000s	Land, leasehold rights, and buildings on third-party land	Investment property (IAS 40)	Other equipment, plant, and office equipment	Assets under construction	Total
Cost					
Balance at March 1, 2011	617,120	9,741	488,374	20,719	1,135,954
Reclassifications to/from non-current assets held for sale	(1,370)	0	0	0	(1,370)
Changes in scope of consolidation	7,948	0	0	4	7,952
Additions	36,315	0	38,173	18,614	93,102
Disposals	19	694	27,696	742	29,151
Reclassifications	14,426	0	2,000	(16,440)	(14)
Foreign currency translation	2,268	0	613	(98)	2,783
Balance at February 29/March 1, 2012	**676,688**	**9,047**	**501,464**	**22,057**	**1,209,256**
Reclassifications to/from non-current assets held for sale	0	(1,639)	0	0	(1,639)
Changes in scope of consolidation	0	0	0	566	566
Additions	53,047	0	47,934	12,343	113,324
Disposals	102	0	29,091	269	29,462
Reclassifications pursuant to IAS 40	(2,257)	2,257	0	0	0
Reclassifications	16,885	0	589	(17,518)	(44)
Foreign currency translation	(3,526)	0	(740)	(137)	(4,403)
Balance at February 28, 2013	**740,735**	**9,665**	**520,156**	**17,042**	**1,287,598**
Depreciation					
Balance at March 1, 2011	141,349	3,776	391,720	0	536,845
Additions	14,113	88	36,111	0	50,312
Write-ups	(555)	(641)	0	0	(1,196)
Disposals	8	0	27,156	0	27,164
Reclassifications	0	0	(3)	0	(3)
Foreign currency translation	(236)	0	437	0	201
Balance at February 29/March 1, 2012	**154,663**	**3,223**	**401,109**	**0**	**558,995**
Reclassifications to/from non-current assets held for sale	0	(320)	0	0	(320)
Additions	15,213	602	34,568	0	50,383
Disposals	46	0	28,546	0	28,592
Reclassifications pursuant to IAS 40	(156)	156	0	0	0
Foreign currency translation	(579)	0	(404)	0	(983)
Balance at February 28, 2013	**169,095**	**3,661**	**406,727**	**0**	**579,483**
Carrying amount at February 28, 2013	**571,640**	**6,005**	**113,429**	**17,042**	**708,115**
Carrying amount at February 29, 2012	522,025	5,824	100,355	22,057	650,261

The impairment losses included in depreciation relate to assets whose carrying amounts exceed their recoverable amounts. These impairment losses have been recognized under other expenses from non-operating activities.

In the 2012/2013 financial year, impairment losses of € 514k were recognized for items of investment property, which were written down to their net sale prices (2011/2012: € 0k). The net sale prices of these assets were determined by reference to current value surveys and to purchase offers.

In the previous year, it was not possible to uphold the expectations in terms of the medium-term sales and earnings performance of the Romania region. The impairment test performed as a result led to the recognition of impairment losses pursuant to IAS 36.105 in conjunction with IAS 36.104 on marketing-oriented and sales promotional plant and office equipment, which were written down by € 1,704k to a value of zero in the 2011/2012 financial year.

Impairment losses are included in non-current asset items as follows:

	2012/2013	2011/2012
DIY stores segment		
Other equipment, plant, and office equipment	0	1,704
	0	**1,704**
Real estate segment		
Land	514	0
	514	**0**
Total	**514**	**1,704**

No write-ups were recognized in the 2012/2013 financial year (2011/2012: € 1,196k). The write-ups recognized in the previous year related to the appreciation in value on pieces of land not used for operations, or originally intended for DIY store extensions, for which impairment losses had been recognized in previous years. The write-ups were based on purchase offers and agreed sale contracts and were recognized under other income from non-operating activities in the real estate segment.

The reclassifications from reserve land to non-current assets held for sale relate to three pieces of land not used for operations, of which one piece of land was already sold in the 2012/2013 financial year.

Reference is made to Note 7 with regard to capitalized financing costs.

The real estate assets are predominantly owned by HORNBACH-Baumarkt-AG and by real estate companies established for this purpose.

Other equipment and plant and office equipment mainly relate to HORNBACH-Baumarkt-AG in the case of German consolidated companies and to HORNBACH Baumarkt GmbH, HORNBACH Baumarkt Luxemburg SARL, HORNBACH Baumarkt CS spol s.r.o., Hornbach Bouwmarkt (Nederland) B.V., Hornbach Baumarkt (Schweiz) AG, HORNBACH-Baumarkt SK spol s.r.o., Hornbach Byggmarknad AB, and HORNBACH Centrala SRL in the case of foreign consolidated companies.

Investment property mainly relates to retail properties at various locations in Germany. The respective rental contracts have basic rental periods of 1 to 15 years and in some cases provide extension options for the lessee. The properties let to third parties are recognized at amortized cost. A useful life of 33 years has been assumed. The fair value of investment property amounts to approximately € 8.5 million (2011/2012: € 8.0 million). The fair values have been determined by independent experts in the overwhelming majority of cases. The valuations are based on the capitalized earnings power of the individual pieces of real estate on the open market. In individual cases, the fair values have been based on purchase offers received.

Rental income of € 429k was generated on properties let to third parties in the year under report (2011/2012: € 421k). Expenses of € 236k were incurred for the maintenance of the properties let to third parties (2011/2012: € 299k). Expenses of € 39k were incurred for all other items of investment property (2011/2012: € 21k).

The real estate acts as security for bank loans in the form of registered land charges amounting to € 85.5 million (2011/2012: € 146.5 million).

Property, plant and equipment include a building with a carrying amount of € 831k (2011/2012: € 997k) that is allocable to the Group as economic owner on account of the structure of the underlying lease agreement (finance lease). The finance lease has been concluded for a basic rental period of 20 years. At the end of the basic rental period, there is an option to extend the contract at least once for a period of 5 years. Furthermore, the contract provides for an index-based rent adjustment clause and for pre-emptive purchase rights on customary market terms. The leased asset acts as security for the leasing obligation.

(13) Financial assets

The development in financial assets in the 2011/2012 and 2012/2013 financial years was as follows:

€ 000s	Investments	Advance payments for financial assets	Total
Cost			
Balance at March 1, 2011	94	1,144	1,238
Foreign currency translation	0	(9)	(9)
Balance at February 29/March 1, 2012	**94**	**1,135**	**1,229**
Foreign currency translation	0	49	49
Balance at February 28, 2013	**94**	**1,184**	**1,278**
Carrying amount at February 28, 2013	**94**	**1,184**	**1,278**
Carrying amount at February 29, 2012	94	1,135	1,229

All financial assets have been recognized at cost as it was not possible to determine reliable fair values.

(14) Other non-current receivables and assets

Other non-current receivables and assets mainly consist of deposits of € 2,188k (2011/2012: € 2,171k) paid as security for possible subsequent claims to purchase price reductions on the part of the buyer. The deposits have a maximum term of 7 years.

Furthermore, as of February 28, 2013 this item also includes receivables of € 874k (2011/2012: € 538k) due from the Federal Employment Agency in connection with payments governed under the relevant part-time early retirement legislation.

Other non-current receivables and assets also include deferred expenses of € 760k (2011/2012: € 1,038k) in connection with an as yet unutilized syndicated credit line of € 250 million concluded in the 2011/2012 financial year with a term until December 14, 2016.

Moreover, in the 2011/2012 financial year this item also included the net balance of the fair value of plan assets and the present value of the pension obligation for the statutory pension obligation in Switzerland, amounting to € 66k. Details about this item and its development can be found in Note 23.

(15) Deferred taxes

Deferred taxes relate to the following items:

	2.28.2013		2.29.2012	
	Assets € 000s	Liabilities € 000s	Assets € 000s	Liabilities € 000s
Intangible assets and property, plant, and equipment	810	35,121	772	35,182
Inventories	436	2,128	383	3,288
Other assets and liabilities	1,110	49	1,129	78
Other provisions	4,883	1,589	3,960	1,637
Liabilities	1,704	836	1,451	983
Tax-free reserves	0	129	0	0
Losses carried forward	5,300	0	5,142	0
	14,243	**39,852**	**12,837**	**41,168**
Set-off	(6,373)	(6,373)	(5,500)	(5,500)
Total	**7,870**	**33,479**	**7,337**	**35,668**

(16) Inventories

	2.28.2013 € 000s	2.29.2012 € 000s
Auxiliary materials and supplies	1,555	1,278
Unfinished products, unfinished services	1,320	1,088
Finished products and merchandise	486,503	480,425
Inventories (gross)	**489,378**	**482,791**
less valuation allowances	7,794	7,132
Inventories (net)	**481,584**	**475,659**
Carrying amount of inventories measured at net realizable value	24,653	23,875

Expenses of € 1,856,016k were recognized as merchandise input expenses for merchandise and auxiliary materials and supplies in the 2012/2013 financial year (2011/2012: € 1,848,227k).

(17) Receivables and other assets

The receivables and other assets of the Group are structured as follows:

	2.28.2013 € 000s	2.29.2012 € 000s
Trade receivables	6,128	6,973
Receivables from affiliated companies	1,622	859
Positive fair values of derivative financial instruments	146	2
Other receivables and assets	43,899	49,345
	51,795	**57,179**

Trade receivables include receivables of € 1,090k (2011/2012: € 1,100k) assigned within factoring agreements that have not been derecognized as the credit risk remains at the HORNBACH-Baumarkt-AG Group. A corresponding liability has been recognized in the same amount.

Other receivables and assets mainly consist of receivables in connection with pledged funds, receivables from credit card companies, receivables from product reimbursements and bonus agreements, and deferred charges and prepaid expenses.

As in the previous year, there are no major restrictions on ownership or disposition rights in respect of the other receivables and assets reported.

The following tables provide an analysis of the financial assets included under receivables and other assets. Only those receivables for which individual allowances have been recognized have been portrayed as impaired. The HORNBACH-Baumarkt-AG Group also accounts for credit risks by recognizing portfolio-based allowances.

2.28.2013 € 000s	Carrying amount	of which: neither impaired nor overdue	of which: not impaired, but overdue within the following time bands (days)			
			< 60	61-90	91-180	> 180
Trade receivables	6,128	3,530	1,192	189	233	60
Receivables from affiliated companies	1,622	1,622				
Positive fair values of derivative financial instruments	146	146				
Other receivables and assets	26,959	25,566	910	37	238	97
	34,855	**30,864**	**2,102**	**226**	**471**	**157**

2.29.2012 € 000s	Carrying amount	of which: neither impaired nor overdue	of which: not impaired, but overdue within the following time bands (days)			
			< 60	61-90	91-180	> 180
Trade receivables	6,973	5,182	996	190	335	49
Receivables from affiliated companies	859	859				
Positive fair values of derivative financial instruments	2	2				
Other receivables and assets	35,400	33,142	1,372	165	78	185
	43,234	**39,185**	**2,368**	**355**	**413**	**234**

Allowances for trade receivables and for other receivables and assets developed as follows:

€ 000s	Trade receivables		Other receivables and assets	
	2012/2013	2011/2012	2012/2013	2011/2012
Allowances at March 1	**521**	**322**	**728**	**911**
Utilization	123	175	192	444
Reversals	99	62	374	122
Additions	264	433	462	381
Foreign currency translation	(3)	3	(2)	2
Allowances at end of financial year	**560**	**521**	**622**	**728**

The complete retirement of receivables resulted in expenses of € 494k (2011/2012: € 336k). The receipt of receivables already derecognized resulted in income of € 55k (2011/2012: € 74k).

(18) Cash and cash equivalents

	2.28.2013 € 000s	2.29.2012 € 000s
Cash balances at banks	300,749	386,651
Checks and cash on hand	16,429	17,599
	317,178	**404,250**

(19) Non-current assets held for sale and disposal groups

This item includes assets which are highly likely to be sold in the coming financial year.

In the 2012/2013 financial year, three pieces of land were reclassified at an amount of € 1,319k out of property, plant and equipment. Of these, one property was already sold in the current financial year.

The gain generated from the piece of land sold in the financial year under report has been recognized under other income from non-operating activities. As in the previous year, no impairment losses were recognized on non-current assets held for sale in the year under report.

(20) Shareholders' equity

The development in the shareholders' equity of the HORNBACH-Baumarkt-AG Group is shown in the statement of changes in group equity for the 2012/2013 and 2011/2012 financial years.

Share capital

In the 2011/2012 financial year, the Annual General Meeting of HORNBACH-Baumarkt-AG on held on July 7, 2011 decided, among other items, to increase the company's share capital by issuing bonus shares from company funds. As a result of the issue of bonus shares at a ratio of 1:1, the number of shares in HORNBACH-Baumarkt-AG doubled. By converting a partial amount of € 47,710,500 of the revenue reserves reported in the company's annual balance sheet as of February 28, 2011 into share capital, the share capital doubled to € 95,421,000. It is divided into 31,807,000 individual shares with a prorated nominal amount € 3.00 per share. The bonus shares enjoy dividend entitlement from March 1, 2011.

The Annual General Meeting held on July 7, 2011 resolved the creation of Authorized Capital I and Authorized Capital II in line with the following provisions:

- The Board of Management is authorized until July 7, 2016, subject to approval by the company's Supervisory Board, to increase the company's share capital by up to € 15,000,000 by means of a single or repeated issue of new shares – ordinary shares with voting rights or non-voting preference shares – in exchange for cash contributions (Authorized Capital I). Shareholders' subscription rights may be excluded in specified circumstances.

- The Board of Management is authorized until July 7, 2016, subject to approval by the company's Supervisory Board, to increase the company's share capital by up to € 30,000,000 by means of a single or repeated issue of new shares – ordinary shares with voting rights or non-voting preference shares – in exchange for cash or non-cash contributions (Authorized Capital II). Shareholders' subscription rights may be excluded in specified circumstances.

Total authorized capital therefore amounts to € 45,000,000, equivalent to 47.16% of the current share capital (2011/2012: 47.16%).

On the basis of a resolution adopted by the Board of Management on August 13, 2012, the employees of HORNBACH-Baumarkt-AG and its foreign subsidiaries were offered employee shares at a preferential price of € 13.00 per share. A total of 37,360 shares were acquired via the stock exchange at an average price of € 24.67 and subsequently assigned to employees. An amount of € 18k was recognized in equity to account for the difference (€ 0.47) between the acquisition price and the stock market price upon the date on which the shares were assigned to employees. The difference per share between the preferential sale price and the stock market price (€ 11.67) has been recognized through profit or loss.

HORNBACH-Baumarkt-AG published the following notification in the Stock Exchange Gazette (Börsen-Zeitung) on April 20, 2002 pursuant to § 41 (3) of the German Securities Trading Act (WpHG): HORNBACH HOLDING AG, Bornheim/Pfalz, has notified us pursuant to § 41 (2) Sentence 1 WpHG that it held 80.29% of the voting rights in HORNBACH-Baumarkt-AG on April 1, 2002. These related exclusively to its own voting rights.

HORNBACH-Baumarkt-AG published the following notification in the Stock Exchange Gazette (Börsen-Zeitung) on August 16, 2002 pursuant to § 25 (1) WpHG: HORNBACH Familien-Treuhandgesellschaft mbH, Annweiler am Trifels, has notified us pursuant to § 21 (1) and § 22 (1) No. 1 WpHG that its share of the voting rights in HORNBACH-Baumarkt AG exceeded the 5% threshold on August 6, 2002 and now amounts to 80.29%. These related exclusively to voting rights attributable under § 22 (1) No. 1 WpHG.

Furthermore, HORNBACH-Baumarkt-AG published the following notification in the Stock Exchange Gazette (Börsen-Zeitung) on October 16, 2002 pursuant to § 25 (1) WpHG: Kingfisher plc., London/UK, has notified us pursuant to § 21 (1) WpHG that its share of the voting rights in HORNBACH-Baumarkt-AG, Bornheim bei Landau/Pfalz, exceeded the 5% threshold on October 11, 2002. Kingfisher plc now holds approximately 5.5% of the voting rights in our company (826,924 ordinary shares). These relate exclusively to its own voting rights. Before acquiring these 826,924 voting rights, Kingfisher held no voting rights in HORNBACH-Baumarkt-AG.

HORNBACH-Baumarkt-AG published the following notification in the Stock Exchange Gazette (Börsen-Zeitung) on May 30, 2003 pursuant to § 25 (1) WpHG: Platinum Asset Management ltd., Sydney/Australia, has notified us pursuant to § 21 (1) WpHG that its share of the voting rights in HORNBACH-Baumarkt-AG, Bornheim bei Landau/Pfalz, exceeded the 5% threshold on May 27, 2003, and now amounts to around 5.51%. These relate exclusively to its own voting rights.

HORNBACH-Baumarkt-AG published the following voting rights notification electronically on April 23, 2009 pursuant to § 26 (1) WpHG: Platinum Investment Management ltd. (formerly Platinum Asset Management ltd.), Sydney/Australia, has notified us pursuant to § 26 (1) WpHG (formerly § 25 (1) WpHG) that the notification dated May 30, 2003 has been withdrawn, as the 5% threshold was not exceeded at that date (or subsequently).

HORNBACH-Baumarkt-AG published the following voting rights notification electronically with the aim of circulation across Europe on June 14, 2007 pursuant to § 26 (1) WpHG: Eijsvogel Finance Limited, 3 Sheldon Square, London W2 6PX, UK, notified us on June 14, 2007 pursuant to § 21 (1) WpHG that the share of voting rights held by Eijsvogel Finance Limited in HORNBACH-Baumarkt-AG (ISIN DE0006084403) exceeded the 3% and 5% thresholds on June 12, 2007, and amounted to 5.33% (826,924 voting rights) at that date.

Capital reserve

The capital reserve includes the equity components generated over and above the par value of the shares issued.

Revenue reserves

Revenue reserves include the “statutory reserve”, “other revenue reserves”, and accumulated earnings and equity components recognized directly in equity.

By resolution of the Annual General Meeting of HORNBACH-Baumarkt-AG on July 7, 2011, revenue reserves of € 47,710,500 were converted into share capital by issuing bonus shares in the 2011/2012 financial year (please see "Share capital").

Disclosures concerning capital management

The capital management practiced by HORNBACH-Baumarkt-AG pursues the aim of maintaining a suitable equity base in the long term. The equity ratio is viewed as representing an important key figure for investors, analysts, banks and rating agencies. The company aims on the one hand to achieve the growth targets it has set itself while maintaining healthy financing structures and a stable dividend policy, and on the other hand to achieve long-term improvements in its key rating figures. The capital management instruments deployed include active debt capital management.

The company has entered into covenants towards some providers of debt capital which, among other conditions, require it to maintain an equity ratio of at least 25%. The equity ratio, interest cover, debt/equity ratio and company liquidity (cash and cash equivalents plus available committed credit lines) are monitored monthly as part of the company's internal risk management. Further key figures are calculated on a quarterly basis. Should the values fall short of certain target levels, then suitable countermeasures are initiated at an early stage. The covenants were complied with at all times during the 2011/2012 financial year. The equity ratio amounted to 51.4% as of February 28, 2013 (2011/2012: 48.6%).

No changes were made to the company's capital management approach in the financial year under report.

(21) Distributable earnings and dividends

The distributable amounts involve the unappropriated net profit reported in the balance sheet of HORNBACH-Baumarkt-AG prepared in accordance with German commercial law.

HORNBACH-Baumarkt-AG concluded the 2012/2013 financial year with an annual net surplus of € 45,705,836.24.

Following the allocation of € 22,802,336.24 to other revenue reserves, the unappropriated net profit amounts to € 22,903,500.00.

The Board of Management and the Supervisory Board of HORNBACH-Baumarkt-AG will propose to the Annual General Meeting that the unappropriated net profit of HORNBACH-Baumarkt-AG reported as of February 28, 2013 be appropriated as follows:

	€
Dividend of € 0.50 on 31,807,000 shares	15,903,500.00
Additional allocation to revenue reserves	7,000,000.00
	22,903,500.00

By resolution of the Annual General Meeting held on July 5, 2012, a dividend of € 0.50 (2011/2012: € 1.00) per share was distributed on a total of 31,807,000 (2011/2012: 15,903,000) individual shares in the 2012/2013 financial year. The total amount distributed thus amounted to € 15,904k (2011/2012: € 15,904k).

(22) Financial debt

Total current and non-current financial debt is structured as follows:

€ 000s	Maturities			Carrying amount
	Current < 1 year	Non-current 1-5 years	Non-current > 5 years	2.28.2013 Total
Bonds	0	0	245,794	245,794
Liabilities to banks	8,170	118,464	1,858	128,492
Liabilities in connection with finance leases	223	1,059	0	1,282
Negative fair values of derivative financial instruments	227	6,267	0	6,494
Total	**8,620**	**125,790**	**247,652**	**382,062**

€ 000s	Maturities			Carrying amount
	Current < 1 year	Non-current 1-5 years	Non-current > 5 years	2.29.2012 Total
Bonds	0	247,080	0	247,080
Liabilities to banks	18,757	152,297	6,645	177,699
Liabilities in connection with finance leases	192	989	293	1,474
Negative fair values of derivative financial instruments	5,652	0	0	5,652
Total	**24,601**	**400,366**	**6,938**	**431,905**

Current financial debt (up to 1 year) amounted to € 8.6 million at the balance sheet date on February 28, 2013 (2011/2012: € 24.6 million). This consists of interest deferrals of € 1.1 million (2011/2012: € 5.7 million), the portion of long-term financing facilities maturing in the short term, amounting to € 7.3 million (2011/2012: € 13.3 million), and liabilities of € 0.2 million relating to the measurement of derivative financial instruments (2011/2012: € 5.7 million).

HORNBACH-Baumarkt-AG used the favorable capital market climate in February 2013 to place a seven-year corporate bond of € 250 million on the market on February 15, 2013. The proceeds from the issue were used to prematurely redeem the existing bond, issued in November 2004 with an interest coupon of 6.125%, on February 25, 2013. This significantly improved the maturity profile of the Group's financial liabilities. The issue was several times oversubscribed, with great demand from both private and institutional investors. The new bond has an interest coupon of 3.875%. In combination with the issue price of 99.25%, this results in a yield of 4.00% p.a. The total costs of € 2,355k arising in connection with the corporate bond and the disagio of € 1,875k have been spread over the term using the effective interest method.

As of June 30, 2011, HORNBACH-Baumarkt-AG took up an unsecured promissory note bond of € 80.0 million with a floating rate and a term running until June 30, 2016. The funds served to redeem the promissory note bond of the same amount maturing on June 30, 2011. To secure the interest rate, a forward swap with congruent terms was concluded in the 2010/2011 financial year already. The swap enabled the half-yearly interest payable to be secured at a level of 2.11% p.a., plus a bank margin, for the entire term.

In addition, the Group still has the promissory note bond concluded by HORNBACH Baumarkt CS spol s.r.o. in CZK with an original volume of € 20 million in the 2010/2011 financial year. This bond, also with a floating interest rate, was concluded for a term running until August 31, 2015. The interest payable was hedged with a congruent interest swap. The half-yearly interest payable via the interest swaps was secured at a level of 2.08% p.a. plus a bank margin for the entire term. Due to the pleasing liquidity situation, the promissory note bond concluded by HORNBACH (Schweiz) AG in CHF with an original volume of € 20 million was prematurely redeemed as of December 31, 2012. The relevant interest swap was redeemed at fair value.

In the third quarter of the 2011/2012 financial year, HORNBACH-Baumarkt-AG agreed a syndicated credit line of € 250 million. This facility, which matures on December 14, 2016, served to prematurely replace the previous syndicated credit line of € 200 million at HORNBACH-Baumarkt-AG otherwise due to mature in June 2013. The new credit line may also be drawn down in foreign currencies, particularly CHF, SEK and CZK, up to an amount of € 25 million. Furthermore, supplementary bilateral loan agreements of up to € 50 million may also be concluded within the credit framework (also in foreign currencies). Upon utilization, the interest is based on the 3-month or 6-month EURIBOR, or the equivalent IBOR, plus an interest margin. The applicable interest margin is determined by reference to the company rating granted to HORNBACH-Baumarkt-AG by an internationally recognized rating agency. Margin premiums apply should the level of utilization exceed specified threshold values and when the facility is drawn down in foreign currencies. A provision fee dependent on the respective interest margin is charged for the unutilized portion of the credit line.

As of February 28, 2013, the HORNBACH-Baumarkt-AG Group had total credit lines of € 302.2 million (2011/2012: € 315.3 million). Unutilized credit lines amounted to € 300.2 million (2011/2012: € 313.89 million). Furthermore, HORNBACH-Baumarkt-AG has a credit line for import credits amounting to USD 40.0 million (2011/2012: USD 40.0 million). Of this, an amount of USD 8.9 million had been drawn down as of the balance sheet date (2011/2012: USD 23.4 million).

Land charges amounting to € 85.5 million have been provided as security for liabilities to banks (2011/2012: € 146.5 million).

No assets have been provided as security for the credit lines, the promissory note bonds referred to above, or the bond. The relevant contractual arrangements nevertheless require compliance with customary bank covenants, non-compliance with which could lead to a premature repayment obligation. These regularly involve pari passu clauses and negative pledge declarations, as well as cross default arrangements for major financing facilities. In the case of the syndicated credit line at HORNBACH-Baumarkt-AG and the promissory note bond agreements at the HORNBACH-Baumarkt-AG Group, they also require compliance with specific financial ratios. These key financial ratios are based on consolidated figures at the HORNBACH-Baumarkt-AG Group and require interest cover of at least 2.25 times and an equity ratio of at least 25%. Maximum limits for financing facilities secured by land charges and financing facilities taken up by subsidiaries were also agreed. The interest cover, net debt/EBITDA ratio, equity ratio, agreed financing limits, and company liquidity (cash and cash equivalents, plus unutilized committed credit lines) are regularly monitored within the internal risk management framework. Should the values fall short of certain target levels, then countermeasures are initiated at an early stage. All covenants were complied with at all times in the year under report.

In addition to existing current account liabilities at normal market conditions and the bond issued in the year under report, the Group also has non-current liabilities to banks. These consist of the following items:

2012/2013 financial year	Currency	Interest agreement in % (including swap)	Maturity	Amount 2.28.2013 € 000s
Loans	EUR	4.86	2016	79,682
	CZK	4.83	2015	19,306
Mortgage loans	EUR	4.70 to 6.36	2013 to 2019	21,647
	CZK	5.08	2018	6,801
				127,436

2011/2012 financial year	Currency	Interest agreement in % (including swap)	Maturity	Amount 2.29.2012 € 000s
Loans	EUR	4.86	2016	79,603
	CHF	3.78	2015	21,821
	CZK	4.83	2015	19,896
Mortgage loans	EUR	4.56 to 6.36	2013 to 2019	42,428
	CZK	5.08	2018	8,294
				172,042

Non-current liabilities to banks either have fixed interest rates, or have floating interest rates based on the short-term Euribor, or a corresponding foreign currency Ibor, plus a bank margin. Bank margins still amount to between 0.45 and 2.75 percentage points. Interest swaps have been concluded to secure the interest rate on non-current liabilities with floating interest rates. These enable the interest payments to be secured on those loans which could have a significant influence on the Group's annual earnings.

Transition of future leasing payments to the liabilities from financial leasing contracts:

€ 000s	Maturities			2.28.2013
	Current < 1 year	Non-current 1-5 years	Non-current > 5 years	Total
Liabilities in connection with finance leases	223	1,059	0	1,282
Interest component	79	150	0	229
Total lease payments to be made in future	**302**	**1,209**	**0**	**1,511**

€ 000s	Maturities			2.29.2012
	Current < 1 year	Non-current 1-5 years	Non-current > 5 years	Total
Liabilities in connection with finance leases	192	989	293	1,474
Interest component	85	219	9	313
Total lease payments to be made in future	**277**	**1,208**	**302**	**1,787**

(23) Pensions and similar obligations

As a result of legal requirements in individual countries and individual commitments made to members of its Board of Management, the HORNBACH-Baumarkt-AG Group has obligations relating to defined benefit and defined contribution pension plans.

Apart from payment of contributions, the defined contribution plans do not involve any further obligations on the part of the HORNBACH-Baumarkt-AG Group. The total of all defined contribution pension expenses amounted to € 41,922k in the 2012/2013 financial year (2011/2012: € 39,126k). Of this total, an amount of € 25,663k involved the employer's share of contributions to the state pension scheme in Germany (2011/2012: € 23,878k).

In the case of defined benefit plans, a distinction is made between pension plans financed by provisions and those financed by funds. The HORNBACH-Baumarkt-AG Group has one fund-financed pension plan which is financed via an external pension provider. This pension plan is due to legal requirements in Switzerland, and grants old-age, invalidity and fatality pensions and payments. The employee covers 35% of the premiums to be paid for the savings balances, as well as further clearly defined costs. The remaining expenses are covered by the employer. Risk and cost premiums are calculated by the insurance company on an individual basis and reassessed each year.

Since the 2011/2012 financial year, HORNBACH-Baumarkt-AG has undertaken to provide members of its Board of Management with a fund-financed pension plan. This model offers the opportunity of increasing pension claims, while the company simultaneously guarantees a minimum return of 2% p.a. for members of its Board of Management. The assets contributed by the company or additionally paid in by members of the Board of Management are held in a fiduciary capacity and invested in funds by Allianz Treuhand GmbH, Frankfurt am Main. The scope of obligation towards plan beneficiaries has been set in each case at a maximum of the fund assets and the total amount of contributions paid, including the guaranteed return. To this end, the contributions paid by the employer and by the Board of Management have been separately compared in each case with the fund assets.

Provisions for obligations in connection with working time accounts have been offset as of the balance sheet date against the corresponding cover assets in the form of securities. The cover assets are managed in a fiduciary capacity by Allianz Treuhand GmbH, Frankfurt am Main.

Pensions and similar obligations are structured as follows:

	2012/2013 € 000s	2011/2012 € 000s
Present value of pension obligation	36,476	27,854
less fair value of plan assets	(32,592)	(27,920)
Pension commitments as reported in balance sheet	**3,884**	**(66)**
of which: pension provisions	3,884	0
of which: plan assets	0	66

The plan assets were structured as follows at the balance sheet date:

	2.28.2013 %	2.29.2012 %
Debt securities	85.4	81.5
Shares	2.3	3.0
Real estate	10.1	10.0
Other	2.2	5.5
	100.0	**100.0**

Change in pension obligation

	2012/2013 € 000s	2011/2012 € 000s
Present value of pension obligation at beginning of period	27,854	24,687
Current service cost of employer	2,596	2,788
Interest cost	672	767
Employee contributions	2,132	1,966
Net balance of payments contributed and paid out	(162)	(2,139)
Insurance premiums	(889)	(790)
Actuarial gains/losses recognized directly in equity	4,615	(1,041)
Foreign currency translation	(342)	1,616
	36,476	**27,854**

Change in plan assets

	2012/2013 € 000s	2011/2012 € 000s
Plan assets at beginning of period	27,920	24,166
Expected return on plan assets	592	621
Employer contributions	2,993	2,233
Employee contributions	2,132	1,966
Net balance of payments contributed and paid out	(162)	(2,139)
Insurance premiums	(889)	(790)
Actuarial gains/losses recognized directly in equity	348	281
Foreign currency translation	(342)	1,582
	32,592	**27,920**

The following expenses have been recognized through profit or loss as personnel expenses:

	2012/2013 € 000s	2011/2012 € 000s
Current service cost of employer	2,596	2,788
Interest cost	672	767
Expected return on plan assets	(592)	(621)
	2,676	**2,934**

The amounts recognized through profit or loss are included in the personnel expenses allocated to the following items in the income statement:

	2012/2013 € 000s	2011/2012 € 000s
Selling and store expenses	1,781	2,162
Pre-opening expenses	55	1
General and administration expenses	840	771
	2,676	**2,934**

Payments of contributions amounting to € 2.6 million are expected for the 2013/2014 financial year.

Actuarial gains and losses may arise on account of changes in the parameters underlying the calculation of the present value of the pension obligation and the fair value of the plan assets. These changes are recognized directly in equity, together with the share of deferred taxes attributable to such changes.

The actuarial gains and losses (before deferred taxes) recognized in equity developed as follows:

	2012/2013 € 000s	2011/2012 € 000s
Gains and losses at beginning of period	(3,116)	(4,438)
Gains and losses arising during period	(4,267)	1,322
Gains and losses at end of period	**(7,383)**	**(3,116)**

The calculation has been based on the following actuarial assumptions:

	2.28.2013 %	2.29.2012 %
Discount interest rate	2.0	2.5
Expected long-term credit interest rate	1.8	2.5
Expected return on plan assets	1.9	2.1
Future salary increases	1.5	1.5
Future pension increases	0.0	0.0

The expected return on plan assets is calculated as the weighted average of the investment strategy and the expected returns per investment category.

The historic development is as follows:

	2012/2013 € 000s	2011/2012 € 000s	2010/2011 € 000s	2009/2010 € 000s	2008/2009 € 000s
Present value of pension obligation	36,476	27,854	24,687	18,432	14,410
Fair value of plan assets	(32,592)	(27,920)	24,166	18,567	15,246
Yield on plan assets	940	902	463	222	355
Experience adjustments arising on plan assets	(348)	(281)	112	253	184
Experience adjustments arising on plan liabilities	704	(89)	301	769	1,713

(24) Other non-current liabilities

Other non-current liabilities mainly involve non-current provisions. These include personnel provisions, provisions for contractually assumed structural maintenance obligations, and a provision required by law for the storage of business documents. The rental agreements underlying the maintenance obligations have remaining terms of between 1 and 23 years. The provision for the storage of business documents chiefly relates to statutory storage periods of between 7 and 11 years.

Non-current personnel provisions have been recognized mainly for part-time early retirement commitments and for the statutory reserve required in Austria to cover potential claims on the part of employees in the event of their leaving the company.

The provisions for part-time early retirement mainly involve the part-time early retirement agreements concluded by HORNBACH-Baumarkt-AG in the 2005/2006 and 2006/2007 financial years. The work undertaken by part-time early retirees is performed within the framework of the so-called block model. Provisions amounting to € 1,810k (2011/2012: € 2,785k) have been recognized to cover the performance backlog up to the balance sheet date and for top-up payments. This provision is expected to be reversed upon the final employee thereby entitled reaching regular retirement age in the 2016/2017 financial year. Claims from an existing reinsurance policy have been netted with the existing obligations. The provisions have been calculated by an independent expert on the basis of the 2005 G mortality tables published by Heubeck-Richttafeln-GmbH and using a discount rate of 1.64% p.a. (2011/2012: 2.1% p.a.). Moreover, provisions of € 12k (2011/2012: € 24k) were recognized to cover part-time early retirement obligations in Austria.

The development in provisions is presented in Note 27.

This item also includes an accrual stated for the amounts paid by HORNBACH Immobilien AG as settlement for the disadvantages sustained by HORNBACH-Baumarkt-AG in connection with the termination of existing rental agreements and the conclusion of new rental agreements with increased rent and the assumption of maintenance expenses. The accrual item established for this purpose is being written back to earnings over the remaining term of the original rental agreements (18 years).

(25) Trade payables and other liabilities

	2.28.2013 € 000s	2.29.2012 € 000s
Trade payables and advance payments received for orders	198,253	188,752
Liabilities to affiliated companies	715	769
of which: to shareholders	289	217
Other liabilities	49,796	54,913
of which: other taxation	15,116	14,833
of which: social security contributions	2,650	2,688
	248,764	**244,434**

As in the previous year, all trade payables and other liabilities have remaining terms of less than one year.

Trade payables are secured by reservations of title to the customary extent.

Other taxation liabilities include amounts for which the individual group companies are liable. Liabilities for social security contributions particularly include contributions yet to be remitted to the social security funds. In addition to the aforementioned items, other liabilities mainly include deposits and pledged funds, merchandise credits not yet redeemed, and amounts due for outstanding invoices.

(26) Income tax receivables and liabilities

The receivables and liabilities relating to taxes on income involve current tax liabilities / receivables and taxes, and tax risks relating to previous financial years. Current income tax provisions are offset against corresponding income tax refund claims, provided that they relate to the same tax jurisdiction and are identical as far as their type and their due date are concerned. Tax provisions for current income taxes mainly relate to corporate income tax (including the solidarity surcharge) and to trade tax.

The "German act on fiscal measures accompanying the introduction of the European Company and amending further tax legislation (SEStEG)" came into force on December 13, 2006. Among other aspects, this act allows refunds of corporate income tax credits resulting from the retention of profit in accordance with previous corporation tax law requirements no longer to be linked to the distribution of profits. Furthermore, due to the 2010 Annual Tax Act, corporate income tax claims previously viewed as irrecoverable and amounting to a – discounted – total of € 3.0 million were recognized in the 2010/2011 financial year. The corporate income tax credits will be disbursed in ten equal amounts on September 30 of each year through to 2017. As of February 28, 2013, the HORNBACH-Baumarkt-AG Group had corporate income tax refund claims amounting to € 8.3 million in total (2011/2012: € 10.0 million), which have been recognized at a present value of € 8.1 million (2011/2012: € 9.7 million) under non-current and current income tax receivables.

Reference is made to the information about deferred taxes included in Note 15 with regard to the deferred tax assets and liabilities recognized under non-current assets and non-current liabilities.

(27) Other provisions and accrued liabilities

Other provisions and accrued liabilities developed as follows in the 2012/2013 financial year:

€ 000s	Opening balance at 3.1.2012	Utilization	Reversals	Additions	Interest compound-ing	Foreign currency translation	Closing balance at 2.28.2013	of which: non-current
Other provisions								
Personnel	7,740	2,583	126	2,505	116	0	7,652	7,652
Miscellaneous	20,169	6,429	1,158	7,231	15	(16)	19,812	13,938
	27,909	**9,012**	**1,284**	**9,736**	**131**	**(16)**	**27,464**	**21,590**
Accrued liabilities								
Other taxes	842	46	12	100	0	(9)	875	0
Personnel	43,283	41,718	450	35,055	0	47	36,217	0
Miscellaneous	18,570	11,462	5,703	13,886	0	(7)	15,284	0
	62,695	**53,226**	**6,165**	**49,041**	**0**	**31**	**52,376**	**0**
Total	**90,604**	**62,238**	**7,449**	**58,777**	**131**	**15**	**79,840**	**21,590**

Miscellaneous other current provisions mainly relate to provisions for customers' expected utilization of their rights of return, recognized at € 1,605k (2011/2012: € 1,590k), for onerous contracts, at € 1,169k (2011/2012: € 1,305k), for clean-up agreements, at € 1,020k (2011/2012: € 780k), and for litigation risks, at € 926k (2011/2012: € 496k).

Reference is made to Note 24 with regard to details of non-current provisions.

Other taxes largely involve the deferral of land tax.

The accrued liabilities for personnel obligations primarily relate to outstanding holiday entitlements, overtime, holiday pay, Christmas bonuses, and employee bonuses.

Miscellaneous accrued liabilities relate in particular to the costs of gas, water, electricity, property duties and advertising, as well as to year-end expenses and legal advisory expenses.

Other Disclosures

(28) Guarantees and other commitments

As in the previous year, there were no guarantees or other commitments as of February 28, 2013.

(29) Other financial obligations and contingent assets

€ million	Maturities Current < 1 year	Non-current 1-5 years	Non-current > 5 years	2.28.2013 Total
Purchase obligations for investments	52.5	0.0	0.0	52.5
Obligations under rental, leasehold and leasing contracts	151.4	527.2	446.5	1,125.0
Other financial obligations	10.0	0.6	0.0	10.6
	213.9	**527.8**	**446.5**	**1,188.2**

€ million	Maturities Current < 1 year	Non-current 1-5 years	Non-current > 5 years	2.29.2012 Total
Purchase obligations for investments	54.8	0.0	0.0	54.8
Obligations under rental, leasehold and leasing contracts	145.4	496.5	480.9	1,122.8
Other financial obligations	10.5	0.5	0.0	11.0
	210.7	**497.0**	**480.9**	**1,188.6**

HORNBACH-Baumarkt-AG draws on the services of various temporary employment agencies to offset seasonal and sickness-related personnel requirements. Some of the service providers drawn on in the past were organized within the Christian Trade Unions for Temporary Employment and Temporary Employment Agencies Payment Association (CGZP), whose eligibility to negotiate collective payment agreements was not recognized in a verdict passed by the Federal Labor Court (BAG) on December 14, 2010. As a result, HORNBACH-Baumarkt-AG is exposed to a low risk of having recourse claims asserted against it in the event of insolvency at the relevant temporary employment agencies. These claims would correspond to that portion of the social security contributions not covered by statutory limitation, amounting to a maximum of € 0.9 million.

HORNBACH-Baumarkt-AG agreed a credit line of up to € 50 million with HORNBACH Immobilien AG within the framework of its expansion strategy. The agreement has a term running up to and including June 26, 2013. No funds had been drawn down as of the balance sheet date on February 28, 2013.

The obligations resulting from rental, hiring, leasehold and leasing contracts relate exclusively to those rental contracts in which the companies of the HORNBACH-Baumarkt-AG Group do not constitute the economic owners of the rented assets pursuant to IFRS regulations (operating leases). Rental agreements mainly relate to DIY stores in Germany and abroad. The terms of the rental agreements range from 15 to 20 years, with subsequent rental extension options and purchase options at market value. The agreements include rent adjustment clauses.

An amount of € 149,225k was recognized in the 2012/2013 financial year as rental expenses in connection with operating lease agreements, including related expenses (2011/2012: € 144,684k).

Furthermore, the Group also has recourse claims of approximately € 2.8 million (2011/2012: € 3.0 million) in connection with renovation obligations for a DIY megastore with a garden center let within a sale and leaseback transaction. Legal action has been taken to assert these claims.

(30) Future income from rental and leasing contracts

Future income from rental and leasing contracts is structured as follows:

Rental income from third parties € 000s	Maturities Current < 1 year	 Non-current 1-5 years	 Non-current > 5 years	Total
February 28, 2013	2,968	5,255	292	8,515
February 29, 2012	1,849	4,662	604	7,115

Rental income results from the letting of retail real estate. The rental contracts mostly have terms of between 5 and 15 years.

Rental income has only been reported for up to one year in the case of rental contracts with indefinite contractual terms.

(31) Legal disputes

HORNBACH-Baumarkt-AG does not anticipate that it or any of its group companies will be involved in current or foreseeable court or arbitration proceedings which could have any material effect on the economic situation of the Group. Moreover, appropriate provisions have been stated and adequate insurance benefits are anticipated at the relevant group companies for any financial charges in connection with other legal or arbitration proceedings. Such charges are therefore not expected to have any material impact on the financial position of the Group.

(32) Supplementary disclosures on financial instruments

The following tables show the carrying amounts of the financial instruments in each IAS 39 measurement category, and their fair values broken down by balance sheet category:

€ 000s	Category	Carrying amount 2.28.2013	Fair value 2.28.2013	Carrying amount 2.29.2012	Fair value 2.29.2012
Assets					
Financial assets	AfS	1,278	1,278	1,229	1,229
Other receivables and assets					
Derivatives without hedge relationship	FAHfT	146	146	2	2
Other financial assets	LaR	37,780	37,780	45,941	45,941
Cash and cash equivalents	LaR	317,178	317,178	404,250	404,250
Equity and liabilities					
Financial debt					
Bonds	FLAC	245,794	259,500	247,080	264,375
Liabilities to banks	FLAC	128,493	129,515	177,699	179,023
Liabilities in connection with finance leases	n.a.	1,282	1,314	1,474	1,556
Derivatives with hedge relationship	n.a.	6,267	6,267	5,284	5,284
Derivatives without hedge relationship	FLHfT	227	227	368	368
Trade payables and other liabilities	FLAC	210,238	210,238	206,044	206,044
Accrued liabilities	FLAC	15,284	15,284	18,570	18,570

Aggregate totals by measurement category: € 000s	Category	Carrying amount 2.28.2013	Carrying amount 2.29.2012
Loans and receivables	LaR	354,958	450,191
Available for sale financial assets	AfS	1,278	1,229
Financial assets held for trading	FAHfT	146	2
Financial liabilities measured at amortized cost	FLAC	599,808	649,393
Financial liabilities held for trading	FLHfT	227	368

Derivative financial instruments have been recognized at fair value in the balance sheet. Fair value measurement has been based on input factors observable on markets and thus corresponds to Level 2 of the fair value hierarchy as defined in IFRS 7.

Cash and cash equivalents, financial assets held for sale, other financial assets, accrued liabilities, trade payables, and other liabilities mature in the short term in the majority of cases. Their carrying amounts therefore approximate to their fair values as of the balance sheet date.

The fair value of the publicly listed bond corresponds to the nominal value multiplied by the market value at the balance sheet date.

The fair values of the liabilities to banks and the finance lease liabilities have been calculated as present values.

The present values of financial assets and liabilities have been calculated based on current money market interest rates, taking due account of their maturity structure and the respective credit margin.

Net result by measurement category	2012/2013 € 000s	2011/2012 € 000s
Loans and receivables (LaR)	(619)	(1,090)
Financial instruments held for trading (FAHfT and FLHfT)	(54)	406
Financial liabilities measured at amortized cost (FLAC)	(501)	(2,054)

The net results of the measurement category "financial instruments held for trading" are attributable to derivative financial instruments. The net results of the measurement categories "loans and receivables" and "financial liabilities measured at amortized cost" involve foreign currency translation items, the results of disposals and write-downs.

(33) Risk management and financial derivatives

Risk management principles

The assets, liabilities and planned financial transactions of the HORNBACH-Baumarkt-AG Group are subject in particular to risks resulting from changes in exchange rates and interest rates.

The aim of the company's risk management is therefore to minimize these market risks by means of suitable financial market-based hedging activities. To achieve this aim, derivative financial instruments are deployed to limit interest rate and foreign currency risks. In general, however, the company only hedges those risks which could impact materially on its financial result.

The necessary decisions may only be taken on the basis of the strategic requirements determined by the Chief Financial Officer. These requirements focus on hedging interest rate and foreign currency risks. Moreover, these requirements do not permit financial transactions to be undertaken for speculative purposes. Furthermore, certain transactions also require prior approval by the Supervisory Board.

The treasury department regularly reviews and monitors the current and future interest charge and the foreign exchange requirements of the overall Group. The Board of Management is informed of its findings on a regular basis.

Market risks

For the presentation of market risks, IFRS 7.40 "Financial Instruments: Disclosures" requires the hypothetical impact on profit and loss and equity which would have resulted if those changes in the relevant risk variables (e.g. market interest rates or exchange rates) which could reasonably be assumed to be possible at the balance sheet date had actually materialized to be presented on the basis of sensitivity analyses. The market risks faced by the HORNBACH-Baumarkt-AG Group consist of foreign currency risks and interest rate risks. The company does not face any other price risks.

Foreign currency risk

Foreign currency risks, i.e. potential reductions in the value of a financial instrument or future cash flow due to changes in foreign exchange rates, particularly apply wherever monetary financial instruments, such as receivables or liabilities, exist in a currency other than the local currency of the company, or will exist in the scheduled course of business. The foreign currency risks of the HORNBACH-Baumarkt-AG Group mainly result from financing measures and from the company's business operations. Exchange rate differences arising from the translation of financial statements into the group currency do not constitute a foreign currency risk as defined by IFRS 7.

The group companies are largely financed by means of external financing measures denominated in the functional currency of the corresponding group company (natural hedging). Moreover, there are also intragroup loans denominated in euros, thus resulting in foreign currency risks at those group companies which have a functional currency other than the euro. These risks are basically not hedged.

The foreign currency risks faced by the HORNBACH-Baumarkt-AG Group in its business operations mainly relate to the purchase of goods in the Far East using US dollars and from intragroup supplies and services, which are basically handled in euros. The US dollar currency risk is hedged using forward exchange transactions and fixed deposits denominated in US dollars.

Including hedging measures, the Group had the following main foreign currency items open as of the balance sheet date:

€ 000s	2.28.2013	2.29.2012
EUR	(31,057)	(19,969)
USD	7,250	5,457
CZK	(519)	(428)

The most important exchange rates have been presented on Page 101.

In the sensitivity analysis provided below for foreign currency risks, it has been assumed that the foreign currency holdings as of the balance sheet date are representative of the financial year as a whole.

If the euro had **appreciated by 10%** compared with the Group's other main currencies at the balance sheet date, and all other variables had remained unchanged, consolidated earnings before taxes would have been € 3,236k lower (2011/2012: € 2,599K). Conversely, if the euro had **depreciated by 10%** compared with the Group's other main currencies at the balance sheet date, and all other variables had remained unchanged, then consolidated earnings before taxes would have been € 3,236k higher (2011/2012: € 2,599k). The hypothetical impact on earnings of € +3,236k (2011/2012: € +2,599k) is the result of the following sensitivities: EUR/RON € 3,659k (2011/2012: € 3,613k), EUR/CHF € -432k (2011/2012: € -2,055k), EUR/USD € 288k (2011/2012: € 546k), EUR/CZK € -499k (2011/2012: € 299k), and EUR/SEK € 220k (2011/2012: € 196k).

Interest rate risk

At the end of the year, the Group was principally financed by a euro bond with a nominal total of € 250,000k and by unsecured promissory note bonds with total equivalent nominal values of around € 100,000k (2011/2012: € 120,000k). Furthermore, the Group also has long-term fixed-interest euro loans amounting to € 21,647k (2011/2012: € 42,428k), and long-term CZK loans amounting to € 6,801k (2011/2012: € 8,294k). The principal long-term financial liabilities with floating interest rates have been converted into fixed-interest financial liabilities using derivative financial instruments.

The sensitivity analysis provided below is based on the following assumptions:

In the case of fixed-interest primary financial instruments, changes in market interest rates only impact on profit and loss or equity when such instruments are measured at fair value. Primary financial instruments measured at amortized cost are therefore not subject to any interest rate risk as defined in IFRS 7. The same applies to financial liabilities which originally had floating interest rates, but which have been converted into fixed-interest financial liabilities by means of cash flow hedges.

Changes in the market interest rates of interest derivatives designated to hedge primary financial instruments with floating interest rates within the framework of a cash flow hedge impact on the hedging reserve within equity and have therefore been accounted for in the equity-related sensitivity analysis.

Changes in the market interest rates of primary financial instruments with floating interest rates impact on the income statement and have therefore been accounted for in the sensitivity analysis.

In the sensitivity analysis for interest rate risks, it has been assumed that the volumes as of the balance sheet date are representative of the financial year as a whole. A parallel shift in the interest rate structure curve has been assumed.

If the market interest rate had been **100 basis points higher** at the balance sheet date, and all other variables had remained unchanged, then consolidated earnings before taxes would have been € 3,007k higher (2011/2012: € 3,868k) and equity before deferred taxes would have been € 2,678k higher (2011/2012: € 4,783k). Conversely, if the market interest rate had been **100 basis points lower** at the balance sheet date, and all other variables had remained unchanged, then consolidated earnings before taxes would have been € 3,007k lower (2011/2012: € 3,868k) and equity before deferred taxes would have been € 2,812k lower (2011/2012: € 5,044k).

Credit risk

Credit risk involves the risk that a contractual party is unable to comply in part or in full with the obligations entered into upon the conclusion of a financial instrument. The credit risk of the Group is strictly limited to the extent that financial assets and derivative financial instruments are concluded as far as possible with contractual parties of good credit standing. Moreover, transactions with individual contractual partners are subject to a maximum limit. The risk of receivables default in the operating business is already considerably reduced on account of the retail format (cash & carry). The maximum credit risk is basically equivalent to the carrying amounts of the financial assets.

Liquidity risk

The following tables show the contractually agreed (undiscounted) interest and principal repayments for primary and derivative financial liabilities, and for derivative financial assets:

€ 000s	Carrying amount 2.28.2013	Cash flows < 1 year	1 to 5 years	> 5 years
Primary financial liabilities				
Bonds	245,794	10,000	40,000	269,616
Liabilities to banks	128,493	12,238	127,780	1,928
Liabilities in connection with finance leases	1,282	302	1,209	0
Trade payables and other liabilities	210,238	209,904	335	0
Accrued liabilities	15,284	15,284	0	0
	601,090	**247,728**	**169,324**	**271,545**
Derivative financial liabilities				
Foreign currency derivatives without hedge relationship	227	227	0	0
Interest derivatives in connection with cash flow hedges	6,267	2,234	5,924	0
	6,494	**2,461**	**5,924**	**0**
Derivative financial assets				
Foreign currency derivatives without hedge relationship	146	(146)	0	0
	146	**(146)**	**0**	**0**
		250,043	**175,248**	**271,545**

€ 000s	Carrying amount 2.29.2012	Cash flows < 1 year	1 to 5 years	> 5 years
Primary financial liabilities				
Bonds	247,080	15,313	280,625	0
Liabilities to banks	177,699	25,710	172,532	6,949
Liabilities in connection with finance leases	1,474	277	1,208	302
Trade payables and other liabilities	206,044	205,961	83	0
Accrued liabilities	18,570	18,570	0	0
	650,867	**265,831**	**454,448**	**7,251**
Derivative financial liabilities				
Foreign currency derivatives without hedge relationship	368	368	0	0
Interest derivatives in connection with cash flow hedges	5,284	1,294	4,344	372
	5,652	**1,662**	**4,344**	**372**
Derivative financial assets				
Foreign currency derivatives without hedge relationship	2	(2)	0	0
	2	**(2)**	**0**	**0**
		267,491	**458,792**	**7,623**

All financial liabilities and derivative assets held at the balance sheet date have been included. No account has been taken of budget figures for future new liabilities and derivative assets. Floating-rate interest payments were calculated on the basis of interest rates valid at the balance sheet date. Liabilities denominated in foreign currencies were translated at the relevant reporting date rate.

Reference is made to Note 22 with regard to the management of liquidity risk.

Hedging measures

Hedging transactions serve to hedge the interest rate and foreign currency risks associated with an underlying transaction (hedged item).

Cash flow hedge – interest rate risk

Payer interest swaps are concluded for major long-term financial liabilities with floating interest rates. These enable the variable interest rates on the loans to be converted into fixed interest rates. Creditworthiness risks are not hedged.

As of June 30, 2011, HORNBACH-Baumarkt-AG took up an unsecured promissory note bond of € 80.0 million with a floating interest rate and a term running until June 30, 2016. The funds served to provide follow-up financing for the promissory note bond of the same amount maturing as of June 30, 2011. To secure the interest rate, a forward swap with congruent terms was taken up in the 2010/2011 financial year already. The swap enabled the half-yearly interest payable to be secured for the entire term at a level of 2.11% p.a., plus a bank margin.

In the 2010/2011 financial year, two floating-rate promissory note bonds with an equivalent value of € 20 million each and terms running until August 31, 2015 were taken up in CHF and CZK.. The interest payable was hedged with congruent interest swaps. The half-yearly interest payable via the swaps was secured for the entire term at a level of 1.03% p.a. for the CHF promissory note bond and of 2.08% p.a. for the CZK promissory note bond, in both cases plus a bank margin.

At the end of the 2012/2013 financial year, the Group had interest swaps amounting to € 111,177k (2011/2012: € 139,070k), with which a transformation from floating interest commitments to fixed interest commitments was achieved. The fair value of the interest swaps amounted to € -6,267k as of February 28, 2013 (2011/2012: € -5,284k). Of this sum, € 6,267k has been recognized under financial debt (2011/2012: € 5,284k).

All interest rate swaps met hedge accounting requirements as of February 28, 2013. Changes in the fair values are recognized in the hedging reserve within equity until the results of the hedged transaction are also recognized.

The following table presents the contractually agreed maturities for the payments, i.e. the time at which the hedged item is recognized through profit or loss:

Start	End	Nominal value at 2.28.2013 in € 000s	Nominal value at 2.29.2012 in € 000s	Reference rate
6.30.2011	6.30.2016	80,000	80,000	6-month Euribor
9.30.2002	9.30.2017	7,030	8,510	3-month Euribor
9.30.2002	9.30.2017	4,777	5,783	3-month Euribor
12.30.1999	2.22.2013	0	1,841	6-month Euribor
12.30.1998	2.22.2013	0	1,023	3-month Eurolibor

Start	End	Nominal value at 2.28.2013 in CHF 000s	Nominal value at 2.29.2012 in CHF 000s	Reference rate
8.31.2010	12.30.2012	0	26,420	6-month CHF-Libor

Start	End	Nominal value at 2.28.2013 in CZK 000s	Nominal value at 2.29.2012 in CZK 000s	Reference rate
8.31.2010	8.31.2015	496,600	496,600	6-month CZK-Pribor

The HORNBACH-Baumarkt-AG Group meets the hedge accounting requirement set out in IAS 39 in that it already documents the relationship between the derivative financial instrument deployed as a hedging instrument and the hedged item, as well as the hedging objective and strategy, at the beginning of any hedging measure. This also includes an assessment of the effectiveness of the hedging instruments thereby deployed. The effectiveness of the hedging relationship is assessed prospectively using the critical terms match method. Retrospective effectiveness is calculated at each balance sheet date using the dollar offset method. A hypothetical derivative is taken as the hedged item. A hedging relationship is termed effective when the changes in the value of the hedging instrument and the hypothetical derivative are compensated by between 80% and 125%. Hedging relationships are cancelled without delay upon becoming ineffective.

Other hedging measures – foreign currency risk

The HORNBACH-Baumarkt-AG Group also deploys hedging measures which do not meet the hedge accounting requirements set out in IAS 39, but which nevertheless make an effective contribution towards hedging the Group's financial risks in line its risk management principles. For example, the HORNBACH-Baumarkt-AG Group hedges the foreign currency risks involved in select (planned) transactions, including the embedded foreign currency derivatives potentially resulting from the transactions, such as those involved in the purchase of merchandise in the Far East using US dollars, by working with forward exchange transactions or by making fixed deposit investments denominated in foreign currencies in the form of macro hedges.

The fair value of forward exchange transactions, including the embedded forward exchange transactions, amounted to € -81k at February 28, 2013 (2011/2012: € -366k). Of this sum, € 226k (2011/2012: € 368k) has been recognized under financial debt and € 146k (2011/2012: € 2k) under other assets.

No fair value hedges or net investment in a foreign operation hedges have been undertaken to date.

Derivatives

The following table provides an overview of the nominal and fair values of derivative financial instruments as of the balance sheet date. The values of opposing transactions, such as foreign exchange purchases or sales, have been shown on a net basis. Nominal value totals are shown in the nominal value line without offsetting any opposing transactions.

February 28, 2013	Forward exchange transactions	Interest swaps	Total
Nominal value in € 000s	33,297	111,177	144,474
Fair value in € 000s (before deferred taxes)	(81)	(6,267)	(6,348)

February 29, 2012	Forward exchange transactions	Interest swaps	Total
Nominal value in € 000s	33,737	139,070	172,807
Fair value in € 000s (before deferred taxes)	(366)	(5,284)	(5,650)

As all interest swaps are included in effective hedging relationships, the changes in their value, less deferred taxes, have basically been recognized in the hedging reserve within equity. The ineffective portion is recognized through profit or loss under net financial expenses:

(34) Sundry disclosures

Employees
The average number of employees was as follows:

	2012/2013	2011/2012
Salaried employees	13,892	13,234
Trainees	766	775
	14,658	**14,009**
of which: part-time employees	2,832	2,819

In terms of geographical regions, 8,740 of the average workforce were employed in Germany during the 2012/2013 financial year (2011/2012: 8,398) and 5,918 in other European countries (2011/2012: 5,611).

Auditor's fee
The fees charged by the auditor of the annual and consolidated financial statements of HORNBACH-Baumarkt-AG, KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, for the year under report were as follows:

	2012/2013 € 000s	2011/2012 € 000s
Auditing of financial statements	439	393
Other certification services	410	155
Tax advisory services	38	61
Other services	24	42
	911	**651**

Information on the German Corporate Governance Code
The annual Declaration of Conformity with the German Corporate Governance Code required by § 161 of the German Stock Corporation Act (AktG) was submitted by the Board of Management and Supervisory Board of HORNBACH-Baumarkt-AG on December 19, 2012 and made available to shareholders on the company's homepage.

(35) Related party disclosures

In addition to the subsidiaries included in the consolidated financial statements, HORNBACH-Baumarkt-AG has direct or indirect relationships with associated companies in the course of its customary business activities. These include the parent company HORNBACH HOLDING AG and its direct and indirect subsidiaries.

The associated companies are:
HORNBACH-Familien-Treuhandgesellschaft mbH

Parent company
HORNBACH HOLDING AG

Associates
HORNBACH Immobilien AG
Hornbach Baustoff Union GmbH

Subsidiaries and second-tier subsidiaries of associates
Union Bauzentrum Hornbach GmbH
Ruhland-Kallenborn & Co. GmbH
Ruhland-Kallenborn Grundstücksverwaltungsgesellschaft mbH
Robert Röhlinger GmbH
Etablissements Camille Holtz et Cie S.a., Phalsbourg
Saar-Lor Immobilière S.C.I., Phalsbourg
HIAG Immobilien Beta GmbH
HIAG Immobilien Gamma GmbH
HIAG Immobilien Delta GmbH
HIAG Immobilien Jota GmbH
HIAG Fastigheter i Göteborg AB
HIAG Fastigheter i Helsingborg AB
HIAG Fastigheter i Stockholm AB
HIAG Fastigheter i Göteborg Syd AB
HIAG Fastigheter i Botkyrka AB
HO Immobilien Omega GmbH
HR Immobilien Rho GmbH
HC Immobilien Chi GmbH
HM Immobilien My GmbH
Hornbach Real Estate Nederland B.V.
HORNBACH Immobilien HK s.r.o.
Hornbach Immobilien SK-BW s.r.o.
Hornbach Imobiliare SRL
HB Immobilien Bad Fischau GmbH
SULFAT GmbH & Co. Objekt Bamberg KG
SULFAT GmbH & Co. Objekt Düren KG
SULFAT GmbH & Co. Objekt Saarbrücken KG

The following principal transactions were performed with the associated companies:

	2012/2013 € 000s	2011/2012 € 000s
Rent and ancillary costs for rented DIY stores with garden centers and other real estate	69,401	65,945
Interest charge for group financing	160	187
Interest income for group financing	173	173
Allocations paid for administration expenses	385	413
Allocations received for administration expenses	2,414	2,572
Purchase of non-current assets	14,022	0
Deliveries and services to HORNBACH HOLDING AG and its subsidiaries	138	242
Deliveries and services from HORNBACH HOLDING AG and its subsidiaries	805	838

At February 28, 2013 there were receivables of € 1,622k (2011/2012: € 859k) and liabilities of € 715k (2011/2012: € 769k) due to HORNBACH HOLDING AG and its subsidiaries. All transactions are undertaken at normal market prices and with customary delivery conditions.

HORNBACH HOLDING AG has provided guarantee declarations for liabilities at the HORNBACH-Baumarkt-AG Group amounting to € 30,800k (2011/2012: € 40,236k). Guarantee fees of € 160k (2011/2012: € 187k) were recognized as expenses at the HORNBACH-Baumarkt-AG Group in this respect during the year under report.

Otmar Hornbach, a former longstanding member of the Supervisory Board and Board of Management, is continuing to put his extensive experience at the company's service within the framework of a consulting agreement. These advisory services are remunerated by means of symbolic amount of one euro each month.

Some of the companies included in the consolidated financial statements of HORNBACH-Baumarkt-AG make use of Kurhaus Trifels Seminarhotel GmbH, Annweiler, for seminars and conferences. This company is represented by its managing director, Bettina Hornbach, wife of Albrecht Hornbach. Services of € 33k were performed by the seminar hotel in the 2012/2013 financial year (2011/2012: € 9k). These services were invoiced at customary rates. Liabilities of € 0k were outstanding at the balance sheet date on February 28, 2013 (2011/2012: € 4k).

(36) Events after the balance sheet date

The consolidated financial statements of HORNBACH-Baumarkt-AG for the 2012/2013 financial year were approved for publication by the Board of Management on May 2, 2013.

(37) Supervisory Board and Board of Management

Members of the Board of Management:

Steffen Hornbach Strategic Development, New Distribution Channels, After Sales Services, Marketing, Market Research, Internal Communications, Public Relations, Environmental Issues, Project Show/Sales Promotion	Chairman
Roland Pelka Finance, Accounting and Tax, Group Controlling Risk Management, Loss Prevention, Information Technology, Investor Relations	Deputy Chairman
Frank Brunner Operative Store Management, Sales and Services	
Susanne Jäger Strategic and Operative Procurement, Store Planning, Store Development, Imports, Quality Assurance	
Wolfger Ketzler Personnel, Real Estate Development, Internal Audit and Legal, Construction and Technical Procurement	
Ingo Leiner Logistics, Company Development, In-house Consulting	
Jürgen Schröcker Marketing, Market Research, Internal Communications, Public Relations, Environmental Issues, Project Show/Sales Promotion	until March 31, 2013

The total compensation paid to the Board of Management of HORNBACH-Baumarkt-AG for performing its duties for the Group in the 2012/2013 financial year amounts to € 5,505k (2011/2012: € 4,629k). Of this sum, € 2,653k (2011/2012: € 2,131k) relates to fixed compensation and € 2,852k (2011/2012: € 2,498k) to performance-related components. Post-employment benefits amounting to € 625k were incurred for active members of the Board of Management in the 2012/2013 financial year (2011/2012: € 505k). These involve expenses incurred to endow pension provisions, which are offset by corresponding asset balances (Note 23). Total compensation paid to former members of the Board of Management amounted to € 631k in the 2012/2013 financial year (2011/2012: € 0k).

Members of the Board of Management owned a total of 59,010 shares (2011/2012: 70,610) in HORNBACH-Baumarkt-AG at the balance sheet date on February 28, 2013.

Members of the Supervisory Board:

As representatives of the shareholders

Albrecht Hornbach Chairman of the Board of Management HORNBACH HOLDING AG	Chairman
Dr. Wolfgang Rupf Managing Director of Rupf Industries GmbH und Rupf Engineering GmbH	Deputy Chairman
Martin Hornbach Member of the Board of Management Corivus AG	
Véronique Laury CEO Castorama France Kingfisher France S.A.S.	
Joerg Sost Managing Partner J.S. Consulting GmbH	
Prof. Dr.-Ing. Jens P. Wulfsberg Professor of Production Technology Universität der Bundeswehr Hamburg	

As representatives of the employees

Kay Strelow Section Manager	Deputy Chairman for the trade unions
Jörg Heine Incoming Merchandise Manager	for salaried employees
Rudolf Helfer Senior Occupational Safety Specialist	for salaried employees
Sabine Hoffmann Customer Service Employee	for salaried employees
Christian Lilie District Manager	for senior employees
Johannes Otto Assistant Store Manager	for the trade unions

The total compensation of the Supervisory Board for the 2012/2013 financial year amounted to € 392k (2011/2012: € 231k). Of this sum, € 310k (2011/2012: € 96k) related to basic compensation and € 82k (2011/2012: € 38k) to committee activities. The previous year's total also included performance-related compensation of € 97k. The members of the Supervisory Board owned a combined total of 65,900 shares in HORNBACH-Baumarkt-AG at the balance sheet date (2011/2012: 65,825).

Mandates in supervisory boards and other control bodies

(Disclosures pursuant to § 285 Number 10 HGB)

Members of the Supervisory Board

a) Membership of statutory supervisory boards
b) Membership of comparable control bodies

Albrecht Hornbach

a) HORNBACH Immobilien AG (Chairman)
b) Rheinland-Pfalz Bank (Member of Advisory Board)

Dr. Wolfgang Rupf

a) HORNBACH HOLDING AG (Chairman)
IVA Valuation & Advisory AG (Deputy Chairman)

Martin Hornbach

b) Corivus Swiss AG
Corivus GmbH (Chairman of Advisory Board)

Joerg Sost

a) HORNBACH HOLDING AG (since July 6, 2012)
b) Atreus GmbH (Member of Advisory Board)
Aurelius AG (Member of Advisory Board) (since end of June 2012)
Bürger Glas- und Fasertechnik GmbH (Chairman of Advisory Board) (until end of January 2013)
Bürger GmbH (Member of Advisory Board)
Deutsche Bank AG (Member of Advisory Board Mannheim)
Freudenberg Schwab Vibration Control AG (Member of Advisory Board)
Spirella AG (Member of Administrative Board)
Spirella Holding AG (Member of Administrative Board)

Members of the Board of Management

a) Membership of statutory supervisory boards
b) Membership of comparable control bodies

Steffen Hornbach

a) HORNBACH Immobilien AG

Roland Pelka

a) HORNBACH Immobilien AG (Deputy Chairman)
WASGAU Produktions & Handels AG
b) Commerzbank AG (Member of Regional Advisory Board, Central Region)

Frank Brunner

b) Hornbach Baumarkt GmbH, Austria (Deputy Chairman) (since December 18, 2012)

Wolfger Ketzler

a) RNR AG (Chairman)

Bornheim bei Landau, May 2, 2013

HORNBACH-Baumarkt-Aktiengesellschaft
The Board of Management

Steffen Hornbach	Roland Pelka
Frank Brunner	Susanne Jäger
Wolfger Ketzler	Ingo Leiner

RESPONSIBILITY STATEMENT (BALANCE SHEET OATH)

We hereby affirm that, to the best of our knowledge, the consolidated financial statements give a true and fair picture of the assets, liabilities, financial position and results of operations of the Group in accordance with the applicable reporting principles, and the group management report 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.

Bornheim bei Landau, May 2, 2013

HORNBACH-Baumarkt-Aktiengesellschaft
The Board of Management

Steffen Hornbach

Roland Pelka

Frank Brunner

Susanne Jäger

Wolfger Ketzler

Ingo Leiner

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by Hornbach-Baumarkt-AG, Bornheim bei Landau/Pfalz, comprising the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the financial year from March 1, 2012 to February 28, 2013. The preparation of the consolidated financial statements and the group management report in accordance with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a (1) HGB are the responsibility of the company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal control system in respect of the financial reporting process and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined, primarily on a test basis, within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

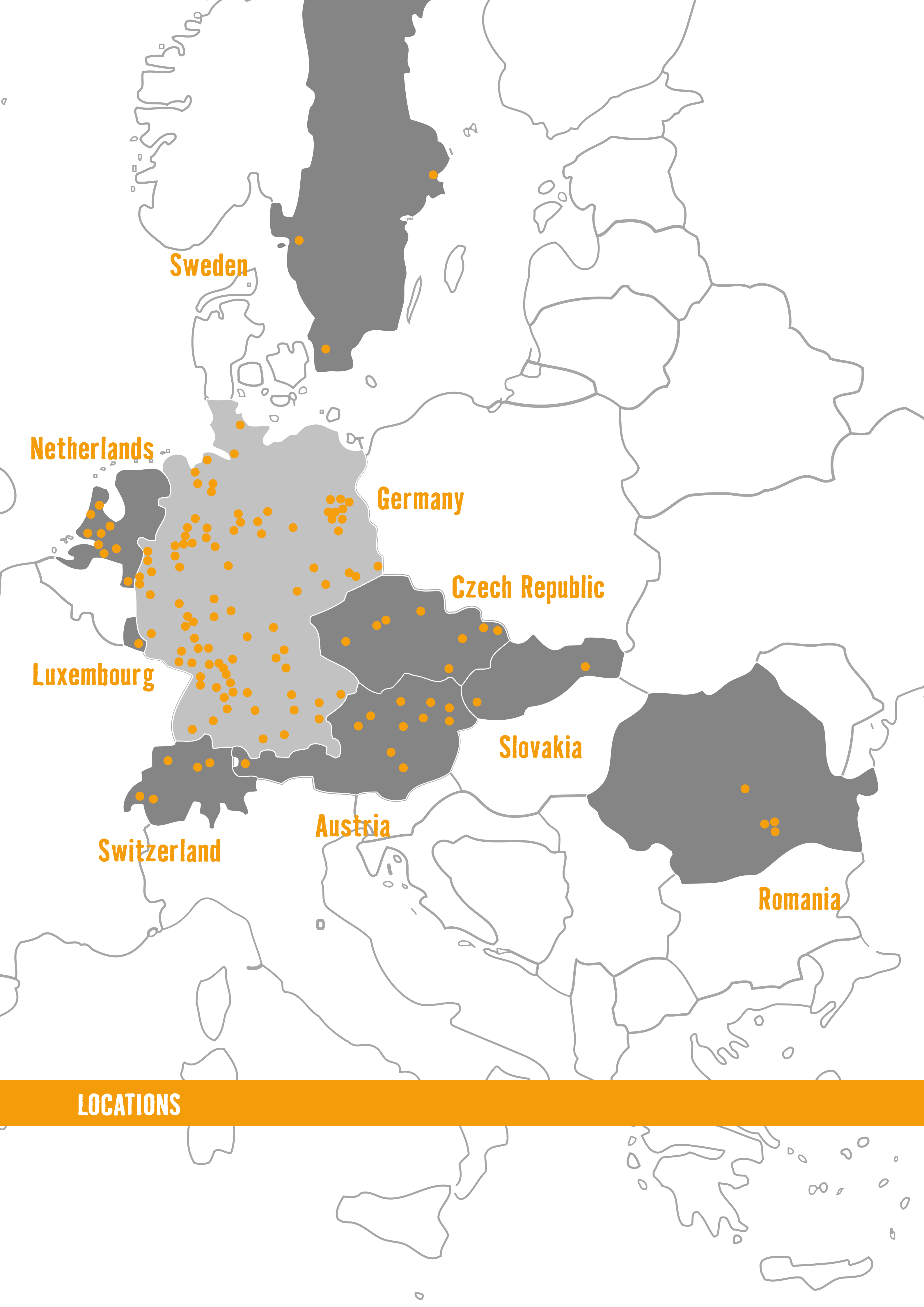
Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a (1) HGB, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, May 2, 2013
KPMG AG Wirtschaftsprüfungsgesellschaft

Bertram
German Public Auditor

Palm
German Public Auditor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Netherlands
Germany
Czech Republic
Luxembourg
Slovakia
Austria
Switzerland
Romania

LOCATIONS

Germany

Baden-Württemberg
Binzen
Esslingen
Göppingen
Heidelberg
Karlsruhe-Grünwinkel
Karlsruhe-Hagsfeld
Ludwigsburg
Mannheim
Mosbach
Pforzheim
Remseck
Rottweil
Schwetzingen
Sindelfingen
Sinsheim
Tübingen

Bayern
Altötting
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Erlangen
Fürth
Ingolstadt
Kempten
Munich-Freiham
Munich-Fröttmaning
Neu-Ulm
Nuremberg
Passau
Straubing
Würzburg

Berlin
Berlin-Bohnsdorf
Berlin-Mariendorf
Berlin-Marzahn
Berlin-Neukölln
Berlin-Weissensee

Brandenburg
Fredersdorf-Vogelsdorf
Ludwigsfelde
Marquardt
Velten

Bremen
Bremen, Duckwitzstraße*
Bremen Weserpark
Bremerhaven

Hamburg
Hamburg-Eidelstedt

Hessen
Darmstadt
Frankfurt, Hanauer Landstr.
Frankfurt-Niedereschbach
Hanau
Lohfelden (Baumarkt)
Lohfelden (Gartencenter)
Wiesbaden-Mainz-Kastel
Wiesbaden-Biebrich

Niedersachsen
Braunschweig
Garbsen
Hanover-Linden
Isernhagen-Altwarmbüchen
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Osnabrück
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Dresden-Kaditz
Dresden-Prohlis
Görlitz
Leipzig

Sachsen-Anhalt
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Schleswig-Holstein
Kiel

Thüringen
Jena

International

Austria
Ansfelden
Bad Fischau
Brunn a.G.
Gerasdorf
Hohenems
Krems
Leoben
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St. Pölten
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Arlöv
Botkyrka
Gothenburg
Sundbyberg*

Switzerland
Biel/Bienne
Etoy
Galgenen
Luzern-Littau
Riddes*
Villeneuve

* newly opened in 2012/2013 financial year

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HORNBACH-Baumarkt-Aktiengesellschaft
Hornbachstraße
76878 Bornheim bei Landau / Pfalz · Germany
Telephone (+49) 0 63 48 / 60 - 00
Telefax (+49) 0 63 48 / 60 - 40 00
info@hornbach.com
www.hornbach.com

Investor Relations
Telephone (+49) 0 63 48 / 60 - 23 20
invest@hornbach.com
www.hornbach-group.com

Design Concept and Production
Schröder & Schröder GmbH & Co. KG
Böttcherstraße 27
49124 Georgsmarienhütte · Germany
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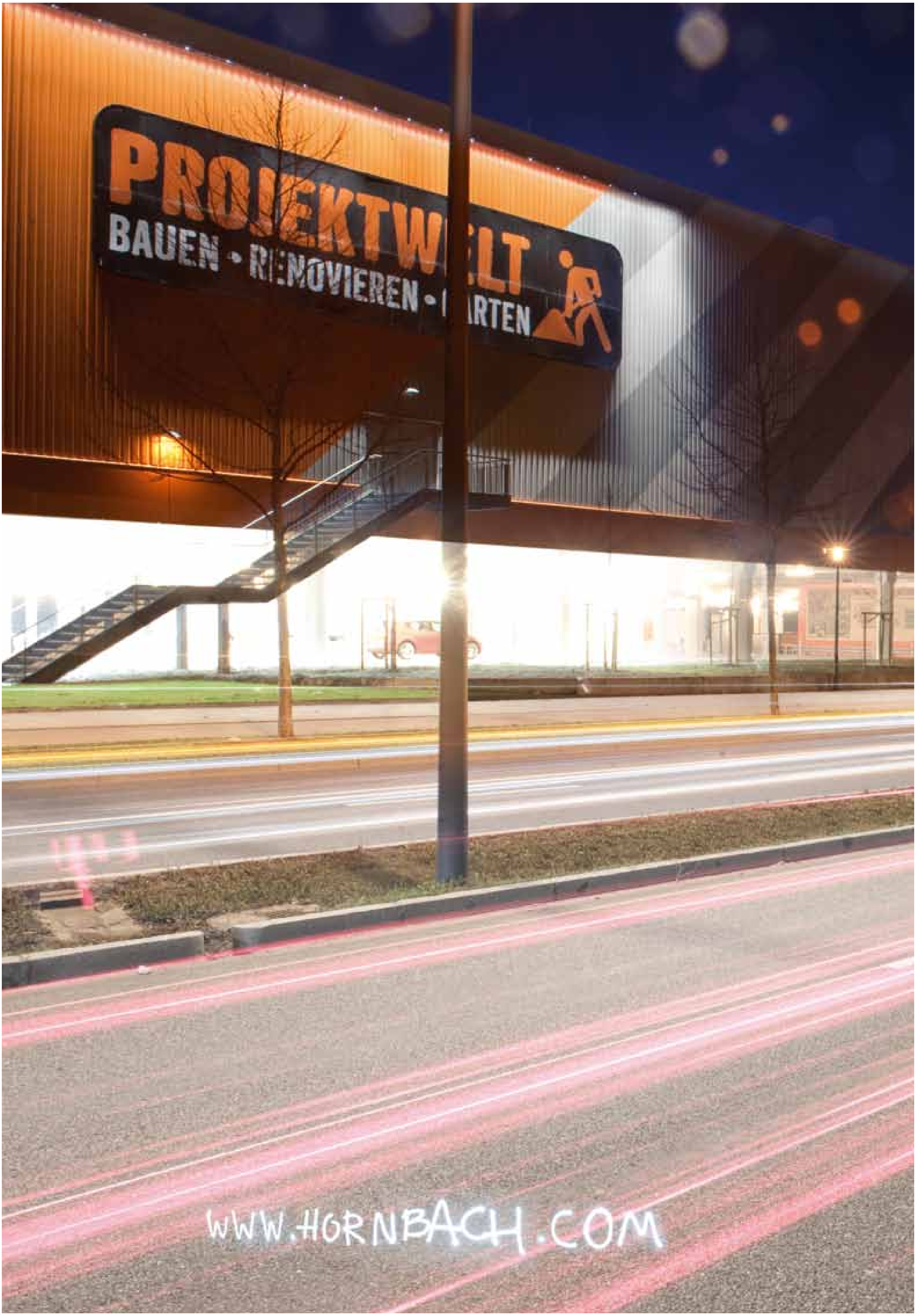
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