Annual Report
2022/2023

HORNBACH HOLDING
AG & CO. KGAA GROUP

HORNBACH
Holding

Key Group, Financial and Operating Data

Amounts shown in € million unless otherwise stated	Change financial year 2022/23 on previous year	IFRS 2022/23	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14
Sales and earnings figures											
Net sales	6.6 %	6,263	5,875	5,456	4,729	4,362	4,141	3,941	3,755	3,572	3,369
of which: Other European Countries	9.8 %	2,994	2,726	2,471	2,193	1,986	1,829	1,679	1,533	1,400	1,334
Sales growth as % of net sales		6.6	7.7	15.4	8.4	5.3	5.1	4.9	5.1	6.0	4.3
EBITDA	(10.5)%	505	565	516	420	235	263	254	231	243	236
as % of net sales		8.1	9.6	9.5	8.9	5.4	6.3	6.5	6.2	6.8	7.0
EBIT	(27.2)%	259	355	312	214	121	161	157	138	165	160
as % of net sales		4.1	6.0	5.7	4.5	2.8	3.9	4.0	3.7	4.6	4.8
Adjusted EBIT [1]	(20.0)%	290	363	326	227	135	166	160	151	167	164
as % of net sales		4.6	6.2	6.0	4.8	3.1	4.0	4.1	4.0	4.7	4.9
Earnings before taxes and non-controlling interest	(30.5)%	218	314	266	166	99	132	130	113	140	128
as % of net sales		3.5	5.3	4.9	3.5	2.3	3.2	3.3	3.0	3.9	3.8
Net income for the year before non-controlling interest	(31.4)%	168	245	201	123	75	96	90	98	107	86
as % of net sales		2.7	4.2	3.7	2.6	1.7	2.3	2.3	2.6	3.0	2.6
Gross margin as % of net sales		33.4	35.0	35.2	35.8	36.0	36.6	36.6	37.0	37.3	36.6
Store expenses as % of net sales		24.9	24.7	25.3	26.7	28.2	27.8	27.9	28.5	27.9	27.3
Costs of central administration as % of net sales		4.5	4.4	4.4	4.9	5.2	5.2	4.9	4.9	4.6	4.4
Pre-opening expenses as % of net sales		0.1	0.3	0.1	0.2	0.2	0.1	0.2	0.3	0.4	0.3
Cash flow figures											
Cash flow from operating activities	23.3 %	425	345	347	324	54	182	179	152	156	198
Investments [2]	13.9 %	203	179	154	131	196	148	179	156	119	116
Proceeds from divestments		5	7	5	10	5	9	11	3	5	12
Earnings potential [3]	19.3 %	432	362	354	332	61	187	185	162	171	207
as % of net sales		6.9	6.2	6.5	7.0	1.4	4.5	4.7	4.3	4.8	6.1
Dividend distribution		38.4	38.4	32.0	24.0	24.0	24.0	24.0	12.6	12.6	10.5
Balance sheet and financial figures											
Total assets	9.8 %	4,726	4,306	4,008	3,760	3,011	2,668	2,648	2,680	2,433	2,362
Non-current assets [4]	4.9 %	2,676	2,551	2,397	2,379	1,757	1,686	1,651	1,561	1,336	1,286
Inventories	12.3 %	1,382	1,230	993	861	799	699	662	623	567	539
Cash and cash equivalents	31.5 %	437	332	435	368	316	164	190	350	401	429
Shareholders' equity	7.7 %	1,897	1,761	1,772	1,604	1,507	1,463	1,398	1,334	1,259	1,164
as % of total assets		40.1	40.9	44.2	42.7	50.0	54.8	52.8	49.8	51.7	49.3
Return on shareholders' equity based on net income - in %		9.2	13.8	11.9	7.9	5.1	6.7	6.6	7.5	8.8	7.6
Net working capital	(4.8)%	884	928	846	727	678	532	531	464	441	397
Additions to non-current assets	0.1 %	357	357	241	837	196	148	198	325	121	117
Inventory turnover rate per year		3.2	3.7	4.2	3.8	3.9	3.9	3.9	4.1	4.2	4.1
Other information											
Employees - annual average - converted into full-time equivalents	3.1 %	20,582	19,961	18,720	17,935	17,053	16,223	15,751	15,283	14,663	14,064
Number of shares [5]		15,993,125	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000
Earnings per share in € [6]		9.83	12.48	10.33	6.56	4.08	5.11	4.84	5.04	5.64	4.55

[1] Adjusted for non-operating items
[2] Excluding investment in short-term financial deposits (2016/17 financial year: € 30 million)
[3] Cash flow from operating activities plus pre-opening expenses
[4] Starting in the 2019/20 financial year: including right-of-use assets (IFRS 16)
[5] Excess shares from the share buyback for the employee share program are held as treasury stock as of Feb 28/29
[6] Until the 2014/15 financial year: average earnings per share in € (ordinary and preference shares of HORNBACH HOLDING AG)

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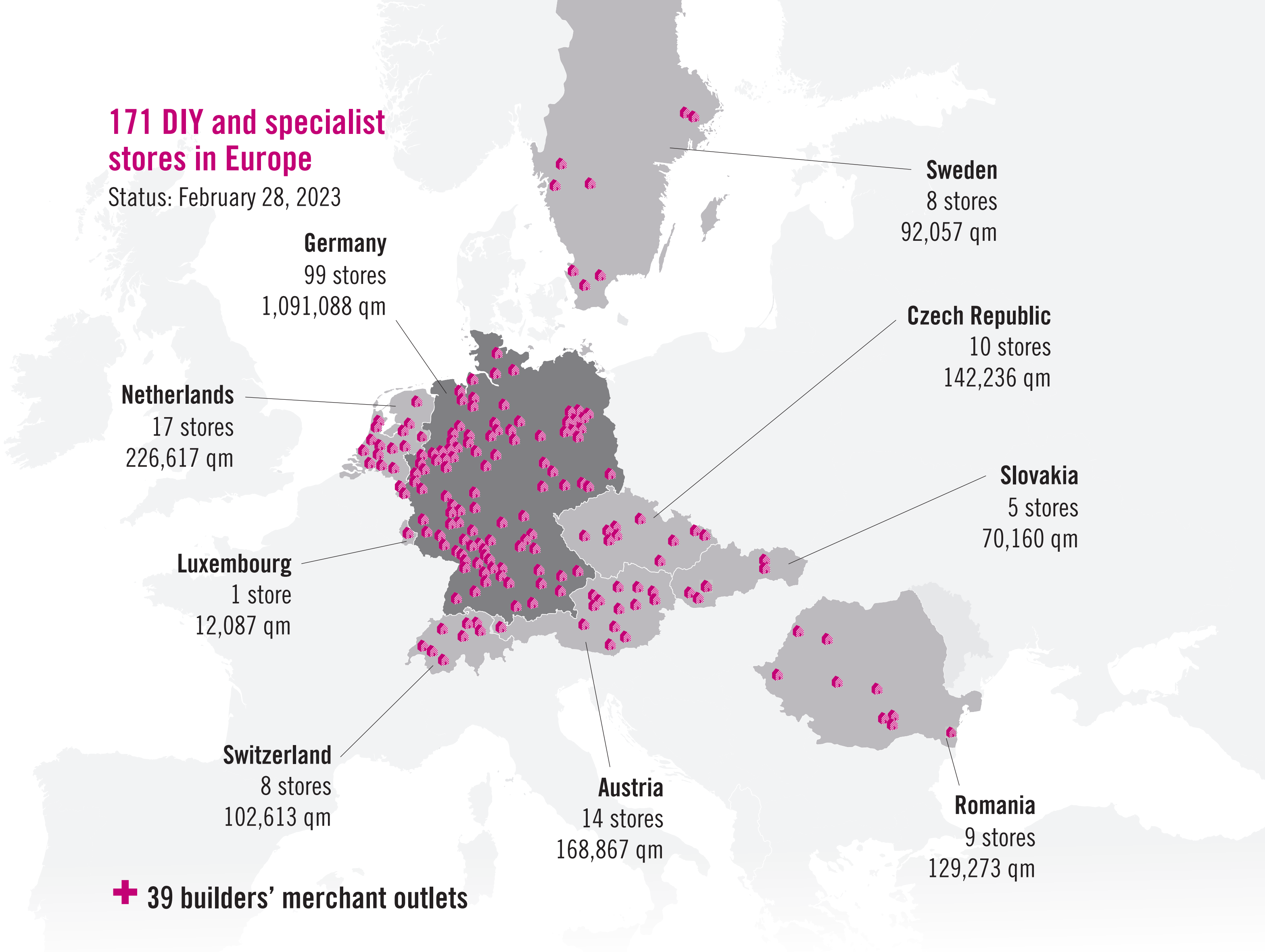

Company Profile

HORNBACH is one of the leading DIY retail groups in Germany and Europe, with 169 DIY stores and garden centers, 2 specialist stores, 39 builders' merchant outlets as well as online shops in nine European countries. HORNBACH's megastores and online shops offer DIY enthusiasts and professionals a broad product range of around 260,000 high-quality articles at permanently low prices. HORNBACH supplements its products with a wide range of project-based advice and services.

1877

HORNBACH was founded more than 140 years ago and is still family-managed, now in the fifth generation.

€ 6.3 billion

Consolidated sales rose by 6.6 % in the 2022/23 financialyear.

€ 2,925

HORNBACH is the German DIY market leader in terms of sales per square meter.

Dividend gem

Since its IPO in 1987, HORNBACH Holding AG & Co. KGaA has each year distributed a dividend at least as high as the year before.

No. 1

HORNBACH regularly receives top rankings for its product range and prices in customer satisfaction surveys.

60%

HORNBACH owns more than half the properties used for its retail operations.

TO OUR SHAREHOLDERS

Letter from the CEO

Albrecht Hornbach, Chief Executive Officer of HORNBACH Management AG

Dear Ladies and Gentlemen,

The return to normality we all hoped for after two years of the coronavirus pandemic failed to materialize. The 2022/23 financial year was rather shaped by geopolitical and macroeconomic predicaments. The invasion of Ukraine, the impact of sanctions, and the conversion in the European supply of energy and commodities led to significant price growth. As a result, we saw a sharp rise in inflation and falling purchasing power across the world and in all countries in which the HORNBACH Group operates, factors which placed a massive strain on public and private household finances. Procuring merchandise also remained a challenge given repeated lockdowns in China at the beginning of the financial year. Time and again, we were called on to act quickly and respond to sometimes grave external influences.

Today more than ever, successfully running a retail business means speed, adaptability, and anticipating people's needs at an early stage. A glance at Kundenmonitor 2022, the customer survey which ranked us first among DIY stores in Germany for customer satisfaction, shows how well we managed this in the past financial year. In Sweden and the Netherlands, we held top position in the "Retailer of the Year 2022" survey.

Thanks to our popularity with customers and our attractive range of products and services, and in particular the focus on our permanently low price guarantee and our highly developed project expertise, we were able to increase our consolidated sales by 6.6 percent to € 6.3 billion in the past financial year. Of consolidated sales, 93 percent were contributed by HORNBACH Baumarkt AG, which now operates 171 locations, while the remain-der was generated at HORNBACH Baustoff Union, which runs 39 builders' merchant outlets in Germany and France. In both segments, sales were significantly higher than before the pandemic and, driven by consist-ently strong demand and inflation, grew in all quarters of the past financial year.

The online share of DIY store sales, including click & collect, stood at 14.1 percent in the 2022/23 financial year. We generated sales of € 823 million in this area. As expected, due to declining demand for click & collect we saw a reduction in online sales compared with the previous year. By contrast, our direct online orders remained very strong and at a higher level than before the pandemic. In other words: We can confirm that online retail is now well established in the DIY sector.

The strong performance in the past financial year is also reflected in our adjusted EBIT. Here, we generated very decent earnings of €290 million in the 2022/23 financial year. That may be 20 percent less than in the record 2021/22 financial year. If we look at the figure for 2019/20, however, which was also a year with particularly good earnings, we are 28 percent ahead of the high results in the period prior to the pandemic.

High inflation also had one positive effect: Given the sharp rise in energy prices, many people invested in making their homes more energy efficient, whether by improving insulation or by opting for an alternative energy supply. And this trend can be expected to remain a key growth driver for our sector in the years ahead as well, particularly in view of the mandatory refurbishment requirements planned in Europe. Given the rise in construction interest rates, we also expect to see growing investment in existing properties, a development which would tend to benefit the DIY sector. Here, it will not only be about offering customers the right products at a fair price: We will also have to provide them with the support and advice they need for their projects and thus enable them to implement as many projects as possible under their own steam. As a project DIY store with a broad and deep product range and a consistent permanently low price strategy, we are well positioned for this development.

Based on long-term sector and consumer trends, we remain confident in our robust business model and in the DIY sector as a whole, and that even though the 2023/24 financial year began with a headwind. In most countries where we operate, the important spring season for our business was very late to start due to weather conditions. At the same time, macroeconomic challenges in the form of inflation and product pricing have continued. It is currently very difficult to assess how demand from our customers will develop. Given this uncertain environment, we will focus more closely on our cost basis. Having said this, we intend to uphold our long-term growth strategy and maintain our proven permanently low price strategy. Particularly in times of high inflation and increased cost of living, we aim to be a reliable partner to our customers.

To ensure we are optimally positioned for the challenges ahead, several days ago we announced some changes to our management team. In addition to his activities as CEO of HORNBACH Baumarkt AG, my colleague Erich Harsch has been appointed to the Board of Management of HORNBACH Management AG, where he will be responsible in future for the DIY store division. We are also strengthening the Board of Management at HORNBACH Baumarkt AG with Christa Theurer, the longstanding Director of our Germany business, and Jan and Nils Hornbach, who are responsible for our international activities and the e-business. These new members of the Board of Management will strengthen the overall management of our operative business, not least because the country managing directors, divisional directors, and Board of Management will now pull more closely together. Not only that: The appointment of two family members to the Board of Management at HORNBACH Baumarkt AG marks a further commitment by the founding family to the company and its family-run future.

Yours faithfully,

Albrecht Hornbach
Chief Executive Officer of HORNBACH Management AG,
General Partner of HORNBACH Holding AG & Co. KGaA

Report of the Supervisory Board

Dr. John Feldmann, Supervisory Board Chair of HORNBACH Holding AG & Co. KGaA

Dear Shareholders,

2022 will be etched in our collective and individual memories given the geopolitical and social challenges and macroeconomic volatilities that arose during the year. Russia's attack on Ukraine, one of the world's largest grain producers, the conversion in the European, and in particular the German supply of energy and commodities, and the impact of internationally agreed sanctions led to further disruptions in supply chains and to significant rises in the price of food, commodities, and energy in particular. While Europe began to normalize its approach to dealing with coronavirus, lockdowns in China continued to impede the global flow of goods. As a result, we saw a sharp rise in inflation and falling purchasing power across the world and in all the countries in which the HORNBACH Group operates, factors which placed a massive strain on public and private household finances. To combat inflation, major central banks, such as the Federal Reserve Bank in the US and the European Central Bank, raised their respective base rates on several occasions and significantly. The security community in Europe and NATO countries, always carefully balanced, received a severe shock, while global investment and spending patterns have changed for the medium term, also in terms of military spending. All entrepreneurial planning and actions now have to account for a permanently higher degree of uncertainty.

Particularly when viewed against this challenging social, economic, and geopolitical backdrop, the HORNBACH Group companies posted a superb performance in the 2022/23 financial year. Both HORNBACH Baumarkt AG and HORNBACH Baustoff Union GmbH managed to increase their sales in this period and made further successful progress on the paths they have taken. The DIY stores at HORNBACH Baumarkt AG were again more effective than their competitors in convincing customers with their excellent range of products and services. Online retail was significantly higher than in the period prior to the pandemic, even if it now accounted for a lower relative share of total sales. HORNBACH benefited here from its sophisticated and successful interconnected retail strategy. Given the challenges presented by macroeconomic conditions, it was not possible to compensate in full for increased costs of merchandise, energy, and personnel. The company nevertheless succeeded in stabilizing its earnings situation at a high level compared with the pre-pandemic period.

Moreover, the company's investor relations team systematically expanded its activities and achieved notable success in a difficult capital market climate.

During this challenging period of great uncertainty, the Supervisory Board advised and supervised the General Partner closely and intensively. In the current situation, it remains very difficult, and indeed only possible to a limited extent, to issue any credible forecasts concerning economic and political developments, the further evolution and structure of global supply chains, or the development in consumer behavior. The Supervisory Board nevertheless remains convinced that, given its well-focused strategy, successful business model, and not least its excellent team of managers and staff, HORNBACH will be able to sustainably and profitably expand its activities and further strengthen its market position in the years ahead as well. This assumption is backed up by the successful results achieved in past financial years, which document the company's ability to draw on its strategic advantages to profitable effect.

To achieve growth ahead of the market in future as well, the company is continuing to consistently implement the necessary measures, albeit with a sense of due circumspect. The top priority is still to serve customers' needs even more efficiently and effectively. The company is also pressing ahead just as consistently with introducing the efficiency enhancements required in its infrastructure. The Supervisory Board supports the initiatives and measures taken by the Board of Management of the General Partner to proactively develop the structure of jobs and working hours in line with changing conditions on the labor market and to position HORNBACH as an attractive employer for the future as well. In the past financial year, the Supervisory Boards of HORNBACH Baumarkt AG and HORNBACH Management AG extended the management board contracts with Karin Dohm by five years in each case and thus secured a foundation for further successful cooperation within the management teams of the two companies.

As well as critically monitoring the company's current business activities, transformation projects, and investments in its future operating capacity, one key focus of the dialog with the management in the past financial year related to sustainability issues. Examples here include the preparation and audit of non-financial reporting, the compilation of criteria and targets for the company's sustainable development which, since March 1, 2023, have also been anchored in the remuneration systems for the Board of Managements at HORNBACH Baumarkt AG and HORNBACH Management AG, as well as implementation of the requirements of the German Supply Chain Due Diligence Act (LkSG).

Although related issues have now moved increasingly to the foreground, the actual topic of sustainability has been at the core of HORNBACH's philosophy for many years now. It is firmly embedded in the corporate values of the HORNBACH Group and is consistently implemented and lived by the company's management and staff. As one of the performance criteria underlying multiyear variable remuneration for management board members, the Boards of Management and Supervisory Boards of HORNBACH Management AG and HORNBACH Baumarkt AG have therefore agreed that the company will develop what is initially an internal labeling system for those articles in the listed stock range that show significant sustainability benefits in terms, for example, of their production, logistics, and/or application. In addition, further target agreements relate to CO_{2eq} reductions, employee satisfaction, and diversity at the company.

Meetings of the Supervisory Board

The Supervisory Board held a total of four meetings in the 2022/23 financial year. Average attendance amounted to 91.7% for Supervisory Board meetings and to 100% for its committees. Attendance fell short of 100% at two Supervisory Board meetings, with this being due in the first case to the absence of Vanessa Stützle in the other case to that of Simona Scarpaleggia, both of whom had legitimate grounds for their respective absences.

The attendance of Supervisory Board meetings by individual Supervisory Board members is presented in the following overview:

Supervisory Board member	Meetings attended	Attended on location	Attended by video conference	Attendance in %
Dr. John Feldmann, Chair	4/4	4	0	100.0
Martin Hornbach, Deputy Chair	4/4	3	1	100.0
Simone Krah	4/4	2	2	100.0
Simona Scarpaleggia	3/4	0	3	75.0
Vanessa Stützle (since July 8, 2022)	1/2	0	1	50.0
Melanie Thomann-Bopp	4/4	2	2	100.0
Prof. Dr. Jens Wulfsberg (until July 8, 2022)	2/2	0	2	100.0
Total				91.7

Meetings of the Supervisory Board and its committees in the 2022/23 financial year were held in person or by video conference in accordance with the Articles of Association; even in the case of meetings held by video conference, several members of the Supervisory Board or the respective committee were actually present on location. Of the total of four Supervisory Board meetings in the 2022/23 financial year, all meetings were held as video conferences in accordance with the Articles of Association.

At our meetings, we dealt in detail with the business performance and economic situation of the company on the basis of oral and written reports provided by the Board of Management of the General Partner. We also extensively addressed the further strategic development of the company's business, investment, and financial policy, as well as its corporate governance and compliance. We informed ourselves extensively about the company's opportunity and risk situation, and the implementation of risk management, and discussed these matters with the Board of Management of the General Partner. The Board of Management of the General Partner also provided regular written and oral reports on the company's current situation, particularly with regard to the impact of the coronavirus pandemic and the Russia-Ukraine war on its retail activities, and on the development in its sales, earnings, and financial position compared with the previous year and the budget. Budget variances were explained and measures discussed.

At the meeting held in May 2022 to approve the annual financial statements, we examined the annual and consolidated financial statements for the past financial year in great detail in the presence of the auditor, as was also the case in May 2023. Furthermore, the Audit Committee also reported on its work and the findings of its audit. All questions raised by Supervisory Board members were exhaustively answered by the auditor. The report of the Supervisory Board was approved and the corporate governance statement, remuneration report, risk report, and compliance report were discussed at these respective meetings. Moreover, we approved the agenda for the Annual General Meeting, including proposed resolutions. In May 2022 and May 2023, we also dealt with the audit of the non-financial Group declaration with participation by the auditors from Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Mannheim (Deloitte).

At the meeting held directly before the virtual Annual General Meeting in July 2022, the Board of Management reported on the current situation of the Group and the dates of scheduled meetings up to and including the 2023/24 financial year were agreed.

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Company >
Corporate Governance

In December 2022, the Group’s current business situation, risk report, and compliance report were discussed. At this meeting, the Supervisory Board also dealt in great detail with the skills and expertise profile and with developments on the capital market. Furthermore, the update and publication of the Rules of Procedure were extensively discussed and approved. We also assessed the way in which we discharge our duties as the overall Supervisory Board and in our committees and adopted the updated Declaration of Compliance with the German Corporate Governance Code pursuant to § 161 of the German Stock Corporation Act (AktG). This declaration was made permanently available on the company's homepage. HORNBACH Holding AG & Co. KGaA complied with and continues to comply with the recommendations of the German Corporate Governance Code to the extent that these are applicable to a partnership limited by shares (KGaA) with one temporary exception relating to the past. Further information about corporate governance at HORNBACH Holding AG & Co. KGaA can be found in the "Corporate Governance Statement" chapter.

At its final meeting in the past 2022/23 financial year, held in February 2023, the Supervisory Board discussed the Group's current business situation, as well as the budget for the financial years 2023/24 to 2027/28.

Martin Hornbach abstained in the vote held to approve a contract requiring Supervisory Board approval between HORNBACH Baumarkt AG (as a subsidiary of HORNBACH Holding AG & Co. KGaA) and Alinea & Company GmbH, in which Martin Hornbach owns a not insignificant direct shareholding. Other than this, no conflicts of interest arose in the year under report.

Furthermore, within their regular meeting frameworks both the Supervisory Board and the Audit Committee regularly consulted with the auditor in the absence of the Board of Management of the General Partner in order to discuss material topics and developments.

Committees and committee meetings

Directors and Officers
Supervisory Board
committees

The Supervisory Board has established three committees. The current composition of the committees can be found in the “Directors and Officers” chapter of this Annual Report and on the company’s website. The attendance of the respective committee meetings by individual Supervisory Board members is presented in the following overview:

Audit Committee	Meetings attended	Attended on location	Attended by video conference	Attendance in %
Melanie Thomann-Bopp, Chair	5/5	4	1	100.0
Dr. John Feldmann	5/5	5	0	100.0
Martin Hornbach	5/5	2	3	100.0
Simone Krah	5/5	4	1	100.0
Total				100.0

Special Committee	Meetings attended	Attended on location	Attended by video conference	Attendance in %
Melanie Thomann-Bopp, Chair	2/2	1	1	100.0
Dr. John Feldmann	2/2	2	0	100.0
Simone Krah	2/2	1	1	100.0
Total				100.0

Nomination Committee	Meetings attended	Attended on location	Attended by video conference	Attendance in %
Dr. John Feldmann, Chair	1/1	1	0	100.0
Simone Krah	1/1	0	1	100.0
Melanie Thomann-Bopp	1/1	0	1	100.0
Total				100.0

The Audit Committee met five times in the year under report. Of these five meetings, two were held in person and three as video conferences in accordance with the Articles of Association. The meetings took place in May, June, September, December, and February.

In May 2022, the Audit Committee discussed the annual financial statements of HORNBACH Holding AG & Co. KGaA and the consolidated financial statements, management reports, proposed appropriation of profits, and audit reports, including the dependent company report and the non-financial (Group) declaration, with the participation of the auditor, as well as the Board of Management of the General Partner. Further key focuses of discussion at this meeting also included the risk report of the Board of Management of the General Partner, Group internal audit reports, the compliance report, reports from the Board of Management of the General Partner on the company's financial situation, an assessment of the quality of the audit, and the candidate to be proposed for election as auditor. At the June meeting, the statement for the first quarter was discussed in the presence of the auditor. In September 2022, the half-year financial report was addressed, also in the presence of the auditor, and the key audit focuses were specified for the audit of the consolidated financial statements. Furthermore, at this meeting the Audit Committee dealt with the Group's sustainability targets and measures, as well as with the development of HORNBACH International GmbH and the e-business, and received reports on the topic of cybersecurity and on the SAP S/4 HANA transformation project. In December 2022, the Audit Committee held detailed discussions concerning the statement for the first nine months and also discussed the risk report, the compliance report, and the financial situation. The auditor reported on the current status of the work already begun on the audit of the financial statements. In February 2023, the budget for the financial years 2023/24 to 2027/28 was addressed in detail. In addition, the committee discussed the annual internal audit report and the internal audit plan for the 2023/24 financial year. In the year under report, the committee also received regular reports on the latest status and impact of the coronavirus pandemic, the Russia-Ukraine war, and the associated challenges. Furthermore, the Audit Committee ensured that it was kept continually updated concerning major transformation projects.

The Audit Committee Chair reported in detail on the work of the committee to the full Supervisory Board meetings. In addition, the Audit Committee Chair and the auditor also regularly exchanged views on current topics and developments outside the meeting framework.

The Special Committee formed by the Supervisory Board of HORNBACH Holding AG & Co. KGaA in the course of the change in legal form in October 2015 held two meetings in the 2022/23 financial year. One meeting of the Special Committee took place in person while one meeting was held as a video conference.

The Special Committee performs the tasks of the Supervisory Board pursuant to § 8 (1) Sentence 2 of the Articles of Association. In particular, it is responsible for checking and approving invoices submitted by the General Partner pursuant to § 8 (3) of the Articles of Association. To this end, the Special Committee met in May and September 2022.

The Nomination Committee held one meeting in the year under report, namely in May 2022. This meeting of the Nomination Committee in the 2022/23 financial year was held by video conference. The object of the meeting was the recommendation submitted to the Supervisory Board that Vanessa Stützle should be proposed for election to the Supervisory Board.

Composition of Board of Management of General Partner

In the interests of safeguarding the company's future, the development of management staff is an important task at the HORNBACH Group as well and is incumbent on the Supervisory Board and Board of Management. Here, we rely on a good balance between continuity and change.

In view of this, we are pleased to report that we were able to extend the management board contract with Karin Dohm in the past financial year and are thus building on a continuation of her successful work. At their meetings in February 2023, the Supervisory Boards of HORNBACH Baumarkt AG and HORNBACH Management AG resolved to extend the appointment of Karin Dohm as a member of the Boards of Management and CFO of both companies for a further five years beyond December 31, 2023. The renewed appointment therefore applies to the period from January 1, 2024 to December 31, 2028.

Composition of Supervisory Board

We are pleased to report that, with Vanessa Stützle, we gained a proven e-commerce expert as a member of our Supervisory Board with effect as of July 8, 2022 (upon the conclusion of the Annual General Meeting). Prof. Dr.-Ing. Jens P. Wulfsberg stood down from the Supervisory Board as of July 8, 2022 (upon the conclusion of the Annual General Meeting). We would like to thank Prof. Dr.-Ing. Jens P. Wulfsberg for his constructive contributions to the work of our Board.

Annual and consolidated financial statements

Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Mannheim (Deloitte), audited the annual financial statements and consolidated financial statements of HORNBACH Holding AG & Co. KGaA as of February 28, 2023, as well as the combined management report and Group management report of HORNBACH Holding AG & Co. KGaA for the 2022/23 financial year, and provided them each with unqualified audit opinions. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Moreover, Deloitte confirmed that the Board of Management of the General Partner had suitably implemented the measures required by § 91 (2) AktG, particularly those concerning the establishment of an early warning risk management system, and that the monitoring system was suitable for the early detection of any developments that could threaten the company's continued existence.

Key audit focuses in the 2022/23 financial year included the measurement of inventories and the recoverability of location properties and of right-of-use assets for location properties in respect of the consolidated financial statements and the recoverability of financial assets and receivables due from associated companies in respect of the annual financial statements.

The financial statements and audit reports were provided to all Supervisory Board members in good time. They were examined in detail at the meeting of the Audit Committee on May 12, 2023 and at the subsequent meeting of the Supervisory Board held the same day to approve the financial statements. The auditor took part in these discussions. He reported on the principal audit findings and, like the Board of Management of the General Partner, was available to provide further information and to answer questions. The auditor did not report any findings or indications that the accounting-related internal control system and the early-warning risk identification system were not appropriate or effective. Deloitte Wirtschafts-prüfungsgesellschaft also informed the Supervisory Board of services provided in addition to its audit of the financial statements. There were no circumstances which gave reason to question the impartiality of the auditor. Furthermore, Deloitte reported on the preliminary planning for the audit of the financial statements for the 2023/24 financial year. Based on the findings of the preliminary audit performed by the Audit Committee and of our own examination of the documents provided by the Board of Management of the General Partner and by the auditor, the Supervisory Board did not raise any objections and endorsed Deloitte's audit findings. The Supervisory Board approved the annual and consolidated financial statements of HORNBACH Holding AG & Co. KGaA prepared by the Board of Management of the General Partner as of February 28, 2023. The Supervisory Board endorsed the appropriation of profits proposed by the Board of Management.

Review of the content of the separate non-financial Group report

In the separate non-financial Group report of HORNBACH Holding AG & Co. KGaA for the reporting period from March 1, 2022 to February 28, 2023, the company has addressed the concerns listed in the German Act to Strengthen Non-Financial Reporting by Companies in their Management Reports and Group Management Reports (CSR Directive Implementing Act) dated April 11, 2017. The Supervisory Board discussed this report in detail and reviewed its contents. At its meeting on May 12, 2023, the Supervisory Board adopted a resolution approving the separate non-financial Group report of HORNBACH Holding AG & Co. KGaA for the reporting period from March 1, 2022 to February 28, 2023. The review of the content of this non-financial reporting by the Supervisory Board was performed with external support in the form of a limited assurance engagement conducted by Deloitte GmbH Wirtschaftsprüfungsgesellschaft. This was commissioned by the Supervisory Board Audit Committee by resolution dated May 12, 2022, in which it requested the auditor to provide suitable support separately from its audit of the annual and consolidated financial statements. In its review, Deloitte GmbH Wirtschaftsprüfungsgesellschaft did not become aware of any matters that would have led the audit company to conclude that the separate non-financial Group report had not, in all material respects, been prepared in accordance with § 315b and § 315c in conjunction with § 289c to § 289e of the German Commercial Code (HGB). At the Supervisory Board meeting on May 12, 2023, Deloitte GmbH Wirtschaftsprüfungsgesellschaft reported on the key findings of its engagement and was available to provide supplementary information.

Audit of the report on relationships with associated companies

Furthermore, the Supervisory Board reviewed the report from the Board of Management of the General Partner on relationships with associated companies pursuant to § 312 AktG. Neither this review nor Deloitte's audit gave rise to objections. Deloitte granted the following audit opinion:

"Based on the audit and assessment we have undertaken in accordance with professional standards, we confirm that

1. the factual disclosures made in the report are correct
2. the company's performance in the transactions listed in the report was not incommensurately high."

Based on the conclusive findings of its audit, the Supervisory Board has no objections to the statement provided by the Board of Management of the General Partner at the end of its report pursuant to § 312 AktG.

Europe and the world as a whole will face major social, economic, and political changes in the years ahead as well. The Supervisory Board is convinced that the team will be able to master current and future challenges and thanks all managers and staff members for a successful 2022/23 financial year.

Bornheim (Palatinate), May 2023

The Supervisory Board

Dr. John Feldmann
Chair

Corporate Governance Statement

Our actions are guided by the principles of responsible, transparent corporate management and control (corporate governance). HORNBACH has always accorded priority to high-quality corporate governance. It forms the basis for sustainable economic success and helps us to enhance the trust placed in our company by our customers, business partners, investors, employees, and the financial markets. In what follows, you will find the Corporate Governance Statement pursuant to § 289f and § 315d of the German Commercial Code (HGB). The Corporate Governance Statement forms the core of our reporting on corporate governance.

1. Declaration of Compliance with the German Corporate Governance Code dated December 2022 pursuant to § 161 AktG

The General Partner (HORNBACH Management AG, acting via its Board of Management) and the Supervisory Board of HORNBACH Holding AG & Co. KGaA hereby declare pursuant to § 161 of the German Stock Corporation Act (AktG):

I. Preliminary remarks

The German Corporate Governance Code ("the DCGK" or "the Code") is tailored to companies with the legal form of a stock corporation ("AG") or a European Company ("SE") and does not account for the special circumstances of partnerships limited by shares ("KGaA"). Many of the recommendations made in the Code can only be applied in modified form to HORNBACH Holding AG & Co. KGaA. The following factors in particular require consideration:

1. Management

Numerous Code recommendations refer to the Board of Management. Unlike an AG, however, the KGaA does not have a Board of Management. At a KGaA, the tasks incumbent on the Board of Management are performed by the General Partner. At HORNBACH Holding AG & Co. KGaA, that is HORNBACH Management AG.

2. Supervisory Board

The Code recommendations concerning the Supervisory Board also do not account for the legal form of a KGaA. Specifically, the Supervisory Board of a KGaA does not have any personnel competence in respect of the Board of Management at the General Partner (here: HORNBACH Management AG) and also cannot obligate the latter in terms of the company's management by laying down transactions subject to approval requirements.

3. Annual General Meeting

The Annual General Meeting of a KGaA basically has the same rights as that at an AG; it additionally passes resolution on the adoption of the company's annual financial statements. Unlike at an AG, some of the resolutions adopted by the Annual General Meeting require the approval of the General Partner (here: HORNBACH Management AG). These include the adoption of the company's annual financial statements.

II. Declaration in respect of the DCGK in the version dated December 16, 2019

The company basically complied with the recommendations of the Code in the version dated December 16, 2019 and published in the Federal Official Gazette on March 20, 2020 (hereinafter "DCGK 2019") in the period since submitting its previous Declaration of Compliance in December 2021 through to publication in the Federal Official Gazette on June 27, 2022 of the DCGK in its version dated April 28, 2022.

No application was made of the following recommendations: A.1, A.2, B.1 to B.5, D.6, E.2, E.3, G.1 to G.13, G.15, and G.16.

These deviations from the recommendations are due to the fact that the KGaA does not have a Board of Management and that the Supervisory Board of the KGaA does not have any responsibility in respect of the Board of Management of the General Partner of the KGaA, HORNBACH Management AG. Responsibility in this respect is incumbent on the Supervisory Board of HORNBACH Management AG. Specifically:

a) Recommendation A.1 (DCGK 2019):
When making appointments to executive positions at the company, the Board of Management should consider diversity. The KGaA does not have a Board of Management.

b) Recommendation A.2 (DCGK 2019):
According to Recommendation A.2, the Board of Management should institute an appropriate compliance management system reflecting the company's risk situation and disclose the main features of this system. Employees should be given the opportunity to report, in a protected manner, suspected breaches of the law within the company. The KGaA does not have a Board of Management. Irrespective of this, the company has a compliance management system whose main features are disclosed and which also gives employees the opportunity to report, in a protected manner, suspected breaches of the law within the company.

c) Recommendations B.1 to B.5 (DCGK 2019):
In B.1 to B.5, the Code (DCGK 2019) makes several recommendations concerning the composition of the Board of Management, including succession planning. The KGaA does not have a Board of Management. The Supervisory Board does not have the powers to appoint members of the Board of Management at the General Partner.

d) Recommendation D.6 (DCGK 2019):
The KGaA does not have a Board of Management. The Supervisory Board Chairman is nevertheless in regular contact with the General Partner and discusses with that company's Board of Management issues of strategy, business development, the risk situation, risk management, and compliance at the company.

e) Recommendations E.2 and E.3 (DCGK 2019):
E.2 and E.3 include recommendations concerning the handling of conflicts of interests on the part of members of the Board of Management. The KGaA does not have a Board of Management. Conflicts of interest on the part of members of the Board of Management of the General Partner and any sideline activities are dealt with by the General Partner.

f) Recommendations G.1 to G.13, G.15, and G.16 (DCGK 2019):
In G.1 to G.13, G.15, and G.16, the Code (DCGK 2019) sets out several recommendations concerning the remuneration of the Board of Management. The KGaA does not have a Board of Management and the Supervisory Board does not have the powers to determine the remuneration of members of the Board of Management at the General Partner.

III. Declaration in respect of the DCGK in the version dated April 28, 2022

1. Future-related section
The company will in future basically comply with the recommendations of the Code in the version dated April 28, 2022 and published in the Federal Official Gazette on June 27, 2020 with the exception of the deviations listed below.

No application is made of the following recommendations: A.1, A.2, B.1 to B.5, D.5, E.2, E.3, G.1 to G.13, G.15, and G.16.

These deviations from the recommendations are due to the fact that the KGaA does not have a Board of Management and that the Supervisory Board of the KGaA does not have any responsibility in respect of the Board of Management of the General Partner of the KGaA, HORNBACH Management AG. Responsibility in this respect is incumbent on the Supervisory Board of HORNBACH Management AG. Specifically:

a) Recommendation A.1:
The Board of Management should systematically identify and assess the risks and opportunities associated with social and environmental factors, as well as the ecological and social impacts of the enterprise's activities. In addition to long-term economic objectives, the corporate strategy should also give appropriate consideration to ecological and social objectives. Corporate planning should include corresponding financial and sustainability-related objectives. The KGaA does not have a Board of Management. However, the Board of Management of the General Partner ensures compliance with the contents stipulated in A.1.

b) Recommendation A.2::
When making appointments to executive positions at the company, the Board of Management should consider diversity. The KGaA does not have a Board of Management. However, the Board of Management of the General Partner ensures compliance with the contents stipulated in A.2.

c) Recommendations B.1 to B.5:
In B.1 to B.5, the Code makes several recommendations concerning the composition of the Board of Management, including succession planning. The KGaA does not have a Board of Management. The Supervisory Board does not have the powers to appoint members of the Board of Management at the General Partner.

d) Recommendation D.5:
The KGaA does not have a Board of Management. The Supervisory Board Chairman is nevertheless in regular contact with the General Partner and discusses with that company's Board of Management issues of strategy, business development, the risk situation, risk management, and compliance at the company.

e) Recommendations E.2 and E.3:
E.2 and E.3 include recommendations concerning the handling of conflicts of interests on the part of members of the Board of Management. The KGaA does not have a Board of Management. Conflicts of interest on the part of members of the Board of Management of the General Partner and any sideline activities are dealt with by the General Partner.

f) Recommendations G.1 to G.13, G.15, and G.16:
In G.1 to G.13, G.15, and G.16, the DCGK sets out several recommendations concerning the remuneration of the Board of Management. The KGaA does not have a Board of Management and the Supervisory Board does not have the powers to determine the remuneration of members of the Board of Management at the General Partner.

2. Past-related section
The company basically complied with the recommendations of the Code in the version dated April 28, 2022 and published in the Federal Official Gazette on June 27, 2022 from the date of publication with the exception of the deviations already stated and substantiated for the future in Section III.1 above.

Furthermore, the company also did not apply with the – new – Recommendation C.1 Sentence 3, which states that the Supervisory Board's skills and expertise profile should also comprise expertise relating to sustainability issues relevant to the enterprise. Although this expertise was and is present, it was only explicitly included as a requirement in the skills and expertise profile by resolution of the Supervisory Board on December 21, 2022.

Bornheim/ Palatinate, December 2022

HORNBACH Holding AG & Co. KGaA
The Supervisory Board of HORNBACH Holding AG & Co. KGaA
The Board of Management of HORNBACH Management AG

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The above Declaration of Compliance dated December 2021 has been published on our website together with all earlier Declarations of Compliance and is also available as a download.

2. Specific Features of the Legal Form and Articles of Association of HORNBACH Holding AG & Co. KGaA

HORNBACH Holding AG & Co. KGaA, based in Neustadt an der Weinstrasse, is a partnership limited by shares (KGaA). Like a stock corporation, the KGaA is a corporation whose capital is divided into shares. Also like a stock corporation, the KGaA is thus very well suited to a broad group of investors and to simple tradability of its shares. Like a limited partnership, on the other hand, the KGaA has two different groups of shareholders, the personally liable shareholder(s) on the one hand and limited shareholders, who are not personally liable, on the other. There is only one class of shares at HORNBACH Holding AG & Co. KGaA and all limited shareholders hold the same class of shares. HORNBACH Holding AG & Co. KGaA is governed by the requirements of German law and the provisions of its own Articles of Association.

2.1 Share capital and share class

The share capital of HORNBACH Holding AG & Co. KGaA amounts to € 48,000,000.00 and is divided into 16,000,000 no-par ordinary bearer shares with a prorated amount of share capital of € 3.00 per share. The ordinary shares in the KGaA are admitted to trading in the Prime Standard of the Frankfurt Stock Exchange (ISIN DE0006083405/ WKN 608340).

2.2 Group management and supervisory structure and bodies

The statutory bodies of the KGaA are the General Partner, the Supervisory Board, and the Annual General Meeting.

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The Articles of Association of HORNBACH Holding AG & Co. KGaA which, alongside legal requirements, define the competencies of the bodies in greater detail, can be downloaded from our website.

2.2.1 General Partner

The General Partner of HORNBACH Holding AG & Co. KGaA is HORNBACH Management AG, represented by its Board of Management, which currently comprises two members (status: May 2023). The Board of Management of the General Partner manages the business of HORNBACH Holding AG & Co. KGaA and represents the company to third parties. Pursuant to the Articles of Association, the authorization of the General Partner to manage the business also extends to exceptional management measures not requiring the approval of limited shareholders at the Annual General Meeting. The General Partner (HORNBACH Management AG) does not participate either in the profit or loss or in the assets of the KGaA. The General Partner is required to report regularly to the Supervisory Board of the KGaA.

All of the shares in HORNBACH Management AG are currently held by Hornbach Familien-Treuhand-gesellschaft mbH. Consistent with the provisions of the Articles of Association of the KGaA, the level of shareholding held by Hornbach Familien-Treuhandgesellschaft mbH in the share capital of HORNBACH Holding AG & Co. KGaA has to exceed 10 %. Furthermore, Hornbach Familien-Treuhandgesellschaft mbH must hold at least 50 % plus one share of the shares in HORNBACH Management AG.

2.2.2 Supervisory Board

The Supervisory Board of a KGaA is essentially constituted in the same way as that of a stock corporation (AG). The Supervisory Board of HORNBACH Holding AG & Co. KGaA is obliged to supervise the company's management. However, it is not entitled to appoint the Board of Management of the General Partner (HORNBACH Management AG). This is appointed by the Supervisory Board of HORNBACH Management AG. Furthermore, as a general rule the Supervisory Board of a KGaA may not issue any Rules of Procedure for the management or compile any list of transactions requiring its approval. The competencies of the Supervisory Board of HORNBACH Holding AG & Co. KGaA nevertheless include acknowledging and approving the annual budget and approving the annual financial statements. Like at a stock corporation, members of the Supervisory Board of the KGaA are elected by the Annual General Meeting.

2.2.3 Annual General Meeting

Limited shareholders exercise their rights, including their voting rights, at the Annual General Meeting. Each share in HORNBACH Holding AG & Co. KGaA grants one vote. HORNBACH Holding AG & Co. KGaA provides its shareholders with the services of a voting proxy bound to vote in line with instructions.

Legal requirements exclude the General Partner (HORNBACH Management AG), and for specific resolutions, its sole shareholder, Hornbach Familien-Treuhandgesellschaft mbH, from exercising voting rights. In particular, these include the election and dismissal of the Supervisory Board of HORNBACH Holding AG & Co. KGaA, which is therefore decided solely by the other limited shareholders. This means that Hornbach Familien-Treuhandgesellschaft mbH has no influence on the composition of the Supervisory Board of HORNBACH Holding AG & Co. KGaA. The voting prohibition also applies to the approval of the actions of the General Partner (HORNBACH Management AG) and members of the Supervisory Board, as well as to the election of the auditor. The voting rights prohibition thus accounts for any potential conflict of interests.

The requirements governing the preparation and execution of the Annual General Meeting are basically analogous to those at stock corporations. Pursuant to the Articles of Association, the Annual General Meeting of HORNBACH Holding AG & Co. KGaA is generally chaired by the Supervisory Board Chair.

Unlike at the annual general meeting of a stock corporation, subject to approval by the General Partner the Annual General Meeting of HORNBACH Holding AG & Co. KGaA resolves on the adoption of the annual financial statements. The Annual General Meeting also decides on the appropriation of net profit.

Consistent with legal requirements, resolutions adopted by the Annual General Meeting require the approval of the General Partner unless this is prohibited from voting on the individual matter in hand. This approval requirement applies to all matters for which the limited partnership requires the approval both of its General Partner and of its limited shareholders. Resolutions adopted by the Annual General Meeting to amend the Articles of Association and other fundamental resolutions therefore basically require the approval of the General Partner. At the Annual General Meeting, the General Partner declares whether it approves the resolutions or intends to exercise its veto right. Such declarations are recorded in the minutes of the meeting.

Shareholders are regularly informed of all significant dates, such as the Annual General Meeting in particular, by means of the financial calendar published in the annual report, the half-year financial report, the quarterly statements, and on the company's homepage at www.hornbach-group.com.

3. Modus Operandi of Management and Supervisory Board

3.1 Supervisory Board

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The Supervisory Board of HORNBACH HOLDING AG & Co. KGaA comprises six members. The CVs of the Supervisory Board members have been published on our website.

The Supervisory Board Chair coordinates the activities of the Supervisory Board and represents the interests of the Supervisory Board externally. At its meetings, the Supervisory Board adopts resolutions with a simple majority of the votes cast unless otherwise required by law or the Articles of Association. In the event of a parity of votes in the Supervisory Board, the Supervisory Board Chair has the casting vote.

The General Partner (HORNBACH Management AG) and the Supervisory Board work together closely in the company's best interests. The Supervisory Board of HORNBACH Holding AG & Co. KGaA monitors the management of the company by the General Partner. To this end, the Board of Management of HORNBACH Management AG is required to report regularly, promptly, and extensively on its intended business policy and other fundamental matter of corporate planning (in particular on its financial and investment planning, including sustainability-related targets), as well as on the company's current sales and earnings performance. Its duties to provide information include reports on the company's profitability, planned transactions with a material influence on the company's asset, financial, and earnings position, reports on the company's risk management and risk situation, and compliance.

Members of the Supervisory Board are bound to observe the company's best interests and, in discharging their duties, must be aware of the role played by the company within society and of its social responsibility. They are not dependent on any assignments or instructions. In their decisions, they may not pursue personal interests or exploit business opportunities available to the company for their personal benefit. Supervisory Board members are obliged to immediately disclose any conflicts of interest to the Supervisory Board Chair, especially any such conflicts arising due to their performing any consultant or directorship function at the General Partner, customers, suppliers, lenders or other business partners of the company. Any conflicts of interest on the part of a Supervisory Board member that are material and not only temporary result in the resignation of such member. Advisory and other service agreements and contracts for work between a Supervisory Board member and the company require approval by the Supervisory Board. The same applies to equivalent contracts with the General Partner to the extent that the company is obliged by its Articles of Association to reimburse any resultant expenses, as well as to corresponding contracts particularly with subsidiaries of HORNBACH Holding AG & Co. KGaA. In the 2022/23 year under report, one contract requiring approval between HORNBACH Baumarkt AG (as a subsidiary of HORNBACH Holding AG & Co. KGaA) and Alinea & Company GmbH, a company in which the Supervisory Board member Martin Hornbach directly holds a not insignificant shareholding, was approved. Martin Hornbach abstained in the respective vote. There were no other contracts requiring approval with Supervisory Board members of HORNBACH Holding AG & Co. KGaA in the 2022/23 year under report, neither did any other conflicts of interest arise.

The Supervisory Board of HORNBACH Holding AG & Co. KGaA has the following committees:

- Nomination Committee
- Audit Committee
- Special Committee

Directors and Officers
Supervisory Board committees

The composition of the committees is presented in the “Directors and Officers” chapter.

The Nomination Committee identifies suitable candidates for the Supervisory Board based on the objectives set by the Supervisory Board for its composition (including the skills and expertise profile and diversity concept) and prepares the proposals to be submitted by the Supervisory Board to the Annual General Meeting in respect of the election of Supervisory Board members. The Nomination Committee meets when required.

The Audit Committee particularly prepares the deliberations and resolutions to be adopted by the Supervisory Board for all issues of accounting and specifically for the annual and interim financial statements and non-financial reporting. It also addresses matters of risk management, compliance, and the internal audit, including the reports submitted by the managers responsible for these areas, as well as the necessary independence of the auditor, the awarding of the audit assignment to the auditor, the setting of audit focuses, fee arrangements, and the other tasks assigned to it pursuant to § 107 (3) Sentence 2 AktG. The Audit Committee monitors the auditor and regularly assesses the quality of its services. It takes suitable measures to establish and monitor the independence of the auditor and to supervise any additional services performed by the auditor. The Audit Committee prepares a recommendation for the proposal submitted by the Supervisory Board to the Annual General Meeting in respect of the election of the auditor. In preparing this recommendation, it obtains a declaration from the designated auditor in respect of any relationships between the auditor, its governing bodies, and audit managers on the one hand and the company and the members of its governing bodies on the other, as well as on any other services performed in the previous financial year. Furthermore, the Audit Committee advises the Supervisory Board and the General Partner in particular with regard to sustainability topics relevant to the company (ESG criteria). The Audit Committee holds regular meetings, and meets at least four times a year.

Unless otherwise determined by the Audit Committee Chair, meetings of the Audit Committee are also attended by the members of the Board of Management of the General Partner and the auditors.

The Special Committee is responsible for representation towards the General Partner and in particular also for reviewing and approving the invoices submitted by the General Partner in connection with its management of the company’s business. The Special Committee holds regular meetings, and meets at least twice a year.

The committee chairs exchange information with the Supervisory Board Chair and the Board of Management of the General Partner, also outside the meeting framework, and where applicable with management staff at the HORNBACH Group (such as the Head of Internal Audit).

The Supervisory Board performs an efficiency review/self-assessment of its activities once a year. Based on a catalogue of questions prepared in advance, the Supervisory Board discusses the effectiveness of the work it and its committees perform in order to identify any potential improvements. In the year under report, this process was carried out at the December meeting.

3.1.1 Targets for the composition of the Supervisory Board, skills and expertise profile, diversity concept, and manner of implementation

Taking due account of the recommendations of the German Corporate Governance Code as presented in Recommendation C.1 in the version of the Code dated April 28, 2022, at its meeting on December 21, 2022 the Supervisory Board reformulated the targets for its composition, including a skills and expertise profile for the overall board. The corresponding Supervisory Board resolution also includes the diversity concept for the Supervisory Board. The declared aim is to continually develop the specific composition, and thus the expertise and experience, of the Supervisory Board and to achieve a good balance between continuity and renewal. Given the diverse composition thereby envisaged, the concept is intended to ensure that the Supervisory Board can optimally discharge its duties thanks to the resultant variety of viewpoints and perspectives considered.

Pursuant to the skills and expertise profile, the Supervisory Board of HORNBACH Holding AG & Co. KGaA must possess the expertise needed to fulfill its supervisory function and to assess and monitor the transactions performed by the company. To this end, the Supervisory Board members must collectively be familiar with the sector in which the company operates. This particularly includes knowledge, skills, and professional expertise, and that both from an economic and from an ecological and social perspective (sustainability aspect), in managing a retail, service, and real estate group with activities in the fields of (a) building, acquiring and/or operating large-scale retail stores, especially DIY stores and home improvement centers, with or without garden centers, specialist stores, other specialist retail businesses, and e-commerce; (b) similar or other areas of the retail and wholesale sector; (c) manufacturing and processing products sold in the retail business; (d) managing assets and acquiring, managing, and disposing of participating interests in domestic and foreign subsidiaries; (e) performing management and other services for subsidiaries and participating interests; and (f) acquiring, developing, planning, building, using, administering, disposing of and/or otherwise using land, whether built on or not, and leasehold rights. This also includes expertise in the fields of digitalization and technology, accounting, internal control and risk management systems, sustainability reporting and auditing (including auditing sustainability reporting), financing, tax, law, and compliance. At least one member must have special knowledge and experience in the application of accounting principles and internal control and risk management systems, including sustainability reporting and its audit (accounting expertise), while at least one other member must have expertise in the field of auditing, including sustainability reporting and its audit (auditing expertise). The Audit Committee Chair should have appropriate expertise in at least one of these two areas, while another member of the Audit Committee should have expertise in the other area. Overall, the Supervisory Board views the diversity of its members in terms of their age, gender, qualifications and professional experience, as well as of their other personal characteristics, as a key prerequisite for its work.

In view of these factors, and to compile its skills and expertise profile, the Supervisory Board listed the following specific objectives for its composition which are tailored to the company's situation:

- Supervisory Board members must be reliable, possess the expertise needed to fulfill their supervisory function and to assess and monitor the transactions performed by HORNBACH Holding AG & Co. KGaA, and must have sufficient time to dedicate to their duties as members of the Supervisory Board. They should have a range of different qualifications and professional experience.
- The Supervisory Board must collectively have the knowledge, skills, and professional expertise both from an economic and from an ecological and social perspective that are required to properly perform its duties. In particular, relevant expertise in matters relating to the operation of a retail company, especially DIY stores and home improvement centers, with or without garden centers, asset and investment management, and real estate management must be available in the Supervisory Board, as must management experience, experience in managing and organizing companies, and experience in working in supervisory

boards. The knowledge, skills, and professional expertise available among Supervisory Board members must also cover sustainability topics relevant to the company in terms of environmental, social and governance (ESG) aspects.
- The Supervisory Board must avoid potential conflicts of interest, and will continue to do so in future.
- The Supervisory Board should not include any members who hold directorships or perform advisory functions at any significant competitors or who have personal relationships to such.
- The composition of the Supervisory Board accounts for the diversity criterion, in particular with regard to the age, gender, qualifications and professional backgrounds of its members. The target for the share of women in the Supervisory Board as of February 28, 2027 amounts to 50 %.
- As a general rule, the Supervisory Board should only include individuals who were no older than 70 at the time of their election. In addition, it should be ensured that there is adequate mix of generations among Supervisory Board members.
- As a general rule, the Supervisory Board should only include individuals who have not been members of the Supervisory Board for four full terms already at the time of their election.
- The Supervisory Board should include a suitable number of independent members. More than half of the Supervisory Board members should be independent of the company and the General Partner.
- Supervisory Board members who have sat on the Supervisory Board for more than twelve years are, as a general rule, no longer deemed independent.

Supervisory Board proposals to the Annual General Meeting should and will take due account of these objectives and the diversity concept, while at the same time endeavoring to ensure that the skills and expertise profile for the Board as a whole is satisfied.

3.1.2 Implementation status for (i) the objectives for the composition of the Supervisory Board, (ii) the diversity concept, and (iii) the skills and expertise profile, as well as disclosures on the independence of Supervisory Board members

The current composition of the Supervisory Board meets the aforementioned composition-related objectives, complies with the diversity concept, and satisfies the skills and expertise profile. The members of the Supervisory Board complement one another in terms of their age, qualifications and professional background, experience, and expertise in such a way that the board as a whole can draw on a great variety of experience and a broad range of skills. The Supervisory Board included four women as of February 28, 2023 and currently includes three women (status: May 2023), as a result of which the target of 50 % set for February 28, 2027 is currently met and even exceeded (cf. “Share of Women in Senior Management Positions” in Section 3.3). No members of the Supervisory Board of HORNBACH Holding AG & Co. KGaA hold any directorships or perform advisory functions at significant competitors. The regular age limit is laid down in the Rules of Procedure of the Supervisory Board and complied with. The Rules of Procedure of the Supervisory Board are published on the company's website.

The Supervisory Board currently includes five independent members. These are Dr. John Feldmann, Simone Krah, Simona Scarpaleggia, Vanessa Stützle, and Melanie Thomann-Bopp.

3.1.3 Current allocation of skills and expertise in Supervisory Board of HORNBACH Holding AG & Co. KGaA

	Dr. John Feldmann	Martin Hornbach	Simone Krah	Simona Scarpaleggia	Vanessa Stützle	Melanie Thomann-Bopp
Company management	x	x		x	x	x
Retail		x	x	x	x	x
Marketing, services			x	x	x	
Technology / digitalization		x	x	x	x	
Accounting, auditing	x				x	x
Capital market, financing	x					x
Corporate governance, compliance, risk management	x			x	x	x
Personnel management, communications		x	x	x		x
Investment management	x	x				x
Real estate management		x				x
Sustainability issues	x		x	x	x	x

Based on her longstanding activity as CFO / commercial director of various retail companies, her longstanding activity as a member of the advisory boards of retail companies, and longstanding membership of the Supervisory Boards of the HORNBACH Group, including as Chair of the Supervisory Board Audit Committee at HORNBACH Holding AG & Co. KGaA since July 6, 2018, Melanie Thomann-Bopp has extensive expertise in the fields of accounting and auditing, including sustainability reporting and its audit. Her expertise in these areas particularly includes, in the field of accounting, special knowledge and experience in the application of international and national accounting principles and internal control and risk management systems and, in the field of auditing, special knowledge and experience in the auditing of financial statements. Melanie Thomann-Bopp regularly receives training on the aforementioned topics from internal and external providers. One particular focus of her recent training was on national and international legislation applicable to sustainability reporting.

Given his longstanding activity as an executive board member of a listed industrial company with international operations and his longstanding activity as a member of the supervisory boards of both listed and non-listed industrial and retail companies, including his longstanding membership of the Supervisory Board Audit Committee at HORNBACH Holding AG & Co. KGaA, Dr. John Feldmann, a further member of the Audit Committee, has expertise in the fields of accounting and auditing, including sustainability reporting and its audit. His expertise in these areas particularly includes, in the field of accounting, special knowledge and experience in the application of accounting principles and internal control and risk management systems and, in the field of auditing, special knowledge and experience in the auditing of financial statements. Dr. John Feldmann regularly receives training on the aforementioned topics from internal and external providers. One particular focus of his recent training was on national and international legislation applicable to sustainability reporting.

3.1.4 Individualized disclosure of meeting attendance

Meeting attendance is disclosed on an individualized basis in the “Report of the Supervisory Board”.

3.2 Composition and modus operandi of the Board of Management of the General Partner

The Board of Management of the General Partner, HORNBACH Management AG, comprised two members at the end of the 2022/23 financial year and also currently comprises two members (status: May 2023). Members of the Board of Management are bound to uphold the company's best interests. Compliance activities to ensure that the company adheres to laws, legal requirements, and its own internal guidelines represent a key management task. The Supervisory Board of HORNBACH Management AG has imposed Rules of Procedure for the Board of Management of the General Partner which govern its management of HORNBACH Holding AG & Co. KGaA. The composition and areas of responsibility of the Board of Management are presented in the "Directors and Officers" chapter in this report.

Directors and Officers
Members of the Board of Management and their areas of responsibility

In discharging its duties, the Board of Management is required to work together with the other boards at the General Partner and the company on a basis of trust. The members of the Board of Management bear joint responsibility for the overall management of the company. They work together as colleagues and inform each other about all key measures and developments in their areas of responsibility. As a general rule, the Board of Management meets at least twice a month and on an ad-hoc basis when required in the interests of the company and/or the General Partner.

The Board of Management provides the Supervisory Board of HORNBACH Holding AG & Co. KGaA with regular, prompt and extensive information on all matters relevant to the company's and Group's corporate strategy, planning, business performance, financial and earnings position, risk situation and risk management. Furthermore, it presents the Group investment, financial and earnings budgets to the Supervisory Board both for the forthcoming financial year and for the medium term (five years). The Chief Executive Officer provides immediate report to the Supervisory Board Chair of any significant events of material relevance for assessing the situation, development and management of the company. Measures requiring Supervisory Board approval are submitted in good time.

In their decisions, members of the Board of Management may not pursue personal interests or exploit business opportunities available to the company and/or the General Partner for their personal benefit. Members of the Board of Management are obliged to disclose conflicts of interest to the Supervisory Board of the General Partner without delay and to inform other members of the Board of Management. Members of the Board of Management may only pursue sideline activities, in particular supervisory board mandates outside the Group, with the approval of the Supervisory Board of the General Partner. The CVs of the members of the Board of Management have been published on our website.

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Board of Management

3.3 Share of women in senior management positions

HORNBACH Holding AG & Co. KGaA is obliged under the "Act on the Equal Participation of Men and Women in Private-Sector and Public-Sector Management Positions" to set targets for the share of women in its Supervisory Board and the two management levels below the Board of Management (of the General Partner). The company set its first targets in this respect in summer 2015, which were to be met by June 30, 2017. In the meantime, the company reviewed these targets, initially extended them through to February 28, 2022, and has now set targets to be reached by February 28, 2027. Specifically:

3.3.1 Women in the Supervisory Board and Board of Management

At its meeting on February 18, 2022, the Supervisory Board set the target share of women in the Supervisory Board pursuant to § 111 (5) AktG. This target, which is effective as of March 1, 2022 and should be reached by February 28, 2027, amounts to 50 %. The target previously amounted to no less than 1/6. The Supervisory Board included four women as of February 28, 2023 and currently includes four women (status: May 2023). Women therefore account for 66.67 % of the members and the target for February 28, 2027 has currently been met and exceeded.

As the Supervisory Board of HORNBACH Holding AG & Co. KGaA is not responsible for personnel-related topics for the Board of Management at the General Partner, HORNBACH Management AG, it has not set any targets for that body. The Board of Management of the General Partner comprised one woman and one man as of February 28, 2023 and currently also comprises one woman and one man (status: May 2023).

3.3.2 Women in the management levels below the Board of Management

In January 2022, the Board of Management set a target for the share of women in the management level below the Board of Management. This target, which is effective as of March 1, 2022 and should be reached by February 28, 2027, amounts to 50 %. There was no other management level at the time. The company has since introduced a further, second management level. For this level, the Board of Management has set a target of 50 % for the share of women to be reached by February 28, 2027. The first management level below the Board of Management comprised two managers, both of whom women, as of February 28, 2023. This is currently still the case (status: May 2023). The second management level below the Board of Management comprised one manager, in this case a man, as of February 28, 2023. This too is currently still the case (status: May 2023).

4. Reporting and Auditing of Financial Statements

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

HORNBACH Holding AG & Co. KGaA has a risk management system that is continually enhanced and updated to account for changes in conditions. The functionality of the early warning risk management system is checked by the auditors.

5. Transparency

The company’s shareholders, all capital market participants, financial analysts, investors, shareholder associations, and the media are regularly provided with up-to-date information about the company’s situation, results, and any material changes in its business situation. The HORNBACH Holding AG & Co. KGaA Group reports on its situation in its

- Quarterly statements, half-year financial report, and annual report
- Annual results press conference and analysts’ conference
- Conference calls on quarterly results
- Annual General Meeting
- Conference calls and video conferences with financial analysts and investors
- Events, such as conferences and road shows, with financial analysts and investors from Germany and abroad.

As the coronavirus pandemic receded, it was increasingly possible to hold numerous capital market events in person once again from the middle of the year. The 2022 Annual General Meeting was held in virtual form – for the last time under the special pandemic legislation that has now expired.

The documents and dates of relevance to the company's regular financial reporting activities are published on our homepage.

www.hornbach-holding.com
Investor Relations

Alongside this regular reporting, any information arising at HORNBACH Holding AG & Co. KGaA which is not publicly known and which is likely to influence the company's share price significantly is published in the form of ad-hoc announcements as insider information pursuant to Article 17 of the Market Abuse Regulation (MAR). All individuals working on behalf of the company and with access to insider information in the course of their activities are informed of the resultant obligations for them under insider law.
Members of the Board of Management of the General Partner and the Supervisory Board of HORNBACH Holding AG & Co. KGaA, and individuals closely related to such, are required by Article 19 of the Market Abuse Regulation (MAR) to disclose transactions involving shares in the company or related financial instruments. The transactions executed and reported by directors or individuals closely related to such in the year under report can be viewed in the "News" section of the company's website.

www.hornbach-holding.com
Investor Relations >
News

6. Relevant Corporate Governance Practices

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

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6.1 Our system of values: the HORNBACH Foundation

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

6.2 Compliance

In a competitive climate, only those companies which manage to convince their customers with their innovation, quality, reliability, dependability, and fairness on an ongoing basis will succeed in the long term. Here, compliance with legal requirements, internal company guidelines and ethical principles (compliance) is absolutely crucial. HORNBACH's corporate culture is built on these principles.

HORNBACH has a value-based compliance system which primarily pursues the objective of preventing compliance infringements, if possible before they arise. The "HORNBACH Foundation" forms the basis for HORNBACH's system of values. The principles included in the "HORNBACH Foundation" are fleshed out in the "HORNBACH Values", which have been translated into all relevant languages across the Group and are available to all employees. These formulate the standards of conduct expected of managers and employees with regard to the stakeholder groups of government and society, managers and employees, customers, suppliers and competitors, and providers of equity and debt capital. Among other factors, they set out how we meet our responsibility towards society, treat each other with respect, are committed to fair competition, and act with integrity.

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In connection with the safeguards governing integrity, HORNBACH's "Accepting and Granting Gratuities" code of conduct specifies HORNBACH's expectations in its employees with regard to accepting and granting gratuities in day-to-day business operations. This code sets clear limits in respect of impermissible gratuities and, as well as underlining role model function of managers, emphasizes the principles of professionalism, transparency, and appropriateness.

The Board of Management of the General Partner bears overall responsibility for compliance. One core component of HORNBACH's compliance system is the Compliance Committee, which acts as the topmost advisory body for compliance organization. The compliance department led by the Head of Compliance is responsible for coordinating and optimizing Group-wide compliance activities. This department reports to the Chief Compliance Officer. He or she reports in turn to the Board of Management and is responsible for permanently optimizing and further developing the Group's compliance organization and structures. The compliance department is supported by compliance officers operating on a decentralized basis in all of HORNBACH's regions and departments.

Compliance activities have a particular focus on the risks of "improper conduct/corruption" and "cartel law violations". Compliance officers are surveyed at regular intervals to assess the development in risks which are already known and the potential emergence of new risks.

The compliance system is supplemented by an internet-based whistleblower system. This provides employees, service providers, and suppliers worldwide with a further possibility of communicating directly, confidentially and, if preferred, anonymously with the compliance department. This way, potential infringements of compliance requirements, and in particular infringements relating to antitrust law and corruption, as well as offenses against property and assets, can be reported. Notifications received from employees that relate to personal or personnel matters and are outside the objective scope of the whistleblower system are forwarded to the relevant HR department for further processing or are dealt with together with such department. In the year under report, there was a low double-digit number of notifications, of which one third was not directly within the objective scope of the whistleblower system.

7. Remuneration Report

The remuneration report presents the basic features and structure of the remuneration of the Board of Management of the general partner and the Supervisory Board. It is available on our website at www.hornbach-holding.de/en/investor-relations/reports-presentations. The latest resolution on the remuneration of the members of the Supervisory Board pursuant to § 113 (3) of the German Stock Corporation Act (AktG), which was adopted by the Annual General Meeting on July 10, 2020, has been made available at www.hornbach-holding.de/en/investor-relations/annual-general-meeting.

8. Directors and Officers

Supervisory Board of HORNBACH Holding AG & Co. KGaA

Dr. John Feldmann
Chair
Former Executive Board member of BASF SE

Martin Hornbach
Deputy Chair
Managing Partner
Corivus Gruppe GmbH

Simone Krah
(Managing) President of MMM-Club e.V.

Simona Scarpaleggia
Former Global CEO of EDGE Strategy AG

Melanie Thomann-Bopp
Managing Director of Nolte Küchen GmbH & Co. KG and Express Küchen GmbH & Co. KG

Prof. Dr.-Ing. Jens P. Wulfsberg (until July 8, 2022)
Professor of Production Technology
Helmut-Schmidt-Universität/Universität der Bundeswehr Hamburg
Co-founder and Partner of Hamburg Institute for Value Creation and Knowledge Management (HIWW)

Vanessa Stützle (since July 8, 2022)
Chief Executive Officer of LUQOM Group

Supervisory Board committees

Audit Committee

Melanie Thomann-Bopp	Chair
Dr. John Feldmann	
Martin Hornbach	
Simone Krah	

Nomination Committee

Dr. John Feldmann	Chair
Simone Krah	
Melanie Thomann-Bopp	

Special Committee

Melanie Thomann-Bopp	Chair
Dr. John Feldmann	
Simone Krah	

Board of Management of HORNBACH Management AG
(General Partner of HORNBACH Holding AG & Co. KGaA)

Members and areas of responsibility

Albrecht Hornbach
Chairman (CEO)
DIY Stores / Garden Centers (HORNBACH Baumarkt AG)
Builders' Merchants (HORNBACH Baustoff Union GmbH)
Real Estate (HORNBACH Immobilien AG)

Karin Dohm
CFO
responsible for Finance,Accounting, Tax, Group Controlling, Risk Management, Internal Audit, Legal, Compliance, Investor Relations

Supervisory Board of HORNBACH Management AG
(General Partner of HORNBACH Holding AG & Co. KGaA)

Dr. John Feldmann
Chair
Former Executive Board member of BASF SE

Melanie Thomann-Bopp
Deputy Chair
Managing Director of Nolte Küchen GmbH & Co. KG and Express Küchen GmbH & Co. KG

Albert Hornbach
Management of Tesoro Data-Analysis GmbH

Arnulf Hornbach
Managing Partner of Flowprime GmbH

Johann Hornbach
IT Project Director at Allianz Technology SE

Simone Krah
(Managing) President of MMM-Club e.V.

Maria Olivier
Director of Silverhill Farm

Vanessa Stützle (since July 8, 2022)
Chief Executive Officer of LUQOM Group

Prof. Dr.-Ing. Jens P. Wulfsberg (until July 8, 2022)
Professor of Production Technology
Helmut-Schmidt-Universität/Universität der Bundeswehr Hamburg
Co-founder and Partner of Hamburg Institute for Value Creation and Knowledge Management (HIWW)

Dr. Susanne Wulfsberg
Director of Floggensee Stud, Veterinary Surgeon

The HORNBACH Holding Share

Key figures for the HORNBACH Holding share		2022/23	2021/22	2020/21	2019/20	2018/19
Year-end price[1]	€	78.60	117.60	78.20	50.90	46.10
12-month high[1]	€	125.30	138.80	99.70	65.30	72.80
12-month low[1]	€	61.85	77.30	33.65	44.00	40.10
Shares issued	Number	15,993,125	16,000,000	16,000,000	16,000,000	16,000,000
Market capitalization	€ 000s	1,257,060	1,881,600	1,251,200	814,400	737,600
Earnings per share	€	9.83	12.48	10.33	6.56	4.08
Price / earnings ratio[2]		8.0	9.4	7.6	7.8	11.3
Book value per share	€	110.10	101.89	92.30	83.67	78.48
Price-to-book ratio[3]		0.7	1.2	0.8	0.6	0.6
Cash flow from operating activities per share	€	26.62	21.56	21.66	20.28	3.38
Price / cash flow ratio[4]		3.0	5.5	3.6	2.5	13.6
Dividend per share[5]	€	2.40	2.40	2.00	1.50	1.50
Distribution total[5]	€ 000s	38,384	38,400	32,000	24,000	24,000
Payout ratio[5),6]	%	24.4	19.2	19.4	22.9	36.7
Dividend yield[7]	%	3.1	2.0	2.6	2.9	3.3
Performance including dividend	%	(31.1)	52.9	56.6	13.7	(32.3)
Performance excluding dividend	%	(33.2)	50.4	53.6	10.4	(34.4)
Average daily trading volume[1]	Number	18,194	31,636	39,737	19,539	17,096

1) Closing price in XETRA trading on 2.28/29
2) Year-end price ÷ earnings per share
3) Year-end price ÷ book value per share
4) Year-end price ÷ cash flow from operating activities per share
5) 2022/23: proposal to 2023 Annual General Meeting
6) Dividend per share ÷ earnings per share
7) Dividend per share ÷ year-end price

2022/23 on the Stock Markets

Ukraine crisis and interest rate turnaround

Developments on international stock markets in the period covered by the financial year from March 1, 2022 to February 28, 2023 were shaped by the impact of the war in Ukraine, significant inflation, and the turnaround in monetary and interest rate policies at central banks in the US and Europe. The ongoing uncertainty resulted in a bear market, consistent downward pressure on share prices, and increased volatilities. European stocks, and retail stocks in particular, were especially hard hit by the implications of the Russian invasion of Ukraine, rising prices, falling real-term incomes, and fears of recession.

HORNBACH Holding share price performance

Including the dividend distribution for the 2021/22 financial year and assuming its reinvestment, HORNBACH Holding's share price fell by 33.1 % in the 2022/23 financial year (March 1, 2022 to February 28, 2023). It thus proved more robust than the DAXsector Retail Index (-37.4%), but underperformed the SDAX comparative index (-7.5%). Excluding the dividend of € 2.40 per share distributed for the 2021/22 financial year, the share price decreased by 33.2 %.

Share price performance: March 1, 2022 to February 28, 2023

At the beginning of the 2022/23 financial year, HORNBACH Holding's share price showed almost identical developments to the SDAX and reached its annual high at € 125.30 on March 22, 2022. To account for ever more entrenched macroeconomic challenges relating to inflation, supply chains, and product prices, on June 13, 2022 HORNBACH Holding published an ad-hoc announcement to adjust its annual guidance figures. The guidance for adjusted EBIT in the 2022/23 financial year was amended from the originally forecast expectation of a "slight reduction" compared with the record figure for the 2021/22 financial year to a "reduction in a low double-digit percentage range". The share price fell significantly in the wake of this announcement. As the year progressed, the price developed largely in parallel with the SDAX comparative index. Stock markets were unsettled in the late summer in particular by concerns as to the security of the energy supply in the approaching winter. HORNBACH Holding's share posted its annual low at € 61.85 on September 29, 2022. In the further course of the financial year, the share managed to recover lost ground and closed at € 78.60 in XETRA trading on the balance sheet date on February 28, 2023 (2021/22: € 117.60). The market capitalization of HORNBACH Holding therefore stood at € 1,258 million at the end of the financial year (2021/22: € 1,882 million).

Shareholder structure

Hornbach Familien-Treuhandgesellschaft mbH, the main shareholder in HORNBACH Holding AG & Co. KGaA, continued to hold 37.5 % of the share capital of the KGaA as of February 28, 2023. The other 62.5 % of the shares are held in particular by international institutional investors. Based on the voting right notifications we received and published, the following shareholders held more than five percent of voting rights at the end of the financial year: Finda Oy (Finland) with 10.06 % (published on July 8, 2021) and M&G plc (United Kingdom) with 6.77 % (published on April 6, 2021).

Analysts' assessments

As of the balance sheet date on February 28, 2023, HORNBACH Holding's share was regularly covered by five financial analysts in research reports. As of the reporting date, all analysts recommended buying the share. The average share price target amounted to € 110, implying positive potential of 28.5 % compared with the closing price at the end of our 2022/23 financial year. A list of those banks and research institutes regularly reporting on HORNBACH and their most recent recommendations for the share can be viewed in the Investor Relations section of the HORNBACH Group's website.

Dividend policy

HORNBACH pursues a continuity-based dividend policy which aims to maintain a fair balance between shareholders' interests on the one hand and financing the company's growth on the other. As a general rule, the dividend should at least equal the previous year's level. In the long term, the company aims to achieve a distribution quota of around 30 %. For the past 2022/23 financial year, the Board of Management and Supervisory Board of HORNBACH Holding AG & Co. KGaA are proposing a dividend of € 2.40 per share with dividend entitlement for approval by the Annual General meeting on July 7, 2023. Subject to such approval, the distribution would total € 38,384k, corresponding to a distribution quota of 24.4 % and a dividend yield of 3.1 % based on the closing price at the end of the 2022/23 financial year.

Financial communications

Our investor relations activities provided shareholders, analysts, the financial media, and the general public with prompt information on the business performance of the HORNBACH Holding AG & Co. KGaA Group in the past financial year. All quarterly statements, annual reports, press releases, and additional financial information were published on the website of the HORNBACH Group. We remain actively in dialog with the capital market at our Annual General Meeting, the annual results and analysts' conference, in calls with investors and analysts, at road shows, and at investor conferences. In total, the Board of Management and the Investor Relations team took part in more than 20 conference and road show days in Germany, the UK, France, and the US in the 2022/23 financial year. They also held numerous one-to-one meetings. As well as exchanging information with existing investors, it was also possible to establish new contacts with potential investors. The information made available to the capital market online was renewed and adapted to the needs of this target group in the past financial year with the relaunch of our company website at www.hornbach-group.com.

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Investor Relations

2022 Annual General Meeting

Due to the pandemic, the 2022 Annual General Meeting of HORNBACH Holding AG & Co. KGaA on July 8, 2022 was again held on a virtual basis without physical attendance by shareholders. The event was transmitted live via a password-protected online portal for registered shareholders. All resolutions proposed were accepted by a majority of shareholders. These also included the distribution of a dividend of € 2.40 per share. The dividend payment thus corresponded to a distribution quota of 19.2 % based on earnings per share of € 12.48 for the 2021/22 financial year.

Key data about the HORNBACH Holding share	
Type of share	No-par ordinary bearer shares
Stock exchanges	Frankfurt, Xetra
Market segment	Prime Standard
Security identification number	608340
ISIN	DE0006083405
Stock market ticker	HBH
Bloomberg (Xetra)	HBH:GR
Reuters (Xetra)	HBH.DE
Financial year	March 1 to February 28 (29)
Initial public offering	07.03.1987 (preference share of HORNBACH AG)
Number of shares	16,000,000
Share capital	€ 48,000,000

Financial Calendar 2023

May 16, 2023	Publication of Annual Report as of February 28, 2023 Annual Results Press Conference / Analysts' Conference 2022/23
June 23, 2023	Quarterly Statement: 1st Quarter of 2023/24 as of May 31, 2023
July 7, 2023	Annual General Meeting, Landau (Pfalz)
September 27, 2023	Half-Year Financial Report 2023/24 as of August 31, 2023
December 20, 2023	Quarterly Statement: 3rd Quarter of 2023/24 as of November 30, 2023

Investor Relations

Antje Kelbert
Tel. (+49) 06348 / 60-2444

Anne Spies
Tel. (+49) 06348 / 60-4558

Jonas Peter
Tel. (+49) 06348 / 60-5398

invest@hornbach.com
www.hornbach-holding.com
Linkedin

Non-Financial Group Report

1. Fundamentals of Non-Financial Group Report

About this report

HORNBACH Holding AG & Co. KGaA is obliged pursuant to § 315b (1) - (3) of the German Commercial Code (HGB) to prepare a non-financial Group declaration. This report has been prepared in accordance with § 315b-c in conjunction with § 289b-e HGB. The contents of the report are exclusively based on the definition of materiality and the content requirements stipulated in § 315b (1) - (3) HGB. For this reason, no reference has been made to any framework. The explanation of the materiality analysis of the HORNBACH Group has been presented in detail in Chapter 1.2. of this report.

1.1 Group structure and business model

The structure and business model of the HORNBACH Group are presented below.

HORNBACH Holding AG & Co. KGaA is the parent company of the HORNBACH Group. It does not have any operations itself, but has a number of major subsidiaries. In addition to HORNBACH Baumarkt AG, the largest operating Subgroup at which the do-it-yourself (DIY) retail activities across Europe are pooled, the HORNBACH Group also comprises the HORNBACH Baustoff Union GmbH Subgroup (regional builders' merchants) and the HORNBACH Immobilien AG Subgroup (real estate and location development). At the balance sheet date on February 28, 2023, the Group had a total of 25,118 employees. In the 2022/23 financial year (March 1, 2022 to February 28, 2023), the HORNBACH Group generated net sales of around € 6.3 billion. The HORNBACH Group was founded in 1877 and is family managed, now in the fifth generation. It has the legal form of a partnership limited by shares (KGaA) and is listed in the Regulated Market of the Frankfurt Stock Exchange.

In accordance with the Articles of Association, the General Partner of HORNBACH Holding AG & Co. KGaA is HORNBACH Management AG, represented by its Board of Management, which currently comprises two members. The Board of Management of the General Partner manages the business of HORNBACH Holding AG & Co. KGaA and represents the company to third parties. Hornbach Familien-Treuhandgesellschaft mbH holds all shares in the General Partner of HORNBACH Holding AG & Co. KGaA.

Our business activities focus on do-it-yourself (DIY) retail with DIY stores and garden centers, as well as on online DIY retail in Germany and eight other European countries. These retail activities, which mainly focus on the needs of private end customers (business-to-consumer: B2C), are managed at HORNBACH Baumarkt AG, which is by far the largest operating Subgroup. With its "ProfiService" and product range, HORNBACH also targets tradespeople and other commercial customers (business-to-business: B2B). The DIY product range, which comprises around 50,000 articles stocked at the stationary stores and up to around 260,000 articles available online, is structured in five product divisions: (1) hardware / electrical, (2) paint / wallpaper / flooring, (3) construction materials / timber / prefabricated components, (4) sanitary / tiles, and (5) garden.

In addition, HORNBACH is also active in the regional stationary builders' merchant business via the HORNBACH Baustoff Union GmbH Subgroup (HBU), which chiefly focuses on specialist retail with commercial customers in the main and secondary construction trades (business-to-business: B2B). The range of products and services in HBU's B2B segment comprises around 170,000 articles in ten product divisions: civil engineering, building construction, roof / façade, fittings, garden, construction elements, sanitary and tiles, specialist products, fuels, and transport/other.

The principal task performed by the HORNBACH Immobilien AG Subgroup is to support the DIY retail business by developing stationary retail properties for Group-internal use.

The internationalization of procurement provides us with broad-based access to global procurement markets and enables us to forge strategic, long-term partnerships with suppliers and industry. These partnerships benefit both sides. We offer each supplier and manufacturer the opportunity to structure the store deliveries as efficiently as possible. Suppliers are able to make large-scale logistical deliveries directly to each location, or to supply the merchandise indirectly via our logistics centers. This way, we provide regional manufacturers as well with the opportunity of growing outside their existing sales regions and supplying goods to additional countries.

With net sales of more than € 5.8 billion in the 2022/23 financial year, the HORNBACH Baumarkt AG Subgroup contributed 93% of consolidated sales and employed around 95% of the HORNBACH Group's workforce at the balance sheet date. The HORNBACH Baustoff Union GmbH (HBU) Subgroup accounts for € 421 million, and thus around 7% of sales, as well as for around 5% of the Group's employees. HORNBACH Immobilien AG does not have any operating customer business or proprietary employees.

1.2 Materiality analysis

HORNBACH performed a materiality analysis pursuant to the German Commercial Code (HGB) in the 2022/23 financial year. Pursuant to § 289c (3) HGB, non-financial topics count as material when they have high significant implications for the aspects stated in § 289c (2) HGB (environment, employees, human rights, social welfare, and anti-corruption) and are also relevant to the Group's business activities (business performance, business results, and situation).

Current developments were accounted for in the materiality analysis by performing an environment analysis and surveying stakeholders. One particular focus was on new topics not included in the previous year's materiality matrix.

In the context of the annual materiality workshop, the managers responsible for the respective topics at the Group, including representatives of HORNBACH Baumarkt AG, HORNBACH Immobilien AG, and HORNBACH Baustoff Union GmbH, reviewed whether their assessment of non-financial topics within the Group's own business activities or supply chain and at customers which impact on the aspects defined in § 289c (2) HGB had changed to any significant extent compared with their assessment in the previous year. To this end, in an updated materiality matrix the non-financial topics were evaluated in terms of their relevance for our business activities and their implications for the aspects defined in § 289c (2) HGB. The findings of the environment and stakeholder analysis were included.

The managers responsible for the topics concluded that, compared with the previous year, no new material topics had arisen that were material both in terms of business activities and of the aspects defined in § 289c (2) HGB. The material topics on which the 2022/23 Non-Financial Group Report has been based are presented in the table below.

Aspects pursuant to § 289c HGB	Material topics
Environmental aspects	CO_2 emissions
	Disposal and recycling
	Product responsibility
Employee aspects	Employer attractiveness
	Employee recruitment and development
	Employee health
Social aspects	Product range and customer information
Respect for human rights	Responsible procurement
Combating corruption and bribery	Compliance – voluntary disclosures, as not material pursuant to § 289c (3) HGB

The findings were agreed with the Board of Management of HORNBACH Management AG in order to ensure consistent and comprehensive reporting for the overall Group.

1.3 Risk assessment

All material non-financial topics were subject to a risk assessment to ascertain whether our business activities, supply chain, or customers gave rise to any material risks for the aspects defined in § 289c (3) Nos. 3 and 4 and § 315c HGB. Our Group-wide risk management did not identify any risks requiring report at the HORNBACH Holding AG & Co. KGaA Group.

Further information can be found in the Group Management Report, Risk Report, and Outlook of HORNBACH Holding AG & Co. KGaA.

1.4 Sustainability strategy and management

We base all our Group-wide entrepreneurial actions on the HORNBACH Values. These provide a firm foundation for the values underpinning our dealings with customers, as well as our conduct towards our fellow employees. We are convinced that responsible activities are a prerequisite for our long-term economic success and for the HORNBACH Group's future prospects. Our sustainability strategy is intended to secure the company's success on a long-term basis to the benefit of our employees and with respect for the environment and society in which we operate.

Within our company organization, we have defined areas of action on which we base sustainability strategy. When further developing our sustainability strategy in the 2022/23 financial year, the existing areas of action were specified as follows:

- Our **product range** provides our customers with the opportunity to consider ecological, health-related, and social aspects when making their purchases and facilitates more sustainable construction, renovation, and design. Relevant factors include the environmentally-friendly and socially responsible manufacture of the products, durability, sustainable product features, and environmentally-friendly packaging and transport.
- By offering **product-related services**, we help our customers to benefit from products for as long as possible and thus save resources. These include repair services and spare parts, as well as the professional disposal of products no longer suitable for use.
- We make people the focus of our activities and invest in long-term relationships. We aim to create a working environment in which all **employees** have the same opportunities, stay healthy, and are encouraged to take decisions under their own responsibility.
- We protect resources in our **own business operations**, for example by avoiding waste, promoting the renewed use of resources, and saving energy or procuring it from more environmentally-friendly sources or

generating it ourselves. When we build new stores and logistics centers or purchase vehicles and operating materials, sustainability criteria are factored into the respective planning and procurement processes.

The topics resulting from the areas of action are presented in detail in the new CSR Policy, which is valid throughout the Group. By setting mandatory CSR standards, the companies in the HORNBACH Group also require their business partners to comply with ecological, social, and ethical standards of conduct. Furthermore, the HORNBACH Group has published a policy statement on its human rights strategy. Both documents are available at www.hornbach-holding.de/en/responsibility/our-business-partners.

An internal CSR team comprising a core CSR team and members of the relevant departments from across the Group is responsible for further developing the company's strategic non-financial topics. The core CSR team coordinates and supports the work on sustainability topics at the overall Group and reports to the Boards of Management of HORNBACH Management AG and HORNBACH Baumarkt AG. The strategies, targets, and management of non-financial topics are largely defined by HORNBACH Baumarkt AG as the largest operating Subgroup and are the responsibility of that company's Board of Management. The Board of Management is regularly involved in topic-specific measures and kept informed of their implementation. The Chief Executive Officer of HORNBACH Baumarkt AG bears overall responsibility for the topic of CSR. He is additionally responsible for the areas of strategic development, operating sales and services, and expansion. Sustainability-related topics are nevertheless dealt with by all Board of Management departments and are within the responsibility of the respective member of the Board of Management.

At the HORNBACH Baustoff Union GmbH Subgroup, the management is responsible for the strategies, targets, and management approaches for those non-financial topics deemed material. Overall responsibility is incumbent on the Chairman of the Management.

Within the Board of Management of HORNBACH Management AG, the General Partner of HORNBACH Holding AG & Co. KGaA, the CEO is responsible for the operating business at the two subsidiaries HORNBACH Baumarkt AG and HORNBACH Baustoff Union GmbH.

2. Material Non-Financial Aspects

The HORNBACH Baumarkt AG Subgroup holds a dominant position within the HORNBACH Group, and that both in terms of business activities and of their implications for the aspects defined in § 289c (2) HGB as they pertain to the HORNBACH Holding AG & Co. KGaA Group. The B2C retail business at HORNBACH Baumarkt AG contributes by far the largest share of the Group's sales and is therefore also the most important lever in terms of implications for the aspects defined in § 289c (2) HGB.

The material non-financial aspects identified for the Group are also relevant to the HORNBACH Baustoff Union GmbH Subgroup.

In view of this, unless indicated otherwise, the concept described in this Non-Financial Group Report relates to the targets, strategies, management approaches, and measures at the HORNBACH Holding AG & Co. KGaA Group. In what follows, the terms "we", "HORNBACH" and "Group-wide" are synonymous with the entire HORNBACH Group. Diverging from this, we explicitly refer to any concepts pursued solely on the level of the HORNBACH Baumarkt AG or HORNBACH Baustoff Union GmbH Subgroups.

2.1 Product range and customer information

2.1.1 Targets and strategy

HORNBACH aims to satisfy the needs of its customers as closely as possible and consistently increase their satisfaction. Our DIY stores with garden centers, online shops, and builders' merchant outlets provide our customers with a broad and deep product range and also offer product and project-based information and competent advice with regard to product features and their suitability for implementing specific construction and renovation projects. This way, we aim to enable our customers to make the right purchase decision for their situation. The ability to make a well-informed, independent decision in favor of or against a specific product is a prerequisite for high customer satisfaction and for building a permanent, trust-based customer relationship. This in turn forms the basis for the Group's business success.

With our permanently low price strategy across the whole product range, we position ourselves as a reliable partner for all projects in customers' homes and gardens. We calculate permanently fair prices for the entire product range and therefore do not offer discounts or promotional prices.

We obtain indications as to how satisfied our customers are with our product range, information, advice, and services from internal assessments and external customer surveys. To assess customer satisfaction, HORNBACH refers to the Kundenmonitor customer survey (ServiceBarometer AG) in Germany, Austria, and Switzerland and refers to other independent external studies conducted by prestigious institutes in the Netherlands and Sweden. With regard to customer satisfaction as measured in the customer surveys in Germany, Austria, and Switzerland, the company aims in future to achieve a sales-weighted average score of at least 2.10 on the scale of 1 (extremely satisfied) to 5 (unsatisfied).

By offering the maximum possible transparency concerning the source, contents, and environmental impact of our product ranges – throughout their entire lifecycles – we also aim to enable our customers to consider ecological, health, and social welfare factors when reaching their purchase decisions. Given consumers' ever growing interest in responsible lifestyles, increasing the range of corresponding products and services, as well as the range of information and advice on offer also harbors growth opportunities for the company.

HORNBACH is currently developing an internal article label that marks out that product within the listed stock range that offers significant sustainability benefits compared with alternatives in terms of its manufacture, logistics, and/or application. By 2027, 75% of the product range should have been reviewed from this perspective and, where applicable, suitably labeled in our systems.

2.1.2 Management approach and measures

As part of our operating activities, we collect feedback from our customers and analyze their purchasing behavior. We also factor customer evaluations posted at our online DIY shops into this process. On this basis, we continually align our product range, services, and associated information and advice more closely to customers' needs. Not only that, when it comes to independent consumer surveys conducted to evaluate the performance of stationary DIY stores and garden centers in the European countries in which the Group operates we accord priority to being ranked among the best providers in terms of overall satisfaction, product selection, product quality, specialist advice, and value for money/prices. Our aim is to maintain our very good rankings across Europe and to improve those rankings that are less good.

To ensure that our employees are available for customers, and thus also safeguard the quality of advice provided in our retail business, we base our staff deployment planning on expected seasonal customer frequency volumes. Two key factors highly significant to our business success are the ability to attract qualified specialist staff and the provision of regular training and further development measures to our employees. Furthermore, the HORNBACH Baumarkt AG Subgroup provides digital product information and video tutorials in its online stores and on social media. These offer information on how to use the products, for example, or explain DIY projects on a step-by-step basis.

Within our product range, we are strengthening those products used in energy-efficient construction or for energy refurbishments. Given rising energy prices, the range of information on energy and heating costs was significantly extended and the photovoltaics product range expanded in the year under report.

Furthermore, customers have the option of using low-emission products for their construction and renovation projects and this way to minimize the use or presence of harmful substances in their living environments. These products are labeled with widely recognized seals, such as Blauer Engel or the eco-INSTITUT seal, which are applied for by the respective manufacturers and displayed on the packaging. Furthermore, we actively indicate the energy and water-saving functions of products and do not stock controversial products or articles that pose a risk to the environment, such as glyphosate herbicides or plants whose cultivation involves the use of neonicotinoids (bee conservation). We are gradually converting our range of plant protection products to environmentally-friendly alternatives to chemical insecticides.

The procurement organizations at HORNBACH Baumarkt AG and HORNBACH Baustoff Union GmbH manage our product range and the need for product and project-based customer information. To enable us to account as closely as possible for customers' needs in the countries where we operate our retail business, the procurement organizations account for both central and regional requirements when listing suppliers.

As a matter of principle, we base our product range on the HORNBACH Values. Conversely, that means we reserve the right to delist product ranges when they clearly infringe the HORNBACH Values or do not fit in with the company's ethos on other ethical or ecological grounds.

2.1.3 Target achievement status

In the 2022/23 financial year, the HORNBACH Baumarkt AG Subgroup was ranked first for overall satisfaction among customers for DIY and home improvement stores in Germany, the Netherlands, and Sweden. Furthermore, in most regions for which studies are available HORNBACH's DIY stores and garden centers held first or second position in the criteria relating to product range, value for money, product quality, and willingness to recommend to others.

The Kundenmonitor surveys in Germany, Austria, and Switzerland resulted in a sales-weighted average score of 2.09 on the scale of 1 (extremely satisfied) to 5 (unsatisfied) in the 2022/23 financial year.

In addition to sector studies, the company also continually organizes surveys of DIY store customers in all countries where it operates (except Luxembourg). These are performed by an external provider on behalf of HORNBACH Baumarkt AG. Based on these surveys, in the catchment areas relevant to our business HORNBACH was most frequently the "first choice" for DIY store purchases among customers in Germany, Switzerland, the Czech Republic, and Slovakia in the 2022/23 financial year. HORNBACH was ranked second in Austria, the Netherlands, and Sweden. Moreover, HORNBACH was assessed as offering the best value for money in nearly all countries.

2.2 Responsible procurement

2.2.1 Targets and strategy

Consistent, reliable product availability influences both HORNBACH's sales and its customers' satisfaction levels. One basic prerequisite involves ensuring the supply capability and reliability of our suppliers and of the supply chain at all times. Within our supply chain, we attend to compliance with minimum social and environmental standards. As the distributor, HORNBACH bears a particular responsibility in this respect for private label and imported goods.

Timber is a commodity of particularly great importance for the Group’s product range. HORNBACH’s CSR Policy requires that we exclusively procure tropic timber that has been certified by the Forest Stewardship Council (FSC) or timber from sustainable and responsible European forestry. When importing natural stones, HORNBACH ensures that these come from companies that can document their compliance with international social and work safety standards in regular factory audits. Furthermore, HORNBACH delisted all hand-hewn natural stone from its product range in 2013 already.

For us, one basic rule of social responsibility involves recognizing international standards and conventions, such as:

- The United Nations Guiding Principles on Business and Human Rights (UN Guiding Principles)
- The United Nations Universal Declaration on Human Rights
- The Conventions and Recommendations of the International Labour Organization (ILO) on labor and social standards.

Our quality management also monitors compliance with environmental legislation and threshold values and bases this on the following standards and conventions including:

- The Stockholm Convention on Persistent Organic Pollutants (POPs Convention)
- The Minamata Convention and the EU’s Mercury Regulation (EU) 2017/852
- The Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal
- RoHS (Restriction of Hazardous Substances) Directive
- WEEE (Waste of Electrical and Electronical Equipment) Directive
- REACH (Registration, Evaluation, Authorisation of Chemicals) Directive.

The specific requirements we place in our suppliers are laid down in our CSR Standards for Business Partners of the HORNBACH Group, which we revised in the 2022/23 financial year. As a matter of principle, these standards are applicable to all companies within the overall Group and their business partners.

In the year under report, we implemented the requirements of the German Supply Chain Due Diligence Act (LkSG), which entered effect as of January 1, 2023. These comprise:

- Analyzing the supply chain in terms of human rights risks
- Adopting a policy statement on the company’s human rights strategy
- Appointing a human rights officer
- Embedding preventive measures in our own business operations and for direct business partners
- Taking immediate measures to remedy any legal infringements identified
- Establishing a complaints mechanism for legal infringements
- Complying with documentation and reporting obligations.

2.2.2 Management approach and measures

The HORNBACH Group commissions standardized audits, mainly of production sites for the products which HORNBACH stocks as private label products or imports directly from non-EU countries. Upon the preparation of this report, at its HORNBACH DIY stores and garden centers and online DIY shops the HORNBACH Baumarkt AG Subgroup stocked 53 private labels from across all five product divisions. These accounted for around 23% of total product sales. Compared with its sister company HORNBACH Baumarkt AG, the HBU Subgroup has a significantly lower share of imports and private labels, which account for a medium single-digit percentage share. As of the reporting date, HBU stocked two private labels mainly focusing on product ranges for garden landscaping (natural stones, construction chemicals), plaster, and thermal insulation systems and tiles.

The factory audits are conducted by certified, accredited, and independent audit institutes on a regular basis for each production site. Successful audits are generally valid for one year, with a renewed audit subsequently commissioned. The key focus of the audit is to check compliance with environmental and social standards. Should any failure to comply with these standards be identified, then an action plan is agreed with the respective supplier. The identification of severe infringements would lead to the business relationship being terminated. Merchandise deliveries may only be organized by those private label and import suppliers that meet HORNBACH's criteria and pass all factory audits. Compliance with requirements in the order process for imported articles is safeguarded by our SAP quality management system and managed by the "Quality Management and Environment" team. Audits are commissioned and monitored, also for HBU, by the HORNBACH Baumarkt AG Subgroup.

To monitor the supply chain for timber, the HORNBACH Baumarkt AG Subgroup works with an early-warning risk detection system ("CSR map"). This system on the one hand includes the article master data for HORNBACH's DIY product range, as well as supplier audit reports. On the other hand, it provides country-specific information, such as corruption indices. Based on this data, it is possible to perform a risk assessment of individual articles. Not only that, the CSR map is also connected to a news system that processes items of news in real time. The news items are presented in relationship to the products, factories, and suppliers entered in the system. This way, potential interruptions and risks in the supply chain can be rapidly detected and avoided or reduced.

To document the source of the timber used and identify timber products from illegal or disputed sources, HORNBACH works closely with suppliers and environmental protection organizations. HORNBACH Baumarkt AG received the 2007 FSC® Chain of Custody certificate GFA-COC-002007 / FSC® C010062 in 2007. This certifies that the supply chain is consistently checked and traceable from the origin of the timber through to the end product at our DIY stores. Annual auditing by an independent audit institute confirms our entitlement to bear this certificate. Our range of charcoal products is also fully FSC-certified.

2.2.3 Target achievement status

On the level of the HORNBACH Baumarkt AG Subgroup, a total of 585 factory audits were conducted, mainly at suppliers of private label products and of products directly imported from non-EU countries, in the 2022/23 financial year (2021/22: 432). In the year under report, there were no cases (2021/22: none) in which the Subgroup was required to terminate the business relationship with the supplier as a result of these audits.

The HORNBACH Baustoff Union GmbH Subgroup did not perform any factory audits at private label suppliers in the past financial year (2021/22: none). HBU also did not report any cases in the 2022/23 year under report in which the Subgroup was required to terminate the business relationship with its supplier (2021/22: none).

2.3 Product responsibility

2.3.1 Targets and strategy

The standard we have set ourselves as a sustainable retailer is to ensure that all products sold by HORNBACH are of flawless quality. High product quality and durability make a key contribution to customer satisfaction and loyalty. We also believe that sustainable product features (water-saving, energy-saving, low in harmful substances, etc.), environmentally compatible packaging, and product recyclability are playing an ever more important role in how customers perceive companies.

Our product responsibility particularly relates to private label products, as well as to other imported articles and articles including the commodities of timber and natural stone. Not only that, defective products also always pose a risk to the retailer's reputation. We therefore make every effort to ensure the flawless quality of our entire product range.

2.3.2 Management approach and measures

HORNBACH's quality management covers the entire procurement chain, particularly in the case of imported and private label products.

At the HORNBACH Baumarkt AG Subgroup, these activities are located in organizational terms at the "Quality Management and Environment" department. At HORNBACH Baustoff Union GmbH, responsibility lies with the procurement departments. The operating units perform the following trial-sample product checks either themselves or by commissioning external service providers. These are intended to safeguard the highest possible level of product quality:

- Merchandise inspection both during production and prior to shipment
- Merchandise inspection once the containers arrive at our logistics centers.

The HORNBACH Baumarkt AG Subgroup also tests products in terms of safety, contaminants, and suitability for use with the assistance of independent, accredited, and certified testing institutes and regularly has checks performed on samples from its HORNBACH DIY stores and garden centers. Further tasks include complaints monitoring, taking any corrective measures required, such as effecting improvements in the products, enforcing halts on sales, through to product recalls if defects arise in products already in circulation.

Furthermore, the quality management team monitors compliance with European standards and directives governing the registration, evaluation, authorization, restriction, and threshold values for chemicals and specified hazardous substances and so-called substances of concern (please see “Responsible procurement”).

2.3.3 Target achievement status

In the 2022/23 financial year, quality management staff at HORNBACH Baumarkt AG and accredited, certified, and independent audit institutes performed 1,128 (2021/22: 915) product quality tests (safety, contaminants, suitability for use) and 1,644 (2021/22: 2,183) article acceptance audits. Together, these correspond to 2,400 person-days (2021/22: 3,542) performed by independent audit institutes on behalf of HORNBACH. The number of these tests is dependent in each case on order volumes. The lower number of product quality tests and article acceptance audits is due to the lower volume of imports. In the year under report, volumes normalized compared with the previous years, which were affected by the pandemic.

In view of the pandemic, the company made it possible once again in 2022/23 for individual suppliers to perform their own self-inspections. To be eligible, business partners had to have enjoyed a long-term and stable relationship with HORNBACH, showed no or only few defects in previous audits, and thus have a good reputation. Inspection forms, documentary photographs, and letters of guarantee have been received from 13 suppliers (2021/22: 23).

2.4 Employer attractiveness

2.4.1 Targets and strategy

We are convinced that highly motivated and loyal employees are the basis for the company's success. Particularly sales staff and advisors at our DIY stores with garden centers and our builders' merchant outlets play a key role in influencing the satisfaction of our customers. For HORNBACH, a corporate culture which is characterized by open communications, appreciation, and diversity is therefore a basic requirement for upholding a high level of commitment. HORNBACH is convinced that all business relationships are based on trust. Trust is a core message in the HORNBACH Foundation and thus shapes our work relationships.

www.hornbach-holding.com
Company >
Corporate Governance >
HORNBACH Values

As a Group with operations across Europe and employees from around 100 countries, we attach priority to creating a working environment that is free of prejudice. Furthermore, HORNBACH Baumarkt AG has signed the "Diversity Charter" and thus made a public commitment to treat all its employees with respect regardless of their gender, nationality, ethnic background, religion, disability, age, or sexual orientation.

Furthermore, HORNBACH aims to maximize the diversity of its teams on all levels. Women currently hold 67% of the positions on the Supervisory Board of HORNBACH Holding AG & Co. KGaA and 50% of the positions on the Board of Management. At HORNBACH Baumarkt AG, the largest Subgroup, 2 of the 6 members of the Board of Management are women. Accounting for and respecting existing employment contracts, the diversity in the two management levels below the Board of Management at HORNBACH Baumarkt AG is also to be increased. By 2026/27, the company intends to fill at least 25% of the positions on both levels with women. In the 2022/23 financial year, women accounted for 23.6% of the managers on these levels.

HORNBACH is committed throughout the Group to the core labor standards of the International Labour Organization (ILO) and in particular to those governing the freedom and right to association. Due to the variety of legal and contractual requirements in the respective countries, co-determination topics are managed on a decentralized basis with unions and employee representatives. At HORNBACH Baumarkt AG in Germany, the appropriate representation of employees is safeguarded with our General Works Council, works councils at nearly all German locations, and equal representation of employees and shareholders on the Supervisory Board. Consistent with the German Works Council Constitution Act, we cooperate with all works councils on a basis of trust. Employee representation is also in place in Luxembourg, the Netherlands, and Sweden.

1.1.1 Management approach and measures

The measures to uphold and increase our attractiveness as an employer are managed by the respective Personnel Departments at HORNBACH Baumarkt AG and HORNBACH Baustoff Union GmbH.

Our workforce structure data is presented in summarized form in the following table:

	2022/23	in %	2021/22	in %
Number of employees[1)]	**25,118**	**100.0**	**24,268**	**100.0**
of which in Germany	13,731	54.7	13,379	55.1
of which in Other European Countries	11,387	45.3	10,889	44.9
of which women	10,284	40.9	10,077	41.5
of which men	14,806	58.9	14,163	58.4
of which aged up to 30 years	6,451	25.7	6,315	26.0
of which aged 31 to 50 years	11,599	46.2	11,433	47.1
of which aged over 50 years	7,040	28.0	6,492	26.8
of which part-time	6,597	26.3	6,158	25.4
of which with a temporary employment contract	5,958	23.7	5,543	22.8

[1)] No structure data is available for the employees at HORNBACH Baustoff Union in France (number of employees: 27).

Fair remuneration is a component of any trust-based work relationship. In those regions where collectively agreed payment rates are in place for the retail sector, i.e. in Germany, Austria, the Netherlands, and Sweden, at its HORNBACH stores HORNBACH Baumarkt AG voluntarily and comprehensively bases its remuneration on the respective collectively agreed rates. The collectively agreed rates for retail employees also apply to employees within HORNBACH's logistics. Overall, this means that around 75% of HORNBACH's employees are paid at or above the collectively agreed rates. 25% of HORNBACH's employees are paid on the basis of agreements customary to the market and, as a minimum, in accordance with the statutory minimum wage. In the 2022/23 financial year, HORNBACH further supported its employees in Germany, the Netherlands, Romania, Slovakia, and the Czech Republic by paying inflation compensation to cushion the effects of the sharp rise in inflation across Europe.

HORNBACH offers its (full-time and part-time) employees numerous additional benefits in all nine countries in which it operates. In nearly all regions, these include:

- Profit sharing
- Vacation and/or Christmas allowances or a 13th monthly salary
- Company pension scheme or contribution to pension insurance
- Employee shares in HORNBACH Holding AG & Co. KGaA

Furthermore, in some of the countries in which the company operates it offers further additional benefits in line with practices typical to the respective country, such as:

- Occupational disability insurance
- Healthcare promotion (e.g. company physician, mental health support services, physiotherapy, fitness)
- Advice on nursing care
- Work bicycle
- Anniversary payments.

The company grants maternity protection and parental leave in accordance with statutory requirements in all countries in which it operates. In Switzerland, it even goes beyond legal requirements in this respect.

HORNBACH enables all its employees to organize their working hours themselves, provided that this is compatible with the stipulated working processes. At the Group's administration locations, flextime and mobile work are possible at all locations. In some cases and in liaison with their respective managers, however, employees have to be present for core working hours.

Employees at HORNBACH's DIY stores and garden centers have shift-based working hours, mostly in three shifts, as do employees at the outlets of HORNBACH Baustoff Union GmbH. Here too, we are making efforts to enable our employees to structure their working hours flexibly to the extent permitted by organizational requirements and the legal framework. In some countries, for example, employees are able to structure their weekly working hours in four rather than five days or to amend their weekly working hours in line with their requirements.

In Germany, the “Bespoke Working Hours” model was introduced in the year under report. This new model comprises five components, three of which enable employees to reduce their working hours, for example by converting vacation or Christmas allowances into up to 20 extra days off. They can also work on a part-time basis for a limited or unlimited period. If so desired, the annual pay rise can be used to gradually reduce the number of working hours. A fourth component enables them to reallocate their working hours, for example as a four-day week while still working full time with 37.5 hours. Finally, the fifth component allows employees to increase their weekly working hours to up to 42.5 hours for a period of three, six, or nine months.

In Switzerland, working hours for all employees have been reduced from 41 to 39 hours a week. Since January 2023, Swiss employees have also been able to structure their breaks more flexibly, take extended maternity or paternity leave over and above legal requirements, and have their overtime settled as a 13th monthly wage.

Part-time models are in place across the Group. All employees with work time accounts can have their work time digitally recorded down to the nearest minute. This provides them with flexibility in building up or reducing overtime. This option does not apply to managers from a specific functional level upwards. Weekly working hours depend on the work time regulations typical to the respective country.

To offer employees a neutral point of contact, HORNBACH has created the position of ombudsperson. They act as a contact partner to all HORNBACH employees in difficult situations. Their main job is to act as an intermediary and arbitrator in misunderstandings and conflicts. This neutral point of contact is used by employees from across the Group and has met with high acceptance levels.

2.4.2 Target achievement status

To measure and manage employer attractiveness, we refer to the personnel turnover rate as a quantitative indicator. In the year under report, the personnel turnover rate, defined as terminations (by employees or employer) as a percentage of the average number of employees in permanent regular employment, amounted to 16.4% (2021/22: 14.9%).

Employer attractiveness	2022/23	2021/22
Average number of employees	23,228	22,463
Total terminations (by employees or employer)	3,804	3,354
Personnel turnover rate (in %)	16.4	14.9

In the financial year under report, seven incidents of discrimination were identified in the form of infringements of the German General Equal Treatment Act (AGG).

Women accounted for a total of 23.6% of the managers in the two management levels below the Board of Management at HORNBACH Baumarkt AG in the 2022/23 financial year.

2.5 Employee recruitment and development

2.5.1 Targets and strategy

Given our strategic focus on project customers at our DIY stores and garden centers and on commercial customers at our builders' merchant outlets, we have a great requirement for well-informed employees who are able to competently support our customers in complex construction and renovation projects. High-quality advice and service play a key role in determining the satisfaction of our customers and the Group's business performance and situation. Specialist staff in the stationary business therefore have to be familiar with the products offered within their area of activity and their uses, and must also be promptly trained when new models are introduced.

Where possible, key positions and management positions becoming vacant should be filled with internal candidates. By offering a range of development measures, we aim to act early to prepare suitable employees in a forward-looking manner for future management responsibility. For key forward-looking topics, the company also relies on targeted recruitment on the free labor market.

A further declared aim of HORNBACH is to retain a large number of experienced employees at the company. Both the company and its customers benefit from the longstanding experience these employees have of HORNBACH's product range and services.

Given low unemployment rates across large parts of Europe, recruiting new employees is a challenge. Moreover, the trend towards studying for a university degree is continuing and has exacerbated the already low attractiveness of the retail sector. As well as ensuring good working conditions (see “Employer attractiveness”), it is therefore essential for us to provide all employees with attractive opportunities for further training and development.

2.5.2 Management approach and measures

We recruit a large share of our fresh talent from HORNBACH's training and study programs. We basically train the right number of people to cover our own requirements. This way, we ensure that all trainees and participants in dual work-study programs have good chances of being accepted by the company once they have successfully completed their training or study program. Recruitment is managed on a decentralized basis in line with requirements at individual locations. In selecting suitable applicants, the operating units are assisted by the relevant personnel department.

We aim to adapt the range of training positions on offer to current requirements in both quantitative and qualitative terms. To cover our need for personnel we work closely together, for example, with Chambers of Industry and Commerce (IHK), colleges offering dual work-study programs, and various cooperation partners in other European countries.

In training the next generation of suitably qualified staff, we benefit from the high quality standards offered by the dual vocational training system in Germany, among other factors. The HORNBACH Baumarkt AG Subgroup also works with comparable dual work-study training programs in Austria and Switzerland. Not only that, in Romania we are working with other retailers and the International Chamber of Commerce to permanently establish a dual vocational training system. HORNBACH does not offer comparable training schemes in the other countries in which it operates.

We also access potential applicants by participating in recruitment fairs and applicant training programs across Europe in cooperation with local or regional organizations, as well as with our presence in numerous digital media.

Our new hire structure data is presented in summarized form in the following table:

	2022/23	in %	2021/22	in %
Newly hired employees	**6,233**	**100**	**6,194**	**100**
of which in Germany	2,471	39.6	2,505	40.4
of which in Other European Countries	3,762	60.4	3,689	59.6
of which women	2,239	35.9	2,373	38.3
of which men	3,994	64.1	3,820	61.7
of which aged up to 30 years	3,430	55	3,354	54.1
of which aged 31 to 50 years	1,926	30.9	2,078	33.5
of which aged over 50 years	877	14.1	762	12.3

Practical knowledge about the products and their applications is communicated in practical and product-based training sessions offered in cooperation with suppliers. In addition, HORNBACH offers its own product and project-based training at on-site events or by video or print media. HORNBACH Baustoff Union GmbH offers regular module training for its total of more than 130 professional drivers. Where necessary, it also enables further employees to acquire their professional driving qualification.

Working together with Chambers of Industry and Commerce, we enable our employees to participate in certified training programs. These include qualification as a retail specialist, for example. Furthermore, internal and external seminars are also offered across the Group. These measures are managed by the relevant personnel departments at HORNBACH Baumarkt AG and HORNBACH Baustoff Union GmbH.

We prepare upcoming management staff at the HORNBACH Baumarkt AG Subgroup for their new tasks with a separate training program. To this end, qualification modules have been developed for all store management positions. HORNBACH offers corresponding development opportunities to employees at its central administration departments and logistics centers as well.

By holding regular meetings between HORNBACH managers and their employees, we aim to help make sure that all employees can develop their skills further in line with their needs and strengths. We believe that offering individual development opportunities is an effective way to boost employees' commitment to HORNBACH.

2.5.3 Target achievement status

We collect quantitative key figures on trainees and current vacancies. We do not have any specific targets in respect of the key figures collected. The recruitment of new employees is always based on current requirements.

The figures below include trainees at the HORNBACH Baumarkt AG and HORNBACH Baustoff Union GmbH Subgroups in Germany, Austria, Switzerland, and Luxembourg.

In the 2022/23 financial year, HORNBACH employed 1,124 trainees and participants in dual work-study programs (2021/22: 1,048). A Group-wide total of 435 trainees completed their training in the year under report (2021/22: 401); this corresponds to 38.7% (2021/22: 38.3%). A total of 295 trainees were accepted for regular employment or for a third year of training (2021/22: 265); this corresponds to an acceptance rate of 67.8% (2021/22: 66.1%).

The structure data for trainees and participants in dual work-study programs at the HORNBACH Group is summarized and compared with the previous year's figures in the following table:

	2022/23	in %	2021/22	in %
Total number of trainees and participants in dual work-study programs	1,124	100.0	1,048	100.0
of which in Germany	885	78.7	796	76.0
of which in Other European Countries	239	21.3	252	24.0
Training completed in year under report	435	38.7	401	38.3
of which accepted for regular employment or for a third year of training	295	67.8	265	66.1

As training needs may vary over time, the company does not have any quantitative targets to measure employee development. In the year under report, a total of 534 virtual product and other training sessions were held at HORNBACH Baumarkt AG (2021/22: 365), while 118 employees took part in certified training programs (2021/22: 91). Management training sessions were attended by 506 employees (2021/22: 309). Of the 172 management positions (2021/22: 177) filled in the year under report, 126 (2021/22: 112), or 73.3% (2021/22: 63.3%), were awarded to internal employees.

2.6 Employee health

2.6.1 Targets and strategy

Healthy and motivated employees form the basis for the company's success. It is therefore important to the company that its employees should comply with safety measures, be careful when at work, and familiarize themselves with any hazards. In our work environment, it is just as important to be alert as it is to wear personal protective equipment.

Health protection is an established aspect of our daily work at the company and ranges from identifying the causes of any accidents, taking suitable preventive measures, through to effectiveness checks. The mental health of our employees is also increasingly in focus. The company has set itself the explicit target of protecting not only the physical integrity, but also the mental health, of its workforce.

2.6.2 Management approach and measures

The work safety department coordinates all health protection measures in place across the Group. The respective store manager or location director is responsible for implementing these measures. Consistent with legal requirements, HORNBACH has also formed a Work Safety Committee comprising representatives of the operating locations and the works council (where applicable), as well as the company physician and occupational health and safety specialists. The Work Safety Committee meets once a quarter and discusses strategies, measures, and current incidents.

The basic principles of safe conduct and work are summarized in HORNBACH's Safety Manual. This serves as a basis for annual instruction sessions and is made available as a point of reference to all company employees in Germany. For the other countries in which HORNBACH operates, the Safety Manual serves as a minimum standard and can be supplemented with country-specific aspects. This also applies when local legislation permits lower safety standards. Those employees who are exposed to specific risks on account of their activities receive regular training relevant to their activity. Additional instruction is provided in the event of accidents or other safety-relevant incidents.

Safety officers have been appointed from among the workforce at all operating units (DIY stores and garden centers, HBU outlets, and logistics centers). One example of their responsibilities is a monthly safety inspection of the relevant site. The Group also has a fire protection officer who is in turn supported by fire protection assistants at all locations. Additional functions, such as evacuation assistants and first-aid specialists, are also covered within the organization. Employees performing these functions receive regular training, as a minimum every three years.

A risk assessment has to be performed and documented at least once a year. Additional event-specific risk assessments are required, for example when conversion measures are implemented, new work equipment is introduced, accidents have occurred, and when changes arise in employees' performance capacity.

HORNBACH provides all its employees with the personal protective equipment they need for their roles, such as gloves, protective shoes, ear protection, safety glasses, safety knives, and back support belts. For lifting and carrying heavy goods, work equipment such as floor conveyors and lift trucks are available. These topics are particularly relevant to employees in the operating units. Alongside these, there is the matter of ergonomic setups for computer screen workplaces. Here, special recommendations are available for HORNBACH employees who are also able to perform their work on a mobile basis. To reduce psychological strain, training is offered to all employees via "HORNBACH Campus", the company's internal learning platform.

In Germany, HORNBACH cooperates with the "Evermood" health platform, which offers information, tips, and personal support with mental health issues, including a range of psychological advice.

2.6.3 Target achievement status

No quantitative targets are in place to measure employee health. The number of work-related accidents requiring report (>3 workdays lost) amounted to 628 in the year under report (2021/22: 767), resulting in an accident incident rate (accidents per 1,000 employees) of 26.4 (2021/22: 33.3). The accident rate refers to 23,803 active employees (excluding Hong Kong and HORNBACH Baustoff Union in France). There was one fatal accident in the year under report (2021/22: none). This incident has already been addressed in talks with the operating units and awareness of the issues involved has been raised among the relevant employees. The sickness rate at the HORNBACH Baumarkt AG Group stood at an annual average of 8.9% (2021/22: 8.2%).

Employee health	2022/23	2021/22
Number of work-related accidents requiring report (>3 workdays lost)	628	767[1)]
of which accidents on way to/from work	103	94
Accident rate (accidents per 1,000 employees)	26.4	33.3[1)]
Number of fatal accidents	1	0
Sickness rate (HORNBACH Baumarkt AG)	8.9%	8.2%

1) Accident figures for 2021/22 adjusted due to retrospective reports

2.7 CO2e emissions

2.7.1 Targets and strategy

HORNBACH is making a contribution towards achievement of the climate targets agreed by society. The company records and documents the CO2e emissions directly and indirectly resulting from its business activities. Since the 2021/22 financial year, we have measured the CO2e footprint of our buildings and of the vehicles and equipment we ourselves operate (Scopes 1 and 2) at the HORNBACH Group. The largest share of these emissions relate to the operation of our retail outlets and logistics locations. The company plans to continually reduce its CO2e emissions in the coming years.

2.7.2 Management approach and measures

CO2e emissions resulting from the operation of proprietary stores and logistics centers can largely be reduced by consuming less energy. In recent years, HORNBACH already saved substantial volumes of energy by deploying smart lighting management and building control technology, as well as by converting nearly all stores and logistics centers to LED lighting. Due to the sharp rise in energy prices, the company pressed further ahead with reducing its gas and electricity consumption in the 2022/23 financial year. Among other measures, air-conditioning equipment was switched off in summer, indoor temperatures in winter were lowered within the legal limits, and savings were achieved by temporarily closing administration buildings.

The CO2e emissions calculated for 2021/22 are presented in the following table.

Greenhouse gas emissions in tonnes of CO2e	2022/23	2021/22[5]
Scope 1[1]	**29,600**	**40,308**
Natural gas / liquid gas	16,341	25,791
Heating oil	2,634	2,725
Vehicle pool	10,625	11,792
Scope 2 (market-based)[2]	**36,011**	**35,113**
Electricity	32,803	30,046
District heating	3,209	5,067
Scope 2 (location-based)[3]	**39,426**	**46,557**
Total greenhouse gas emissions Scopes 1 and 2 (market-based) in tonnes	**65,611**	**75,421**
Greenhouse gas emissions Scopes 1 and 2 (market-based) per m² of heated space[4] in kg, excluding vehicle pool	**30.74**	**35.14**

(Differences due to rounding up or down)
1) Excluding coolants
2) Market-based figures refer to emission factors at the electricity supplier.
3) Location-based figures refer to average emission factors for the region (country) in which the electricity is consumed.
4) Definition adjusted compared with previous year; heated space at DIY stores and builders' merchant outlets (excluding administration and logistics space).
5) Due to a change in the calculation methodology (change of provider), the figures calculated in the previous year are not fully comparable with those calculated for the 2022/23 financial year.

The following measures to reduce Scope 1 and 2 emissions further were defined in the 2022/23 financial year:

- Electricity is increasingly to be generated by the company itself in future. To this end, an analysis is being performed to ascertain at which locations the installation of photovoltaics systems would be possible and expedient. Individual pilot projects are being implemented. Further expansion will be defined based on these pilot projects.
- The consumption of fossil fuels (gas, oil), which are used above all for heating, is to be reduced. Available technical options are currently being analyzed.
- A new store construction standard that accounts for greenhouse gas emissions during store use is to be developed.
- A new company car policy promoting the use of emission-free and low-emissions vehicles is to be developed.

2.7.3 Target achievement status

In the 2022/23 financial year, the company achieved a 12.5% reduction in its store greenhouse gas emissions (CO2e, Scopes 1 and 2) per square meter of heated space.

2.8 Disposal and recycling

2.8.1 Targets and strategy

As a retail company, HORNBACH is responsible for the product packaging of its private labels and own imports, as well as for transport packaging and article repackaging. By ensuring that these materials are handled in resource-effective ways, HORNBACH is making an active contribution to building a circular economy. We aim to use as little packaging material as possible and to design unavoidable packaging in such a way that it is as recyclable as possible.

In our business operations, we have adopted an end-to-end waste concept which promotes the separation and thus recycling of resources as secondary resources while simultaneously minimizing the volume of non-recyclable materials. Not least in view of the consistent rise in disposal costs, we see well-considered resource management as indispensable.

We support our customers in using the products they buy from us for as long as possible by offering repair services and spare parts. Products and materials that can no longer be used can be disposed of in an environmentally compatible manner at HORNBACH. We provide customers across the Group with the opportunity to return and dispose of lighting materials, old electrical appliances, waste oil, and batteries. We also support them in correctly disposing of construction rubble.

2.8.2 Management approach and measures

Within the product development process, in the 2022/23 financial year we stepped up our efforts to reduce the volume of packaging used for private label products and proprietary import articles. Where this is not possible, we are working on more environmentally-friendly alternative solutions. One special focus is on reducing the volume of plastic packaging and packaging material within our proprietary sales packaging. A further target is to replace packaging made of paper-plastic composites with packaging made of just one material. Optimization measures are implemented on a gradual basis in line with scheduled product range revisions. The licensing of packaging materials is managed on a Group-wide basis by the central administration in Germany.

Together with other retailers, HORNBACH founded the "Euro Plant Tray" association in the year under report. The aim here is to introduce a multiple-use system for plant transport packaging that is valid across Europe.

To simplify disposal and gain a precise overview of all material flows, HORNBACH operates its own online recycling portal that is used by HORNBACH Baumarkt AG and its subsidiaries in six countries and at HORNBACH Baustoff Union. Each location connected to the portal has an overview of all waste classes and is able to commission professional disposal services exactly when required. The portal also serves to manage collection of proprietary resources by HORNBACH's fleet of "Resource Liners".

In 2014, we began the proprietary collection of resources from our stores using our HORNBACH "Resource Liners". These now travel across large parts of the countries in which we operate. This way, we are able to collect large quantities of resources at the stores and then to deliver them to the desired recycling locations, such as paper factories. HORNBACH can thus on the one hand ensure that further processing of the resources takes place directly. On the other hand, this approach also reduces disposal charges. A further benefit is that these trucks can be integrated into the store delivery network. This way, empty runs can be avoided and stores that are in any case located on the trucks' disposal routes can be supplied with the necessary merchandise. To minimize the number of runs as far as possible, HORNBACH's stores and logistics centers work with baling presses for the high-volume waste classes of paper and plastics.

In the year under report, the company disposed of the following volumes of waste and resources via the waste points connected to the disposal portal. HORNBACH's locations in Romania, Slovakia, and the Czech Republic are currently not connected to the portal.

Resources in tonnes (rounded total)	2022/23	2021/22
Plastics	2,800	2,800
Paper, paperboard, cardboard	11,200	11,700

Waste in tonnes (rounded total)	2022/23	2021/22
Waste for recycling	8,400	9,000
Old paint, old varnish (containing dispersion and solvents)	315	340
Waste metal & aluminum	2,700	2,800
Rubble (pure)	14,000	16,000
Electrical waste (small and large appliances, cooling appliances, lighting materials)	680	650
Gypsum-based waste	2,450	2,800
Timber (A1 - A3)	29,750	35,000
Compost material / green waste	2,850	3,100

HORNBACH pursues a variety of approaches to directly make new products out of resources. Wood chippings, for example, are offered as an alternative to mulch at HORNBACH's stores. Furthermore, new products such as water butts are made out of recycled hard plastic.

2.8.3 Target achievement status

No quantitative targets are in place to measure waste reduction.

2.9 Compliance

2.9.1 Targets and strategy

HORNBACH's compliance management system is built on a value-based approach. The principles set out in the "HORNBACH Foundation" and their specification in the "HORNBACH Values" form the defining basis for HORNBACH's system of values. These have been translated into all relevant languages at the Group and made available to all employees. Compliance with legal requirements and internal company policies and ethical principles is indispensable to HORNBACH and the company has aligned its corporate culture to these principles. In particular, these also include internal anticorruption regulations.

Corruption and bribery/corruptibility may have substantial implications for the company and its employees, cause enormous harm to the company's reputation, and lead to a long-term loss of trust. In view of this, combating corruption and bribery/corruptibility is one of the focus compliance topics. As with all compliance infringements, HORNBACH has a zero-tolerance policy towards corruption.

2.9.2 Management approach and measures

HORNBACH's compliance management system has a primarily preventive focus with the aim, wherever possible, of avoiding infringements in the first place. The Compliance Department manages the coordination and continuous optimization of Group-wide compliance activities. The Head of Compliance reports directly to the Chief Compliance Officer. The Compliance Department is further supported by compliance officers responsible for the regions and specialist departments.

As a general rule, individual one-to-one meetings are held with compliance officers from the regions several times a year. In addition, joint Group meetings with all compliance officers from the specialist departments and regions take place twice a year.

These regular meetings address individual topics, such as training requirements or the existence of compliance-relevant topics. This ensures that the Compliance Department is kept informed of system-relevant developments in the regions and specialist departments over and above the matters reported on an ad-hoc basis. Furthermore, the Compliance Committee, which is the topmost advisory body within the compliance organization, also meets regularly and discusses relevant compliance-related developments.

In addition to the bodies and contact partners directly involved, the compliance management system is also supplemented by a web-based whistleblower system. This offers a further system that is available worldwide to enter into dialog with the compliance organization, anonymously if preferred. It provides a channel for submitting notifications of potential compliance infringements, particularly those relating to corruption and bribery/corruptibility.

The standards of conduct set out in the “HORNBACH Values” place explicit expectations in the company’s managers and employees. Among others, these include a commitment to fair competition and conduct based on integrity. They also explicitly condemn conflicts of interests and corruption. This approach is set out in greater detail in the document “HORNBACH’s Standards of Conduct – Acceptance and Granting of Gratuities”. The corresponding expectations in managers and employees are formulated on the basis of various guiding principles.

The HORNBACH Foundation, the HORNBACH Values and “HORNBACH’s Standards of Conduct – Acceptance and Granting of Gratuities” are provided to all employees when they start working at HORNBACH and are also permanently available in digital form on the Group’s intranet.

2.9.3 Target achievement status

The anticorruption concept presented above is intended to avoid all kinds of corruption and bribery/corruptibility and certainly to prevent any material cases of such arising. No material incidents of corruption or bribery/corruptibility were identified in the 2022/23 period under report.

3. EU Taxonomy

3.1 Background

As a result of the European Green Deal, the topics of climate protection, ecology, and sustainability are becoming a key focus of political measures taken by the European Union with the overriding objective of achieving climate neutrality by 2050. In March 2018, the European Commission presented the "Sustainable Finance" Action Plan to channel funding into sustainable investments, tackle the financial risks resulting from climate change, the shortage of resources, environmental destruction, and social problems, and increase transparency and long-termism in financial and economic activity. One specific measure in the Action Plan involves introducing a taxonomy of sustainability, which was subsequently established in Regulation (EU) 2020/852 (hereinafter: "EU Taxonomy"). The EU Taxonomy, which entered effect in 2020, provides a system for classifying environmentally sustainable economic activities. According to this system, an economic activity is to be classified as sustainable if it particularly makes a substantial contribution to one of the six following environmental objectives:

- Climate change mitigation
- Climate change adaptation
- The sustainable use and protection of water and marine resources
- The transition to a circular economy
- Pollution prevention and control
- The protection and restoration of biodiversity and ecosystems.

To date, the European Commission has published binding technical screening criteria to assess the sustainability of economic activities in respect of the first two environmental objectives of "climate change mitigation" and "climate change adaptation" in Delegated Regulation (EU) 2021/2139 (hereinafter "Climate Delegated Act) and Delegated Regulation (EU) 2022/1214 addressing specific gas and nuclear energy activities (hereinafter "Complementary Climate Delegated Act"). If an economic activity is recorded and described in these delegated acts, then in the first stage it is to be classified as "taxonomy-eligible". For a taxonomy-eligible economic activity to be viewed in the second stage as "taxonomy-aligned", it must cumulatively meet the requirements presented below:

- The economic activity makes a substantial contribution to at least one of the environmental objectives by meeting the technical screening criteria stipulated by the EU Taxonomy for a substantial contribution.
- The economic activity does no significant harm to one or more of the other environmental objectives and therefore meets the technical screening criteria for the avoidance of significant harm (the "do no significant harm" (DNSH) criteria) of the EU Taxonomy.
- Minimum safeguards are basically complied with across the respective activities.

Pursuant to the EU Taxonomy and the supplementary delegated acts, in our Non-Financial Group Report we report the shares of taxonomy-eligible turnover, capital expenditure (CapEx), and operational expenditure (OpEx) for the 2022/23 financial year in respect of the first two environmental objectives of "climate change mitigation" and "climate change adaptation". The EU Taxonomy and the delegated acts issued on this include formulations and concepts whose interpretation is still subject to significant uncertainty and for which clarifications have not yet been published in all cases.

The key performance indicators requiring report for the EU Taxonomy in the 2022/23 financial year are summarized in the table below:

2022/23	Total in € 000s	Taxonomy-eligible share in %	Taxonomy-aligned share in %
Turnover	6,263,133	0.5%	0%
Capital expenditure (CapEx)	349,637	48.3%	0%
Operational expenditure (OpEx)	103,700	74.2%	0%

3.2 HORNBACH's economic activities

The sales of the HORNBACH Group recognized pursuant to IFRS 15 were analyzed to assess whether they can be allocated to one of the economic activities listed in the annexes to the Climate Delegated Act or the Complementary Climate Delegated Act and thus viewed as taxonomy-eligible. These delegated acts primarily focus on sectors and economic activities that are largely responsible for CO2 emissions.

The business activities which generate HORNBACH's sales are primarily those a traditional commodity dealer: procurement and sale of goods and related services. The analysis established that HORNBACH's retail activities are not covered by the two delegated acts and are therefore also not covered by the current EU Taxonomy. As a result, the lack of relevant technical screening criteria means that it is currently not possible to assess the environmental sustainability of HORNBACH's retail activities. In its tradespeople service, HORNBACH offers various project services. Part of the resultant tradesperson service sales may be allocated to the economic activity "7.3. Installation, maintenance and repair of energy efficiency equipment" in connection with the "climate change mitigation" environmental objective and therefore classified as taxonomy-eligible.

In the 2022/23 financial year, the key performance indicators presented below for turnover, capital expenditure (CapEx), and operational expenditure (OpEx) were calculated with due application of a materiality approach. Only those economic activities for which the taxonomy-eligible key figure reached the threshold of 1% were assessed to ascertain their taxonomy-alignment.

3.3 Turnover

Turnover as defined in the EU Taxonomy corresponds to the consolidated net sales recognized pursuant to IAS 1.82(a) in the IFRS consolidated financial statements. The income statement in the consolidated financial statements of HORNBACH Holding AG & Co. KGaA for the 2022/23 financial year reports sales of € 6,263,133k (please see the comments on the Basis of Accounting and Note (1) "Sales" in the consolidated financial statements).

The key performance indicators reported in the table on turnover present taxonomy-eligible and taxonomy-aligned turnover as a share of the Group's total sales.

Taxonomy-eligible turnover

HORNBACH generates sales from tradesperson services that may be allocated to the economic activity "7.3 Installation, maintenance and repair of energy efficiency equipment" in connection with the "climate change mitigation" environmental objective and therefore classified as taxonomy-eligible. These sales primarily result from the installation of door and window elements, the installation of water and energy-saving fittings, and insulation measures. In the 2022/23 financial year, the Group's taxonomy-eligible turnover amounted to € 32,147k. Taxonomy-eligible turnover thus accounted for a 0.5% share of total sales.

Taxonomy-aligned turnover

The taxonomy-eligible turnover resulting from the tradesperson service comprises a large number of very small orders. Assessing the taxonomy alignment of this turnover would require specific consideration of each individual order. Given due application of the materiality approach, the company currently only assesses the taxonomy alignment of those activities for which the taxonomy-eligible turnover accounts for at least 1% of total sales. As a result, taxonomy-aligned turnover accounts for a 0% share of total sales.

3.4 Capital expenditure (CapEx)

According to the definition in the EU Taxonomy, capital expenditure comprises additions to tangible and intangible assets during the financial year before depreciation, amortization, and any remeasurements, including those resulting from revaluations and impairments, for the relevant financial year and excluding fair value changes. The capital expenditure of the HORNBACH Group comprises additions to property, plant and equipment (IAS 16), intangible assets (IAS 38), investment property (IAS 40), and right-of-use assets (IFRS 16) (please see the comments on the Basis of Accounting and the relevant Notes (11), (12), and (13) in the consolidated financial statements). Due account also has to be taken of additions resulting from business combinations (IFRS 3) except for any goodwill arising thereby.

In the 2022/23 financial year, total capital expenditure at the Group amounted to € 349,637k. Of capital expenditure, € 8,811k involved intangible assets (please see Note (11) “Intangible assets” in the consolidated financial statements), € 188,144k involved property, plant and equipment (please see Note (12) “Property, plant and equipment, right-of-use assets, and investment property” in the consolidated financial statements), and € 152,682k involved right-of-use assets (please see Note (12) “Property, plant and equipment, right-of-use assets, and investment property” in the consolidated financial statements). Total capital expenditure can be derived from the respective asset schedules in the consolidated financial statements and comprises the “Additions” line items. Of capital expenditure in the 2022/23 financial year, an amount of € 10,505k related to an acquisition in the context of business combinations.

The key performance indicators reported in the table on capital expenditure present taxonomy-eligible and taxonomy-aligned capital expenditure as a share of the Group’s total relevant capital expenditure. A distinction has to be made between the three following categories of taxonomy-eligible or taxonomy-aligned capital expenditure:

- a) capital expenditure that relates to assets or processes that are associated with taxonomy-eligible or taxonomy-aligned economic activities (CapEx a))
- b) capital expenditure that forms part of a CapEx plan to expand taxonomy-eligible or taxonomy-aligned economic activities or to allow taxonomy-eligible economic activities to become taxonomy-aligned (CapEx b))
- c) capital expenditure that relates to the purchase of output from taxonomy-eligible or taxonomy-aligned economic activities and individual measures to reduce greenhouse gas emissions provided that such measures are implemented and operational within 18 months (CapEx c)).

Taxonomy-eligible capital expenditure

At the HORNBACH Group, taxonomy-eligible capital expenditure currently relates exclusively to the purchase of output from taxonomy-eligible economic activities and individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions (CapEx c)) in connection with the "climate change mitigation" environmental objective. As a result, the multiple counting of individual items of capital expenditure can be excluded. The taxonomy-eligible capital expenditure of the HORNBACH Group is presented in summarized form in the table below:

Economic activities for the "climate change mitigation" environmental objective	Description of taxonomy-eligible capital expenditure
3.6. Manufacture of other low-carbon technologies	Purchase and long-term rental of electric forklift trucks
6.5. Transport by motorbikes, passenger cars and light commercial vehicles	Purchase and long-term rental of passenger cars and light commercial vehicles
6.6. Freight transport services by road	Purchase and long-term rental of freight transport vehicles
7.3. Installation, maintenance and repair of energy efficiency equipment	LED lighting Air conditioning systems
7.6. Installation, maintenance and repair of renewable energy technologies	Photovoltaics systems
7.7. Acquisition and ownership of buildings	Purchase, construction, and long-term rental of properties

In the 2022/23 financial year, the Group's taxonomy-eligible capital expenditure amounted to € 168,748k. Taxonomy-eligible capital expenditure mainly relates to additions from the purchase, construction, and long-term rental of buildings, including any associated individual measures, as well as to additions from the purchase or long-term rental of vehicles, including electric forklift trucks.

In connection with the construction of buildings, part of the capital expenditure made in the 2022/23 financial year cannot be reported as taxonomy-eligible capital expenditure as the underlying measures had not been completed within 18 months pursuant to the EU Taxonomy, as a result of which the definition of CapEx c) was not relevant (please see FAQ 11 from Commission Notice on the Interpretation of Certain Legal Provisions of the Disclosures Delegated Act under Article 8 of EU Taxonomy Regulation on the Reporting of Eligible Economic Activities and Assets (2022/C 385/01)). For these cases, CapEx plans will be compiled in future, thus facilitating reporting as CapEx b).

Taxonomy-aligned capital expenditure

The capital expenditure in category c) refers to the purchase of output from taxonomy-eligible or taxonomy-aligned economic activities and individual measures to reduce greenhouse gas emissions. HORNBACH classifies any products or services acquired that are named in an activity description as the purchase of output. In these cases, it is regularly necessary to provide evidence of the taxonomy alignment of the respective capital expenditure by involving the relevant supplier or manufacturer. Although individual measures also included in the activity descriptions are frequently performed with the involvement of external third parties, HORNBACH can precisely stipulate their content and implementation. As a result, HORNBACH is required to provide evidence of the taxonomy alignment of the individual measures. In the 2022/23 financial year, HORNBACH identified taxonomy-eligible capital expenditure in connection with vehicles and properties that require review in respect of their taxonomy alignment.

For the economic activities with taxonomy-eligible CapEx presented in the table above, the review of their taxonomy alignment was performed with due consideration of materiality perspectives. This involved analyzing the technical screening criteria defined in the EU Taxonomy, namely substantial contribution to an environmental objective, do no significant harm to another environmental objective, and minimum safeguard. Within this analysis, it was not possible to document any taxonomy-aligned capital expenditure.

3.5 Operational expenditure (OpEx)

The definition of operational expenditure in the EU Taxonomy covers only part of the expenses recognized in the income statement. It covers direct, non-capitalized costs that relate to research and development, building renovation measures, short-term leases, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment by the company or third party to whom activities are outsourced that are necessary to ensure the continued and effective functioning of such assets.

- The HORNBACH Group currently does not have any research or development activities.
- Short-term lease expenditures (as well as short-term, these include low-value leases pursuant to IFRS 16).
- Maintenance and repair expenditures as defined in the EU Taxonomy are recognized in all functional areas of the income statement. The same applies to expenses incurred to renovate existing buildings.
- Other expenditures relating to the day-to-day servicing of assets of property, plant and equipment particularly include maintenance expenditures and repairs.

In the 2022/23 financial year, total operational expenditure at the Group relevant in connection with the EU Taxonomy amounted to € 103,700k.

The key performance indicators reported in the table below on operational expenditure present taxonomy-eligible and taxonomy-aligned operational expenditure as a share of the Group’s total relevant operational expenditure. By analogy with capital expenditure, a distinction has to be made here between three categories of taxonomy-eligible and taxonomy-aligned operational expenditure ((OpEx a), OpEx b), and OpEx c)). In allocating operational expenditure to taxonomy-eligible and taxonomy-aligned capital expenditure, reference is made to suitable allocation codes based, for example, on cost centers or the composition of the relevant assets.

Taxonomy-eligible operational expenditure

At the HORNBACH Group, taxonomy-eligible operational expenditure currently relates exclusively to the purchase of output from taxonomy-eligible economic activities and individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions (OpEx c)) in connection with the “climate change mitigation” environmental objective. As a result, the multiple counting of individual items of operational expenditure can be excluded. The taxonomy-eligible operational expenditure of the HORNBACH Group is presented in summarized form in the table below:

Economic activities for the "climate change mitigation" environmental objective	Description of taxonomy-eligible operational expenditure
3.6. Manufacture of other low-carbon technologies	Maintenance expenditure in connection with electric forklift trucks
6.5. Transport by motorbikes, passenger cars and light commercial vehicles	Maintenance expenditure in connection with passenger cars and light commercial vehicles
6.6. Freight transport services by road	Maintenance expenditure in connection with freight transport vehicles
7.7. Acquisition and ownership of buildings	Maintenance and cleaning of buildings

In the 2022/23 financial year, the Group's taxonomy-eligible operational expenditure amounted to € 76,912k.

Taxonomy-aligned operational expenditure
In the 2022/23 financial year, the HORNBACH Group identified taxonomy-eligible operational expenditure in connection with vehicles and properties that require review in respect of their taxonomy alignment. The assessment of the taxonomy-alignment of operational expenditure is basically analogous to that performed for capital expenditure.

3.6 Minimum safeguards

Minimum safeguards involve the implementation of procedures to ensure alignment with the following sets of rules and principles:

- OECD Guidelines for Multinational Enterprises
- UN Guiding Principles on Business and Human Rights
- Declaration of the International Labour Organization on Fundamental Principles and Rights at Work
- International Bill of Human Rights.

There are currently no legally binding application instructions concerning compliance with minimum safeguards. In view of this, HORNBACH has taken due account of the instructions contained in the "Final Report on Minimum Safeguards" of the Platform on Sustainable Finance (PSF), which was published in October 2022. For minimum safeguard requirements, this formulates four pertinent core topics:

- Human rights (including labor and consumer rights)
- Bribery, bribe solicitation and extortion
- Taxation
- Fair competition.

In accordance with the framework selected above, the review as to whether the company complies with minimum safeguards in respect of these four topics is to be reviewed using a two-dimensional approach. Alongside (1.) the existence of appropriate due diligence procedures to safeguard compliance with the relevant requirements (process dimension), there may be (2.) no indications that the company has violated minimum standards in respect of any of the four core topics (results dimension). Any such violation would indicate the inadequate effectiveness of the processes in place. This would particularly be the case if a violation of one of the four topics were to be established by a court or if a company were to reject involvement in the mechanisms of stakeholder dialog.

Turnover in 2022/23 financial year

Economic activities [1]	Code(s) [2]	Absolute turnover [3]	Share of turnover [4]	Substantial contribution criteria: Climate change mitigation [5]	Climate change adaptation [6]	Water and marine resources [7]	Circular economy [8]	Pollution [9]	Biodiversity and ecosystems [10]	DNSH criteria ("do no significant harm"): Climate change mitigation [11]	Climate change adaptation [12]	Water and marine resources [13]	Circular economy [14]	Pollution [15]	Biodiversity and ecosystems [16]	Minimum safeguards [17]	**Taxonomy-aligned share of turnover in 2022/23 financial year [18]**	Taxonomy-aligned share of turnover in 2021/22 financial year [19]	Category (enabling activity) [20]	Category (transitional activity) [21]
		€ 000s	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. Taxonomy-eligible activities																				
A.1 Environmentally sustainable activities (taxonomy-aligned)																				
Turnover in environmentally sustainable activities (taxonomy-aligned) (A.1)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Taxonomy-eligible but not environmentally sustainable activities (taxonomy-non-aligned activities)																				
Installation, maintenance and repair of energy efficiency equipment	7.3.	32,147	0.5																	
Turnover in taxonomy-eligible but not environmentally sustainable activities (taxonomy-non-aligned activities) (A.2)		32,147	0.5																	
Total (A.1 + A.2) (A)		32,147	0.5														-			
B. Taxonomy-non-eligible activities		6,230,986	99.5																	
Turnover in taxonomy-non-eligible activities (B)		6,230,986	99.5																	
Total (A + B)		6,263,133	100.0																	

Capital expenditure (CapEx) in 2022/23 financial year

				Substantial contribution criteria						DNSH criteria ("do no significant harm")										
	Code(s) [2]	Absolute CapEx [3]	Share of CapEx [4]	Climate change mitigation [5]	Climate change adaptation [6]	Water and marine resources [7]	Circular economy [8]	Pollution [9]	Biodiversity and ecosystems [10]	Climate change mitigation [11]	Climate change adaptation [12]	Water and marine resources [13]	Circular economy [14]	Pollution [15]	Biodiversity and ecosystems [16]	Minimum safeguards [17]	**Taxonomy-aligned share of CapEx in 2022/23 financial year [18]**	Taxonomy-aligned share of CapEx in 2021/22 financial year [19]	Category (enabling activity) [20]	Category (transitional activity) [21]
Economic activities [1]		€ 000s	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	**%**	%	E	T
A. Taxonomy-eligible activities																				
A.1 Environmentally sustainable activities (taxonomy-aligned)																				
CapEx in environmentally sustainable activities (taxonomy-aligned) (A.1)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Taxonomy-eligible but not environmentally sustainable activities (taxonomy-non-aligned activities)																				
Manufacture of other low carbon technologies	3.6.	7,191	2.1																	
Transport by motorbikes, passenger cars and light commercial vehicles	6.5.	6,613	1.9																	
Freight transport services by road	6.6.	7,577	2.2																	
Installation, maintenance and repair of energy efficiency equipment	7.3.	3,207	0.9																	
Installation, maintenance and repair of renewable energy technologies	7.6.	2,302	0.7																	
Acquisition and ownership of buildings	7.7.	141,856	40.6																	
CapEx in taxonomy-eligible but not environmentally sustainable activities (taxonomy-non-aligned activities) (A.2)		168,748	48.3																	
Total (A.1 + A.2) (A)		168,748	48.3														-			
B. Taxonomy-non-eligible activities		180,889	51.7																	
CapEx in taxonomy-non-eligible activities (B)		180,889	51.7																	
Total (A + B)		349,637	100.0																	

Operational expenditure (OpEx) in 2022/23 financial year

				Substantial contribution criteria						DNSH criteria ("do no significant harm")										
	Code(s) [2]	Absolute OpEx [3]	Share of OpEx [4]	Climate change mitigation [5]	Climate change adaptation [6]	Water and marine resources [7]	Circular economy [8]	Pollution [9]	Biodiversity and ecosystems [10]	Climate change mitigation [11]	Climate change adaptation [12]	Water and marine resources [13]	Circular economy [14]	Pollution [15]	Biodiversity and ecosystems [16]	Minimum safeguards [17]	**Taxonomy-aligned share of OpEx in 2022/23 financial year [18]**	Taxonomy-aligned share of OpEx in 2021/22 financial year [19]	Category (enabling activity) [20]	Category (transitional activity) [21]
Economic activities [1]		€ 000s	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	**%**	%	E	T
A. Taxonomy-eligible activities																				
A.1 Environmentally sustainable activities (taxonomy-aligned)																				
OpEx in environmentally sustainable activities (taxonomy-aligned) (A.1)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-	-	-
A.2 Taxonomy-eligible but not environmentally sustainable activities (taxonomy-non-aligned activities)																				
Manufacture of other low carbon technologies	3.6.	5,270	5.1																	
Transport by motorbikes, passenger cars and light commercial vehicles	6.5.	1,999	1.9																	
Freight transport services by road	6.6.	1,592	1.5																	
Acquisition and ownership of buildings	7.7.	68,052	65.6																	
OpEx in taxonomy-eligible but not environmentally sustainable activities (taxonomy-non-aligned activities) (A.2)		76,912	74.2																	
Total (A.1 + A.2) (A)		76,912	74.2														**-**			
B. Taxonomy-non-eligible activities		26,788	25.8																	
OpEx in taxonomy-non-eligible activities (B)		26,788	25.8																	
Total (A + B)		103,700	100.0																	

Neustadt an der Weinstrasse, May 11, 2023

HORNBACH Holding AG & Co. KGaA
represented by its General Partner HORNBACH Management AG,
represented by its Board of Management

Albrecht Hornbach Karin Dohm

LIMITED ASSURANCE REPORT OF THE INDEPENDENT PRACTITIONER REGARDING THE NON-FINANCIAL REPORTING

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

Our Engagement

We have performed a limited assurance engagement on the separate non-financial group report of HORNBACH Holding AG & Co. KGaA, Neustadt an der Weinstraße, (hereafter referred to as "the Company") for the financial year from 1 March 2022 to 28 February 2023 (hereafter referred to as "non-financial reporting"). Our engagement did not cover the websites referred to in the non-financial reporting.

Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the non-financial reporting in accordance with Section 315c in conjunction with Sections 289c to 289e German Commercial Code (HGB) and Article 8 of Regulation (EU) 2020/852 of the European Parliament and the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (hereafter referred to as "EU Taxonomy Regulation") and the delegated acts adopted thereon, as well as with the executive directors' interpretation of the wording and terminology contained in the EU Taxonomy Regulation and the delegated acts adopted thereon, as is presented in section "EU Taxonomy" of the non-financial reporting.

These responsibilities of the executive directors of the Company include the selection and application of appropriate methods regarding the non-financial reporting and the use of assumptions and estimates for individual non-financial disclosures of the Group which are reasonable under the given circumstances. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of a non-financial reporting that is free from material misstatement due to fraudulent behaviour (manipulation of the non-financial reporting) or error.

Some of the wording and terminology contained in the EU Taxonomy Regulation and the delegated acts adopted thereon are still subject to considerable interpretation uncertainty and have not yet been officially clarified in all cases. Therefore, the executive directors have laid down their own interpretation of the EU Taxonomy Regulation and of the delegated acts adopted thereon in the section "EU Taxonomy" of the non-financial reporting. They are responsible for the reasonableness of this interpretation. As there is the inherent risk that indefinite legal concepts may allow for various interpretations, the legal conformity of the interpretation is prone to uncertainty.

The preciseness and completeness of the environmental data in the non-financial reporting is subject to inherent restrictions resulting from the manner in which the data was collected and calculated as well as from assumptions made.

Independence and Quality Assurance of the Audit Firm
We have complied with the German professional requirements on independence and other professional rules of conduct.

Our firm applies the national statutory rules and professional announcements – particularly of the "Professional Charter for German Public Auditors and German Sworn Auditors" (BS WP/vBP) and of the IDW Quality Assurance Standard "Quality Assurance Requirements in Audit Practices" (IDW QS 1) promulgated by the Institut der Wirtschaftsprüfer (IDW) – and therefore maintains a comprehensive quality assurance system comprising documented regulations and measures in respect of compliance with professional rules of conduct, professional standards, as well as relevant statutory and other legal requirements.

Responsibilities of the Independent Practitioner
Our responsibility is to express a conclusion on the non-financial reporting based on our work performed within our limited assurance engagement.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", adopted by the IAASB. This Standard requires that we plan and perform the assurance engagement so that we can conclude with limited assurance whether matters have come to our attention to cause us to believe that the non-financial reporting of the Company, with the exception of the websites referenced therein, has not been prepared, in all material respects, in accordance with Section 315c in conjunction with Sections 289c to 289e HGB and the EU Taxonomy Regulation and the delegated acts adopted thereon, as well as with the interpretation by the executive directors presented in section "EU Taxonomy" of the non-financial reporting.

The procedures performed in a limited assurance engagement are less in extent than in a reasonable assurance engagement; consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. The choice of assurance work is subject to the practitioner's professional judgement.

Within the scope of our limited assurance engagement, which we performed primarily between December 2022 and May 2023, we performed, among others, the following procedures and other work:
- Obtaining an understanding of the structure of the Group's sustainability organisation and of the stakeholder engagement,
- Inquiries of relevant employees involved about the process of preparation, about the system of internal control relating to this process, as well as about disclosures contained in the non-financial reporting,
- Identification of probable risks of material misstatements in the non-financial reporting,
- Analytical evaluation of selected disclosures contained in the non-financial reporting,
- Cross-validation of selected disclosures with the corresponding data in the consolidated financial statements and in the combined management report,
- Evaluation of the presentation of the non-financial reporting,
- Evaluation of the process used to identify taxonomy-eligible and taxonomy-aligned economic activities and of the corresponding disclosures in the non-financial reporting.

The determination of the disclosures pursuant to Article 8 of the EU Taxonomy Regulation requires the executive directors to make interpretations of indefinite legal concepts. As there is the inherent risk that indefinite legal concepts may allow for various interpretations, the legal conformity of the interpretation, and hence our related examination, is prone to uncertainty.

Practitioner's Conclusion

Based on the work performed and the evidence obtained, nothing has come to our attention that causes us to believe that the separate non-financial group report of the Company for the financial year from 1 March 2022 to 28 February 2023 has not been prepared, in all material respects, in accordance with Section 315c in conjunction with Sections 289c to 289e HGB and the EU Taxonomy Regulation and the delegated acts adopted thereon, as well as with the interpretation by the executive directors presented in section "EU Taxonomy" of the non-financial reporting. We do not express a conclusion on the websites referred to in the non-financial reporting.

Restriction of Use

We issue this report as stipulated in the engagement letter agreed with the Company (including the "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (German Public Auditors and Public Audit Firms)" as of 1 January 2017 promulgated by the Institut der Wirtschaftsprüfer (IDW)). We draw attention to the fact that the assurance engagement was performed for the purposes of the Company and the report is solely designed for informing the Company about the findings of the assurance engagement. Therefore, it may not be suitable for another than the aforementioned purpose. Hence, this report should not be used by third parties as a basis for any (asset) decision.

We are liable solely to the Company. However, we do not accept or assume liability to third parties. Our conclusion was not modified in this respect.

Düsseldorf/Germany, 11 May 2023

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed: Patrick Wendlandt Wirtschaftsprüfer (German Public Auditor)	Signed: Sebastian Dingel

COMBINED MANAGEMENT REPORT

Group Fundamentals

1. The Group at a Glance

HORNBACH Holding AG & Co. KGaA is the parent company of the HORNBACH Group. It does not have any operations itself, but rather has subsidiaries. The largest operating Subgroup is HORNBACH Baumarkt AG, at which the European do-it-yourself (DIY) business with DIY stores and garden centers and DIY online retail are pooled. The HORNBACH Group also comprises two further Subgroups – HORNBACH Baustoff Union GmbH (regional builders' merchants) and HORNBACH Immobilien AG (real estate and location development). At the balance sheet date on February 28, 2023, the Group had a total of 25,118 employees, of which 13,731 in Germany. In the 2022/23 financial year (March 1, 2022 to February 28, 2023), the HORNBACH Group generated net sales of around € 6.3 billion. The HORNBACH Group was founded in 1877 and is still family-managed, now in the fifth generation.

€ 6.3 bn
consolidated sales

The partnership limited by shares (KGaA) is publicly listed on the Regulated Market at Frankfurt Stock Exchange. Its share capital is divided into 16 million no-par ordinary bearer shares with voting rights. Ordinary shares in the KGaA (ISIN DE0006083405) are listed in the Prime Standard and the select SDAX index of the German Stock Exchange. Pursuant to the Articles of Association, the General Partner of HORNBACH Holding AG & Co. KGaA is HORNBACH Management AG, represented by its Board of Management, which currently comprises two members. The Board of Management of the General Partner manages HORNBACH Holding AG & Co. KGaA and represents this to third parties. Hornbach Familien-Treuhandgesellschaft mbH owns all the shares in the General Partner of HORNBACH Holding AG & Co. KGaA.

The diagram on the following page presents the current Group structure and provides an overview of the most important shareholdings of HORNBACH Holding AG & Co. KGaA. Full details about the scope of consolidation and consolidated shareholdings are provided in the notes to the consolidated financial statements.

Notes to Consolidated Financial Statements
Consolidated shareholdings

In the 2022/23 financial year, HORNBACH Holding AG & Co. KGaA increased its shareholding in HORNBACH Baumarkt AG from 90.86% to 92.15%.

1.1 HORNBACH Baumarkt AG Subgroup

At the balance sheet date on February 28, 2023, the HORNBACH Baumarkt AG Subgroup operated 169 DIY megastores with garden centers and HORNBACH online shops in nine European countries. Furthermore, HORNBACH operates two specialist hard flooring stores under the management of BODENHAUS GmbH and a BODENHAUS online shop in Germany. 99 locations are in Germany. A further 72 stores are located in the following other European countries: Austria (14), the Netherlands (17), Luxembourg (1), the Czech Republic (10), Switzerland (8), Sweden (8), Slovakia (5), and Romania (9). The Subgroup generated sales of € 5,843 million (around 93% of consolidated sales) in the 2022/23 financial year.

171
locations across Europe

1.2 HORNBACH Baustoff Union GmbH Subgroup

With its operating subsidiaries Union Bauzentrum Hornbach GmbH, Ruhland-Kallenborn & Co. GmbH, Robert Röhlinger GmbH, and Ets. Camillie Holtz et Cie. SA, HORNBACH Baustoff Union GmbH (HBU Group) is active in the regional builders' merchant business. At the balance sheet date on February 28, 2023, it operated a total of 39 locations, of which 37 in south-western Germany and two close to the border in

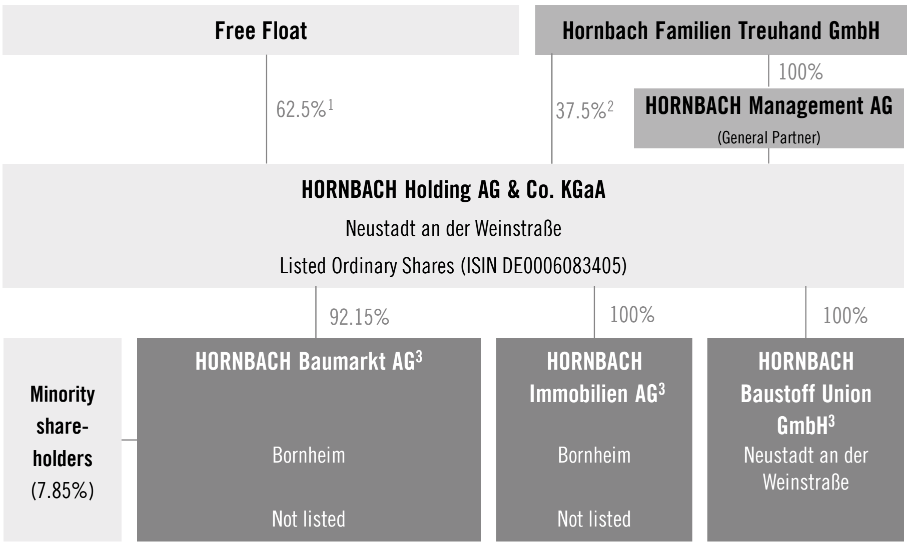
39
builders' merchant outlets

France. This Subgroup generated sales of € 421 million in the 2022/23 financial year (around 7 % of consolidated sales).

1.3 HORNBACH Immobilien AG Subgroup

The HORNBACH Immobilien AG Subgroup mainly develops retail properties for the operating companies in the HORNBACH Holding AG & Co. KGaA Group. The overwhelming share of these properties are let within the Group on customary market terms. Of the rental income of € 82.5 million in the 2022/23 financial year, 98% resulted from the letting of properties within the overall Group.

Group structure and shareholders of HORNBACH Holding AG & Co. KGaA
Status: February 28, 2023



1) including ordinary shares held by members of the Hornbach family.
2) including ordinary shares held by members of the Hornbach family whose voting rights are executed by Hornbach Familien-Treuhandgesellschaft mbH.
3) Additional subsidiaries in Germany and abroad according to the complete overview in the notes to the financial statements.

2. Group Business Model

2.1 Retail activities

The business model is predominantly shaped by the retail activities at the **HORNBACH Baumarkt AG Subgroup** (hereinafter "HORNBACH"). HORNBACH operates DIY megastores with garden centers – mostly with sales areas in excess of 10,000 m² – in major regional catchment areas. The homogenous portfolio of locations resulting from organic growth in Germany and abroad enables HORNBACH to benefit from economies of scales in its operations and conceptual store enhancement measures, as well as in Group logistics. With total sales areas of around 2,035 thousand m² (BHB) as of February 28, 2023, the average HORNBACH DIY store with a garden center is more than 11,900 m² in size. In all countries in which it operates, HORNBACH combines its stationary retail business with online shops (e-commerce) to act as a multichannel DIY retailer. The extensive virtual offering enables all customers to select and buy products and to obtain advice around the clock. Thanks to the seamless dovetailing of online services with stationary retail (interconnected retail), customers can move smoothly between channels. This way, every customer can enjoy an ideal individual shopping experience.

260,000
articles available at online shop

HORNBACH has an absolute focus on project customers. On the one hand, these are home improvement enthusiasts wishing to implement extensive renovation and construction projects under their own steam in their houses, apartments, or gardens (do-it-yourself). On the other hand, they are commercial customers and tradespeople who see to all aspects of implementing projects, including all services, as high-performance partners for their customers (do-it-for-me). All of the company's stationary and online activities are tailored to these target groups. In particular, HORNBACH offers its customers a broad and deep product range stocked in sufficiently large quantities and meeting high quality standards, reliable and transparent permanently low prices, and professional advice and project-related services. Thanks not least to its innovative advertising, HORNBACH has successfully established itself as a brand among DIY customers and is regularly awarded the best customer satisfaction results in consumer surveys.

HORNBACH's product range encompasses an average of around 50,000 articles in stock at its stationary stores and up to around 260,000 articles available online. Products are available in five divisions:
- Hardware / Electrical,
- Paint / Wallpaper / Flooring,
- Construction Materials / Timber / Prefabricated Components,
- Sanitary / Tiles,
- Garden Hardware/Plants.

With a very broad selection of tiles, parquets, laminates, vinyl, and decking, the BODENHAUS specialist retail concept chiefly targets professional tradespeople, but is also aimed at private consumers wishing to lay floors themselves or have them laid. Unlike at traditional specialist retailers, at BODENHAUS nearly all products are directly available in large quantities or can be reserved or ordered via the online shop. The concept is enriched with various additional services, such as delivery of the material to the construction site, a proprietary design center, and rubble disposal.

The Group's retail activities are supplemented by its regional activities in the builders' merchant business which are pooled at the **HORNBACH Baustoff Union GmbH Subgroup**. This enables the HORNBACH Group to benefit from the growth potential in the construction industry. Its main target group involves professional customers in the main and secondary construction trades. HORNBACH Baustoff Union offers these customers construction materials and tools, which are both stocked and supplied, services, and professional advice for all major product ranges and lines of trades. Products range from shell construction to roofing, from interior fittings to facades, and from civil engineering through to garden and landscape construction, with all products being offered for new construction, conversion, or refurbishment projects. Furthermore, with its construction materials, services, and advice HORNBACH Baustoff Union also addresses private clients.

2.2 Real estate activities

The HORNBACH Group has an extensive real estate portfolio. This chiefly consists of retail properties at HORNBACH Baumarkt AG that are used as DIY stores with garden centers. Based on sales areas, ownership was structured as follows at the balance sheet date on February 28, 2023:

	No. of stores	Sales area m²	Share %
Property owned			
HORNBACH Baumarkt AG Subgroup	60	722,525	35.5
HORNBACH Immobilien AG Subgroup	43	519,529	25.5
Subtotal of property owned	**103**	**1,242,054**	**61.0**
Land rented, buildings owned	4	35,391	1.8
Lease (rent)	64	757,553	37.2
Total	**171**	**2,034,998**	**100.0**

(Differences due to rounding up or down)

61%
of sales areas in Group ownership

The HORNBACH Group has an overriding strategy of ensuring that – measured in terms of sales areas and also accounting for potential sale and leasebacks – it owns at least half of the real estate used for operating purposes. This share amounted to around 61 % at the balance sheet date on February 28, 2023 (2021/22: 60 %). The remaining total of around 39 % of sales areas are rented from third parties (2021/22: 40 %). In individual cases (2 %), only the land has been leased. In addition, HORNBACH Immobilien AG and HORNBACH Baumarkt AG both hold a number of purchase options entitling them to acquire further land at first-class locations in Germany and abroad. Moreover, Group companies already own pieces of land in Germany and abroad which are earmarked for use as retail locations.

The location development specialists and the employees responsible for planning and execution the construction of new stores, as well as their fittings, are employed at the HORNBACH Baumarkt AG Subgroup and also work on behalf of the associate HORNBACH Immobilien AG.

2.3 Hidden reserves in real estate assets

The real estate owned by the HORNBACH Immobilien AG and HORNBACH Baumarkt AG Subgroups includes a high volume of hidden reserves which, based on our own assumptions and calculations, we indicate below. None of the disclosures made in Chapter 2.3 were audited.

As a general rule, we refer to a conservative long-term average rent multiplier of 13 when calculating hidden reserves. Based on our assessment, this reflects a realistic, balanced ratio of opportunities and risks to determine the capitalized earnings value of the DIY locations we own. Where up-to-date surveys are available for individual locations, these values are referred to rather than the values calculated using the general factors.

Properties that have been completed and rented out by the HORNBACH Immobilien AG Subgroup are reported at a carrying amount of around € 372 million in the balance sheet as of February 28, 2023. The application of an average multiplier of 13 based on rental income, as well as an age discount of 0.6 % p.a. based on the costs of acquisition, produces an unaudited calculated yield value of € 849 million at the balance sheet date (2021/22: € 826 million). The deduction of the carrying amount of the real estate in question, amounting to € 372 million (2021/22: € 382 million) produces hidden reserves of € 477 million (2021/22: € 444 million).

At the balance sheet date on February 28, 2023, the HORNBACH Baumarkt AG Subgroup owned real estate in Germany and abroad used for proprietary purposes as DIY stores with garden centers with a carrying amount of around € 947 million. On the basis of intra-company rental income at customary market rates and a multiplier of 13, as well as an age discount of 0.6 % p.a. in terms of the costs of acquisition, the unaudited calculated yield value for the real estate amounts to around € 1,354 million (2021/22: € 1,214 million). Deducting the carrying amount of € 947 million (2021/22: € 852 million) leads to calculated hidden reserves of around € 407 million (2021/22: € 362 million).

Based on this calculation method, the unaudited hidden reserves for the real estate used for operating purposes at the overall Group are calculated as amounting to around € 884 million (2021/22: € 806 million).

€ 884 m
hidden reserves in real estate assets

2.4 Reporting segments

The allocation of segments corresponds to the internal reporting system used by the management of the HORNBACH Holding AG & Co. KGaA Group for managing the company ("management approach"). This results in the following segments: "HORNBACH Baumarkt AG Subgroup", "HORNBACH Immobilien AG Subgroup", and "HORNBACH Baustoff Union GmbH Subgroup". Administration and consolidation items not attributable to individual segments are shown in the segment report in the columns "Central Functions" and "Consolidation".

3. Management System

HORNBACH prepares its financial reporting in accordance with International Financial Reporting Standards (IFRS). As well as the financial key figures pursuant to IFRS, in our management of the company and our external communications and reporting we also refer to alternative key performance indicators that are not defined in IFRS. The key figures used in the 2022/23 financial year have not changed compared with the previous year. The key figures outlined below are used to manage both the HORNBACH Holding AG & Co. KGaA Group and HORNBACH Holding AG & Co. KGaA.

3.1 Key management figures relevant for financial guidance

Sales	**Sales** are the central management figure for the operating business and a key indicator of our success with customers. 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.

3.2 Further key performance indicators

3.2.1 Key performance indicators for earnings position

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** refers 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.

Value spread	HORNBACH aims to generate a positive **value spread** (ROCE premium over WACC) – expressed as the return on capital employed (ROCE) less weighted average cost of capital (WACC). The ROCE is calculated by dividing operating earnings less allocable taxes (Nopat = Net operating profit after Tax) by capital employed. Here, capital employed is defined as equity plus financial debt less cash and cash equivalents. The WACC expresses the level of return required to cover the costs of capital employed as a percentage, taking due account of the weighting of equity and debt capital. This capital cost rate is usually determined by reference to data available on the market for comparable companies (peer group) and their equity and debt capital structures. Furthermore, country-specific risk premiums are also included. For the purpose of measuring target achievement, an average WACC is determined by weighting the country-specific WACCs and their respective segment share of the Group's total assets. The aim is to generate a return that is in line with the market. The value spread is a major key figure referred to when calculating the multiyear variable remuneration for members of the Board of Management.

3.2.2 Key performance indicators for financial and asset position

Equity ratio	The **equity ratio** is calculated by dividing shareholders' equity as posted in the balance sheet by total capital (total assets). 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 and debt ratio	**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). The debt ratio is determined by stating net financial debt as a proportion of EBITDA.
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 (CAPEX). 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.
Inventory turnover rate	For retail companies, the **inventory turnover rate** is an important indicator of merchandising efficiency. We define inventory turnover as the ratio of cost of goods sold to average inventories. The arithmetic mean of the period opening and period closing balances is taken as the average volume of inventories. The higher the inventory turnover rate, the lower the inventories and thus the volume of liquidity committed.

Table
GDP growth rates and inflation

Business Report

1. Macroeconomic and Sector-Specific Framework

1.1 Business framework in Europe

In the past financial year, the business framework in Europe was shaped by multiple negative factors. The invasion of Ukraine by Russian troops on February 24, 2022 fundamentally changed macroeconomic conditions in Germany and Europe. Russia's attack on Ukraine, one of the world's largest grain producers, the conversion in the European, and in particular the German supply of energy and commodities, and the impact of internationally agreed sanctions led to further disruptions in supply chains and to significant rises in the price of food, commodities, and energy in particular. While Europe began to normalize its approach to dealing with coronavirus, lockdowns in China impeded the global flow of goods through to the middle of the year. As a result, we saw a sharp rise in inflation and falling purchasing power across the world and in all the countries in which the HORNBACH Group operates, factors which placed a massive strain on public and private household finances.

In response to high inflation rates, central banks around the world significantly raised base rates. The European Central Bank began raising interest rates in July 2022 and steadily increased the main refinancing rate from 0 % to 3.5 % (3.16.2023). Due to these base rate hikes and the expectation that interest rates would remain permanently higher, yields on the capital markets have risen very sharply since the past year and amounted to an average of 3.2 % for government bonds and 4.1 % for corporate bonds (BBB) in the euro area in February, corresponding to year-on-year increases of around 2.3 and 2.5 percentage points respectively.

Based on figures released by the European Union statistics authority (Eurostat), the European economy as a whole (EU 27) grew at a significantly lower rate of 3.5 % in the 2022 calendar year (2021: plus 5.4 %). The rate of growth fell significantly compared with the previous year in nearly all of the nine European countries in which HORNBACH operates. Austria was the only country to report higher growth than in 2021. The rise in private consumer spending stagnated in the EU 27, with real-term growth of 4.0% (2021: plus 4.1 %). At the same time, the average inflation rate (HICP) rose sharply and stood at 9.2 % in the EU 27 countries in the 2022 calendar year (2021: 2.9 %). The highest price rises were reported for the living, energy, transport and food sectors.

According to estimate compiled by Eurostat, output in the construction sector grew by 2.6 % in the EU 27 countries in 2022 (2021: plus 5.0 %), with very disparate rates of growth in individual countries in which HORNBACH operates. Output in the construction sector contracted in Germany, Switzerland, and Slovakia but showed above-average growth in the Netherlands, Austria, and Romania.

Non-food retail volumes (excluding motor fuels) grew by 2.6 % in the EU 27 countries in 2022 (2021: plus 8.3 %). For the countries in which HORNBACH operates, non-food retail volumes fell in the Czech Republic, Slovakia, and Sweden, while Germany, the Netherlands, Austria, Romania, and Luxembourg reported positive growth. According to figures released by the GfK consumer research association for the 2022 calendar year, nominal gross sales in the do-it-yourself (DIY) retail sector rose by 7.8 % in Germany (2021: minus 8.2 %) and by 13.6 % in the Netherlands (2021: minus 16.6 %). Both countries had been affected by pandemic-related restrictions on retail sales in the previous year. Gross DIY sales grew by 4.2 % in Austria (2021: plus 2.5 %) and 10.4 % in the Czech Republic (2021: plus 11.1 %). In Switzerland, gross sales fell by 5.2 % (2021: plus 5.8 %). No data is available for the other countries in which HORNBACH operates.

GDP growth rates and inflation in countries with HORNBACH DIY stores and garden centers

	Percentage change in GDP on previous quarter					Inflation (HICP)
Source: Eurostat (calendar year figures)	1st Quarter 2022	2nd Quarter 2022	3rd Quarter 2022	4th Quarter 2022	Calendar Year 2022	Calendar Year 2022
Germany	**3.5**	**1.7**	**1.4**	**0.9**	**1.8**	**8.7**
Austria	8.6	6.5	2.2	3.0	5.0	8.6
Czech Republic	4.7	3.5	1.5	0.2	2.4	14.8
Luxembourg	2.7	2.2	3.7	(2.2)	1.5	8.2
Netherlands	6.1	5.2	3.4	3.5	4.5	11.6
Romania	4.6	4.0	4.4	4.9	4.8	12.0
Slovakia	2.9	1.3	1.3	1.2	1.7	12.1
Sweden	4.6	4.0	2.5	(0.1)	2.6	8.1
Switzerland	4.3	2.5	1.0	0.8	2.1	2.7
EU27	**5.7**	**4.4**	**2.6**	**1.7**	**3.5**	**9.2**

1.2 Business framework in Germany

1.2.1 Macroeconomic climate
According to the Federal Statistical Office (Destatis), the German economy generated GDP growth of 1.8 % in 2022 (2021: 2.6 %). The sharp rise in energy and food prices was one factor leading private consumer spending to rise by 10.7 % in nominal terms. On a price-adjusted basis, however, private consumer spending rose by 3.4 % (2021: plus 0.1%). With growth of 7.0 %, private household disposable incomes rose less rapidly than consumer spending.

1.2.2 Construction activity and construction trade
According to calculations compiled by the German Institute for Economic Research (DIW), housing construction volumes rose by 12.8 % in nominal terms in 2022 (2021: 9.4 %), with disproportionate growth of 13.7 % in the market for refurbishment, renovation, and modernization measures at existing buildings, which is relevant for the DIY store sector (2021: 9.7 %). However, this growth is mostly attributable to price increases. According to Destatis, prices for the construction of new residential buildings showed annual average growth of 16.4 % in 2022.

Based on figures released by Destatis, sales in the finishing trade showed a price-adjusted year-on-year reduction of 4.8 % in 2022, while sales in nominal terms rose by 10.8 %.

1.2.3 Retail and DIY
According to figures released by the Association of German Retailers (HDE), net aggregate sales in the German retail sector showed nominal growth of 7.2 % to € 631.9 billion in 2022 (2021: € 587.8 billion). In real terms, sales fell by 0.8 %. Online retail (e-commerce) declined by 2.0% to € 85.0 billion (2021: € 86.7 billion) and by 6.9 % in real terms. Online sales thus accounted for a 13.5 % share of total retail sales volumes in 2022 (2021: 14.7 %).

The BHB sector association and the GfK reported a nominal increase in gross sales at large-scale DIY stores with sales areas of more than 1,000 m² of 7.8 % to € 21.92 billion in the 2022 calendar year (2021: € 20.33 billion). On a like-for-like basis, i.e. excluding stores newly opened, closed or subject to substantial conversion measures, the sector reported growth of 7.2 %. Gross sales at smaller-scale DIY stores (DIY shops with sales areas of up to 1,000 m²) grew by around 14% to € 4.52 billion (2021: € 3.95 billion). The market volume of all DIY and home improvement stores therefore rose by 8.9% to € 26.44 billion in the 2022 calendar year.

According to figures compiled by market researchers at IFH Retail Consultants / Teipel Research & Consulting, e-commerce sales with home improvement, construction materials, and garden product ranges via the online shops of stationary retailers, mail order companies, and pure online retailers ("pure players") in Germany fell by 12.1 % to a gross total of € 5.22 billion in the 2022 calendar year (2021: € 5.94 billion). DIY store chains with stationary operations, which are included in these figures, reported a reduction in their online sales by 18.5 % to € 1.19 billion (2021: € 1.46 billion).

1.2.4 Regional builders' merchant business

Developments in the builders' merchant segment are significantly influenced by sector trends in the main construction trade. Of relevance to the HORNBACH Baustoff Union GmbH Subgroup are developments in the main construction trade in the regions its covers, which largely comprise Rhineland-Palatinate, Saarland, and Baden-Württemberg. In 2022, nominal sales in the main construction trade (housing construction, companies with 20 or more employees) grew by 20.9 % in Rhineland-Palatinate (2021: minus 7.5 %), 9.3 % in Baden-Württemberg (2021: minus 1.4 %), and 10.8 % in Saarland (2021: plus 16.1%) (nationwide figure: plus 11.0 %). By contrast, due to the significantly higher cost of housing construction loans and sharp rise in construction costs, new orders decreased as the year progressed. In 2022, new orders fell by 12.2 % in Rhineland-Palatinate, while Baden-Württemberg and Saarland still reported marginal increases of 0.4 % and 0.2 % respectively (nationwide figure: minus 3.9 %).

2. Summary of 2022/23 Business Performance

2.1 Overall assessment of the Group's economic position

2.1.1 Impact of macroeconomic and geopolitical conditions

Increased prices for commodities, procurement, transport, and energy meant that we too were obliged to adjust our retail prices to market circumstances in numerous areas of our product range and merchandise in the 2022/23 financial year. 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 in the first half of the year, particularly for chips, as well as for fuels and insulating materials. The situation nevertheless eased noticeably in the further course of the 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 able to uphold the availability of merchandise for our customers. As a result, there were no fundamental shortages in stocks for our product range.

The war in Ukraine only had a minor direct impact on the HORNBACH Group's business performance. Hornbach did not and does not have any locations in Russia, Belarus, or Ukraine and also does not have any direct suppliers in any of these three countries. Nonetheless, our business activities were affected by the significant strain placed on public and private households due to high inflation, the marked rise in interest rates, increased energy and food prices, and consumers' reduced propensity to spend.

2.1.2 Seasonal and calendar-related factors and other underlying conditions

Due to calendar-related factors, the 2022/23 year under report had an average of 0.4 business days more than the previous year. The resultant calendar effect was distributed among the four quarters as follows:

- 1st Quarter (Q1): plus 1.5 business days
- 2nd Quarter (Q2): minus 1.0 business days
- 3rd Quarter (Q3): minus 0.7 business days
- 4th Quarter (Q4): plus 0.6 business days.

In Europe, weather conditions were only partly favorable for implementing projects in houses and gardens in the spring and summer months of 2022. After a delayed start to the gardening season due to the frosty spring in several regions of Europe, the summer months were characterized by record heat and drought. The fall and winter of 2022/23 were milder than average and, given only a low number of frosty periods, offered good overall conditions for the DIY sector.

2.1.3 Development in HORNBACH's stationary store network and interconnected retail (ICR)

HORNBACH opened four new DIY stores and garden centers in the 2022/23 financial year: in Nitra (Slovakia), Enschede (Netherlands), Constanta (Romania), and Leipzig (Germany). Within its customary modernization program, HORNBACH also invested in its existing stores, for example by extending drive-in facilities or adding building material collection warehouses.

HORNBACH is continually working to expand its ICR architecture to further improve customers' shopping experience, be able to react flexibly to increased demand, and ensure the same high degree of scalability and security. Projects on which the company worked in the 2022/23 financial year included completing the migration of its online shops to a new web shop platform, further reinforcing its IT security, and implementing preparatory projects for the conversion in the SAP-ERP system to S/4 HANA.

2.1.4 Asset, financial, and earnings position

The HORNBACH Group benefited from ongoing strong demand for home improvement products and further increased its sales. This was supplemented by inflationary effects, which impacted both on procurement and on retail prices. The net sales of the HORNBACH Group increased by 6.6 % to € 6,263 million. Net sales at the HORNBACH Baumarkt AG Subgroup rose by 6.3 % to € 5,843 million. In keeping with expectations, online sales (including click & collect) decreased compared with the high level achieved during the coronavirus pandemic and fell by 12.8 % overall. The online business accounted for a 14.1 % share of the Subgroup's total sales (2021/22: 17.2 %) and thus remained significantly higher than the pre-pandemic level (2019/20: 9.6 %).

The market share of HORNBACH Baumarkt (GfK) in Germany stood at 14.9 % in the 2022 calendar year (2021/22: 15.1 %). Due to the success of its online business during pandemic-related store closures, HORNBACH significantly expanded its market share in 2020 and 2021 compared with the pre-pandemic 2019 calendar year (13.1%). In other major country markets, HORNBACH was also able to significantly expand its market share compared with 2019: In the Netherlands, its market share grew from 21.1 % to 26.1 %, in Austria from 17.0 % to 17.8 %, in Switzerland from 12.0 % to 13.5 %, and in the Czech Republic from 33.3 % to 34.4 %.

A number of international consumer surveys, such as Kundenmonitor (Germany, Austria, Switzerland), the selection as Retailer of the Year (Netherlands), and the Swedish Brand Award, document the high level of customer satisfaction with the HORNBACH brand. In the 2022/23 financial year, the HORNBACH Baumarkt AG Subgroup was awarded first place for overall satisfaction among customers of DIY and home improvement stores in Germany, the Netherlands, and Sweden. Moreover, in most of the regions for which studies are available HORNBACH's DIY stores and garden centers were ranked first or second for the criteria of product range, value for money, product quality, and willingness to recommend to others.

Our DIY stores and garden centers further improved their productivity in the 2022/23 financial year. Average annual sales at HORNBACH's DIY stores and garden centers increased from € 34.6 million to € 34.8 million in the year under report. Surface productivity, i.e. weighted net sales per square meter of sales area, rose from € 2,848 to € 2,925 per m² (plus 2.7 %).

The HORNBACH Baustoff Union GmbH Subgroup reported sales growth 11.6 % in the 2022/23 financial year. Net sales at the total of 39 outlets (2021/22: 36) amounted to € 421.1 million (2021/22: € 377.5 million).

As forecast, the HORNBACH Group's adjusted EBIT (operating earnings adjusted to exclude non-operating earnings items) of € 290.1 million for the 2022/23 financial year fell short of the previous year's record figure (€ 362.6 million), but were nevertheless around 28 %, and thus significantly, higher than the level in the pre-pandemic 2019/20 financial year. The adjusted EBIT margin amounted to 4.6 % (2021/22: 6.2 %).

Cash-effective capital expenditure at the HORNBACH Group rose to € 203.5 million in the 2022/23 year under report (2021/22: € 178.6 million). Of this total, 59 % related to land and buildings, while the remainder was mainly channeled into plant and office equipment at new and existing stores, as well as software.

The operating cash flow increased to € 425.4 million (2021/22: € 344.9 million). The reduction in the inflow of funds from the operating business (funds from operations) from € 446.5 million to € 403.7 million was countered by an opposing effect of plus € 21.7 million (2021/22: minus € 101.6 million) from the change in working capital. This mainly resulted from a newly introduced reverse factoring program. The free cash flow (after dividends) rose to € 186.5 million (2021/22: € 134.5 million).

The total assets of the HORNBACH Group grew by 9.8 % to € 4,725.8 million as of February 28, 2023 (February 28, 2022: € 4,305.7 million). This was largely due to capital expenditure on property, plant and equipment, as well as to higher inventories and liquid funds. At 40.1 %, the equity ratio remained at a very good level (February 28, 2022: 40.9 %). Net financial debt decreased slightly from € 1,356.0 million to € 1,343.3 million. The net debt ratio (net debt / EBITDA) rose from 2.4 to 2.7.

In November 2022, S&P Global Ratings confirmed the long-term issuer rating and the rating for the senior unsecured liabilities for HORNBACH Baumarkt AG at "BB+" with a stable outlook.

2.2 Target achievement in the 2022/23 financial year

The comparison of the actual with the forecast business performance is presented in the table below. Due to inflation, the net sales growth of 6.6 % proved slightly higher than expected in our guidance dated May 17, 2022. With a reduction of 20.0 %, adjusted EBIT is consistent with the adjusted guidance issued on June 13, 2022.

2.2.1 Targets and results of the HORNBACH Holding AG & Co. KGaA Group in 2022/23 financial year

Key management figures	Targets for 2022/23	Results in 2022/23
Net sales	■ Guidance dated 5.17.2022: slightly above 2021/22 (€ 5,875 million)	**Plus 6.6 %** to € 6,263 million
Adjusted EBIT	■ Original guidance dated 5.17.2022: slightly below level for 2021/22 financial year (€ 362.6 million) ■ Guidance adjusted on 6.13.2022: low double-digit percentage amount below 2021/22	Minus 20.0 % to **€ 290.1 million**

Further key figures	Targets for 2022/23	Results in 2022/23
Expansion of HORNBACH Baumarkt AG Subgroup	**DIY stores and garden centers** (4 new store openings): Nitra (Slovakia), Enschede (Netherlands), Constanta (Romania), Leipzig (Germany)	All planned DIY stores and garden centers opened
Capital expenditure	■ Original guidance: at previous year's level (€ 178.6 million) ■ Intra-year adjustment: slightly above previous year's level	€ 203.5 million

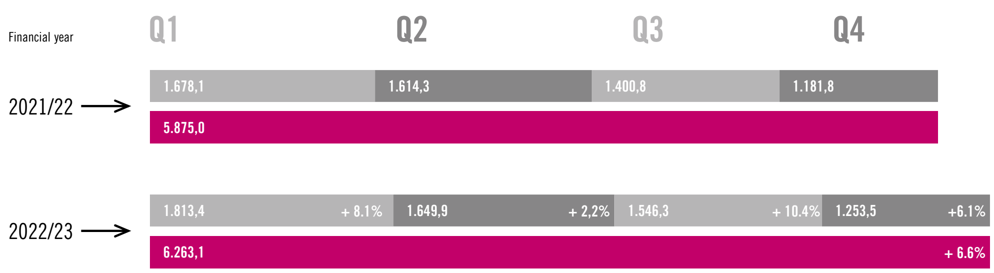
Note: For **sales** "at previous year's level" refers to changes of -1% to +1%, while "slight" changes involve changes of 2% to 5%. To enhance the distinctions within the "slight" category, we use the phrase "in a low single-digit percentage range" to refer to changes of 2% to 3% and the phrase "in a mid single-digit percentage range" to refer to changes of 4% to 6%. "Significant" corresponds to changes of more than 6%. For **earnings figures,** "at previous year's level" refers to changes of -1% to +1%. "Slight" corresponds to changes of 2% to 10%, while "significant" is equivalent to changes of more than 10%.

2.2.2 Budget/actual comparison for annual financial statements (HGB)

The earnings performance at HORNBACH Holding AG & Co. KGaA is closely linked to developments on the level of its shareholdings and thus to the level and rate of change in its income from investments. As forecast, the annual net surplus of € 44.4 million fell slightly short of the previous year's figure of € 46.7 million.

3. Earnings Position

Sales and growth by quarter
(€ million / %)



3.1 Sales performance

3.1.1 Net sales of HORNBACH Group

As of the balance sheet date on February 28, 2023, the HORNBACH Holding AG & Co. KGaA Group comprised the HORNBACH Baumarkt AG, HORNBACH Baustoff Union GmbH (HBU), and HORNBACH Immobilien AG Subgroups (segments). In the 2022/23 financial year (March 1, 2022 to February 28, 2023), the HORNBACH Group increased its consolidated sales (excluding sales taxes) by 6.6 % to € 6,263 million (2021/22: € 5,875 million).

6.6%
sales growth at HORNBACH Group in 2022/23 financial year

3.1.2 HORNBACH Baumarkt AG Subgroup

The HORNBACH Baumarkt AG Subgroup increased its net sales by 6.3 % to € 5,843 million in the 2022/23 financial year (2021/22: € 5,496 million). Net sales in the Germany region grew by 2.9 % to € 2,861 million in the period under report (2021/22: € 2,780 million). In the Other European Countries region, and including three newly opened DIY megastores and garden centers, we reported sales growth of 9.8 % to € 2,982 million (2021/22: € 2,716 million). The share of consolidated sales contributed by the international stores rose from 49.4 % to 51.0 %. We most recently generated around 14 % (2021/22: around 17 %) of net sales at the Group in the online business or from its connection to the stationary DIY retail business (interconnected retail – ICR). This includes all sales generated from online mail order, click & collect ("reserve online & collect at store"), and other online transactions involving store contact.

Net of currency items, the Group's like-for-like sales, i.e. sales at all locations in operation for at least twelve months, as well as online sales based on local currencies, grew by 3.6 % in the 2022/23 financial year (2021/22: 5.4 %). Compared with the pre-pandemic 2019/20 financial year, this represents constant-currency, like-for-like sales growth of 28.4 %. The year-on-year development in the four quarters is presented in the following table.

Like-for-like sales performance net of currency items of the HORNBACH Baumarkt AG Subgroup by quarter (in %)

2022/23 financial year 2021/22 financial year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Group	**5.3**	**(1.7)**	**7.2**	**4.1**	**3.6**
	4.3	2.5	(0.1)	20.0	5.4
Germany	**4.4**	**(2.9)**	**7.8**	**0.7**	**2.4**
	(0.1)	1.7	(4.3)	26.5	3.7
Other European Countries	**6.2**	**(0.6)**	**6.7**	**7.5**	**4.7**
	9.5	3.4	4.5	13.8	7.3

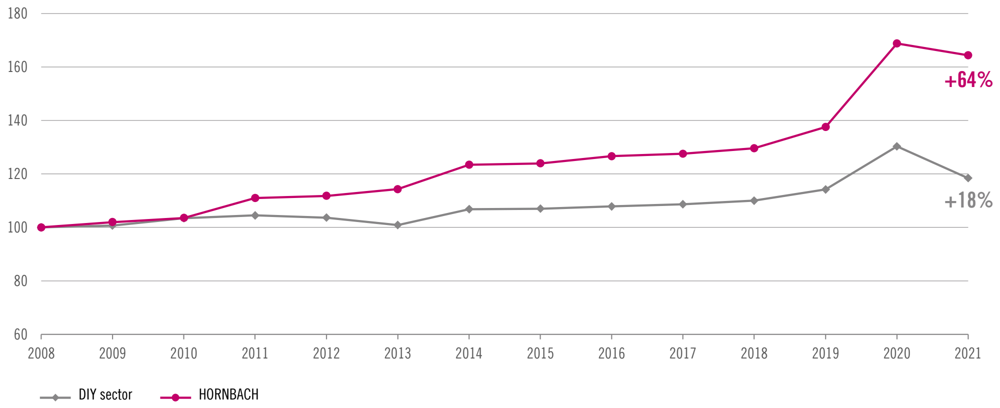
Including currency items, i.e. based on sales in euros, HORNBACH reported like-for-like growth of 4.2 % in 2022/23 (2021/22: 5.8 %).

2.4%
like-for-like sales growth at HORNBACH DIY stores and garden centers in Germany

- **Germany**

  The HORNBACH DIY stores and garden centers in the Germany region increased their like-for-like sales by 2.4 % in the 2022/23 financial year (2021/22: 3.7 %). Based on the 2022 calendar year, HORNBACH achieved like-for-like sales growth of 6.7 % and thus fell slightly short of the average for the DIY sector in Germany which, according to the GfK, posted like-for-like growth of 7.2 %. This is largely due to the sector reporting significant catch-up effects at the beginning of the year after the pandemic-related store closures in the previous year. At HORNBACH, the reduction in sales resulting from store closures in the previous year was less marked due to the strength of its online business. In the long term, HORNBACH has generated growth that is significantly ahead of the sector average. Since 2008, HORNBACH's like-for-like sales in Germany have grown by around 75 %, while the German DIY sector as a whole generated growth of only 27 % over the same period.

Like-for-like sales performance in Germany
(Index: 2008 = 100%, calendar year)



- **Other European Countries**
  Our stores in Other European Countries generated like-for-like sales growth net of currency items of 4.7 % in the 2022/23 financial year. Including currency items, like-for-like sales grew by 6.0 % (2021/22: 8.0 %). At 13.2 %, the strongest growth was reported by the Netherlands, followed by Slovakia (+8.7%), Romania (+8.6 %), the Czech Republic (+5.4 %), and Austria (+2.8 %). Luxembourg, Sweden, and Switzerland each posted a slight reduction in like-for-like sales.

4.7%
like-for-like sales growth net of currency items at HORNBACH DIY stores and garden centers in Other European Countries

- **Development in market shares (GfK)**
  We have significantly strengthened our market position in terms of the aggregate gross sales of the DIY store sector in Germany and other countries in which we operate, particularly when compared with 2019, the last year before the pandemic. According to the GfK, our market share in the segment of DIY stores and garden centers with sales areas of more than 1,000 m² in the 2022 calendar year stood at 14.9 % in Germany (2019: 13.1 %), 26.1 % in the Netherlands (2019: 21.1 %), 17.8 % in Austria (2019: 17.0 %), 13.5 % in Switzerland (2019: 12.0 %), and 34.4% in the Czech Republic (2019: 33.3 %). No GfK data is available for the other countries covered by our operations.

3.1.3 HORNBACH Baustoff Union GmbH Subgroup

The HORNBACH Baustoff Union GmbH Subgroup also reported substantial sales growth in the 2022/23 financial year. Net sales at the total of 39 outlets increased by 11.6 % to € 421.1 million (2021/22: € 377.5 million).

11.6%
sales growth at HORNBACH Baustoff Union Subgroup in 2022/23 financial year

3.1.4 HORNBACH Immobilien AG Subgroup

At € 82.5 million, rental income at the HORNBACH Immobilien AG Subgroup in the 2022/23 financial year was 3.5 % higher than the previous year's figure of € 79.7 million. As in the previous year, more than 98 % involved income from renting properties within the overall Group.

3.2 Earnings performance of the HORNBACH Group

Key figure (€ million, unless otherwise stated)	2022/23	2021/22	Change
Net sales	6,263	5,875	6.6%
of which: in Germany	3,270	3,149	3.8%
of which: Other European Countries	2,994	2,726	9.8%
Like-for-like sales growth	3.6%	5.4%	
EBITDA	505.4	564.9	(10.5)%
EBIT	258.5	355.0	(27.2)%
Adjusted EBIT	290.1	362.6	(20.0)%
Consolidated earnings before taxes	218.3	314.3	(30.5)%
Consolidated net income	167.8	244.5	(31.4)%
EBITDA margin	8.1%	9.6%	
EBIT margin	4.1%	6.0%	
Adjusted EBIT margin	4.6%	6.2%	
Gross margin	33.4%	35.0%	
Store expenses as % of net sales	24.9%	24.7%	
Pre-opening expenses as % of net sales	0.1%	0.3%	
General and administration expenses as % of net sales	4.5%	4.4%	
Tax rate	23.1%	22.2%	

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

3.2.1 Gross profit and gross margin

Gross profit rose by 1.6 % to € 2,090.5 million in the 2022/23 financial year (2021/22: € 2,057.9 million). Mainly due to increased procurement and transport expenses, the gross margin decreased from 35.0 % to 33.4 %.

3.2.2 Selling and store, pre-opening and administration expenses

The HORNBACH Group's **selling and store expenses** grew more rapidly than sales, rising by 7.7 % to € 1,561.2 million (2021/22: € 1,449.2 million). Due to the Group's expansion, the largest increases in absolute terms were reported for operating and personnel expenses. Personnel expenses also include the inflation and energy cost bonuses that were paid to employees in some of the countries in which we operate. Given the marked expansion in recent years, we witnessed a corresponding rise in the charges resulting from depreciation and amortization. Selling and store expenses also include non-operating charges on earnings of around € 31.8 million (2021/22: € 13.0 million). These mainly involve impairment losses recognized for DIY store properties, advertising-related assets, and tenant fittings, as well as write-downs of right-of-use assets (IAS 36 impairments). The significant increase in these items is mainly attributable to measurement items resulting from the marked rise in weighted average costs of capital (WACC). Overall, the store expense ratio (store expenses as a percentage of sales) increased slightly from 24.7 % to 24.9 %.

The **pre-opening expenses** relating to new store openings decreased to € 6.8 million in the 2022/23 financial year (2021/22: € 17.5 million). The pre-opening expense ratio therefore fell from 0.3 % to 0.1 %.

Administration expenses rose year-on-year by 9.2 % to € 281.0 million (2021/22: € 257.2 million), resulting in an administration expense ratio of 4.5 % (2021/22: 4.4 %). This increase was driven both by higher personnel totals and by increased material expenses.

3.2.3 Other income and expenses

Other income and expenses amounted to € 16.9 million in the year under report (2021/22: € 20.9 million). Among other items, these include income and losses from damages cases and income from the sale of real estate and land no longer required for operations and of non-current assets.

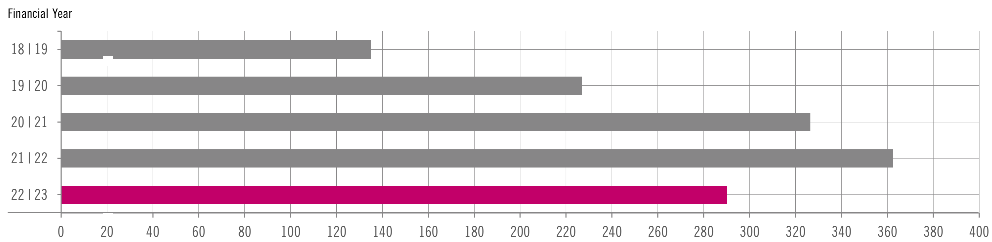
3.2.4 EBITDA, adjusted EBIT, and EBIT

Given persistent inflation and cost pressures, the key operating earnings figures of the HORNBACH Group for the 2022/23 financial year fell significantly short of the comparative figures for the previous year. **Adjusted consolidated operating earnings (EBIT)**, which excludes non-operating one-off items, decreased by 20.0% to € 290.1 million (2021/22: € 362.6 million). The adjusted EBIT margin stood at 4.6 % (2021/22: 6.2 %). **EBIT** including non-operating earnings items dropped by 27.2 % to € 258.5 million (2021/22: € 355.0 million), producing an EBIT margin of 4.1 % (2021/22: 6.0 %). Consolidated earnings before interest, taxes, depreciation, amortization, and write-ups (**EBITDA**) fell by 10.5% to € 505.4 million (2021/22: € 564.9 million), corresponding to an EBITDA margin of 8.1% (2021/22: 9.6 %).

€ 290.1 m
adjusted EBIT in 2022/23 financial year

Non-operating charges on earnings, which chiefly relate to IAS 36 impairments and are predominantly reported under selling and store expenses, increased from minus € 7.6 million to minus € 31.6 million in the 2022/23 year under report. One major reason for this was the rise in the weighted average cost of capital (WACC) due in particular to changes in the risk-free interest rate. The WACC is further influenced by the average beta for the peer group and the credit spread. This change in the WACC led to increased impairment requirements on the level of the cash generating units (CGUs), i.e. on store level.

Adjusted EBIT
(€ million)



The following table presents the reconciliation of consolidated operating earnings (EBIT) with adjusted EBIT, i.e. EBIT adjusted to eliminate non-operating one-off items:

Reconciliation of consolidated operating earnings (EBIT) with adjusted EBIT by segment (in € million)

2022/23 in € million 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
Earnings before interest and taxes (EBIT)	**188.6**	**7.6**	**56.0**	**(6.3)**	**12.6**	**258.5**
	289.3	13.0	57.8	(6.2)	1.1	355.0
Non-operating earnings items	52.4	6.3	(0.2)	0.0	(26.9)	31.6
	25.5	0.0	(4.1)	0.0	(13.8)	7.6
Adjusted EBIT	**241.0**	**13.8**	**55.8**	**(6.3)**	**(14.2)**	**290.1**
	314.7	13.0	53.7	(6.2)	(12.7)	362.6

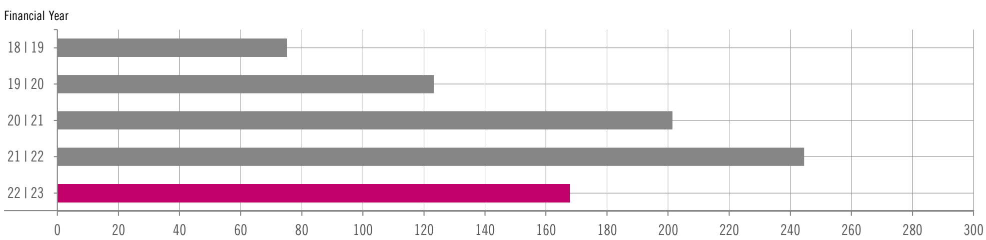
(Differences due to rounding up or down to nearest € million)

3.2.5 Net financial expenses, EBT, and consolidated net income

Net financial expenses amounted to minus € 40.2 million in the 2022/23 financial year (2021/22: minus € 40.7 million). These expenses include positive currency items, including income from forward exchange transactions, of € 4.5 million (2021/22: € 2.2 million). The interest result amounted to minus € 44.7 million (2021/22: minus € 42.9 million). Consolidated earnings before taxes (**EBT**) fell by 30.5 % to € 218.3 million (2021/22: € 314.3 million).

Taxes on income came to € 50.5 million (2021/22: € 69.8 million). The effective tax rate on Group level increased from 22.2 % to 23.1 %. **Consolidated net income** including minority interests decreased by 31.4 % to € 167.8 million (2021/22: € 244.5 million). The Group-wide return on sales stood at 2.7 % (2021/22: 4.2 %). Earnings per share are reported at € 9.83 (2021/22: € 12.48).

Consolidated net income before minority interests
(€ million)



3.3 Earnings performance by segment

3.3.1 HORNBACH Baumarkt AG Subgroup

€ 241.0 m
adjusted EBIT at HORNBACH Baumarkt AG Subgroup

The HORNBACH Group's earnings performance in the past 2022/23 financial year was largely determined by the earnings situation at the largest Subgroup, HORNBACH Baumarkt AG. The Subgroup's **adjusted EBIT**, i.e. operating earnings before non-operating one-off items, fell by 23.4 % to € 241.0 million (2021/22: € 314.7 million). On Subgroup level, the adjusted EBIT margin therefore amounted to 4.1 % (2021/22: 5.7 %).

Non-operating charges on earnings at the Subgroup resulting from IAS 36 impairments increased from € 25.5 million to € 52.4 million. Consolidated operating earnings (EBIT) including unscheduled non-operating earnings items therefore showed a marked reduction of 34.8% to € 188.6 million (2021/22: € 289.3 million). The EBIT margin amounted to 3.2 % (2021/22: 5.3 %).

Consolidated earnings before taxes dropped by 41.1 % to € 139.3 million (2021/22: € 236.6 million). **Consolidated net income** fell by 42.7 % to € 108.2 million (2021/22: € 188.9 million). Earnings per Baumarkt share are reported at € 3.40 (2021/22: € 5.94).

The reporting segments within the HORNBACH Baumarkt AG Subgroup performed as follows in the 2022/23 financial year:

- Due to persistent inflation and cost pressures, key operating earnings figures in the **Retail** segment fell substantially compared with the previous year's record figures. Segment EBIT adjusted to exclude non-operating earnings items (adjusted EBIT) dropped by 39.1 % to € 135.5 million (2021/22: € 222.4 million). The adjusted EBIT margin amounted to 2.3 % (2021/22: 4.0 %). Operating earnings (EBIT) including non-operating one-off items of € 2.4 million (2021/22: € 1.7 million) decreased by 39.7 % to € 133.1 million (2021/22: € 220.8 million). This resulted in an EBIT margin of 2.3% (2021/22: 4.0 %). EBITDA fell by 29.3 % to € 196.7 million in the 2022/23 financial year (2021/22: € 278.4 million).

- In the **Real Estate** segment, EBIT adjusted to exclude non-operating one-off items (adjusted EBIT) amounted to € 121.0 million and was thus 5.8 % higher than the previous year's figure of € 114.4 million. Due to the increase in impairment losses on right-of-use assets for DIY store properties let from third parties (IAS 36 impairments), EBIT nevertheless fell by 21.5 % to € 71.0 million (2021/22: € 90.6 million). At € 26.0 million, earnings before taxes (EBT) were 44.5 % down on the previous year's figure (€ 46.8 million). Earnings before interest, taxes, depreciation, amortization, and write-ups (EBITDA) rose from € 285.8 million to € 300.3 million in the year under report.

3.3.2 HORNBACH Baustoff Union GmbH Subgroup

At the HORNBACH Baustoff Union GmbH Subgroup, EBIT adjusted for non-operating one-off items grew to € 13.8 million in the 2022/23 financial year (2021/22: € 13.0 million). Earnings were positively influenced by strong sales growth accompanied by a stable gross margin and a proportionate decrease in operating store and administrative expenses. The adjusted EBIT margin amounted to 3.3 % (2021/22: 3.4 %). The Subgroup reported non-operating earnings items due to write-downs of € 6.2 million on intangible assets (2021/22: none). EBIT therefore declined to € 7.6 million (2021/22: € 13.0 million). EBITDA at the Subgroup increased from € 22.2 million to € 23.9 million.

3.3.3 HORNBACH Immobilien AG Subgroup

Adjusted for one-off items, EBIT at the HORNBACH Immobilien AG Subgroup amounted to € 55.8 million in the 2022/23 financial year (2021/22: € 53.7 million). In the year under report, the sale of a piece of land not required generated non-operating income of € 0.2 million (2021/22: € 4.1 million). Including one-off items, the EBIT of € 56.0 million at this Subgroup fell slightly short of the previous year's figure of € 57.8 million. EBITDA rose from € 72.7 million to € 73.2 million.

3.4 Earnings performance by geographical regions

EBIT adjusted to exclude non-operating earnings (adjusted EBIT) in the **Germany** region fell by 34.0 % to € 81.3 million in the 2022/23 financial year (2021/22: € 123.2 million). The domestic share of adjusted operating earnings therefore stood at 28% (2021/22: 34%). The adjusted EBIT margin in Germany eased from 3.9 % to 2.5 %. Non-operating earnings charges increased from € 1.0 million to € 30.0 million in the 2022/23 financial year. EBIT in the Germany region thus dropped from € 122.2 million to € 51.3 million. The EBIT margin came to 1.6 % (2021/22: 3.9 %). EBITDA decreased from € 240.6 million to € 200.7 million and thus accounted for a 40 % share of the Group's EBITDA (2021/22: 43%).

Adjusted EBIT in the **Other European Countries** region declined by 12.9 % to € 208.7 million (2021/22: € 239.6 million). The adjusted EBIT margin came to 7.0 % (2021/22: 8.8 %). The share of adjusted consolidated operating earnings contributed by the Other European Countries region rose from 66 % to 72 %. Non-operating charges on earnings decreased from € 6.6 million to € 1.5 million. EBIT generated outside Germany thus amounted to € 207.2 million (2021/22: € 233.0 million). The EBIT margin stood at 6.9 % (2021/22: 8.6 %). EBITDA eased from €324.5 million to € 304.7 million, corresponding to a 60 % share of the Group's EBITDA (2021/22: 57 %).

3.5 Dividend proposal

The General Partner and the Supervisory Board of HORNBACH Holding AG & Co. KGaA will propose a dividend of € 2.40 per no-par ordinary bearer share with dividend entitlement in the KGaA (2021/22: € 2.40) for approval by the Annual General Meeting planned to be held on July 7, 2023.

€ 2.40
dividend proposal for 2022/23 financial year

4. Financial Position

4.1 Principles and objectives of financial management

All financing measures at the HORNBACH Group are coordinated by Group Treasury in close liaison with the Group company financing the respective measure. Central organization of financial management enables the HORNBACH Group to maintain a uniform presence on financial markets and provide standardized liquidity management for the overall Group.

The information required for efficient liquidity management is monitored and secured by rolling Group financial planning covering all relevant companies, which is updated monthly and has a budgeting horizon of twelve months, as well as by short-term financial forecasting updated daily. Based on the information available, the financing requirements of individual units within the Group are initially settled using surplus liquidity from other Group companies by means of a cash pooling system. Such liquidity bears interest at market rates on the basis of internal transfer agreements. Where long-term financing requirements are covered internally, these facilities take the form of long-term internal loan agreements.

Major strategic financing facilities are organized via HORNBACH Holding AG & Co. KGaA in the form of unsecured loans from banks and on the capital market. Any external financing required at the HORNBACH Baumarkt AG, HORNBACH Immobilien AG, and HORNBACH Baustoff Union GmbH Subgroups takes the form of secured mortgage loans and real estate sales (sale and leaseback). Consistent with HORNBACH's forward-looking financial policy, financial liabilities due to mature are refinanced where needed at the earliest opportunity.

In line with internal risk principles, derivative financial instruments are held solely for hedging purposes.

To manage liquidity and optimize its working capital, in the 2022/23 financial year HORNBACH Baumarkt AG drew on a reverse factoring program on a scale of € 250.0 million (2021/22: € 0.0 million).

4.2 Financial debt

The HORNBACH Holding AG & Co. KGaA Group had financial debt of € 1,780.3 million at the balance sheet date on February 28, 2023 (2021/22: € 1,688.3 million). Net financial debt fell from € 1,356.0 million to € 1,343.3 million. Cash and cash equivalents increased from € 332.3 million in the previous year to € 437.0 million in the year under report.

The current financial debt (up to 1 year) of € 401.5 million (2021/22: € 317.3 million) comprises the portion of loans maturing in the short term, at € 198.9 million (2021/22: € 21.9 million), current lease liabilities of € 100.8 million (2021/22: € 96.4 million), current account overdrafts and short-term time loans of € 95.4 million (2021/22: € 2.5 million), interest deferrals of € 6.3 million (2021/22: € 3.7 million), and the measurement of derivative financial instruments, at € 0.1 million (2021/22: € 2.3 million). In the previous year, current financial debt also include liabilities of € 190.6 million for offers accepted in connection with the delisting purchase offer made by HORNBACH Holding AG & Co. KGaA; these were settled in the year under report.

The table below presents a detailed breakdown of financial debt.

Financial debt of the HORNBACH Holding AG & Co. KGaA Group

Type of financing	Liabilities broken down into remaining terms						2.28.2023	2.28.2022
€ million	< 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	Total	Total
Short-term bank debt[1]	101.8						101.8	6.2
Liabilities from delisting acquisition offer							0.0	190.6
Mortgage loans	20.9	21.6	11.0	10.8	9.8	34.1	108.3	72.0
Other loans[2] [3]	178.0	0.0	116.9	0.0	49.9	49.9	394.6	294.7
Bonds[3]				248.2			248.2	247.7
Negative fair values of derivative financial instruments	0.1						0.1	2.3
Lease liabilities	100.8	97.6	100.4	102.1	103.7	422.8	927.4	874.8
Total financial debt	**401.5**	**119.3**	**228.3**	**361.0**	**163.4**	**506.8**	**1,780.3**	**1,688.3**
Cash and cash equivalents							437.0	332.3
Net financial debt							**1,343.3**	**1,356.0**

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

[1] Current account liabilities, time loans and interest deferrals
[2] Loans not secured with mortgages
[3] The costs relating to the taking up of the facilities have been spread pro rata temporis over the respective terms.

HORNBACH enjoys great financing flexibility and draws where necessary on a wide range of different financing instruments. At the balance sheet date on February 28, 2023, the company had the following main financing facilities:

- the corporate bond of € 250.0 million at HORNBACH Baumarkt AG with a term until October 26, 2026 and an interest rate of 3.25 %
- two promissory note bonds at HORNBACH Baumarkt AG with volumes of € 126.0 million and € 74.0 million and terms until February 22, 2024 and February 23, 2026
- two promissory note bonds at HORNBACH Holding AG & Co. KGaA with volumes of € 50.0 million each and terms until June 1, 2027 and June 1, 2029
- two promissory note bonds at HORNBACH Holding B.V. with volumes of € 52.0 million and € 43.0 million and terms until September 13, 2023 and September 15, 2025
- Group-wide financing facilities of € 108.3 million secured by land charges (2021/22: € 72.0 million). Land charges of € 207.4 million have been registered as security for these financing facilities (2021/22: € 182.3 million).

4.2.1 Credit lines

At the balance sheet date on February 28, 2023, the HORNBACH Holding AG & Co. KGaA Group had free credit lines amounting to € 494.3 million (2021/22: € 813.2 million) on customary market terms. These include a syndicated credit line of € 500.0 million at HORNBACH Holding AG & Co. KGaA, which has a term running until September 2, 2027. This credit line has replaced the previous syndicated credit line of € 350.0 million at HORNBACH Baumarkt AG and the bridge financing facility of € 400.0 million concluded by HORNBACH Holding AG & Co. KGaA to finance the delisting purchase offer.

€ 494 m
free credit lines

To ensure the maximum possible degree of flexibility, all Group companies at HORNBACH Holding AG & Co. KGaA have the possibility, if required, of acceding to the syndicated credit line. As of the balance sheet date, the companies in the HORNBACH Baustoff Union Subgroup also had unused credit lines of € 17.7 million at local banks.

4.2.2 Covenants

No assets have been provided as security for the credit lines, the promissory note bonds, or the corporate bond. The contractual arrangements nevertheless require compliance with customary bank covenants, non-compliance with which could lead to a premature repayment obligation. These regularly involve pari passu clauses and negative pledge declarations, as well as change of control, cross default, and cross acceleration arrangements for major financing facilities.

In the case of the syndicated credit line at HORNBACH Holding AG & Co. KGaA, they also require compliance with specific financial ratios. These key financial ratios are based on figures at the HORNBACH Holding AG & Co. KGaA Group and require interest cover of at least 2.25 times and an equity ratio of at least 25%. Maximum limits for financing facilities secured by land charges and financing facilities taken up by subsidiaries were also agreed.

Maximum limits for financing facilities secured by land charges and financing facilities taken up by subsidiaries comparable to those agreed for the syndicated credit line were also agreed for the promissory note bonds. The corporate bond at HORNBACH Baumarkt AG is also subject to a comparable limit on financing facilities secured by land charges.

The interest cover, equity ratio, agreed financing limits, and company liquidity (cash and cash equivalents, plus unutilized committed credit lines) are regularly monitored within the internal risk management framework. Further key figures are calculated on a quarterly basis. Should the values fall short of certain target levels, then countermeasures are initiated at an early stage. All covenants were complied with at all times in the year under report. Further information about financial debt can be found in the notes to the consolidated financial statements.

Key financial figures of the HORNBACH Holding AG & Co. KGaA Group

Key figure	Definition		2.28.2023	2.28.2022
Net financial debt	Current financial debt + non-current financial debt – cash and cash equivalents	€ million	1,343.3	1,356.0
Leverage	Net financial debt / EBITDA		2.7	2.4
Interest cover	EBITDA* / Other interest and similar expenses		10.1	12.8
Free Cash Flow	Cash flow from operating activities less cash flow from investing activities less dividends paid	€ million	186.5	134.5

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

[1] In keeping with the definition of key figures underlying the syndicated credit line at HORNBACH Holding AG & Co. KGaA, EBITDA has been adjusted to eliminate the other financial result. In the previous year, the key figure was calculated using a different methodology in line with the syndicated credit line then in place at HORNBACH Baumarkt AG. To ensure comparability, the previous year's figure has been adjusted.

4.3 Liquidity management

Liquid funds amounted to € 437.0 million at the balance sheet date (2021/22: € 332.3 million). Liquidity can be managed in the following liquidity classes:

- operating liquidity in the form of overnight, fixed, and notice deposits with a maximum investment horizon or notice period of three months, and short-term money market investments
- liquidity available in the medium term held in the form of fixed and notice deposits with investment horizons of between four and eleven months, as well as short-term bond funds
- strategic liquidity in which, alongside investments in medium-term bond funds, the addition of other liquidity classes, such as equity components, is possible.

4.4 Cash flow statement and capital expenditure

Capital expenditure at the HORNBACH Holding AG & Co. KGaA Group totaled of € 203.5 million in the 2022/23 financial year (2021/22: € 178.6 million) and mainly involved land, buildings, and plant and office equipment at existing DIY stores with garden centers, and at DIY stores with garden centers under construction. The funds of € 203.5 million (2021/22: € 178.6 million) required for cash-effective capital expenditure were fully covered in the year under report by the cash flow of € 425.4 million from operating activities (2021/22: € 344.9 million). Around 59% of total capital expenditure was channeled into new real estate, including properties under construction, while around 41% was invested largely in replacing and expanding plant and office equipment.

€ 204 m
investments

Cash flow statement (abridged) € million	2022/23	2021/22
Cash flow from operating activities	425.4	344.9
of which: funds from operations[1]	403.7	446.5
of which: change in working capital[2]	21.7	(101.6)
Cash flow from investing activities	(198.0)	(171.7)
Cash flow from financing activities	(135.1)	(278.5)
Cash-effective change in cash and cash equivalents	**92.3**	**(105.3)**

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

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

The most significant capital expenditure projects related to the acquisition of land for the Group's further expansion, construction work on DIY stores with garden centers opened in the past financial year or due to be opened in subsequent financial years, the conversion and extension of existing stores, investments in the builders' merchant business, investments in plant and office equipment, and in intangible assets, especially software.

The inflow of funds from operating activities rose from € 344.9 million in the previous year to € 425.4 million in the 2022/23 financial year. Funds from operations decreased to € 403.7 million (2021/22: € 446.5 million). This reduction was due above all to higher procurement and transport expenses. The change in working capital resulted in an inflow of funds of € 21.7 million (2021/22: minus € 101.6 million). This mainly resulted from the change in liabilities from use of the reverse factoring program which, due to their operating nature, are reported in the inflow of funds from operating activities. This factor was countered by an outflow of funds to increase inventories for the spring season in the subsequent year.

The outflow of funds for investing activities rose from € 171.7 million to € 198.0 million. Cash-effective investments in non-current assets increased to € 203.5 million (2021/22: € 178.6 million). The proceeds from disposals of non-current assets and of non-current assets held for sale fell to € 5.5 million (2021/22: € 6.9 million). As in the previous year, short-term finance planning did not give rise to any movements in financial fund investments in the period under report.

The outflow of funds from financing activities totaled € 135.1 million in the 2022/23 financial year compared with an outflow of € 278.5 million in the previous year. Here, scheduled loan repayments of € 26.2 million (2021/22: € 181.2 million) were countered by new loans of € 245.0 million (2021/22: € 70.0 million). Repayments of lease liabilities led to outflows of € 103.1 million (2021/22: € 97.0 million). Dividends paid to shareholders rose to € 41.0 million (2021/22: € 38.8 million). Furthermore, shares of € 209.6 million were acquired in HORNBACH Baumarkt AG (2021/22: € 31.6 million).

BB+/stable
rating of HORNBACH Baumarkt AG Group

4.5 Rating

The creditworthiness of the HORNBACH Baumarkt AG Group is rated by Standard & Poor's, one of the leading international rating agencies. In its most recent publication, Standard & Poor's rated the HORNBACH Baumarkt AG Group at "BB+" with a stable outlook.

5. Asset Position

Balance sheet of the HORNBACH Holding AG & Co. KGaA Group (abridged version)

€ million	2.28.2023	2.28.2022	Change
Non-current assets	2,718.0	2,579.1	5.4%
Current assets	2,007.8	1,726.5	16.3%
Assets	**4,725.8**	**4,305.7**	**9.8%**
Shareholders' equity	1,897.1	1,761.3	7.7%
Non-current liabilities	1,462.5	1,465.4	(0.2)%
Current liabilities	1,366.2	1,079.0	26.6%
Equity and liabilities	**4,725.8**	**4,305.7**	**9.8%**

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

The Group's total assets showed significant year-on-year growth to € 4,725.8 million (plus 9.8 %). The equity of the Group as stated in the balance sheet amounted to € 1,897.1 million at the end of the financial year (2021/22: € 1,761.3 million). The equity ratio showed a minimal reduction from 40.9 % in the previous year to 40.1 % at the end of the 2022/23 financial year.

5.1 Non-current and current assets

Non-current assets, which account for around 58 % (2021/22: 60 %) of total assets, amounted to € 2,718.0 million at the balance sheet date (2021/22: € 2,579.1 million). They mainly comprise property, plant and equipment and investment property of € 1,832.1 million (2021/22: € 1,742.7 million), and right-of-use assets for leased properties of € 819.6 million (2021/22: € 788.8 million). There were additions of € 152.7 million to right-of-use assets for leased properties, additions of € 188.1 million to property, plant and equipment, and write-ups of € 6.1 million (2021/22: none). These were countered by depreciation of € 241.1 million and disposals of assets of around € 3.4 million. Adjustments to account for exchange rate movements led to an increase of € 19.3 million in property, plant and equipment and investment property.

The other non-current receivables and assets of € 6.8 million (2021/22: € 5.9 million) mainly involve the deferral of credit line expenses and non-current lease receivables. Furthermore, the Group has deferred tax claims of € 35.1 million (2021/22: € 21.7 million). This increase chiefly resulted from adjustments made to temporary measurement differences for finance leases, intangible assets, and property, plant and equipment, as well as from changes in utilizable loss carryovers.

Current assets amounted to € 2,007.8 million (2021/22: € 1,726.5 million), or around 42 % of total assets (2021/22: 40 %). Due to the Group's expansion and to higher procurement prices, inventories rose from € 1,230.4 million to € 1,382.3 million. The inventory turnover rate decreased to 3.2 (2021/22: 3.7). Liquid funds rose by € 104.7 million to € 437.0 million in the year under report (2021/22: € 332.3 million). Current receivables, contract assets, and other assets increased by € 17.5 million to € 164.7 million (2021/22: € 147.1 million). Current income tax receivables rose from € 13.0 million to € 20.9 million in the year under report.

Key balance sheet figures of the HORNBACH Holding AG & Co. KGaA Group

Key figure	Definition		2.28.2023	2.28.2022
Equity ratio	Equity / Total assets	%	40.1	40.9
Return on equity	Annual net income before minority interests / Average equity	%	9.2	13.8
Return on total capital	NOPAT[1]/ Average total capital[2]	%	5.7	8.3
Debt / equity ratio (gearing)	Net debt / Equity	%	70.8	77.0
Additions to non-current assets, including advance payments for land	Additions to non-current assets, including advance payments for land	€ million	357.0	356.6
Net working capital	Current assets[3] less trade payables and similar liabilities[4]	€ million	883.8	928.4
Inventory turnover rate	Cost of goods sold / Average inventories		3.2	3.7

1) Net operating profit after tax, defined as EBIT minus standardized tax rate of 30% at the HORNBACH Group
2) Average total capital, defined as average equity plus average net debt
3) Excluding cash and cash equivalents and assets held for sale
4) Contract liabilities and liabilities from the reverse factoring program

5.2 Non-current and current liabilities

Liabilities, including provisions, amounted to € 2,828.7 million at the balance sheet date (2021/22: € 2,544.4 million). At € 1,462.5 million, non-current liabilities were at approximately the same level as in the previous year (€ 1,465.4 million). They include non-current financial debt to banks and bond liabilities which, due to loan maturities, decreased from € 592.5 million to € 552.1 million in the current financial year, as well as non-current IFRS 16 lease liabilities of € 826.6 million (2021/22: € 778.4 million). Provisions for pensions fell to € 0.1 million in the year under report, down from € 12.9 million in the previous year. The deferred tax liabilities included in non-current liabilities amounted to € 33.6 million (2021/22: € 31.3 million).

Current liabilities increased from € 1,079.0 million to € 1,366.2 million while, due to loan maturities, current financial debt rose to € 300.7 million (2021/22: € 220.9 million). Current lease liabilities pursuant to IFRS 16 came to € 100.8 million (2021/22: € 96.4 million). Trade payables, liabilities for the reverse factoring program introduced in the year under report, contract liabilities, and other liabilities amounted to € 800.8 million at the balance sheet date, as against € 568.9 million in the previous year. Primarily as a result of lower provisions for bonuses, other provisions and deferred liabilities fell from € 149.3 million in the previous year to € 128.7 million.

Due to the increase in liquid funds, the net debt of the HORNBACH Holding AG & Co. KGaA Group, i.e. financial debt less liquid funds, fell from € 1,356.0 million to € 1,343.3 million. Excluding lease liabilities, net debt decreased from € 481.2 million to € 415.9 million.

6. Notes to the Annual Financial Statements of HORNBACH Holding AG & Co. KGaA (HGB)

HORNBACH Holding AG & Co. KGaA, whose legal domicile is in Neustadt an der Weinstrasse, prepares its annual financial statements in accordance with the requirements of the German Commercial Code (HGB) and the supplementary provisions of the German Stock Corporation Act (AktG). HORNBACH Holding AG & Co. KGaA is the parent company of the HORNBACH Group. It is not itself active in the operating retail business, but rather has a number of major shareholdings. By far the most important operating shareholding is HORNBACH Baumarkt AG, which operates DIY megastores with integrated garden centers in Germany and abroad. Further retail activities are located at HORNBACH Baustoff Union GmbH (construction materials and builders' merchants). Furthermore, the development of retail locations for the operating subsidiaries within the HORNBACH Holding AG & Co. KGaA Group is pooled at the HORNBACH Immobilien AG shareholding. Around 42 % of the sales areas owned by the HORNBACH Group are held by HORNBACH Immobilien AG.

As in previous years, in the 2022/23 financial year HORNBACH Holding AG & Co. KGaA performed important services on behalf of its subsidiaries within the overall Group. The Chief Financial Officer of HORNBACH Management AG simultaneously holds this function for HORNBACH Holding AG & Co. KGaA and HORNBACH Baumarkt AG. The employees responsible for financial market communications (investor relations) and public relations are located at HORNBACH Holding AG & Co. KGaA and also work on behalf of its HORNBACH Baumarkt AG subsidiary. The same is true for the Head of Corporate Social Responsibility (CSR) and her team. A control and profit transfer agreement is in place between HORNBACH Holding AG & Co. KGaA and its wholly-owned subsidiary HORNBACH Immobilien AG.

Group Management Report
Business Report
Macroeconomic and
Sector-Specific Framework

6.1 Business framework

The macroeconomic and sector-specific framework also relevant for HORNBACH Holding AG & Co. KGaA is described in detail in the Group Management Report.

Group Management Report
Business Report

6.2 Business performance of shareholdings

The retail and real estate activities and the business performance of the HORNBACH Baumarkt AG, HORNBACH Baustoff Union GmbH, and HORNBACH Immobilien AG Subgroups in the 2022/23 reporting period are presented in detail in the Group Management Report.

6.3 Earnings, financial, and asset position

6.3.1 Earnings performance

The sales of € 1,628k (2021/22: € 1,052k) mainly result from the charging on of material and personnel expenses to affiliated companies.

At € 1.4 million, personnel expenses were 8.3% lower in the 2022/23 financial year than in the previous year. The remuneration paid by HORNBACH Management AG to the Board of Management is charged on together with other management-related expenses to HORNBACH Holding AG & Co. KGaA and recognized under other operating expenses. Other operating expenses rose from € 5.2 million to € 5.9 million.

At minus € 6.3 million, earnings before interest, income from investments (net balance of gross profit less personnel expenses, depreciation and amortization, and other operating expenses), income from loans of financial assets, and taxes were at the same level as in the previous year (minus € 6.3 million).

Income statement of HORNBACH Holding AG & Co. KGaA pursuant to HGB (abridged version)

€ 000s	2022/23	2021/22
Sales	1,628	1,052
Other operating income	217	25
Cost of services rendered	895	662
Gross profit	**950**	**415**
Personnel expenses	1,351	1,473
Depreciation and amortization	23	21
Other operating expenses	5,898	5,205
Income from investments	62,610	75,462
Amortization of financial assets	0	0
Interest result	(3,577)	1,338
Taxes	8,263	3,773
Earnings after taxes	44,448	66,743
Other taxes	0	20,001
Annual net surplus	**44,448**	**46,742**
Profit carried forward from previous year	8,342	0
Net profit	**52,790**	**46,742**

Income from investments fell year-on-year from € 75.5 million to € 62.6 million. This was due to the reduction in the income of € 36.2 million transferred from HORNBACH Immobilien AG (2021/22: € 49.4 million). In the previous year, the income transferred from HORNBACH Immobilien AG included a one-off distribution by the subsidiaries of € 14.3 million. At € 26.4 million, the income from the investment in HORNBACH Baumarkt AG was slightly higher than in the previous year (2021/22: € 26.0 million).

The interest result amounted to minus € 3.6 million (2021/22: plus € 1.3 million). This is because material financing measures were executed via HORNBACH Holding AG & Co. KGaA in the year under report. Among other measures, two promissory note bonds were issued and a new syndicated credit line was concluded, which replaced the previous syndicated credit line at HORNBACH Baumarkt AG.

Net income tax expenses, which comprise current and deferred taxes, amounted to € 8.3 million in the 2022/23 financial year (2021/22: € 3.8 million). Due to the increase in the shareholding in HORNBACH Baumarkt AG to more than 90%, a provision of € 20.0 million was stated in the previous year for real estate transfer tax. At € 44.4 million, the annual net surplus at HORNBACH Holding AG & Co. KGaA fell slightly short of the previous year's figure (2021/22: € 46.7 million).

6.3.2 Asset position

Total assets amounted to € 589.6 million as of February 28, 2023 (2021/22: € 601.7 million). The increase in non-current assets from € 468.4 million to € 489.9 million was mainly due to the increase in the shares held in HORNBACH Baumarkt AG. As a result, investments in associates rose from € 405.2 million to € 424.7 million. The decrease in receivables and other assets from € 105.0 million to € 80.4 million was mainly due to lower income from investments.

As in the previous year, no deferred tax assets were recognized. Shareholders' equity at HORNBACH Holding AG & Co. KGaA grew from € 380.3 million to € 386.0 million at the balance sheet date on February 28, 2023. Provisions for income taxes rose from € 22.4 million in the previous year to € 25.7 million in the year under report. Tax provisions include provisions of € 20.0 million for real estate transfer tax which were stated in the 2021/22 financial year in connection with the acquisition of additional shares in HORNBACH Baumarkt AG.

Other liabilities decreased from € 191.0 million to € 0.6 million. In the previous year, this line item had included the payment of the offer price in connection with the delisting purchase offer, which was still outstanding.

Balance sheet of HORNBACH Holding AG & Co. KGaA pursuant to HGB (abridged version)

Assets	2.28.2023 € 000s	2.28.2022 € 000s
Non-current assets	**489,855**	**468,447**
Receivables and other assets	80,448	105,034
Cash holdings and credit balances at banks	17,178	27,530
Current assets	**97,626**	**132,564**
Deferred tax assets	2,146	700
Total assets	**589,627**	**601,711**
Equity and liabilities		
Shareholders' equity	385,959	380,316
Provisions	26,930	23,722
Liabilities	176,455	197,367
Deferred tax liabilities	283	306
Total equity and liabilities	**589,627**	**601,711**

6.3.3 Financial position

Group Management Report
Business Report
Financial Position

Information about the principles and objectives of financial management, details of financial debt, and the capital structure can be found in the Group Management Report. Compared with the previous year, liquid funds fell from € 27.5 million to € 17.2 million in the 2022/23 financial year.

6.4 Overall assessment of earnings, financial, and asset position of HORNBACH Holding AG & Co. KGaA

The earnings, financial, and asset position of HORNBACH Holding AG & Co. KGaA remained satisfactorily stable in the 2022/23 financial year. At € 44.4 million, the annual net surplus was slightly below the previous year's figure of € 46.7 million. At 65.5% (2021/22: 63.2%), the equity ratio remained at a very high level.

6.5 Proposed appropriation of net profit

HORNBACH Holding AG & Co. KGaA concluded the 2022/23 financial year with net profit of € 52,790,289.81. The Board of Management of the General Partner proposes to appropriate the net profit as follows:

- € 2.40 dividend per share with a nominal value of € 3.00 on 15,993,125 ordinary shares
- Dividend distribution: € 38,383,500.00
- Balance carried forward: € 14,406,789.81.

6.6 Earnings forecast for HORNBACH Holding AG & Co. KGaA (annual financial statements –HGB)

The earnings performance of HORNBACH Holding AG & Co. KGaA in the forecast period is closely linked to the respective outlooks on the level of its subsidiaries HORNBACH Baumarkt AG and HORNBACH Immobilien AG. The forecast development in earnings at the HORNBACH Baumarkt AG and HORNBACH Immobilien AG Subgroups can be expected to impact accordingly on the level of income from investments. We expect the annual net surplus for the 2023/24 financial year to fall short of the figure for the 2022/23 financial year (€ 44.4 million).

Risk Report

1. Key Features of Internal Control and Risk Management System

1.1 Risk management at the Group

All entrepreneurial activity directly involves opportunities and risks. Effectively managing opportunities and risks therefore represents a critical success factor in sustainably securing the value of the HORNBACH Group. The General Partner of HORNBACH Holding AG & Co. KGaA, HORNBACH Management AG, as represented by its Board of Management (hereinafter "the Board of Management"), is committed to risk-aware corporate management which accords top priority at all times to safeguarding the continued existence of the overall company and its subsidiaries. The risk management system (RMS) implemented by the Board of Management is intended to achieve ongoing enhancements in the early identification of risks with the aim of proactively managing such risks, as well as continuously optimizing the company's opportunity/risk profile.

On this basis, the Board of Management has adopted the following principles:

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

1.2 Organization and process

The risk management system in place at the HORNBACH Holding AG & Co. KGaA Group forms an integral part of the company's management structure. It consists of the central components of early risk identification, controlling and planning processes, reporting and an internal control system, and is continually enhanced and optimized. Responsibility for establishing, organizing and maintaining a suitable and effective risk management system, and the internal control system in particular, lies with the Board of Management. In terms of the organization and maintenance of the system, the Board of Management is supported by the Director of Group Controlling / Risk Management. In addition to the RMS and the IKS, the Group also has a compliance management system (CMS).

The Board of Management has appointed risk managers at the Group's operations in Germany and abroad. These are charged with identifying, quantifying, and reporting risks in their areas of responsibility and managing such risks with appropriate measures. These responsibilities and accountabilities are clearly defined at the Group and reflect our company structure. When identifying and evaluating risks and determining appropriate measures to manage such risks, risk managers are supported by a central risk controller responsible for coordinating risk management processes.

Company risk assessment categories in ascending order

Probability of occurrence		Potential implications (in €)	
improbable	≤ 1%	marginal	≤ 5.0 million
rare	> 1% - ≤ 5%	moderate	> 5.0 million - ≤ 10.0 million
occasional	> 5% - ≤ 20%	noticeable	> 10.0 million - ≤ 50.0 million
possible	> 20% - ≤ 50%	severe	> 50.0 million - ≤ 100.0 million
frequent	> 50%	critical	> 100.0 million

Earnings risks are analyzed with the assistance of a risk matrix. This records both the probability of occurrence and the potential level of damages of the relevant risks. This weighted quantification then forms the basis for potential further measures to reduce the respective risks. The principles and regulations underlying the risk management system are documented in the Group Risk Management Handbook. This sets out principles for the overall Group concerning the structures and processes required for the early detection of risks. Furthermore, the risk management process is supported by a standard software solution that has been implemented across the Group, which assists in recording and documenting risks and the relevant risk management measures.

Risks are updated quarterly and reported to the Board of Management. The Supervisory Board and its Audit Committee discuss the current risk situation on a half-yearly basis. Alongside this regular reporting, ad-hoc reporting structures are also in place for risks arising suddenly or any spontaneous and material change in the assessment of a risk already known. These structures have also been established in the risk management process.

The internal control system (IKS) has the function of assisting with the correct performance of business activities, the correctness and reliability of financial reporting and compliance with legal, regulatory, and internal requirements. Due account is also taken of sustainability aspects, which are continuously developed further in line with regulatory requirements. The IKS is based on standardized documentation requirements at the Group for all checks on processes and related risks which could impact materially on business activities or the financial reporting process. Relevant work instructions and handbooks are available as the basis for the internal control system.

1.3 Internal control and risk management system in respect of the (Group) financial reporting process (report pursuant to § 289 (4) and § 315 (4) HGB)

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

At the HORNBACH Holding AG & Co. KGaA Group, the existing internal control (IKS) system in respect of the financial reporting process and associated risk matrix are documented on a Group-wide basis. Country-specific features deviating from Group processes are described by the subsidiaries and added to the documentation. The appointment of IKS managers at the country companies and parent company ensures that material process changes are documented and suitable checks implemented. In this respect, IKS managers are required to submit annual declarations of conformity. The existing IKS system is continually being developed further.

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

Group companies prepare their financial statements locally. They are responsible for taking due account of local requirements and compliance with Group-wide guidelines in the form of work instructions and accounting and organization handbooks, as well as for the correct reconciliation of local annual financial statements with the IFRS financial statements prepared in accordance with Group-wide uniform accounting policies. In particular, the clear instructions provided in the uniform accounting handbook in use across the Group serve to limit employees' discretionary scope in terms of the recognition, measurement and disclosure of assets and liabilities, thus reducing the risk of accounting inconsistencies within the Group.

The managers responsible for the accounting treatment of the relevant items at individual Group companies submit quarterly Group-internal declarations of completeness confirming the correctness and completeness of the respective separate financial statements. On Group level, the Group Accounting Department and Group Controlling Department perform further checks on the plausibility and ascertain the correctness of the accounting data input into the financial statements. The process of preparing consolidated financial statements is centrally coordinated by way of a specified deadline and activity plan and monitored both centrally and locally. Subsidiaries are supported by central contact partners throughout the entire financial reporting process.

Major changes to financial reporting processes due to new laws, legislative amendments, or changes in internal processes are coordinated by the Group Accounting Department and agreed prior to implementation with all managers with significant involvement in the Group financial reporting process. Specialist accounting or financial reporting issues and complex matters either involving particular risks or requiring special expertise are monitored and implemented centrally. External experts, such as chartered surveyors, are regularly consulted, particularly in order to assess the fair values of real estate for impairment tests or to measure pension provisions.

All significant processes relevant to financial reporting are uniformly portrayed across the Group in a common IT system. This complete integration of all major finance systems within a uniform IT system ensures the integrity of the data on which the separate and consolidated financial statements are based. In conjunction with the accounting handbook valid for the whole Group, the use of uniform account codes across the Group and central management of the account system ensure uniform accounting treatment of transactions of the same nature. This also serves as a basis for Group consolidation in accordance with the relevant requirements. Consolidation measures and the necessary agreement activities are performed centrally by the Group Accounting Department. The checks to be undertaken in the consolidation processes, such as the consolidation of liabilities, expenses or revenues, are performed both automatically by the IT system and manually. The risk of system breakdowns or data loss is minimized by centrally managing and monitoring all significant IT systems involved in the financial reporting process and regularly performing system backups.

As an integral component of the internal control system, the Group Internal Audit Department regularly audits the effectiveness of the internal control system in respect of the financial reporting process on the basis of trial samples reviewed in line with a risk-oriented audit plan. However, even suitable functional systems cannot provide absolute assurance concerning the identification and management of risks.

1.4 Overall assessment of the effectiveness of the internal control and risk management system

The appropriateness and effectiveness of the IKS and RMS at HORNBACH are continually reviewed by the Group Internal Audit Department. The Board of Management of HORNBACH Management AG and the Audit Committee of HORNBACH Holding AG & Co. KGaA, which is charged by the Supervisory Board with supervising the IKS and RMS, are regularly informed of the findings of these audits. The Audit Committee reports in turn to the Supervisory Board.

The Board of Management of HORNBACH Management AG is not aware of any circumstances that would indicate that the IKS and RMS are not appropriate or effective.

2. Overview of Overall Risks*

	Probability of occurrence	Potential implications
Financial risks		
Liquidity risks	rare	severe
Exchange rate risks	possible	moderate
External risks		
Macroeconomic and sector-specific risks	possible	noticeable
Natural hazards	rare	marginal
War / pandemic	rare	noticeable
Operating risks		
Location and sales risks	possible	noticeable
Procurement risks	possible	noticeable
Legal risks		
Legislative and regulatory risks	occasional	noticeable
Management and organizational risks		
IT risks	improbable	critical
Reputational risk	occasional	noticeable
Personnel risks	rare	marginal

* Unless otherwise stated, the risks hereby listed apply to the "HORNBACH Baumarkt AG Subgroup", "HORNBACH Baustoff Union GmbH Subgroup", and "HORNBACH Immobilien AG Subgroup" segments.

2.1 Changes in overview of overall risks compared with previous year

No risks have been removed since the previous year. The following risks have been newly added since the previous year:

- Due to a new internal assessment, exchange rate risks have been newly included.

The probability of occurrence has changed for the following risks:

- The probability of occurrence for the risk of war / pandemic risk has been lowered due to the reduced coronavirus risk.

2.2 Financial risks

The Group's financial risks mainly comprise liquidity and exchange rate risks. Responsibility for managing these risks lies with the Treasury Department.

2.2.1 Liquidity risks

HORNBACH requires high volumes of liquidity to be permanently available for its ongoing expansion, acquisition of land, capital expenditure on DIY stores and garden centers, and procurement of large quantities of merchandise. In addition to the inflow of funds from the operating cash flow and working capital financing, larger-scale outlays are covered in particular by bilateral bank loans and credit lines, syndicated credit lines, promissory note bonds, and a listed bond. Please see the information provided under "Financial Position" for details as to the exact composition of financial debt.

HORNBACH counters the risk of no longer being able to obtain longer-term financing for new locations from banks or via sale and leaseback transactions due to financing conditions on the capital markets by flexibly adjusting its capital expenditure and maintaining a substantial liquidity cushion in the form of liquid funds and free credit lines. No security in the form of assets was granted in connection with the corporate bond, the syndicated credit line, or the promissory note bonds. The contractual terms nevertheless require compliance with specified customary bank covenants. Failure to do so may possibly result in immediate repayment being required for the funds drawn down. This would necessitate follow-up financing, which would only be possible on stricter refinancing terms. Details of the covenants can be found under "Financial Position".

The covenants are monitored on an ongoing basis. All covenants were complied with at all times during the 2022/23 financial year. This is expected to be the case in future as well.

The information required for efficient liquidity management is provided by rolling Group financial planning with a twelve-month budgeting horizon, which is updated monthly, as well as by a daily financial forecast. The Group currently does not face any risks in connection with follow-up financing needed to cover maturing financial liabilities. At present, no liquidity risks are discernible.

2.2.2 Exchange rate risks

In general, HORNBACH is exposed to exchange rate risks on account of its activities in countries with currencies other than the euro. Specifically, these involve Swiss francs, Czech crowns, Swedish crowns, Romanian leis, and Hong Kong dollars. Any depreciation in a foreign currency against the euro can lead to a reduction in consolidated earnings when translating the separate financial statements of foreign subsidiaries into euros, the Group's currency. These risks are not hedged at the Group as, due to ongoing business operations in the respective countries, they are largely covered by natural hedging.

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

2.3 External risks

2.3.1 Macroeconomic and sector-specific risks

The performance of HORNBACH's DIY stores and garden centers is highly dependent on the macroeconomic situation in the EU and countries where the HORNBACH Group operates. Customer demand is significantly influenced by the overall consumer climate, which is in turn shaped by net incomes, inflation, the interest rate climate, and in particular disposable household incomes. By continually expanding, particularly in countries outside Germany, HORNBACH is increasing its geographical risk diversification. HORNBACH is also attempting to counter the effects of rising interest rates, significant inflation, and reduced purchasing power among customers by consistently implementing its permanent low price guarantee. This way, it aims to be a reliable partner to customers, also for longer-term projects. Furthermore, HORNBACH offers a variety of financing options to both commercial and private customers in all the countries in which it operates. This provides an uncomplicated way to extend the payment terms for a specific purchase.

Moreover, geopolitical risks, changes or disruptions to the flow of goods, and developments in procurement prices influence the company's gross margin and thus its ability to finance capital expenditure from its business operations. HORNBACH counters this risk with its global procurement strategy and by distributing purchases across numerous suppliers in order to reduce dependencies and strengthen its negotiating positions.

Furthermore, the company generates a significant share of its sales with seasonal articles whose turnover may be severely affected by external factors, such as weather conditions. A spring season, for example, may be shortened by a prolonged winter or an above-average number of rainy days. This would be reflected in lower sales in the gardening division in the important first quarter of the financial year.

Changing consumer behavior and ever higher expectations in terms of a positive shopping experience, particularly in view of growing digital opportunities, harbor the risk that the products and services on offer are not up-to-date or competitive. To ensure that we always have an attractive and forward-looking position, and thus counter this risk, we are continually investing in expanding our online and web shop presences and services within an integrated multichannel strategy.

2.3.2 Natural hazards

In addition to potential natural catastrophes (e.g. gales, flooding), the Group is also exposed to risks resulting from fire and explosions. The principal insurable natural hazards and any potential interruption to operations thereby arising are covered by Group-wide insurance policies.

2.3.3 War / pandemic

There is the risk that wars and pandemics will have a sustained impact on parts of public life and the retail sector, and that for longer and more severely than currently foreseeable, and thus adversely affect our sales, earnings, and liquidity situation. Upon the preparation of this report, the risks relating to the receding coronavirus pandemic are viewed as having decreased since the previous year. Nevertheless, any potential pandemic, also in future, harbors risks in the form of burdens on supply chains and merchandise availability, or restrictions to store opening hours if renewed waves of infection arise.

Furthermore, the Russia-Ukraine war is impacting negatively on our business. This currently does not affect merchandise availability or procurement prices. Despite the recent recovery, however, it may as in 2022 impact on energy and commodity prices. In general, these risks are also countered by potential opportunities resulting from increased demand for DIY product ranges, which may lead consumers to bring purchases forward, catch up on purchases previously missed, or substitute spending on DIY for other activities.

2.4 Operating risks

2.4.1 Location and turnover risks

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

2.4.2 Procurement risks

As a retailer, HORNBACH depends on external suppliers and manufacturers. We exercise the utmost caution when selecting our suppliers. Particularly when selecting private label suppliers, we pay attention to their reliability in terms of high product quality and their consistent compliance with safety and social standards at the respective companies. To avoid the loss of major suppliers, the Group has developed an efficient early warning system that monitors suppliers continuously on the basis of various quantitative and qualitative criteria. The impact of any potential supplier loss is further reduced by probing the market for alternative substitutes at an early stage and maintaining a multi-supplier strategy. Should there be any deterioration in the macroeconomic situation, however, the risk of the Group losing suppliers and being unable to procure such products elsewhere at short notice cannot be wholly excluded.

The overall Group has several distribution centers in order to reduce the risk of any interruption to the logistics chain and optimize the supply of merchandise. In its procurement of merchandise, HORNBACH is subject, among other risks, to increasing purchasing prices for articles with high shares of crude oil, copper or steel due to volatile prices on the international commodities markets. Furthermore, higher prices for products involving energy-intensive manufacturing processes could lead to an increase in overall procurement costs, one which it might not be possible to pass on to customers in full, or only following a certain delay.

2.5 Legal risks

2.5.1 Legislative and regulatory risks

As a result of its international business activities, the HORNBACH Holding AG & Co. KGaA Group is subject to various national legislative frameworks and regulations. Legislative amendments may therefore lead to higher costs. Alongside risks such as those relating to damages claims due to infringements of patents or industrial property rights, or of damages resulting from environmental or product liability, the Group's future earnings situation may also be negatively affected in particular by any tightening up of national construction laws or regulations governing the acquisition of land. To avoid contract breaches and onerous arrangements, we continually monitor compliance with our contractual obligations and seek advice from internal and external legal experts for contract-related matters.

2.6 Management and organizational risks

2.6.1 IT risks

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

2.6.2 Reputational risks

The HORNBACH brand is exposed to reputational risks in terms of potential image damage. These risks may result from negative brand signals that harm the good reputation and standing of the brand. The reputation of HORNBACH's brand among customers, investors, and the general public therefore always has implications for the level of trust they place in the brand and their resultant loyalty to HORNBACH. Causes of reputational risk include management, communications, and marketing errors towards customers, deficient advice, inadequate services, defective products, accidents, and environmental scandals. Reputational risks may impact on the company in a variety of ways. In our retail business, they may lead to a temporary or permanent decline in demand and include the loss of customers.

2.6.3 Personnel risks

The deployment of highly motivated and qualified employees is one of the foundations for HORNBACH's success. This pillar of the corporate culture is therefore of great significance for the overall Group. Employee qualification levels are continually improved with appropriate training and development measures. Bonus models support the company in reaching its objectives. In its recruitment and retention of highly qualified specialist and management personnel, however, HORNBACH is dependent on a variety of external factors, such as overall developments on the labor market or in the sector, and is also subject to the country-specific impact of demographic changes. Moreover, in the 2022/23 financial year high inflation led to marked rises in wages and salaries and involves the risk of significant further pay rises that are not covered by corresponding income from business operations.

2.7 Overall assessment of risk situation

There were no risks to the continued existence of the HORNBACH Holding AG & Co. KGaA Group in the 2022/23 financial year. From a current perspective, there are also no discernible risks that could endanger the continued existence of the company in future or sustainably impair its earnings, financial or net asset position over several years.

Opportunity Report

The European DIY market will continue to provide HORNBACH with growth opportunities in future as well. These are to be assessed in conjunction with the risks outlined in the Risk Report and the evaluation of the future macroeconomic framework provided in the Outlook.

1. Construction: Great Need for Maintenance and Modernization

Construction work on existing buildings (refurbishment, modernization, and renovation) is a prominent factor in the business performance of DIY and garden stores. Based on calculations by the German Institute for Economic Research (DIW), more than two thirds of housing construction volumes in Germany, which totaled € 312 billion in 2022, involved construction work on existing buildings. Due to the new interest rate climate, the DIW expects the price-adjusted volume of new construction work and of work on existing buildings to fall by 3.4 % and 1.9 % respectively in 2023. The reduction in new construction work could nevertheless free up increasing capacities among tradespeople for work on existing buildings once again. Not only that: Work on existing buildings can be adjusted more quickly and less complicatedly to changes in budget limitations than is the case for new construction work.

One key motivation to modernize housing stock is to enhance its energy efficiency. Alongside the aim of cutting CO_2 emissions, the substantial rise in energy costs and the long-term prospect of higher energy prices have further increased the incentives to invest in energy-related refurbishment. Subsidy programs may be extended to account for European climate protection targets. In the medium and long term, the age structure of real estate in continental Europe also indicates a growing need for maintenance and modernization. In Germany and Sweden, for example, around 80 % of houses and apartments are more than 30 years old, while the equivalent figure for Austria and Switzerland is around 70 %. In view of demographic developments in Europe, there is also increasing demand for senior citizen-friendly construction solutions, such as barrier-free access to buildings and apartments, the installation of elevators, and doorway-widening and sanitary room conversion measures.

2. Consumer Trends: Cocooning, Online Shopping, and Sustainability

The coronavirus pandemic increased the importance consumers attach to their own four walls. People are still working from home to a greater extent than before and thus spending more time at home overall. According to a study by the ifo Institute, people who work from home are significantly more likely to move house. This could lead to higher demand for the product ranges needed for DIY and home improvement projects compared with the pre-pandemic years.

Due to restrictions on stationary sales, online retail with DIY product ranges showed especially strong growth during the pandemic in 2020 and 2021. Once these restrictions were lifted, online retail contracted slightly in 2022 but nevertheless remains well ahead of pre-pandemic levels. HORNBACH has pursued an interconnected retail strategy since 2010 already and has in recent years benefited from the trend towards online shopping to a greater extent than other stationary DIY store chains.

DIY customers also increasingly value products that are both ecologically and economically sustainable and that help to save water or energy, are durable and recyclable, and thus have a small ecological footprint over the whole of the product lifecycle. According to a study published by PricewaterhouseCoopers in 2022, nearly 60% of German consumers consider sustainability when making purchases. Given rising energy prices, customers are focusing more closely on energy efficiency and their own energy generation. Offering a suitable selection of products, product certification, transparent product information and advice, and environmentally-friendly packaging – these are important competitive factors.

3. New Customer Groups: Commercial Customers and DIFM

The European DIY market is characterized by a large number of different sales formats. In Germany, for example, DIY and home improvement stores only cover around half of the core DIY market. The other half of market volumes is attributable to specialist retailers (e.g. specialist tile, interior decoration, lighting, or sanitary stores), builders' merchants, and timber merchants. By offering suitable customer focus and specialist retail concepts, DIY store operators have the opportunity to acquire additional market share at the cost of other sales formats. This leads to growth opportunities in other customer groups and market segments, particularly in countries in which DIY stores account for a low share of the overall DIY market.

HORNBACH's generously proportioned stores, stocking of large quantities, rapid handling of purchases at our drive-in stores and builders' merchant centers, and uncomplicated acceptance of residual volumes no longer required make it an attractive alternative to traditional specialist retail or wholesale procurement sources. Given that our retail format is increasingly attracting professional customers, we have also been able to acquire production specialists who would otherwise only supply professional specialist retailers.

We see the market segment of do-it-for-me (DIFM) customers as harboring promising growth opportunities, also in the broader context of ageing populations in Germany and other parts of Europe. DIFM customers purchase the products for their home improvement projects themselves, but then prefer to have the work itself performed by tradespeople. HORNBACH cooperates at all of its locations with regional trade companies that implement the projects for our customers at fixed prices and assume the warranty for these projects.

4. Digitalization: ICR and Automated Processes

Since 2010, the HORNBACH Baumarkt AG Group has forged consistently ahead with digitalizing its business model and with its transformation into an interconnected retail business. Thanks to these efforts, we have sustainably boosted our competitive position within the DIY sector and made the whole company fit for the future. We expect the digitalization of store organization, sales, and the associated dovetailing of these processes with procurement and logistics to sustainably benefit the Group's sales and earnings performance. In digitalizing our supply chains, the key focus is on reducing or eliminating manual work steps by automating procurement, provision, and data processing. We are particularly looking into using artificial intelligence (AI) to improve process control and identify sales opportunities by analyzing products and services.

We have equipped all sales staff at our stores with mobile multifunction devices, thus significantly reducing their manual work steps and movements and enabling them to spend more time advising customers. Our self-service checkouts serve the same purpose, as does the self-scanning function, which enables customers to scan their articles while shopping already and considerably speed up the payment process at the checkout, particularly for larger-scale purchases. In its administration departments, HORNBACH has installed the infrastructure needed for mobile work. Flexibly structuring work hours will help employees to better combine their work and private commitments and thus enhance their performance capacity in future as well.

5. Expansion in Europe

Our expansion into other European countries will provide us with additional growth prospects in future as well due to greater sales potential, higher profitability, and the better distribution of regional market risks. In the next five years, the company plans to open around 20 new DIY stores and garden centers, mainly outside Germany. Furthermore, the internationalization of Group procurement provides us with broad access to global procurement markets and enables us to build strategic, long-term partnerships with suppliers and industry. The proximity of our suppliers to procurement structures in individual countries means that we can optimally adapt our product selection to regional requirements and improve our margins due to benefits of scale.

6. Explanatory Comments on the Risk and Opportunity Report of HORNBACH Holding AG & Co. KGaA

The risks and opportunities at HORNBACH Holding AG & Co. KGaA are largely consistent with those presented for the HORNBACH Holding AG & Co. KGaA Group.

Outlook

1. Macroeconomic and Sector-Specific Framework

One crucial factor for the business prospects of the HORNBACH Group is the future development in consumer demand and in construction and renovation activity in the countries in which we operate. Not only that, exceptional weather conditions can severely impact on consumer behavior and on our seasonal business, even though this factor cannot be accounted for in our advanced planning. Furthermore, economic and geopolitical crises may significantly impact on our company's business performance.

1.1 Business framework in Europe

Upon the preparation of this report, Germany's leading economic research institutes (Joint Economic Forecast) expected economic output in the EU 27 countries to grow by 0.8 % and consumer prices to rise by 6.1 % in the EU 27 countries in the 2023 calendar year. Persistently high inflation is squeezing the purchase power of private households, while rising interest rates are holding back demand in the overall economy. Energy prices have been declining for several months, but among consumers inflation is falling only slowly. The institutes assume that the war in Ukraine will continue and that the sanctions imposed on Russia will remain in place. With regard to the availability of gas in Europe, it is assumed that the supply can be secured beyond the fall of 2023. As inflation is falling only slowly and state transfers are due to expire, private consumer spending can also be expected to remain weak at first. The global industrial economy in particular has been supported by the fact that international supply chains have largely normalized. Given the end of the pandemic, no severe disruptions to supply chains are currently apparent for the forecast period.

1.2 Business framework in Germany

For Germany, the country's leading economic research institutes expect the country's gross domestic product to grow by 0.3 % and consumer prices to rise by 6.0 % in the 2023 calendar year. The wave of inflation is believed to have peaked, although the level of inflation actually measured has initially been suppressed by government-backed price caps on electricity and gas. Furthermore, the economic research institutes expect real-term incomes to rise as the year progresses, with this being driven not least by significant increases expected to be agreed in collective pay rounds. Private consumer spending, however, is only expected to make a positive contribution to economic growth from the coming year. According to the experts, the construction industry is expected to hold back developments in the overall economy. Demand for housing construction in particular is expected to remain weak due to rising financing costs.

The BHB, the DIY sector association, expects product ranges relating to energy efficiency refurbishment and private energy generation to gain in significance in future. Given global crises, people are likely to continue investing in their own homes as places to withdraw, work, and spend their leisure time. Sustainability is a topic that is still viewed as a megatrend even in economically challenging times.

2. Forecast Business Performance in 2023/24

2.1 Expansion and investments

In the one-year forecast period, the Group will continue to focus on expanding and modernizing its store network and on further developing the online shops in its existing country markets. One new store opening is planned for the 2023/24 financial year, in this case in Nijmegen (Netherlands). Our store in Nuremberg will be closed in December 2023 and then rebuilt and expanded at the same location. The reopening is scheduled for early 2025. Overall, the total number of locations will remain unchanged at 171 at the reporting date on February 29, 2024. Due to the new store in the Netherlands, the number of locations outside Germany will rise to 73.

For the 2023/24 financial year, the HORNBACH Group has budgeted capital expenditure (CAPEX) at the same level as in the previous year (€ 203.5 million). The overwhelming share of these funds is to be channeled into building new stores, plant and office equipment at new and existing stores, converting and extending existing stores, and IT infrastructure.

2.2 Sales performance

We issue our guidance for the 2023/24 financial year with due caution given continuing macroeconomic challenges, such as inflation and its impact on product pricing, and the subdued start to the spring season in key markets due to unsettled weather. We therefore expect net sales at the HORNBACH Holding AG & Co. KGaA Group to match, slightly exceed, or fall slightly short of the figure for the 2022/23 financial year (€ 6,263 million).

2.3 Earnings performance

To respond to ongoing inflationary and product pricing dynamics, as well as to unusually poor weather conditions at the start of the main DIY season in Q1 2023/24, we are focusing more closely on our cost base. This will also involve optimizing operating expenses at our stores and in our administration. We nevertheless aim to uphold our long-term growth strategy and maintain our commitment to price leadership.

We aim to generate adjusted EBIT at the same level as in the 2022/23 financial year (€ 290.1 million). This is based on the assumption that the gross margin will improve slightly compared with 2022/23. At this stage in the year, however, we also cannot rule out the possibility of adjusted EBIT falling short of the 2022/23 figure by approximately 5 %-15 %. This potential reduction in adjusted EBIT is due in particular to the uncertainties around the assessment of consumer behavior given the interplay of inflation, real wage developments and interest rates, alongside the impact of efficiency measures we plan to implement.

Other Disclosures

1. Disclosures under § 315a and § 289a HGB and Explanatory Report of the Board of Management

As the parent company of the HORNBACH Holding AG & Co. KGaA Group, HORNBACH Holding AG & Co. KGaA participates in an organized market as defined in § 2 (7) of the German Securities Acquisition and Takeover Act (WpÜG) by means of the shares with voting rights thereby issued and therefore reports in accordance with § 315a and § 289a of the German Commercial Code (HGB).

1.1 Composition of share capital

The share capital of HORNBACH Holding AG & Co. KGaA, amounting to € 48,000,000.00, is divided into 16,000,000 ordinary bearer shares with a prorated amount in the share capital of € 3.00 per share. Each no-par ordinary share entitles its holder to one vote at the Annual General Meeting. Reference is made to the relevant requirements of stock corporation law in respect of the further rights and obligations for ordinary shares.

At the balance sheet date on February 28, 2023, the company held a total of 6,875 ordinary shares as treasury stock (see Note 21 Shareholders' equity).

1.2 Direct or indirect shareholdings

Based on the voting right notifications received pursuant to WpHG, the following parties directly or indirectly hold more than 10% of the voting rights:

- Hornbach Familien-Treuhandgesellschaft mbH, Annweiler am Trifels, Germany, 37.50%
- Finda Oy, Helsinki, Finland, 10.06%

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

HORNBACH Holding AG & Co. KGaA does not have a Board of Management. The business activities of HORNBACH Holding AG & Co. KGaA are managed by its General partner, Hornbach Management AG, which has a two-member Board of Management. The Supervisory Board of a KGaA has no personnel-related competence for the Board of Management of the General Partner. Amendments to the Articles of Association are governed by the legal requirements referred to in § 278 of the German Stock Corporation Act (AktG).

1.4 Change of control

No agreements taking effect upon any change of control are in place between HORNBACH Holding AG & Co. KGaA and third parties.

2. Corporate Governance Statement pursuant to § 315d HGB and § 289f HGB

The Corporate Governance Statement requiring submission pursuant to § 315d and § 289f of the German Commercial Code (HGB) is available on our website (www.hornbach-holding.de/en/company/corporate-governance). Pursuant to § 317 (2) Sentence 6 HGB, the contents of the disclosures made pursuant to § 315d HGB and § 289f HGB are not included in the audit by the auditor.

3. Dependent Company Report

A report on relationships with associate companies has been compiled for the 2022/23 financial year pursuant to § 312 of the German Stock Corporation Act (AktG). With regard to those transactions requiring report, the report states: "Our company has received adequate counterperformance for all legal transactions executed with the controlling company or any associate of such or at the instigation or on behalf of any of these companies in accordance with the circumstances known to us at the time at which the legal transactions were performed. No measures were taken or omitted at the instigation of or on behalf of the controlling company or any associate of such."

Non-Financial Report

Listed companies are required by § 289b and § 289c of the German Commercial Code (HGB) to report once a year on the impact of their business activities on environmental, social, and employee concerns, compliance with human rights, measures to combat corruption and bribery, and material associated risks. HORNBACH Holding AG & Co. KGaA has submitted a non-financial Group report for the 2022/23 financial year pursuant to § 315b HGB. This will be published at the same time as the Annual Report on the company's homepage and in the Companies Register (www.hornbach-holding.de/en/investor-relations/reports-presentations).

Neustadt an der Weinstrasse, May 11, 2023

HORNBACH Holding AG & Co. KGaA
represented by the General Partner HORNBACH Management AG,
represented by the Board of Management

Albrecht Hornbach   Karin Dohm

DISCLAIMER: Our combined management report should be read in conjunction with the audited financial data of the HORNBACH Holding AG & Co. KGaA Group and the disclosures made in the notes to the consolidated financial statements, which can be found in other sections of this Annual Report. It contains statements referring to the future based on assumptions and estimates made by HORNBACH's management. Although we assume that the expectations expressed 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 lead actual results, developments, and outcomes to differ significantly from the forecast statements. The factors which could produce such variances include changes in the economic and business environment, particularly in respect of consumer behavior and the competitive environment in those retail markets of relevance for HORNBACH. Furthermore, they include exceptional weather conditions, a lack of acceptance for 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 has no plans to update forward-looking statements, neither does it accept any obligation to do so.

CONSOLIDATED FINANCIAL STATEMENTS

Income Statement of HORNBACH Holding AG & Co. KGaA Group

for the Period from March 1, 2022 to February 28, 2023

	Notes	2022/23 € 000s	2021/22 € 000s	Change %
Sales	1	6,263,133	5,874,957	6.6
Cost of goods sold	2	4,172,643	3,817,058	9.3
Gross profit		**2,090,490**	**2,057,899**	**1.6**
Selling and store expenses	3/10	1,561,170	1,449,216	7.7
Pre-opening expenses	4/10	6,807	17,458	(61.0)
General and administration expenses	5/10	280,947	257,161	9.2
Other income and expenses	6/10	16,935	20,907	(19.0)
Earnings before interest and taxes (EBIT)		**258,501**	**354,971**	**(27.2)**
Other interest and similar income		5,598	1,039	>100
Other interest and similar expenses		50,265	43,936	14.4
Other financial result		4,457	2,232	99.7
Net financial expenses	**7**	**(40,210)**	**(40,665)**	**(1.1)**
Consolidated earnings before taxes		**218,291**	**314,305**	**(30.5)**
Taxes on income	8	50,458	69,798	(27.7)
Consolidated net income		**167,833**	**244,507**	**(31.4)**
of which: income attributable to shareholders of HORNBACH Holding AG & Co. KGaA		157,074	199,660	(21.3)
of which: non-controlling interests		10,760	44,847	(76.0)
Basic/diluted earnings per share (€)	**9**	**9.83**	**12.48**	**(21.2)**

Statement of Comprehensive Income of the HORNBACH Holding AG & Co. KGaA Group

for the Period from March 1, 2022 to February 28, 2023

	Notes	2022/23 € 000s	2021/22 € 000s
Consolidated net income		**167,833**	**244,507**
Actuarial gains and losses on defined benefit plans	24/25	11,808	5,450
Deferred taxes on actuarial gains and losses on defined benefit plans		(1,835)	(989)
Other comprehensive income that will not be recycled at a later date		**9,973**	**4,462**
Measurement of derivative financial instruments (cash flow hedge)			
Measurement of derivative hedging instruments directly in equity [1]	32/33	274	(145)
Gains and losses from measurement of derivative financial instruments transferred to profit or loss		92	327
Exchange differences arising on the translation of foreign subsidiaries		18,483	15,460
Deferred taxes on other comprehensive income	8	(54)	(56)
Other comprehensive income that will possibly be recycled at a later date		**18,795**	**15,586**
Total comprehensive income		**196,601**	**264,555**
of which: attributable to shareholders of HORNBACH HOLDING AG & Co. KGaA		183,526	215,153
of which: attributable to non-controlling interests		13,076	49,402

[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 of the HORNBACH Holding AG & Co. KGaA Group

as of February 28, 2023

Assets	Notes	2.28.2023 € 000s	2.28.2022 € 000s
Non-current assets			
Intangible assets	11	24,302	20,025
Property, plant, and equipment	12	1,806,109	1,715,703
Investment property	12	25,944	26,948
Right-of-use assets	13	819,626	788,801
Financial assets	14	162	112
Other non-current receivables and assets	15	6,803	5,875
Deferred tax assets	16	35,051	21,679
		2,717,997	**2,579,144**
Current assets			
Inventories	17	1,382,348	1,230,429
Trade receivables	18	57,185	47,270
Contract assets	18	2,023	1,576
Other current assets	18	105,444	98,281
Income tax receivables	27	20,911	12,958
Cash and cash equivalents	19	436,976	332,262
Non-current assets held for sale	20	2,881	3,738
		2,007,768	**1,726,514**
		4,725,765	**4,305,658**

Equity and liabilities	Notes	2.28.2023 € 000s	2.28.2022 € 000s
Shareholders' equity	21		
Share capital		47,979	48,000
Capital reserve		130,488	130,373
Revenue reserves		1,596,895	1,451,934
Equity of shareholders of HORNBACH HOLDING AG & Co. KGaA		**1,775,362**	**1,630,307**
Non-controlling interests		121,700	130,995
		1,897,061	**1,761,302**
Non-current liabilities			
Non-current financial debt	23	552,135	592,506
Non-current lease liabilities	23	826,588	778,443
Pensions and similar obligations	24	144	12,856
Deferred tax liabilities	16	33,627	31,327
Other non-current liabilities	25/28	50,041	50,274
		1,462,535	**1,465,406**
Current liabilities			
Current financial debt	23	300,734	220,939
Current lease liabilities	23	100,800	96,368
Trade payables	26	384,654	409,169
Liabilities from reverse factoring program	26	250,016	0
Contract liabilities	26	49,477	52,920
Other current liabilities	26	116,605	106,798
Income tax liabilities	27	35,196	43,416
Other provisions and accrued liabilities	28	128,687	149,340
		1,366,169	**1,078,950**
		4,725,765	**4,305,658**

Statement of Changes in Equity of the HORNBACH Holding AG & Co. KGaA Group

2021/22 financial year € 000s	Notes	Share capital	Capital reserve	Hedging reserve	Cumulative currency translation	Other revenue reserves	Equity attributable to shareholders	Non-controlling interests	Total Group equity
Balance at March 1, 2021		**48,000**	**130,373**	**(438)**	**16,416**	**1,282,454**	**1,476,806**	**295,195**	**1,772,002**
Consolidated net income						199,660	199,660	44,847	244,507
Actuarial gains and losses on defined benefit plans, net after taxes	24/25					3,407	3,407	1,055	4,462
Measurement of derivative financial instruments (cash flow hedge), net after taxes	32/33			126			126	0	126
Exchange differences arising on the translation of foreign subsidiaries					11,960		11,960	3,500	15,460
Total comprehensive income				**126**	**11,960**	**203,068**	**215,153**	**49,402**	**264,555**
Dividend distribution	22					(32,000)	(32,000)	(6,770)	(38,770)
Treasury stock transactions	21				0	139	139	232	372
Acquisition of shares of a subsidiary without change of control	21				7,399	(37,192)	(29,793)	(207,064)	(236,857)
Balance at February 28, 2022		**48,000**	**130,373**	**(312)**	**35,775**	**1,416,470**	**1,630,307**	**130,995**	**1,761,302**

2022/23 financial year € 000s	Notes	Share capital	Capital reserve	Hedging reserve	Cumulative currency translation	Other revenue reserves	Equity attributable to share-holders	Non-controlling interests	Total Group equity
Balance at March 1, 2022		**48,000**	**130,373**	**(312)**	**35,775**	**1,416,470**	**1,630,307**	**130,995**	**1,761,302**
Consolidated net income						157,074	157,074	10,760	167,833
Actuarial gains and losses on defined benefit plans, net after taxes	24/25					9,196	9,196	777	9,973
Measurement of derivative financial instruments (cash flow hedge), net after taxes	32/33			312			312		312
Exchange differences arising on the translation of foreign subsidiaries					16,944		16,944	1,539	18,483
Total comprehensive income				**312**	**16,944**	**166,270**	**183,526**	**13,076**	**196,601**
Dividend distribution	22					(38,400)	(38,400)	(2,564)	(40,964)
Treasury stock transactions	21	(21)	115			(589)	(495)		(495)
Acquisition of shares of a subsidiary without change of control	21				840	(416)	424	(19,806)	(19,382)
Balance at February 28, 2023		**47,979**	**130,488**	**0**	**53,559**	**1,543,335**	**1,775,362**	**121,700**	**1,897,061**

Cash Flow Statement of the HORNBACH Holding AG & Co. KGaA Group

	Notes	2022/23 € 000s	2021/22 € 000s
Consolidated net income		**167,833**	**244,507**
Depreciation and amortization of property, plant, and equipment and intangible assets	10	122,706	102,103
Depreciation of right-of-use assets	13	130,280	110,952
Change in provisions		(1,951)	(899)
Gains/losses on disposals of non-current assets and of non-current assets held for sale		(851)	(3,571)
Change in inventories, trade receivables and other assets		(175,668)	(244,015)
Change in trade payables and other liabilities		197,386	142,463
Other non-cash income/expenses		(14,290)	(6,592)
Cash flow from operating activities		**425,446**	**344,948**
Proceeds from disposal of non-current assets and of non-current assets held for sale		5,484	6,883
Payments for investments in property, plant, and equipment		(188,144)	(171,645)
Payments for investments in intangible assets		(15,271)	(6,947)
Payments for investments in financial assets		(50)	0
Cash flow from investing activities		**(197,981)**	**(171,709)**
Dividends paid	22	(40,964)	(38,770)
Proceeds from taking up long-term debt	23	245,000	70,000
Repayment of long-term debt	23	(26,154)	(181,236)
Repayment of current and non-current lease liabilities	23	(103,111)	(96,969)
Payments for transaction costs		(300)	0
Change in level of shareholding in subsidiary with no change in control		(209,607)	(31,558)
Cash flow from financing activities		**(135,137)**	**(278,533)**
Cash-effective change in cash and cash equivalents		92,328	(105,294)
Change in cash and cash equivalents due to changes in exchange rates		2,465	2,598
Cash and cash equivalents at March 1		332,262	434,958
Cash and cash equivalents at balance sheet date		**427,055**	**332,262**

In addition to cash on hand, credit balances at banks, and other short term deposits totaling € 436,976k (2021/22: € 332,262k), cash and cash equivalents also include current account overdraft liabilities of € 9,921k (2021/22: € 0k). The other non-cash income/expenses item mainly relates to deferred taxes, the updating of financing expenses deferred using the effective interest method, expenses for interest deferrals, write-ups on non-financial non-current assets, non-cash income/expenses for leases, and unrecognized exchange rate differences.

The cash flow from operating activities was reduced by income tax payments of € 80,379k (2021/22: € 68,497k) and interest payments of € 48,425k (2021/22: € 46,061k) and increased by interest received of € 5,598k (2021/22: € 1,039k). Of interest payments, € 29,265k (2021/22: € 27,289k) involved interest paid on leases. Furthermore, the cash flow from operating activities for the first time also includes effects resulting from use of the reverse factoring program. The liabilities of € 250,016k (2021/22: € 0k) from the reverse factoring program form part of the regular business cycle. They are therefore still deemed to be of an operating nature.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Explanatory Notes on Accounting Policies

Information about the company

HORNBACH Holding AG & Co. KGaA, whose legal domicile is at Le Quartier Hornbach 19, Neustadt an der Weinstrasse, Germany, and its subsidiaries develop and operate DIY megastores with garden centers on an international basis. In addition, HORNBACH Holding AG & Co. KGaA and its subsidiaries are active on a regional level in the professional construction materials and builders' merchant business. The company is entered in the Commercial Register (No. HRB 64616) at Ludwigshafen am Rhein District Court. Shares in HORNBACH Holding AG & Co. KGaA are listed in the Prime Standard and traded under ISIN DE0006083405 on the Xetra and Frankfurt am Main stock exchanges.

HORNBACH Holding AG & Co. KGaA and its subsidiaries are included in the consolidated financial statements of HORNBACH Management AG. The consolidated financial statements and Group management report of HORNBACH Management AG are published in the Company Register (*Unternehmensregister*).

Basis of preparation

In line with § 315e (1) of the German Commercial Code (HGB), HORNBACH Holding AG & Co. KGaA prepares consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as requiring mandatory application in the European Union. New IFRS are only applied following their endorsement by the European Union. Application has been made of all IFRS and pronouncements of the IFRS Interpretations Committee (IFRS IC) with binding effect for the 2022/23 financial year. The consolidated financial statements and Group management report of HORNBACH Holding AG & Co. KGaA are published in the Company Register (*Unternehmensregister*).

The financial year of HORNBACH Holding AG & Co. KGaA and thus of the Group runs from March 1 of each year through to the final day of February of the following year.

The income statement, statement of comprehensive income, balance sheet, cash flow statement, and statement of changes in equity are presented separately in the consolidated financial statements. To enhance clarity, individual income statement and balance sheet items have been grouped together. These items are reported separately in the notes. In line with IAS 1 "Presentation of Financial Statements", a distinction is made in balance sheet reporting between non-current and current debt capital. Debt items are treated as current if they are due within one year.

The consolidated financial statements have been compiled in euros. This represents the functional currency at HORNBACH Holding AG & Co. KGaA. The figures have been rounded to the nearest thousand or million euros. Such rounding up or down may result in discrepancies between the figures depicted in the various sections of these notes.

The General Partner HORNBACH Management AG prepared the consolidated financial statements of HORNBACH Holding AG & Co. KGaA and approved them for publication on May 11, 2023. The period in which adjusting events could be accounted for thus expired as of this date.

Changes to accounting policies due to new accounting requirements

The following policies require mandatory application from the 2022/23 financial year onwards:

- Amendments to IFRS 3 “Business Combinations” – Reference to the Conceptual Framework
- Amendments to IAS 16 “Property, Plant and Equipment” – Proceeds before Intended Use
- Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” – Onerous Contracts – Costs of Fulfilling a Contract
- Annual Improvements to IFRS – 2018-2020 Cycle

The policies requiring application for the first-time in the 2022/23 financial year did not have any material implications for the consolidated financial statements of HORNBACH Holding AG & Co. KGaA.

Standards and interpretations not applied prematurely

The IASB and the IFRS IC have issued new standards, revisions to existing standards, and interpretations which only require mandatory application in later financial years and which the HORNBACH Holding AG & Co. KGaA Group has also not applied prematurely.

The following provisions require mandatory application from the 2023/24 financial year:

- IFRS 17 “Insurance Contracts” (including amendments to standard)
- Amendments to IFRS 17 “Insurance Contracts” – Initial Application of IFRS 17 and IFRS 9 – Comparative Information
- Amendments to IAS 1 “Presentation of Financial Statements” and IFRS Practice Statement 2 – Disclosure of Accounting Policies
- Amendments to IAS 8 “Accounting Policies, Changes in Estimates and Errors” – Definition of Accounting Estimates
- Amendments to IAS 12 “Income Taxes – Deferred Tax Related to Assets and Liabilities from a Single Transaction”

These provisions are not expected to have any material implications for the consolidated financial statements of HORNBACH Holding AG & Co. KGaA.

The following provisions had been published by the International Accounting Standards Board as of the balance sheet date but not yet endorsed by the European Union:

- Amendments to IFRS 16 “Leases” – Lease Liability in a Sale and Leaseback
- Amendments to IAS 1 “Presentation of Financial Statements“ – Classification of Liabilities as Current or Non-Current and postponement of effective date
- Amendments to IAS 1 “Presentation of Financial Statements” – Non-Current Liabilities with Covenants

If endorsed, these new provisions are currently not expected to have any material implications for the Group's asset, financial, and earnings position.

Consolidation principles

The annual financial statements of the companies included in the consolidated financial statements are based on uniform recognition and measurement principles. The separate financial statements of the companies included in the consolidated financial statements have been prepared as of the balance sheet date for the consolidated financial statements. Subsidiaries have been included in the consolidated financial statements in accordance with IFRS 10.

Business combinations have been recognized using the purchase method. Any resultant debit differences have been recognized as goodwill. This is tested for impairment in the event of any indication of such and at least once a year.

Any change in the level of shareholding held in a fully consolidated company not leading to a change of status is recognized as an equity transaction.

Intercompany sales, income and expenses, and receivables and liabilities between the consolidated companies have been offset against each other. Where material, intercompany profits are eliminated. Within equity, minority interests in subsidiaries are recognized separately from Group equity.

Scope of consolidation

The assessment as to whether a subsidiary is fully consolidated in the consolidated financial statements of HORNBACH Holding AG & Co. KGaA is based on an assessment of control-related factors. Control over a subsidiary exists when HORNBACH can directly or indirectly influence the relevant activities of the subsidiary and when it is exposed to variable returns from the subsidiary or is entitled to such. Furthermore, control enables the level of returns to be influenced. HORNBACH generally acquires this right when it holds a majority of the voting rights. Where this is not the case, other contractual arrangements may lead to HORNBACH gaining control. Subsidiaries are fully consolidated in the consolidated financial statements of HORNBACH Holding AG & Co. KGaA on the date on which control is gained. Should any circumstances or facts indicate a change in the control relationship, then a reassessment is performed. Interests in companies not included in the scope of consolidation have been recognized at fair value or, where this cannot be reliably determined, at amortized cost. There were no interests in companies requiring recognition at equity at the balance sheet date.

In addition to HORNBACH Holding AG & Co. KGaA, the consolidated financial statements include 15 domestic and 47 foreign subsidiaries by way of full consolidation.

HORNBACH Holding AG & Co. KGaA is the sole shareholder in HORNBACH Immobilien AG and HORNBACH Baustoff Union GmbH and the majority shareholder with a 92.1% stake in HORNBACH Baumarkt AG (2021/22: 90.9%). Further information about direct and indirect voting rights has been presented in the "Consolidated shareholdings" overview. The following subsidiaries made full use of the exemption provided for in § 264 (3) of the German Commercial Code (HGB) in the 2022/23 financial year:

- HORNBACH Baustoff Union GmbH, Neustadt/Weinstrasse,
- Union Bauzentrum HORNBACH GmbH, Neustadt/Weinstrasse,
- Ruhland-Kallenborn & Co. GmbH, Neustadt/Weinstrasse,
- Robert Röhlinger GmbH, Neustadt/Weinstrasse.

The HORNBACH Baumarkt AG subsidiary compiles its own consolidated financial statements together with its own subsidiaries. The companies consolidated there are included in the consolidated financial statements of HORNBACH Holding AG & Co. KGaA.

Changes in the scope of consolidation

The shareholding held in HORNBACH Baumarkt AG was increased from 90.9% to 92.1% in the current financial year.

HORNBACH Baustoff Union GmbH Subgroup

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 € 900k 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 management 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 2022/23
Intangible assets	3,937
Property, plant, and equipment	6,265
Right-of-use assets	303
Inventories	4,021
Total assets	**14,526**
Lease liabilities	303
Other liabilities	1,204
Total liabilities	**1,507**
Net assets	**13,019**
Consideration	**16,442**
Goodwill	**3,423**

Since full consolidation, the business operations taken over contributed sales of € 23,374k and earnings after taxes of € 188k in the 2022/23 financial year. Full consolidation from the start of the financial year would have increased consolidated sales by around € 42,302k and earnings after taxes by around € 340k.

The development in the scope of consolidation was as follows:

	2022/23	2021/22
March 1	**63**	**63**
Companies consolidated for the first time	0	0
February 28	**63**	**63**

Consolidated shareholdings

Company name and domicile	Shareholding in %	Equity[1] in thousands, local currency	Local Currency
Germany			
HORNBACH Baumarkt AG, Bornheim	92.1[2]	872,492	EUR
HORNBACH Immobilien AG, Bornheim	100[2]	138,661	EUR
HORNBACH International GmbH, Bornheim	92.1	106,019	EUR
HORNBACH Beteiligungen GmbH, Bornheim	92.1[2]	7,809	EUR
AWV-Agentur für Werbung und Verkaufsförderung GmbH, Bornheim	92.1	26	EUR
HORNBACH Baustoff Union GmbH, Neustadt/Weinstraße	100[2]	72,318	EUR
Union Bauzentrum HORNBACH GmbH, Neustadt/Weinstraße	100	26,556	EUR
Ruhland-Kallenborn & Co. GmbH, Neustadt/Weinstraße	100	13,631	EUR
Robert Röhlinger GmbH, Neustadt/Weinstraße	100	3,141	EUR
HB Reisedienst GmbH, Bornheim	92.1	7,281	EUR
BODENHAUS GmbH, Essingen	92.1	(788)	EUR
HORNBACH Versicherungs-Service GmbH, Bornheim	92.1	774	EUR
HORNBACH Forst GmbH, Bornheim	92.1	(547)	EUR
HIAG Immobilien Jota GmbH, Bornheim	100	(252)	EUR
HIAG Grundstücksentwicklungs GmbH, Neustadt/Weinstraße	100	1,345	EUR
Other countries			
HORNBACH Baumarkt GmbH, Wiener Neudorf, Austria	92.1	104,801	EUR
HL Immobilien Lambda GmbH, Wiener Neudorf, Austria	92.1	18,569	EUR
G.N.E. Global Grundstücksverwertung GmbH, Wiener Neudorf, Austria	92.1	3,141	EUR
HO Immobilien Omega GmbH in Liquidation, Wiener Neudorf, Austria	99.9	(410)	EUR
HR Immobilien Rho GmbH in Liquidation, Wiener Neudorf, Austria	99.9	(287)	EUR
HC Immobilien Chi GmbH in Liquidation, Wiener Neudorf, Austria	99.9	(159)	EUR
HM Immobilien My GmbH, Wiener Neudorf, Austria	100	(160)	EUR
HB Immobilien Bad Fischau GmbH, Wiener Neudorf, Austria	100[3]	(311)	EUR

1) Shareholders' equity corresponds to the local equity; in the case of HORNBACH Centrala SRL and HORNBACH Imobiliare SRL, however, equity has been determined in accordance with IFRS.
2) Direct shareholding
3) Of which: 1% direct shareholding

Company name and domicile	Shareholding in %	Equity[1)] in thousands, local currency	Local Currency
HORNBACH Baumarkt Luxemburg SARL, Bertrange, Luxembourg	92.1	23,428	EUR
HORNBACH Holding B.V., Amsterdam, Netherlands	92.1	269,008	EUR
HORNBACH Bouwmarkt (Nederland) B.V., Driebergen-Rijsenburg, Netherlands	92.1	35,772	EUR
HORNBACH Real Estate Apeldoorn B.V., Apeldoorn, Netherlands	92.1	754	EUR
HORNBACH Real Estate Enschede B.V., Enschede, Netherlands	92.1	559	EUR
HORNBACH Real Estate Tilburg B.V., Tilburg, Netherlands	92.1	1,239	EUR
HORNBACH Real Estate Groningen B.V., Groningen, Netherlands	92.1	1,211	EUR
HORNBACH Real Estate Wateringen B.V., Wateringen, Netherlands	92.1	1,491	EUR
HORNBACH Real Estate Alblasserdam B.V., Alblasserdam, Netherlands	92.1	1,066	EUR
HORNBACH Real Estate Nieuwegein B.V., Nieuwegein, Netherlands	92.1	1,826	EUR
HORNBACH Real Estate Nieuwerkerk B.V., Nieuwerkerk, Netherlands	92.1	1,457	EUR
HORNBACH Real Estate Geleen B.V., Geleen, Netherlands	92.1	747	EUR
HORNBACH Reclame Activiteiten B.V., Nieuwegein, Netherlands	92.1	(119)	EUR
HORNBACH Real Estate Breda B.V., Breda, Netherlands	92.1	1,937	EUR
HORNBACH Real Estate Amsterdam-Sloterdijk, Amsterdam, Netherlands	92.1	1,026	EUR
HORNBACH Real Estate Nederland B.V., Amsterdam, Netherlands	100	39	EUR
HORNBACH Real Estate Best B.V., Nieuwegein, Netherlands	92.1	1,334	EUR
HORNBACH Real Estate Den Haag B.V., The Hague, Netherlands	92.1	1,398	EUR
HORNBACH Real Estate Zwolle B.V., Zwolle, Netherlands	92.1	1,050	EUR
HORNBACH Real Estate Almelo B.V., Almelo, Netherlands	92.1	10	EUR
HORNBACH Real Estate Duiven B.V., Duiven, Netherlands	92.1	432	EUR
HORNBACH Real Estate Rotterdam B.V., Rotterdam, Netherlands	92.1	17	EUR
HORNBACH Real Estate Nijmegen B.V., Nijmegen, Netherlands	100	(183)	EUR
HORNBACH Baumarkt CS spol s.r.o., Prague, Czech Republic	92.1	3,714,818	CZK
HORNBACH Immobilien H.K. s.r.o., Prague, Czech Republic	99.2	956,403	CZK
HORNBACH Baumarkt (Schweiz) AG, Oberkirch, Switzerland	92.1	138,842	CHF
HORNBACH Byggmarknad AB, Gothenburg, Sweden	92.1	238,721	SEK
HIAG Fastigheter i Göteborg AB, Gothenburg, Sweden	100	97,740	SEK
HIAG Fastigheter i Helsingborg AB, Gothenburg, Sweden	100	66,159	SEK
HIAG Fastigheter i Göteborg Syd AB, Gothenburg, Sweden	100	833	SEK
HIAG Fastigheter i Stockholm AB, Gothenburg, Sweden	100	220,452	SEK
HIAG Fastigheter i Botkyrka AB, Gothenburg, Sweden	100	110,043	SEK
HORNBACH Immobilien SK-BW s.r.o., Bratislava, Slovakia	100	11,998	EUR
HORNBACH-Baumarkt SK spol. s.r.o., Bratislava, Slovakia	92.1	40,166	EUR
HORNBACH Centrala SRL, Domnesti, Romania	92.1	277,707	RON
HORNBACH Imobiliare SRL, Domnesti, Romania	100	276,302	RON
Etablissement Camille Holtz et Cie S.A., Phalsbourg, France	100	1,774	EUR
Saar-Lor Immobilière S.C.L., Phalsbourg, France	100	144	EUR
HORNBACH Asia Ltd., Kowloon, Hong Kong	92.1	18,634	HKD

[1)] Shareholders' equity corresponds to the local equity; in the case of HORNBACH Centrala SRL and HORNBACH Asia Ltd., however, equity has been determined in accordance with IFRS.

Control and profit and loss transfer agreements have been concluded between HORNBACH Holding AG & Co. KGaA and HORNBACH Immobilien AG and between HORNBACH Baustoff Union GmbH and Robert Röhlinger GmbH, Union Bauzentrum HORNBACH GmbH, and Ruhland-Kallenborn & Co. GmbH.

Furthermore, control and profit and loss transfer agreements are in place between HORNBACH Baumarkt AG and HORNBACH International GmbH and between HORNBACH Baumarkt AG and Hornbach Beteiligungen GmbH. Moreover, control and profit and loss transfer agreements are in place between HORNBACH Beteiligungen GmbH and AWV-Agentur für Werbung und Verkaufsförderung GmbH, BODENHAUS GmbH, and Hornbach Forst GmbH.

The profit and loss transfer agreement between HORNBACH Beteiligungen GmbH and HB Reisedienst GmbH was rescinded as of February 28, 2023.

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

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

The most important foreign exchange rates applied are as follows:

Country	Rate on reporting date		Average rate	
	2.28.2023	2.28.2022	**2022/23**	2021/22
RON Romania	4.9200	4.9484	4.92669	4.93261
SEK Sweden	11.0780	10.6055	10.75024	10,20196
CHF Switzerland	0.9947	1.0336	0.99678	1.07489
CZK Czech Republic	23.4970	24.9970	24.46572	25.39589
USD USA	1.0619	1.1199	1.04384	1.17009
HKD Hong Kong	8.3351	8.7514	8.17966	9.10269

Accounting policies

General principles

The following table presents the most important measurement principles applied by the Group when preparing the consolidated financial statements.

Balance sheet item	Measurement principle
Assets	
Goodwill	Impairment only approach
Intangible assets	
with indefinite useful lives	Impairment only approach
with finite useful lives	At amortized cost
Property, plant, and equipment	At amortized cost
Right-of-use assets	At amortized cost
Investment property	At amortized cost
Financial assets (current/non-current)	
Equity instruments	At fair value
Debt instruments	At amortized cost or fair value depending on business model
Assets from derivatives	At fair value
Inventories	Lower of cost and fair value less costs to sell
Trade receivables	At amortized cost or fair value depending on business model
Contract assets	At amortized cost
Other current assets	
Other receivables (financial instruments)	At amortized cost
Assets from derivatives	At fair value
Non-financial items	At amortized cost
Cash and cash equivalents	At amortized cost
Non-current assets held for sale and disposal groups	Lower of carrying amount and fair value less costs to sell
Equity and liabilities	
Financial debt (current/non-current)	
Liabilities to banks	At amortized cost
Liabilities for derivatives	At fair value
Lease liabilities	At amortized cost
Provisions	
Provisions for pensions	Present value of future obligations (projected unit credit method)
Other provisions	At expected settlement amount
Trade payables	At amortized cost
Contract liabilities	At amortized cost
Other liabilities	At amortized cost
Refund liabilities	At expected amount of refund
Accrued liabilities	At amortized cost

The company has not drawn on the option of remeasuring intangible assets, property, plant and equipment and investment property. Income and expenses have been deferred in line with their respective periods.

Goodwill

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

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

Intangible assets (except goodwill)

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

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

	Years
Software and licenses	3 to 8
Other intangible assets	3 to 20

Impairment losses are recognized when there are indications of impairment and the recoverable amount falls short of the carrying amount. Corresponding write-ups to a maximum of amortized cost are recognized when the reasons for impairment losses recognized in previous years no longer apply. Further details can be found under “Impairment of non-current non-financial assets”.

Property, plant and equipment and investment property

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

Depreciation is undertaken on a straight-line basis. If there are indications of any impairment in value and if the recoverable amount is less than the amortized cost, then impairment losses are recognized for the respective items of property, plant and equipment or investment property. Corresponding write-ups to a maximum of amortized cost are recognized when the reasons for impairment losses recognized in previous years no longer apply. Further details can be found under “Impairment of non-current non-financial assets”.

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

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

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

Leases

Leases are recognized in accordance with IFRS 16 requirements. As a result, lessees recognize essentially all leases for which no practical expedient or exemption is applied in the balance sheet with a right-of-use asset for the leased item and a lease liability for the (discounted) payment obligation assumed.

The application of practical expedients permits expenses for leases identified as short-term according to the definition provided in IFRS 16 and low-value leases to continue to be recognized in the functional expenses in the income statement in the period in which they are incurred. One exception involves the advertising space asset class, for which no application has been made of the aforementioned practical expedients. Furthermore, the Group has not applied the standard to leases involving intangible assets. Apart from the advertising space asset class, in leases which contain non-lease components, the non-lease components have been separated from the lease components.

The calculation of lease liabilities accounts for the following lease payments, which have been discounted using the interest rate implicit in the lease, where this can be determined:

- Fixed payments, less any lease incentives to be paid by the lessor
- Variable payments that depend on an index or interest rate
- Expected residual value payments for residual value guarantees
- The exercise price of a purchase option if such option is assessed as being reasonably certain to be exercised
- Payments of penalties for terminating the lease, if the lease term reflects the exercising of such option.

If the interest rate implicit in the lease cannot be determined, application is made of the lessee's incremental borrowing rate.

The lease liability develops on an annuity basis in accordance with the contractually agreed conditions. Interest expenses resulting from compounding are recognized under net financial expenses.

The volume of right-of-use assets is determined on the basis of the following components:

- Lease liabilities
- Lease payments made upon or prior to provision of the asset, less any lease incentives received
- Initial direct costs
- Dismantling obligations not involving regular maintenance.

In subsequent periods, right-of-use assets are measured at amortized cost. Depreciation is recognized on right-of-use assets on a straight-line basis over the lease term pursuant to IFRS 16. Depreciation is recognized in the functional areas to which the assets refer. If there are indications of impairment and if the recoverable amount falls short of amortized cost, then impairment losses are recognized for the right-of-use asset pursuant to IAS 36.

Real estate leases in particular contain extension or termination options which influence the determination of the contractual term and thus the level of right-of-use asset and lease liability. Changes to the term resulting from the exercising or non-exercising of such options are only accounted for when they are reasonably certain. A reassessment is made if a significant event or significant change in circumstances arises which is within the Group's control or an extension or termination option is actually exercised or not exercised. The reassessment of extension and termination options is performed in accordance with the company's strategic planning. In this respect, the actual values stated also include terms offering extension/termination options for which such options have not yet been legally exercised. From a legal perspective, the company therefore still has the possibility to avoid the respective obligations. The amounts recognized therefore entail opportunity.

For leases in which the Group acts as lessor, it first reviews pursuant to IFRS 16 whether the leases are operating or finance leases. If substantially all of the risks and rewards incidental to ownership are assigned, the lease is a finance lease and the Group recognizes the assets relating to this lease in the amount of the net investment under other assets in its balance sheet.

Assets relating to leases classified as operating leases are recognized at amortized cost under property, plant and equipment. The respective lease instalments are recognized in the relevant functional area in the period in which they are incurred.

Intragroup leases between Subgroups and/or segments are presented as right-of-use assets within the respective segments and eliminated accordingly in consolidation.

Impairment of non-current non-financial assets

For non-current non-financial assets (property, plant and equipment and right-of-use assets), a review is performed as of each balance sheet date to assess whether there are any indications of impairment ("triggering events"). If there are any such indications, then the asset is tested for impairment. Intangible assets with indefinite useful lives and goodwill acquired in a business combination are tested for impairment each year irrespective of whether there are any indications of impairment.

The amount of impairment is measured on the basis of the amount by which the recoverable amount of an asset falls short of its carrying amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use.

Where no recoverable amount can be determined for an individual asset, the recoverable amount is determined for the cash generating unit in which the asset is included. A cash generating unit is defined as the smallest identifiable group of assets independently generating cash flows. Within the Group, individual locations are basically viewed as cash generating units.

The value in use of a cash generating unit is calculated by reference to the discounted future cash flows expected at the cash generating unit. The assessment period is limited to the rental term of the let property or the expected remaining useful life of a proprietary property. The basis for this is provided by the detailed financial budget compiled within the strategic five-year plan. Periods reaching further into the future have been extrapolated on the basis of a long-term growth rate of 1.5% (2021/22: 1.5%). The strategic five-year plan is largely based on the developments expected in consumer spending as stated in economic forecasts published by economic research institutes and on current developments and future expectations as to those procurement terms which significantly determine the expected gross profit (key assumptions).

Discounting is based on average equity and debt capital costs after taxes (WACC= Weighted Average Cost of Capital). The calculation of the costs of equity is based on the yield expected on a long-term risk-free federal bond plus a company-specific risk premium. The costs of debt capital are based on the aforementioned base rate and include a risk premium. This risk premium accounts for a risk premium appropriate to a relevant peer group. The discount rates applied for the respective cash generating units take account of the specific equity capital structures of a peer group, and of country risk. The interest rates used for discounting are based on market data. Depending on the countries and activities involved, the discount rates thereby applied ranged from 4.6% to 12.9% after taxes (2021/22: 5.0% to 12.1%) and from 4.6% to 13.8% before taxes (2021/22: 5.6% to 14.1%). If the impairment loss is derived from the value in use, then the discount rate referred to for the specific item is reported in the respective section of the notes.

The fair value less costs to sell (net realizable value) of an individual asset is determined by reference to external surveys, if available, and assessments based on past experience.

For real estate at individual locations that is owned by the Group and investment property, the net realizable value is determined by external independent surveyors. These determine the fair value (net realizable value) by reference to Level 3 input data using internationally acknowledged methods. These include the comparative value method, capitalized earnings value, and asset value methods. The net realizable value of real estate at individual locations and investment property has been derived used the capitalized earnings value method.

The capitalized earnings value method is based on the achievable rent per annum, adjusted to eliminate property management expenses and other items (administration and rent default risk, return on land value). The earnings derived on this basis are capitalized using the applicable multiplier. Adding the capitalized earnings value to the land value produces the net realizable value. Alongside the input data already mentioned, the surveyors also apply additional premiums and discounts to account for the individual property-specific features (e.g. size, situation, conversion, or demolition costs still required).

In the comparative value method, the land value is determined by comparing the prices of properties suitable for comparison or by committees of surveyors referring to corresponding sales of land. The land value determined in this way is also accounted for in the aforementioned capitalized earnings value method.

The net realizable values of other assets included in the cash generating unit are also determined on the basis of Level 3 input data. Based on past experience and on an assessment of current market conditions, the cash flows that could be generated by disposing of the assets currently in the cash generating unit are determined.

Inventories

Inventories are carried at cost or at their net realizable value, if lower. The net realizable value is taken to be the expected realizable sales proceeds less the costs incurred up to disposal. The acquisition costs of inventory holdings are determined using weighted average prices. Supplier compensation requiring measurement as a reduction to cost is recognized within inventories.

Taxes

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

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

In line with IAS 12, deferred taxes are recognized and measured using the balance sheet liability method based on the tax rate expected to be valid at the realization date. Deferred tax assets are recognized for the tax benefits expected to arise from future realizable losses carried forward. Deferred tax assets arising from deductible temporary differences and tax losses carried forward are only recognized to the extent that it can be assumed with reasonable certainty that the company in question will generate sufficient taxable income in future. This is assessed by reference to the strategic five-year planning. Recognized and unrecognized deferred tax assets are reviewed at each balance sheet date to ascertain whether any adjustment in their current values is required.

For recognized leases, the tax deduction potential is allocated to the respective right-of-use assets. Should net consideration of the right-of-use asset and lease liability give rise to temporary differences upon subsequent measurement, then deferred taxes are recognized to the extent that IAS 12 requirements are met.

Deferred tax assets and liabilities referring to items recognized in other comprehensive income or directly in equity are also recognized in other comprehensive income or directly in equity rather than in the income statement.

Deferred tax assets and liabilities are netted for each company or fiscal unity provided that such are due to or from the same tax authority and there is an enforceable right for such items to be offset.

Non-current assets held for sale and disposal groups

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

Pensions and similar obligations

Consistent with legal requirements in the respective countries and with individual commitments made to members of the Board of Management, Group companies of HORNBACH Holding AG & Co. KGaA have obligations relating to defined contribution and defined benefit pension plans.

In the case of defined benefit plans, provisions have been calculated using the projected unit credit method in accordance with IAS 19 (revised 2011) “Employee Benefits”. When determining the pension obligation in accordance with actuarial principles, this method accounts for the pensions known of and claims vested as of the balance sheet date, as well as for the increases in salaries and pensions to be expected in future. The plan assets are deducted at fair value from the obligations. Should this result in a net asset, then this is recognized, provided that it does not exceed the present value of future reductions in contributions or repayments or any retrospective service costs.

Current service cost and any retrospective service cost are recognized in operating earnings. The net interest result is recognized under net financial expenses. Actuarial gains and losses relating to the pension obligation or the plan assets are recognized in other comprehensive income in equity, taking account of any deferred taxes. The implications are presented separately in the statement of comprehensive income.

For defined contribution plans, the contributions are recognized in operating earnings upon becoming due for payment. Multiemployer pension plans are recognized by analogy with defined contribution plans.

Provisions and accrued liabilities

Provisions are recognized for uncertain obligations to third parties where these result from past events and are likely to lead to a future outflow of resources. Provisions are stated at the expected settlement amount, having accounted for all identifiable risks, and are not offset against recourse claims. This item also includes provisions for severance payments, for which actuarial surveys are obtained. If the overall effect is material, non-current provisions are measured at present value discounted to the end of the respective terms.

Provisions for pending losses and onerous contracts are recognized if the contractual obligations are higher than the expected economic benefits.

Risks in connection with legal disputes and court cases are recognized under provisions if the requirements of IAS 37 are met. The amount of provision is measured on the basis of an assessment of the circumstances relevant to the case and represents the likely scope of obligation, including estimated legal expenses. To determine the obligation, the management regularly analyzes the information available on the legal disputes and court cases. Both in-company and external attorneys are involved in this assessment. In deciding whether it is necessary to recognize a provision, the management accounts for the likelihood of an unfavorable outcome and the possibility of estimating the amount of obligation with sufficient reliability.

Provisions are recognized for structural maintenance obligations when the company was contractually obliged to do so. To determine the amount of provision, the company refers to historic information about comparable properties and draws on the expertise of real estate specialists. Additions to the provision are generally recognized on a straight-line basis over the term of the contract in order to account for the pattern of consumption of the underlying rental property.

In the case of accrued liabilities, the date or level of the respective obligation are no longer uncertain.

Financial instruments

Financial instruments are contracts which result in a financial asset at one company and a financial liability or equity instrument at another company. On the one hand, these include primary financial instruments such as trade receivables and payables, financial receivables and financial liabilities. On the other hand, they also include derivative financial instruments, such as options, forward exchange transactions, interest swaps and currency swaps. Derivative financial instruments are recognized at fair value as of the transaction date. Primary financial instruments are basically recognized at the time at which the company becomes a contractual party. Upon initial recognition, these are measured at fair value. This generally corresponds to the transaction price. Where there are indications that the fair value deviates from the transaction price, the fair value is determined in accordance with the logic outlined in "Fair Value Measurement" and then used as the basis for initial recognition.

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

Primary financial assets include financial investments in equity instruments and debt instruments.

Classification

Pursuant to IFRS 9, the classification and measurement of financial assets are determined by reference to the company's business model and the characteristics of the cash flows from the respective financial assets. Upon initial recognition, HORNBACH therefore classifies financial assets either as "measured at amortized cost", "measured at fair value through other comprehensive income", or "measured at fair value through profit or loss".

Financial assets are recognized as of the settlement date. The Group only reclassifies debt instruments when the business model for managing such assets also changes.

Measurement

Upon initial recognition, HORNBACH measures a financial asset at fair value plus – for financial assets not subsequently measured at fair value through profit or loss – the transaction costs directly attributable to the acquisition of the asset. One exception relates to trade receivables not including significant financing components, which are measured at their transaction prices. Transaction costs of assets measured at fair value through profit or loss are directly expensed in the consolidated income statement.

Debt instruments

Depending on the business model and cash flow characteristics of the asset involved, the subsequent measurement of debt instruments is as follows:

Subsequent measurement at amortized cost: Assets held to collect contractual cash flows for which such cash flows exclusively comprise interest and principal payments are measured at amortized cost. Interest income on these financial assets is recognized under financial income with due application of the effective interest method. Gains or losses upon derecognition are recognized directly in the income statement.

Subsequent measurement at fair value through other comprehensive income: Assets held to collect contractual cash flows and for sale of the financial assets for which the cash flows exclusively comprise interest and principal payments are recognized at fair value through other comprehensive income. Changes in the carrying amount are recognized through other comprehensive income with the exception of impairment gains or losses, interest income, and exchange rate gains or losses, which are recognized through profit or loss. Upon derecognition of the financial asset, the gain or loss previously recognized through other comprehensive income is reclassified to profit or loss (recycling). Interest income on these financial assets is recognized under financial income with due application of the effective interest method. The Group currently makes no application of this category.

Subsequent measurement at fair value through profit or loss: Assets which do not meet the criteria for the "measured at amortized cost" or "measured at fair value through other comprehensive income" categories are classified to the "measured at fair value through profit or loss" category. Gains or losses in this category are netted and recognized through profit or loss in the period in which they arise.

Impairments of financial assets are determined using the expected credit loss model. The principle underlying this model is the portrayal of any deterioration or improvement in the credit quality of financial instruments, with expected losses already being accounted for. Apart from for debt instruments with subsequent measurement through profit or loss, the IFRS 9 impairment model is applied to all debt instruments.

The IFRS 9 model draws on a three-level approach to allocate impairments:

- Level 1: 12-month credit losses: applicable to all items (since initial recognition) for which the credit quality has not deteriorated significantly. This involves the recognition of that share of lifetime expected credit losses for the instrument attributable to any default within the next twelve months.
- Level 2: lifetime credit losses – creditworthiness not impaired: applicable when a financial instrument or group of financial instruments has witnessed a significant increase in credit risk but whose creditworthiness is not impaired. This involves the recognition of the lifetime expected credit losses for the financial instrument as an impairment.
- Level 3: lifetime credit losses – creditworthiness impaired: should there be objective indications of any impairment requirement for assets (based on individual consideration), the consideration must be based on the lifetime of the financial instrument.

For Levels 1 and 2, effective interest is calculated on the basis of the gross carrying amount. In Level 3, by contrast, effective interest is calculated by reference to the net carrying amount, i.e. the carrying amount less the risk allowance.

For trade receivables and contract assets, application is made of the simplified approach. This model does not require changes in the credit risk to be tracked. Instead, HORNBACH is required to recognize a risk allowance in the amount of the lifetime expected credit losses both upon initial recognition and at each subsequent balance sheet date. To measure the expected credit risk, the assets are grouped on the basis of their existing credit risk characteristics and respective maturity structures.

The Group has excluded those financial instruments that have only low default risk as of the balance sheet date (investment grade) from application of the three-stage impairment model. Instead, these assets are always allocated to Level 1 of the impairment model and risk allowances are recognized in the amount of 12-month expected credit losses. These instruments particularly include credit balances at banks, as these funds are exclusively held on a short-term basis at highly creditworthy banks.

Equity instruments
The Group subsequently measures all of the equity instruments it holds at fair value.

For equity instruments not held for trading, HORNBACH has uniformly exercised the option of recognizing changes in fair value through other comprehensive income in the consolidated statement of comprehensive income. Upon derecognition of these equity instruments, the gains and losses unrecognized for these instruments through to the time of derecognition are reclassified to revenue reserves and not shown in the income statement (no recycling). Dividends on these instruments continue to be recognized through profit or loss under other income if the Group's claim to receipt of such payments is substantiated.

In a small number of cases, cost may represent an appropriate estimate of fair value. Investments and financial investments in equity instruments are recognized at cost when insufficient new information is available to measure fair value or when a wide range of possible fair value measurements is available and cost represents the best estimate within this range.

Derecognition
HORNBACH derecognizes a financial asset when there is no substantiated expectation that the other party to the contract will meet its contractual obligation or if the other party has already met such obligation in full. Here, HORNBACH takes discretionary decisions based on the individual case to assess the extent to which the respective contract can be expected to be fulfilled.

Where applicable, receivables relating to factoring arrangements are derecognized in accordance with IFRS 9 requirements.

Primary financial instruments
The HORNBACH Holding AG & Co. KGaA Group has so far not made any use of the option of classifying financial assets or financial liabilities as measured at fair value through profit or loss.

Trade receivables and other assets (except derivatives) are initially recognized at fair value or – if they do not include any significant financing component – at their transaction price and subsequently measured at amortized cost using the effective interest method and less any impairments. Impairments are recognized for all identifiable risks. These are determined on the basis of probability-weighted estimates of credit losses and individual risk assessments. The calculation takes account of the best available information and the time value of money. Specific cases of default lead to the receivable in question being derecognized. Write-ups are recognized when the reasons for impairments previously recognized no longer apply.

Claims relating to the retrieval of assets (returns) have been recognized under other assets. The amount of the asset corresponds to the cost of the goods supplied and which are expected to be returned, taking due account of the costs incurred to handle the return and the losses resulting from sale of these goods.

Impairment accounts are maintained for trade receivables and the financial assets recognized under other assets. Amounts from impairment accounts are derecognized, with a corresponding charge to the carrying amount of the impaired assets, in cases such as when insolvency proceedings against the debtor have been completed, or when the receivable is deemed irretrievably lost.

Contract assets result from tradesman service orders not yet completed for customers. Given that the services are partly unperformed, HORNBACH does not yet have any unconditional claim. In general, contract assets have the same risk characteristics as trade receivables for the same types of contract. The Group has therefore concluded that the expected loss rates for trade receivables represent an appropriate approximation of the loss rates for contract assets.

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

The cash equivalents included in cash and cash equivalents are short-term highly liquid financial investments that can at any time be turned into fixed cash amounts and are only subject to immaterial fluctuations in value.

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

Trade payables and other liabilities are recognized at amortized cost. Other liabilities include those refund liabilities which may arise due to expected returns and retrospective price discounts. They are recognized in the amount of the consideration to which the Group is expected not to be entitled and which is thus not included in the transaction price. Trade payables are mostly classified as current. The same applies for other liabilities. In this respect, their carrying amounts basically correspond to their fair values.

Contract liabilities comprise prepayments received for customer orders and liabilities for customer vouchers and are basically measured at amortized cost. Furthermore, the measurement of customer vouchers also accounts for the IFRS 15 requirements concerning expected non-utilization (breakage).

Derivative financial instruments

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

Derivatives which are not integrated into an effective hedging relationship as defined in IAS 39 or IFRS 9 are measured at fair value through profit or loss. The fair values of forward exchange transactions (including the embedded forward exchange transactions) are determined on the basis of market conditions at the balance sheet date. The fair value of interest and interest-currency swaps is determined by the financial institutions with which they were concluded. The financial institutions use customary market valuation models (e.g. discounted cash flow method) that refer to the interest and currency information available on the market. This corresponds to Level 2 input factors in the fair value hierarchy.

In applying IFRS 9 for the first time, HORNBACH exercised the option of continuing to apply IAS 39 hedge accounting requirements rather than IFRS 9 requirements.

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

Fair value measurement

Fair value represents the price on a given valuation date which a company would receive to sell an asset or to transfer a liability (exit price). Fair value is determined in line with the three-level measurement hierarchy set out in IFRS 13. Based on the availability of information, fair value is determined by reference to the following hierarchy.

Level 1 information – current market prices on an active market for identical financial instruments
Level 2 information – current market prices on an active market for comparable financial instruments or using valuation methods whose key input factors are based on observable market data
Level 3 information – input factors not based on observable market prices

The level of information and/or valuation methods used to determine the fair value of assets and liabilities is explained in the respective chapter of the notes to the consolidated financial statements.

Sales

As a DIY retail company, the Group generates the vast share of its sales in simple merchandise and service agreements at its stationary and online retail outlets. These contracts generally do not have any long-term fulfillment characteristics. Control of the goods and services generally passes to the customer at a specific time. That regularly involves the time at which the merchandise is transferred or delivered to the customer or at which the service is performed.

Sales are recognized on a net basis, i.e. net of sales tax, on the basis of the consideration stipulated in the contract and taking due account of expected returns and variable consideration. These include discounts and price reductions due to volume and competition-related factors.

The predominant share of the Group's sales is settled by way of cash and carry or comparable payment forms executed at specific points in time. For transactions in which a period of time separates the transfer of the promised goods or services and payment by the customer, this period of time does not amount to more than 12 months at the start of the contract. The Group therefore foregoes adjusting the promised consideration to account for the time value of money.

As well selling goods and services that are fulfilled at a specific point in time, the Group also offers services that are fulfilled over time. These services involve tradesmen services which HORNBACH sells to end consumers alongside goods to enable projects to be implemented. The period of time over which the service is performed generally only amounts to a few days. The percentage of completion is not continually reviewed. Through to completion, sales are recognized in the amount of the expenses incurred without accounting for any margins. In the balance sheet, the respective items are recognized as contract assets and netted with contract liabilities if a prepayment was made.

Service obligations still to be performed mainly relate to customer orders not yet completed as of the balance sheet date and outstanding customer credits in the form of vouchers. The Group generally expects these service obligations to be fulfilled within the next 12 months. Settlement of outstanding customer credit, by contrast, is at the discretion of the customer and may thus involve a longer period.

The Group sells its products with a **right of return** amounting to 30 days for end consumers and to 3 months for holders of the ProjektWelt loyalty card. It recognizes a refund liability (other current liabilities) and a right of recourse for the merchandise (other current assets) for expected returns, with a corresponding reduction to gross profit. Potential returns are estimated using the expected value method on a country-specific basis. To this end, experience values are aggregated in a portfolio for each country, on which basis the likely rates of return are determined. The measurement includes daily sales which are deemed highly likely to be reversed. These are multiplied with the probable rates of return to determine the reduction in sales. Application is also made of the current country-specific gross margin to determine the reduction in merchandise input. The assumptions thereby made are validated on an ongoing basis, with adjustments being made where necessary to account for future measurements.

With its **permanent low price guarantee**, HORNBACH offers its customers the possibility of participating in price reductions up to 30 days after purchasing the respective good or service. To account for expected utilization, it recognizes a refund liability (other current liabilities), with a corresponding reduction to sales. The amounts recognized are quantified by reference to experience values on portfolio level for each country. The cost ratios for the permanent low price guarantee are based on historic information and are multiplied by the daily sales generated in the aforementioned period. The assumptions thereby made are validated on an ongoing basis, with adjustments being made where necessary to account for future measurements.

For **customer credits from vouchers** (contract liability), the share of sales for which non-utilization is deemed highly probable is recognized through profit or loss. This item is recognized within sales and in parallel with the utilized share of the customer credit. The amounts recognized are quantified by reference to experience values on portfolio level for each country. The non-utilization quotas are based on historic information. The assumptions thereby made are validated at regular intervals, with adjustments being made where necessary to account for future measurements.

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

Other income

Other income is recognized at the time at which control over the promised good or service is transferred to a business partner. The amount of income recognized is based on the fair value of the consideration received, taking due account of variable consideration.

Expenses

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

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

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

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

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

Discretionary decisions

Discretionary decisions made when applying the accounting policies and which materially influence the amounts recognized in the consolidated financial statements chiefly relate to determining the term of leases and calculating the incremental borrowing rate. In determining the term of leases, all facts and circumstances that could provide HORNBACH with an economic incentive to exercise an extension option or not exercise a termination option are duly accounted for and assessed. In calculating the incremental borrowing rate, both the calculation of the risk-free interest rate and the determination of the risk premium are subject to discretionary decisions. More detailed information can be found in Notes 13 and 23.

Further discretionary decisions, which are monitored on an ongoing basis, are made in respect of the presentation of amounts prospectively recognized in the balance sheet and the cash flow statement in connection with the reverse factoring program (see Note 26).

Assumptions and estimates

Assumptions and estimates are made when preparing the consolidated financial statements which have an effect on the recognition and/or measurement of the assets, liabilities, income and expenses as presented. Assumptions and estimates are made on the basis of the information available at the reporting date. Should the development in the relevant conditions deviate from the assumptions and estimates, then the amounts actually arising in future may differ from the amounts recognized in the accounts.

The assumptions and estimates mainly relate to uniform procedures applied across the Group for economic useful lives (Notes 10, 11, 12 & 13), the recognition and measurement of provisions (Notes 24, 25 & 28), the calculation of the recoverable amount to determine the amount of any impairments of non-current non-financial assets (Notes 10, 11, 12 & 13), the determination of the net realizable price for inventories (Note 17), and the ability to obtain future tax relief (Notes 8, 16 & 27). Further information can be found in the accounting policies relating to the respective topic and in the aforementioned notes.

The assumptions and estimates relevant to the preparation of the consolidated financial statements are continually reviewed. Changes in estimates are accounted for in the period of such changes and in future periods when they relate both to the reporting period and future periods.

Estimates and discretionary decisions in connection with geopolitical tensions and macroeconomic uncertainties

The estimates and discretionary decisions are based on past experience, the latest level of knowledge, and information currently available that the management considers accurate in the given circumstances. In view of the currently still unforeseeable global consequences of the war in Ukraine and of other macroeconomic risks (e.g. due to inflation, growth, interest rate policies, supply chain problems), these discretionary decisions and estimates by the management are nevertheless subject to increased uncertainty. Actual amounts may deviate from the management's assessments and estimates. Any changes in these amounts may have material implications for the consolidated financial statements. This information has mainly been accounted for in the following material groups of topics:

- Impairment tests on non-financial assets (including right-of-use assets); Notes 10 and 12
- Recoverability of financial assets; Notes 10, 18, and 33

Segment Reporting

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

Segment delineation

The allocation of segments corresponds to the internal reporting system used by the management of the HORNBACH Holding AG & Co. KGaA Group for managing the company ("management approach"). Based on the management approach, the Group has the following segments: "HORNBACH Baumarkt AG Subgroup", "HORNBACH Immobilien AG Subgroup", and "HORNBACH Baustoff Union GmbH Subgroup". The cornerstone of the HORNBACH Holding AG & Co. KGaA Group is the HORNBACH Baumarkt AG Subgroup, which operates DIY megastores with garden centers and online shops in nine European countries. The retail activities of the HORNBACH Holding AG & Co. KGaA Group are supplemented by the HORNBACH Baustoff Union GmbH Subgroup, which operates in the construction materials and builders' merchant business and mainly has business customers. The HORNBACH Immobilien AG Subgroup develops retail real estate and lets this out, mostly to operating companies within the HORNBACH Holding AG & Co. KGaA Group. Administration items not allocable to the two aforementioned segments and consolidation items are further subdivided into the "Central Functions" and "Consolidation" categories.

Segment earnings

As the Group's key earnings figure, adjusted EBIT have been taken to represent the segment earnings.

Segment assets and liabilities

Apart from income tax receivables, income tax liabilities and deferred taxes, asset and liability items in the consolidated balance sheet have been directly allocated to the individual segments as far as possible. Remaining assets and liabilities have been allocated as appropriate. Liabilities in the consolidated balance sheet have been increased by liabilities to Group companies in the individual segments and allocated to the individual segments in line with their causation. Items allocable to central administration are presented in the "Central Functions" column. Items eliminated between segments are presented in the "Consolidation" column. Capital expenditure relates to the non-current assets allocable to the respective segment.

2022/23 in € million 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	**5,843.1**	**421.0**	**82.5**	**0.0**	**(83.5)**	**6,263.1**
	5,496.1	377.5	79.7	0.0	(78.3)	5,875.0
Sales to third parties	5,841.4	418.1	0.0	0.0	0.0	6,259.5
	5,494.6	377.2	0.0	0.0	0.0	5,871.8
Sales to affiliated companies	0.0	2.8	0.0	0.0	(2.8)	0.0
	0.0	0.2	0.0	0.0	(0.2)	0.0
Rental income from third parties	1.7	0.1	1.8	0.0	0.0	3.6
	1.5	0.1	1.6	0.0	0.0	3.1
Rental income from affiliated companies	0.0	0.0	80.7	0.0	(80.7)	0.0
	0.0	0.0	78.1	0.0	(78.1)	0.0
EBIT	**188.6**	**7.6**	**56.0**	**(6.3)**	**12.6**	**258.5**
	289.3	13.0	57.8	(6.2)	1.1	355.0
of which: depreciation and amortization/write-ups	303.5	16.3	17.2	0.0	(90.2)	246.9
	262.2	9.2	14.9	0.0	(76.4)	209.9
Segment earnings (adjusted EBIT)	**241.0**	**13.8**	**55.8**	**(6.3)**	**(14.2)**	**290.1**
	314.7	13.0	53.7	(6.2)	(12.6)	362.6
Segment assets	**4,419.0**	**241.1**	**461.9**	**19.2**	**(471.5)**	**4,669.8**
	4,053.9	214.4	438.8	28.8	(464.8)	4,271.0
of which: credit balances at banks	363.8	0.8	25.7	17.2	0.0	407.5
	248.8	3.1	10.9	27.5	0.0	290.4
Capital expenditure [1]	**394.0**	**24.6**	**27.0**	**19.5**	**(108.1)**	**357.0**
	385.5	10.2	3.7	0.0	(42.9)	356.6
Segment liabilities	**2,886.3**	**146.9**	**168.6**	**197.3**	**(639.2)**	**2,759.9**
	2,601.6	121.9	158.7	218.6	(631.9)	2,469.0
of which financial debt and lease liabilities	1,967.3	44.7	121.3	172.2	(525.2)	1,780.3
	1,885.6	25.2	82.9	190.6	(496.0)	1,688.3

[1] Capital expenditure also includes non-cash additions to right-of-use assets.

Reconciliation EBIT <> adjusted EBIT in € million	2022/23	2021/22
EBIT	**258.5**	**355.0**
Impairments due to IAS 36 impairment test [1]	37.9	13.0
Write-ups due to IAS 36 impairment test [1]	(6.1)	0.0
Result of sales/measurement of properties not required for operations	(0.2)	(5.4)
Segment earnings (adjusted EBIT)	**290.1**	**362.6**

[1] This line item exclusively includes impairments and write-ups recognized for operating locations (cash-generating units).

Reconciliation in € million	2022/23	2021/22
Segment earnings (adjusted EBIT)	**290.1**	**362.6**
Non-operating items	(31.6)	(7.6)
Net financial expenses	(40.2)	(40.7)
Consolidated earnings before taxes	**218.3**	**314.3**
Segment assets	**4,669.8**	**4,271.0**
Deferred tax assets	35.1	21.7
Income tax receivables	20.9	13.0
Total assets	**4,725.8**	**4,305.7**
Segment liabilities	**2,759.9**	**2,469.0**
Deferred tax liabilities	33.6	31.3
Income tax liabilities	35.2	44.0
Total liabilities	**2,828.7**	**2,544.4**

Geographical information

To facilitate understanding of the financial statements, the mandatory geographical disclosures for sales to third parties and non-current assets have been supplemented with voluntary additional information.

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

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

2022/23 in € million 2021/22 in € million	Germany	Other European countries	Reconciliation	HORNBACH HOLDING AG & Co. KGaA Group
Sales	**3,710.4**	**2,993.5**	**(440.8)**	**6,263.1**
	3,554.9	2,726.3	(406.3)	5,875.0
Sales to third parties	3,268.4	2,991.1	0.0	6,259.5
	3,147.5	2,724.3	0.0	5,871.8
Rental income from third parties	1.9	1.7	0.0	3.6
	1.7	1.4	0.0	3.1
Sales to affiliated companies	440.1	0.7	(440.8)	0.0
	405.8	0.5	(406.3)	0.0
EBIT	**51.3**	**207.2**	**0.0**	**258.5**
	122.2	233.0	(0.3)	355.0
Depreciation and amortization/write-ups	**149.3**	**97.6**	**0.0**	**246.9**
	118.4	91.5	0.0	209.9
Segment earnings (adjusted EBIT)	**81.3**	**208.7**	**0.0**	**290.1**
	123.2	239.6	(0.3)	362.6
Assets	**3,092.3**	**2,111.9**	**(534.4)**	**4,669.8**
	2,783.1	2,004.4	(516.5)	4,271.0
of which: non-current assets [1]	1,470.3	1,369.3	(157.3)	2,682.3
	1,389.8	1,344.2	(177.1)	2,556.9
Capital expenditure [2]	**220.1**	**137.0**	**(0.1)**	**357.0**
	148.2	208.4	(0.1)	356.6

[1] These involve property, plant and equipment, investment property, right-of-use assets, intangible assets, non-current lease receivables, and deferrals and accruals.

[2] Capital expenditure also includes non-cash additions to right-of-use assets.

Notes to Consolidated Income Statement

(1) Sales

Sales mainly involve revenues from contracts with customers in the "HORNBACH Baumarkt AG Subgroup" and "HORNBACH Baustoff Union GmbH Subgroup" segments. Furthermore, income of € 3,644k (2021/22: € 3,134k) from the letting of real estate has also been reported under sales.

Sales include revenues of € 45,245k which were recognized at the beginning of the period as contract liabilities (2021/22: € 38,003k). Furthermore, these also include retrospective sales of € 2,520k for performance obligations pursuant to IFRS 15 that were satisfied in previous years (2021/22: € 8,037k).

The following table presents the breakdown of sales by segment:

External sales 2022/23 in € million	HORNBACH Baumarkt AG Subgroup	HORNBACH Baustoff Union GmbH Subgroup	HORNBACH Immobilien AG Subgroup	HORNBACH HOLDING AG & Co. KGaA Group
of which: Germany	2,860.9	407.0	1.7	3,269.6
of which: Other European Countries	2,982.1	11.3	0.1	2,993.5
	5,843.0	**418.3**	**1.8**	**6,263.1**

External sales 2021/22 in € million	HORNBACH Baumarkt AG Subgroup	HORNBACH Baustoff Union GmbH Subgroup	HORNBACH Immobilien AG Subgroup	HORNBACH HOLDING AG & Co. KGaA Group
of which: Germany	2,780.9	366.8	1.6	3,149.2
of which: Other European Countries	2,715.2	10.5	0.0	2,725.7
	5,496.1	377.3	1.6	5,874.9

(2) Cost of goods sold

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

	2022/23 € 000s	2021/22 € 000s
Expenses for auxiliary materials and purchased goods	4,021,864	3,669,975
Expenses for services rendered	150,779	147,083
	4,172,643	**3,817,058**

(3) Selling and store expenses

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

(4) Pre-opening expenses

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

(5) General and administration expenses

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

(6) Other income and expenses

Other income and expenses are structured as follows:

	2022/23 € 000s	2021/22 € 000s
Other income from operating activities		
Income from damages	3,044	2,682
Income from advertising allowances and other reimbursements of suppliers	1,108	1,309
Income from payment differences	1,460	1,668
Income from disposal of non-current assets	1,771	1,846
Miscellaneous other income	23,783	19,765
	31,166	**27,270**
Other income from non-operating activities		
Income from disposal of real estate	219	2,280
Income from write-ups to property, plant, and equipment and investment property	0	3,141
	219	**5,422**
Other income	**31,385**	**32,692**

Miscellaneous other income principally relates to ancillary revenues at the DIY stores with garden centers, income from disposal activities, retirements of liabilities, income from the reversal of impairments of receivables, and income from personnel grants.

	2022/23 € 000s	2021/22 € 000s
Other expenses from operating activities		
Losses due to damages	3,880	2,872
Impairments and defaults on receivables	6,197	4,261
Losses on disposal of non-current assets	1,140	555
Expenses from payment differences	67	58
Miscellaneous other expenses	3,166	4,038
Other expenses	**14,450**	**11,784**
Net balance (income) of other income and expenses	**16,935**	**20,907**

(7) Net financial expenses

	2022/23 € 000s	2021/22 € 000s
Other interest and similar income		
Interest income on financial instruments measured at amortized cost	2,977	506
Interest income from compounding of provisions	2,619	533
Other	2	0
	5,598	**1,039**
Other interest and similar expenses		
Interest expenses on financial instruments measured at amortized cost	19,268	14,889
Interest expenses for lease liabilities measured at amortized cost	29,265	27,289
Interest expenses on financial instruments used as hedging instruments	92	327
Interest expenses from compounding of provisions	269	52
Other	1,371	1,379
	50,265	**43,936**
Net interest expenses	**(44,667)**	**(42,897)**
Other financial result		
Gains/losses on derivative financial instruments	6,639	2,517
Gains and losses from foreign currency exchange	(2,181)	(285)
	4,457	**2,232**
Net financial expenses	**(40,210)**	**(40,665)**

In line with IFRS 16 “Leases”, the interest component of the lease instalments, amounting to € 29,265k (2021/22: € 27,289k) is recognized under interest and similar expenses. Net interest expenses do not include interest incurred for financing the construction stage of real estate development measures. This interest amounted to € 1,887k in the year under report (2021/22: € 2,070k) and has been capitalized as a component of the costs of the property, plant and equipment concerned. The average financing cost rate used to determine the volume of borrowing costs eligible for capitalization amounted to 2.4% (2021/22: 2.5%).

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

Gains/losses on derivative financial instruments include gains and losses of € 6,639k on derivative currency instruments (2021/22: € 2,517k).

The gains and losses from foreign currency exchange for the 2022/23 financial year chiefly result from the measurement of foreign currency receivables and liabilities. This resulted in net expenses of € 4,015k (2021/22: net income of € 183k). Furthermore, this item also includes realized exchange rate gains of € 14,174k (2021/22: € 7,398k) and realized exchange rate losses of € 12,340k (2021/22: € 7,866k). Gains and losses from foreign currency exchange include expenses of € 1,837k (2021/22: income of € 243k) from the reclassification of currency items relating to an interest-currency swap within a hedging relationship (cash flow hedge). This reclassification compensates for the currency items relating to the hedged loan.

(8) Taxes on income

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

The German companies included in the HORNBACH Holding AG & Co. KGaA Group are subject to an average trade tax rate of approximately 13.7% of their trading income (2021/22: approx. 13.6%). The corporate income tax rate continues to amount to 15%, plus 5.5% solidarity surcharge.

As in the previous year, all domestic deferred tax items have been valued at an average tax rate of 30%. The calculation of foreign income taxes is based on the relevant laws and regulations in force in the individual countries. The income tax rates applied to foreign companies range from 8.5% to 27.2% (2021/22: 8.5% to 27.2%).

The actual income tax charge of € 50,458k (2021/22: € 69,798k) is € 15,029k lower (2021/22: € 24,494k) than the expected tax charge of € 65,487k (2021/22: € 94,292k) which would have been payable by applying the average tax rate of 30% at HORNBACH Holding AG & Co. KGaA (2021/22: 30%) to the Group's pre-tax earnings of € 218,291k (2021/22: € 314,305k).

Deferred tax assets have been stated for losses carried forward amounting to € 35,571k (2021/22: € 22,662k). HORNBACH Holding AG & Co. KGaA expects it to be possible to offset the tax losses arising and carried forward in the respective country against future earnings in full.

No deferred tax assets have been reported in the case of losses carried forward amounting to € 2,039k (2021/22: € 15,457k), as future realization of the resultant benefit is not expected. There are no time limits on the utilization of any losses carried forward. Losses carried forward amounting to € 70k for which no deferred taxes had been recognized were utilized (2021/22: € 7,614k).

Taxes on income due in future in connection with planned profit distributions at subsidiaries have been recognized as deferred tax liabilities. A budgeting horizon of one year has been assumed. The distributions for which deferred tax liabilities have been recognized at the HORNBACH Holding AG & Co. KGaA Group are subject to German taxation at 5%. No deferred tax liabilities have been recognized for retained profits of € 1,417,732k at subsidiaries (2021/22: € 1,517,138k), as these are either not subject to taxation or currently intended for reinvestment over an indefinite period.

Breakdown of tax charge

	2022/23 € 000s	2021/22 € 000s
Current taxes on income		
Germany	23,280	38,291
Other countries	40,341	42,618
	63,621	**80,909**
Deferred tax expenses/income		
due to changes in temporary differences	(10,449)	(4,913)
due to losses carried forward	(2,714)	(6,197)
	(13,164)	**(11,110)**
Taxes on income	**50,458**	**69,798**

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

	2022/23		2021/22	
	€ 000s	%	€ 000s	%
Expected income tax charge	65,487	100.0	94,292	100.0
Difference between local tax rate and Group tax rate	(16,646)	(25.4)	(20,386)	(21.6)
Tax-free income	(1,380)	(2.1)	(880)	(0.9)
Tax increases attributable to expenses not deductible for tax purposes	5,397	8.2	6,977	7.4
Tax effects on losses carried forward	20	0.0	(1,586)	(1.7)
Non-period current and deferred taxes	(2,420)	(3.7)	(8,619)	(9.1)
Taxes on income	**50,458**	**77.1**	**69,798**	**74.0**
Effective tax rate in %	23.1		22.2	

The non-period current tax expenses of € 294k (2021/22: tax income of € 2,753k) chiefly result from the statement of income tax provisions (2021/22: € 914k).

The non-period deferred tax income of € 2,714k (2021/22: tax income of € 5,866k) chiefly results from the recognition of deferred tax assets for loss carryovers in Sweden that were previously not deemed utilizable.

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

	2022/23 € 000s	2021/22 € 000s
Actuarial gains and losses on defined benefit plans		
Actuarial gains and losses on defined benefit plans before taxes	11,808	5,450
Change in deferred taxes	(1,835)	(989)
	9,973	**4,461**
Measurement of derivative financial instruments (cash flow hedge)		
Changes in fair value of derivative financial instruments before taxes	366	182
Change in deferred taxes	(54)	(56)
	312	**126**
Taxes recognized directly in equity due to the increase in the shareholding in HORNBACH Baumarkt AG	**0**	**6,000**
Exchange differences arising on the translation of foreign subsidiaries	**18,483**	**15,460**
Other comprehensive income, net after taxes	**28,768**	**26,047**
of which: other comprehensive income before taxes	30,657	27,092
of which: change in deferred taxes	(1,889)	(1,045)

(9) Earnings per share

Basic earnings per share are calculated in line with IAS 33 “Earnings per Share” by dividing the consolidated net income allocable to the shareholders of HORNBACH Holding AG & Co. KGaA by the weighted average number of shares in circulation during the financial year. As in the previous year, there were no dilutive effects.

	2022/23	2021/22
Consolidated net income in € attributable to shareholders in HORNBACH Holding AG & Co. KGaA	157,073,579	199,660,327
Weighted number of common shares issued	15,979,905	16,000,000
Earnings per share in €	**9.83**	**12.48**

(10) Other disclosures on the income statement

Non-operating items
The overview below outlines the allocation of those reconciliation items arising between EBIT and the Group's key earnings figure of adjusted EBIT to the individual functional areas:

2022/23 financial year € 000s	Impairments due to IAS 36 impairment test) [1]	Write-ups due to IAS 36 impairment test [1]	Result of sales/ measurement of properties not required for operations	Total
Selling and store expenses	(37,892)	6,102	0	(31,790)
Other income and expenses	0	0	219	219
	(37,892)	**6,102**	**219**	**(31,571)**

2021/22 financial year € 000s	Impairments due to IAS 36 impairment test [1]	Write-ups due to IAS 36 impairment test [1]	Result of sales/ measurement of properties not required for operations	Total
Selling and store expenses	(13,020)	0	0	(13,020)
Other income and expenses	0	0	5,422	5,422
	(13,020)	**0**	**5,422**	**(7,598)**

[1] This line item exclusively includes impairments and write-ups recognized for operating locations (cash-generating units).

Personnel expenses
The individual functional expense items include the following personnel expenses:

	2022/23 € 000s	2021/22 € 000s
Wages and salaries	819,314	795,158
Social security contributions and pension expenses	180,783	174,528
	1,000,097	**969,686**

Other items (due a. o. factors to the difficult economic and market climate, Russia-Ukraine conflict)

Impairment tests on non-financial assets (including right-of-use assets)
The routine update in the company's strategic planning in the 4th quarter of the period under report accounted for all available information concerning expected economic developments in connection with the difficult economic and market climate.

An event-specific impairment test was conducted in the 2nd quarter due to the existence of a triggering event. The increase in the cost of capital (WACCs) in connection with the Russia-Ukraine conflict was classified as a triggering event pursuant to IAS 36. The annual impairment tests required irrespective of specific events were conducted in the 4th quarter. The amended parameters newly referred to in the impairment test resulted in the identification of an impairment requirement of € 37,892k (2021/22: € 13,020k). Further information about the impairment test can be found in Note 12.

Trade receivables and other current assets

Due to the cash and carry principle, the company's risk position is mainly limited to debit and credit card companies with corresponding creditworthiness. Moreover, factoring arrangements mean that a major share of the default risk on trade receivables is outsourced. A corresponding risk allowance based on historic experience values has been stated for the assumption of any liability quotients.

Traditional trade receivables are mainly due from customers with corresponding creditworthiness. No material increase in the expected default rate due to increased macroeconomic challenges is discernible in the period under report. No recoverability risks over and above the customary level are discernible for other current assets.

Sales

The Group's sales are influenced by seasonal factors and weather conditions. Furthermore, the sales performance in the year under report was influenced by significant rises in procurement and retail prices. Further information can be found in the Group Management Report.

Government grants

HORNBACH did not receive any material government grants in the 2022/23 financial year. In the previous year's period, COVID-19-related grants totaling € 1,754k were recognized across the Group. These were passed on to employees or offset against social security contributions. In the income statement, the portion of grants meeting IAS 20 requirements was deducted from the corresponding expenses (net statement).

Personnel expenses

In the previous year, bonuses were paid to acknowledge the commitment shown by company employees during the pandemic. The expenses recognized in the previous year's period amounted to € 5,045k. These outlays were allocated to the respective functional expenses.

Depreciation and amortization

	2022/23 € 000s	2021/22 € 000s
Scheduled amortization of intangible assets and depreciation of property, plant, and equipment, investment property, and right-of-use assets	215,094	200,035
Impairment of intangible assets, property, plant, and equipment, investment property, and right of use assets	37,892	13,020
	252,986	**213,055**

The impairment losses recognized in the 2022/23 financial year relate to intangible assets, buildings, plant and office equipment, and to right-of-use assets. In the previous year, impairment losses related to plant and office equipment and to right-of-use assets. Reference is also made to the disclosures on intangible assets, property, plant and equipment, and right-of-use assets in Notes 11, 12, and 13 respectively.

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

2022/23 financial year	Intangible assets	Property, plant, and equipment and investment property	Depreciation of right-of-use assets	Total
Selling and store expenses	6,706	102,329	128,036	237,071
Pre-opening expenses	0	29	12	40
General and administration expenses	5,197	8,445	2,232	15,874
	11,903	**110,803**	**130,280**	**252,986**

2021/22 financial year	Intangible assets	Property, plant, and equipment and investment property	Depreciation of right-of-use assets	Total
Selling and store expenses	158	89,882	108,852	198,892
Pre-opening expenses	0	27	11	39
General and administration expenses	4,072	7,963	2,089	14,124
	4,231	**97,872**	**110,952**	**213,055**

Notes to Consolidated Balance Sheet

(11) Intangible assets

The development in intangible assets in the 2021/22 and 2022/23 financial years was as follows:

€ 000s	Franchises, industrial property rights, and similar rights and values as well as licenses to such rights and values	Goodwill	Customer bases acquired for consideration	Assets under construction	Total
Cost					
Balance at March 1, 2021	**98,014**	**5,231**	**0**	**506**	**103,751**
Additions	5,761	0	0	1,186	6,947
Disposals	134	0	0	0	134
Reclassifications	294	0	0	(289)	4
Foreign currency translation	6	0	0	0	6
Balance at February 28/March 1, 2022	**103,941**	**5,231**	**0**	**1,403**	**110,575**
Changes in scope of consolidation	0	0	0	0	0
Additions	7,443	3,423	3,937	1,368	16,171
Disposals	38	0	0	0	38
Reclassifications	1,048	0	0	(1,036)	13
Foreign currency translation	11	0	0	0	11
Balance at February 28, 2023	**112,405**	**8,654**	**3,937**	**1,735**	**126,732**
Depreciation and amortization					
Balance at March 1, 2021	**84,483**	**1,959**	**0**	**0**	**86,442**
Additions	4,231	0	0	0	4,231
Disposals	134	0	0	0	134
Foreign currency translation	11	0	0	0	11
Balance at February 28/March 1, 2022	**88,591**	**1,959**	**0**	**0**	**90,550**
Additions	5,324	3,160	3,419	0	11,903
Disposals	37	0	0	0	37
Foreign currency translation	14	0	0	0	14
Balance at February 28, 2023	**93,892**	**5,119**	**3,419**	**0**	**102,430**
Carrying amount at February 28,2023	**18,513**	**3,535**	**518**	**1,735**	**24,302**
Carrying amount at February 28,2022	15,350	3,272	0	1,403	20,025

Additions to franchises, industrial property rights and similar rights and values and licenses to such rights and values and to assets under construction mainly relate to the acquisition of software licenses and expenses incurred to prepare the software for its intended use. As in the previous year, there are no major restrictions on ownership and disposition rights.

The additions to goodwill and to customer bases acquired for consideration result from the takeover by Union Bauzentrum HORNBACH GmbH of a group of builders' merchant businesses.

In the year under report, the impairment test performed in the “HORNBACH Baustoff Union GmbH Subgroup” segment identified impairment requirements for intangible assets. An impairment loss of € 6,252k was recognized, of which € 3,160k involved goodwill and € 3,092k related to customer bases. The recoverable amount of the cash generating units thereby affect is based on its value in use. Reference is also made to the comments on property, plant and equipment in Note 12.

Furthermore, the goodwill relates to two garden centers in the Netherlands, with around 50% of the respective figure being allocable to each of these. As in the previous year, the mandatory annual impairment test performed on goodwill in the 2022/23 financial year did not identify any impairment requirement. The recoverable amounts of the two cash generating units are based in each case on their value in use.

As in the previous year, the changes deemed possible in key assumptions (increase in discount rate or reduction in gross profit) would not result in any impairments at the two locations.

The pre-tax discount rates used to determine the value in use range from 6.9% to 9.5% (2021/22: 9.5% to 9.7%).

(12) Property, plant and equipment, right-of-use assets, and investment property

Property, plant and equipment developed as follows in the 2021/22 and 2022/23 financial years:

€ 000s	Land, leasehold rights, and buildings, including buildings on third-party land	Right-of-use assets	Investment property (IAS 40)	Other equipment, plant, and office equipment	Assets under construction	Total
Cost						
Balance at March 1, 2021	**2,050,285**	**946,249**	**43,465**	**775,286**	**56,944**	**3,872,229**
Reclassifications to/from non-current assets held for sale	0	0	(1,414)	0	0	(1,414)
Additions	63,127	177,961	88	68,785	39,645	349,606
Disposals	5,726	8,691	4,690	30,986	(204)	49,889
Reclassifications pursuant to IAS 40	(5,544)	0	5,544	0	0	0
Reclassifications	21,190	2,225	0	5,821	(29,240)	(4)
Foreign currency translation	15,763	4,068	57	3,360	905	24,153
Balance at February 28/March 1, 2022	**2,139,095**	**1,121,812**	**43,050**	**822,266**	**68,458**	**4,194,681**
Reclassifications to/from non-current assets held for sale	(1,416)	0	0	0	0	(1,416)
Additions	76,751	152,682	143	60,925	50,325	340,826
Disposals	4,212	12,939	0	27,516	310	44,977
Reclassifications pursuant to IAS 40	382	0	(382)	0	0	0
Reclassifications	19,469	0	0	10,198	(29,680)	(13)
Foreign currency translation	18,215	4,531	10	4,112	727	27,595
Balance at February 28, 2023	**2,248,284**	**1,266,086**	**42,821**	**869,985**	**89,520**	**4,516,696**
Amortization						
Balance at March 1, 2021	**643,884**	**229,559**	**17,622**	**601,684**	**4**	**1,492,753**
Additions	40,968	110,952	1,223	55,681	0	208,824
Write-ups	0	0	(3,141)	0	0	(3,141)
Disposals	2,480	8,547	1,912	29,079	4	42,022
Reclassifications pursuant to IAS 40	(2,275)	0	2,275	0	0	0
Reclassifications	105	0	0	(105)	0	0
Foreign currency translation	3,093	1,047	35	2,640	0	6,815
Balance at February 28/March 1, 2022	**683,295**	**333,011**	**16,102**	**630,821**	**0**	**1,663,229**
Additions	49,086	130,280	793	60,925	0	241,084
Write-ups	0	(5,712)	0	(390)	0	(6,102)
Disposals	3,815	11,828	0	25,884	0	41,527
Reclassifications pursuant to IAS 40	18	0	(18)	0	0	0
Foreign currency translation	4,467	709	0	3,157	0	8,333
Balance at February 28, 2023	**733,051**	**446,460**	**16,877**	**668,629**	**0**	**1,865,017**
Carrying amount at February 28, 2023	**1,515,233**	**819,626**	**25,944**	**201,356**	**89,520**	**2,651,679**
Carrying amount at February 28, 2022	1,455,799	788,801	26,948	191,445	68,458	2,531,452

The impairment losses included in depreciation relate to assets whose carrying amounts exceed their recoverable amounts. This depreciation is allocated to the relevant functional cost item (see Note 10).

Where the carrying amount of the cash generating unit exceeds its value in use, the net realizable values of any real estate allocable to the CGUs was additionally determined by reference to external property valuations. Values were determined using the capitalized earnings method pursuant to the German Real Estate Valuation Ordinance (ImmoWertV). The surveyors based their calculations on the following parameters:

Valuation parameter	min.	max.
Gross profit		
Inside area (€/m²)	4.00 €	13.50 €
Outside area (€/m²)	0.75 €	2.81 €
Maintenance costs (€/m²)	1.25 €	3.55 €
Real estate interest rate	3.75%	7.10%

Due to the lack of third-party utilization options, a net realizable value of zero was stated for marketing-oriented and sales promotional plant and office equipment. Given the useful lives selected, the net realizable value of the other plant and office equipment included in the calculation did not fall short of its carrying amount, as a result of which the net realizable value basically corresponds to the current carrying amount.

Due to changes in the valuation parameters (cost of capital) and in the planning scenarios on the level of individual cash generating units, the impairment tests performed at the "HORNBACH Baumarkt AG Subgroup" segment in the 2022/23 financial year resulted in the identification of impairment requirements for marketing-oriented and sales promotional plant and office equipment, for buildings, and for right-of-use assets at 17 stores, each of which constitute cash generating units. These items were written down by € 8,346k to their net realizable value, which was determined using Level 3 input data. Furthermore, these items were written down by € 23,294k to their value in use. At the "HORNBACH Baustoff Union GmbH Subgroup" segment, impairment requirements were identified for intangible assets. These items were written down by € 6,252k to their value in use. The recoverable amount for these locations at both Subgroups amounts to € 396,616k. The pre-tax discount rates used to determine the values in use ranged between 6.9% and 10.8%.

The impairment tests resulted in the recognition of write-ups totaling € 6,102k on right-of-use assets and on marketing-oriented and sales promotional plant and office equipment at one store in Switzerland and one store in Sweden. These involved the write-up of impairment losses recognized in previous year.

In the previous year, impairment requirements were identified for marketing-oriented and sales promotional plant and office equipment and for right-of-use assets at the "HORNBACH Baumarkt AG Subgroup" and the "HORNBACH Baustoff Union GmbH Subgroup". These items were written down by € 13,020k to the value in use or net realizable value. The recoverable amount for these locations amounted to € 162,732k.

Impairment losses are included under non-current asset items in the corresponding segments as follows:

	2022/23	2021/22
HORNBACH Baumarkt AG Subgroup		
Buildings	5,676	0
Right-of-use assets	23,294	11,350
Other equipment, plant, and office equipment	2,670	1,670
	31,640	**13,020**
HORNBACH Baustoff Union GmbH Subgroup		
Intangible assets	6,252	0
	6,252	**0**
Total	**37,892**	**13,020**

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

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

Other equipment and plant and office equipment mainly relate to HORNBACH Baumarkt AG, Union Bauzentrum HORNBACH GmbH, Ruhland Kallenborn & Co. GmbH, and Robert Röhlinger GmbH in the case of German consolidated companies and to HORNBACH Baumarkt GmbH, HORNBACH Baumarkt Luxemburg SARL, HORNBACH Baumarkt CS spol s.r.o., HORNBACH Baumarkt SK spol s.r.o., HORNBACH Bouwmarkt (Nederland) B.V., HORNBACH Baumarkt (Schweiz) AG, HORNBACH Byggmarknad AB, HORNBACH Centrala SRL, HORNBACH Asia Ltd., and Etablissement Camille Holtz et Cie. SA in the case of foreign consolidated companies.

Investment property mainly relates to retail properties at various locations in Germany and abroad. The respective rental contracts have basic rental periods of 1 to 15 years and in some cases provide extension options for the lessees. The properties let to third parties are recognized at amortized cost. A useful life of 33 years has been assumed. The fair value of investment property amounts to around € 42.7 million (2021/22: € 41.2 million). The fair values have been determined by independent external surveyors, who generally calculate the capitalized earnings value pursuant to the German Real Estate Valuation Ordinance (ImmoWertV). The calculation is based on Level 3 input data. Key input factors include future rental income, the property rate, and operating costs. Application is also made of the comparative value method. This involves determining the fair value on the basis of transactions with comparable properties (Level 2 input data).

In the previous year, write-ups of € 2,607k and € 535k were recognized on land not required for operations in the “HORNBACH Immobilien AG Subgroup” and the “HORNBACH Baumarkt AG Subgroup” segments respectively. These related to write-backs of impairment losses recognized in previous years.

Rental income of € 2,845k was generated on properties let to third parties in the year under report (2021/22: € 2,621k). Expenses of € 1,564k were incurred for the maintenance of the properties let to third parties (2021/22: € 1,644k). Expenses of € 297k were incurred for all other items of investment property (2021/22: € 96k). The real estate acts as security for bank loans in the form of registered land charges amounting to € 207.4 million (2021/22: € 182.3 million).

(13) Leases

Leases developed as follows in the 2022/23 financial year:

2022/23 financial year € 000s	Land, leasehold rights, and buildings, including buildings on third-party land	Other equipment, plant, and office equipment	Total
Carrying amount at March 1, 2021	710,596	6,094	716,690
Additions	170,763	9,423	180,186
Depreciation and amortization	101,910	9,042	110,952
Disposals	42	102	144
Foreign currency translation	3,033	(12)	3,021
Carrying amount at February 28, 2022	**782,441**	**6,360**	**788,801**
Carrying amount at March 1, 2022	**782,441**	**6,360**	**788,801**
Additions	141,857	10,825	152,682
Write-ups	5,712	0	5,712
Depreciation and amortization	119,697	10,583	130,280
Disposals	1,017	94	1,111
Foreign currency translation	3,807	15	3,822
Carrying amount at February 28, 2023	**813,102**	**6,524**	**819,626**

In terms of land and buildings, the Group predominantly leases retail properties, including land and parking spaces, office buildings, and logistics centers. In the field of other equipment, plant and office equipment, the Group mainly leases physical advertising space, vehicles, and logistics-related plant and office equipment.

The contracts for land and buildings generally have fixed terms of up to 20 years (except for leasehold agreements) and include arrangements for extension and termination options. The provisions governing options and other conditions are individually negotiated for each contract. Alongside conditions which influence the respective term, the contracts also include rental price adjustment clauses linked to the development in consumer price indices. These increase the right-of-use asset and the lease liability as soon as the rate of increase for the consumer price index agreed in the contract is reached.

As of February 28, 2023, the contract portfolio comprises 182 property lease agreements (2021/22: 174). The weighted remaining term of this portfolio amounts to 11.9 years (2021/22: 10.2 years). The weighted remaining term of leases for plant and office equipment amounts to 1.6 years (2021/22: 2.0 years).

As of the reporting date, the Group has entered into several lease arrangements as a lessee in which the assets will only be assigned for use in the future or the respective contracts are still subject to conditions precedent. The resultant (undiscounted) payments for the non-terminable basic lease term amount to € 82,991k. (2021/22: € 87,185k).

The following amounts were recognized in the income statement and the cash flow statement in the 2022/23 financial year:

	2022/23 € 000s	2021/22 € 000s
Sales / other operating income		
Income from operating lease contracts	6,217	5,463
Income from sublease contracts	2,205	2,084
Other income from real estate lease contracts (service charge)	1,443	1,153
Selling and store expenses / pre-opening expenses / general and administration expenses		
Expenses for short-term lease contracts	8,386	4,542
Expenses for leases involving low-value assets	1,794	1,504
Other expenses for real estate lease contracts (service charge)	6,623	5,957
Depreciation and amortization/write-ups		
Depreciation of right-of-use assets	106,986	99,602
Impairment / write-up of right-of-use assets	17,582	11,350
Net financial expenses		
Interest expenses from lease liabilities	29,265	27,289
Financing income on net investment in lease	338	242
Outflow of cash in connection with leases	**162,589**	**142,682**

The "Other expenses for real estate lease contracts (service charge)" line item includes variable lease payments and ancillary expenses.

Lease liabilities have the following maturities:

€ 000s	2022/23		2021/22	
	Nominal value	Present value	Nominal value	Present value
Maturity < 1 year	137,631	100,800	123,144	96,368
Maturity 1 - 5 years	491,047	403,816	458,911	383,297
Maturity > 5 years	496,499	422,772	456,856	395,147
	1,125,177	**927,388**	**1,038,911**	**874,811**

The receivables of € 21,585k from operating lease contracts (2021/22: € 18,728k) mainly relate to retail properties let to third parties, open space, and office space. The contracts generally have terms of up to 15 years. There are no purchase options on the part of the lessees. In individual cases, the contracts include provisions governing extension options.

The receivables from operating lease contracts have the following maturities. For rental contracts with indefinite useful lives, rental income has only been recognized for up to one year.

Rental income from third parties € 000s	Maturities						Total
	1 year	2 years	3 years	4 years	5 years	> 5 years	
February 28, 2023	6,219	3,342	2,872	2,532	1,381	5,241	21,585
February 28, 2022	5,975	3,104	1,842	1,529	1,325	4,953	18,728

The receivables from finance lease contracts result from a subletting arrangement for a retail property for which the term is consistent with that of the head lease.

	2022/2023 € 000s	2021/22 € 000s
Maturity < 1 year	796	876
Maturity 1 - 2 years	396	796
Maturity 2 - 3 years	396	396
Maturity 3 - 4 years	396	396
Maturity 4 - 5 years	396	396
Maturity > 5 years	6,200	6,596
Nominal value of lease payments	**8,580**	**9,456**
Gross investment	**8,580**	**9,456**
Financial income not yet realized	4,177	4,515
Net investment	**4,403**	**4,942**

(14) Financial assets

The development in financial assets in the 2021/22 and 2022/23 financial years was as follows:

€ 000s Cost	Shareholdings	Total
Balance at February 28/March 1, 2022	**112**	**112**
Additions	50	50
Balance at February 28, 2023	**162**	**162**
Carrying amount at February 28, 2023	**162**	**162**
Carrying amount at February 28, 2022	112	112

There were no material changes in financial assets in the 2022/23 financial year. Dividends of € 6k were paid in the 2022/23 financial year (2021/22: € 4k).

The Group currently has no intention to sell the financial assets.

(15) Other non-current receivables and assets

Other non-current receivables and assets mainly consist of non-current lease receivables of € 3,838k (2021/22: € 4,403k) and accruals of € 2,458k with a remaining term of more than one year (2021/22: € 991k).

(16) Deferred taxes

Deferred taxes relate to the following items:

	2.28.2023		2.28.2022	
	Assets € 000s	Liabilities € 000s	Assets € 000s	Liabilities € 000s
Intangible assets and property, plant, and equipment	10,509	47,067	7,323	48,911
Leases	29,885	1,379	22,214	1,616
Inventories	1,225	5,845	1,310	5,078
Other assets and liabilities	1,690	3,112	1,389	2,964
Liabilities	90	1,076	919	928
Other provisions	9,923	687	12,604	547
Tax-free reserves	0	67	0	67
Losses carried forward	7,334	0	4,704	0
	60,656	**59,233**	**50,463**	**60,111**
Set-off	(25,605)	(25,605)	(28,784)	(28,784)
Total	**35,051**	**33,627**	**21,679**	**31,327**

(17) Inventories

	2.28.2023 € 000s	2.28.2022 € 000s
Raw materials and supplies	2,941	2,716
Finished products and merchandise	1,405,941	1,253,675
Inventories (gross)	**1,408,882**	**1,256,391**
less valuation allowances	26,534	25,962
Inventories (net)	**1,382,348**	**1,230,429**
Carrying amount of inventories measured at net realizable value	62,551	49,687

Expenses of € 3,994,921k were recognized as merchandise input expenses for merchandise and auxiliary materials and supplies in the 2022/23 financial year (2021/22: € 3,643,683k).

(18) Trade receivables and other current assets

These comprise the following items:

	2.28.2023 € 000s	2.28.2022 € 000s
Trade receivables	57,176	47,261
Receivables from affiliated companies	9	9
Contract assets	2,023	1,576
Positive fair values of derivative financial instruments	2,380	2,346
Other receivables and assets	103,064	95,935
	164,652	**147,127**

Trade receivables are initially recognized at fair value or – if they do not include any significant financing component – at their transaction price. The Group holds trade receivables to collect the contractual cash flows and subsequently measures them at amortized cost using the effective interest method and less any impairments. Details of the impairment methods used by the Group can be found in the information provided on the accounting policies applied in the consolidated financial statements and in Note 33.

Trade receivables include receivables of € 3,596k (2021/22: € 2,699k) assigned within factoring agreements that have not been derecognized as all of the credit risk remains at the HORNBACH Holding AG & Co. KGaA Group. A corresponding liability has been recognized in the same amount. For these receivables, the business model involves selling these assets; in view of this, these receivables are measured at fair value.

Furthermore, the Group has factoring agreements that result in the full derecognition of the respective trade receivables, but that nevertheless entail continuing involvement pursuant to IFRS 7. This continuing involvement arises due to fact that new obligations arise for HORNBACH upon the assignment of the respective receivable. Should the receivables thereby assigned default, then HORNBACH is liable for a contractually defined quota. The receivables assigned and fully derecognized are countered by a provision of € 63k (2021/22: € 48k) that represents the likely liability risk. Any liability-related issues are generally addressed shortly after the assignment of the receivable. The maximum risk of loss amounted to € 3,365k as of February 28, 2023 (2021/22: € 3,177k) and was based on the total loss of all relevant receivables. This amount was derived by multiplying the balance of receivables thereby assigned with the respective liability quota. The company does not generate any gain or loss at the time at which the receivable is assigned. The expenses recognized in the 2022/23 financial year for receivables that were assigned and fully derecognized and that subsequently defaulted amount to € 638k (2021/22: € 481k).

Contract assets represent the contingent claims from customers for tradesman orders not yet completed.

Other receivables and assets mainly consist of receivables in connection with credit notes for goods and bonus agreements, receivables from credit card companies, pledged funds, and deferred charges and prepaid expenses. This item also includes recourse claims of € 4,916k for expected returns (2021/22: € 4,925k). Furthermore, this item also includes tax refund claims of € 3,389k (2021/22: € 9,094k). Further information about these can be found in Note 27.

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

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

€ 000s	Trade receivables		Other receivables and assets	
	2022/23	2021/22	2022/23	2021/22
Allowances at March 1	**5,634**	**4,499**	**470**	**349**
Utilization	930	489	7	65
Reversals	1,483	1,434	155	90
Additions	4,527	3,054	307	275
Foreign currency translation	11	4	4	1
Allowances at February 28	**7,759**	**5,634**	**619**	**470**

Within the allowances recognized for trade receivables, the risk provision is basically accounted for using the simplified allowance model as follows: A risk provision of € 5,269k depending on the term and in the range 0.79%-2.07% (2021/22: € 4,443k in the range: 0.57%-2.67%) and individual allowances of € 2,490k recognized due to objective indications or payment difficulties (2021/22: € 1,191k).

Within the allowances recognized for other receivables and assets, the risk provision is basically accounted for using the general allowance model as follows: individual allowances of € 304k due to objective indications (2021/22: € 246k) and further individual allowances of € 221k depending on the extent to which the receivables are overdue (2021/22: € 130k). The risk provision for contract assets is based on the simplified allowance model and, at the end of the financial year, amounted to € 94k (2021/22: € 72k).

The complete derecognition of receivables resulted in expenses of € 1,257k (2021/22: € 889k). The receipt of receivables already derecognized resulted in income of € 99k (2021/22: € 80k).

In the 2022/23 financial year, there were no material balances of derecognized receivables subject to execution proceedings.

(19) Cash and cash equivalents

	2.28.2023 € 000s	2.28.2022 € 000s
Cash balances at banks	407,453	290,414
Checks and cash on hand	29,523	41,848
	436,976	**332,262**

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

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

In the 2022/23 financial year, one property with a carrying amount of € 1,459k in the "HORNBACH Baumarkt AG Subgroup" segment was reclassified out of the "investment property" balance sheet line item.

In the "HORNBACH Immobilien AG Subgroup" segment, the piece of land already reclassified in the previous year was sold. A profit of € 219k was realized. The disposal gains thereby generated were recognized under other operating income from non-operating activities.

In the "HORNBACH Baumarkt AG Subgroup" segment, the property with a carrying amount of € 1,422k reclassified out of the "investment property" balance sheet line item in the previous year already is still being held for sale. In the past financial year, currency translation effects of € 8k were attributable to this asset.

As in the previous year, no impairment losses or write-ups were recognized on non-current assets held for sale in the 2022/23 financial year.

(21) Shareholders' equity

The development in the shareholders' equity of the HORNBACH Holding AG & Co. KGaA Group is shown in the statement of changes in Group equity for the 2022/23 and 2021/22 financial years.

Share capital

At the balance sheet date on February 28, 2023, the share capital of HORNBACH Holding AG & Co. KGaA amounted to € 48,000,000.00 and was divided into 16,000,000 ordinary shares with a prorated nominal amount in the share capital of € 3.00 per share.

By resolution of the Annual General Meeting on July 8, 2021, the General Partner is authorized until July 7, 2026, subject to approval by the Supervisory Board, to increase the company's share capital in full or in part by a total of up to € 9,600,000.00 by issuing up to 3,200,000 new no-par bearer shares on one or more occasions in return for cash and/or non-cash contributions.

The total amount of shares issued by drawing on Authorized Capital 2021 and the shares that may or are to be issued during the term of this authorization to service conversion or option rights or to satisfy conversion or option obligations for convertible bonds with option and/or conversion rights or obligations (or a combination of these instruments) may not exceed an amount of share capital totaling € 9,600,000.00 (corresponding to 20% of share capital).

The company held a total of 6,875 ordinary shares as treasury stock at the balance sheet date on February 28, 2023. These were acquired in the 2022/23 financial year in connection with the purchase of shares for an employee share program.

Publication of WpHG voting right notifications

§ 33 (1) of the German Securities Trading Act (WpHG) requires shareholders to disclose the fact that their share of voting rights has reached, exceeded, or fallen short of specific disclosure thresholds within four trading days. The disclosure thresholds amount to 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50%, and 75%. Similar disclosure obligations are set out in § 38 and § 39 WpHG for the bearers of financial instruments once they reach, exceed, or fall short of the aforementioned disclosure thresholds except for the 3% threshold. Pursuant to § 40 WpHG, HORNBACH Holding AG & Co. KGaA is obliged to publish such notifications immediately, and no later than three trading days after receipt. We did not receive or publish any such notifications in the reporting period from March 1, 2022 to February 28, 2023. Notifications can be found in the "NEWS" section of the company website at www.hornbach-group.com (filtered by catchword "voting right notification").

Capital reserve

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

Revenue reserves

Revenue reserves include the statutory reserve and "other revenue reserves", as well as accumulated earnings and equity components recognized in equity that are attributable to shareholders.

Minority interests

Shares held by third parties in the equity of consolidated subsidiaries (non-controlling interests) are reported under minority interests.

Within the HORNBACH Holding AG & Co. KGaA Group, material non-controlling interests relate solely to HORNBACH Baumarkt AG. The share of capital and voting rights for the non-controlling interests in HORNBACH Baumarkt AG amounts to 7.85% (2021/22: 9.14%). Based in Bornheim (Germany), HORNBACH Baumarkt AG is the parent company of the HORNBACH Baumarkt AG Group. This Subgroup constitutes a proprietary segment within the HORNBACH Holding AG & Co. KGaA Group. As the non-controlling interests in HORNBACH Baumarkt AG impact on the inclusion of the entire Subgroup in the consolidated financial statements of HORNBACH Holding AG & Co. KGaA, the information below is presented in aggregated form for the HORNBACH Baumarkt AG Subgroup. The information is presented prior to the elimination of intercompany transactions with other subsidiaries included in the consolidated financial statements of HORNBACH Holding AG & Co. KGaA.

€ 000s	**February 28, 2023**	February 28, 2022
Sales	5,843,052	5,496,086
Consolidated net income	108,184	188,944
of which: attributable to non-controlling interests	10,694	44,713
Other comprehensive income	26,981	21,402
Total comprehensive income	**135,165**	**210,346**
of which: attributable to non-controlling interests	12,999	49,966
Assets	4,468,452	4,084,355
Liabilities	2,924,881	2,647,325
Net assets	**1,543,571**	**1,437,030**
of which: attributable to non-controlling interests	113,913	131,386
Cash flow from operating activities	449,298	344,719
Cash flow from investing activities	(154,027)	(164,519)
Cash flow from financing activities	(194,976)	(227,213)
Cash-effective change in cash and cash equivalents	**100,295**	**(47,013)**
Dividends paid to non-controlling interests	2,564	6,770

[1] The dividend payments are included in the outflow of cash for financing activities.

Disclosures about capital management

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

The company has entered into covenants towards some providers of debt capital which, among other conditions, require it to maintain an equity ratio of at least 25%. The equity ratio, interest cover, debt/equity ratio, and company liquidity (cash and cash equivalents plus unutilized committed credit lines) are monitored monthly as part of the company's internal risk management. Further key figures are calculated on a quarterly basis. Should the values fall short of certain target levels, then suitable countermeasures are initiated at an early stage. The covenants were complied with at all times during the 2022/23 financial year. The equity ratio amounted to 40.1% as of February 28, 2023 (2021/22: 40.9%).

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

Delisting purchase offer

On December 20, 2021, HORNBACH Holding AG & Co. KGaA announced its intention to submit a public delisting purchase offer to acquire all the shares it did not already hold in HORNBACH Baumarkt AG. Following approval by the German Federal Financial Supervisory Authority (BaFin), the offer documentation was published by HORNBACH Holding AG & Co. KGaA on January 14, 2022. The acceptance period for shareholders in HORNBACH Baumarkt expired on February 22, 2022. Within this offer, a total of 4,011,904 HORNBACH Baumarkt shares were tendered at a price of € 47.50 per share. The transfer of ownership of the shares under civil law was only executed after February 28, 2022 as the shares were only transferred to the account of HORNBACH Holding AG & Co. KG at this point in time. Due to the structure of the transaction, however, the respective shares were already attributable to the parent company in economic terms prior to the previous year's balance sheet date as of February 28, 2022. The transaction was presented accordingly in the balance sheet as of February 28, 2022. In accordance with the principles set out in IFRS 10.23, the transaction was presented as a shareholder transaction within equity. Pursuant to IAS 32.37, transaction costs directly relating to the acquisition of shares (mainly advisory expenses and real estate transfer tax) of € 23.6 million and allocable taxes were recognized directly in equity.

Employee shares at the HORNBACH Holding AG & Co. KGaA Group

On the basis of a resolution adopted by the Board of Management on July 8, 2022, the employees of HORNBACH Holding AG & Co. KGaA and its domestic and foreign subsidiaries were offered employee shares. A total of 55,000 shares in HORNBACH Holding AG & Co. KGaA were acquired via the stock exchange. Employees were assigned 48,125 shares. The company held the remaining 6,875 shares as treasury stock as of the balance sheet date. The 48,125 shares ceded to employees were acquired at an average price of € 74.66 and subsequently assigned at a price of € 32.90. An amount of € -108k was recognized in equity to account for the difference between the acquisition price and the stock market price upon the date on which the shares were assigned to employees. The difference between the stock market price upon assignment and the price at which the shares were ceded to employees was recognized through profit or loss. A total of 153 shares were assigned to employees of HORNBACH Holding AG & Co. KGaA, while 47,972 shares were assigned to employees of subsidiaries.

(22) Distributable earnings and dividends

The distributable amounts involve the unappropriated net profit reported in the balance sheet of HORNBACH Holding AG & Co. KGaA prepared in accordance with German commercial law.

HORNBACH Holding AG & Co. KGaA concluded the 2022/23 financial year with an annual net surplus of € 44,448,325.57. Including profit carried forward of € 8,341,964.24, unappropriated net profit amounts to € 52,790,289.81.

The Board of Management of the General Partner HORNBACH Management AG and the Supervisory Board of HORNBACH Holding AG & Co. KGaA will propose to the Annual General Meeting that the unappropriated net profit of € 52,790,289.81 be appropriated as follows:

	€
Dividend of € 2.40 on 15,993,125 shares	38,383,500.00
Balance to be carried forward	14,406,789.81
	52,790,289.81

In the 2022/23 financial year, the Annual General Meeting held on July 8, 2022 approved a dividend of € 2.40. The total amount distributed thus amounted to € 38,400k (2021/22: € 32,000k).

(23) Financial debt

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

€ 000s	Maturities			**Carrying amount**
	Current < 1 year	Non-current 1 to 5 years	Non-current > 5 years	**2.28.2023 Total**
Bonds		248,173		248,173
Liabilities to banks	300,628	219,977	83,985	604,589
Lease liabilities	100,800	403,816	422,772	927,388
Negative fair values of derivative financial instruments	107			107
Total	**401,534**	**871,966**	**506,757**	**1,780,258**

€ 000s	Maturities			Carrying amount
	Current < 1 year	Non-current 1 to 5 years	Non-current > 5 years	2.28.2022 Total
Bonds		247,663		247,663
Liabilities to banks	28,080	333,462	11,382	372,923
Liabilities from delisting offer	190,565			190,565
Lease liabilities	96,368	383,297	395,147	874,811
Negative fair values of derivative financial instruments	2,293			2,293
Total	**317,307**	**964,421**	**406,528**	**1,688,256**

The HORNBACH Holding AG & Co. KGaA Group had current financial debt amounting to € 401.5 million at the balance sheet date on February 28, 2023 (2021/22: € 317.3 million). This consists of the portion of loans maturing in the short term, amounting to € 198.9 million (2021/22: € 21.9 million), lease liabilities of € 100.8 million (2021/22: € 96.4 million), short-term time loans of € 95.4 million (2021/22: € 2.5 million), interest deferrals of € 6.3 million (2021/22: € 3.7 million), and liabilities of € 0.1 million relating to the measurement of derivative financial instruments (2021/22: € 2.3 million). In the previous year, the Group also had liabilities of € 190.6 million resulting from offers accepted in connection with the delisting purchase offer made by HORNBACH Holding AG & Co. KGaA. These were settled in the year under report.

The interest of € 2.8 million accrued since the previous bond interest payment date has been recognized in the carrying amount of liabilities to banks (2021/22: € 2.8 million).

The Group has the following material financing facilities:

Borrower	Instrument	Amount		Term beginning	Due date	Interest Rate
HORNBACH Holding B.V.	Promissory note bond	52 million	EUR	9.13.2018	9.13.2023	Fixed [1]
HORNBACH Holding B.V.	Promissory note bond	43 million	EUR	9.13.2018	9.15.2025	Fixed [1]
HORNBACH Baumarkt AG	Promissory note bond	126 million	EUR	2.22.2019	2.22.2024	Fixed [1]
HORNBACH Baumarkt AG	Promissory note bond	74 million	EUR	2.22.2019	2.23.2026	Fixed [1]
HORNBACH Baumarkt AG	Corporate bond	250 million	EUR	10.25.2019	10.26.2026	Fixed [2]
HORNBACH Immobilien AG	Mortgage loan	50 million	EUR	4.27.2022	3.31.2032	Fixed [1]
HORNBACH Holding AG & Co.KGaA	Promissory note bond	50 million	EUR	6.1.2022	6.1.2027	Fixed [1]
HORNBACH Holding AG & Co.KGaA	Promissory note bond	50 million	EUR	6.1.2022	6.1.2029	Fixed [1]

[1] The costs relating to the issue have been spread over the term.
[2] Based on an issue price of 99.232% the effective yield amounts to 3.48%. The costs of € 1,627k and disagio of € 1,902k have been spread over the term using the effective interest method.

Alongside the aforementioned financing facilities, the Group has further non-current liabilities, generally secured by mortgages, to banks. Liabilities to banks, originally of a non-current nature, are structured as follows:

2022/23 financial year	Currency	Interest agreement in % (including swap)	Maturity	**Amount 2.28.2023 € 000s**
Loans	EUR	0.85 to 2.46	2023 to 2029	394,557
Mortgage loans	EUR	0.55 to 3.71	2023 to 2032	80,698
	CZK	2.19 to 3.57	2024 to 2026	17,398
	SEK	1.50 to 4.97	2024 to 2028	10,176
				502,829

2021/22 financial year	Currency	Interest agreement in % (including swap)	Maturity	Amount 2.28.2022 € 000s
Loans	EUR	0.85 to 2.00	2023 to 2026	294,699
Mortgage loans	EUR	0.55 to 4.97	2022 to 2031	37,665
	CZK	2.19 to 5.22	2023 to 2026	20,790
	SEK	1.50 to 4.97	2024 to 2028	13,586
				366,740

The non-current liabilities to banks have fixed interest rates. The long-term loan with a floating interest rate previously in place was full repaid in the year under report.

As of February 28, 2023, the HORNBACH Holding AG & Co. KGaA Group had total credit lines of € 603.6 million (2021/22: € 829.7 million) on customary market terms. Unutilized credit lines amounted to € 494.3 million (2021/22: € 813.2 million). Furthermore, HORNBACH Baumarkt AG has a credit line for import credits.

The credit lines at the HORNBACH Holding AG & Co. KGaA Group include a syndicated credit line of € 500 million at HORNBACH Holding AG & Co. KGaA that was agreed on September 2, 2022 and has a term until September 2, 2027. This credit line, which includes two one-year extension options which may be drawn on in the first two years of the respective contract, is guaranteed by HORNBACH Baumarkt AG, HORNBACH International GmbH, and HORNBACH Immobilien AG. Supplementary bilateral loan contracts of up to € 150 million may be concluded within the credit framework (also in foreign currencies). All the subsidiaries of the HORNBACH Holding AG & Co. KGaA Group are also able to draw down the credit line directly. Upon utilization of the credit line, the interest is based on the 3-month or 6-month Euribor plus an interest margin. The applicable interest margin is determined by reference to the company rating granted to HORNBACH Holding AG & Co. KGaA by an internationally recognized rating agency. For as long as no company rating is provided for HORNBACH Holding AG & Co. KGaA, reference is made to the rating of HORNBACH Baumarkt AG. Margin premiums apply should the level of utilization exceed specified threshold values. A provision fee dependent on the respective interest margin is charged for the unutilized portion of the credit line. The credit line includes a rendezvous clause that facilitates the conclusion no later than May 31, 2024 of a supplementary ESG agreement. Should the targets in this agreement be achieved, then the interest rate payable is reduced by up to 0.025% points. This credit line has replaced the existing syndicated credit line of € 350 million at HORNBACH Baumarkt AG and the bridge financing facility of € 400 million taken up by HORNBACH Holding AG & Co. KGaA to finance the delisting purchase offer.

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

Land charges of € 207.4 million have been provided as security for liabilities to banks (2021/22: € 182.3 million).

The transition of future lease payments for leases has been presented in Note 13 “Leases”.

The following reconciliation presents the changes in financial liabilities and derivative financial instruments relating to the Group's financing activities:

Reconciliation pursuant to IAS 7 in € 000s	3.1.2022	Cash-effective changes	of which: interest included in cash flow from operating activities	Non-cash changes			2.28.2023
				Foreign currency translation	Changes in fair values	Other changes	
Bonds	247,663	(8,125)	8,125	0	0	510	248,173
Liabilities to banks	372,923	217,785	10,681	661	0	2,539	604,590
Liabilities in connection with delisting offer	190,565	(190,565)	0	0	0	0	0
Lease liabilities	874,811	(132,363)	29,252	4,080	0	151,607	927,388
Financial and similar liabilities	**1,685,962**	**(113,268)**	**48,058**	**4,741**	**0**	**154,656**	**1,780,150**
Positive fair values of derivative financial instruments from financing activities	1,742	92	(92)	(74)	666	46	2,380
Derivative financial assets	**1,742**	**92**	**(92)**	**(74)**	**666**	**46**	**2,380**

Reconciliation according IAS 7 in € 000s	1.3.2021	Cash-effective changes	of which: interest included in cash flow from operating activities	Non-cash changes			2.28.2022
				Foreign currency translation	Changes in fair values	Other changes	
Bonds	247,154	(8,125)	8,125	0	0	509	247,663
Liabilities to banks	482,075	(121,542)	10,306	(1,599)	0	3,683	372,923
Liabilities from delisting offer	0	0	0	0	0	190,565	190,565
Lease liabilities	790,074	(124,363)	27,394	3,869	0	177,838	874,811
Negative fair values of derivative financial instruments from financing activities	0	0	0	0	0	0	0
Financial and similar liabilities	**1,519,303**	**(254,030)**	**45,825**	**2,269**	**0**	**372,595**	**1,685,962**
Positive fair values of derivative financial instruments from financing activities	1,297	327	(327)	(57)	491	11	1,742
Derivative financial assets	**1,297**	**327**	**(327)**	**(57)**	**491**	**11**	**1,742**

(24) Pensions and similar obligations

As a result of legal requirements in individual countries and individual commitments made to its directors and officers, the HORNBACH Holding AG & Co. KGaA Group has obligations relating to defined benefit and defined contribution pension plans.

Defined contribution plans

Apart from payment of contributions, the defined contribution plans do not involve any further obligations on the part of the HORNBACH Holding AG & Co. KGaA Group. The total of all defined contribution pension expenses amounted to € 77,892k in the 2022/23 financial year (2021/22: € 72,543k). Of this total, an amount of € 42,796k involved the employer's share of contributions to the state pension scheme in Germany (2021/22: € 40,459k).

Multiemployer defined benefit plans

Joint pension plans are in place for staff employed in the Netherlands. As the pension providers for these plans do not provide the necessary information in the form required for recognition as defined benefit plans, these plans are recognized as defined contribution plans. Consistent with the requirements of this plan, HORNBACH Holding AG & Co. KGaA has no obligation to assume liability for the contributions of other employers participating in the plan. No probable material risks have been identified in connection with the multiemployer defined benefit pension plan. The company expects to pay contributions of € 8,329k in the 2023/24 financial year.

Defined benefit plans

- **Switzerland**

  The HORNBACH Holding AG & Co. KGaA Group has one fund-financed pension plan which is financed via an external pension provider. This pension plan exists due to legal requirements in Switzerland (Swiss Occupational Pensions Act - BVG) and grants old-age, invalidity and fatality pensions and payments for 1,114 beneficiaries.

  The pension plan offers benefits that exceed the statutory minimum requirements under the BVG legislation. The employee covers around 35% of the premiums to be paid for the savings balances, as well as further clearly defined costs. The remaining expenses are covered by the employer. Retirement pension contributions are age-dependent and rise with increasing age. Risk and cost premiums are calculated by the insurance company on an individual basis and reassessed each year. The actuarial risk in connection with this plan is borne by HORNBACH Holding AG & Co. KGaA. The pension plan must be fully covered on the basis of a statistical evaluation performed in accordance with BVG provisions. In the event of a shortfall, the pension authority is required to take measures such as setting additional employer and employee contributions or payments.

  The pension provider constitutes a separate legal entity. This is responsible for managing the pension plan and has issued investment regulations defining the respective investment strategy. The highest decision-making body for the pension provider is the Board of Trustees. This consists of an equal number of employer and employee representatives from the companies participating in the plan.

- **Germany**

  HORNBACH Baumarkt AG, HORNBACH Immobilien AG and HORNBACH Baustoff Union GmbH have undertaken to provide members of their Boards of Management or their managing directors with a securities-financed pension plan. This model offers the opportunity to increase pension claims, while the companies simultaneously guarantee a minimum return of 2% p.a. for members of their Boards of Management. Pension assets and voluntary additional contributions by members of the Boards of Management or managing directors are held in a fiduciary capacity and invested in diversified funds by Allianz Treuhand GmbH, Frankfurt am Main. The funds are invested in line with a capital investment concept jointly defined by the companies and Allianz Treuhand GmbH. Where amendments to the capital investment concept do not contravene the fiduciary objective, the companies themselves may have such amendments made. The risk that the trust assets do not generate the minimum return of 2% p.a. is borne by the companies.

The scope of obligation towards plan beneficiaries has been set in each case at a maximum of the fund assets and the present value of contributions paid, including the guaranteed return. To this end, the contributions paid by the employer and by the Board of Management are compared with the associated fund assets.

Furthermore, employees of the respective company also have the possibility of participating in a “working time account model”. Salary claims can be converted into so-called value credits in line with individual employee's requirements. Directly before the termination of the employment relationship for age-related reasons, these credits can then be used to enable the employee to retire early. Non-disbursed salary claims can be invested in various investment funds in line with the individual employee's risk preference. HORNBACH Holding AG & Co. KGaA guarantees the value retention of amounts contributed to value credits and thus bears the investment risk. Salary components contributed by the respective company or employees are managed within a so-called double fiduciary model by Allianz Treuhand GmbH, Frankfurt am Main. Provisions for obligations in connection with working time accounts have been offset as of the balance sheet date against the corresponding cover assets in the form of fund shares. Due to their pension-like character, these “other long-term benefits” have been recognized under pensions and similar obligations.

Pensions and similar obligations are structured as follows:

	2.28.2023 € 000s	2.28.2022 € 000s
Present value of pension obligation	94,011	100,399
less fair value of plan assets	(95,404)	(88,096)
Asset ceiling	1,493	584
Pension commitments as reported in balance sheet	**100**	**12,887**
of which pensions and similar obligations	144	12,856
of which: plan assets	(44)	0

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

	2.28.2023 %	2.28.2022 %
Debt securities	66.3	64.4
Shares	7.0	6.5
Real estate	18.0	15.3
Other	8.7	13.8
	100.0	**100.0**

Change in pension obligation

	2022/23 € 000s	2021/22 € 000s
Present value of pension obligation at the beginning of the period	100,399	93,555
Current service cost of employer	6,264	6,176
Past service cost	(2,425)	(1,836)
Employee contributions	4,212	4,573
Interest cost	775	(64)
Payments from the plan	(5,385)	850
Actuarial gains/losses due to:		
Changes in demographic assumptions	256	0
Changes in financial assumptions	(13,356)	(11,350)
Experience adjustments	2,385	6,315
Insurance premiums	(2,075)	(2,419)
Foreign currency translation	2,961	4,599
Present value of pension obligation at the end of the period	**94,011**	**100,399**

Change in plan assets

	2022/23 € 000s	2021/22 € 000s
Plan assets at beginning of period	88,096	74,207
Employer contributions	6,189	6,533
Employee contributions	4,212	4,573
Payments from the plan	(5,345)	860
Interest income	700	(81)
Return on plan assets (excluding income recognized in net interest expenses)	1,167	1,130
Insurance premiums	(2,075)	(2,419)
Foreign currency translation	2,460	3,293
Plan assets at the end of the period	**95,404**	**88,096**

Responsibility for the plan asset investment strategy has been assigned to Allianz Treuhand GmbH for the German plans and to the top management body (Board of Trustees) at the BVG-Sammelstiftung Swiss Life for the Swiss plans. These external asset managers perform portfolio risk management and synchronize the development in plan assets and pension obligations in line with the conceptual and legal structure of the defined benefit plans.

HORNBACH Holding AG & Co. KGaA analyses the portfolio structure and performance at regular intervals in order to identify any need for action.

The expenses for defined benefit plans are presented below. As well as expenses and income recognized through profit or loss under personnel expenses and net financial expenses, these also include plan-related amounts recognized in other comprehensive income within equity.

	2022/23 € 000s	2021/22 € 000s
Current service cost of employer	6,264	6,176
Past service cost	(2,425)	(1,836)
Interest cost	775	(64)
Interest income	(693)	81
Effects recognized in P&L	**3,921**	**4,357**
Actuarial gains/losses due to:		
Changes in demographic assumptions	(256)	0
Changes in financial assumptions	13,356	11,350
Experience adjustments	(2,385)	(6,315)
Return on plan assets (excluding income recognized in net interest expenses)	1,167	1,130
Asset ceiling	(903)	(584)
Effects recognized in OCI	**10,980**	**5,582**
Costs for defined benefit plans	**(7,059)**	**(1,224)**

The amounts recognized through profit or loss are included in the income statement in the personnel expenses for the following functional areas and in net financial expenses:

	2022/23 € 000s	2021/22 € 000s
Selling and store expenses	2,562	2,741
Pre-opening expenses	0	154
General and administration expenses	1,278	1,445
Net interest expenses	81	17
	3,921	**4,357**

Actuarial assumptions

The calculation has been based on the following actuarial assumptions. These vary depending on the country in which the plan is based.

	2.28.2023		2.28.2022	
	Weighted average	Range	Weighted average	Range
Discount interest rate	2.5%	2.2% to 3.8%	0.9%	0.8% to 1.7%
Future salary increases	2.1%	0.0% to 3.0%	1.8%	1.5% to 3.0%
Future pension increases	0.4%	0.0% to 2.0%	0.4%	0.0% to 2.0%

The discount rate used has been determined on the basis of the return on blue-chip fixed-income industrial bonds. The assumptions concerning future mortality rates are based on published statistics and mortality tables. For plans in Germany, reference has been made to the “Heubeck Richttafeln 2018 G”. Swiss plans are governed by the “BVG 2020 Generationentafel (CMI)”.

Sensitivity analysis

The influence of those actuarial assumptions which, if changed, would materially impact on the measurement of the present value of the pension obligation, has been presented in the following sensitivity analysis. This presents that change in the present value of the pension obligation that would have arisen if different actuarial assumptions had been used as of the balance sheet date. The other parameters influencing the respective values have remained constant.

Change in present value of pension obligation

€ 000s	2.28.2023		2.28.2022	
	Increase	Decrease	Increase	Decrease
Discount rate (0.25 basis points change)	(1,738)	1,840	(2,684)	2,888
Future rate of pension increase (0.10 basis points change)	496	n/a	645	n/a
Mortality (+ 1 year)	806	n/a	1,204	n/a

Future cash flows

Payments of contributions amounting to € 6,566k are expected for the 2023/24 financial year.

Expected payments	2.28.2023 € 000s
2023/2024	8,236
2024/2025	4,349
2025/2026	3,949
2026/2027	6,307
2027/2028	4,810
2028 to 2033	21,256

Expected payments	2.28.2022 € 000s
2022/2023	7,966
2023/2024	3,793
2024/2025	3,632
2025/2026	3,533
2026/2027	5,782
2027 to 2031	19,329

(25) Other non-current liabilities

Other non-current liabilities chiefly involve non-current provisions of € 46,095k (2021/22: € 46,812k). These mainly include provisions of € 21,288k (2021/22: € 19,513k) for contractually assumed structural maintenance obligations and personnel provisions of € 22,859k (2021/22: € 25,352k). The rental agreements underlying the maintenance obligations have remaining terms of between 1 and 15 years. The personnel provisions mainly relate to provisions recognized due to statutory requirements in Austria for employees in the event of their leaving the company (severance payments) and to anniversary bonus claims, part-time early retirement obligations, and long-term remuneration claims for the Board of Management. Further information about the severance payment obligation can be found at the end of this chapter.

The development in provisions is presented in Note 28.

Severance payments

Upon reaching retirement age (or if their employment is terminated), employees at Austrian subsidiaries are entitled to severance payments provided that they joined the company by December 31, 2002. The level of severance payment entitlement is based on the number of years of service and the most recent level of remuneration from the employment relationship. The volume of obligation is reviewed annually and adjusted accordingly on the basis of an external survey. The actuarial risks associated with this plan are borne by the HORNBACH Holding AG & Co. KGaA Group.

Severance payments represent other defined benefit post-employment benefits and are therefore recognized under other non-current liabilities. The provision for severance payments is measured at the present value of the pension obligation.

Change in pension obligation and costs of plan

	2022/23 € 000s	2021/22 € 000s
Present value of pension obligation at the beginning of the period	5,845	5,880
Current service cost of employer	237	264
Payments from the plan	(374)	(446)
Interest cost	83	16
Actuarial gains/losses due to:		
Changes in financial assumptions	(1,094)	(167)
Experience adjustments	289	299
Present value of pension obligation at the end of the period	**4,987**	**5,845**

	2022/23 € 000s	2021/22 € 000s
Current service cost of employer	237	264
Interest cost	83	16
Effects recognized in P&L	**320**	**280**
Actuarial gains/losses due to:		
Changes in financial assumptions	1,094	167
Experience adjustments	(289)	(299)
Effects recognized in OCI	**805**	**(132)**
Total costs for the plan	**(484)**	**412**

The average remaining term of the obligation amounts to 13.4 years (2021/22: 13.4 years).

Actuarial assumptions and sensitivity analysis

	2.28.2023	2.28.2022
Discount interest rate	3.7%	1.0%
Future salary increases	3.3%	2.3%

The discount rate used has been determined on the basis of the return on blue-chip fixed-income industrial bonds. The biometric calculation has been based on “AVÖ 2018 P – Rechnungsgrundlage für die Pensionsversicherungen”. The influence of those actuarial assumptions which, if changed, would materially impact on the measurement of the present value of the pension obligation, has been presented in the following sensitivity analysis. This presents that change in the present value of the pension obligation that would have arisen if different actuarial assumptions had been used as of the balance sheet date. The other parameters influencing the respective values have remained constant.

Change in the present value of the pension obligation

€ 000s	2.28.2023		2.28.2022	
	Increase	Decrease	Increase	Decrease
Discount rate (0.5 basis points change)	(262)	284	(358)	392
Future rate of salary increase (0.5 basis points change)	283	(264)	188	(181)

(26) Trade payables and other current liabilities

	2.28.2023 € 000s	2.28.2022 € 000s
Trade payables	383,545	407,723
Liabilities to affiliated companies	1,109	1,446
of which: to shareholders	1,109	1,446
Liabilities for reverse factoring program	250,016	0
Contract liabilities	49,477	52,920
Other liabilities	116,605	106,798
of which: other taxation	35,384	32,502
of which: social security contributions	8,219	7,094
	800,752	**568,887**

Trade payables, liabilities to affiliated companies, liabilities for the reverse factoring program, contract liabilities, and other liabilities have remaining terms of less than one year. Trade payables are secured by reservations of title to the customary extent.

The company has liabilities resulting from its participation in a reverse factoring program. This involves derecognition of the original trade payables as a debt-discharging payment is made by the financing partner to settle the corresponding trade payables. Due to the inclusion of a financing partner, the contractual conditions of the payables covered by the reverse factoring program are modified towards suppliers to an extent customary in the sector. In terms of their economic character, these payables serve the regular business cycle. The Group therefore views payables covered by the reverse factoring program as remaining a constituent component of working capital.

Contract liabilities include prepayments received for customer orders and customer credit balances for vouchers.

Other taxation liabilities include amounts for which the individual Group companies are liable. Liabilities for social security contributions particularly include contributions yet to be remitted to the social security funds. In addition to the aforementioned items, other liabilities mainly include deposits and pledged funds, and amounts due for outstanding invoices. Other liabilities include refund liabilities of € 8,529k (2021/22: € 8,571k), which mainly relate to expected returns.

(27) Income tax receivables and liabilities

The receivables and liabilities relating to taxes on income involve current tax liabilities / receivables and taxes for previous financial years. Current tax liabilities are offset against corresponding income tax refund claims, provided that they relate to the same tax jurisdiction and are identical as far as their type and their due date are concerned. Of the tax liabilities of € 35,196k for current income taxes, an amount of € 19,178k relates to Germany and € 16,018k to other countries.

The income tax receivables of € 20.9 million (2021/22: € 13.0 million) mainly result from deductions for imputable capital gains tax on the dividend from HORNBACH Baumarkt AG, as well as from prepayments of corporate income tax.

Reference is made to the information about deferred taxes included in Note 16 with regard to the deferred tax assets and liabilities recognized under non-current assets and non-current liabilities.

(28) Other provisions and accrued liabilities

Other provisions and accrued liabilities developed as follows in the 2022/23 financial year:

€ 000s	Opening balance at 3.1.2022	Utilization	Reversals	Additions	Interest compounding	Foreign currency translation	Closing balance at 2.28.2023	of which: non-current
Other provisions								
Personnel	25,352	1,659	1,092	1,307	(1,074)	25	22,859	22,859
Miscellaneous	22,576	2,436	859	6,688	(1,425)	77	24,621	23,236
	47,927	**4,095**	**1,950**	**7,995**	**(2,499)**	**102**	**47,479**	**46,095**
Accrued liabilities								
Other taxes	22,196	1,161	245	1,189	0	(31)	21,948	0
Personnel	94,741	84,502	4,256	66,833	0	237	73,053	0
Miscellaneous	31,287	26,783	2,477	30,197	0	77	32,303	0
	148,224	**112,447**	**6,977**	**98,219**	**0**	**284**	**127,303**	**0**
	196,151	**116,542**	**8,927**	**106,214**	**(2,499)**	**385**	**174,782**	**46,095**

Reference is made to Note 25 with regard to details of non-current provisions.

The accrued liabilities for personnel obligations primarily relate to outstanding vacation entitlements, vacation pay, Christmas bonuses, contributions to employer's liability insurance associations, and employee bonuses. Miscellaneous accrued liabilities relate in particular to utility expenses (gas, water, electricity), property duties, advertising expenses, as well as to year-end expenses and legal advisory expenses.

Other Disclosures

(29) Guarantees and other commitments

As in the previous year, there were no guarantees or other commitments as of February 28, 2023.

(30) Other financial obligations

€ million	Maturities			2.28.2023
	Current < 1 year	Non-current 1 to 5 years	Non-current > 5 years	Total
Purchase obligations for investments	132.2	0.0	0.0	132.2
Software rental / licenses	16.9	12.8	0.7	30.4
Miscellaneous financial obligations	3.9	0.0	0.0	3.9
	153.0	**12.8**	**0.7**	**166.5**

€ million	Maturities			2.28.2022
	Current < 1 year	Non-current 1 to 5 years	Non-current > 5 years	Total
Purchase obligations for investments	167.9	0.0	0.0	167.9
Software rental / licenses	12.2	17.3	2.4	31.9
Miscellaneous financial obligations	2.8	0.1	0.0	2.9
	182.9	**17.4**	**2.4**	**202.7**

The miscellaneous financial obligations mainly comprise maintenance and service charges.

(31) Legal disputes

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

(32) Supplementary disclosures on financial instruments

The following tables show the carrying amounts and the fair values of individual financial assets and liabilities pursuant to IFRS 7 as of February 28, 2023:

€ 000s	Category	Carrying amount 2.28.2023	Fair value 2.28.2023	Carrying amount 2.28.2022	Fair value 2.28.2022
Assets					
Financial assets	FVtOCI	162	162	112	112
Trade receivables	AC	53,395	53,395	44,361	44,361
Trade receivables due to non-recourse factoring that are not derecognized	FVtPL	3,790	3,790	2,909	2,909
Contract assets	AC	2,023	2,023	1,576	1,576
Other current and non-current assets					
Derivatives with hedge relationship	n/a	0	0	1,743	1,743
Derivatives without hedge relationship	FVtPL	2,380	2,380	603	603
Other assets	AC	79,764	79,764	71,554	71,554
Cash and cash equivalents	AC	436,976	436,976	332,262	332,262
Equity and liabilities					
Financial debt					
Bonds	AC	248,173	237,000	247,663	258,938
Liabilities to banks	AC	604,589	559,077	372,923	379,597
Liabilities for delisting purchase offer	AC	0	0	190,565	190,565
Lease liabilities	n/a	927,388	n/a	874,811	n/a
Derivatives without hedge relationship	FVtPL	107	107	2,293	2,293
Trade payables	AC	384,654	384,654	409,169	409,169
Liabilities from the reverse factoring program	AC	250,016	250,016	0	0
Other current and non-current liabilities	AC	56,033	56,033	46,821	46,821
Accrued liabilities	AC	32,301	32,301	31,287	31,287

The interest of € 2,827k accrued since the previous bond interest payment date has been recognized in the carrying amount of liabilities to banks (2021/22: € 2,827k).

The following items are outside the scope of IFRS 7: other current and non-current assets of € 30,103k (2021/22: € 30,256k), other current and non-current liabilities of € 143,676k (2021/22: € 144,224k), and accrued liabilities of € 95,002k (2021/22: € 116,938k).

Aggregate totals by measurement category € 000s	Carrying amount 2.28.2023	Carrying amount 2.28.2022
Amortized cost (AC) financial assets	572,158	449,752
FVtOCI	162	112
FVtPL	6,170	3,513
Amortized cost (AC) financial liabilities	1,575,767	1,298,429
FVtPL	107	2,293

Cash and cash equivalents, trade receivables, other assets, accrued liabilities, trade payables, and other liabilities mature in the short term in the majority of cases. Their carrying amounts therefore basically correspond to their fair values as of the balance sheet date. Financial assets include shareholdings recognized at cost due to the lack of an available fair value.

The derivative financial instruments within hedges recognized in the balance sheet mainly involve interest hedges (interest swaps). Derivative financial instruments outside of hedges include foreign currency items for outstanding orders and measurement items for outstanding forward exchange transactions. Their fair value measurement has been based on customary valuation models (e.g. discounted cash flow method) by reference to interest and foreign exchange curves available on the market and with congruent terms, and thus corresponding to Level 2 input factors in the fair value hierarchy. The fair values of fixed-interest liabilities to banks and of lease contracts have been measured by analogy. The credit risk for the aforementioned financial instruments has been accounted for by reference to risk premiums available on the market. The fair value of the publicly listed corporate bond corresponds to the nominal value multiplied by the market value at the balance sheet date. The fair value has thus been determined by reference to Level 1 data in the fair value hierarchy.

The assessment as to whether a transfer between different levels of the fair value hierarchy has arisen for financial assets and liabilities measured at fair value is performed at the end of the reporting period. No reclassifications were made in the period under report.

The following financial instruments whose measurement has been based on fair value hierarchy input data have been recognized at fair value in the balance sheet or the notes:

€ 000s	Category	2.28.2023	2.28.2022
Assets			
Valuation based on Level 2 input data			
Derivatives with hedge relationship	n.a.	0	1,743
Derivatives without hedge relationship	FVtPL	2,380	603
Liabilities			
Valuation based on Level 1 input data			
Bonds	AC	237,000	258,938
Valuation based on Level 2 input data			
Liabilities to banks	AC	559,077	379,597
Derivatives without hedge relationship	FVtPL	107	2,293

In the income statement, net results are included in the following line items:

Net result by measurement category	2022/23 € 000s	2021/22 € 000s
Amortized cost (AC) financial assets	(3,593)	(1,733)
Amortized cost (AC) financial liabilities	(284)	1,522
FVtPL	5,096	2,751

The net results of the "FVtPL" measurement category are attributable to derivative financial instruments. The net results of the "Amortized cost (AC)" measurement categories for financial assets and financial liabilities involve foreign currency translation items, disposal gains, and write-downs.

No financial instruments are reported on a net basis in the balance sheet. Supplementary arrangements permitting the economic netting of recognized financial instruments exist for swap and forward exchange transactions concluded by the Group. These are governed by the German Master Agreement for Financial Derivative Transactions. In the following table, the economic netting volume is presented for derivatives with hedge relationships (swap) and without hedge relationships (forward exchange).

2.28.2023 € 000s	Gross amount	Set-off	Net amount	Potential netting volume		Potential net amount
				Netting arrangements	Financial collateral	
Assets						
Derivatives without hedge relationship	2,380	0	2,380	(1)	0	2,379
Derivatives with hedge relationship	0	0	0	0	0	0
Equity and liabilities						
Derivatives without hedge relationship	107	0	107	1	0	105
Derivatives with hedge relationship	0	0	0	0	0	0

2.28.2022 € 000s	Gross amount	Set-off	Net amount	Potential netting volume		Potential net amount
				Netting arrangements	Financial collateral	
Assets						
Derivatives without hedge relationship	603	0	603	(10)	0	593
Derivatives with hedge relationship	1,743	0	1,743	0	0	1,743
Equity and liabilities						
Derivatives without hedge relationship	2,293	0	2,293	10	0	2,283
Derivatives with hedge relationship	0	0	0	0	0	0

(33) Risk management and financial derivatives

Risk management principles

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

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

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

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

Market risks

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

Foreign currency risks

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

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

Foreign currency loans whose foreign currency risk is hedged by cash flow hedges do not result in any foreign currency risk. These items have therefore not been accounted for in the sensitivity analysis.

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

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

Thousand	2.28.2023	2.28.2022
EUR	(203,054)	(156,046)
USD	(19,678)	(17,547)
CZK	(1,288)	(2,157)
SEK	(23)	(129)
CNY/CNH	2,106	2,455

The above EUR currency position results from the following currency pairs: CHF/EUR € -90,209k (2021/22: € -69,041k), RON/EUR € -71,978k (2021/22: € -50,598k), SEK/EUR € -36,987k (2021/22: € -30,220k), and CZK/EUR € -3,879k (2021/22: € -6,187k).

The most important exchange rates have been presented under "Foreign currency translation".

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

If the euro had **appreciated by 10%** compared with the Group's other main currencies at the balance sheet date, and all other variables had remained unchanged, consolidated earnings before taxes would have been € 14,020k lower (2021/22 € 11,057k). Conversely, if the euro had **depreciated by 10%** compared with the Group's other main currencies at the balance sheet date, and all other variables had remained unchanged, then consolidated earnings before taxes would have been € 14,020k higher (2021/22: € 11,057k). The hypothetical impact on earnings of € 14,020k (2021/22: € 11,057k) is the result of the following sensitivities: EUR/CHF € -5k (2021/22: € 6,641k), EUR/RON € 10,672k (2021/22: € 5,069k), EUR/SEK € 4,873k (2021/22: € 899k), EUR/CNY(CNH) € 234k (2021/22: € 245k), EUR/CZK € 257k (2021/22: € -16k), and EUR/USD € -2,006k (2021/22: € -1,781k).

Interest rate risks

At the end of the year, the Group was principally financed by a euro bond with a nominal total of € 250,000k (2021/22: € 250,000k), two promissory note bonds amounting to € 100,000k at HORNBACH Holding AG & Co. KGaA (2021/22: € 0k), two promissory note bonds amounting to € 95,000k at HORNBACH Holding B.V. (2021/22: € 95,000k), two promissory note bonds amounting to € 200,000k at HORNBACH Baumarkt AG (2021/22: € 200,000k) and a mortgage loan of € 46,250k at HORNBACH Immobilien AG (2021/22: € 0k). Moreover, the Group also has short-term and long-term euro loans amounting to € 34,503k (2021/22: € 37,803k), long-term CZK loans amounting to € 17,398k (2021/22: € 20,790k), and long-term SEK loans amounting to € 10,317k (2021/22: € 13,760k). Moreover, the Group had current liabilities to banks of € 85,500k as of the balance sheet date (2021/22: € 2,500k).

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

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

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

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

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

If the market interest rate had been **100 basis points higher** at the balance sheet date, and all other variables had remained unchanged, then consolidated earnings before taxes would have been € 3,107k higher (2021/22: € 2,879k) and equity before deferred taxes would have been € 0k higher (2021/22: € 54k). Due to the low level of interest rates currently, a parallel shift in the interest rate curve by 100 basis points downwards in some cases produces negative interest rates. This severely limits the meaningfulness of any such simulation. For the current financial year, the company has therefore rather simulated the hypothetical impact on earnings of a shift in the interest rate curve by 10 basis points downwards. If the market interest rate had been **10 basis points lower** at the balance sheet date, and all other variables had remained unchanged, then consolidated earnings before taxes would have been € 311k lower (2021/22: € 288k) and equity before deferred taxes would have been € 0k lower (2021/22: € 5k).

Credit risk

Credit risk or default risk involves the risk that a contractual party is unable to comply in part or in full with the obligations entered into upon the conclusion of a financial instrument. The credit risk of the Group is strictly limited to the extent that financial assets and derivative financial instruments are as far as possible only concluded with contractual parties of good credit standing. Moreover, transactions with individual contractual partners are subject to a maximum limit. The risk of receivables default in the operating business is already considerably reduced on account of the retail format (cash & carry). The maximum credit risk is basically equivalent to the carrying amounts of the financial assets, which do not include any material risk clusters.

Impairment of financial assets

The Group has the following types of financial assets that are subject to the expected credit loss model:

- Trade receivables and contract assets
- Other financial assets measured at amortized cost

Trade receivables and contract assets

For trade receivables and contract assets, HORNBACH has applied the simplified model based on a provision matrix. In this model, a risk allowance in the amount of the lifetime expected credit losses has to be recognized both upon initial recognition and at each subsequent balance sheet date. To measure the expected credit risk, trade receivables have been grouped on the basis of existing credit risks and their respective maturity structures. This grouping is based on their geographical location, as the customer segments have similar credit risk characteristics for each country.

The expected loss rates are derived on the basis of an average distribution of receivables over a 36-month period prior to February 28, 2022 and March 1, 2022 respectively and of historic default rates in this period.

Gross receivables that are more than 360 days overdue are deemed to have defaulted. Due account is taken of current macroeconomic expectations by including country-specific ratings. Historic default rates basically provide the best approximation of the defaults expected in future, provided that the respective country rating has not changed. Changes in country ratings are accounted for by adjusting the historic default rates.

The development in the allowances recognized for trade receivables and contract assets can be found in Note 18.

Contract assets relate to tradesman services not yet invoiced and basically have the same risk characteristics as trade receivables. The expected loss rates for trade receivables in the respective countries are therefore viewed as providing an appropriate approximation of the loss rates for contract assets and for determining expected credit losses.

Trade receivables and contract assets are derecognized when, based on appropriate assessment, there is no prospect of recoverability. Indicators that, based on appropriate assessment, there is no prospect of recoverability particularly include filing for or opening insolvency proceedings. Impairment losses on trade receivables and contract assets are recognized on a net basis as impairment losses within operating earnings. Amounts received in subsequent periods for items previously written down are recognized in the same line item.

Other financial assets measured at amortized cost

The general allowance model is used to determine risk allowances. In determining the probability of default, reference is made to internal and external credit assessments that include both qualitative and quantitative information. An assessment is performed as of each balance sheet date to determine whether the credit risk has significantly increased. If the credit risk has not significantly increased since initial recognition, the probability of default is determined on the basis of a 12-month period. Reference is otherwise made to the entire remaining lifetime.

To assess whether the credit risk has significantly increased, the default risk for the financial assets as of the balance sheet date is compared with the default risk upon initial recognition. Alongside country-specific factors, the assessment also accounts in particular for the following indicators:

- Credit rating of the debtor based on internal assessments and, if applicable, external rating agencies
- Actual or expected material negative change in the business, financial, or economic position of the debtor that could materially affect its ability to settle its obligations.

Furthermore, unless refuted by information to the contrary, it is assumed that the credit risk has significantly increased if a debtor is more than 30 days overdue with a contractually agreed payment.

In determining a default event, a financial asset is classified as having defaulted if an objective event, such as one of the following, occurs:

- The contractually agreed payment is more than 90 days overdue and no information supporting an alternative default criterion is available
- Significant financial difficulties at the debtor
- Breach of contract
- The debtor is likely to enter insolvency or other restructuring proceedings.

All debt instruments measured at amortized cost are assessed as “involving low default risk” if an investment grade rating is available from at least one of the major rating agencies. The Group excludes these financial instruments from application of the three-level risk allowance model. Instead, these assets are always allocated to Level 1 of the risk allowance model and an allowance corresponding to the 12-month expected credit losses is recognized. Other instruments for which no external rating is available are assessed as “involving low default risk” when the risk of non-fulfillment is low and the issuer is at all times in a position to meet its contractual payment obligations at short notice.

The development in allowances recognized for other financial assets is presented in Note 18.

Liquidity risk

The following tables show the contractually agreed (undiscounted) outflows of cash for primary and derivative financial liabilities:

€ 000s	Carrying amount 2.28.2023	Cash outflows < 1 year	1 to 5 years	> 5 years
Primary financial liabilities				
Bonds	248,173	8,125	274,375	0
Liabilities to banks	604,589	304,558	238,227	87,767
Lease liabilities	927,388	137,631	491,047	496,499
Trade payables	384,654	384,654	0	0
Liabilities from reverse factoring program	250,016	250,016	0	0
Other current and non-current liabilities	56,033	54,017	2,016	0
Accrued liabilities	32,301	32,301	0	0
	2,503,155	**1,171,302**	**1,005,665**	**584,267**
Derivative financial liabilities				
Foreign currency derivatives without hedge relationship	107	4,447	0	0
	107	**4,447**	**0**	**0**
Derivative financial assets				
Foreign currency derivatives without hedge relationship	2,380	8,325	0	0
Interest derivatives in connection with cash flow hedges	0	0	0	0
	2,380	**8,325**	**0**	**0**
		1,184,074	**1,005,665**	**584,267**

€ 000s	Carrying amount 2.28.2022	Cash outflows < 1 year	1 to 5 years	> 5 years
Primary financial liabilities				
Bonds	247,663	8,125	282,500	0
Liabilities to banks	372,923	30,571	345,355	11,702
Liabilities from delisting offer	190,565	190,565	0	0
Lease liabilities	874,811	123,144	458,911	456,856
Trade payables	409,169	409,169	0	0
Other current and non-current liabilities	46,821	44,169	2,652	0
Accrued liabilities	31,287	31,287	0	0
	2,173,240	**837,030**	**1,089,418**	**468,558**
Derivative financial liabilities				
Foreign currency derivatives without hedge relationship	2,293	6,742	0	0
	2,293	**6,742**	**0**	**0**
Derivative financial assets				
Foreign currency derivatives without hedge relationship	603	38,540	0	0
Interest derivatives in connection with cash flow hedges	1,743	0	0	0
	2,346	**38,540**	**0**	**0**
		882,312	**1,089,418**	**468,558**

All financial liabilities held at the balance sheet date have been included. No account has been taken of budget figures for future new liabilities. Furthermore, the presentation includes financial assets that will lead to an outflow of cash. Floating-rate interest payments are calculated on the basis of interest rates valid at the balance sheet date. Liabilities denominated in foreign currencies are translated at the relevant reporting date rate.

The interest of € 2,827k accrued since the previous bond interest payment date has been recognized in the carrying amount of liabilities to banks (2021/22: € 2,827k). The corresponding outflows of cash have been recognized in the bond line item.

With regard to the management of liquidity risk, reference is made to Note 23 and to the disclosures on the financial situation in the management report.

Hedging measures

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

Cash flow hedge – interest rate risk

Payer interest swaps are concluded to secure the interest rates on major long-term financial liabilities with floating interest rates. These enable the variable interest rates on the loans to be converted into fixed interest rates. In individual cases where long-term loans are concluded in currencies other than the functional currency of the respective Group company, the foreign currency risk is hedged with currency or interest-currency swaps. Creditworthiness risks are not hedged.

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

A Swedish subsidiary took up a long-term EUR mortgage loan in the 2012/13 financial year. This loan of € 30 million has a term running until June 30, 2022. The interest rate is based on the 3-month Euribor, plus a fixed bank margin. To secure the interest and exchange rates, an interest-currency swap consistent with the loan structure was concluded (loan interest rate, including EUR-SEK interest currency swap of 4.42%). This swap enabled the floating-rate EUR payment installments to be secured as fixed-interest SEK payment installments.

The interest-currency swap in place at the end of the 2021/22 financial year, which had a nominal value of € 11,000k, expired on scheduled on June 30, 2022. At the end of the 2021/22 financial year, the fair value of this interest-currency swap amounted to € 1,743k and was reported under other assets.

The hedging instruments which the Group has designated in hedging relationships had the following implications for the balance sheet as of February 28, 2023:

€ 000s	2.28.2023	2.28.2022
Balance sheet item	Derivatives with hedge relationship	Derivatives with hedge relationship
Carrying amount of assets	0	1,743
Carrying amount of liabilities	0	0
Change in value of hedges held or expired as of the reporting date	(1,743)	445
Nominal amount	0	11,000

The aforementioned hedging relationships had the following implications for the income statement or other comprehensive income (OCI):

€ 000s	2022/23	2021/22
Change in fair value of the underlying transaction	(312)	(126)
Cash flow hedge reserve from existing hedges	0	(312)
Amount reclassified from OCI due to maturity of underlying transaction	92	327

Other hedging measures – foreign currency risk

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

The fair value of forward exchange transactions, including embedded forward exchange transactions, amounts to € 2,273k (2021/22: € -1,690k). Of this total, € 2,380k has been recognized under other assets (2021/22: € 603k) and € -107k under financial debt (2021/22: € -2,293k).

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

Derivatives

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

2.28.2023	Forward exchange transactions	Embedded forward exchange transactions	Interest rate and currency swap	Total
Nominal value in € 000s	17,000	26,435	0	43,435
Fair value in € 000s (before deferred taxes)	111	2,162	0	2,273

2.28.2022	Forward exchange transactions	Embedded forward exchange transactions	Interest rate and currency swap	Total
Nominal value in € 000s	53,000	58,514	11,000	122,514
Fair value in € 000s (before deferred taxes)	594	(2,283)	1,743	53

(34) Other disclosures

Employees

The average number of employees was as follows:

	2022/23	2021/22
Salaried employees	22,589	21,923
Trainees	1,093	1,045
	23,681	**22,968**
of which: part-time employees	7,348	6,967

In terms of geographical regions, 12,814 of the average workforce were employed in Germany during the 2022/23 financial year (2021/22: 12,529) and 10,867 abroad (2021/22: 10,439).

Auditor's fee

The fees charged by the auditor of the annual and consolidated financial statements of HORNBACH Holding AG & Co. KGaA, Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Mannheim, for the year under report were as follows:

	2022/23 € 000s	2021/22 € 000s
Audit services [1]	1,178	1,090
Other confirmation services [2]	212	76
	1,390	**1,166**

The fees comprise the following elements:

[1] Half-year, annual, and consolidated financial statements, dependent company report, remuneration report, annual financial statements of subsidiaries

[2] Agreed investigation activities in respect of sales, Management AG settlements, Board of Management bonuses, and limited assurance audit for non-financial Group reporting

The annual and consolidated financial statements of HORNBACH Holding AG & Co. KGaA have been audited by Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Mannheim, since the 2019/20 financial year, with Steffen Schmidt (Partner) as the auditor responsible for the audit.

Information on the German Corporate Governance Code

The annual Declaration of Compliance with the German Corporate Governance Code required by § 161 of the German Stock Corporation Act (AktG) was submitted by the Board of Management of HORNBACH Management AG and the Supervisory Board of HORNBACH Holding AG & Co. KGaA in December 2022 and made available to shareholders on the company's homepage.

(35) Related party disclosures

In addition to the subsidiaries included in the consolidated financial statements, HORNBACH Holding AG & Co. KGaA has direct or indirect relationships with associated companies in the course of its customary business activities.

The associated companies are:

HORNBACH Familien-Treuhandgesellschaft mbH, Annweiler am Trifels (ultimate controlling party)

Administrative support was provided to HORNBACH Familien-Treuhandgesellschaft mbH in the past financial year. The services thereby performed in the 2022/23 financial year were valued at customary market prices of € 3k (2021/22: € 3k).

HORNBACH Management AG, Annweiler am Trifels (General Partner)

Pursuant to the Articles of Association of HORNBACH Holding AG & Co. KGaA, HORNBACH Management AG is reimbursed for all expenses directly attributable to its management activities. Furthermore, the company receives a return of 5% of the share capital (General Partner compensation).

The expenses incurred at HORNBACH Holding AG & Co. KGaA for the management activities performed by HORNBACH Management AG amounted to € 2,016k.

	2022/23 € 000s	2021/22 € 000s
Income		
Other services		
Other services to HORNBACH Management AG	8	1
	8	**1**
Expenses	**€ 000s**	€ 000s
General Partner compensation to HORNBACH Management AG	13	13
Management allocation to HORNBACH Management AG	2,016	2,299
	2,029	**2,312**
Receivables and liabilities	**€ 000s**	€ 000s
Receivables from HORNBACH Management AG		
Trade receivables	8	0
Liabilities to HORNBACH Management AG		
Trade payables	2,820	2,907

Some of the companies included in the consolidated financial statements of HORNBACH Holding AG & Co. KGaA make use of Jugendstilhotel Trifels GmbH & Co. KG, Annweiler am Trifels, for seminars and conferences. This company is represented by its managing director, Bettina Hornbach, wife of Albrecht Hornbach, and Angelika Hornbach, daughter of Albrecht Hornbach. Services of € 24k were performed by the Jugendstilhotel in the 2022/23 financial year (2021/22: € 5k). These services are invoiced at customary rates. Liabilities of € 16k were outstanding at the balance sheet date on February 28, 2023 (2021/22: € 0k).

Related parties also include members of the management in key positions (Board of Management and Supervisory Board). Disclosures on their remuneration are presented in Note 37.

(36) Events after the balance sheet date

No events of material significance for assessing the earnings, financial, and asset position of the HORNBACH Holding AG & Co. KGaA Group occurred between the balance sheet date on February 28, 2023 and the date on which these financial statements were prepared.

The consolidated financial statements of HORNBACH Holding AG & Co. KGaA for the 2022/23 financial year were approved for publication by the Board of Management of the General Partner HORNBACH Management AG on May 11, 2023.

(37) Supervisory Board and Board of Management

The management of HORNBACH Holding AG & Co. KGaA is performed by the General Partner HORNBACH Management AG, represented by its Board of Management. The remuneration paid to the board members is borne by HORNBACH Management AG and is reported as expenses in that company's income statement. Pursuant to § 8 (3) of its Articles of Association, HORNBACH Holding AG & Co. KGaA reimburses all expenses incurred in connection with the remuneration of board members at the General Partner.

The total remuneration of the Board of Management of HORNBACH Management AG for performing its duties for the Group in the 2022/23 financial year amounts to € 2,440k (2021/22: € 3,548k). Of short-term benefits, € 1,159k (2021/22: € 1,159k) relates to fixed remuneration and € 633k (2021/22: € 1,150k) to performance-related components. Payments of € 648k (2021/22: € 1,239k) relate to remuneration of a long-term incentive nature. The members of the Board of Management are entitled to multiyear variable remuneration that is granted in annual tranches with a four-year term in each case. The amount of remuneration is linked to defined performance key figures. Further details about the remuneration of a long-term incentive nature can be found in the remuneration report.

Post-employment benefits of € 260k were incurred for active members of the Board of Management in the 2022/23 financial year (2021/22: € 352k). These involve expenses incurred to endow pension provisions (Note 24).

Remuneration of former members of the Board of Management for performing their duties for the Group in the 2022/23 financial year totaled € -9k (2021/22: € 520k). Pension provisions for former members of the Board of Management totaled € 6,003k at the Group in the 2022/23 financial year (2021/22: € 7,858k).

The total remuneration of the Supervisory Board (pursuant to § 314 (1) No. 6a HGB) for the 2022/23 financial year amounted to € 347k (2021/22: € 356k). Of short-term benefits, € 235k (2021/22: € 239k) related to basic remuneration and € 112k (2021/22: € 117k) to committee activities.

The total remuneration of the Board of Management (including former members) and Supervisory Board amounted to € 2,778k (2021/22: € 4,424k).

Neustadt an der Weinstrasse, May 11, 2023

HORNBACH Holding AG & Co. KGaA
represented by its General Partner HORNBACH Management AG,
represented by its Board of Management

Albrecht Hornbach Karin Dohm

RESPONSIBILITY STATEMENT (BALANCE SHEET OATH)

We hereby affirm that, to the best of our knowledge, the consolidated financial statements give a true and fair picture of the assets, liabilities, financial position and results of operations of the Group in accordance with the applicable reporting principles, and the group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Neustadt an der Weinstrasse, May 11, 2023

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

Albrecht Hornbach Karin Dohm

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of HORNBACH Holding AG & Co. KGaA, Neustadt an der Weinstraße/Germany, and its subsidiaries (the Group) which comprise the consolidated balance sheet as at 28 February 2023, the consolidated statement of profit and loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows and the group segment information for the financial year from 1 March 2022 to 28 February 2023, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report for the parent and the group of HORNBACH Holding AG & Co. KGaA, Neustadt an der Weinstraße/Germany, for the financial year from 1 March 2022 to 28 February 2023. In accordance with the German legal requirements, we have not audited the content of the consolidated corporate governance statement pursuant to Section 315d German Commercial Code (HGB) combined with the corporate governance statement pursuant to Section 289f HGB nor the content of the consolidated non-financial report pursuant to Sections 315b and 315c HGB, each referred to in the combined management report. In addition, we have not audited the content of the disclosures in sections "2.3 Hidden reserves in real estate assets" and "1.4 Overall assertion on the effectiveness of the internal control and risk management system" of the combined management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 28 February 2023 and of its financial performance for the financial year from 1 March 2022 to 28 February 2023, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of the consolidated corporate governance statement pursuant to Section 315d HGB combined with the corporate governance statement pursuant to Section 289f HGB referred to above nor the content of the consolidated non-financial report pursuant to Sections 315b and 315c HGB referred to above nor the content of the disclosures in section "2.3 Hidden reserves in real estate assets" and "1.4 Overall assertion on the effectiveness of the internal control and risk management system" of the combined management report.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014; referred to subsequently as "EU

Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 March 2022 to 28 February 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following we present the key audit matters we have determined in the course of our audit:
1. Recoverability of real estate at individual locations and rights of use of real estate at individual locations
2. Measurement of inventories

Our presentation of these key audit matters has been structured as follows:
a. description (including reference to corresponding information in the consolidated financial statements)
b. auditor's response

1. Recoverability of real estate at individual locations and rights of use of real estate at individual locations

a. The consolidated financial statements of HORNBACH Holding AG & Co. KGaA as at 28 February 2023 state "land, land rights and buildings including buildings on third-party land" (so-called real estate at individual locations) of mEUR 1,515.2 and rights of use of "land, land rights and buildings including buildings on third-party land" (so-called "rights of use of real estate at individual locations") of mEUR 813.1. This makes up 49.4% of the total assets. In the financial year 2022/2023, total impairments of mEUR 29.0 on these assets were recognised as an expense.

The recoverability of the real estate at individual locations and of the rights of use of real estate at individual locations is determined at the level of the individual DIY stores, each of which constitute a cash-generating unit. If there are events that indicate an impairment and any related requirement for a write-down of the real estate at individual locations and/or the rights of use of these assets, the Group determines the value in use of the individual cash-generating unit as part of an impairment test according to IAS 36. If the value in use is below the carrying value of the cash-generating unit, the fair value less costs to sell (net realisable value) is determined for the real estate attributable to this cash-generating unit. The higher of both values is used to determine the impairment.

The outcome of the measurement is largely dependent on the executive directors' judgement and estimate of the future cash inflows and on the used discount rate. In addition, the recoverability of the real estate at individual locations and of the rights of use of the real estate at individual locations depends on the individual location and the related alternative utilisabilities. Therefore, measurement involves a high degree of uncertainty. In order to determine the net realisable value of real estate at individual locations, the Group consulted external experts. Therefore, this matter was of particular significance in the scope of our audit.

The information provided by the executive directors on the real estate at individual locations, rights of use of individual locations and impairments made is stated in the section "Accounting and measurement", and in the notes "(10) Other notes to the statement of profit or loss", "(12) Property, plant and equipment, rights of use and investment property" note "(13) Leases" in the notes to the consolidated financial statements.

b. During our audit, we obtained an understanding of the corporate planning process and the process applied to design the impairment tests. In addition, we obtained, in particular, an understanding of and assessed the method applied in the impairment test. For the purpose of our risk assessment, we gathered information on and considered the adherence to the budget process over the past years.

We compared the expected future cash flows to be considered in the measurement with the corresponding detailed planning and group planning adopted by the supervisory board. In view of the assessment of the appropriateness of the assumptions and propositions, processes and measurement methods, we consulted internal experts of our Valuation Services function, who also helped us to assess the method applied in the impairment tests and the parameters used to determine the discount factors including the weighted average cost of capital and calculation schemes. For evaluating the appropriateness of the budgeting, we compared general and industry-specific market expectations and considered comprehensive explanations of the executive directors regarding the impairment tests. As only slight changes in the discount rate may have significant effects on the value in use, we evaluated the underlying parameters for plausibility based on information provided by the executive directors and own market research and checked the calculation of the value in use for accuracy.

In addition, we evaluated the competence, capabilities and objectivity of the independent experts consulted by the Group to determine the net realisable values of the real estate at individual locations and assessed their results with the help of our own real estate valuation experts.

2. Measurement of inventories

a. The inventories recognised in the consolidated financial statements of HORNBACH Holding AG & Co. KGaA as at 28 February 2023 amount to mEUR 1,382.3. This makes up 29.3% of the balance sheet total. As at 28 February 2023, write-downs of the inventories amounted to mEUR 26.5.

The inventories are measured at the lower of cost, including ancillary cost and cost deductions, or the net realisable value. Inventories are written down based on estimates made by the executive directors of the efficiency and usability of the inventories.

Any required write-downs are determined on the basis of an approach that considers the various risks of usability.

As the measurement of the inventories is based on judgement due to the defined approach including its underlying estimates and as the inventories are of major significance for the Group's assets, liabilities, financial position and financial performance, we identified the measurement of inventories as a key audit matter.

The information on the inventories is provided by the executive directors in the section "Accounting policies" as well as note "(17) Inventories" in the notes to the consolidated financial statements.

b. During our audit, we assessed internal controls designed to measure inventories and tested the implemented controls relevant to the audit concerning initial and subsequent measurement for their operating effectiveness.

In this context, we evaluated and assessed, in particular, the Group's applied approach to determine write-downs of inventories. We took a sample and, based on this sample, verified the appropriateness of the estimates made by the executive directors of the usability of the inventories on the basis of historic information and the current costs to sell and examined the estimates based on evidence. In this context, we also checked the corresponding calculations for accuracy. Moreover, we were satisfied with the exact accounting of the determined write-downs.

Other Information

The executive directors and/or the supervisory board are responsible for the other information. The other information comprises the following documents obtained up to the date of this auditor's report:

- the report of the supervisory board,
- the remuneration report pursuant to Section 162 AktG,
- the consolidated non-financial statement pursuant to Sections 315b and 315c HGB referred to in the combined management report,
- the consolidated corporate governance statement pursuant to Section 315d HGB combined with the corporate governance statement pursuant to Section 289f referred to in the combined management report,
- the disclosures in the section "2.3 Hidden reserves in real estate assets" in the combined management report,
- the disclosures in the section "1.4 Overall assertion on the effectiveness of the internal control and risk management system" of the combined management report,
- the executive directors' confirmation regarding the consolidated financial statements and the combined management report pursuant to Section 297 (2) sentence 4 and Section 315 (1) sentence 5 HGB, and
- all other parts of the annual report,
- but not the consolidated financial statements, not the audited content of the combined management report and not our auditor's report thereon.

The supervisory board is responsible for the report of the supervisory board. The executive directors and the supervisory board are responsible for the statement according to Section 161 German Stock Corporation Act (AktG) concerning the German Corporate Governance Code, which is part of the corporate governance statement referred to in the combined management report, and for the remuneration report. Otherwise, the executive directors are responsible for the other information.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information identified above and, in doing so, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the audited content of the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the combined management report that as a whole provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRS as adopted by the EU and with the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken or safeguards applied to eliminate independence threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Audit of the Electronic Reproductions of the Consolidated Financial Statements and of the Combined Management Report Prepared for Publication Pursuant to Section 317 (3a) HGB

Audit Opinion

We have performed an audit in accordance with Section 317 (3a) HGB to obtain reasonable assurance whether the electronic reproductions of the consolidated financial statements and of the combined management report (hereinafter referred to as "ESEF documents") prepared for publication, contained in the file, which has the SHA 256 value fb61adda3ccb678f26853a0277d5342ca3d5c1315cde533b1718f24ff1ea7a14, meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328 (1) HGB ("ESEF format"). In accordance with the German legal requirements, this audit only covers the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format, and therefore covers neither the information contained in these electronic reproductions nor any other information contained in the file identified above.

In our opinion, the electronic reproductions of the consolidated financial statements and of the combined management report prepared for publication contained in the file identified above meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328 (1) HGB. Beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and on the accompanying combined management report for the financial year from 1 March 2022 to 28 February 2023 contained in the "Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report" above, we do not express any assurance opinion on the information contained within these electronic reproductions or on any other information contained in the file identified above.

Basis for the Audit Opinion

We conducted our audit of the electronic reproductions of the consolidated financial statements and of the combined management report contained in the file identified above in accordance with Section 317 (3a) HGB and on the basis of the IDW Auditing Standard: Audit of the Electronic Reproductions of Financial Statements and Management Reports Prepared for Publication Purposes Pursuant to Section 317 (3a) HGB (IDW AuS 410 (06.2022)). Our responsibilities in this context are further described in the "Group Auditor's Responsibilities for the Audit of the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the parent are responsible for the preparation of the ESEF documents based on the electronic files of the consolidated financial statements and of the combined management report according to Section 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements according to Section 328 (1) sentence 4 no. 2 HGB.

In addition, the executive directors of the parent are responsible for such internal controls that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements for the electronic reporting format pursuant to Section 328 (1) HGB.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Audit of the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.
- obtain an understanding of internal control relevant to the audit on the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- evaluate the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, in the version in force at the balance sheet date, on the technical specification for this electronic file.
- evaluate whether the ESEF documents enable a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited combined management report.
- evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the balance sheet date, enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the general meeting on 8 July 2022. We were engaged by the supervisory board on 8 July 2022. We have been the group auditor of HORNBACH Holding AG & Co. KGaA, Neustadt an der Weinstraße/Germany, since the financial year 2019/2020.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

OTHER MATTER – USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined management report as well as with the audited ESEF documents. The consolidated financial statements and the combined management report converted into the ESEF format – including the versions to be submitted for inclusion in the Company Register – are merely electronic reproductions of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our audit opinion contained therein are to be used solely together with the audited ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Steffen Schmidt.
Mannheim/Germany, 11 May 2023
Deloitte GmbH – Wirtschaftsprüfungsgesellschaft

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

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HORNBACH Holding AG & Co. KGaA

Hornbachstraße 11

76878 Bornheim (Pfalz)

www.hornbach-holding.com

Investor Relations

investor.relations@hornbach.com

As a contribution towards protecting the environment, HORNBACH has dispensed with printing and mailing annual reports. This annual report is available at any time on the HORNBACH website at www.hornbach-holding.de/en/investor-relations/reports-presentations/

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