# HALF-YEAR FINANCIAL REPORT
## HORNBACH BAUMARKT AG GROUP

# H1
# 2017/2018

(MARCH 1 – AUGUST 31, 2017)

Es gibt immer was zu tun.

# HORNBACH BAUMARKT AG GROUP

## Half-Year Financial Report 2017/2018

## (March 1 – August 31, 2017)

| Key figures of the HORNBACH Baumarkt AG Group (in € million, unless otherwise stated) | 2nd Quarter 2017/2018 | 2nd Quarter 2016/2017 | Change % | 1st Half 2017/2018 | 1st Half 2016/2017 | Change % |
|---|---|---|---|---|---|---|
| **Net sales** | **1,042.7** | **1,003.6** | **3.9** | **2,173.1** | **2,062.5** | **5.4** |
| of which: in Germany | 552.7 | 550.9 | 0.3 | 1,166.1 | 1,142.8 | 2.0 |
| of which in other European countries | 490.0 | 452.7 | 8.3 | 1,006.9 | 919.7 | 9.5 |
| Like-for-like sales growth | 2.6% | 4.5% | | 4.0% | 4.5% | |
| Gross margin as % of net sales | 36.9% | 36.9% | | 37.4% | 37.2% | |
| EBITDA | 83.8 | 76.4 | 9.7 | 181.0 | 156.1 | 15.9 |
| **Earnings before interest and taxes (EBIT)** | **64.0** | **57.9** | **10.4** | **141.6** | **119.5** | **18.5** |
| **Adjusted EBIT** | **64.0** | **57.9** | **10.5** | **141.5** | **119.5** | **18.4** |
| Consolidated earnings before taxes | 58.2 | 52.9 | 10.0 | 131.3 | 108.6 | 20.9 |
| Consolidated net income | 43.2 | 39.6 | 9.1 | 98.0 | 81.5 | 20.3 |
| Basic/diluted earnings per share (€) | 1.36 | 1.25 | 8.8 | 3.08 | 2.56 | 20.3 |
| Investments | 28.8 | 27.8 | 3.5 | 49.5 | 73.1 | (32.2) |

| Misc. key figures of the HORNBACH Baumarkt AG Group (in € million, unless otherwise stated) | August 31, 2017 | February 28, 2017 | Change % |
|---|---|---|---|
| Total assets | 2,020.3 | 1,959.9 | 3.1 |
| Shareholders' equity | 1,082.5 | 1,010.6 | 7.1 |
| Shareholders' equity as % of total assets | 53.6% | 51.6% | |
| Number of stores | 156 | 155 | 0.6 |
| Sales area in 000 m² (based on BHB) | 1,819 | 1,806 | 0.7 |
| Number of employees | 18,408 | 18,002 | 2.3 |

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

# INTERIM GROUP MANAGEMENT REPORT

## Summary

**HORNBACH Baumarkt AG Group posts pleasing sales and earnings growth in first half of 2017/2018**

- **Consolidated sales grow 5.4% to € 2.2 billion in first six months – like-for-like growth of 4.0%**
- **Retail activities outside Germany once again generate the strongest growth momentum**
- **Consolidated operating earnings (EBIT) up 18.5% to € 141.6 million**
- **Given higher second-half expenses, Board of Management leaves forecast unchanged**

**The HORNBACH Baumarkt AG Group upheld its growth course in the first half of 2017/2018. Consolidated sales for the first half of 2017/2018 (March 1 to August 31, 2017) improved 5.4% to € 2,173.1 million (2016/2017: € 2,062.5 million). Consolidated operating earnings (EBIT) for the same period increased by 18.5% to € 141.6 million (2016/2017: € 119.5 million). HORNBACH expects to incur rising costs, particularly for the Group's digitization, in the second half of the financial year. As a result, the Board of Management has confirmed the full-year sales and earnings forecast for the 2017/2018 financial year.**

The sales performance in the second quarter of 2017/2018 was pleasing overall. Given one business day fewer than in the previous year and unsettled summer weather, however, over the course of the second quarter sales were unable to maintain the ambitious rate of growth achieved in the first quarter. Consolidated sales at HORNBACH Baumarkt AG for the period from June 1 to August 31, 2017 thus grew by 3.9% to € 1,042.7 million (2016/2017: € 1,003.6 million). On a like-for-like basis and net of currency items, group-wide sales rose by 2.6% in the quarter under report. With adjusted sales growth of 5.3%, the retail activities outside Germany once again contributed the strongest growth momentum, whereas sales at the company's stores in its home market were only slightly ahead of the previous year's level.

In the first half of 2017/2018 as a whole, consolidated like-for-like sales net of currency items grew by 4.0%. The Germany region achieved like-for-like sales growth of 2.1% in the first half of 2017/2018. Due not least to the increasing significance of its e-commerce activities, based on its own calculations HORNBACH outperformed the DIY sector average by more than one percentage point in the period from March to August 2017. In the Other European countries region, like-for-like sales net of currency items rose by 6.4% compared with the first half of 2016/2017. The international share of consolidated sales increased from 44.6% to 46.3% in the first half of the year.

Earnings at the HORNBACH Baumarkt AG Group showed disproportionate growth compared with sales in the second quarter of 2017/2018 as well. This was mainly driven by like-for-like, currency-adjusted sales growth in conjunction with a stable gross margin and the fact that selling and store expenses rose less rapidly than sales. Second-quarter EBIT grew by 10.4% to € 64.0 million (2016/2017: € 57.9 million).

On a cumulative basis for the first six months, consolidated operating earnings rose by 18.5% to € 141.6 million (2016/2017: € 119.5 million). Consolidated net income for the first half of the year grew by 20.3% to € 98.0 million (2016/2017: € 81.5 million) and earnings per share are reported at € 3.08 (2016/2017: € 2.56).

## Macroeconomic and Sector-Specific Framework

According to the German Bundesbank, the rise in global economic output in the second quarter of the 2017 calendar year offered further evidence that the global economy has gained ground. Among other factors, this development was driven by the dynamic momentum shown by the European economy, where the upturn continued in the spring quarter. According to expert assessments, high levels of consumer and business confidence indicate that this upward development is set to continue.

Based on figures released by Eurostat, seasonally-adjusted real-term gross domestic product (GDP) in the euro area (EA 19) grew by 0.6% in the second quarter of 2017 compared with the previous quarter and by 2.3% compared with the same period in the previous year. The figures for the European Union as a whole (EU 28) present a similar picture. This economic growth continued to be broadly spread across individual countries and expenditure components. Alongside the dynamic development in external demand, key growth momentum in spring 2017 also came from private consumer spending in particular, which economic indicators showed to have grown slightly faster than in previous quarters. Adjusted for seasonal and price factors, the rate of growth in retail sales accelerated significantly. Consumers' propensity to spend benefited from a further improvement in confidence based on increasing optimism concerning the economic outlook. Consumers' willingness to make purchases was presumably also boosted by the ongoing recovery in the labor market and weakening in inflation. Investment activity has also continued to rise, especially in the construction sector. Compared with the first quarter, seasonally-adjusted construction output grew by 1.2% in the euro area and by 1.0% in the European Union in the second quarter of 2017. Year-on-year, construction output rose by 3.3% and 3.5% respectively.

The macroeconomic framework in the countries in which the HORNBACH Baumarkt AG Group operates outside Germany in most cases improved more markedly than the European average. Based on the macroeconomic data available upon the release of this report, the Netherlands, Romania, Sweden, and the Czech Republic in particular reported strong GDP growth rates ranging from 1.5% to 2.5%, with Austria and Slovakia also showing pleasing growth momentum.

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

| Percentage change on previous quarter<br>Source: Eurostat (calendar year figures) | 3rd Quarter 2016 | 4th Quarter 2016 | 1st Quarter 2017 | 2nd Quarter 2017 |
|---|---|---|---|---|
| **Germany** | **0.3** | **0.4** | **0.7** | **0.6** |
| Austria | 0.7 | 0.6 | 0.7 | 0.9 |
| Czech Republic | 0.2 | 0.4 | 1.5 | 2.5 |
| Luxembourg | 1.0 | 1.2 | 0.1 | 0.1 |
| Netherlands | 0.8 | 0.7 | 0.6 | 1.5 |
| Romania | 0.7 | 1.6 | 1.8 | 1.6 |
| Slovakia | 0.7 | 0.8 | 0.8 | 0.8 |
| Sweden | 0.7 | 0.9 | 0.6 | 1.7 |
| Switzerland | 0.3 | (0.2) | 0.1 | 0.3 |
| **Euro Area** | **0.5** | **0.6** | **0.5** | **0.6** |
| **EU 28** | **0.5** | **0.7** | **0.5** | **0.7** |

The high rate of growth in the German economy continued in the second quarter of 2017. Based on figures released by Destatis, the Federal Statistical Office, when adjusted for price, seasonal, and calendar-related factors, GDP grew by 0.6% in the second quarter of 2017 compared with the first quarter of 2017, in which economic output already rose by 0.7%. The momentum for this growth came from the domestic economy, where private households increased their consumer spending by an impressive 0.8% and government consumption rose year-on-year by 0.6%. Capital expenditure also showed a further increase, with 1.2% more being invested in equipment and 0.9% more in buildings than in the first quarter of 2017.

**Building permits issued for residential units by building type in 1st half of 2017 (calendar year)**

| Source: Federal Statistical Office (Destatis) | 1st half 2017 | Year-on-year change (absolute) | Year-on-year change (%) |
|---|---|---|---|
| **New apartments in residential buildings** | **146,947** | **(7,537)** | **(4.9)** |
| with 1 apartment | 45,294 | (4,770) | (9.5) |
| with 2 apartments | 11,104 | (244) | (2.2) |
| with 3 or more apartments | 82,088 | 1,416 | 1.8 |
| Residential establishments (including accommodation for refugees) | 8,461 | (3,939) | (31.8) |
| **New apartments in non-residential buildings** | **2,412** | **(90)** | **(3.6)** |
| **Construction measures on existing buildings** | **20,095** | **(5,739)** | **(22.2)** |
| **Residential and non-residential buildings (all construction measures)** | **169,454** | **(13,366)** | **(7.3)** |

The previous year's period set a very high standard for the number of building permits issued. Growth of more than 30% in the number of permits issued in the first half of 2016 created a boom of historic proportions. By contrast, in the first half of 2017 permits were issued for a total of 169,454 units, corresponding to a reduction of 7.3% on the first six months of 2016. Overall, due to ongoing low interest rates and the continuing stability of labor markets conditions for the construction industry are still positive. Construction investments showed further strong, broad-based growth in the spring. Alongside highly dynamic developments in the residential construction segment, commercial and public construction also grew substantially.

Driven by very high expectations concerning their incomes and future economic developments, consumers were clearly in the mood to shop in the spring months. Sales in the German retail sector rose year-on-year by 1.7% (price-adjusted) and 3.5% (nominal) in the first half of 2017. Real-term retail sales (excluding motor vehicle retail) showed marked growth in the second quarter and rose significantly faster than in the previous quarters. All major goods classes benefited from consumers' increased propensity to spend, with particularly strong growth in internet and mail order sales.

The German DIY retail sector increased its aggregate gross sales year-on-year by 1.6% in nominal terms to € 9.59 billion in the first half of the 2017 calendar year. This was due to the sharp sales growth of 5.4% in the first quarter of the calendar year. According to figures released by the BHB sector association, however, unfavorable weather-related factors in April and May 2017 and the lower number of business days compared with the previous year led to a slight downturn of 1.1% in sales in the second calendar quarter. On a like-for-like basis, i.e. excluding stores newly opened, closed or subject to major conversion work, the shortfall in sales in the second quarter of the 2017 calendar year was also clearly offset by the growth seen in the first quarter. For the first six months, the German DIY sector posted like-for-like sales growth of 1.4%.

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

| Source: GfK Total Store Report Deutschland | 1st quarter 2017 | 2nd quarter 2017 | 1st half 2017 |
|---|---|---|---|
| Gross sales (€ billion) | 4.04 | 5.55 | 9.59 |
| Nominal year-on-year change (%) | 5.4 | (1.1) | 1.6 |
| Like-for-like year-on-year change (%) | 5.3 | (1.3) | 1.4 |

# Earnings, Financial, and Net Asset Situation*

**Development in HORNBACH store network**

We did not launch operations at any new location in the second quarter of 2017/2018 (June 1 to August 31, 2017). HORNBACH Baumarkt AG operated a group-wide total of 156 retail outlets as of August 31, 2017 (February 28, 2017: 155), of which 98 (98) in Germany and 58 (57) in other European countries. Total sales areas at the HORNBACH Baumarkt AG Group amounted to around 1.82 million m² as of August 31, 2017 (February 28, 2017: 1.81 million m²).

**Seasonal and calendar-related factors**

**Impact of weather conditions**

Thanks to record temperatures in March and summery conditions in May 2017, weather conditions were predominantly favorable for the DIY retail business in Germany and the eight countries in the Other European countries region in the first quarter (Q1) of the 2017/2018 financial year. By contrast, weather conditions in the second quarter (Q2) presented a mixed picture: On the one hand, the very dry weather with record high temperatures seen at times in June 2017 was followed by numerous storms with record volumes of rain in some areas. Weather conditions varied very widely between individual regions, although the stable summer weather conditions conducive to extensive construction and renovation projects remained the exception in all areas in July and August 2017.

**Number of business days**

The first half of the 2017/2018 financial year (March 1 to August 31, 2017) had an average of one business day fewer than the previous year's period. The arithmetic calendar-related impact came to plus 0.7 business days in Q1, contrasting with minus 1.4 business days in Q2.

**Sales performance**

**2nd quarter of 2017/2018**

Overall, the Group can report a pleasing sales performance for Q2 2017/2018. Given the negative impact of seasonal and calendar-related factors, however, over the course of the second quarter sales were unable to maintain the rate of growth seen in the first quarter (plus 6.7%). Consolidated sales at HORNBACH Baumarkt AG for the period from June 1 to August 31, 2017 increased by 3.9% to € 1,042.7 million (2016/2017: € 1,003.6 million). The retail activities outside Germany once again contributed the greatest growth momentum. While the Germany region increased its net sales by 0.3% to € 552.7 million (2016/2017: € 550.9 million), driven in part by the Group's expansion net sales in the Other European countries region grew by 8.3% to € 490.0 million (2016/2017: € 452.7 million).

On a like-for-like basis and net of currency items [↳ Glossary on Page 13], consolidated sales grew by 2.6% in the quarter under report, compared with strong growth of 4.5% in the previous year's quarter. Including currency items for non-euro countries, namely the Czech Republic, Romania, Sweden, and Switzerland, we improved our group-wide like-for-like sales by 2.5% in the second quarter of 2017/2018. In other European countries, like-for-like sales growth in the period from June to August 2017 came to 5.3% excluding and 5.2% including currency items. In Germany, our like-for-like sales in the second quarter of 2017/2018 were slightly ahead of the level achieved in the previous year's quarter.

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

**Like-for-like sales performance**[1)]

(in percent)

| 2017/2018 financial year<br>2016/2017 financial year | 1st quarter | 2nd quarter | 1st half |
|---|---|---|---|
| **Group** | **5.4** | **2.6** | **4.0** |
| | 4.4 | 4.5 | 4.5 |
| **Germany** | **3.8** | **0.3** | **2.1** |
| | 2.7 | 2.2 | 2.5 |
| **Other European countries** | **7.5** | **5.3** | **6.4** |
| | 6.6 | 7.7 | 7.1 |

1) Excluding currency items

### 1st half of 2017/2018

Consolidated sales grew by 5.4% to € 2,173.1 million in the period under report from March 1 to August 31, 2017 (2016/2017: € 2,062.5 million). Net sales in Germany showed cumulative growth of 2.0% to € 1,166.1 million (2016/2017: € 1,142.8 million). In other European countries, we increased our first-half sales by 9.5% to € 1,006.9 million (2016/2017: € 919.7 million). As a result, the international share of sales rose from 44.6% to 46.3%.

On a like-for-like basis, consolidated sales both including and excluding currency items grew by 4.0% in the first half of the year. This growth was driven, albeit to varying degrees, both by the stores in the company's home market and by those abroad.

- In the **Germany region**, we generated like-for-like sales growth of 2.1% in the first half of 2017/2018. Based on our calculations, HORNBACH's DIY stores with garden centers outperformed the German DIY sector average by more than one percentage point in the period from March to August 2017 and seamlessly upheld their outperformance of the German market.

  This growth is increasingly due to the significance of our online business. Our e-commerce activities form an integral part of our business model. To this end, since our German online shop went live in 2010 we have channeled substantial resources into sustainably digitizing our retail format within our interconnected retail (ICR) strategy. The aim is to offer customers exactly what they are looking for and need, and that at every point along their customer journey. At our online portal, for example, customers can inform themselves about articles, their prices and availability, and compare articles. Not only that, they can have their articles delivered directly to their homes by mail order or draw on our "Reserve online and collect at the store" service. Professional customers in particular benefit from the fact that all of the articles they order are ready for collection at their designated HORNBACH store no later than two hours after reservation.

  Our above-average sales performance compared with other players in the sector, a development that has been apparent for years, continues to be driven by the great popularity of HORNBACH's DIY stores with garden centers among DIY enthusiasts and construction professionals alike. In Kundenmonitor Deutschland, the most prestigious consumer survey for the German retail sector, HORNBACH achieved outstanding results once again in 2017 and was ranked first in 12 and second in 14 of the total of 46 assessment categories. Customers awarded us top marks in individual categories including "Product Selection and Variety", "Product Quality", "Clarity of Specialist Advice", and "Media Assistance with Using Materials/Tools Bought". In the comparison with competitors, German DIY store customers also see HORNBACH as leading the field in the criteria of "Product Range", "Prices", "Specialist Advice", and "Advertising".

- Our strongest sales growth in the first half came once again from our **Other European countries region**, where we pool our retail activities in eight countries outside Germany. Building on the high level achieved in the previous year, we improved our like-for-like, currency-adjusted sales here by 6.4% compared with the first half of 2016/2017. Including currency items, like-for-like sales grew by 6.3%. We thus significantly exceeded the rate of change in key European economic indicators, such as in particular the development in gross domestic product or private consumer spending.

  As of August 31, 2017, we were operating online shops in five countries outside Germany, enabling us to benefit even more clearly from our e-commerce activities in Austria, Switzerland, the Netherlands, Luxembourg, and the Czech Republic. In September 2017, and thus after the balance sheet date, the HORNBACH online shop in Slovakia also went online. This is set to be followed in the second half of the 2017/2018 financial year by the last two online shops still due to be launched, namely in Sweden and Romania. Particularly in those international markets in which our stationary DIY stores and garden centers are not available throughout the respective country, our internet presence offers us the opportunity to attract new customers to HORNBACH outside the catchment areas of our stores as well and to inspire them with our brand.

  Our retail format is enabling us to participate successfully in the growth in the European housing construction market. This segment is the main factor driving the acceleration in overall construction volumes for the third consecutive year since the turnaround in 2014. The research and advisory network Euroconstruct has forecast growth of almost 3% in 2017 in the 19 European countries which it covers. Against this backdrop, in the countries in which it operates HORNBACH enjoys a strong reputation among customers as a partner for projects, and particularly for projects involving larger-scale construction or renovation work on houses, apartments, or gardens. Based on the indicators available for the DIY sales performance in five countries, HORNBACH outperformed its sector, in most cases significantly so, in the first half of the 2017 calendar year.

### Earnings performance

The following information refers to the earnings performance of the HORNBACH Baumarkt AG Group. Information about the performance of the "Retail" and "Real estate" segments can be found in the segment report in the notes (Page 25).

### 2nd quarter of 2017/2018

Earnings at the HORNBACH Baumarkt AG Group improved disproportionately compared with sales in the second quarter of 2017/2018. This was chiefly driven by like-for-like and currency-adjusted sales growth in conjunction with a stable gross margin and the fact that selling and store expenses rose less rapidly than sales.

Gross profit grew by 3.9% to € 384.9 million in the quarter under report (2016/2017: € 370.6 million) and thus rose in line with sales. The **gross margin** [↦ Glossary on Page 14], i.e. gross profit as a percentage of net sales, therefore remained unchanged at 36.9%.

**Selling and store expenses** grew more slowly than sales, rising by 2.0% to € 272.7 million (2016/2017: € 267.4 million). Within this item, personnel expenses, including bonuses, and depreciation and amortization rose faster than sales, with this being countered in particular by rental and operating expenses rising less rapidly than sales and a year-on-year reduction in advertising and utilities expenses. The store expense ratio [↦ Glossary on Page 14] decreased from 26.6% to 26.2%. **Pre-opening expenses** rose to € 1.0 million in the second quarter of 2017/2018, up from € 0.7 million in the previous year's quarter. At 0.1%, the pre-opening expense ratio [↦ Glossary on Page 14] remained virtually unchanged. **General and administration expenses** showed disproportionate growth of 6.5% to € 49.6 million (2016/2017: € 46.5 million). The increase in the administration expense ratio [↦ Glossary on Page 14] from 4.6% to 4.8% was mainly due to the disproportionate growth in the volume of expenses incurred to expand e-commerce within our ICR strategy. Conversely, the overall increase in purely administrative expenses and operating administrative expenses was more or less consistent with the level of sales growth.

Earnings before interest, taxes, depreciation and amortization (EBITDA) [↦ Glossary on Page 13] increased by 9.7% to € 83.8 million in the period under report (2016/2017: € 76.4 million). **Operating earnings (EBIT)** rose by 10.4% to € 64.0 million (2016/2017: € 57.9 million). Non-operating earnings items were negligible both in the second quarter of 2017/2018 and in the same period in the previous year. As a result, **adjusted EBIT** [↦ Glossary on Page 13] is largely consistent with operating earnings.

Net financial expenses deteriorated from minus € 5.0 million to minus € 5.7 million. This was mainly due to an increase in negative currency items by € 1.2 million, a development which was in turn countered by a reduction in interest expenses by € 0.5 million. Consolidated earnings before taxes rose year-on-year by 10.0% to € 58.2 million (2016/2017: € 52.9 million). Based on a tax rate of 25.8% (2016/2017: 25.2%), consolidated net income for the period increased to € 43.2 million (2016/2017: € 39.6 million). Second-quarter earnings per share came to € 1.36 (2016/2017: € 1.25).

**1st half of 2017/2018**

The HORNBACH Baumarkt AG Group can report pleasing improvements in its key earnings figures for the first half of 2017/2018. These were principally driven by the highly dynamic development in sales and earnings in the first three months of the current financial year, while the pace of growth slowed in the summer months due to seasonal and calendar-related factors. Key data concerning the earnings performance in the first half of 2017/2018 (March 1 to August 31, 2017) are as follows:

- Gross profit rose by 6.1% to € 813.4 million (2016/2017: € 766.5 million). The **gross margin** advanced slightly from 37.2% to 37.4% (plus 20 base points). This slight increase was mainly due to positive changes in the product mix, while movements in retail prices on the one hand and procurement terms on the other roughly balanced each other out.
- **Selling and store expenses** grew less rapidly than sales, rising by 2.7% to € 571.7 million (€ 556.8 million). The store expense ratio decreased from 27.0% to 26.3%. **Pre-opening expenses** fell by a quarter to € 2.1 million, while the pre-opening expense ratio came to 0.1%. **General and administration expenses** increased by 12.1% to € 103.3 million (2016/2017: € 92.1 million). Due to substantially higher expenses incurred in the first quarter in particular in connection with the increasing digitization of our retail business, the administration expense ratio for the first half of the year rose from 4.5% to 4.8%.
- EBITDA increased by 15.9% to € 181.0 million (2016/2017: € 156.1 million).
- **Operating earnings (EBIT)** at the HORNBACH Baumarkt AG Group rose by 18.5% to € 141.6 million (2016/2017: € 119.5 million). Given a negligible volume of non-operating earnings items, **adjusted EBIT** for the first half of 2017/2018 rose by 18.4% to € 141.5 million (2016/2017: € 119.5 million).
- Net financial expenses improved by € 0.6 million to minus € 10.3 million. This was mainly due to lower interest expenses, which more than offset the increase in negative currency items.
- Consolidated earnings before taxes rose by 20.9% to € 131.3 million (2016/2017: € 108.6 million).
- The tax rate increased slightly from 24.9% to 25.3%. Consolidated net income for the period improved by 20.3% to € 98.0 million (2016/2017: € 81.5 million). Earnings per share for the first half of 2017/2018 are reported at € 3.08 (2016/2017: € 2.56).

## Financial and net asset situation

### Financial situation

Investments fell from € 73.1 million in the previous year's period to € 49.5 million in the first half of 2017/2018, with this reduction being due to a lower volume of land acquisition investments. Slightly more than half the investment total was invested in land and buildings, while the remainder was channeled into plant and operating equipment at new and existing stores and into intangible assets (mainly IT software). Investments were fully financed from the cash flow of € 136.8 million from operations (2016/2017: € 169.1 million). The year-on-year reduction in the cash flow from operating activities was chiefly due to changes in working capital as of the respective reporting dates.

Net of the receipt of € 10 million due to the maturing of current financial assets, the outflow of funds for investing activities amounted to € 38.7 million in the first half of 2017/2018 (2016/2017: € 122.3 million). In the first half of 2016/2017, by contrast, liquid funds of € 50 million were reclassified as current financial assets with terms of more than three months and reported as an outflow of funds for investing activities. Since then, the financial funds invested this way have gradually been repaid (inflow of funds from investing activities). They totaled € 30 million at the balance sheet date on February 28, 2017 and most recently came to € 20 million as of August 31, 2017. Information about the financing and investing activities of the HORNBACH Baumarkt AG Group can be found in the cash flow statement on Page 19.

**Net asset situation**

Total assets at the HORNBACH Baumarkt AG Group grew to € 2,020.3 million as of August 31, 2017, up 3.1% compared with the balance sheet date on February 28, 2017. This growth was mainly due to the increase in cash and cash equivalents by € 58.6 million. Current assets therefore rose by 7.0% to € 885.9 million, while non-current assets remained virtually unchanged at € 1,134.4 million.

Shareholders' equity as reported in the balance sheet amounted to € 1,082.5 million as of August 31, 2017 (February 28, 2017: € 1,010.6 million). The **equity ratio** [↦ Glossary on Page 14] rose to 53.6%, up from 51.6% at the previous reporting date. Non-current liabilities decreased by € 6.9 million to € 496.5 million (€ 503.4 million). Current liabilities reduced by € 4.6 million to € 441.3 million (€ 445.8 million). Comparison of the figures as of the respective reporting dates shows that the reductions in trade payables (minus € 60.8 million) and current financial debt (minus € 11.2 million) on the one hand were countered by the increases in other current liabilities (plus € 31.7 million), other provisions and accrued liabilities (plus € 22.1 million), and income tax liabilities (plus € 13.7 million) on the other hand.

Including current financial assets, **net financial debt** [↦ Glossary on Page 14] decreased to € 243.5 million as of August 31, 2017 (February 28, 2017: € 309.9 million).

**Employees**

A total of 18,408 employees across Europe, of which 7,960 outside Germany, were in fixed employment at HORNBACH Baumarkt AG or one of its subsidiaries as of the reporting date on August 31, 2017 (February 28, 2017: 18,002/7,693).

## Events After the Balance Sheet Date

No events of material significance for the assessment of the earnings, financial and net asset situation of HORNBACH Baumarkt AG or of the HORNBACH Baumarkt AG Group have occurred since the end of the first half as of August 31, 2017.

## Risk and Opportunity Report

We presented the risks and opportunities involved in the future business activities of the HORNBACH Baumarkt AG Group in detail in the Risk and Opportunity Reports in our 2016/2017 Annual Report (from Page 67 onwards). This basic assessment of the Group's medium to long-term development potential had not changed materially upon publication of this interim report.

# Outlook

We provided a detailed forecast of the macroeconomic and sector-specific framework and of the Group's expected business performance in 2017/2018 on Pages 79 to 84 of the 2016/2017 Annual Report of the HORNBACH Baumarkt AG Group. Our basic assessments concerning the business prospects for the DIY sector on the one hand and for HORNBACH on the other were still largely valid upon publication of this interim report.

**Macroeconomic and sector-specific framework**

Based on the assessment of the German Bundesbank, persistently strong levels of confidence among companies and consumers alike indicate that the upward macroeconomic trend in Europe will continue in the second half of 2017 as well. The confidence indicators published by the European Commission have maintained their high levels and indicate great confidence for the retail sector and consumers in particular. According to forecasts issued by the EU Commission, all countries in which HORNBACH operates are set to achieve positive growth in 2017, with six of these countries expected to exceed the average European growth rate.

**Rate of GDP change and growth forecasts in countries with HORNBACH DIY stores and garden centers**

| Year-on-year percentage change<br>Source: European Commission | 2015 | 2016 | 2017<br>Forecast |
|---|---|---|---|
| Germany | 1.7 | 1.9 | 1.6 |
| Austria | 1.0 | 1.5 | 1.7 |
| Czech Republic | 5.3 | 2.6 | 2.6 |
| Austria | 1.0 | 1.5 | 1.7 |
| Netherlands | 2.3 | 2.2 | 2.1 |
| Romania | 3.9 | 4.8 | 4.3 |
| Slovakia | 3.8 | 3.3 | 3.0 |
| Sweden | 4.5 | 3.3 | 2.6 |
| Switzerland | 1.2 | 1.4 | 1.5 |
| **Euro Area (ER19)** | **2.0** | **1.8** | **1.7** |
| **EU 28** | **2.2** | **1.9** | **1.9** |

## Forecast business performance of the HORNBACH Baumarkt AG Group in 2017/2018

### Expansion

One new store is scheduled to be opened, most likely in the third quarter of 2017/2018, in Halle (Saxony-Anhalt). Moreover, the old location in Hanau is due to be closed at the latest by the end of December 2017. By the end of the financial year on February 28, 2017, the total number of HORNBACH DIY stores with garden centers will therefore amount to 156, of which 58 locations in other European countries, and will thus remain unchanged compared with the reporting date on August 31, 2017.

### Sales and earnings forecast for the HORNBACH Baumarkt AG Group remains unchanged

The statements made concerning the expected performance of the Group in the 2017/2018 financial year have not changed materially compared with the assessments published in the 2016/2017 Annual Report of the HORNBACH Baumarkt AG Group.

The Board of Management can confirm the sales and earnings forecast for the 2017/2018 financial year published on Pages 81 to 84 of the 2016/2017 Annual Report.

Sales in the second half of the 2017/2018 financial year are expected to grow less dynamically than in the first half, which benefited above all from sharp sales growth in the first quarter. The full-year sales forecast, which has not been amended, provides for consolidated sales growth in a medium single-digit percentage range.

With regard to the earnings forecast, the Board of Management expects the head start in earnings built up in the first six months to reduce significantly in the second half of 2017/2018. The HORNBACH Baumarkt AG Group expects to incur increased costs in the second half of the financial year relating among other factors to the digitization of its retail business. In view of this, the Board of Management still expects the company's full-year operating earnings (EBIT) for 2017/2018 to slightly exceed the previous year's figure (€ 97.5 million). Earnings excluding non-operating items (adjusted EBIT) are still expected to more or less match the figure reported for the 2016/2017 financial year (€ 102.8 million).

## Glossary of Alternative Key Performance Figures

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

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

| | | |
|---|---|---|
| **Cost ratios** | *Alternative key performance figures for the development in store, pre-opening, and administration expenses as a percentage of net sales* | The store expense ratio is obtained by dividing selling and store expenses by net sales. Selling and store expenses comprise those costs incurred in connection with the operation of stationary DIY stores with garden centers and the online shops. They mainly include personnel expenses, costs of premises, and advertising expenses, as well as depreciation, amortization, and general operating expenses, such as transport expenses, service and maintenance.<br><br>The pre-opening expense ratio is calculated by dividing pre-opening expenses by net sales. Costs incurred in connection with and upon the construction of a new stationary DIY store with a garden center through to opening are reported as pre-opening expenses. Pre-opening expenses largely comprise personnel expenses, costs of premises, and administration expenses.<br><br>The administration expense ratio is the quotient of administration expenses and net sales. Administration expenses include all administrative expenses incurred in connection with the operation or construction of stationary DIY stores with garden centers and with the development and operation of online retail (e-commerce) and which cannot be directly allocated to such. They mainly consist of personnel expenses, legal and advisory expenses, depreciation and amortization, costs of premises, and IT, travel, and vehicle expenses. As well as purely administrative expenses, they also include project-related expenses and in particular the expenses incurred for the increasing digitization of our business model (multichannel retail). |
| **Equity ratio** | *Alternative key performance figure to comment on asset situation* | The equity ratio is derived by dividing shareholders' equity as reported in the balance sheet (equity posted) by total capital (balance sheet total). |
| **Net financial debt** | *Alternative key performance figure to comment on financial situation* | Net financial debt is calculated as the total of current and non-current financial debt less cash and cash equivalents and – where applicable – less current financial assets. To avoid negative interest rates on cash deposits, from the beginning of the 2016/2017 financial year part of the company's cash and cash equivalents has been reclassified as near-liquid current financial assets with terms of more than three and up to a maximum of twelve months. The inclusion of current financial assets in the calculation of net financial debt enhances comparability with the previous period. |
| **Gross margin** | *Further key performance figure to comment on earnings performance* | The gross margin is defined as gross profit (net balance of sales and cost of goods sold) as a percentage of net sales. This key management figure is chiefly influenced by developments in procurement and retail prices, changes in the product mix, and currency items resulting from international procurement. |

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## Income Statement

| € million [1] | 2nd Quarter 2017/2018 | 2nd Quarter 2016/2017 | Change % | 1st Half 2017/2018 | 1st Half 2016/2017 | Change % |
|---|---|---|---|---|---|---|
| Sales | 1,042.7 | 1,003.6 | 3.9 | 2,173.1 | 2,062.5 | 5.4 |
| Cost of goods sold | 657.9 | 633.0 | 3.9 | 1,359.7 | 1,296.0 | 4.9 |
| **Gross profit** | **384.9** | **370.6** | **3.9** | **813.4** | **766.5** | **6.1** |
| Selling and store expenses | 272.7 | 267.4 | 2.0 | 571.7 | 556.8 | 2.7 |
| Pre-opening expenses | 1.0 | 0.7 | 43.0 | 2.1 | 2.8 | (24.6) |
| General and administration expenses | 49.6 | 46.5 | 6.5 | 103.3 | 92.1 | 12.1 |
| Other income and expenses | 2.4 | 2.0 | 17.5 | 5.3 | 4.7 | 13.1 |
| **Earnings before interest and taxes (EBIT)** | **64.0** | **57.9** | **10.4** | **141.6** | **119.5** | **18.5** |
| Interest and similar income | 0.1 | 0.0 | 193.6 | 0.3 | 0.5 | (24.2) |
| Interest and similar expenses | 4.3 | 4.7 | (7.7) | 8.8 | 10.3 | (14.8) |
| Other financial result | (1.6) | (0.4) | 313.4 | (1.9) | (1.1) | 74.7 |
| **Net financial expenses** | **(5.7)** | **(5.0)** | **14.8** | **(10.3)** | **(10.9)** | **(5.7)** |
| **Consolidated earnings before taxes** | **58.2** | **52.9** | **10.0** | **131.3** | **108.6** | **20.9** |
| Taxes on income | 15.0 | 13.3 | 12.7 | 33.2 | 27.1 | 22.8 |
| **Consolidated net income** | **43.2** | **39.6** | **9.1** | **98.0** | **81.5** | **20.3** |
| Basic/diluted earnings per share (€) | 1.36 | 1.25 | 8.8 | 3.08 | 2.56 | 20.3 |

[1] Previous year's figures adjusted; please see "Amendments in statement" in 2016/2017 Annual Report (Page 92 onwards).

## Statement of Comprehensive Income

| € million | 2nd Quarter 2017/2018 | 2nd Quarter 2016/2017 | 1st Half 2017/2018 | 1st Half 2016/2017 |
|---|---|---|---|---|
| **Consolidated net income** | **43.2** | **39.6** | **98.0** | **81.5** |
| Actuarial gains and losses on defined benefit plans | 0.6 | (4.3) | 2.0 | (6.2) |
| Deferred taxes on actuarial gains and losses on defined benefit plans | (0.1) | 0.8 | (0.4) | 1.1 |
| **Other comprehensive income that will not be recycled at a later date** | **0.5** | **(3.5)** | **1.6** | **(5.0)** |
| Measurement of derivative financial instruments (cash flow hedge) | | | | |
| Measurement of derivative hedging instruments directly in equity [1] | 0.0 | 0.0 | 0.0 | 0.0 |
| Gains and losses from measurement of derivative financial instruments transferred to profit or loss | 0.0 | 0.2 | 0.0 | 0.7 |
| Measurement of available for sale financial assets | 0.0 | 1.9 | 0.0 | 1.9 |
| Exchange differences arising on the translation of foreign subsidiaries | (4.5) | 1.0 | (5.4) | (0.7) |
| Deferred taxes on gains and losses recognized directly in equity | 0.0 | (0.1) | 0.0 | (0.2) |
| **Other comprehensive income that will be recycled at a later date** | **(4.4)** | **3.0** | **(5.4)** | **1.6** |
| **Total comprehensive income** | **39.3** | **39.1** | **94.3** | **78.0** |

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

## Balance Sheet

| Assets | August 31, 2017 € million | % | February 28, 2017 € million | % |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Intangible assets | 17.0 | 0.8 | 15.2 | 0.8 |
| Property, plant, and equipment | 1,085.9 | 53.7 | 1,087.1 | 55.5 |
| Investment property | 18.2 | 0.9 | 16.2 | 0.8 |
| Financial assets | 5.7 | 0.3 | 5.7 | 0.3 |
| Non-current receivables and other assets | 3.5 | 0.2 | 3.6 | 0.2 |
| Deferred tax assets | 4.2 | 0.2 | 3.8 | 0.2 |
| | **1,134.4** | **56.2** | **1,131.7** | **57.7** |
| **Current assets** | | | | |
| Inventories | 626.7 | 31.0 | 626.1 | 31.9 |
| Short-term financial assets | 20.0 | 1.0 | 30.0 | 1.5 |
| Trade receivables | 8.9 | 0.4 | 8.2 | 0.4 |
| Other short-term assets | 53.0 | 2.6 | 43.1 | 2.2 |
| Income tax receivables | 5.4 | 0.3 | 7.7 | 0.4 |
| Cash and cash equivalents | 171.6 | 8.5 | 113.0 | 5.8 |
| Non-current assets held for sale and disposal groups | 0.3 | 0.0 | 0.0 | 0.0 |
| | **885.9** | **43.8** | **828.2** | **42.3** |
| | **2,020.3** | **100.0** | **1,959.9** | **100.0** |

| Equity and liabilities | August 31, 2017 € million | % | February 28, 2017 € million | % |
|---|---|---|---|---|
| **Shareholders' equity** | | | | |
| Share capital | 95.4 | 4.7 | 95.4 | 4.9 |
| Capital reserve | 143.6 | 7.1 | 143.6 | 7.3 |
| Revenue reserves | 843.4 | 41.7 | 771.6 | 39.4 |
| | **1,082.5** | **53.6** | **1,010.6** | **51.6** |
| **Non-current liabilities** | | | | |
| Non-current financial debt | 417.7 | 20.7 | 424.3 | 21.7 |
| Provisions for pensions | 12.9 | 0.6 | 15.2 | 0.8 |
| Deferred tax liabilities | 28.2 | 1.4 | 27.5 | 1.4 |
| Other non-current liabilities | 37.7 | 1.9 | 36.4 | 1.9 |
| | **496.5** | **24.6** | **503.4** | **25.7** |
| **Current liabilities** | | | | |
| Current financial debt | 17.3 | 0.9 | 28.6 | 1.5 |
| Trade payables | 183.7 | 9.1 | 244.5 | 12.5 |
| Other short-term liabilities | 114.4 | 5.7 | 82.6 | 4.2 |
| Income tax liabilities | 27.1 | 1.3 | 13.4 | 0.7 |
| Other provisions and accrued liabilities | 98.8 | 4.9 | 76.7 | 3.9 |
| | **441.3** | **21.8** | **445.8** | **22.7** |
| | **2,020.3** | **100.0** | **1,959.9** | **100.0** |

## Statement of Changes in Equity

| 1st Half 2016/2017<br>€ million | Share capital | Capital reserve | Hedging reserve | Cumulative currency translation | Other revenue reserves | Total equity |
|---|---|---|---|---|---|---|
| **Balance at March 1, 2016** | **95.4** | **143.6** | **(0.5)** | **36.8** | **697.6** | **972.9** |
| Consolidated net income | | | | | 81.5 | 81.5 |
| Actuarial gains and losses on defined benefit plans, net after taxes | | | | | (5.0) | (5.0) |
| Measurement of derivative financial instruments (cash flow hedge), net after taxes | | | 0.5 | | | 0.5 |
| Measurement of available for sale financial assets, net after taxes | | | | | 1.9 | 1.9 |
| Foreign currency translation | | | | (0.7) | | (0.7) |
| **Total comprehensive income** | | | **0.5** | **(0.7)** | **78.3** | **78.0** |
| Dividend distribution | | | | | (21.6) | (21.6) |
| Treasury stock transactions | | | | | (0.9) | (0.9) |
| **Balance at August 31, 2016** | **95.4** | **143.6** | **(0.1)** | **36.0** | **753.4** | **1,028.4** |

| 1st Half 2017/2018<br>€ million | Share capital | Capital reserve | Hedging reserve | Cumulative currency translation | Other revenue reserves | Total equity |
|---|---|---|---|---|---|---|
| **Balance at March 1, 2017** | **95.4** | **143.6** | **0.0** | **39.3** | **732.3** | **1,010.6** |
| Consolidated net income | | | | | 98.0 | 98.0 |
| Actuarial gains and losses on defined benefit plans, net after taxes | | | | | 1.6 | 1.6 |
| Measurement of derivative financial instruments (cash flow hedge), net after taxes | | | 0.0 | | | 0.0 |
| Measurement of available for sale financial assets, net after taxes | | | | | 0.0 | 0.0 |
| Foreign currency translation | | | | (5.4) | | (5.4) |
| **Total comprehensive income** | | | **0.0** | **(5.4)** | **99.6** | **94.3** |
| Dividend distribution | | | | | (21.6) | (21.6) |
| Treasury stock transactions | | | | | (0.8) | (0.8) |
| **Balance at August 31, 2017** | **95.4** | **143.6** | **0.0** | **33.9** | **809.5** | **1,082.5** |

## Cash Flow Statement

| € million | 1st Half 2017/2018 | 1st Half 2016/2017 |
|---|---|---|
| **Consolidated net income** | **98.0** | **81.5** |
| Depreciation and amortization of non-current assets | 39.5 | 36.6 |
| Change in provisions | 2.0 | 1.6 |
| Gains/losses on disposals of non-current assets and of non-current assets held for sale | (0.4) | 0.7 |
| Change in inventories, trade receivables and other assets | (11.7) | 2.2 |
| Change in trade payables and other liabilities | 8.2 | 44.7 |
| Other non-cash income/expenses | 1.1 | 1.8 |
| **Cash flow from operating activities** | **136.8** | **169.1** |
| Proceeds from disposal of non-current assets and of non-current assets held for sale | 0.8 | 0.8 |
| Payments for investments in property, plant, and equipment | (45.9) | (69.9) |
| Payments for investments in intangible assets | (3.6) | (3.2) |
| Cash received/paid for investments in connection with short-term finance planning | 10.0 | (50.0) |
| **Cash flow from investing activities** | **(38.7)** | **(122.3)** |
| Dividends paid | (21.6) | (21.6) |
| Repayment of long-term debt | (1.9) | (81.8) |
| Change in current financial debt | (15.2) | 0.3 |
| **Cash flow from financing activities** | **(38.6)** | **(103.1)** |
| Cash-effective change in cash and cash equivalents | 59.4 | (56.2) |
| Change in cash and cash equivalents due to changes in exchange rates | (0.9) | (0.1) |
| Cash and cash equivalents at March 1 | 113.0 | 283.0 |
| **Cash and cash equivalents at August 31** | **171.6** | **226.7** |

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

The cash flow from operating activities was reduced by income tax payments of € 17.0 million (2016/2017: € 6.5 million) and interest payments of € 4.7 million (2016/2017: € 6.7 million) and increased by interest received of € 0.3 million (2016/2017: € 0.7 million).

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

# NOTES

## Notes to the Interim Consolidated Financial Statements as of August 31, 2017

### (1) Accounting principles

This Group half-year financial report of HORNBACH Baumarkt AG and its subsidiaries for the 1st half as of August 31, 2017 has been prepared in accordance with § 315a of the German Commercial Code (HGB) based on International Financial Reporting Standards (IFRS) in the form requiring mandatory application in the European Union. The abridged interim report has been prepared in accordance with IAS 34 "Interim Financial Reporting".

Pursuant to IAS 34 "Interim Financial Reporting", income tax expenses for the first half have been calculated using the average annual tax rate expected for the financial year as a whole.

This interim report is to be read in conjunction with the consolidated financial statements of HORNBACH Baumarkt AG for the 2016/2017 financial year. Reference is made to these financial statements on account of the additional information they contain as to the specific accounting and valuation methods applied. The notes included therein also apply to this interim report, unless any amendments are expressly indicated. Moreover, this interim report is also consistent with German Accounting Standard No. 16 (DRS 16) – Interim Reporting – of the German Accounting Standards Committee (DRSC).

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

#### Changes in accounting principles

The new standards, amendments to standards, and interpretations requiring first-time application in the 2017/2018 financial year were described in the notes to the consolidated financial statements for 2016/2017. Alongside a basic description of the relevant accounting principle, these also present any implications expected to result from first-time application.

As of the reporting date, no amendments or new regulations required first-time mandatory application in the 2017/2018 financial year. The additions to IAS 7 "Statement of Cash Flows", additions to IAS 12 "Income Taxes", and the IFRS 2014-2016 improvements are expected to be adopted into European law in the fourth quarter of 2017.

### (2) Seasonal influences

Due to weather conditions, the HORNBACH Baumarkt AG Group generally reports a weaker business performance in the fall and winter than in the spring and summer months. These seasonal fluctuations are reflected in the figures for the first half. The business performance in the first six months as of August 31, 2017 does not necessarily provide an indication for the year as a whole.

### (3) Other income and expenses

Other income and expenses are structured as follows:

| € million | 2nd Quarter 2017/2018 | 2nd Quarter 2016/2017 | Change % |
|---|---|---|---|
| Other income | 4.5 | 4.4 | 2.0 |
| Other expenses | 2.2 | 2.4 | (10.8) |
| **Other income and expenses** | **2.4** | **2.0** | **17.5** |

| € million | 1st Half 2017/2018 | 1st Half 2016/2017 | Change % |
|---|---|---|---|
| Other income | 9.0 | 8.1 | 11.5 |
| Other expenses | 3.8 | 3.5 | 8.4 |
| **Other income and expenses** | **5.3** | **4.7** | **13.1** |

Other income for the first half of 2017/2018 mainly results from operating income and chiefly relates to ancillary revenues at DIY stores with garden centers, income from disposal services, income from allocations within the HORNBACH HOLDING AG & Co. KGaA Group, and income from damages payments.

Other expenses mainly relate to operating expenses in connection with impairments of receivables and losses incurred for damages.

### (4) Earnings per share

Basic earnings per share are calculated pursuant to IAS 33 "Earnings per Share" as the quotient of the income attributable to the shareholders of HORNBACH Baumarkt AG for the period under report and the weighted average number of shares issued. As in the previous year, no dilutive effects had to be accounted for when calculating earnings per share.

Basic earnings per share

| | 2nd Quarter 2017/2018 | 2nd Quarter 2016/2017 |
|---|---|---|
| Number of shares issued | 31,807,000 | 31,807,000 |
| Consolidated net income attributable to shareholders in HORNBACH-Baumarkt-AG in € million | 43.2 | 39.6 |
| **Earnings per share in €** | **1.36** | **1.25** |

| | 1st Half 2017/2018 | 1st Half 2016/2017 |
|---|---|---|
| Number of shares issued | 31,807,000 | 31,807,000 |
| Consolidated net income attributable to shareholders in HORNBACH-Baumarkt-AG in € million | 98.0 | 81.5 |
| **Earnings per share in €** | **3.08** | **2.56** |

### (5) Other disclosures

The personnel expenses of the HORNBACH Baumarkt AG Group amounted to € 357.8 million at the end of the first half as of August 31, 2017 (2016/2017: € 334.8 million).

Depreciation and amortization totaling € 39.5 million was recognized on intangible assets and property, plant and equipment and on finance lease utilization rights at the HORNBACH Baumarkt AG Group in the first half of the 2017/2018 financial year (2016/2017: € 36.6 million).

### (6) Shareholders' equity

On July 10, 2017, the Board of Management of HORNBACH Baumarkt AG resolved pursuant to § 71 (1) No. 2 of the German Stock Corporation Act (AktG) to acquire up to 50,000 treasury stock shares. These shares are to be acquired for the annual issue of employee shares scheduled to take place at the end of 2017. The buyback of shares began on August 1, 2017 and is limited to February 28, 2018. By August 31, 2017, HORNBACH Baumarkt AG had acquired 24,734 treasury stock shares. In the statement of changes in equity, the acquisition costs for these shares (€ 0.8 million) have been recognized under "Treasury stock transactions".

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

### (7) Dividend

As proposed by the Board of Management and Supervisory Board of HORNBACH Baumarkt AG, following approval by the Annual General Meeting on July 6, 2017 a dividend of € 0.68 per share was distributed to shareholders for the 2016/2017 financial year.

### (8) Contingent liabilities and other financial obligations

These mainly involve obligations for rental, hiring, leasehold and leasing contracts for which the companies of the HORNBACH Baumarkt AG Group do not constitute the economic owners of the assets thereby leased pursuant to IFRS regulations (operating lease). These amounted to € 1,005.7 million at the end of period under report (February 28, 2017: € 1,013.1 million).

### (9) Related party disclosures

In addition to the subsidiaries included in the consolidated financial statements, HORNBACH Baumarkt AG also has direct or indirect relationships with associated companies when performing its customary business activities. These include the parent company, HORNBACH Holding AG & Co. KGaA, and its general partner (HORNBACH Management AG), as well as their direct and indirect subsidiaries. Apart from the transactions performed in the usual course of business and reported in the annual financial statements, no material transactions were undertaken with closely related companies and persons in the period under report.

## (10) Fair value disclosures

The methods and principles applied to determine fair value are basically unchanged compared with the consolidated financial statements as of February 28, 2017. The following table presents the carrying amounts of financial instruments broken down by IAS 39 measurement categories as well as their fair values broken down by balance sheet category:

| € million | Category | Carrying amount 8.31.2017 | Fair value 8.31.2017 | Carrying amount 2.28.2017 | Fair value 2.28.2017 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Financial assets | AfS | 5.7 | 5.7 | 5.7 | 5.7 |
| Current financial assets | LaR | 20.0 | 20.0 | 30.0 | 30.0 |
| Trade receivables | LaR | 8.9 | 8.9 | 8.2 | 8.2 |
| Other current and non-current assets | | | | | |
| Derivatives without hedge relationship | FAHfT | 0.6 | 0.6 | 0.0 | 0.0 |
| Other assets | LaR | 38.6 | 38.6 | 34.0 | 34.0 |
| Cash and cash equivalents | LaR | 171.6 | 171.6 | 113.0 | 113.0 |
| **Equity and liabilities** | | | | | |
| Financial debt | | | | | |
| Bonds | FLAC | 248.5 | 269.5 | 248.2 | 272.3 |
| Liabilities to banks | FLAC | 7.1 | 7.1 | 17.6 | 17.6 |
| Liabilities in connection with finance leases | n.a. | 179.4 | 209.9 | 185.7 | 215.3 |
| Derivatives with hedge relationship | n.a. | 0.0 | 0.0 | 0.0 | 0.0 |
| Derivatives without hedge relationship | FLHfT | 0.0 | 0.0 | 1.3 | 1.3 |
| Trade payables | FLAC | 183.7 | 183.7 | 244.5 | 244.5 |
| Other current and non-current liabilities | FLAC | 96.8 | 96.8 | 25.5 | 25.5 |
| Accrued liabilities | FLAC | 26.0 | 26.0 | 21.2 | 21.2 |

Other assets of € 17.2 million (February 28, 2017: € 12.7 million), other liabilities of € 124.5 million (February 28, 2017: € 93.5 million), and accrued liabilities of € 64.9 million (February 28, 2017: € 47.3 million) are outside the scope of IFRS 7.

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

| € million | 8.31.2017 | 2.28.2017 |
|---|---|---|
| **Assets** | | |
| Valuation based on level 2 input data | | |
| Financial assets held for trading | 0.6 | 0.0 |
| Valuation based on level 3 input data | | |
| Available for sale financial assets | 5.7 | 5.7 |
| **Equity and liabilities** | | |
| Valuation based on level 1 input data | | |
| Bonds | 269.5 | 272.3 |
| Valuation based on level 2 input data | | |
| Liabilities to banks | 7.1 | 17.6 |
| Liabilities in connection with finance leases | 209.9 | 215.3 |
| Derivatives with hedge relationship | 0.0 | 0.0 |
| Derivatives without hedge relationship | 0.0 | 1.3 |

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

Financial assets include an investment measured using level 3 input data. Reference is made in this respect to the disclosures made in the 2016/2017 consolidated financial statements. There were no material changes in the value of this investment in the first half of 2017/2018. The discount rate after taxes increased from 5.6% to 5.8%. The following table presents the development in fair value.

| Changes in financial assets (Level 3 input data) € million | 2017/2018 | 2016/2017 |
|---|---|---|
| **As of March 1** | **5.7** | **3.9** |
| Change in valuation (OCI) | 0.0 | 1.9 |
| **Balance at August 31** | **5.7** | **5.8** |

## (11) Segment report

| 1st Half 2017/2018 in € million<br>1st Half 2016/2017 in € million | Retail | Real estate | Headquarters and consolidation | HORNBACH Baumarkt AG Group |
|---|---|---|---|---|
| **Segment sales** | **2,172.4** | **86.6** | **(85.9)** | **2,173.1** |
| | 2,061.7 | 83.2 | (82.4) | 2,062.5 |
| Sales to third parties | 2,172.4 | 0.0 | 0.0 | 2,172.4 |
| | 2,061.6 | 0.0 | 0.0 | 2,061.6 |
| Rental income from third parties | 0.0 | 0.7 | 0.0 | 0.7 |
| | 0.0 | 0.8 | 0.0 | 0.8 |
| Rental income from affiliated companies | 0.0 | 85.9 | (85.9) | 0.0 |
| | 0.0 | 82.4 | (82.4) | 0.0 |
| **Segment earnings (EBIT)** | **114.2** | **38.2** | **(10.8)** | **141.6** |
| | 96.5 | 32.9 | (9.9) | 119.5 |
| **Depreciation and amortization/write-ups** | **19.5** | **15.7** | **4.3** | **39.5** |
| | 18.7 | 14.7 | 3.2 | 36.6 |
| **EBITDA** | **133.7** | **53.8** | **(6.6)** | **181.0** |
| | 115.2 | 47.6 | (6.7) | 156.1 |
| **Segment assets** | **940.3** | **940.5** | **129.9** | **2,010.7** |
| | 921.8 | 901.1 | 185.2 | 2,008.1 |
| of which: credit balances at banks | 94.8 | 0.0 | 54.1 | 148.9 |
| | 109.8 | 0.0 | 91.0 | 200.8 |

| Reconciliation in € million | 1st Half 2017/2018 | 1st Half 2016/2017 |
|---|---|---|
| **Segment earnings (EBIT) before "Headquarters and consolidation"** | **152.4** | **129.4** |
| Headquarters | (10.8) | (9.9) |
| Net financial expenses | (10.3) | (10.9) |
| **Consolidated earnings before taxes** | **131.3** | **108.6** |

# RESPONSIBILITY STATEMENT

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

Bornheim bei Landau, September 26, 2017

HORNBACH Baumarkt AG
The Board of Management

Steffen Hornbach

Roland Pelka

Susanne Jäger

Wolfger Ketzler

Karsten Kühn

Ingo Leiner

Dr. Andreas Schobert

# REVIEW REPORT

To HORNBACH Baumarkt AG, Bornheim/Pfalz

We have reviewed the condensed interim consolidated financial statements – comprising the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and selected explanatory notes – together with the interim group management report of HORNBACH Baumarkt AG, Bornheim bei Landau/Pfalz, for the period from March 1 to August 31, 2017 that are part of the half-year financial report according to § 37 w WpHG [„Wertpapierhandelsgesetz“: „German Securities Trading Act“]. The preparation of the condensed interim consolidated financial statements in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting" as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company’s management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor’s report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Frankfurt am Main, September 26, 2017

KPMG AG
Wirtschaftsprüfungsgesellschaft

Meurer
German Public Auditor

Palm
German Public Auditor

# FINANCIAL CALENDAR 2017/2018

| | |
|---|---|
| September 28, 2017 | Half-Year Financial Report 2017/2018 as of August 31, 2017 |
| December 21, 2017 | Quarterly Statement: 3rd Quarter of 2017/2018 as of November 30, 2017 |
| March 22, 2018 | Trading Statement 2017/2018 |
| May 24, 2018 | Annual Results Press Conference 2017/2018<br>Publication of Annual Report<br>DVFA Analysts' Conference |

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## DISCLAIMER