HALF-YEAR FINANCIAL REPORT

HORNBACH Holding AG & Co. KGaA Group

H1 2022/23

(MARCH 1 – AUGUST 31, 2022)

HORNBACH Holding

HORNBACH HOLDING AG & CO. KGaA GROUP

Half-Year Financial Report 2022/23 (March 1 – August 31, 2022)

Key figures of the HORNBACH HOLDING AG & Co. KGaA Group (in € million, unless otherwise stated)	Q2 2022/23	Q2 2021/22	Change in %	6M 2022/23	6M 2021/22	Change in %
Net sales	**1,649.9**	**1,614.3**	**2.2**	**3,463.3**	**3,292.4**	**5.2**
of which: in Germany	864.2	867.0	(0.3)	1,822.4	1,781.4	2.3
of which: in other European countries	785.7	747.3	5.1	1,641.0	1,511.0	8.6
Like-for-like sales growth (DIY)[1]	(1.7)%	2.5%		1.9%	3.4%	
Gross margin as % of net sales	33.2%	35.4%		33.7%	35.4%	
EBITDA	182.4	218.3	(16.5)	384.6	435.7	(11.7)
EBIT	**127.4**	**168.1**	**(24.2)**	**275.9**	**337.2**	**(18.2)**
Adjusted EBIT[2]	**129.1**	**168.1**	**(23.2)**	**277.4**	**337.2**	**(17.7)**
Consolidated earnings before taxes	119.4	155.4	(23.2)	260.6	312.9	(16.7)
Consolidated net income[3]	90.4	118.4	(23.6)	197.3	236.4	(16.5)
Basic/diluted earnings per share (€)	5.22	5.85	(10.8)	11.37	11.69	(2.7)
Investments (CAPEX)	61.9	41.9	47.4	114.2	97.0	17.7

Misc. key figures of the HORNBACH HOLDING AG & Co. KGaA Group (in € million, unless otherwise stated)	August 31, 2022	February 28, 2022	Change in %
Total assets	4,550.3	4,305.7	5.7
Shareholders' equity	1,934.4	1,761.3	9.8
Shareholders' equity as % of total assets	42.5%	40.9%	
Number of employees	25,036	24,268	3.2

Rounding up or down may lead to discrepancies between percentages and totals. Calculation of percentage figures based on € 000s.
[1] Like-for like sales net of currency items; includes sales at all stores that have been open for at least one year and online sales
[2] Adjusted to exclude non-operating income and expenses
[3] Including minority interests pursuant to IFRS

Further sales growth in 2nd quarter and 1st half of 2022/23 – guidance confirmed

- **Customer demand for construction and DIY products remains stable in second quarter (Q2) of 2022/23**
- **HORNBACH Group increases consolidated sales by 5.2 % to € 3,463 million in first half (H1) of 2022/23**
  - **DIY and garden centers (HORNBACH Baumarkt) boost net sales by 4.9 % (2021/22: 4.6 %) and by 1.9 % on a like-for-like basis net of currency items (2021/22: 3.4%)**
  - **Builders' merchant business (HORNBACH Baustoff Union) increases net sales by 9.7 % (2021/22: 13.2 %)**
- **Adjusted operating earnings (adjusted EBIT) of € 277.4 million down 17.7 % on previous year but significantly (39.8 %) higher than in pre-pandemic 2019/20 financial year**
- **Earnings per share of € 11.37 almost at previous year's level due to increased shareholding in HORNBACH Baumarkt AG**
- **Earnings guidance for 2022/23 dated June 13, 2022 is confirmed: Slight growth expected in net sales, adjusted EBIT expected to show a low double-digit percentage reduction**

Demand from customers for construction and home improvement products remained high in the summer months despite rising inflation and travel activity returning to normal levels. Having already risen by 8.1 % in the first three months of the 2022/23 financial year, in the second quarter (Q2) of 2022/23 (June 1 to August 31, 2022) consolidated sales exceeded the record level reported for the previous year's quarter by 2.2 %. For the first half (H1) of 2022/23 (March 1 to August 31, 2022), this resulted in sales growth of 5.2 % to € 3,463.3 million (2021/22: € 3,292.4 million). Sales at the largest operating Subgroup, HORNBACH Baumarkt AG (DIY retail), grew by 4.9 % to € 3,236.8 million in the first half of 2022/23 (2021/22: € 3,085.2 million). On a like-for-like basis and net of currency items, first-half DIY sales at the Subgroup increased by 1.9 % (2021/22: 3.4 %). The HORNBACH Baustoff Union Subgroup generated substantial growth, with sales rising by 9.7 % to € 226.6 million.

The HORNBACH Group's operating earnings adjusted to exclude non-operating earnings items (adjusted EBIT) decreased by 23.2 % to € 129.1 million in the second quarter of 2022/23 (2021/22: € 168.1 million). At € 277.4 million, adjusted EBIT for the first half of 2022/23 therefore fell 17.7% short of the previous year's record figure (€ 337.2 million). The adjusted EBIT margin of 8.0 % in the first half of 2022/23 (2021/22: 10.2 %) was still slightly ahead of the first half of the pre-pandemic 2019/20 financial year (7.6 %). Due to the increased shareholding in HORNBACH Baumarkt, the earnings per share of € 11.37 fell only slightly short of the previous year's level (2021/22: € 11.69).

The full-year earnings guidance for 2022/23 as adjusted on June 13, 2022 is confirmed. Adjusted EBIT is still expected to show a low double-digit percentage reduction compared with the record figure reported for the 2021/22 financial year (€ 362.6 million). The sales guidance (slight increase) remains unchanged on the guidance published on May 17, 2022.

Macroeconomic and Sector-Specific Framework

The first half of the 2022/23 financial year (March 1 to August 31, 2022) was marked by the impact of the Russia/Ukraine war and by significant price rises, particularly in the energy sector. Existing pressure on international supply chains continued, not least given the temporary closures of Chinese trade ports, as did the shortages in commodities and upstream products. Energy and food prices rose sharply, while **inflation rates** reached record levels in Europe. Based on figures released by Eurostat, the annual inflation rate in the European Union (EU 27) rose from 7.8 % in March to 9.8 % in July. In Germany, the annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) increased from 7.6 % in March to 8.8 % in August.

According to Eurostat, despite record inflation and the Ukraine war **gross domestic product** in the European Union (EU 27) initially grew year-on-year by 5.5 % in Q1 of the 2022 calendar year following the contractions seen in the pandemic years of 2020 and 2021. The EU 27 countries reported growth of 4.2 % in Q2 2022. Germany showed the weakest momentum, with year-on-year growth of 3.5 % in Q1 2022 and 1.7 % in Q2 2022. Following the lifting of nearly all pandemic-related restrictions, private consumer spending nevertheless rose significantly from the end of March, growing year-on-year by 9.1% in Q1 2022 and by 6.5 % in Q2 2022.

Adjusted for calendar-related factors, **output in the construction industry** in the EU 27 rose year-on-year by 5.6 % in the first quarter and by 2.0 % in the second quarter of the 2022 calendar year. The corresponding figures for Germany are year-on-year growth of 4.2 % in Q1 2022 and a year-on-year reduction of 2.8 % in Q2 2022. Based on figures released by the Federal Statistical Office, building permits for new detached houses plummeted by 17.0 % in the first half of 2022, while permits for apartment blocks still rose by 7.8 %.

Growth rates in GDP and inflation in countries in which HORNBACH operates

Source: Eurostat (calendar year figures)	GDP change (%) on previous year's quarter		Rate of inflation (%) based on HICP	
	Q1 2022	Q2 2022	March 2022	July 2022
Germany	**3.5**	**1.7**	**7.6**	**8.5**
Austria	9.3	6.2	6.6	9.4
Czech Republic	4.6	3.7	11.9	17.3
Luxembourg	2.7	1.6	7.9	9.3
Netherlands	6.6	5.4	11.7	11.6
Romania	6.4	5.3	9.6	13.0
Slovakia	3.0	1.7	9.6	12.8
Sweden	3.2	4.2	6.3	8.3
Switzerland	4.5	2.8	2.2	3.3
Euro area (EA 19)	**5.4**	**4.1**	**7.4**	**8.9**
EU 27	**5.5**	**4.2**	**7.8**	**9.8**

According to Eurostat, **retail** sales (excluding motor vehicle retail) adjusted for calendar-related factors in the EU27 grew by 5.7 % in Q1 2022. In Q2 2022, the retail sector posted growth of 1.2 %. The internet and mail order segment reported negative growth in both quarters, contracting by 6.3 % and 9.0 % respectively. Sales in the German retail sector grew by 5.0 % in Q1 2022 and decreased by 3.2% in Q2 2022.

Based on figures released by the GfK, German **DIY stores and garden centers** reported nominal year-on-year growth in aggregate gross sales of 14.9 % to € 11.52 billion in the first half of the 2022 calendar year. The sector therefore continued to fall short of the record figures achieved due to pandemic in the first half of 2020. On a like-for-like basis, i.e. excluding stores newly opened, closed, or subject to major conversion measures, sales in the sector rose by 14.3 % in the period from January to June 2022.

In the Netherlands, gross sales at DIY stores and garden centers surged by 20.5 % in the first half of the 2022 calendar year according to the GfK, contrasting with the downturn of 24.7 % reported for the previous year due to strict pandemic-related restrictions. In Austria, sales at DIY stores and garden centers showed a slight decline of 0.4 %, while their Swiss counterparts reported a significant reduction of 8.9 %. Sales at DIY stores and garden centers in the Czech Republic grew by 20.5 % in the first half of 2022. No data is available for Luxembourg, Romania, Sweden, or Slovakia.

Sales at DIY stores and garden centers in Germany (calendar year)

Source: GfK Total Store Report Deutschland	1st Half 2020	1st Half 2021	1st Quarter 2022	2nd Quarter 2022	**1st Half 2022**
Gross sales (€ billion)	11.82	10.03	4.91	6.60	11.52
Nominal year-on-year change (%)	+15.6	(15.2)	+42.4	+0.4	+14.9
Like-for-like year-on-year change (%)	+16.0	(15.9)	+41.0	(0.2)	+14.3

Earnings, Financial, and Asset Position

Impact of Macroeconomic Conditions

Increased prices for commodities, procurement, transport, and energy meant that we were obliged to adjust our retail prices to market circumstances in numerous areas of our product range and merchandise. Given our permanent low price guarantee, however, we do not always pass on the higher costs to our customers in full, or only after a certain delay.

In terms of our merchandise procurement, we witnessed delays to supplies and shortages in some cases once again in H1 2022/23, with these resulting in particular from high demand for fuels and for insulating materials. Furthermore, the restricted availability of chips continued to delay supplies of some types of machine. This situation has nevertheless eased compared with the previous year. Thanks to our multi-supplier strategy, the additional storage capacity we have built up, and our highly circumspect procurement and stocking policies, however, we were mostly able to uphold the availability of merchandise for our customers. As a result, there were no material shortages in stocks.

The HORNBACH Group did not and does not have any locations in Russia, Belarus, or Ukraine. Furthermore, we also do not have any direct suppliers in any of these three countries. In some cases, we witnessed temporary shortages among suppliers who procured upstream products, components, or commodities from these regions and were obliged to switch procurement source.

Seasonal and Calendar-Related Factors

Impact of weather conditions
In Europe, the spring and summer months offered only partly favorable weather conditions for implementing projects at home and in the garden. Following a delayed start to the gardening season due to frosty spring weather in several regions of Europe, the summer months were then characterized by record heat and drought.

Number of business days
There was an average of 0.5 business days more in the first half of the 2022/23 financial year (March 1 to August 31, 2022) than in the equivalent period in the previous year. The arithmetic calendar-related impact at the Group came to plus 1.5 business days in Q1 and minus 1.0 business days in Q2.

Sales Performance of the HORNBACH Group

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

Sales at the HORNBACH Group rose by 2.2% to € 1,649.9 million (2021/22: € 1,614.3 million) in the second quarter of the 2022/23 financial year (June 1 to August 31, 2022) and by 5.2% to € 3,463.3 million in the first six months (2021/22: € 3,292.4 million).

HORNBACH Baumarkt AG Subgroup

Development in HORNBACH's store network
Two new DIY stores with garden centers were opened in the first half of 2022/23, in this case in Nitra (Slovakia) and Enschede (Netherlands). As of August 31, 2022, the HORNBACH Baumarkt AG Subgroup operated 169 retail outlets (February 28, 2022: 167) with total sales areas of 2.0 million m², of which 98 in Germany and 71 in other European countries.

Sales performance in 2nd quarter of 2022/23

Net sales at the HORNBACH Baumarkt AG Subgroup rose by 1.5 % to € 1,531.5 million in the period from June 1 to August 31, 2022 (2021/22: € 1,509.4 million). Net sales in the Germany region decreased by 2.1 % to € 748.5 million (2021/22: € 764.8 million). In the Other European Countries region, net sales rose year-on-year by 5.2 % to € 783.0 million (2021/22: € 744.6 million).

On a like-for-like basis and net of currency items [↳ Brief Glossary on Page 11], consolidated sales decreased by 1.7 % in Q2 2022/23 (2021/22: plus 2.5 %). Including currency items for non-euro countries, namely the Czech Republic, Romania, Sweden, and Switzerland, Subgroup-wide like-for-like sales fell 1.0 % short of the previous year's level in the second quarter of 2022/23. In Germany, like-for-like sales fell by 2.9 % in the second quarter of 2022/23 (2021/22: plus 1.7 %). Other European countries witnessed a slight reduction in like-for-like sales of 0.6 % in the period from June to August 2022 (2021/22: plus 3.4 %); including currency items, sales rose by 1.0 % (2021/22: plus 3.7 %).

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

Financial year	1st Quarter	2nd Quarter	1st Half
HORNBACH Baumarkt AG Subgroup: 2022/23	**5.3**	**(1.7)**	**1.9**
2021/22	4.3	2.5	3.4
2020/21	17.5	21.4	19.4
Germany: 2022/23	**4.4**	**(2.9)**	**0.9**
2021/22	(0.1)	1.7	0.7
2020/21	24.4	24.1	24.3
Other European countries: 2022/23	**6.2**	**(0.6)**	**2.9**
2021/22	9.5	3.4	6.4
2020/21	10.3	18.6	14.4

1) Excluding currency items

Sales performance in 1st half of 2022/23

Net sales at the HORNBACH Baumarkt AG Subgroup grew by 4.9 % to € 3,236.8 million in the period under report from March 1 to August 31, 2022 (2021/22: € 3,085.2 million). In Germany, net sales showed cumulative growth of 1.4 % to € 1,601.7 million (2021/22: € 1,579.7 million). In other European countries, we generated six-month sales growth of 8.6% to € 1,635.1 million (2021/22: € 1,505.5 million). As a result, the international share of sales increased from 48.8 % to 50.5 %. On a like-for-like basis, the Subgroup's consolidated sales in the first half of the year improved by 1.9 % excluding currency items (2021/22: 3.4 %) and by 2.6% including currency items. Sales in the online business (including click & collect) fell to € 479.8 million, down 19.1% compared with the previous year's period, which was affected by sales restrictions. As stores were open, customers made considerably less use of click & collect in particular. The online share of total sales therefore normalized at 14.8 % (2021/22: 19.2 %), but remained significantly ahead of the pre-pandemic figure of 9.8 % in 2019/20.

- In the **Germany region**, we generated like-for-like sales growth of 0.9 % in the first half of 2022/23 (2021/22: plus 0.7 %). The market share calculated by the GfK for the period from January to July 2022 normalized at 14.7 % (2021/22: 15.4 %). In the previous year, which was shaped by pandemic-related restrictions on sales, the Subgroup had reported substantial gains in market share due to its successful online strategy. Compared with the same period in the 2020 calendar year (13.7 %), the company has still made significant gains in terms of its market share.

  As already in previous years, in 2022 HORNBACH was once again ranked first for "Overall satisfaction" in Kundenmonitor Deutschland, the most prestigious consumer survey in the German retail sector. Customers also awarded us the best marks in major individual criteria, such as "Product range selection and variety", "Merchandise and product quality", "Private label quality", "Additional services offered", and in all criteria relating to the website and online shop.

- In the **Other European Countries region**, where we pool our retail activities in eight countries outside Germany, like-for-like sales for the first half of 2022/23 rose by 2.9 % net of currency items (2021/22: 6.4 %) and by 4.4 % including currency items. Based on the DIY sales indicators available to us upon the completion of this financial report for four countries outside Germany, HORNBACH was able to further expand its market share in the Netherlands, Switzerland and Czech Republic in the period from January to July 2022. Austria fell slightly short of the previous year's figure, but also showed an increase compared with the 2020 calendar year.

HORNBACH Baustoff Union GmbH Subgroup

The HORNBACH Baustoff Union GmbH (HBU) Subgroup, which focuses on the needs of professional customers in the main construction and subconstruction trades, as well as on private construction clients, operated a total of 37 builders' merchant outlets in south-western Germany and at two locations close to the border in France (Alsace/Lorraine) as of August 31, 2022. As of July 1, 2022, HBU took over two locations that were previously competitors in Saarland (Germany).

In the second quarter of 2022/23, the HBU Subgroup generated year-on-year sales growth of 13.4 % to € 118.6 million (2021/22: € 104.6 million). On a cumulative basis for the six-month period, the HBU Subgroup increased its net sales by 9.7 % to € 226.6 million (2021/22: € 206.5 million).

Earnings Performance

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

2nd quarter of 2022/23

- Due mainly to the further increase in procurement and transport expenses, gross profit decreased by 4.1 % to € 547.0 million (2021/22: € 570.7 million). The **gross margin**, i.e. gross profit as a percentage of net sales, [↳ Brief Glossary on Page 11], therefore amounted to 33.2 % (2021/22: 35.4%).

- Given higher operating and personnel expenses, **selling and store expenses** rose by 6.1 % to € 362.3 million (2021/22: € 341.6 million). Due to the Group's expansion and salary adjustments, store personnel expenses (excluding bonuses) increased by 6.0 %. Operating expenses rose year-on-year by 17.4 %, with this being due among other factors to higher energy prices. Advertising expenses, by contrast, decreased by 11.2 % compared with the previous year. The store expense ratio [↳ Brief Glossary on Page 11] rose from 21.2 % to 22.0 %. **Pre-opening expenses** reduced from € 4.2 million to € 1.0 million in the second quarter of 2022/23, leading the pre-opening expense ratio [↳ Brief Glossary on Page 11] to fall from 0.3 % to 0.1 %. **General and administration expenses** increased by 4.6 % to € 62.7 million (2021/22: € 59.9 million). The administration expense ratio [↳ Brief Glossary on Page 11] rose slightly from 3.7 % to 3.8 %.

- Earnings before interest, taxes, depreciation, and amortization **(EBITDA)** [↳ Brief Glossary on Page 12] fell by 16.5 % to € 182.4 million in the second quarter of 2022/23 (2021/22: € 218.3 million).

- The HORNBACH Group's operating earnings **(EBIT)** amounted to € 127.4 million (2021/22: € 168.1 million). Impairments of right-of-use assets led to non-operating earnings items of € 1.7 million in Q2 2022/23 (2021/22: none). EBIT adjusted for non-operating earnings items **(adjusted EBIT)** [↳ Brief Glossary on Page 12] fell by 23.2 % to € 129.1 million. The adjusted EBIT margin stood at 7.8 % (2021/22: 10.4 %).

- **Net financial expenses** improved from minus € 12.6 million to minus € 8.0 million. This line item was positively influenced by the change in currency items from minus € 1.9 million to plus € 3.6 million. Net interest expenses amounted to € 11.6 million (2021/22: € 10.8 million).

- Consolidated earnings before taxes **(EBT)** [↳ Brief Glossary on Page 12] decreased year-on-year by 23.2 % to € 119.4 million (2021/22: € 155.4 million).

- Based on a tax rate of 24.2 % (2021/22: 23.8 %), the **consolidated net income** of € 90.4 million fell 23.6 % short of the previous year's figure (2021/22: € 118.4 million). Second-quarter **earnings per share** stood at € 5.22 (2021/22: € 5.85).

1st half of 2022/23

- At € 1,167.2 million, gross profit roughly matched the previous year's figure (2021/22: € 1,166.7 million). The **gross margin** showed a slight reduction from 35.4 % to 33.7 %. This was principally due to higher procurement prices and transport expenses, which were not fully offset by adjusting retail prices.

- Due mainly to higher personnel and operating expenses, **selling and store expenses** rose by 8.3 % to € 766.3 million (2021/22: € 707.6 million). The store expense ratio rose slightly from 21.5 % to 22.1 %. **Pre-opening expenses** amounted to € 2.6 million (2021/22: € 6.9 million). The pre-opening expense ratio eased from 0.2 % to 0.1 %. **General and administration expenses** grew by 8.7 % to € 132.4 million (2021/22: € 121.8 million). The administration expense ratio showed a slight increase from 3.7 % to 3.8 %.

- **EBITDA** fell by 11.7 % to € 384.6 million (2021/22: € 435.7 million).

- The HORNBACH Group's **EBIT** for the first six months of 2022/23 amounted to € 275.9 million and thus fell 18.2 % short of the previous year's figure (2021/22: € 337.2 million). Non-operating earnings items of € 1.5 million (2021/22: none) arose from impairments of right-of-use assets (€ 1.7 million) and disposal gains (€ 0.2 million). EBIT adjusted to exclude non-operating earnings items **(adjusted EBIT)** fell by 17.7 % to € 277.4 million (2021/22: € 337.2 million), but was nevertheless 39.8 % ahead of the adjusted EBIT reported in the pre-pandemic 2019/20 financial year. The adjusted EBIT margin stood at 8.0 % (2021/22: 10.2 %) and was still higher than the equivalent figure in H1 2019/20 (7.6 %).

- **Net financial expenses** improved from minus € 24.3 million to minus € 15.3 million. This line item was positively influenced by the change in currency items from minus € 2.6 million to plus € 7.1 million. Net interest expenses amounted to € 22.5 million (2021/22: € 21.7 million).

- At € 260.6 million, **consolidated earnings before taxes** fell 16.7 % short of the previous year's figure (2021/22: € 312.9 million). The tax rate eased slightly from 24.4 % to 24.3 %. **Consolidated net income** including minority interests reduced by 16.5 % to € 197.3 million (2021/22: € 236.4 million). Due to the increase in the shareholding in HORNBACH Baumarkt AG in connection with the delisting purchase offer, minority interests fell from € 49.5 million in H1 2021/22 to € 15.5 million in H1 2022/23. **Earnings per share** therefore amounted to € 11.37 in the first half of 2022/23 (2021/22: € 11.69).

Earnings performance in the first half of 2022/23 by segment

The **HORNBACH Baumarkt AG Subgroup** generated operating earnings (EBIT) of € 242.9 million in the first six months of 2022/23 (2021/22: € 304.3 million). Non-operating earnings items of € 2.3 million arose in the first half of 2022/23 due to the impairment of right-of-use assets (2021/22: none). At € 245.2 million, **adjusted EBIT** fell 19.4 % short of the previous year's figure (€ 304.3 million). The adjusted EBIT margin decreased year-on-year from 9.9 % to 7.6 %.

Six-month EBIT at the **HORNBACH Baustoff Union GmbH Subgroup** grew to € 13.7 million (2021/22: € 12.6 million). Earnings were positively influenced by sharp sales growth, with a slight year-on-year weakening in the gross margin and store and administration expenses rising less rapidly than sales. As in the previous year, no non-operating earnings items arose in the first half of the year. The Subgroup's adjusted EBIT therefore corresponds to its EBIT.

The **HORNBACH Immobilien AG Subgroup** generated six-month EBIT of € 28.5 million (2021/22: € 29.1 million). The Subgroup reported non-operating earnings items resulting from disposal gains of € 0.2 million in the first half (2021/22: none). At € 28.3 million, adjusted EBIT fell 2.7 % short of the previous year's figure (€ 29.1 million).

Financial and Asset Position

Financial position

The **cash flow from operating activities** decreased from € 374.3 million to € 253.2 million in the first half of 2022/23. The change in working capital resulted in a net outflow of € 58.5 million (2021/22: inflow of € 32.9 million), which mainly resulted from an increase in inventories due to higher procurement prices and logistics expenses. Due to the lower level of consolidated net income, the funds of € 311.7 million from operations (outflow of cash for operating activities less working capital) fell € 29.8 million short of the previous year's figure (€ 341.5 million).

The **outflow of funds for investing activities** amounted to € 110.3 million (2021/22: € 155.1 million). Largely due to the Group's expansion, cash-effective **capital expenditure** on land and buildings, plant and office equipment at new and existing stores, and intangible assets (mainly software) rose from € 97.0 million to € 114.2 million in the first half of 2022/23. Of this total, around 62 % related to land and buildings. In the previous year, funds of € 60 million were also invested in short-term securities and cash investments to avoid negative interest rates.

The **outflow of funds for financing activities**, amounting to € 64.0 million (2021/22: € 142.6 million), includes an outgoing payment of € 197.2 million to acquire additional shares in HORNBACH Baumarkt AG in connection with the delisting purchase offer, as well as incoming payments of € 245.4 million from the taking up of financial loans (2021/22: € 70.0 million). Among other items, this includes the bridge financing facility of € 70.0 million for the delisting purchase offer, the taking up of mortgage loans (€ 50 million), and the issue of promissory note loans (€ 100 million). The outflow of funds to pay the dividend of € 2.40 per share amounted to € 40.9 million (2021/22: € 38.8 million). Furthermore, the cash flow from financing activities also includes outflows of € 18.2 million for the repayment of financial loans (2021/22: € 122.7 million) and outflows of € 52.8 million for the repayment of current and non-current lease liabilities (2021/22: € 51.1 million). The **free cash flow** fell from € 180.4 million to € 102.0 million. Information about the financing and investing activities of the HORNBACH Group can be found in the cash flow statement on Page 16.

Asset position

Total assets at the HORNBACH Group grew to € 4,550.3 million as of August 31, 2022, up 5.7 % compared with the balance sheet date on February 28, 2022. Key drivers of this growth were the increase in cash and cash equivalents and current financial assets, as well as the expansion-related increase in property, plant and equipment and right-of-use assets. Shareholders' equity as posted in the balance sheet amounted to € 1,934.4 million as of August 31, 2022 (February 28, 2022: € 1,761.3 million). At 42.5 %, the **equity ratio** [↳ Brief Glossary on Page 13] remained very high (February 28, 2022: 40.9 %). **Net financial debt** [↳ Brief Glossary on Page 13] could be reduced from € 1,356.0 million to € 1,345.3 million as of August 31, 2022. Excluding current and non-current lease liabilities pursuant to IFRS 16, net financial debt decreased to € 445.2 million as of August 31, 2022 (February 28, 2022: € 481.2 million).

Other Disclosures

Employees

A total of 25,036 employees were in fixed employment at the HORNBACH Holding AG & Co. KGaA Group as of the reporting date on August 31, 2022 (February 28, 2022: 24,268).

Statement of figures

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

Risk and Opportunity Report

We reported in detail on the risks and opportunities involved in the future business activities of the HORNBACH Holding AG & Co. KGaA Group in the Risk Report and the Opportunity Report in the 2021/22 Group Management Report (Page 86 onwards of the Annual Report). This basic assessment of the risk situation and of the Group's medium and long-term opportunities had not changed materially upon the publication of this Half-Year Financial Report.

Outlook

Macroeconomic and Sector-Specific Framework

We presented our forecast of the macroeconomic and sector-specific framework on Pages 97 and 98 of the 2021/22 Group Management Report of the HORNBACH Holding AG & Co. KGaA Group. Due to the ongoing war in Ukraine, further price increases, and the uncertainty surrounding the energy supply in the winter half of the year, the macroeconomic climate has in recent months shown a further significant deterioration in the European Union, and especially in Germany.

In its Summer Forecast published in July 2022, the European Commission now predicted significantly higher rates of inflation in the European Union in the current calendar year than at the beginning of the year. For the EU as whole, it now forecasts inflation of 8.3 % and economic growth of 2.7 %. For Germany, inflation is expected to amount to 7.9 %, while the growth forecast has been corrected downwards to 1.4 %.

Consumer confidence also deteriorated significantly in the course of the second quarter of 2022/23. The Consumer Barometer of the German Retail Federation (HDE) fell in the period between June and August, with this being attributed in particular to rising prices and the uncertainties surrounding the energy supply and macroeconomic developments.

Forecast Business Performance of the HORNBACH Group in 2022/23

Expansion

Two new DIY stores with garden centers are scheduled for opening in the second half of the financial year, namely in Constanţa (Romania) and Leipzig (Germany). The total number of locations operated by the HORNBACH Baumarkt AG Subgroup is thus set to rise to 171 on February 28, 2023 (February 28, 2022: 167), of which 72 locations in other European countries.

Sales and earnings guidance

The adjusted full-year sales and earnings guidance issued on June 13, 2022 for the 2022/23 financial year remains valid without amendment. For the overall HORNBACH Holding AG & Co. KGaA Group, the management expects consolidated sales in the 2022/23 financial year to slightly exceed the level reported for the 2021/22 financial year (€ 5,875 million). Due to ongoing macroeconomic challenges, the EBIT adjusted to exclude non-operating earnings items (adjusted EBIT) of the HORNBACH Holding AG & Co. KGaA Group is expected to show a low double-digit percentage reduction compared with the level reported for the 2021/22 financial year (€ 362.6 million).

Brief Glossary of Key Performance Figures

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

Sales	**Sales** are the central management figure for the operating business and the key indicator of our success. The sales performance is reported in euros as net sales (excluding sales tax). Sales generated in countries outside the euro area in the period under report are translated using the relevant average exchange rate. Sales are a major key figure referred to when calculating the one-year variable remuneration for members of the Board of Management.
Adjusted EBIT	**Adjusted EBIT** (adjusted earnings before interest and taxes) is the Group's most important earnings figure. This corresponds to earnings before interest and taxes (EBIT) adjusted to exclude non-operating earnings items. The elimination of non-operating earnings items involves adding non-operating expenses (e.g. impairment losses on right-of-use assets, properties, or advertising-related assets) and deducting non-operating income (e.g. income from disposals of properties, income from write-ups of assets impaired in previous years). Adjusted EBIT is therefore particularly useful for management purposes and for comparing the operating earnings performance over time or in forecasts.
Like-for-like sales net of currency items (change in %)	The **rate of change in like-for-like sales net of currency items** serves to indicate the organic growth in 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 twelve months and on sales in the online business. By contrast, no account is taken of stores newly opened, closed, or subject to substantial conversion work in the past twelve months. Like-for-like sales are calculated without sales tax (net) and based on the local currency for the reporting period under comparison (currency-adjusted). In addition, we also calculate like-for-like sales on a euro basis and including currency items in the non-euro countries within our European store network.
Gross margin	The development in the **gross margin** offers information about our gross trading performance. This margin is defined as gross profit (net balance of sales and cost of goods sold) as a percentage of net sales. The gross margin is chiefly influenced by developments in procurement and retail prices, changes in the product mix, and currency items resulting from international procurement.
Cost ratios	The **store expense ratio** corresponds to selling and store expenses divided by net sales. Selling and store expenses involve those costs incurred in connection with operating stationary DIY stores with garden centers and online shops. 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 transport costs and expenses for maintenance and upkeep. The **pre-opening expense ratio** is obtained by dividing pre-opening expenses by net sales. Pre-opening expenses relate to those expenses arising at or close to the time of the construction up to the opening of new stationary DIY stores with garden centers. Pre-opening expenses mainly consist of personnel expenses, costs of premises, and administration expenses. The **administration expense ratio** corresponds to the quotient of administration expenses and net sales. General and administration expenses include all costs incurred by administration departments in connection with the operation or construction of stationary DIY stores with garden centers and with the development and operation of online retail (e-business) 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, these expenses also include project-related expenses, and in particular expenses for digitalization and interconnected retail.

EBITDA	**EBITDA** stands for earnings before interest, taxes, depreciation, amortization and write-ups. EBITDA is calculated on the basis of EBIT and by adding depreciation and amortization recognized through profit and loss on property, plant and equipment, right-of-use assets, and intangible assets and subtracting any write-ups recognized through profit on loss on these items. This neutralizes any distortive effects resulting from different methods of depreciation and amortization and from discretionary valuation scope.
EBIT	**EBIT**, which stands for earnings before interest and taxes, is calculated on the basis of gross profit in euros and by subtracting expenses (store, pre-opening, and administration expenses) and adding other income/expenses. Due to its independence from different forms of financing and tax systems, EBIT is referred to when comparing earnings with those at other companies.
EBT	**EBT** refer to earnings before taxes in the period under report. This key figure is independent of different management systems but also includes interest items. EBT is a major key figure referred to when calculating the one-year variable remuneration for members of the Board of Management.
Equity ratio	The equity ratio is derived by dividing shareholders' equity as reported in the balance sheet (equity posted) by total capital (balance sheet total). To safeguard its financial stability and independence, HORNBACH basically aims to maintain an equity ratio that is permanently stable and high by sector standards. HORNBACH has entered into covenants towards certain debt providers that require the company to maintain an equity ratio of at least 25 %.
Net financial debt	**Net financial debt** is calculated as total current and non-current financial debt (including lease liabilities) less cash and cash equivalents and – where applicable – less current financial assets (financial investments).
Capital expenditure and free cash flow (FCF)	In managing its financial and asset position, the HORNBACH Holding AG & Co. KGaA Group pursues the objective of safeguarding the Group's liquidity at all times and covering the financing requirements for the Group's sustainable growth at the least possible expense. Other key management figures relevant in this respect include cash-effective **capital expenditure** on land, buildings, plant and office equipment for new and existing DIY stores with garden centers, and intangible assets. Here, we aim to finance capital expenditure wherever possible from the cash flow from operations to enable a **free cash flow (FCF)** to be generated. The FCF is calculated as the cash flow from operations plus proceeds from disposals of non-current assets and less capital expenditure and dividends paid.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Income Statement

€ million	Q2 2022/23	Q2 2021/22	Change in %	6M 2022/23	6M 2021/22	Change in %
Sales	1,649.9	1,614.3	2.2	3,463.3	3,292.4	5.2
Cost of goods sold	1,102.9	1,043.6	5.7	2,296.2	2,125.7	8.0
Gross profit	**547.0**	**570.7**	**(4.1)**	**1,167.2**	**1,166.7**	**0.0**
Selling and store expenses	362.3	341.6	6.1	766.3	707.6	8.3
Pre-opening expenses	1.0	4.2	(75.7)	2.6	6.9	(61.6)
General and administration expenses	62.7	59.9	4.6	132.4	121.8	8.7
Other income and expenses	6.3	3.0	>100	10.1	6.8	48.3
Earnings before interest and taxes (EBIT)	**127.4**	**168.1**	**(24.2)**	**275.9**	**337.2**	**(18.2)**
Interest and similar income	1.6	0.1	>100	1.9	0.2	>100
Interest and similar expenses	13.2	10.9	20.9	24.4	21.8	11.6
Other financial result	3.6	(1.9)	>100	7.1	(2.6)	>100
Net financial expenses	**(8.0)**	**(12.6)**	**(36.8)**	**(15.3)**	**(24.3)**	**(36.8)**
Consolidated earnings before taxes	**119.4**	**155.4**	**(23.2)**	**260.6**	**312.9**	**(16.7)**
Taxes on income	28.9	37.0	(21.8)	63.2	76.5	(17.3)
Consolidated net income	**90.4**	**118.4**	**(23.6)**	**197.3**	**236.4**	**(16.5)**
of which: income attributable to shareholders	83.6	93.7	(10.8)	181.9	187.0	(2.7)
of which: non-controlling interest	6.9	24.8	(72.3)	15.5	49.5	(68.8)
Basic/diluted earnings per share (€)	**5.22**	**5.85**	**(10.8)**	**11.37**	**11.69**	**(2.7)**

Statement of Comprehensive Income

€ million	Q2 2022/23	Q2 2021/22	6M 2022/23	6M 2021/22
Consolidated net income	**90.4**	**118.4**	**197.3**	**236.4**
Actuarial gains and losses on defined benefit plans	5.9	(3.2)	13.7	0.3
Deferred taxes on actuarial gains and losses on defined benefit plans	(1.0)	0.5	(2.1)	0.0
Other comprehensive income that will not be recycled at a later date	**4.9**	**(2.7)**	**11.5**	**0.3**
Measurement of derivative financial instruments (cash flow hedge)				
Measurement of derivative hedging instruments directly in equity [1]	0.2	0.0	0.3	(0.1)
Gains and losses from measurement of derivative financial instruments transferred to profit or loss	0.0	0.1	0.1	0.2
Exchange differences arising on the translation of foreign subsidiaries	11.5	2.9	15.3	8.3
Deferred taxes on gains and losses recognized directly in equity	0.0	0.0	(0.1)	0.0
Other comprehensive income that will possibly be recycled at a later date	**11.7**	**3.0**	**15.6**	**8.4**
Total comprehensive income	**107.0**	**118.7**	**224.4**	**245.1**
of which: attributable to shareholders	99.1	94.1	207.0	194.0
of which: attributable to non-controlling interest	7.9	24.6	17.5	51.1

[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, 2022 € million	%	February 28, 2022 € million	%
Non-current assets				
Intangible assets	27.8	0.6	20.0	0.5
Property, plant, and equipment	1,784.5	39.2	1,715.7	39.8
Investment property	28.1	0.6	26.9	0.6
Right-of-use assets	810.6	17.8	788.8	18.3
Financial assets	0.1	0.0	0.1	0.0
Other non-current receivables and assets	6.0	0.1	5.9	0.1
Deferred tax assets	22.4	0.5	21.7	0.5
	2,679.3	**58.9**	**2,579.1**	**59.9**
Current assets				
Inventories	1,261.5	27.7	1,230.4	28.6
Trade receivables	61.3	1.3	47.3	1.1
Contract assets	2.0	0.0	1.6	0.0
Other current assets	109.7	2.4	98.3	2.3
Income tax receivables	22.3	0.5	13.0	0.3
Cash and cash equivalents	412.7	9.1	332.3	7.7
Non-current assets held for sale and disposal groups	1.4	0.0	3.7	0.1
	1,871.0	**41.1**	**1,726.5**	**40.1**
	4,550.3	**100.0**	**4,305.7**	**100.0**

Equity and liabilities	August 31, 2022 € million	%	February 28, 2022 € million	%
Shareholders' equity				
Share capital	48.0	1.1	48.0	1.1
Capital reserve	130.4	2.9	130.4	3.0
Revenue reserves	1,617.3	35.5	1,451.9	33.7
Equity of shareholders of HORNBACH HOLDING AG & Co. KGaA	1,795.6	39.5	1,630.3	37.9
Non-controlling interest	138.7	3.0	131.0	3.0
	1,934.4	**42.5**	**1,761.3**	**40.9**
Non-current liabilities				
Non-current financial debt	742.6	16.3	592.5	13.8
Non-current lease liabilities	805.8	17.7	778.4	18.1
Pensions and similar obligations	0.9	0.0	12.9	0.3
Deferred tax liabilities	32.6	0.7	31.3	0.7
Other non-current liabilities	51.7	1.1	50.3	1.2
	1,633.6	**35.9**	**1,465.4**	**34.0**
Current liabilities				
Current financial debt	115.3	2.5	220.9	5.1
Current lease liabilities	94.4	2.1	96.4	2.2
Trade payables	361.9	8.0	409.2	9.5
Contract liabilities	58.4	1.3	52.9	1.2
Other current liabilities	141.3	3.1	106.8	2.5
Income tax liabilities	69.9	1.5	43.4	1.0
Other provisions and accrued liabilities	141.3	3.1	149.3	3.5
	982.3	**21.6**	**1,079.0**	**25.1**
	4,550.3	**100.0**	**4,305.7**	**100.0**

Statement of Changes in Equity

6M 2021/22 € million	Share capital	Capital reserve	Hedging reserve	Cumulative currency translation	Other revenue reserves	Equity attributable to shareholders	Non-controlling interest	Total group equity
Balance at March 1, 2021	**48.0**	**130.4**	**(0.4)**	**16.4**	**1,282.5**	**1,476.8**	**295.2**	**1,772.0**
Consolidated net income					187.0	187.0	49.5	236.4
Actuarial changes on defined benefit plans, net after taxes					0.2	0.2	0.1	0.3
Measurement of derivative financial instruments (cash flow hedge), net after taxes			0.1			0.1	0.0	0.1
Exchange differences arising on the translation of foreign subsidiaries				6.7		6.7	1.6	8.3
Total comprehensive income	**0.0**	**0.0**	**0.1**	**6.7**	**187.2**	**194.0**	**51.1**	**245.1**
Dividend distribution					(32.0)	(32.0)	(6.8)	(38.8)
Treasury stock transactions					0.0	0.0	(1.2)	(1.2)
Balance at August 31, 2021	**48.0**	**130.4**	**(0.3)**	**23.1**	**1,437.6**	**1,638.8**	**338.3**	**1,977.1**

6M 2022/23 **€ million**	Share capital	Capital reserve	Hedging reserve	Cumulative currency translation	Other revenue reserves	Equity attributable to shareholders	Non-controlling interest	Total group equity
Balance at March 1, 2022	**48.0**	**130.4**	**(0.3)**	**35.8**	**1,416.5**	**1,630.3**	**131.0**	**1,761.3**
Consolidated net income					181.9	181.9	15.5	197.3
Actuarial changes on defined benefit plans, net after taxes					10.5	10.5	1.0	11.5
Measurement of derivative financial instruments (cash flow hedge), net after taxes			0.3			0.3	0.0	0.3
Exchange differences arising on the translation of foreign subsidiaries				14.3		14.3	1.0	15.3
Total comprehensive income	**0.0**	**0.0**	**0.3**	**14.3**	**192.4**	**207.0**	**17.5**	**224.4**
Dividend distribution					(38.4)	(38.4)	(2.5)	(40.9)
Treasury stock transactions					(3.8)	(3.8)	0.0	(3.8)
Acquisition of shares in a subsidiary with no change of control					0.5	0.5	(7.2)	(6.7)
Balance at August 31, 2022	**48.0**	**130.4**	**0.0**	**50.0**	**1,567.2**	**1,795.6**	**138.7**	**1,934.4**

Cash Flow Statement

€ million	6M 2022/23	6M 2021/22
Consolidated net income	**197.3**	**236.4**
Depreciation and amortization of property, plant, and equipment and intangible assets	52.8	49.0
Depreciation of right-of-use assets	55.9	49.5
Change in provisions	1.1	1.2
Gains/losses on disposals of non-current assets and of non-current assets held for sale	(0.7)	(0.7)
Change in inventories, trade receivables, and other assets	(65.5)	28.5
Change in trade payables and other liabilities	7.0	4.4
Other non-cash income/expenses	5.4	6.0
Cash flow from operating activities	**253.2**	**374.3**
Proceeds from disposal of non-current assets and of non-current assets held for sale	3.9	1.8
Payments for investments in property, plant, and equipment	(105.0)	(94.2)
Payments for investments in intangible assets	(9.3)	(2.8)
Repayment of securities and money investments	0.0	(60.0)
Cash flow from investing activities	**(110.3)**	**(155.1)**
Dividends paid	(40.9)	(38.8)
Proceeds from taking up long-term debt	245.4	70.0
Repayment of long-term debt	(18.2)	(122.7)
Repayment of current and non-current lease liabilities	(52.8)	(51.1)
Payments for transaction costs	(0.3)	0.0
Change in level of shareholding in subsidiary with no change in control	(197.2)	0.0
Cash flow from financing activities	**(64.0)**	**(142.6)**
Cash-effective change in cash and cash equivalents	78.9	76.6
Change in cash and cash equivalents due to changes in exchange rates	1.5	1.3
Cash and cash equivalents at March 1	332.3	435.0
Cash and cash equivalents at August 31	**412.7**	**512.9**

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 € 47.7 million (2021/22: € 36.6 million) and interest payments of € 17.5 million (2021/22: € 16.8 million) and increased by interest received of € 1.9 million (2021/22: € 0.2 million). Of interest payments, an amount of € 14.2 million (2021/22: € 13.4 million) involves interest paid in connection with leases.

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

GROUP NOTES

Notes to the Interim Consolidated Financial Statements as of August 31, 2022

(1) Accounting principles

This group interim report of HORNBACH Holding AG & Co. KGaA and its subsidiaries for the first half of the financial year as of August 31, 2022 has been prepared in accordance with § 315e (1) of the German Commercial Code (HGB) based on International Financial Reporting Standards (IFRS) in the form requiring mandatory application in the European Union. The abridged interim report has been prepared in accordance with IAS 34 "Interim Financial Reporting".

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

This interim report is to be read in conjunction with the consolidated financial statements of HORNBACH Holding AG & Co. KGaA for the 2021/22 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) – Half-Year Financial 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 2022/23 financial year were described in the 2021/22 consolidated financial statements. These changes did not have any material implications for the interim consolidated financial statements.

Impairment tests of non-financial assets (including right-of-use assets)

Given the continued rise in energy and logistics prices and the local and global implications of the Russia/Ukraine conflict for the economy and financial markets, the company performed event-based impairment tests in the 2nd quarter.

The inclusion of newly amended parameters in the impairment test and changes in the budget scenarios on the level of individual cash generating units led to the identification of impairment requirements on right-of-use assets at two locations. The respective assets were written down by € 1.7 million to their value in use or net realizable value.

(2) Scope of consolidation

In the 2022/23 financial year, Union Bauzentrum HORNBACH GmbH extended its network of outlets as of July 1, 2022 by taking over a group of builders' merchant companies comprising L&B Baustoffhandel GmbH & Co. KG, Saarbrücken, BSG Baustoff-Service Gesellschaft mbH, Saarbrücken, BS Baustoffe GmbH, Saarlouis, and BS-Spezialbaustoffe GmbH, Saarbrücken-Gersweiler, together with their subsidiaries, in the context of an asset deal. This did not involve the takeover of any legal entities, but rather exclusively of business operations, including the respective assets and individual liabilities. The transaction therefore constitutes a business combination, with control being gained due to the acquisition of assets and liabilities. From this time, the assets and liabilities thereby acquired have been included in the consolidated financial statements of HORNBACH Holding AG & Co. KGaA. The intangible assets include the customer bases thereby taken over. The property, plant and equipment included in consolidation mainly involve location properties, as well as plant and office equipment. Other liabilities include future payments of € 0.9 million due to an earn-out agreement. The amount of any payments made in connection with the earn-out agreement is mainly based on the business performance (EBIT) of the business operations thereby taken over in the next three financial years. Given the current framework, it is not possible to determine the range of any potential earn-out payments. The company currently assumes that the business operations taken over will achieve the contractually agreed target (EBIT) and has therefore accounted for the potential maximum amount of earn-out obligation.

Goodwill particularly relates to the employees thereby taken over and to the future growth potential of the business operations taken over following their integration within Union Bauzentrum HORNBACH GmbH.

The preliminary fair values of the assets and liabilities thereby taken over have been calculated on the basis of the respective contracts and the opening balance sheets available to us as of the acquisition date, as well as by reference to valuations performed by independent third parties. The process of determining fair values requires discretionary decisions to be made when ascertaining the relevant assumptions and estimates. These preliminary estimates are based on information currently available and will be updated by reference to information additionally becoming available and more detailed analyses performed during the valuation period, which may not exceed twelve months from the acquisition date.

It is assumed that the goodwill to be recognized for tax purposes will be fully deductible for income tax purposes. The assessment of the tax presentation of the transaction has not yet been finalized; this factor may therefore still have implications.

No material incidental acquisition costs were incurred for the transaction. The purchase price was settled with liquid funds.

The acquisition resulted in the takeover of the following assets and liabilities:

Fair value (€ 000s)	Additions in 2022/23
Intangible assets	4.1
Property, plant, and equipment	6.3
Right-of-use assets	0.3
Inventories	3.8
Total assets	**14.5**
Lease liabilities	0.3
Other liabilities	0.9
Total liabilities	**1.2**
Net assets	**13.2**
Consideration	**16.4**
Goodwill	**3.2**

Since full consolidation, the business operations taken over have contributed sales of € 6.1 million and earnings after taxes of € 0.2 million in the 2022/23 financial year. Full consolidation from the start of the financial year would have increased consolidated sales by around € 25.0 million and earnings after taxes by around € 1.0 million.

(3) Seasonal influences

Due to weather conditions, the HORNBACH Holding AG & Co. KGaA Group generally reports a weaker business performance in the fall and winter than in the spring and summer months. These seasonal fluctuations are reflected in the figures for the first half. The business performance in the first six months as of August 31, 2022 does not necessarily provide an indication for the year as a whole.

(4) Other income and expenses

Other income and expenses are structured as follows:

€ million	Q2 2022/23	Q2 2021/22	Change in %
Other income	9.3	6.2	50.3
Other expenses	3.0	3.2	(5.8)
Other income and expenses	**6.3**	**3.0**	**>100**

€ million	6M 2022/23	6M 2021/22	Change in %
Other income	15.8	11.6	36.1
Other expenses	5.7	4.8	18.7
Other income and expenses	**10.1**	**6.8**	**48.3**

Other income for the first half of 2022/23 mainly results from operating income and chiefly relates to ancillary revenues at DIY stores with garden centers, income from damages payments and disposal services, and income from disposals of non-current assets. This includes non-operating income of € 0.2 million from the sale of a piece of land (2021/22: € 0.0 million).

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

(5) Earnings per share

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

	Q2 2022/23	Q2 2021/22
Number of ordinary shares issued	16,000,000	16,000,000
Consolidated net income allocable to shareholders in HORNBACH Holding AG & Co. KGaA in € million	83.6	93.7
Earnings per share in €	**5.22**	**5.85**

	6M 2022/23	6M 2021/22
Number of ordinary shares issued	16,000,000	16,000,000
Consolidated net income allocable to shareholders in HORNBACH Holding AG & Co. KGaA in € million	181.9	187.0
Earnings per share in €	**11.37**	**11.69**

(6) Other disclosures

The personnel expenses of the HORNBACH Holding AG & Co. KGaA Group amounted to € 494.3 million in the first half of the 2022/23 financial year (2021/22: € 478.2 million).

Depreciation and amortization totaling € 52.8 million was recognized on intangible assets and property, plant and equipment at the HORNBACH Holding AG & Co. KGaA Group in the first six months of the 2022/23 financial year (2021/22: € 49.0 million). An amount of € 54.1 million involved depreciation of right-of-use assets in connection with leases (2021/22: € 49.5 million).

Functionally allocated non-operating earnings items of € 1.7 million arose in the first half of the 2022/23 financial year. These involve impairments on right-of-use assets in connection with leases. No non-operating earnings items arose in the previous year's period.

(7) Shareholders' equity

On July 8, 2022, 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 55,000 treasury stock shares. These shares are to be acquired for the annual issue of employee shares scheduled to take place at the end of 2022. The buyback of shares began on July 11, 2022 and is limited to February 28, 2023. By August 31, 2022, HORNBACH Baumarkt AG had acquired 48,457 treasury stock shares. In the statement of changes in equity, the acquisition costs for these shares (€ 3.8 million) have been recognized under "Treasury stock transactions".

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

(8) Dividend

As proposed by the Board of Management of the general partner HORNBACH Management AG and the Supervisory Board of HORNBACH Holding AG & Co. KGaA, following approval by the Annual General Meeting on July 8, 2022 a dividend of € 2.40 per share was distributed to shareholders for the 2021/22 financial year.

(9) Contingent liabilities, guarantees and other financial obligations

These mainly involve financial obligations in connection with capital expenditure projects, as well as rental, hiring, leasehold, and lease contracts in which the leased items had not yet been handed over for use as of the balance sheet date or which are outside the scope of IFRS 16. These items amounted to € 206.8 million at the end of the period under report (February 28, 2022: € 202.7 million).

The company had contingent liabilities of € 91.4 million as of the balance sheet date (February 28, 2022: € 87.2 million). These mainly relate to conditionally deferred rental relationships. The timing of any potential outflow of funds for contingent liabilities is uncertain, as they depend on various external factors that are outside HORNBACH's control.

(10) Related party disclosures

In addition to the subsidiaries included in the consolidated financial statements, HORNBACH Holding AG & Co. KGaA also has direct or indirect relationships with associated companies when performing its customary business activities. Apart from the transactions reported in the annual financial statements, no major transactions were undertaken with closely related companies and persons during the first half of the 2022/23 financial year.

(11) Fair value disclosures

The methods and principles applied to determine fair value are basically unchanged compared with the consolidated financial statements as of February 28, 2022. The following table presents the carrying amounts and fair values of individual financial assets and liabilities pursuant to IFRS 9 as of August 31, 2022:

€ million	Category	Carrying amount 8.31.2022	Fair value 8.31.2022	Carrying amount 2.28.2022	Fair value 2.28.2022
Assets					
Financial assets	FVtOCI	0.1	0.1	0.1	0.1
Trade receivables	AC	58.1	58.1	44.4	44.4
Trade receivables due to non-recourse factoring that are not derecognized	FVtPL	3.2	3.2	2.9	2.9
Contract assets	AC	2.0	2.0	1.6	1.6
Other current and non-current assets					
Derivatives with hedge relationship	n/a	0.0	0.0	1.7	1.7
Derivatives without hedge relationship	FVtPL	1.0	1.0	0.6	0.6
Other assets	AC	83.2	83.2	71.6	71.6
Cash and cash equivalents	AC	412.7	412.7	332.3	332.3
Equity and liabilities					
Financial debt					
Bonds	AC	247.9	238.8	247.7	258.9
Liabilities to banks	AC	607.3	573.4	372.9	379.6
Liabilities in connection with delisting purchase offer	AC	0.0	0.0	190.6	190.6
Lease liabilities	n/a	900.1	--	874.8	n/a
Derivatives without hedge relationship	FVtPL	2.7	2.7	2.3	2.3
Trade payables	AC	361.9	361.9	409.2	409.2
Other current and non-current liabilities	AC	9.0	9.0	46.8	46.8
Accrued liabilities	AC	45.1	45.1	31.3	31.3

Other current and non-current assets of € 31.4 million (February 28, 2022: € 30.3 million), other current and non-current liabilities of € 183.9 million (February 28, 2022: € 144.2 million), and accrued liabilities of € 95.3 million (February 28, 2022: € 116.9 million) are outside the scope of IFRS 7.

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

€ million	Category	8.31.2022	2.28.2022
Assets			
Valuation based on level 2 input data			
Derivatives with hedge relationship	n/a	0.0	1.7
Derivatives without hedge relationship	FVtPL	1.0	0.6
Equity and liabilities			
Valuation based on level 1 input data			
Bonds	AC	238.8	258.9
Valuation based on level 2 input data			
Liabilities to banks	AC	573.4	379.6
Derivatives without hedge relationship	FVtPL	0.0	2.3

The derivative financial instruments with hedge relationships recognized in the balance sheet as of February 28, 2022 related to a cross-currency swap. This swap was discontinued on schedule as of June 30, 2022. Derivative financial instruments without hedge relationships involve foreign currency items for outstanding orders.

(12) Segment report

6M 2022/23 in € million 6M 2021/22 in € million	HORNBACH Baumarkt AG Subgroup	HORNBACH Baustoff Union GmbH Subgroup	HORNBACH Immobilien AG Subgroup	Central Functions	Consolidation adjustments	HORNBACH HOLDING AG & Co. KGaA Group
Segment sales	**3,236.8**	**226.6**	**40.8**	**0.0**	**(40.8)**	**3,463.3**
	3,085.2	206.5	39.7	0.0	(39.0)	3,292.4
Sales to third parties	3,236.0	225.6	0.0	0.0	0.0	3,461.6
	3,084.5	206.4	0.0	0.0	0.0	3,290.9
Sales to affiliated companies	0.0	0.9	0.0	0.0	(0.9)	0.0
	0.0	0.1	0.0	0.0	(0.1)	0.0
Rental income from third parties	0.8	0.1	0.9	0.0	0.0	1.7
	0.7	0.0	0.8	0.0	0.0	1.5
Rental income from affiliated companies	0.0	0.0	39.9	0.0	(39.9)	0.0
	0.0	0.0	38.9	0.0	(38.9)	0.0
EBIT	**242.9**	**13.7**	**28.5**	**(2.7)**	**(6.4)**	**275.9**
	304.3	12.6	29.1	(2.5)	(6.3)	337.2
Depreciation and amortization	127.1	4.8	8.7	0.0	(31.9)	108.7
	116.5	4.6	8.7	0.0	(31.2)	98.5
Segment earnings (adjusted EBIT)	**245.2**	**13.7**	**28.3**	**(2.7)**	**(7.0)**	**277.4**
	304.3	12.6	29.1	(2.5)	(6.3)	337.2
EBITDA	**370.0**	**18.5**	**37.2**	**(2.7)**	**(38.4)**	**384.6**
	420.8	17.2	37.8	(2.5)	(37.5)	435.7
Segment assets	**4,218.7**	**245.5**	**452.6**	**26.9**	**(438.0)**	**4,505.6**
	3,984.0	214.5	447.2	32.2	(470.0)	4,208.0
of which: credit balances at banks	344.6	1.7	18.3	26.2	0.0	390.8
	438.1	0.0	13.7	31.0	0.0	482.8

Reconciliation in € million	**6M 2022/23**	6M 2021/22
Segment earnings (adjusted EBIT)	**277.4**	**337.2**
Non-operating items	(1.5)	0.0
Net financial expenses	(15.3)	(24.3)
Consolidated earnings before taxes	**260.6**	**312.9**

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

External sales by regions 6M 2022/23 in € million 6M 2021/22 in € million	HORNBACH Baumarkt AG Subgroup	HORNBACH Baustoff Union GmbH Subgroup	HORNBACH Immobilien AG Subgroup	HORNBACH HOLDING AG & Co. KGaA Group
Germany	1,601.7	219.9	0.8	1,822.4
	1,579.7	200.9	0.7	1,781.4
Other European countries	1,635.1	5.8	0.1	1,641.0
	1,505.5	5.5	0.1	1,511.0
Revenue from contracts with customers	**3,236.8**	**225.7**	**0.9**	**3,463.3**
	3,085.2	206.4	0.8	3,292.4

Neustadt an der Weinstrasse, September 27, 2022

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

Albrecht Hornbach Karin Dohm

RESPONSIBILITY STATEMENT (BALANCE SHEET OATH)

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

Neustadt an der Weinstrasse, September 27, 2022

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

Albrecht Hornbach Karin Dohm

REVIEW REPORT

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

We have reviewed the condensed interim consolidated financial statements of HORNBACH Holding AG & Co. KGaA, Neustadt an der Weinstrasse/Germany, which comprise the statement of profit and loss and the statement of comprehensive income for the period from 1 March to 31 August 2022, the balance sheet as at 31 August 2022, the statement of changes in consolidated equity, the statement of cash flows as well as selected explanatory notes to the financial statements, and the interim group management report for the period from 1 March to 31 August 2022, that are part of the half-year financial information under Section 115 German Securities Trading Act (WpHG). The preparation of the condensed interim consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the executive directors of the Company. Our responsibility is to issue a review report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We conducted our review of the condensed interim consolidated financial statements and of the interim group management report in compliance with the German Generally Accepted Standards for Reviews of Financial Statements promulgated by the Institut der Wirtschaftsprüfer (IDW) and in supplementary compliance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" Those standards require that we plan and perform the review to obtain a certain level of assurance to preclude through critical evaluation that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to 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. A review is limited primarily to inquiries of company personnel and to analytical procedures applied to financial data and thus provides less assurance than an audit. Since, in accordance with our engagement, we have not performed an audit, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of HORNBACH Holding AG & Co. KGaA, Neustadt an der Weinstrasse/Germany, have not been prepared, in material respects, in accordance with the IFRS applicable to 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.

Mannheim/Germany, 27 September 2022

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Steffen Schmidt Wirtschaftsprüfer (German Public Auditor)	Patrick Wendlandt Wirtschaftsprüfer (German Public Auditor)

FINANCIAL CALENDAR

September 29, 2022	Half-Year Financial Report 2022/23 as of August 31, 2022 Analysts' Conference of HORNBACH Holding & Co. KGaA
December 22, 2022	Financial Update: 3rd Quarter of 2022/23 as of November 30, 2022
March 23, 2023	Trading Statement 2022/23 as of February 28, 2023
May 16, 2023	Annual Report 2022/23 as of February 28, 2023 Annual Results Press Conference for Financial Year 2022/23 Analysts' Conference of HORNBACH Holding AG & Co. KGaA

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DISCLAIMER

This half-year report contains forward-looking statements based on assumptions and estimates made by the management of HORNBACH. Although we assume that the expectations reflected or implied in these forward-looking statements are realistic, the company can provide no guarantee that these expectations will also turn out to be accurate. By their nature, forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors which could result in the actual results, developments or performance deviating significantly from the forecasts given. The factors which could result in such deviations include, inter alia, changes in the economic and business environment, particularly in respect of consumer behavior and the competitive environment in those retail markets of relevance for HORNBACH. Furthermore, they include exceptional weather conditions, a lack of acceptance of new sales formats or new product ranges, as well as changes to the corporate strategy. Forward-looking statements are always only valid at the time at which they are made. HORNBACH does neither intend to update any forward-looking statements, nor does it assume any obligation to do so.