HORNBACH-BAUMARKT-AG GROUP
ANNUAL REPORT 2014/2015

CONTENTS

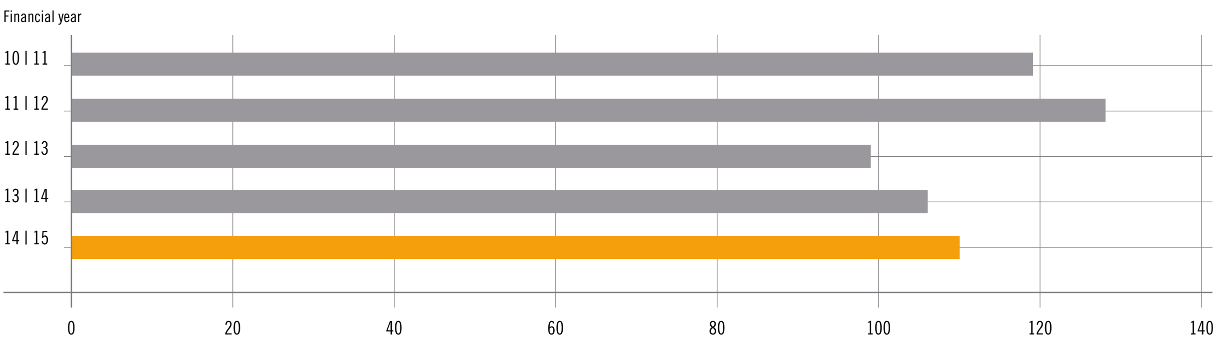
Key Group, Financial and Operating Data

Amounts shown in € million unless otherwise stated	Change financial year 2014/2015 on previous year	IFRS									
		2014/2015	2013/2014	2012/2013	2011/2012	2010/2011	2009/2010	2008/2009	2007/2008	2006/2007	2005/2006
Sales and earnings figures											
Net sales	6.5 %	3,357	3,152	3,020	3,001	2,836	2,686	2,599	2,469	2,392	2,234
of which in other European countries	5.0 %	1,390	1,325	1,279	1,272	1,195	1,109	1,065	962	862	788
Sales growth as % of net sales		6.5	4.4	0.6	5.8	5.6	3.4	5.2	3.2	7.1	6.7
EBITDA [1]	3.9 %	167	161	156	184	173	169	193	142	160	137
as % of net sales		5.0	5.1	5.2	6.1	6.1	6.3	7.4	5.7	6.7	6.1
EBIT [2]	4.4 %	110	105	99	128	119	115	137	79	96	70
as % of net sales		3.3	3.3	3.3	4.3	4.2	4.3	5.3	3.2	4.0	3.1
Earnings before taxes	8.8 %	95	87	74	106	102	96	122	56	73	44
as % of net sales		2.8	2.8	2.5	3.5	3.6	3.6	4.7	2.3	3.0	1.9
Net income for the year	23.4 %	70	56	52	77	76	68	95	47	61	25
as % of net sales		2.1	1.8	1.7	2.6	2.7	2.5	3.7	1.9	2.5	1.1
Gross margin as % of net sales		38.0	37.4	37.3	37.4	37.4	36.8	36.6	36.3	36.0	35.7
Store expenses as % of net sales		29.8	29.4	29.7	29.0	29.3	29.6	29.1	29.4	29.0	29.5
Costs of central administration as % of net sales		4.7	4.5	4.7	4.3	4.2	4.1	4.1	4.1	3.9	4.1
Pre-opening expenses as % of net sales		0.4	0.3	0.3	0.2	0.1	0.1	0.3	0.3	0.2	0.5
Cash flow figures											
Cash flow from operating activities	(25.6)%	107	144	95	104	153	156	124	67	197	16
Investments	39.0 %	100	72	117	104	68	68	82	105	88	144
Proceeds from divestments		1	5	3	11	38	3	66	43	40	96
Earnings potential [3]	(20.8)%	122	155	105	111	158	160	132	74	202	27
as % of net sales		3.6	4.9	3.5	3.7	5.6	6.0	5.1	3.0	8.4	1.2
Dividend distribution	20.0 %	19.1	15.9	15.9	15.9	15.9	13.7	13.7	13.6	13.5	13.2
Balance sheet and financial figures											
Total assets	3.6 %	1,731	1,670	1,597	1,628	1,592	1,439	1,425	1,351	1,331	1,286
Non-current assets	7.8 %	786	729	722	668	621	601	565	569	616	612
Inventories	5.6 %	533	505	482	476	459	428	496	479	446	496
Cash and cash equivalents	(9.8)%	335	371	317	404	423	296	236	167	193	72
Shareholders' equity	7.1 %	923	862	823	792	730	655	591	516	471	415
Shareholders' equity as % of total assets		53.3	51.6	51.5	48.6	45.9	45.5	41.5	38.2	35.4	32.3
Return on shareholders' equity based on net income - in %		7.8	6.7	6.5	10.2	10.9	11.0	17.1	9.4	13.7	6.1
Net working capital	10.7 %	382	345	349	358	319	312	349	345	306	407
Additions to non-current assets	38.8 %	100	72	117	104	68	68	84	105	87	140
Inventory turnover rate per year		4.1	4.0	4.0	4.0	4.0	3.7	3.4	3.4	3.3	3.1
Retail store data											
Number of stores		146	141	138	134	133	131	129	125	120	124
of which in Germany		97	92	92	91	92	92	92	91	89	92
of which in other European countries		49	49	46	43	41	39	37	34	31	32
Like-for-like sales growth in %		4.4	2.7	(1.4)	2.8	2.6	0.7	1.4	(0.2)	4.0	0.5
Sales area in m² (based on BHB)	3.5 %	1,704,187	1,646,712	1,597,949	1,549,085	1,513,722	1,480,216	1,446,794	1,384,901	1,307,572	1,319,484
Weighted average net sales per m² in €	2.3 %	1,985	1,940	1,912	1,933	1,903	1,828	1,839	1,810	1,833	1,753
Average store size in m²	(0.1)%	11,673	11,679	11,579	11,560	11,381	11,299	11,215	11,079	10,896	10,641
Weighted average sales per store		23.2	22.7	22.1	22.3	21.7	20.7	20.6	20.1	19.9	18.7
Other information											
Employees - annual average - converted into full-time equivalents [4]	4.3 %	13,967	13,390	12,674	12,188	11,520	11,357	11,005	10,528	10,091	10,046
Sales per employee in € 000s	0.4 %	240	239	238	246	246	237	236	235	237	222
Number of shares [5]		31,807,000	31,807,000	31,807,000	31,807,000	15,903,500	15,903,500	15,740,060	15,685,020	15,506,120	15,200,320
Earnings per share in € [5]		2.19	1.77	1.64	2.43	4.76	4.32	6.04	2.98	3.95	1.64

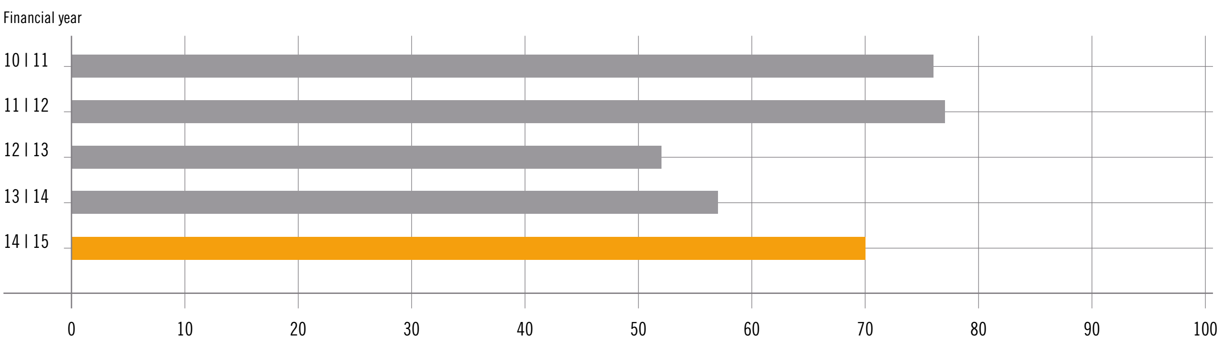
1) Earnings before interest, taxes, depreciation and amortization; starting in the 2007/2008 financial year: excluding net currency result
2) Earnings before interest and taxes; starting in the 2007/2008 financial year: excluding net currency result
3) Cash flow from operating activities plus pre-opening expenses
4) Starting in the 2013/2014 financial year: including staff in marginal employment
5) Starting in the 2011/2012 financial year: change in number of shares following issue of bonus shares as of July 29, 2011

Structure of consolidated balance sheet
(€ million)

Earnings before interest and taxes
(€ million)



Net income for the year
(€ million)



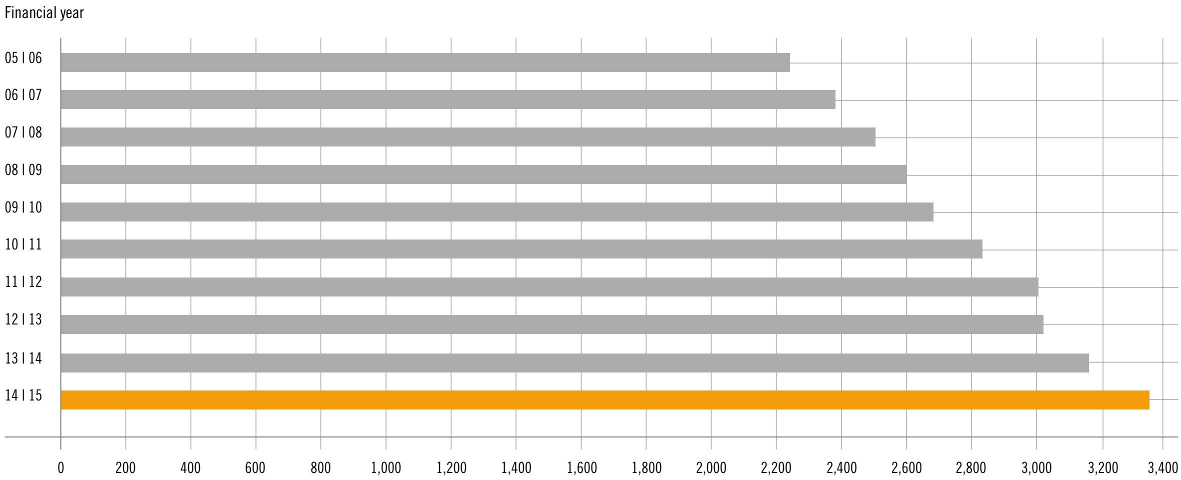
IT'S ALL ABOUT QUALITY

HORNBACH has been a reliable partner to DIY amateurs and professionals alike for 138 years now. Top quality to ensure top results – that's what drives us. To achieve this, sustainable operations and unparalleled customer focus are key.

With our suppliers, we are constantly on the lookout for optimal solutions to challenges on the "building site". Our dialog with customers and manufacturers is crucial. This way, we create private label products that offer genuine added value and set new functional and technical standards. This photo spread offers you insights into the production of our articles. See for yourself – it's all about quality!

COMPANY PROFILE

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



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

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

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

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

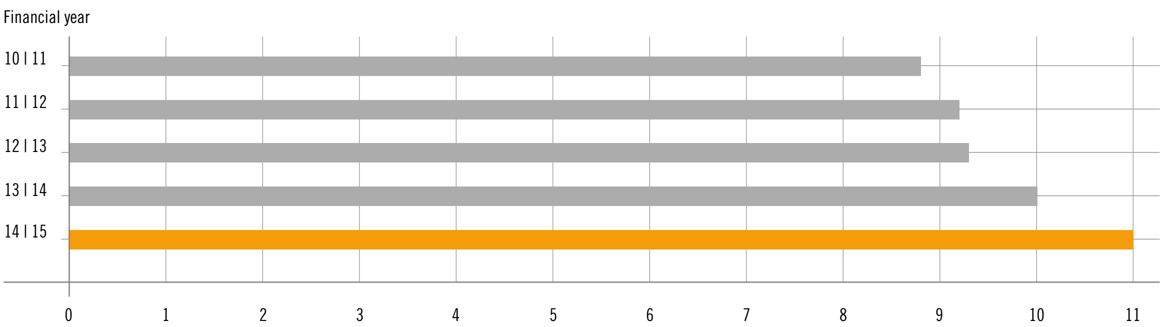
The consistent implementation of the company's concept, coupled with the high expectations it places in the quality of its locations, its stores, its product range and employees, have facilitated the dynamic growth shown by the company in recent years and form the basis for further expansion. With an average sales area of more than 11,500 m² per store, HORNBACH has underlined its unique position in the DIY megastore with garden center segment and also has the highest sales area productivity of any of leading DIY player in Germany. Net sales at the HORNBACH-Baumarkt-AG Group grew by 6.5 % to € 3,357 million in the 2014/2015 financial year. At the balance sheet date on February 28, 2015, the Group operated 146 DIY megastores with garden centers in nine countries across Europe (97 of which in Germany) with total sales areas of around 1.7 million square meters.

Following the company's successful entry into the Austrian market in August 1996, it has consistently pressed ahead with its expansion into neighboring European countries. Stores were subsequently opened in the Netherlands, Luxembourg and the Czech Republic. The company's international growth continued with its expansion to Switzerland, Sweden and Slovakia. The entry into the Romanian market followed in the summer of 2007. As of February 28, 2015, HORNBACH was operating a total of 49 DIY megastores with garden centers in eight countries outside Germany. The international share of consolidated sales amounted to 41.4 % in the 2014/2015 financial year. The Group is nevertheless also continuing to pursue opportunities for expansion in Germany. Since December 1, 2010, the stationary retail business has been supplemented by HORNBACH's online shop, with which the Group is make targeted use of the opportunities presented by the internet.

HORNBACH-Baumarkt-AG is a publicly listed stock corporation. Ordinary shares in the company (ISIN DE0006084403) are listed on the German Stock Exchange and are admitted to the subsection of the official market with additional admissions obligations (the "Prime Standard"). Of approximately 31.8 million ordinary shares in the company, at the balance sheet date on February 28, 2015 76.4 % were held by HORNBACH HOLDING AG, while 23.6 % were owned by independent shareholders.

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

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



TO OUR SHAREHOLDERS

DESIGNED FOR TOUGH STANDARDS

Wood is a versatile, natural product with a feel-good, homely factor. Our extensive range of classy wood-effect floors offers customers the benefits of a healthy living environment. This begins with sourcing our timber in PEFC-certified forests with natural product cycles.

State-of-the-art production equipment and decades of experience – that makes for top product quality. The result is a hardwearing floor with a high genuineness factor. An ideal test track for budding racing drivers!

TO OUR SHAREHOLDERS

Dear Shareholders,

2014 – the year in which the Praktiker Group left the German market – was largely shaped by those developments previously expected in the do-it-yourself (DIY) sector and by market observers. Gross sales volumes at large DIY stores with garden centers contracted by 6.2 %, or almost € 1.2 billion, to € 17.6 billion. The closure of half of the 300 former Praktiker and Max Bahr locations in Germany was accompanied by the loss of around half the sales most recently generated there. Meanwhile, the remaining players in the sector benefited from this market consolidation. According to figures compiled by the BHB sector association, their sales grew by 8.8 % in 2014. It is no surprise that this growth was driven on the one hand by the store acquisitions made in differing degrees by well-known competitors. On the other hand, however, the redistribution of customer flows and sector sales also provided tailwind for existing store networks in the DIY sector. After all, like-for-like sales, i.e. excluding newly stores newly opened, improved by 5.0%.

So how did HORNBACH perform in this climate in the past 2014/2015 financial year?

The million dollar question was how much pressure the gradual reflagging of former Praktiker/Max Bahr locations by more effective competitors would generate. This pressure grew in the second half of our financial year in particular. One year earlier, in the third and fourth quarters of 2013/2014, we faced the reverse situation. The disappearance of the blue and yellow competitors in our affected catchment areas created a positive knock-on effect and notably contributed to the jump in like-for-like sales at our stores. The standard to beat in the past 2014/2015 financial year was therefore high. Let me tell you right away – we surpassed the previous year's figures. Direct comparison with the sector average shows that adjusted sales at our DIY stores and garden centers in Germany were almost three percentage points ahead of the overall market.
All in all, I am exceedingly satisfied with our business performance in 2014/2015 – and that not just because of the one-off factors in our domestic DIY market.

We successfully proved the strengths of our retail format outside Germany as well. Here are the key highlights in 2014/2015 from my point of view:

- In the year under report, the HORNBACH-Baumarkt-AG Group opened a total of eight new DIY stores with garden centers (including one replacement location) and extensively extended one existing store. The focus of this expansion was in Germany. Five of the stores newly opened involve converted former Praktiker/Max Bahr locations.

- We increased our group-wide net sales by 4.3 % to € 3,369 million. Like-for-like sales net of currency items grew by 4.4 % in the year under report. We reported pleasing rates of adjusted sales growth both in Germany and in our international sales network.

- Germany once again accounted for the greatest momentum, with like-for-like growth of 5.5 %. We significantly increased our market share here from 10.0 % to 11.0 %.

- In our international network, we achieved a turnaround in terms of like-for-like, currency-adjusted sales in the period under report. HORNBACH's DIY stores and garden centers in the eight countries outside Germany posted substantial adjusted sales growth of 2.8%, as against minus 0.1 % in the previous 2013/2014 financial year.

- Thanks to like-for-like sales growth in conjunction with an improved gross margin, we achieved the expected year-on-year earnings growth at the HORNBACH-Baumarkt-AG Group. Consolidated operating earnings (EBIT) grew to € 109.8 million in the 2014/2015 financial year, up 4.4 % on the previous year's figure of € 105.1 million.

- Consolidated net income showed substantially stronger growth than EBIT. Due to favorable tax items, this key figure surged by 23.4 % from € 56.4 million to € 69.5 million. As a result, earnings per share rose from € 1.77 to € 2.19.

- The Group's equity ratio now amounts to an impressive 53.5 %, underlining our solid financial foundation.

Thanks to the competitive advantages we have built up over decades now and our great popularity among DIY and home improvement customers, our DIY stores and garden centers posted a sustainably positive performance in a challenging climate in the year under report and outperformed the DIY sector in most countries in our European network. The HORNBACH-Baumarkt-AG Group can look back on a successful 2014/2015 financial year.

Quality of business model is crucial

One absolutely key factor in our success is our claim to achieve the utmost quality in everything we do and thus to meet our customers' needs as closely as possible. At times, this can be a time-consuming and difficult course, and one that you also have to be able to afford in economic terms. I am convinced, however, that this is the only way to achieve sustainable success. The quality of our business model has numerous aspects, including in particular:

- A comprehensive product range also meeting the quality standards of professional customers
- Competent advice and services enabling our customers to implement complex construction and renovation projects as well
- A transparent permanent low price policy on which customers can rely at all times.

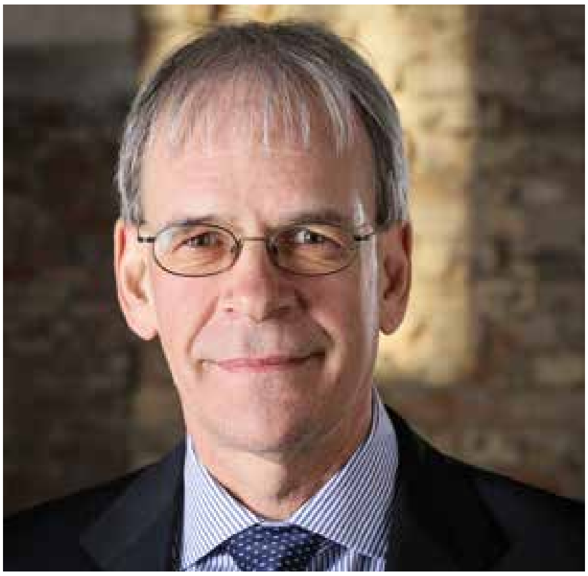
The indispensable foundation for this key pillar of our customer promise firstly involves the unrelenting commitment shown by our employees. Secondly, it is the quality of our infrastructure, i.e. the combination of our store network with top-performing logistics and information technology to manage our merchandise flows and operating processes. And we should not forget that it takes a good dose of innovation to manage the challenges involved in an ever more rapidly changing consumer landscape. The key catchword here is retail digitization.

Online retail has shown by far the highest growth rates in the entire retail sector. Not only that, e-commerce involving DIY product ranges is forecast to show above-average development potential. We ourselves have been active on the internet since the end of 2010. Compared with the stationary retail operations established decades ago, that is still a very new business. In the extremely fast-moving digital world, however, in which mobile end appliances such as smartphones and tablets are revolutionizing consumer habits, that period alone is almost an eternity – time enough for us to become one of the leading providers in the DIY sector. HORNBACH has accounted for the opportunities offered by the internet in its strategy more consistently than almost any other company. We are absolutely convinced that this is what our customers expect and that this strategy will pay off in the long term.

DIY customers demand interaction on the internet and like to be addressed in emotional terms as well. At the same time, customers also expect quality and advisory competence in their accustomed DIY store on location. I do not think that "only this or only that" will have any role to play in the complex DIY retail sector. The company's long-term success requires an innovative symbiosis of both digital and stationary retail worlds. We are optimally positioned in this respect. That is due above all to the achievements of almost 16,000 employees across the Group, whose personal dedication, competence, and creativity are promoting the further development of our successful model. I owe them all a special thank you.

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

REPORT OF THE SUPERVISORY BOARD



Albrecht Hornbach

Dear ladies and gentlemen,

In the past 2014/2015 financial year we dealt in great detail with the company's situation, perspectives, and strategic alignment. We advised the Board of Management in its management of the company and monitored its conduct in accordance with the requirements of the law, the Articles of Association and the Code of Procedure. At our meetings, the Board of Management provided us with regular, prompt and extensive written and oral reports on the business performance and the economic situation of the company and its subsidiaries. The Supervisory Board was involved in decisions of major significance for the company. Moreover, as Supervisory Board Chairman I was in regular contact with the Board of Management, and especially with its Chairman, outside the framework of meetings to discuss significant issues and also to hold a number of working meetings.

Meetings of the Supervisory Board

Six Supervisory Board meetings were held in total in the 2014/2015 financial year. No member of the Supervisory Board attended fewer than half of the meetings. No conflicts of interest arose in the year under report.

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

At the Supervisory Board meeting in March 2014, we appointed Karsten Kühn as a member of the Board of Management as of October 1, 2014.

At the meeting held in May 2014 to approve the annual financial statements, we examined the annual and consolidated financial statements in great detail in the presence of the auditor, as was also the case in May 2015. We also formally accepted the report from the Audit Committee on its work and the findings of its audit. All of the questions raised by Supervisory Board members were answered in detail by the auditors. The report of the Supervisory Board, the joint corporate governance report of the Board of Management and the Supervisory Board, the risk report, and the compliance report were also discussed and approved at this meeting. The agenda for the Annual General Meeting, including the proposed resolutions, was approved. At the suggestion of the Audit Committee, the premature extension of the syndicated loan of € 250 million was also approved at the meeting in May 2014.

At the meeting held directly before the Annual General Meeting in July 2014, the Board of Management reported on the current situation of the Group. Moreover, dates for regular meetings up to and including the 2015/2016 financial year were also agreed.

Following an advance meeting of the Personnel Committee, in October 2014 the Supervisory Board held an unscheduled meeting at which the retirement of Frank Brunner from his position on the Board of Management as of October 31, 2014 was approved.

In December 2014, the appointment of Dr. Andreas Schobert to the Board of Management as of January 1, 2015 was discussed and approved, as were the resultant changes in the allocation of responsibilities within the Board of Management. Furthermore, the current business situation, risk report and compliance report were discussed. At the same meeting, the updated Declaration of Conformity with the German Corporate Governance Code was adopted pursuant to § 161 of the German Stock Corporation Act (AktG) and then made permanently available on the company's homepage. HORNBACH-Baumarkt-AG has largely complied with and continues to comply with the recommendations of the Code with only a few exceptions. Further information about corporate governance at HORNBACH-Baumarkt-AG can be found in the joint report of the Board of Management and the Supervisory Board from Page 20 onwards.

At its final meeting in the past 2014/2015 financial year, held in February 2015, the Supervisory Board discussed the Group's current business situation, and discussed and approved the budget for the financial years 2015/2016 to 2019/2020.

Committees and committee meetings

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

The Audit Committee met five times in the year under report, namely in May, June, September, December, and February.

In May 2014, the Audit Committee discussed the annual financial statements of HORNBACH-Baumarkt-AG and the consolidated financial statements, management reports, proposed appropriation of profits and audit reports, including the dependent company report, in the presence of the auditor and the Chairman of the Board of Management and CFO. Key focuses of discussion at this meeting also included the risk and compliance reports of the Board of Management, group internal audit reports, reports compiled by the Board of Management on the company's financial situation and the candidate to be proposed for election as auditor. The proposed premature extension of the syndicated loan of € 250 million was also discussed in detail at this meeting.

At the June meeting the financial report for the first quarter was discussed and in September 2014 the half-year financial report was addressed in the presence of the auditors. In December 2014, key focuses for the audit of the annual financial statements were determined together with the auditors. At the same meeting, the Committee dealt with the nine-month financial report, as well as the risk report, the compliance report, and the company's financial situation. In February 2015, the budget for the financial years 2015/2016 to 2019/2020 was addressed in detail. The internal audit plan for the 2015/2016 financial year was adopted at the same meeting.

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

The Personnel Committee held four meetings in the year under report. At its meetings, the Committee discussed target agreements with the Board of Management, as well as the

recommendation concerning the retirement of Frank Brunner from his position on the Board of Management. The meeting in December 2014 dealt with the proposal to the Supervisory Board to appoint Dr. Andreas Schobert as a further member of the Board of Management.
It was not necessary to convene the Mediation Committee established pursuant to § 27 Abs. 3 MitbestimmG.

Composition of the Board of Management
At its meeting in March 2014, the Supervisory Board appointed Karsten Kühn as a member of the Board of Management as of October 1, 2014. Karsten Kühn has assumed the role of Chief Marketing Officer. Following the departure of Jürgen Schröcker as of March 31, 2013, responsibility for this area was temporarily assumed by Steffen Hornbach, Chairman of the Board of Management.

Frank Brunner, responsible for operative store management, stood down from his position on the Board of Management in agreement with the company's Supervisory Board as of October 31, 2014. Responsibility for this division has now been assumed by Steffen Hornbach, Chairman of the Board of Management.
At its December meeting, the Supervisory Board appointed Dr. Andreas Schobert to the Board of Management as of January 1, 2015. He has assumed responsibility for the technology division, which encompasses both information technology and e-business.

The Supervisory Board would like to thank Frank Brunner for his commitment and cooperation in his role on the Board of Management. The Supervisory Board warmly welcomes the new members of the Board of Management and wishes them every success in their new roles.

Annual and consolidated financial statements
KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin (KPMG), audited the annual financial statements and the consolidated financial statements of HORNBACH-Baumarkt-AG as of February 28, 2015, as well as the combined management report and group management report of HORNBACH-Baumarkt-AG for the 2014/2015 financial year and provided them each with an unqualified audit opinion. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Moreover, KPMG confirmed that the Board of Management had suitably implemented the measures required by § 91 (2) of the German Stock Corporation Act (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 focuses of the audit in the 2014/2015 financial year included the functionality of internal controls of key financial reporting processes, the recoverability of non-current assets, the existence and measurement of inventories, the recognition of conversion measures, lease accounting, the completeness and accuracy of (consolidated) note disclosures, and the completeness and accuracy of the disclosures made in the combined management report.

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 21, 2015 and at the subsequent meeting of the Supervisory Board held on the same day to approve the financial statements. The auditor took part in these discussions. He reported on the principal audit findings and was available to provide further information and to answer questions. Based on the findings of the preliminary audit performed by the Audit Committee and of our own examination of the documents provided by the Board of Management and the auditor, we do not raise any objections and endorse KPMG's audit findings. We approve the annual financial statements of HORNBACH-Baumarkt-AG prepared by the Board of Management as of February 28, 2015; the annual financial statements of HORNBACH-Baumarkt-AG are thus adopted. We endorse the appropriation of profits proposed by the Board of Management.

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

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

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

HORNBACH-Baumarkt-AG asserted itself very well in a competitive climate changed by the Praktiker Group's insolvency and acquired substantial new market share. The company improved its earnings situation both in Germany and abroad. The Supervisory Board would like to extend its thanks and appreciation to the Board of Management and to all employees, both in Germany and abroad, for their great commitment and very successful work in the past financial year.

Bornheim, May 2015

The Supervisory Board

Albrecht Hornbach
Chairman

DIRECTORS AND OFFICERS

Supervisory Board

Albrecht Hornbach
Chairman
Chairman of Board of Management
HORNBACH HOLDING AG

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

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

Mohamed Elaouch*
Section Manager, Mainz Store

Dr. John Feldmann
Supervisory Board member
Former Management Board member of BASF SE

Martin Fischer*
Professional Customer Advisor, Kempten Store

Christian Garrecht*
Security Specialist

Erich Harsch
CEO
dm-drogerie markt GmbH & Co. KG

Kerstin Holfert*
Section Manager, Dresden Store

Christoph Hornbach
School Principal

Martin Hornbach
Managing Director
Corivus Gruppe GmbH

Hans Kroha*
State Retail Section Head at ver.di

Brigitte Mauer*
Section Head, Tübingen Store

Michael Reiland*
Store Manager, Karlsruhe Store

Joerg Walter Sost
Managing Partner
J. S. Consulting GmbH

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

* employee representative

Supervisory Board Committees

Audit Committee
Dr. Wolfgang Rupf Chairman
Dr. John Feldmann
Erich Harsch
Albrecht Hornbach
Martin Hornbach
Michael Reiland
Joerg Walter Sost
Kay Strelow

Personnel Committee
Dr. Wolfgang Rupf Chairman
Christian Garrecht
Erich Harsch
Michael Reiland
Joerg Walter Sost

Mediation Committee
Dr. Wolfgang Rupf Chairman
Kerstin Holfert
Albrecht Hornbach
Kay Strelow

Board of Management

Members and their areas of responsibility

Steffen Hornbach
Chairman
Strategic Development; Operative Store Management, Sales and Services (since November 1, 2014);
Marketing, Market Research, Internal Communications (until September 30, 2014)

Roland Pelka
Deputy Chairman
Finance, Accounting, Tax, Controlling, Risk Management, Loss Prevention, Group Communications; Information Technology (until December 31, 2014)

Frank Brunner until October 31, 2014
Operative Store Management, Sales and Services

Susanne Jäger
Procurement, Imports, Store Planning, Store Development, Quality Assurance, Environmental Issues

Wolfger Ketzler
Labor Director
Personnel, Real Estate, Construction, Technical Procurement, Internal Audit, Legal, Compliance

Karsten Kühn since October 1, 2014
Marketing, Market Research, Internal Communications

Ingo Leiner
Logistics

Dr. Andreas Schobert since January 1, 2015
Technology

RELIABLE RESULTS

Maximum opacity and durability – those are the hallmarks of high-quality paint and lacquer. Top-grade materials and precise dosage of individual components are what count. High-tech machines then ensure optimal paint quality for our customers.

Outstanding quality makes itself felt not only in good value for money, but also in how good a product is for the environment and consumers' health. Our paint products are water-based and low in solvents. That makes for healthy living: gentle on the nose, fast-drying and scrub-resistant. The safe way to a good result.

CORPORATE GOVERNANCE

Declaration on Corporate Governance with Corporate Governance Report

Our actions are guided by the principles of responsible, transparent corporate management and control (corporate governance). HORNBACH has always accorded priority to high-quality corporate governance. It forms the basis for sustainable economic success and helps us enhance the trust placed in our company by our customers, business partners, investors, employees and financial markets. The standards and guidelines adhered to at the company over and above legal requirements are summarized below in the company's Declaration on Corporate Governance (§ 289a HGB), which also includes the Corporate Governance Report of the Board of Management and Supervisory Board (Point 3.10 DCGK).

DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE PURSUANT TO § 161 AKTG DATED DECEMBER 2014

The Board of Management and Supervisory Board of HORNBACH-Baumarkt-Aktiengesellschaft hereby declare pursuant to § 161 of the German Stock Corporation Act (AktG):

I. Future-related section

The recommendations of the "German Corporate Governance Code" in the version dated June 24, 2014 and published in the Federal Official Gazette on September 30, 2014 will basically be complied with in future. No application will be made of the recommendations in Points 3.8 (3), 4.1.5, 4.2.3 (4) and (5), 4.2.5 (3), 5.3.3, 5.4.1 (2) and (3), 5.4.2 Sentence 3 and 5.4.6 (3) Sentence 1.

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

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

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

c) Point 4.2.5 (3):
The compensation paid to the Board of Management is not presented separately for each member. The Annual General Meeting held on July 7, 2011 resolved to uphold the more guarded approach towards reporting management board compensation. For the same reason, no use is made of the "model tables" included in the "German Corporate Governance Code".

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

e) Point 5.4.1 (2) and (3) and Point 4.1.5:
The company deviates from the recommendations made in Points 5.4.1 (2) and (3) and in Point 4.1.5. In the interests of the company, in terms of the composition of its Board of Management and Supervisory Board, as well as of other man-

agement positions, HORNBACH-Baumarkt-Aktiengesellschaft accords priority above all to the knowledge, ability and expert experience of the individual in question.

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

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

II. Past-related section

Period since submission of previous Declaration of Conformity on December 18, 2013 through to publication of new version of Code on September 30, 2014:
The recommendations of the "German Corporate Governance Code" in the version dated May 13, 2013 and published in the Federal Official Gazette on June 10, 2013 were complied with in the period since the submission of the previous Declaration of Conformity on December 18, 2013 through to publication of the new version of the Code on September 30, 2014 with the exception of the deviations already listed and substantiated for the future in Section I – to the extent that such refer to recommendations with unamended content in the version dated May 13, 2013.

Period since publication of new version of Code on September 30, 2014:
The recommendations of the "German Corporate Governance Code" in the version dated June 24, 2014 and published in the Federal Official Gazette on September 30, 2014 were complied with apart from the deviations already listed and substantiated for the future in Section I.

Bornheim bei Landau, December 2014

HORNBACH-Baumarkt-Aktiengesellschaft
Supervisory Board Board of Management

The above Declaration of Conformity dated December 2014 has been published on the internet together with all earlier Declarations of Conformity and is also available as a download [www.hornbach-group.com/Declaration/HBM].

Relevant corporate governance practices

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

Compliance

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

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

Our system of values: The HORNBACH Foundation

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

Compliance with social, safety, and environment standards

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

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

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

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

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

Dualistic management structure

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

Composition and modus operandi of Supervisory Board

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

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

Supervisory Board members are solely bound by the company's best interests. They are not dependent on any assignments or instructions. In their decisions, they may not pursue personal interests or exploit business opportunities available to the company for their personal benefit. Supervisory Board members are obliged to disclose any conflicts of interest to the Supervisory Board Chairman, especially any such conflicts arising due to their performing any consultant or directorship function at customers, suppliers, lenders or other business partners of the company. Any conflicts of interest on the part of a Supervisory Board member that are material and not only temporary should result in the termination of the mandate. No conflicts of interest arose in the year under report. Advisory and other service agreements and contracts for work between a Supervisory Board member and the company require approval by the Supervisory Board. There were no contracts requiring such approval with Supervisory Board members of HORNBACH-Baumarkt-Aktiengesellschaft in the 2014/2015 financial year.

The Supervisory Board has the following committees:

- Mediation Committee
- Personnel Committee
- Audit Committee

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

Composition and modus operandi of Board of Management

The Board of Management of HORNBACH-Baumarkt-AG has a Chairman and a Deputy Chairman and consisted of seven members at the end of the 2014/2015 financial year. The composition and areas of responsibility of the Board of Management are presented on Page 17 of this report.

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

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

Annual General Meeting

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

Reporting and audit of annual financial statements

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

HORNBACH-Baumarkt-AG has a risk management system 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.

Transparency

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

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

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

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

Directors' dealings and shareholdings

Members of the Board of Management and the Supervisory Board of HORNBACH-Baumarkt-AG, and individuals closely related to such, are required by § 15a of the German Securities Trading Act (WpHG) and Point 6.3 of the German Corporate Governance Code to disclose transactions involving shares in the company or related financial instruments. In the year under report, the company was not notified of any transactions performed by persons in management positions or closely related individuals pursuant to § 15a of the German Securities Trading Act (WpHG) (Directors' Dealings).

In line with Point 6.3 of the German Corporate Governance Code, we report ownership of shares in the company by members of the Board of Management and Supervisory Board where these directly or indirectly exceed 1 % of the shares issued by the company. Where the entire holdings of all members of the Board of Management and Supervisory Board exceed 1 % of the shares issued by the company, we report the entire holdings in the Corporate Governance Report broken down by Board of Management and Supervisory Board. At the balance sheet date on February 28, 2015, both individual holdings and the entire holdings by members of the Board of Management and Supervisory Board fell short of the 1 % threshold.

Compensation Report

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

Compensation of the Board of Management

Compensation system at HORNBACH-Baumarkt-AG

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

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

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

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

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

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

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

Retirement and pension commitment

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

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

Regulations governing premature departure from the company (severance pay regulations)

The employment contracts concluded with members of the Board of Management do not provide for the payment of compensation in the event of their activity on the Board of Management being terminated prematurely without compelling reason or due to a change of control. HORNBACH-Baumarkt-AG thus deviates from the recommendations made in Points 4.2.3 (4) and (5) of the German Corporate Governance Code. In individual cases, payments may nevertheless be made, based on a corresponding Supervisory Board resolution, to a member of the Board of Management retiring from the Board prematurely, particularly when the reasons for such retirement do not lie with the respective member.

Additional benefits

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

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

Compensation of the Board of Management for the 2014/2015 financial year

Total compensation of the Board of Management of HORNBACH-Baumarkt-AG for the 2014/2015 financial year amounted to € 5,024k. Of this sum, € 2,594k constituted fixed compensation and € 2,430k involved performance-related components. Termination benefits of € 614k were incurred for active members of the Board of Management in the

2014/2015 financial year (pension provision endowment). These involve expenses to endow pension provisions. Compensation for former members of the Board of Management totaled € 1,924k in the 2014/2015 financial year (2013/2014: € 739k), while pension provisions for former members of the Board of Management amount to € 910k (2013/2014: € 623k). All pension provisions are offset by corresponding value credits.

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

Compensation of the Supervisory Board

Supervisory Board compensation is governed by § 15 of the Articles of Association of HORNBACH-Baumarkt-AG. As well as reimbursement of expenses, each Supervisory Board member receives fixed compensation of € 20,000 retrospectively payable on the day after the Annual General Meeting acknowledging the annual financial statements for the financial year. The Chairman receives two-and-a-half times and the Deputy Chairman twice the fixed compensation.

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

The compensation of the Supervisory Board for the 2014/2015 financial year totals € 515k. Of this total, € 390k is basic compensation and € 125k for committee activity.

CORPORATE RESPONSIBILITY

In the interests of corporate responsibility, the HORNBACH Group has imposed a set of rules governing its entrepreneurial activity [**Internet**: www.hornbach-group.com/CSR-Guidelines]. These ensure that the company meets its responsibilities towards the environment, its employees, and society as a whole.

Responsibility for the environment

Timber only from responsible forestry

We are committed to attracting customers' attention to timbers bearing the quality seal of the Forest Stewardship Council® (FSC®). Back in 1996, our company already provided the WWF and Greenpeace with a voluntary undertaking not to import any uncertified tropical timber. HORNBACH guarantees that all of the timber products it offers come from certified sources. One focus of the activities of our quality management and environmental department involves working to protect rainforests and promote responsible forestry that also meets social and work safety standards. Given this focus, HORNBACH was well prepared for the European Timber Regulation (995/2010) that took effect in 2013. Among other requirements, this regulation includes a duty of care for all timbers and timber products imported from outside the European Union and also bans the import of illegally felled timbers.

Most extensive FSC-certified product range

Many consumers see DIY stores as having a particular obligation to ensure that only products from responsible forestry are on offer. To meet our customers' expectations in this area while also doing justice to our own commitment to sustainability, in 2007 HORNBACH became the first international DIY chain to be awarded the FSC Chain of Custody certificate GFA-COC-002007. This enables the timber supply chain to be checked from the place of origin through to the end product. The company's entitlement to this certificate is reviewed in annual audits performed by an independent testing institute. At all HORNBACH stores, trade companies and DIY enthusiasts can choose from a range of several thousand timber products bearing the FSC seal.

As part of our commitment to protecting the forests, HORNBACH participated in developing an information platform showing how forests can be put to responsible use. Here, HORNBACH is cooperating with the Swiss company Papiliorama and the FSC Switzerland.

Against hand-hewn natural stone

Stone is often hewn by hand in inhumane conditions. HORNBACH rejects this practice. By consistently delisting these products, HORNBACH-Baumarkt-AG is pursuing the objective of only offering stone from responsible sources. All direct import suppliers and their manufacturing sites are audited by accredited, certified audit institutes at regular intervals, and at least every twelve months. We have based the audit scope and contents on the accepted BSCI, ISA 9001ff, ILO, ISO 14001, and SA 8000 standards and adapted these to our requirements. Upstream suppliers of our own suppliers – in this case quarries – have been directly instructed by our suppliers to comply with our guidelines.

HORNBACH relies on "Healthy Living" quality seal

Consumers' sensitiveness towards contaminants in the air and in products has increased sharply. DIY enthusiasts and construction clients are paying increasing attention to the composition of the materials used. In terms of housing construction and renovation, energy efficiency became the top priority at the latest upon the introduction of the Energy Savings Ordinance. The problem here is that insulation and suitably built windows mean that rooms are now virtually airtight. The climate in the room remains constant, but it is difficult for harmful substances in the air to escape. The "Healthy Living" project aims to help consumers avoid contaminant substances when building and designing their interiors. To enable our customers to recognize at first glance which products are especially low in pollutants, HORNBACH has introduced its own seal of approval. The quality of the articles thereby certified is checked in detailed tests performed by independent institutes, such as the Sentinel-Haus Institut in Freiburg and the eco-Institut in Cologne, and subsequently awarded the "Healthy Living" seal of approval. These products stand for less polluted ambient air and permanently better quality of living. A separate website provides detailed information and answers frequently asked questions (www.hornbach.de/gesundeswohnen). We will be continually expanding our "Healthy Living" product range in the coming years.

Competent energy-saving partner

Construction clients and homeowners are obliged to implement new requirements resulting from legally binding energy-saving ordinances. HORNBACH is a competent partner here and has the product range necessary to help customers implement their energy-saving projects. New windows and doors offer substantial potential savings, as do façade, roof and basement ceiling insulation. Our product range also offers a broad range of energy-saving items – from efficient lighting systems to standby killers, water saving articles and upgraded insulation, as well as new pellet and high-tech reverse cycle heating systems.

All-round waste concept with customer service

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

Our customers in Germany have the possibility to deposit broken energy-saving light bulbs, LEDs, and luminescent tubes free of charge in suitable containers at the stores. With this voluntary service, HORNBACH is making it easier for consumers to dispose of these items during its usual opening hours, which are significantly more generous than at municipal collection points. Since 2013, HORNBACH has played a leading role in the framework negotiated by the BHB DIY sector association and the VKU municipal company association for the voluntary acceptance of all old electrical appliances. This involves voluntarily accepting broken small electrical appliances, such as drills, fret saws, and battery-powered drills as previously, as well as non-DIY products such as shavers and toasters. The old appliances accepted are then collected free of charge by municipal disposal companies. The aim here also involves helping to protect the environment and avoid such products being illegally disposed of in normal household waste.

Online recycling portal with own resource collection

Numerous different types of waste arise at our HORNBACH DIY megastores with garden centers. To simplify the disposal of this waste, HORNBACH has launched its own web-based recycling portal for the first time. This option for ordering and organizing the collection of disposal containers is initially available in the Netherlands and parts of Germany and Austria, but will gradually be rolled out to other regions as well.

Resource collection in the Netherlands and parts of northern Germany has been performed for the first time by HORNBACH's "Resource Liners". These enable us to collect large volumes of resources at the stores ourselves and then to deliver them to the desired recycling locations, such as paper factories. HORNBACH can thus ensure that further processing of the resources takes place directly – and this way help the environment.

Logistics: fewer miles, less packaging

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

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

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

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

As the acknowledged industry leader for retail-driven procurement logistics, HORNBACH-Baumarkt-AG is taking one innovative step further and establishing a pan-European network for bulk and bulky articles. This offers the benefit of increasing truck capacity utilization while reducing suppliers' distribution journeys, leading to a reduction in the total truck mileage required to supply the stores.

Further reduction in car pool CO_2 statistics

The Group's car pool continues to be structured along ecological and economic lines. CO_2 limits for the three vehicle classes listed range between 140 and 170 g/km. In the ongoing process of updating the portfolio, priority is being given to models using the latest, low-consumption engine technologies. For the vehicles ordered in the year under report, average consumption and CO_2 emissions were reduced further compared with the previous year. The average consumption of the vehicles ordered currently amounts to 4.3 liters per 100 kilometers, while average CO_2 emissions amount to 111.7 g/km. By accounting for fuel consumption in the calculation of the monthly mobility installment, drivers are incentivized to select lower consumption vehicles.

Energy-saving measures at stores

The company also actively takes account of environmental protection factors when building and operating its stores. The new lighting technology introduced in 2009 has benefited not only all new stores - further existing stores were upgraded in the year under report, so that 124 stores now have the new technology (2013/2014: 122). The rollout of this new lighting technology was completed in the year under report. At its core, this sustainable lighting technology involves introducing electronic control gear for the operation of halogen metal vapor lamps. Central lighting control now allows the lighting to be dimmed and means that only that volume of light actually required in a given area is used. What's more, the lighting system is tailored to make optimal use of daylight. The installation of large light domes and long light bands in the roofs of new stores also assists in using natural light. The new lighting technology not only increases the operating lifetime of the lighting equipment by around 50 %, but also helps reduce annual energy costs. Not only that, it has also noticeably improved lighting quality in the shelves.

A further contribution towards saving energy is due to the Building Control Technology (BCT) that we included in our new building standards in 2008. This system manages the operating times of energy-consuming systems in line with requirements, thus optimizing energy consumption volumes. The system has so far been installed in 22 new DIY stores and rolled out to 111 existing stores. A total of 133 of our stores are thus equipped with the latest technological standard (2013/2014: 126). The rollout was completed in the year under report.

Efficiency is also the top priority in terms of heating energy. Here, consistent waste heat recovery in the ventilation system ensures a lower volume of consumption. This technology is used when building new stores, as is enhanced heat insulation based on a new façade system. This has benefited the new stores opened in the year under report.

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

Responsibility for our employees

Diversity and equality of opportunity in our workforce

The rejection of any kind of discrimination is an absolute priority in our behavior toward our employees. Ethnic origin, gender, age, sexuality, physical restrictions and religious affiliation play no role in the assessment of applicants. The only qualities that count are specialist competence, a willingness to learn, and team spirit. By signing the "Diversity Charter" in 2008, the company clearly underlined its commitment to a working environment that is free of prejudice. People from a total of 65 countries across four continents work together in the nine countries in which HORNBACH operates.

Commitment on behalf of our trainees

In the year under report, HORNBACH once again supported the CHANCENWERK project, thus underpinning its claim to offer the same training opportunities to young people irrespective of their origins, gender, or religion. The aim of the project is to promote young people from different, in some cases difficult social backgrounds. In cooperation with CHANCENWERK, HORNBACH is supporting school pupils in three towns. Among other measures, our employees offer active job application training, our own trainees report to schools on their day-to-day work, and the DIY stores on location offer work experience and – in the best case – training posts.

HORNBACH took part in the "German-French Training Program" initiated by the Chamber of Commerce and Industry (IHK) for the first time in the 2014/2015 year under report. This initiative offers French trainees the opportunity to learn at a German company while still attending school in France. The young adults initially complete their training in France. This was a source of valuable experience for trainees and HORNBACH alike.

Key focus on employee satisfaction

The success of the HORNBACH Group is closely linked to the competence and motivation of its employees. Their willingness to roll up their sleeves, and thus continually improve the Group's earnings, is honored by our bonus model. To enable our employees to participate even more closely in the company's success, we also offer the opportunity of acquiring employee shares in HORNBACH-Baumarkt-AG.

For HORNBACH, the commitment of its employees is one of the most important levers to positively influence the company's results. In view of this, HORNBACH organized an employee survey once again in the 2014/2015 financial year. Part of this survey also involved employees appraising their managers. The positive results already seen in the 2012/2013 financial year were confirmed in 2014/2015. HORNBACH's employees work with great dedication and in a motivated team together with their managers. The group-wide findings of the employee survey are stable with a positive tendency. Having said this, the company also pays great attention to missing feedback. The reasons for any gaps in the feedback are analyzed. On this basis, HORNBACH then draws conclusions in order to initiate improvements.

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

Responsibility for society

HORNBACH Foundation: "People in Need"

One particular sign of our social responsibility towards our employees was the establishment in 2002 of the HORNBACH Foundation "People in Need". This has since offered assistance in cases of accidents, severe illness, or tragic cases of fatality. Employees across the company document their solidarity with the Foundation with their "Employees help Employees" campaign, in which HORNBACH-Baumarkt-AG doubles the donations collected. Moreover, the Foundation is also a contact point for people outside the company who are in situations of dire need. All in all, the Foundation supported 100 individuals with a total of more than € 150,000 in the year under report.

Key focus on children and young people

However, our commitment to society is not limited to the work performed by the Foundation. HORNBACH supports the work of many local associations and organizations at and around our locations. When selecting projects, priority is generally accorded to projects offering long-term benefits to children and young people. Environmental protection and heritage conservation are two other areas in which the company is active to the benefit of society.

Committed to the Rhine-Neckar metropolitan region

As a member of the Rhine-Neckar European Metropolitan Region Association, our Group is helping promote the region. The aim is communicate its attractiveness, power of innovation, and economic strength to the outside world. Once every two years the Rhine-Neckar metropolitan region organizes its "Volunteers' Day", in which interested parties are invited to get actively involved in projects in their local areas. Just the thing for HORNBACH: The company actively takes part, and that not just by issuing vouchers. Numerous employees also roll up their sleeves and help decorate, saw and, weed. The Personnel Department, for example, issued a group-wide invitation to a team day and helped with two major projects. Not only that, many other employees also volunteered on this day to support the good cause in their own local communities, towns, and areas.

Compliance with international minimum standards

For more than ten years now, HORNBACH has voluntarily made every effort to ensure that minimum social standards are complied with at factories producing goods for the company. To this end, HORNBACH commissions independent audit institutes to check and evaluate factories' compliance with international standards at regular intervals. Among others, the aspects audited and assessed include compliance with local and government environment legislation, no use of forced labor, the existence of a minimum working age, and no use of child labor. Furthermore, compliance with further standards is monitored. These include: no requirement to deposit identity papers with employers, no threatening let alone inflicting of physical or psychological violence, compliance with fire protection and occupational safety standards, and the availability of sufficient numbers of easily accessible escape routes. A detailed description can be found in HORNBACH's CSR Policy [Internet: www.hornbach-group.com/CSR-Guidelines]

HORNBACH only buys its products from suppliers who acknowledge these basic rules of social responsibility. The conventions of the International Labor Organization (ILO) serve as a basis for HORNBACH's own regulations and have been adapted in line with our requirements. Our suppliers also have to ensure compliance with these standards at their own upstream suppliers. HORNBACH is working actively and insistently to ensure compliance with these regulations and to make sure that any problem areas are systematically identified and immediately remedied.


PRECITEC

THE HORNBACH-BAUMARKT SHARE

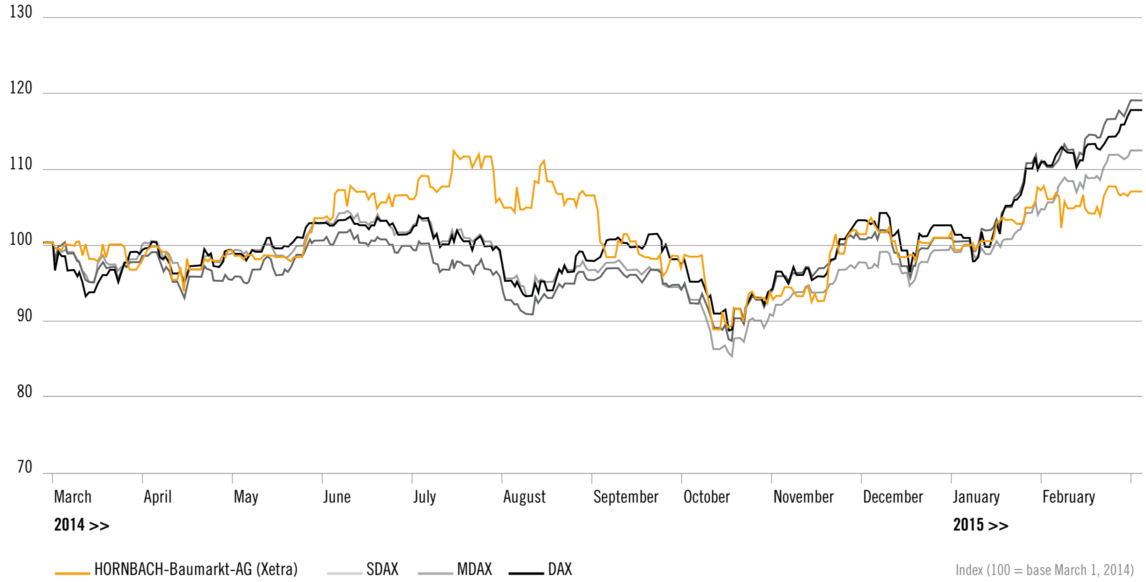
DEPENDABLE STABILITY

Our lattices and gateways provide gardens with solid boundaries. Made of highly robust materials, these garden elements are extremely durable. The secret of this top-quality product series is the way it is made.

Our lattices and gateways are the result of hand-precision work and come from a single source – from small components through to the finished product. Years of experience, computer-assisted laser cutting and attention to detail ensure the utmost quality assurance. We are convinced – sufficiently so to offer our customers a long-term guarantee.

THE HORNBACH-BAUMARKT SHARE

Share price performance: March 1, 2014 to February 28, 2015



Mixed picture on stock markets in 2014

Inebriated by exceptional vintages in 2012 and 2013, investors on global stock markets had to be satisfied with a significantly more modest performance in the 2014 calendar year. Above all, it was the geopolitical hotspots that led global stock indices to post a poorer performance than in previous years. The Russian-Ukrainian conflict and resultant spiral in sanctions were a regular source of insecurity on the stock markets, as was the conflict in the Middle East due to the Islamic State terror organization. Not only that, crisis-hit EU member states also recovered more slowly than expected. Global comparison shows that the German stock market "only" reached the middle of the league table in the 2014 calendar year, with better performances reported in particular by the Asian and US stock markets. The DAX, Germany's lead index, nevertheless finished 2014 up 4.31 % at around 9,800 points. As the year progressed, it acquired five-digit status for the first time, benefiting above all from the ECB's ultra-loose monetary policy. Torn hither and thither between disappointing developments in the domestic economy and numerous cases of company earnings being held back by geopolitical crises, the DAX witnessed great volatility and initially called off any further excursions above the 10,000 point mark. The DAX reached its lowest balance in the 2014 calendar year at 8,355 points on October 10.

Chasing new records in 2015

It was an entirely different picture in spring 2015. From the beginning of the year, the DAX clearly crossed the 10,000 line for the first time, posting fulminant growth to a record high of 11,401 points (February 27, 2015). This development was increasingly driven by the expectation of large-scale security purchases by the European Central Bank (ECB). At its Governing Council meeting on January 22, 2015, the ECB announced that it would be acquiring government bonds worth € 60 billion on a monthly basis through to at least September 2016. Even the results of the parliamentary elections in Greece on January 25, 2015 and resultant intensification in the discussions surrounding a potential exit from the euro area ("Grexit") only triggered a moderate, short-lived correction in the new heights scaled by the DAX.

While company earnings were most recently still dominated by downward corrections, the combination of a substantially lower oil price and a lower external value of the euro already created an opposing upbeat reaction in terms of economic expectations. The DAX closed at 11,401 points at the end of our 2014/2015 financial year. With a performance of 21.8 % during our reporting period, Germany's lead index thus stepped up yet another gear compared with the 2014 calendar year. The share of HORNBACH-Baumarkt-AG (ISIN DE0006084403) was unfortunately unable to keep up with this performance. It nevertheless moved in the same direction as the German stock market for most of our 2014/2015 financial year, albeit at lower performance levels than the DAX, MDAX, and SDAX select indices.

Volatile developments bring new all-time high

On March 1, 2014, the share was listed at a Xetra closing price of € 30.30. Shortly after this, it began to gain great momentum. This was due to the very positive results published for the first quarter of 2014/2015 (March 1 to May 31, 2014) as a result of extremely mild weather in spring 2014 compared with the previous year. In March 2014 in particular, customer demand for construction, renovation, and garden products and services virtually exploded across our group-wide network. Against this backdrop, the share reached its new all-time high at € 34.98 on July 15, 2014. In line with the motto "all good things come to an end", this was followed by a sharp correction based on the figures for the second quarter which, as expected, were more defensive. Following publication of our half-year financial report, including our sales and earnings figures for the second quarter of 2014/2015 on September 25, 2014, the share ultimately reached its annual low at € 26.56 on October 10, 2014. Despite strong base effects due to extremely favorable weather conditions and consolidation effects resulting from the insolvency of the Praktiker/Max Bahr Group in the third and fourth quarters of the previous 2013/2014 financial year, our share nevertheless gradually recovered from its annual low. The nine-month and third-quarter figures published on December 22, 2014 were thus granted a consistently positive reception both in the run-up to and after publication. Just a short time later, the Baumarkt share ended the 2014 calendar year at a price of € 30.22. Thanks not least to the positive overall performance of the stock markets at the beginning of the year, our share finished the trading year as of the balance sheet date on February 28, 2015 at a Xetra price of € 32.60. Over the twelve-month period, the stock thus increased its value by 7.6 % (2013/2014 financial year: plus 16.7 %). It is also pleasing to note that, for the first time in its history, HORNBACH-Baumarkt-AG ended the financial year with a stock market value (market capitalization) of more than € 1 billion.

Significant increase in stock market liquidity

Trading volumes with the HORNBACH-Baumarkt share in the 2014/2015 financial year rose sharply compared with the reporting period one year earlier. One key reason for this was the exit by the British retail group Kingfisher plc from all its financial investments in the HORNBACH Group, a step announced on March 25, 2014. This also involved the 5.2 % stake held in ordinary shares at HORNBACH-Baumarkt-AG. The sale of this package to numerous new shareholders on the capital market has broadened our investor base. From now on, this in turn will make it easier for retail and institutional investors to purchase and sell shares in the company. Not only that, our ongoing financial communications within our investor relations activities also played a key role in improving the share's liquidity. Put in figures, it looks like this: In the period from March 1, 2013 to February 28, 2014, trading volumes still amounted to 741,907 shares in total. Given 250 trading days, that is equivalent to average daily trading volumes of around 2,968 shares. Expressed in euros, trading volumes for this period totaled € 20,042,371, or an average of € 80,169 per day. It was an entirely different picture in the financial year under report. Trading volumes expressed in numbers of shares totaled 2,619,027. Based here too on 250 trading

Key data about the HORNBACH-Baumarkt-AG share (IFRS)		2014/2015	2013/2014
Nominal value of the share	€	3.00	3.00
Dividend[1)]	€	0.60	0.60
Basic earnings per share	€	2.19	1.77
Total dividend payment	€ 000s	19,084	19,084
Shareholders' equity per share[2)]	€	29.02	27.10
Market capitalization[2)]	€ 000s	1,036,908	970,114
Share price (Xetra)[2)]	€	32.60	30.50
12-month high	€	34.98	31.10
12-month low	€	26.56	24.00
Shares issued	Number	31,807,000	31,807,000
Price / earnings ratio[2)]		14.9	17.2

[1)] 2014/2015: subject to resolution by the Annual General Meeting
[2)] At the end of the financial year (the last day in February)

days, this corresponds to an average daily trading volume of 10,476 shares, more than three times the previous year's figure. In euros, trading volumes increased to € 81,942,933, or an average of € 327,772 per day. Thanks also to the positive share price performance, this figure more than quadrupled compared with the previous year.

Transparent 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-Baumarkt-AG Group in the past financial year. All quarterly reports, annual reports, press releases and additional financial information were published on the internet communications platform of the HORNBACH Group (www.hornbach-group.com), where we pool all information and services, especially for shareholders and press representatives. This separate corporate communications site complements the product-related and marketing content available at HORNBACH's website at www.hornbach.com.

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

Dividend at previous year's level

The Board of Management and Supervisory Board of HORNBACH-Baumarkt-AG are proposing a dividend at the previous year's level for approval by the Annual General Meeting on July 8, 2015. This corresponds to a dividend of € 0.60 per no-par share with dividend entitlement. The company thus aims to achieve a fair balance between shareholders' interests on the one hand and its growth financing on the other.

Basic data about the HORNBACH-Baumarkt share

Type of share	Bearer shares (individual ordinary shares)
Stock exchanges	Frankfurt, Xetra
Market segment	Prime Standard
Security identification number	WKN 608440
ISIN	ISIN DE0006084403
Stock market code	HBM
Bloomberg	HBM GY
Reuters (Xetra)	HBMG.DE
Financial year	March 1 to February 28
Initial public offering	11.15.1993
Number of shares	31,807,000
Share capital	95,421,000 €

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FINANCIAL CALENDAR 2015

May 28, 2015	Annual Results Press Conference 2014/2015 Publication of 2014/2015 Annual Report DVFA Analysts' Conference
June 26, 2015	Interim Report: 1st Quarter of 2015/2016 as of May 31, 2015
July 8, 2015	Annual General Meeting Festhalle Landau, Landau/Pfalz
September 29, 2015	Half-Year Financial Report 2015/2016 as of August 31, 2015
December 21, 2015	Interim Report: 3rd Quarter of 2015/2016 as of November 30, 2015

CONSOLIDATED FINANCIAL STATEMENTS

STONE AND NATURE IN HARMONY

Terraces, eye-catchers at the entrance to the home, pond borders – our broad range of garden structuring elements are a joy to any gardener. They fit in seamlessly with the garden and inspire customers to put their design ideas into practice.

It's not just modern forms and colors, but above all the flexibility of our modular system that customers appreciate. This means we have the right solution for any challenge and any taste. The tried-and-tested recipe to produce especially firm concrete elements has been in use for generations now. This makes for garden structuring elements that defy the wind and rain and offer years of pleasure to customers.

COMBINED MANAGEMENT REPORT

GROUP FUNDAMENTALS

The Group at a glance

The HORNBACH-Baumarkt-AG Group is one of Europe's leading do-it-yourself (DIY) retail companies. At the balance sheet date on February 28, 2015, the Group operated 146 DIY megastores with garden centers with a uniform market presence in nine countries. Of these, 97 locations are in Germany. A further 49 stores are located in the following other European countries: Austria (11), the Netherlands (9), Luxembourg (1), the Czech Republic (9), Switzerland (6), Sweden (5), Slovakia (3), and Romania (5). With total sales areas of around 1.7 million m², the average size of a HORNBACH DIY megastore with a garden center amounts to almost 11,700 m². In the 2014/2015 financial year (March 1, 2014 to February 28, 2015), the HORNBACH-Baumarkt-AG Group generated net sales of around € 3.36 billion. This makes HORNBACH the third-largest retail group in the German DIY sector and the fifth-largest player in Europe. At the balance sheet date on February 28, 2015, the Group had a total of 15,684 employees (2013/2014: 15,293), of which 6,320 outside Germany (2013/2014: 6,331).

The diagram on Page 45 presents the current group structure and provides an overview of the most important shareholdings of HORNBACH-Baumarkt-AG. Complete details about the scope of consolidation and consolidated shareholdings have been provided in the notes to the consolidated financial statements.

HORNBACH-Baumarkt-AG is a listed stock corporation. Its parent company HORNBACH HOLDING AG holds 76.4 % of the total of around 31.8 million ordinary shares in the company (ISIN DE0006084403, Prime Standard). 23.6 % of its shares are in free float (status: February 28, 2015). The company was founded in 1877 and is still family-managed, now in the fifth generation.

Group business model

Retail activities

HORNBACH has an absolute focus on project customers. On the one hand, those are home improvement enthusiasts and professional customers 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 also include customers wishing to select their products themselves, but then to have all of the work involved in their project, including all services, performed by a competent partner (do-it-for-me). All of the company's activities are tailored to these target groups. HORNBACH thus offers its customers easily accessible locations, a broad and deep product range stocked in sufficiently large quantities and meeting high quality standards, a reliable and transparent permanently low price policy, 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 well-known consumer surveys.

The average product range stocked by HORNBACH stores encompasses around 50,000 articles in the five following divisions: Hardware/Electrical, Paint/Wallpaper/Flooring, Construction Materials/Timber/Prefabricated Components, Sanitary/Tiles, and Garden.

HORNBACH has decades of experience in operating DIY megastores with garden centers in major regional catchment areas. The company relies on the strengths offered by organic growth. Its portfolio of 146 locations (February 28, 2015) in Germany and abroad is highly homogenous. Most of the Group's stores have sales areas in excess of 10,000 m². This enables HORNBACH to benefit from economies of scale in its operations and conceptual store enhancement measures, as well as in its group logistics. The company is relying not just on its stationary retail business, but is also building on the development potential harbored by e-commerce. As a high-performing virtual DIY store and garden center, HORNBACH's online store is gradually being rolled out to all of the countries in which HORNBACH operates stores. The guiding principle – HORNBACH should offer customers all the channels they need to implement their projects.

Real estate activities

The HORNBACH-Baumarkt-AG Group has a substantial real estate portfolio. This predominantly relates to retail properties used by the company itself. At the balance sheet date on February 28, 2015, 25.4 % of the sales areas were owned by the Group. Its associate HORNBACH Immobilien AG and its subsidiaries owned a further 29.3 % of the Group's DIY sales areas. The overriding strategy is for the overall HORNBACH HOLDING AG Group to retain ownership of at least half of the real estate, measured in terms of sales areas, used for operating purposes.

Reporting segments

The delineation of business segments is consistent with the internal reporting structures used by the Board of Management of the HORNBACH-Baumarkt-AG Group to manage the company. The "DIY store" segment comprises the 146 DIY megastores with garden centers pooled at the HORNBACH-Baumarkt-AG Group (2013/2014: 141). Sales at the HORNBACH-Baumarkt-AG Group are primarily generated in the DIY store segment, i.e. in the operating retail business. The "Real estate" segment comprises the retail properties owned by the HORNBACH-Baumarkt-AG Group. In this segment, imputed rental payments are charged on at customary market conditions within the Group. In the segment report, the income from this imputed charging on of rental payments is fully consolidated as "Rental income from affiliated companies". Administration and consolidation items not attributable to segments are summarized in the "Headquarters and consolidation" reconciliation column.

Management system

The key management figures outlined below are used to manage both the HORNBACH-Baumarkt-AG Group and HORNBACH-Baumarkt-AG.

Key management figures

For a retail company like the HORNBACH-Baumarkt-AG Group, sales growth is the central management figure for its operating business. **Sales** directly indicate our success with customers. Our sales performance is reported on the one hand as net total sales in euros. On the other hand, we also present the change in like-for-like and currency-adjusted sales, which do not include sales at stores newly opened, closed or subject to major conversion work in the year under report. In the "Earnings Situation" section, we voluntarily supplement this information by reporting on the change in like-for-like sales including currency items.

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. This key management figure is chiefly influenced by developments in procurement and retail prices, changes in the product mix, and currency items resulting from international procurement.

Selling and store, pre-opening, and administration expenses represent key parameters for assessing the Group's earnings strength. We use **cost ratios** calculated as a percentage of net sales as key management figures and also as indicators of trends.

Operating earnings (EBIT), i.e. earnings before interest and taxes, are also one of the most important key management figures at the Group. In the income statement, these are calculated as gross profit in euros less costs (selling, store, pre-opening, and administration expenses) plus other income and expenses (net balance of other income and other expenses). EBIT represents the central key management figure for planning, measuring and managing the Group's operating earnings performance. In the presentation of our earnings performance, we enhance the comparability of earnings between individual reporting periods by reporting on EBIT net of one-off items in cases where special factors have significantly influenced EBIT in the reporting or comparative period.

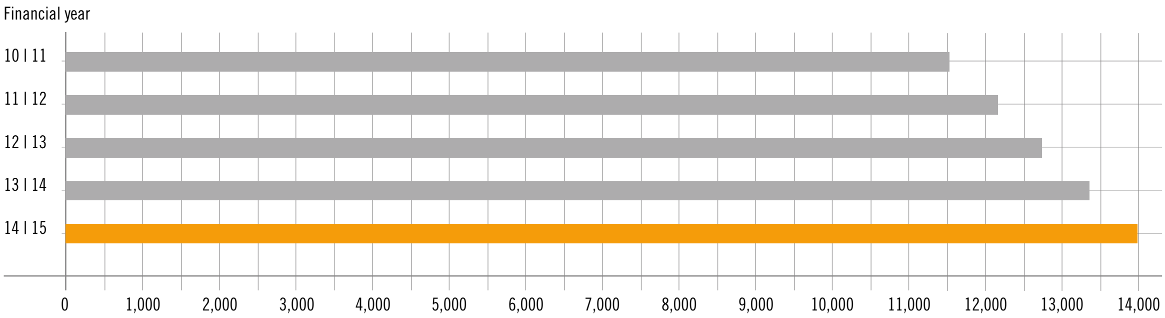
Further key management figures
In managing its financial and asset position, the HORNBACH-Baumarkt-AG Group pursues the objective of safeguarding the Group's liquidity at all times and of covering the financing requirements for the Group's sustainable growth at the least possible expense.

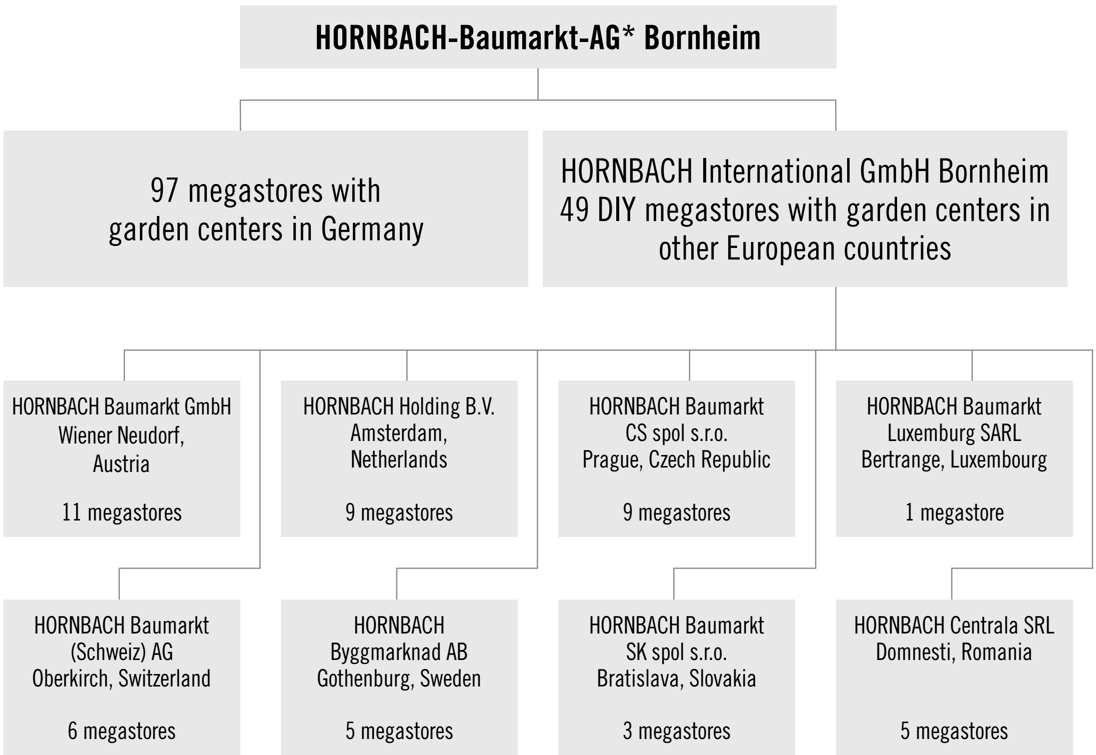
Other key management figures include cash-effective **investments** in land, buildings, plant and operating equipment for new and existing DIY megastores with garden centers, and intangible assets. Here, we aim to achieve a balanced relationship between our operating cash flow and our budgeted investments.

For retail companies, the **inventory turnover rate** is an important indicator of merchandising efficiency. We define inventory turnover as the ratio of material input costs 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. Our aim is therefore to sustainably improve our inventory turnover rate at an above-average high level compared with competitors while simultaneously ensuring product availability.

The Group has not set any defined target for its shareholders' equity. To safeguard our financial stability and independence, our basic objective is rather to permanently ensure a stable, high **equity ratio.**

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





* Plus further shareholdings as presented in the complete overview provided in the notes to the consolidated financial statements. Status: February 28, 2015

BUSINESS REPORT

MACROECONOMIC AND SECTOR-SPECIFIC FRAMEWORK

International framework

Global economy

According to estimates compiled by the International Monetary Fund (IMF) in January 2015, the global economy grew by 3.3 % in the 2014 calendar year and thus maintained the moderate rate of growth already seen in the previous year. The forces driving this growth have shifted to the extent that the advanced economies posted slightly higher rates of macroeconomic output growth, while emerging and developing economies made slightly slower progress.

Europe

Following a spirited start to the year, the **European economy** then witnessed a disappointing summer half-year before gradually recovering once again from the fall of 2014. Viewed from a full-year perspective the recovery in the European economy was nevertheless sluggish. Among other factors, this was due in particular to great insecurity among consumers at times on account of the crises in Ukraine and the Middle East. Based on figures released by the European Union statistics authority (Eurostat), thanks in particular to the strong opening and closing quarters gross domestic product (GDP) in the European Union as a whole (EU 28) grew by 1.3 % in the 2014 calendar year (2013: 0.0 %).

GDP in the **euro area** (EA 18) grew by 0.9 % in the past year, having still contracted by 0.5 % in 2013. The growth rate for the euro area as a whole conceals substantial ongoing differences on individual country level. It is nevertheless positive to note that only three of the 18 euro area countries are thought to have remained in recession in 2014, compared with ten and eight countries in 2012 and 2013 respectively.

The macroeconomic framework in the nine European countries in which **HORNBACH** operates was positive in the 2014 calendar year. Based on economic data available upon completion of this report, GDP growth rates in these countries were in most cases significantly higher than in the previous year.

Despite its dip in the summer, the German economy grew by 1.6 % in 2014, and thus faster than at any time since 2011. The Netherlands and the Czech Republic emerged from the recession seen in 2012 and 2013 and returned to positive growth territory, with GDP growth of 0.9 % and 2.0 % respectively. In the other countries in which HORNBACH operates across Europe, macroeconomic growth ranged from between 0.3 % (Austria) and 2.9 % (Romania).

Construction industry, consumer spending, and retail

Gross fixed capital investments grew by 3.3 % in the EU 28 countries and by 1.4 % in the euro area in 2014. The first calendar quarter showed the highest year-on-year growth rate, a development due in particular to the mild spring weather.

Across large parts of Europe, this growth was also driven by the construction industry. Compared with 2013, average construction industry output rose in 2014 by 3.0 % in the EU 28 countries and by 2.0 % in the euro area. Within HORNBACH's network, six of the total of nine countries reported output growth. The only countries to witness downturns in construction output were Romania (minus 6.7 %), Slovakia (minus 4.2 %) and Austria (minus 2.0 %). The highest growth was reported by Sweden (plus 9.3 %), while the remaining countries were in line with the European average, with growth rates of between 1.1 % and 3.2 %.

Based on estimates compiled by the Euroconstruct Group, European construction volumes in its 19 partner countries grew overall by around 1 % to just over € 1.3 trillion in 2014. Of this total, around 45 % (€ 590 billion) was invested in housing construction projects. At € 360 billion, or 61 %, the lion's share of this figure was channeled into maintaining and modernizing existing buildings, while almost € 230 billion, or 39 % was invested in new construction. Back in 2006, new housing construction still played a dominant role, with a share of around 55 %. These figures show that maintenance and modernization measures, particular with regard to energy efficiency, are increasingly gaining in significance in Europe.

For 2014 as a whole, the average inflation (HICP) rate for the euro area amounted to a mere 0.4 %. This low rate was due in particular to the sharp downturn in the oil price, which more or less halved in 2014. The combination of lower energy prices and persistently low interest rates raised disposable incomes and stimulated private consumers' propensity to spend.

The effects of this also made themselves felt in the European retail sector, where real-term sales (excluding automobile sales) grew by 1.9 % in the EU 28 countries (2013: minus 0.1 %) and by 1.3 % in the euro area (2013: minus 0.8 %). All nine countries within HORNBACH's network generated positive growth in 2014. Germany, Luxembourg, Romania, Slovakia, Sweden, and the Czech Republic reported figures at around or ahead of the European average.

The indicators available on the basis of sector association surveys also point to a successful year in the DIY store and garden center sector in 2014. In most of the European countries for which data was available, DIY sales increased compared with 2013, in some cases significantly so.

Business framework in Germany

Domestic demand, the key macroeconomic factor in assessing the framework for DIY stores and garden centers in Germany, continued to show positive developments overall in 2014.

Private consumer spending was one source of great momentum driving GDP growth in Germany in 2014. Thanks to falling inflation rates, consumers had more money in their pockets. Due above all to the significant fall in energy prices, the annual average inflation rate calculated with the assistance of the Harmonised Index of Consumer Prices (HICP) thus halved from 1.6 % to 0.8 %. Not only that, private households' scope for spending was further boosted by pleasing developments on the German labor market coupled with higher incomes. Overall, price-adjusted private consumer spending grew by 1.1 %. As already the case in 2013, this made it the most important growth driver for the German economy. Ongoing record-low interest rates and the favorable financing terms on offer as a result stimulated not only private consumer spending, but also the construction industry.

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

Percentage change on previous quarter Source: Eurostat (calendar year figures)	1st Quarter 2014	2nd Quarter 2014	3rd Quarter 2014	4th Quarter 2014	Calendar Year 2014 vs. 2013
Germany	**0.8**	**-0.1**	**0.1**	**0.7**	**1.6**
Austria	-0.1	0.0	0.1	-0.2	0.3
Czech Republic	0.3	0.3	0.4	0.4	2.0
Luxembourg	1.0	0.5	2.3	n.a.	n.a.
Netherlands	-0.4	0.7	0.3	0.8	0.9
Romania	0.3	-0.5	2.2	0.5	2.9
Slovakia	0.6	0.6	0.6	0.6	2.4
Sweden	0.3	0.6	0.5	1.1	2.1
Switzerland	0.5	0.3	0.7	0.6	n.a.
Euro area (EA 18)	**0.3**	**0.1**	**0.2**	**0.3**	**0.9**
EU 28	**0.4**	**0.2**	**0.3**	**0.4**	**1.3**

Construction activity and construction trade

Taken as a whole, the economic data for the construction industry paints a favorable picture for 2014. The driving force here was once again German housing construction.

Building permits showed further strong growth. The construction of almost 285,000 housing units was approved in the 2014 calendar year. According to the Federal Statistical Office, that represents a year-on-year increase of 5.4 %, or around 14,500 units. The growth was exclusively driven by the increase in permits issued for apartments in apartment blocks (plus 8.8 %) and in residential blocks (plus 31.6 %). By contrast, the number of permits issued reduced for detached houses (minus 1.4 %) and semi-detached houses (minus 5.8 %). At plus 14 %, the number of housing units completed in 2014 rose disproportionately compared with the number of permits issued.

Sales in the construction trade grew nominally by 4.1 % to € 99.4 billion in 2014. Housing construction accounted for the greatest momentum, with growth of 6.3 % to € 35.8 billion, while lower rates of growth were reported for commercial construction (3.6 %) and public sector construction (2.1 %). The 3.4 % rise in price-adjusted construction investments in 2014 is absolutely consistent with the positive overall picture in the construction industry in 2014. Based on estimates compiled by GfK, expenditure on renovation work rose by 10 %.

Retail and DIY

The high level of consumer confidence and increase in private households' spending power also benefited the sales performance of the German retail sector in the 2014 calendar year. Based on figures released by the Federal Statistical Office, retail sales (excluding automobile sales) grew year-on-year by 1.4 % in real terms and by 1.7 % in nominal terms.

The strongest growth rates were reported for online retail in Germany. According to sector association figures, e-commerce sales improved by 7.2 % to € 41.9 billion in 2014. Together with traditional mail order sales (2014: minus 21.7 % to € 7.2 billion), interactive retail accounted, as in the previous year, for an 11.1 % share of total retail sales in Germany.

Based on figures released by the BHB sector association, the German DIY sector can also look back on a successful year. Due to the complete market exit of the Praktiker Group, DIY stores with sales areas of at least 1,000 m² per outlet witnessed a 6.2 % reduction in their gross sales to € 17.63 billion (2013: € 18.79 billion). Excluding Praktiker and Max Bahr, however, the companies generated sales growth of 8.8 % in 2014. Thanks not least to the strong spring season, like-for-like sector sales, i.e. excluding sales at stores newly opened, closed or subject to substantial conversion measures in the year under report, grew by 5.0 %. Gross sales at smaller-scale DIY stores (DIY shops with sales areas of up to 1,000 m²) increased slightly by 0.2 % to € 3.69 billion (2013: € 3.68 billion). Due to the departure of the Praktiker Group, the market volume of all DIY and home improvement stores fell by 5.1 % to around € 21.3 billion in 2014.

Online stores in the German DIY sector posted further strong growth. According to figures compiled by IFH Retail Consultants, stationary DIY players boosted their e-commerce sales by 5.2 % to € 426 million. Alongside internet stores operated by stationary DIY competitors, other distribution channels are also participating in the online boom. Based on IFH calculations, German internet sales with core DIY products – across all distribution channels – surged 14 % to € 2.3 billion in 2014.

BUSINESS PERFORMANCE

Impact of business framework on the business performance of the Group

Overall, we are very satisfied with our business performance in 2014/2015. HORNBACH's DIY stores with garden centers showed sustainably positive developments in the 2014/2015 year under report and outperformed the DIY sector in most countries within our European network. Thanks to the competitive advantages we have built up over decades now and our continuing great popularity among DIY and home improvement customers, we successfully asserted ourselves against a number of challenging base effects from the previous 2013/2014 financial year. This was also reflected in a relatively high degree of volatility in our sales and earnings performance within the financial year.

The first quarter was characterized by weather conditions that could not have been more different from those one year earlier. While the exceptionally long winter had severely impaired the opening quarter to the previous 2013/2014 financial year across our entire network, our sales and earnings performance in the first three months of the financial year under report (March 1 to May 31, 2014) benefited from mild weather conditions. As a result, the record growth of 14.6 % in like-for-like sales net of currency items in the first quarter of 2014/2015 more than made up for the 5.9 % downturn in sales seen in the comparative quarter in 2013/2014. On the earnings front, in the first three months we not only compensated for the downturn in the previous year's quarter but significantly exceeded the previous year's figure and thus laid the foundation for our success in 2014/2015 as a whole.

The Group was thus well placed to absorb the dip in sales and earnings in our second-quarter business performance, which was solely due to the convergence of unfavorable base effects, namely fewer business days in the quarter under report and the weather-related process of making up for lost ground in the previous year's quarter.

The real test for the competitiveness of our business model came in Germany in the second half of the financial year. The standard set here in the previous year was especially high. The massive market consolidation in the wake of the Praktiker insolvency created a vacuum in the sector in the third and fourth quarters of the previous 2013/2014 financial year, one that we successfully exploited in the affected catchment areas of our stores. Not only that, unusually mild weather conditions in the fourth quarter of 2013/2014 meant that construction activity had avoided its customary winter break. In the 2014/2015 year under report, we managed to exceed the standard set after the previous year's jump in like-for-like sales of 7.0 % (Q3) and 14.1 % (Q4), and that even though the wave of former Praktiker stores newly reflagged meant that competitive pressure in the German DIY sector once again increased noticeably.

The macroeconomic framework in HORNBACH's network of country markets developed more favorably in the 2014/2015 financial year than in the previous year. This is reflected even more clearly in our sales performance in other European countries than in Germany. In the countries outside Germany, we observed a substantial improvement in key economic indicators as the year progressed. Increased incomes and improved consumer confidence across large parts of our international network provided a firm foundation to achieve a turnaround in our like-for-like sales performance net of currency items. After three years of declining sales, our other European countries segment clearly returned to growth territory. In our international business, we managed to increase the rate of sales growth in all regions. This was particularly true of the fourth quarter of 2014/2015, in which adjusted sales built on the strong growth already seen in the previous year (plus 5.9 %) and added a further 3.4 %.

Against this backdrop, in the 2014/2015 financial year the HORNBACH-Baumarkt-AG Group increased its net sales by 6.5 % to € 3,357 million (2013/2014: € 3,152 million) and its like-for-like sales net of currency items by 4.4 %. Consolidated operating earnings (EBIT) also rose by 4.4 % over the same period to reach € 109.8 million (2014/2015: € 105.1 million).

Development in HORNBACH's store network

HORNBACH opened a total of eight new DIY stores with garden centers (of which one replacement location) and substantially extended one existing store in the 2014/2015 year under report. Furthermore, one store was closed for temporary conversion work.

In the first quarter of 2014/2015 (March 1 to May 31, 2014) we celebrated two new store openings. In March 2014, we opened our 93rd location in Germany, in this case in **Lübeck**. In **Prague-Čestlice**, our third HORNBACH DIY store with a garden center in the Czech capital launched operations in the same month. Our store network in the Czech Republic now comprises nine locations with sales areas of some 125,000 m².

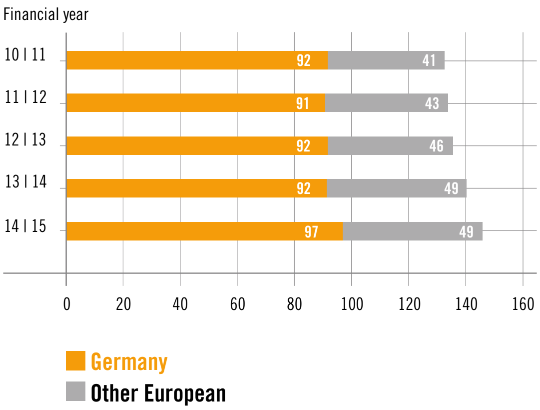
The further expansion program in the 2014/2015 financial year took place exclusively in Germany. In the second quarter of 2014/2015, we launched operations at the first two of the total of six Praktiker/Max Bahr locations we have taken over. Following several months of conversion work at a former Max Bahr location, we opened a HORNBACH DIY megastore with a garden center in **Trier** at the beginning of June 2014. This has replaced our smaller existing location dating from 1990. In early July 2014, we boosted our presence in the Nuremberg region by opening the reflagged location in **Schwabach** (formerly Max Bahr). At the end of July 2014, we launched operations at a small-scale DIY store (HORNBACH Compact) in **Bad Bergzabern** (Rheinland-Pfalz). Here, we have closed a regional supply gap in this rural catchment area.

Furthermore, in August 2014 we closed our garden center in **Geleen** in the Netherlands. Following its conversion into a DIY megastore with a garden center, we expect to reopen this location in summer 2015.

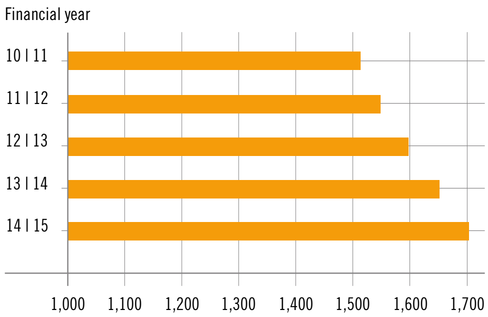
In the third quarter of 2014/2015, we opened the doors at three more of the Praktiker/Max Bahr locations taken over in Germany. Following the conversion of a former Praktiker location, we opened a HORNBACH DIY megastore with a garden center in **Ulm** in early September 2014. At the end of September, we subsequently extended our store network in Germany by reopening a former Max Bahr location in **Lüneburg**. After several months of conversion work at a former Max Bahr store in **Kamen**, the DIY store and garden center began operating under its new HORNBACH flag at the end of October 2014.

Stores and sales areas at the HORNBACH-Baumarkt-AG Group

(No. of HORNBACH DIY megastores with garden centers)



(Total sales areas in thousand square meters)



In December 2014, the standalone garden center in **Lohfelden near** Kassel was closed and work began on converting the neighboring old HORNBACH DIY store into a combined DIY store and garden center.

Including the stores newly opened and closed in the year under report, we were operating 146 retail outlets across the Group as of February 28, 2015 (February 28, 2014: 141). Sales areas at the 97 stores in Germany amounted to around 1,039,000 m². The 49 DIY stores with garden centers in other European countries had sales areas of around 665,000 m². The international stores are located in Austria (11), Netherlands (9), Czech Republic (9), Switzerland (6), Romania (5), Sweden (5), Slovakia, (3) and Luxembourg (1). Total sales areas at the HORNBACH-Baumarkt-AG Group amounted to around 1,704,000 m² as of February 28, 2015. The average size of a HORNBACH DIY store with a garden center thus amounts to almost 11,700 m².

Comparison of actual and forecast business performance

Expansion

In the Outlook section of our 2013/2014 Annual Report, we forecast that, unlike in the previous year, the focus of our expansion activities in the 2014/2015 financial year would shift to Germany due to the takeover of former locations from the broken-up Praktiker Group. A total of eight new store openings were planned, of which seven in Germany (including two replacement locations). Accounting for the replacement locations, the number of HORNBACH stores with garden centers was planned to increase from 141 to 147, of which up to 97 in Germany and 50 in other European countries. We basically complied with these objectives.

Stores were opened on schedule in Prague – our only international store opening – and in Lübeck in March 2014. In the forecast period, it was planned to link up all six of the former Praktiker/Max Bahr locations taken over to HORNBACH's network in the further course of the financial year. In actual fact, the five rented locations in Trier, Schwabach, Ulm, Lüneburg, and Kamen were reopened. The opening of the Praktiker location in Saarbrücken acquired by HORNBACH Immobilien AG, originally scheduled by the end of February 2015, was postponed to the first half of March 2015 and thus to the new 2015/2016 financial year (first construction stage). The conversion of the directly adjacent HORNBACH area into a modern drive-in facility with a direct link to the new DIY store and garden center (second construction stage) will take place as planned in the 2015/2016 financial year.

The opening of a HORNBACH store in Bad Bergzabern (July 2014) and conversion-related closure of our garden center in Geleen in the Netherlands (August 2014) were additionally included in our 2014/2015 expansion program. Furthermore, the merger of the standalone HORNBACH garden center in Lohfelden near Kassel with our nearby DIY store reduced the number of stores by one location. The number of HORNBACH stores totaled 146 at the balance sheet on February 28, 2015 (2013/2014: 141).

Investments

Total investments in a range of € 100 million to € 120 million were budgeted for the 2014/2015 financial year. With an actual investment total of € 99.9 million, we reached the lower end of the planned range.

Sales and earnings performance

The sales forecast for the HORNBACH-Baumarkt-AG Group formulated in the Outlook section of the 2013/2014 Annual Report and not revised in the course of the year predicted that net sales would show growth in a medium single-digit percentage range and at a higher rate than in the 2013/2014 financial year (4.4 %). With consolidated sales growth of 6.5 %, we clearly met this target.

For like-for-like sales net of currency items, we forecast group-wide growth in a low to medium single-digit percentage range. In actual fact, we improved our adjusted sales by 4.4 % in the financial year. We thus reached the upper end of the target corridor.

We also met all of the targets relating to our geographical segmentation in the past 2014/2015 financial year.

- At 5.5 %, the rate of like-for-like growth in **Germany** was, as expected, ahead of the group average. Consistent with its forecast, HORNBACH significantly outperformed the sector average by a margin of around three percentage points in the 2014 calendar year. As expected, the company yet again increased its market share.

- With regard to our retail activities in **other European countries**, in our forecast for 2014/2015 issued one year ago we predicted that sales would improve further compared with the previous year. Actual net sales at our international DIY stores and garden centers increased by 5.0 % in the year under report (2013/2014: 3.5 %). On a like-for-like basis and net of currency items, we generated a pleasing growth rate of 2.8 % outside Germany (2013/2014: minus 0.1 %). What's more, the rate of adjusted sales growth improved in all countries within our European network. With one exception, all countries reported positive growth.

Further key figures by segment

- **DIY store segment:** Our target was to maintain the gross margin for the 2014/2015 financial year at the previous year's level (37.4 %). With an actual figure of 38.0 %, we significantly exceeded this target.

  Based on the annual budget for 2014/2015, selling and store expenses should rise more slowly than sales. This should lead to a store expense ratio slightly lower than the previous year's figure (31.0 %). With our actual figure of 31.2 %, we did not achieve this budget target.

  In line with expectations, the marked year-on-year acceleration in our expansion led pre-opening expenses to increase to € 14.5 million (2013/2014: € 10.0 million). The respective ratio rose from 0.3 % to 0.4 %.

  The budget for 2014/2015 foresaw a disproportionate rise in administration expenses. This was due to the necessary increase in resources for our online activities in particular, as well as for other forward-looking strategic projects. The actual administration expense ratio rose significantly from 3.9 % to 4.2 %.

- Consistent with the forecast, rental income in the **real estate segment** developed stably in line with the Group's expansion and increased by 4.7 % to € 153.1 million. Given the expenses required to convert the former Praktiker/Max Bahr stores, the budget for 2014/2015 accounted for a disproportionate increase in real estate expenses. The actual costs of conversion nevertheless exceeded the budget figures.

Consolidated operating earnings (EBIT)

In summary for the HORNBACH-Baumarkt-AG Group, in our previous Annual Report we originally reported that operating earnings (EBIT) for the 2014/2015 financial year would show disproportionate growth compared with sales. In our interim report for the first nine months of 2014/2015, published on December 22, 2014, we toned down this earnings forecast as we saw greater forecasting uncertainty than before on account of macroeconomic risk factors, an unfavorable trend in operating expense ratios in the DIY store segment, and larger than expected cost growth in the real estate segment for the integration of reflagged Praktiker/Max Bahr locations. At the end of the first three quarters, we therefore predicted that the Group's EBIT for the 2014/2015 financial year would exceed the previous year's figure (€ 105.1 million) and included the possibility of disproportionate EBIT growth compared with sales.

With growth of 4.4 % to € 109.8 million, our actual consolidated operating earnings for the 2014/2015 financial year exceeded the previous year's figure of € 105.1 million. However, we did not reach the original target of achieving disproportionate earnings growth compared with sales.

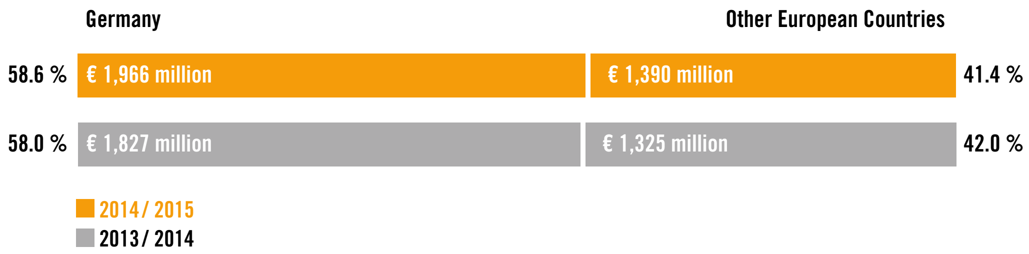
Budget/actual comparison for separate financial statements (HGB)

In the separate financial statements of HORNBACH-Baumarkt-AG, which are shaped by the performance of the HORNBACH DIY stores and garden centers in Germany, our sales forecast for the 2014/2015 financial year envisaged sales growth in a medium single-digit percentage range. With actual sales growth of 7.2 % to € 2,220.5 million, we exceeded this target.

Furthermore, we assumed that pre-opening and administration expenses would rise sharply compared with 2013/2014 and impact negatively on earnings. Conversely, the base effect resulting from the € 26.5 million impairment recognized on an investment in the previous 2013/2014 financial year should have a significantly positive effect on earnings in the 2014/2015 forecast year. Consistent with our earnings forecast for the separate financial statements, the result of ordinary operations in the 2014/2015 year under report was, at € 55.6 million, significantly ahead of the figure for the 2013/2014 financial year (€ 42.8 million).

Earnings Situation

Sales by region



Sales performance

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

The HORNBACH-Baumarkt-AG Group increased its net sales in the past financial year (March 1, 2014 to February 28, 2015) by 6.5 % to € 3,357 million (2013/2014: € 3,152 million). Net sales in Germany for the same period grew by 7.6 % to € 1,966 million (2013/2014: € 1,827 million). This figure also accounts for the seven stores newly opened and one store extended in the period under report. Outside Germany (Other European countries) and including one newly opened store we reported sales growth of 5.0 % to € 1,390 million (2013/2014: € 1,325 million). Due to the relatively higher rate of growth in Germany, the international stores' share of consolidated sales slipped from 42.0 % to 41.4 %.

The very pleasing performance for 2014/2015 as a whole conceals relatively marked fluctuations within the financial year, a factor that is particularly apparent in the development in like-for-like sales. The volatility in quarterly sales was chiefly caused by weather-related base effects in the first half of the financial year. In the German DIY market, in which we generate almost 60 % of our consolidated sales, the standard to beat in the second half of the 2014/2015 financial year was also very high due to substantial consolidation effects in the previous year's comparative period. The HORNBACH-Baumarkt-AG Group nevertheless managed to exceed the exacting standards set in the previous financial year and also to outperform the sector average in most of its country markets.

The following comments refer to the development in like-for-like sales at the HORNBACH-Baumarkt-AG Group, which thus take no account of stores newly opened or closed in the past twelve months.

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

2014/2015 financial year 2013/2014 financial year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Group	**14.6**	**(1.0)**	**1.0**	**2.4**	**4.4**
	(5.9)	4.6	4.6	10.6	2.7
Germany	**19.4**	**(1.0)**	**1.4**	**1.8**	**5.5**
	(5.8)	7.7	7.0	14.1	4.9
Other European countries	**8.2**	**(1.0)**	**0.6**	**3.4**	**2.8**
	(6.1)	0.5	1.5	5.9	(0.1)

* Excluding currency items

Unlike in the three previous financial years, the development in the Group's like-for-like sales in the 2014/2015 financial year was consistently positive from a geographical perspective as well. We boosted our sales momentum compared with the previous year both in the Germany region and in the Other European countries region.

We increased our group-wide like-for-like sales net of currency items by 4.4 % in the 2014/2015 financial year (2013/2014: 2.7 %). Including currency items, the Group's adjusted sales grew by 4.1 % (2013/2014: 2.3 %). On average, the group-wide number of business days was basically unchanged in the 2014/2015 financial year as a whole. The lower number of business days in the second quarter was offset by higher numbers in other quarters. Seasonal influences on the Group's sales performance and the base effects from the previous year's period are clearly apparent in the presentation by quarter (see above table).

The first quarter (March 1 to May 31, 2014) was characterized by the extreme differences in weather conditions between the quarter under report and the previous year's quarter. In spring 2013, the prolonged winter massively impaired the gardening business in the months of March and April. By contrast, the spring season in 2014 benefited from mild weather conditions. Particularly in March 2014, customer demand for DIY, renovation, and garden products and services virtually exploded across our group-wide network of countries. The months of April and May 2014 also showed a very pleasing sales performance. We concluded the first quarter of 2014/2015 with like-for-like currency-adjusted growth of 14.6 % (2013/2014: minus 5.9 %). In the second quarter, adjusted sales then fell 1.0 % short of the equivalent figures for the previous year's quarter. This slight downturn in sales was due on the one hand to the fact that the second quarter of 2014/2015 (June 1 to August 31, 2014) had three business days fewer in most regions than in the previous year. On the other hand, the standard set in the previous year's quarter was very high, with adjusted growth of plus 4.6 % due to consumers catching up on purchases following the previous poor weather conditions. Not only that, demand at our stores dipped on occasions during the Football World Cup in the period from mid-June to mid-July.

In the second half of the financial year, we managed to raise our like-for-like currency-adjusted sales momentum even over and above the very ambitious growth rates seen in the previous year's quarter. Adjusted sales thus grew by 1.0 % (2013/2014: 4.6 %) in the third quarter of 2014/2015 and by 2.4 % in the final quarter (2013/2014: 10.6 %). This pleasing performance was driven by our stores both in Germany and in other European countries.

- **Germany**

  HORNBACH's locations in Germany once again reported very pleasing sales growth in the 2014/2015 financial year and outperformed our store network in other European countries for the sixth consecutive year.

  The foundation for this success was laid in the first quarter. In the months from March to May 2014, like-for-like sales jumped by 19.4 %, thus more than making up for the weather-related loss of sales in the previous year's quarter (minus 5.8 %). In the second quarter of 2014/2015, the convergence of negative base effects and occasionally inclement summer weather prevented the domestic business as well from performing better. Like-for-like sales at our retail outlets in Germany in this period showed a slight decline of 1.0 %, thus contrasting with growth of 7.7 % one year earlier.

  However, this did not impede the positive overall trend in sales. Quite the reverse: In the third and fourth quarters of 2014/2015 we exceeded the previous year's level of like-for-like sales by 1.4 % and 1.8 %. This is all the more remarkable given the acceleration in our sales growth one year earlier to 7.0 % in the third quarter and 14.1 % in the fourth quarter of 2013/2014 due to factors including the positive impact of sector consolidation (exit of Praktiker Group in Germany).

  Cumulatively, we achieved like-for-like sales growth of 5.5 % in Germany in the 2014/2015 financial year (2013/2014: 4.9 %). We thus once again extended our outperformance of the overall DIY sector.

  In its DIY Total Store Report (until 2013: BHB/GfK Panel), the GfK calculated the sales performance of DIY stores and garden centers in Germany on behalf of the BHB sector association. According to this report, like-for-like sales in the DIY sector in the period from January to December 2014 grew by 5.0 %. In this period, which deviates from our own financial year, our domestic like-for-like sales outperformed the German sector average by almost three percentage points.

  HORNBACH thus further expanded its market position. As a percentage of aggregate sales at all German DIY stores and garden centers (2014: € 21.3 billion), HORNBACH's market share rose from 10.0 % to 11.0 %. If the calculation is based only on the market volume of German DIY stores and garden centers with sales areas of more than 1,000 m² (2014: € 17.6 billion), our market share in this segment improved from 12.0 % to 13.3 %.

  This sustainably positive performance in our home market also continued in the 2014/2015 financial year. This is chiefly due to the competitive advantages offered by our unmistakable retail format. Our attractive retail locations and high-performance HORNBACH Online store have become well established among private and professional customers alike.

  Thanks to our consistent focus on project customers, we have benefited to an above-average extent from demand in the German housing construction and renovation market. Furthermore, in the market consolidation largely triggered by the Praktiker insolvency we successfully attracted new customers in the period under report and thus gained additional market share.

  HORNBACH's popularity with German consumers is underlined in particular by its excellent performance in Kundenmonitor Deutschland, the most prestigious consumer survey in the German retail sector. As in the previous year already, the results of the 2014 survey show that HORNBACH came top in terms of customers' overall satisfaction and achieved the best marks in 19 out of the other 34 categories surveyed.

- **Other European countries**

Outside Germany, we achieved a turnaround in our like-for-like sales performance in the 2014/2015 financial year. After three consecutive years of decline, in the year under report we posted substantial like-for-like, currency-adjusted sales growth of 2.8 % (2013/2014: minus 0.1 %). Including currency items, adjusted sales rose by 2.2 %.

These figures for other European countries also reflect the year-on-year improvement in the macroeconomic framework outside Germany, particularly in terms of consumer spending and construction activity. In most countries within our network, key confidence indicators, such as the consumer and business confidence survey compiled by the European Commission, improved noticeably in 2014 compared with 2013.

We improved our sales momentum in all regions within our international store network compared with the previous year, in some cases significantly. We reported positive adjusted sales growth ranging from just under one to more than nine percent in all other European countries with just one exception in the 2014/2015 financial year. By contrast, in the 2013/2014 financial year five out of eight other European countries still saw reductions in their adjusted sales. In the Netherlands and Slovakia, where just one year ago the persistent downstream impact of the financial and economic crisis still led to declining demand from consumers and construction clients at our stores, like-for-like sales net of currency items regained positive territory in the year under report. After several weak years, in which HORNBACH nevertheless significantly outperformed the sector average, adjusted sales at our stores in the Czech Republic have now clearly bottomed out.

Viewed on a quarter-by-quarter basis, other European countries showed a sales trend similar to that in Germany. At plus 8.2 % (2013/2014: minus 6.1 %) in the first quarter of 2014/2015, like-for-like sales net of currency items achieved their highest rate of growth since spring 2007. With a slight downturn of 1.0 % (2013/2014: 0.5 %), this performance slowed temporarily in the second quarter due to the base effects already referred to above. In the second half of 2014/2015, our stores outside Germany returned to growth territory. Building on adjusted sales growth of 0.6 % in the third quarter (2013/2014: 1.5 %), demand outside Germany shifted up another gear in the fourth quarter of 2014/2015 and, with like-for-like currency-adjusted growth of 3.4 % (2013/2014: 5.9 %) grew more rapidly than in Germany.

Alongside our own sales performance, comparison with the sector is also a key indicator of our stores' competitiveness. Based on information available to us concerning the development in like-for-like sales in six countries in our network outside Germany in the 2014 calendar year, we managed to outperform the respective DIY sector average, in most cases significantly so. Numerous consumer surveys, such as Kundenmonitor Österreich in Austria and its Swiss counterpart, as well as the INCOMA GfK sector study for the Czech DIY market, document once again that, with its uniform market presence across Europe, HORNBACH enjoys great popularity among DIY customers outside Germany as well.

Key earnings figures of the HORNBACH-Baumarkt-AG Group

Key figure (€ million, unless otherwise stated)	2014/2015	2013/2014	Change
Net sales	3,357	3,152	6.5 %
EBITDA	167.2	161.0	3.9 %
EBIT	109.8	105.1	4.4 %
Consolidated earnings before taxes	95.0	87.3	8.8 %
Consolidated net income	69.5	56.4	23.4 %
EBITDA margin	5.0 %	5.1 %	
EBIT margin	3.3 %	3.3 %	
Tax rate	26.8 %	35.5 %	

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

Earnings performance of the HORNBACH-Baumarkt-AG Group

As expected, we achieved year-on-year earnings growth at the HORNBACH-Baumarkt-AG Group in the 2014/2015 financial year. This was chiefly driven by pleasing like-for-like sales growth at HORNBACH DIY stores with garden centers in conjunction with an improved gross margin. This enabled us to more than offset the rise in store, pre-opening, and administration expenses due in particular to the accelerated expansion and to additional outlays for forward-looking strategic projects.

Consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) rose by 3.9 % to € 167.2 million (2013/2014: € 161.0 million). The EBITDA margin (as a percentage of net sales) decreased slightly from 5.1 % in the previous year to 5.0 %. Consolidated operating earnings (EBIT) rose by 4.4 % to € 109.8 million (2013/2014: € 105.1 million). The EBIT margin, a key indicator of operating earnings strength, remained unchanged at 3.3 %.

Consolidated earnings before taxes (EBT) showed disproportionate growth compared with sales (plus 6.5 %), improving by 8.8 % to € 95.0 million (2013/2014: € 87.3 million). This was largely due to the change in currency items, which reversed from minus €1.9 million in the 2013/2014 financial year to plus € 0.5 million in the year under report. Of these positive currency items, a large share resulted from the appreciation in the US dollar holdings required in connection with our international procurement. In conjunction with a slight improvement in the interest result, net financial expenses thus reduced by 16.8 % to minus € 14.8 million (2013/2014: minus € 17.8 million).

Consolidated net income showed substantially stronger growth than the pre-tax earnings figures, surging by 23.4 % to € 69.5 million (2013/2014: € 56.4 million). The group tax rate reduced significantly from 35.5 % to 26.8 %. While the previous year's tax rate had been burdened by write-downs of deferred tax assets on loss carryovers in Sweden, the earnings performance in the year under report benefited from higher current income tax receivables. The return on sales rose from 1.8 % to 2.1 %. Earnings per share (please see Note 9 in the notes to the consolidated financial statements) increased from € 1.77 to € 2.19.

Key earnings figures for the DIY store segment

Key figure (€ million, unless otherwise stated)	2014/2015	2013/2014	Change
Net sales	3,355	3,151	6.5 %
of which: in Germany	1,966	1,827	7.6 %
of which in other European countries	1,390	1,325	5.0 %
Like-for-like sales growth	4.4 %	2.7 %	
EBITDA	118.3	105.9	11.7 %
EBIT	82.4	71.2	15.8 %
EBITDA margin	3.5 %	3.4 %	
EBIT margin	2.5 %	2.3 %	
Gross margin	38.0 %	37.4 %	
Store expenses as % of net sales	31.2 %	31.0 %	
Pre-opening expenses as % of net sales	0.4 %	0.3 %	
General and administration expenses as % of net sales	4.2 %	3.9 %	

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

Earnings performance of the DIY store segment

The DIY store segment comprises the operating retail business at the HORNBACH DIY megastores with garden centers within the Group. At the balance sheet date on February 28, 2015, we were operating 146 DIY retail outlets across Europe (2013/2014: 141). Net sales in this segment grew by 6.5 % to € 3,355 million in the 2014/2015 year under report (2013/2014: € 3,151 million).

We significantly boosted the operating earnings strength of the DIY store segment in the 2014/2015 financial year. Key earnings figures showed clearly disproportionate growth compared with sales.

Gross margin

The 2014/2015 year under report saw a further improvement in the gross margin. As a percentage of net sales, the gross profit rose from 37.4 % to 38.0 %. This increase in the gross margin was primarily driven by more favorable procurement terms accompanied by unchanged retail prices, as well as by changes in the product mix. Currency items in our international procurement were once again negligible in the year under report.

Selling and store, pre-opening and administration expenses

Selling and store expenses in the DIY store segment showed slightly disproportionate growth compared with sales, rising by 7.3 % to € 1,048.3 million (2013/2014: € 976.8 million). Due to the Group's expansion, personnel expenses (excluding bonuses), the largest cost block within selling and store expenses, increased by 7.5 %. Personnel expenses also rose on account of significantly higher provisions for bonuses compared with the previous year. General operating expenses rose more sharply than sales, a development chiefly due to higher maintenance expenses. The other items within selling and store expenses declined as a proportion of sales. As a percentage of net sales, selling and store expenses rose from 31.0 % to 31.2 %.

Pre-opening expenses (please also see Note 4) increased from € 10.0 million to € 14.5 million in the 2014/2015 financial year. This mainly resulted from the significantly faster pace of HORNBACH's expansion. In this respect, the eight new store openings and one large-scale store extension in the year under report contrasted with just four new store openings in the 2013/2014 financial year. Not only that, the pre-opening expenses for the 2014/2015 financial year already include expenses for the Saarbrücken and Regau locations opened at the beginning of the 2015/2016 financial year.

Earnings were negatively affected by a sharply disproportionate increase in administration expenses from € 124.3 million to € 141.1 million (plus 13.5 %). The administration expenses ratio rose from 3.9 % to 4.2 %. This was largely due to higher project-related personnel expenses, including bonuses, as well as to a higher administration expense allocation. Purely administrative administration expenses, i.e. excluding project-related expenses, rose less rapidly than sales.

Other income and expenses

Other income and expenses increased from € 5.2 million to € 11.2 million in the year under report. This growth was primarily driven by non-period other operating income of € 4.2 million resulting from the derecognition of liabilities and reversal of provisions, as well as by income from group allocations, which rose from € 3.3 million to € 5.6 million. Furthermore, other income and expenses benefited in the year under report from a reduction in non-operating earnings charges from minus € 5.2 million to minus € 4.1 million. This in turn was mainly due to lower provisions for onerous contracts and a marked decrease in real estate development expenses.

EBITDA and EBIT

EBITDA in the DIY store segment improved 11.7 % to € 118.3 million in the 2014/2015 financial year (2013/2014: € 105.9 million), equivalent to an EBITDA margin of 3.5 % (2013/2014: 3.4 %). Operating earnings (EBIT) increased by 15.8 % to € 82.4 million (2013/2014: € 71.2 million). EBIT was equivalent to 2.5 % of net sales in the year under report (2013/2014: 2.3 %).

Earnings performance of the real estate segment

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

Unlike in the previous year, earnings in the real estate segment declined slightly in the 2014/2015 financial year on account of the one-off Praktiker factor.

Key earnings figures for the real estate segment

Key figure (€ million, unless otherwise stated)	2014/2015	2013/2014	Change
Rental income	153.1	146.2	4.7 %
Real estate expenses	102.5	92.9	10.3 %
Net rental income	50.6	53.3	(5.2)%
Disposal gains/losses	(0.8)	(0.7)	2.7 %
Net real estate income	49.8	52.6	(5.3)%
EBITDA	64.3	66.4	(3.2)%
EBIT	48.5	51.3	(5.3)%

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

Earnings from rental activities

In line with the Group's expansion, rental income in the real estate segment, 99 % of which comprises internal rental income, rose by 4.7 % to € 153.1 million in the year under report (2013/2014: € 146.2 million). Real estate expenses for the same period showed significantly higher growth. The 10.3 % increase in this item to € 102.5 million (2013/2014: € 92.9 million) was mainly caused by notably higher operating expenses. These rose by € 7.6 million to € 12.5 million, thus more than doubling. This was due above all to conversion costs incurred for the former Praktiker and Max Bahr locations reopened in the 2014/2015 financial year, which gave rise to a one-off charge on earnings of € 7.2 million. Against this backdrop, earnings from rental activities fell by 5.2 % to € 50.6 million in the year under report (2013/2014: € 53.3 million).

Disposal gains/losses and net real estate income

In the year under report, we posted slightly higher disposal losses of € 0.8 million (2013/2014: € 0.7 million). Net income from real estate activities decreased by 5.3 % to € 49.8 million (2013/2014: € 52.6 million).

Other income and expenses

Chiefly due to slightly higher charges on earnings from real estate development, other income and expenses (excluding disposal gains/losses) fell from minus € 0.2 million in the previous year to minus € 0.4 million in the 2014/2015 financial year.

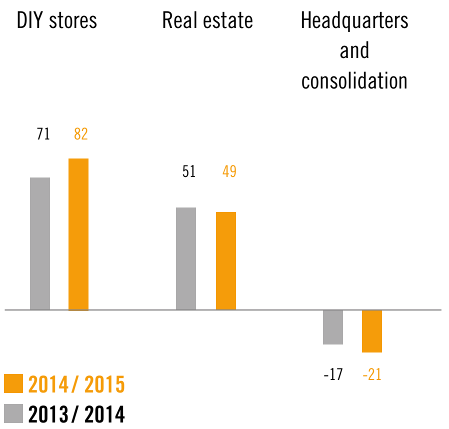
EBITDA and EBIT

Largely as a result of lower earnings from rental activities, key earnings figures in the real estate segment for the reporting period from March 1, 2014 to February 28, 2015 fell short of the previous year's results. EBITDA reduced by 3.2 % to € 64.3 million (2013/2014: € 66.4 million), while EBIT fell by 5.3 % to € 48.5 million (2013/2014: € 51.3 million).

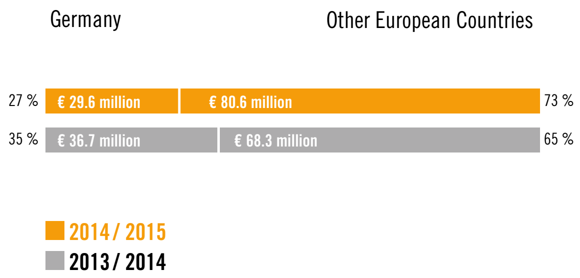
Earnings performance by geographical region

Thanks to the integration into our German store network of the locations taken over from the Praktiker Group, we sustainably boosted the operative effectiveness of our German retail business in the 2014/2015 financial year. However, this is not yet adequately reflected in our earnings performance, as considerable one-off expenses had to be absorbed for the conversion work. This had a correspondingly negative impact on earnings

EBIT by segment
(€ million)



EBIT by region
(share in %)



in the Germany region in the period under report. On the other hand, a pleasing like-for-like sales performance has noticeably improved the profitability of our international business. As is apparent in the breakdown by geographical regions in the segment report, the balance of earnings contributions shifted in favor of the Other European countries region, and that despite a better adjusted sales performance in the domestic business.

EBITDA in **Germany** declined by 9.1 % from € 70.6 million to € 64.2 million. The domestic share of the Group's EBITDA thus fell from 44 % to 38 %. EBIT in the Germany region decreased from € 36.7 million to € 29.6 million (minus 19.3 %). The domestic share of operating earnings declined from 35 % to 27 % in the 2014/2015 financial year. The EBIT margin came to 1.5 % in Germany, as against 2.0 % one year earlier.

Driven in particular by the year-on-year improvement in like-for-like sales, the earnings contributions from our international activities, which are pooled on the level of the HORNBACH International GmbH subgroup, showed marked growth in the 2014/2015 financial year. With EBITDA of € 103.5 million in the period under report (2013/2014: € 90.2 million), **other European countries** accounted for around 62 % of EBITDA at the HORNBACH-Baumarkt-AG Group (2013/2014: 56 %). We increased our EBIT outside Germany by 18.1 % to € 80.6 million (2013/2014: € 68.3 million). Thanks to this enhanced earnings power, the international share of EBIT grew from 65 % to 73 %. With an EBIT margin of 5.8 % (2013/2014: 5.2 %), the Other European countries segment remains significantly more profitable than the Germany segment.

Dividend proposal

The Board of Management and Supervisory Board of HORNBACH-Baumarkt-AG will propose a dividend of € 0.60 per no-par share with dividend entitlement (ISIN: DE0006084403), and thus at the same level as in the previous year, for approval by the Annual General Meeting on July 8, 2015.

Financial Situation

Principles and objectives of financial management

Financing measures are coordinated by Group Treasury at HORNBACH-Baumarkt-AG in close liaison with international subsidiaries. Central organization of financial management enables the HORNBACH Group to maintain a uniform presence on financial markets and to provide centralized liquidity management for the overall Group. HORNBACH-Baumarkt-AG grants financial assistance in the form of guarantees and letters of comfort only for its subsidiaries.

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

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

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

Financial debt

At the balance sheet date on February 28, 2015, the net financial debt of the Group amounted to € 9.6 million (2013/2014: € 0.6 million) and was structured as follows:

Type of financing € million	Liabilities broken down into remaining terms < 1 year	 1-2 years	 2-3 years	 3-4 years	 4-5 years	 > 5 years	2.28.2015 Total	2.28.2014 Total
Short-term bank debt[1]	0.8						0.8	1.0
Mortgage loans	4.2	3.6	3.0	0.6	0.0	0.0	11.4	21.0
Other loans[2] [3]	0.0	79.9	0.0	0.0	0.0	0.0	79.9	97.9
Bonds[3]	0.0	0.0	0.0	0.0	247.0	0.0	247.0	246.4
Negative fair values of derivative financial instruments	1.7	2.4	0.5	0.0	0.0	0.0	4.5	4.4
Finance leases	0.3	0.3	0.3	0.0	0.0	0.0	0.8	1.0
Total financial debt	**6.9**	**86.2**	**3.8**	**0.6**	**247.0**	**0.0**	**344.5**	**371.7**
Cash and cash equivalents							334.8	371.1
Net financial debt							**9.6**	**0.6**

(Differences due to rounding up or down to nearest € million)
[1] Financing facilities with nominal terms of under one year and interest deferrals
[2] Loans not secured by mortgages
[3] The costs relating to the taking up of the corporate bond and the promissory note bonds have been spread pro rata temporis over the respective terms.

The Group had no short-term financing facilities at the balance sheet date on February 28, 2015. The current financial debt (up to 1 year) of € 6.9 million (2013/2014: € 7.1 million) comprises interest deferrals of € 0.8 million (2013/2014: € 1.0 million), the portion of long-term financing facilities maturing in the short term, at € 4.4 million (2013/2014: € 6.1 million), and the measurement of derivative financial instruments, at € 1.7 million (2013/2014: € 0.0 million).

Solid capital structure

HORNBACH enjoys great financing flexibility and draws on a wide range of different financing instruments. The following main facilities were in place at the balance sheet date on February 28, 2015:

- The corporate bond of € 250 million at HORNBACH-Baumarkt-AG with a term until February 15, 2020 and an interest rate of 3.875 %.
- The promissory note bond of € 80 million at HORNBACH-Baumarkt-AG with a term until June 30, 2016.

Furthermore, the overall Group has financing facilities of € 11.4 million (2013/2014: € 21.0 million) secured by land charges of € 46.7 million (2013/2014: € 66.3 million).

Due to the strong liquidity situation, the promissory note bond of CZK 496.6 million at HORNBACH Baumarkt CS spol s.r.o. was prematurely redeemed as of June 30, 2014. The associated swap was dissolved at fair value.

At the balance sheet date on February 28, 2015, the HORNBACH-Baumarkt-AG Group had free credit lines amounting to € 286.9 million (2013/2014: € 289.5 million) on customary market terms. These include a syndicated credit line of € 250 million that was extended to April 15, 2019 in the first quarter of the 2014/2015 financial year. Improved conditions were agreed upon the extension. To ensure the maximum possible degree of flexibility, all major group companies have credit lines denominated in local currencies, generally at local banks.

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

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

Cash and cash equivalents amounted to € 334.8 million at the balance sheet date (2013/2014: € 371.1 million). As in the past, liquidity is managed in the form of fixed deposits on the money market with maximum investment horizons of three months. To enhance security, the Group has also set maximum deposit totals per bank.

Key financial figures of the HORNBACH-Baumarkt-AG Group

Key figure	Definition		2.28.2015	2.28.2014
Net financial debt	Current financial debt + non-current financial debt – cash and cash equivalents	€ million	9.6	0.6
Interest cover	Adjusted(*) EBITDA / Gross interest expenses		10.6	10.0
Net debt / EBITDA	Net financial debt / Adjusted(*) EBITDA		0.1	0.0

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

Investments of € 99.9 million

The HORNBACH-Baumarkt-AG Group invested a total of € 99.9 million in the 2014/2015 financial year (2013/2014: € 72.0 million), mainly in land, buildings and plant and office equipment at existing DIY stores with garden centers, and at stores under construction. The funds of € 99.9 million (2013/2014: € 72.0 million) required for cash-effective investments were fully acquired from the cash flow of € 107.4 million from operating activities (2013/2014: € 144.4 million). Of investments, € 45.5 million related to the "Real estate" segment for new real estate, including properties under construction (2013/2014: € 28.4 million). The "DIY store" segment accounted for € 47.5 million (2013/2014: € 41.1 million), with investments here mainly being channeled into replacing and expanding plant and office equipment.

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

Cash flow statement

Cash flow statement (abridged) € million	2014/2015	2013/2014
Cash flow from operating activities	107.4	144.4
of which: funds from operations[1]	128.2	125.0
of which change in working capital[2]	(20.8)	19.4
Cash flow from investing activities	(98.5)	(66.9)
Cash flow from financing activities	(45.9)	(23.2)
Cash-effective change in cash and cash equivalents	**(37.1)**	**54.3**

(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 expenses/income

[2] Difference between "Change in inventories, trade receivables and other assets" and "Change in trade payables and other liabilities"

The inflow of funds from operating activities reduced from € 144.4 million in the previous year to € 107.4 million in the 2014/2015 financial year. Here, the inflow of funds from operations rose slightly from € 125.0 million to € 128.2 million. This increase was chiefly due to like-for-like sales growth and an improved gross margin. The change in working capital resulted in an outflow of funds of € 20.8 million, as against an inflow of funds of € 19.4 million in the previous year. This outflow of funds primarily resulted from the expansion-related build-up in inventories.

The outflow of funds for investing activities increased from € 66.9 million to € 98.5 million. Here, the rise in investments by € 27.9 million to € 99.9 million was opposed by a lower volume of proceeds from disposals of non-current assets, amounting to € 1.4 million (2013/2014: € 5.1 million). As in the previous year, no DIY megastores with garden centers were disposed of within sale and leaseback transactions in the 2014/2015 financial year.

The outflow of funds for financing activities totaled € 45.9 million in the 2014/2015 financial year, compared with an outflow of € 23.2 million in the previous year. This figure includes the scheduled and premature redemption of non-current financial debt amounting to € 27.7 million. Current financial loans increased by € 1.3 million (previous year: outflow of € 0.5 million). Gross financial debt reduced from € 371.7 million in the previous year to € 344.5 million in the year under report.

Rating

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

Asset Situation

Equity ratio rises to 53.3 %

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

€ million	2.28.2015	2.28.2014	Change
Non-current assets	796.9	740.4	7.6 %
Current assets	934.1	929.9	0.4 %
Assets	**1,731.0**	**1,670.3**	**3.6 %**
Shareholders' equity	923.1	862.0	7.1 %
Non-current liabilities	407.8	425.3	(4.1)%
Current liabilities	400.0	382.9	4.5 %
Equity and liabilities	**1,731.0**	**1,670.3**	**3.6 %**

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

Total assets at the Group rose year-on-year by € 60.7 million, or plus 3.6 % to € 1,731.0 million. This growth was chiefly driven by the expansion-related increase in property, plant and equipment and inventories. Furthermore, it was also due to the increase in current income tax receivables. The equity of the Group as stated in the balance sheet amounted to € 923.1 million at the end of the financial year (2013/2014: € 862.0 million). The equity ratio rose from 51.6 % in the previous year to 53.3 %.

Non-current and current assets

Non-current assets amounted to € 796.9 million at the balance sheet date (2013/2014: € 740.4 million) and thus accounted for around 46 % (2013/2014: 44 %) of total assets. Property, plant and equipment and investment property rose by € 55.4 million (7.7 %) from € 717.7 million to € 773.1 million. Additions of € 96.9 million to property, plant and equipment were countered by depreciation of € 54.4 million and disposals of assets amounting to € 1.7 million. Adjustments to account for exchange rate movements led property, plant and equipment and investment property to increase by € 14.4 million.

Non-current income tax receivables involve a claim to payment of a corporate income tax credit with a present value of € 3.2 million (2013/2014: € 4.8 million). This item was capitalized in the 2007/2008 and 2010/2011 financial years due to legislative amendments (SEStEG).

Current assets increased by 0.4 % from € 929.9 million to € 934.1 million, equivalent to around 54 % of total assets (2013/2014: 56 %). This resulted from the growth-driven increase in inventories from € 504.6 million to € 532.7 million. This was countered by a reduction in cash and cash equivalents from € 371.1 million in the previous year to € 334.8 million in the year under report. Further measures to optimize capital committed enabled the inventory turnover rate to be improved from 4.0 to 4.1. Current receivables and other assets (including income tax receivables) amounted to € 66.5 million (2013/2014: € 54.2 million). This increase was chiefly due to higher current income tax receivables of € 14.9 million (2013/2014: € 5.3 million). These in turn resulted from tax prepayments being too high, the entry of tax receivables for the 2008 – 2011 tax audit completed in the year under report, including follow-up adjustments, and trade tax credits on foreign dividends.

Non-current and current liabilities

Liabilities, including provisions, amounted to € 807.8 million at the balance sheet date, as against

€ 808.2 million in the previous year. Non-current liabilities fell from € 425.3 million to € 407.8 million. This € 17.5 million reduction was chiefly due to two unscheduled repayments made and to further scheduled repayments of financial debt. This item was opposed by actuarial losses resulting from negative developments in interest rates, which led to an increase in provisions for pensions. Furthermore, non-current liabilities include deferred tax liabilities of € 31.0 million (2013/2014: € 33.4 million).

Current liabilities rose from € 382.9 million to € 400.0 million. Chiefly due to repayments of existing financial liabilities, current financial debt fell € 0.2 million to € 6.9 million (2013/2014: € 7.1 million). Trade payables and other liabilities totaled € 287.9 million at the balance sheet date, as against € 285.2 million in the previous year. Mainly due to higher provisions for bonuses, other provisions and accrued liabilities rose by € 13.6 million from € 69.4 million to € 83.0 million. The net debt of the HORNBACH-Baumarkt-AG Group i.e. financial debt less cash and cash equivalents, rose by € 9.0 million from € 0.6 million in the previous year to € 9.6 million.

Off-balance sheet financing instruments and rental obligations

In addition to the DIY megastores with garden centers owned by the HORNBACH-Baumarkt-AG Group and one DIY store with a garden center used on the basis of a finance lease agreement, there are 43 stores and one logistics center that are let from the associate company HORNBACH Immobilien AG or its subsidiaries, as well as 61 DIY megastores with garden centers that are let from third parties. Moreover, the Group also has a small number of additional land leasehold, leasing and rental agreements.

Obligations under rental, hiring, leasehold and leasing contracts relate exclusively to rental agreements for which the companies of the HORNBACH-Baumarkt-AG Group are not the economic owners of the assets thereby leased pursuant to IFRS accounting standards (Operating Lease). The rental agreements principally relate to DIY megastores with garden centers in Germany and other countries. The terms of the rental agreements usually amount to between 15 and 20 years, with subsequent rental extension options. The respective agreements include rent adjustment clauses.
As of February 28, 2015, obligations under rental, hiring, leasehold and leasing contracts totaled € 1,160.2 million (2013/2014: € 1,246.6 million).

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

Key figure	Definition		2.28.2015	2.28.2014
Equity ratio	Equity / Total assets	%	53.3	51.6
Return on equity	Annual net income / Average equity	%	7.8	6.7
Return on total capital	NOPAT[1]/ Average total capital[2]	%	8.6	8.4
Debt / equity ratio (gearing)	Net debt / Equity	%	1.0	0.1
Additions to non-current assets, including advance payments for land	Additions to non-current assets, including advance payments for land	€ million	99.9	72.0
Net working capital	Inventories and receivables less trade payables	€ million	381.9	344.9
Inventory turnover rate	Cost of goods sold / Average inventories		4.1	4.0

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

Overall Assessment of Group Earnings, Financial and Asset Situation

Overall, the HORNBACH-Baumarkt-AG Group can look back on a pleasing 2014/2015 financial year. HORNBACH's DIY stores with garden centers posted sustainably positive developments in the year under report and outperformed the sector average in most countries within our European network. Assisted by our unmistakable retail format, our high-performing infrastructure, and not least our continuing great popularity among DIY and home improvement customers, we successfully asserted our position despite a number of challenging seasonal and consolidation-related base effects.

Consolidated sales for the period from March 1, 2014 to February 28, 2015 grew by 6.5 % to € 3,357 million. On a like-for-like basis and net of currency items, the Group stepped up yet another gear compared with the previous year. Adjusted sales in the year under report thus achieved growth of 4.4 %, up from plus 2.7 % in the 2013/2014 financial year. This very pleasing rate of growth was driven both by stores in Germany and those in other European countries.

Germany once again generated the greatest growth momentum. Domestic sales (including new stores) rose by 7.6 %, and by plus 5.5 % on a like-for-like basis. We expanded our domestic market share from 10 % to 11 % in 2014. As the comparative year benefited to a very significant extent from consolidation factors in the wake of the Praktiker insolvency and from the mild winter in 2013/2014, the standard to match was very high, particularly in the second half of the year.

Sales at the HORNBACH DIY stores with garden centers in the eight countries outside Germany also showed pleasing growth in the 2014/2015 financial year. International sales, including one new store, grew by 5.0 % in other European countries. Like-for-like sales net of currency items achieved a turnaround. Following reductions in three consecutive years, our international stores achieved substantial adjusted sales growth of 2.8 % in the year under report.

HORNBACH pressed consistently ahead with its sustainable innovation projects in the year under report. A large share of the project-related administration expenses were incurred for consistently expanding our e-commerce activities. What's more, further development projects also helped improve the foundations for the Group's long-term growth.

We are satisfied with the Group's earnings performance. Consistent with expectations, we increased our earnings compared with the previous year in the 2014/2015 financial year. Driven by pleasing like-for-like sales growth in conjunction with an improved gross margin, we more than offset the rise in selling and store, pre-opening, and administration expenses resulting in particular from the accelerated expansion and additional outlays for forward-looking strategic projects.

The equity ratio rose to 53.3 %. The capital structure and liquidity remain at good levels. In view of our broad spectrum of financing sources, we enjoy a high degree of security and flexibility to finance our further growth. All in all, the Group's economic situation is pleasing.

Notes on the Annual Financial Statements of HORNBACH-Baumarkt-AG (HGB)

HORNBACH-Baumarkt-AG, whose legal domicile is in Bornheim (Pfalz), 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). It is the parent company of the HORNBACH-Baumarkt-AG Group. HORNBACH-Baumarkt-AG includes the operating retail business at the HORNBACH DIY stores with garden centers in Germany and head office functions at the Group, such as finance and accounting, taxes, legal affairs, and personnel.

Business framework

The macroeconomic and sector-specific framework for our operating business in Germany is described in detail in the Business Report from Page 47 onwards.

Earnings situation

Development in the store network

In the second quarter of 2014/2015, we launched operations at the first two of the total of six Praktiker/Max Bahr locations we have taken over. Following several months of conversion work at a former Max Bahr location, we opened a HORNBACH DIY megastore with a garden center in **Trier** at the beginning of June 2014. This has replaced our smaller existing location dating from 1990. In early July 2014, we boosted our presence in the Nuremberg region by opening the reflagged location in **Schwabach** (formerly Max Bahr). At the end of July 2014, we launched operations at a small-scale DIY store (HORNBACH Compact) in **Bad Bergzabern** (Rheinland-Pfalz). Here, we have closed a regional supply gap in this rural catchment area.

In the third quarter of 2014/2015, we opened the doors at three more of the Praktiker/Max Bahr locations taken over. Following the conversion of a former Praktiker location, we opened a HORNBACH DIY megastore with a garden center in **Ulm** in early September 2014. At the end of September, we subsequently extended our store network in Germany by reopening a former Max Bahr location in **Lüneburg**. After several months of conversion work at a former Max Bahr store in **Kamen**, the DIY store and garden center began operating under its new HORNBACH flag at the end of October 2014.

In December 2014, the standalone garden center in **Lohfelden near** Kassel was closed and work began on converting the neighboring old HORNBACH DIY store into a combined DIY store and garden center.

Including the stores newly opened and closed in the year under report, as of February 28, 2015 we operated a total of 97 retail outlets across Germany (February 28, 2014: 92). Sales areas in Germany totaled around 1,039,000 m².

Sales performance

Net sales (excluding sales tax) as reported in the separate financial statements of HORNBACH-Baumarkt-AG grew by 7.2 % from € 2,072 million to € 2,221 million in the 2014/2015 year under report. Sales include an amount of € 254 million for deliveries from HORNBACH logistics centers to our foreign subsidiaries (2013/2014: € 244 million). The business performance of HORNBACH-Baumarkt-AG is largely determined by the development in domestic like-for-like sales, which we have explained in detail in the Business Report from Page 56 onwards.

Earnings performance

The other operating income reported in the income statement, which mainly consists of income from group allocations, reversals of provisions, and exchange rate gains, increased by € 13.5 million from € 39.8 million to € 53.3 million. This development was chiefly due to higher exchange rate gains and income from currency translation, increased income from group allocations and items charged on, as well as to non-period income resulting from the derecognition of liabilities.

Income statement of HORNBACH-Baumarkt-AG pursuant to HGB (abridged version)

€ 000s	2014/2015	2013/2014
Sales	2,220,545	2,071,695
Other own work capitalized	82	124
Other operating income	53,252	39,814
Cost of materials	1,480,669	1,394,741
Gross profit	**793,210**	**716,892**
Personnel expenses	380,316	344,662
Depreciation and amortization	32,082	31,102
Other operating expenses	342,809	301,311
Operating result	**38,003**	**39,817**
Net financial expenses	17,642	2,933
Taxes on income	9,405	11,740
Annual net surplus	**46,240**	**31,010**
Allocation to other revenue reserves	23,100	11,926
Net profit	**23,140**	**19,084**

Cost of materials grew by 6.2 %, and thus less rapidly than sales, to € 1,480.7 million (2013/2014: € 1,394.7 million). Gross profit totaled € 793.2 million, or 35.7 % of net sales, as against € 716.9 million, or 34.6 %, in the previous year.

At € 38.0 million, the result of ordinary operations was slightly down on the previous year's figure (€ 39.8 million). This was mainly attributable to higher personal expenses (plus € 35.7 million) and a € 41.5 million increase in other operating expenses, which more than offset the rise in gross profit (€ 76.3 million).

Personnel expenses rose by 10.3 %, and thus disproportionately compared with sales, from € 344.7 million to € 380.3 million. At € 32.1 million, depreciation and amortization were slightly higher than the previous year's figure (€ 31.1 million). At € 2.8 million, scheduled amortization of intangible assets was at roughly the same level as in the previous year (€ 2.6 million).

Other operating expenses rose from € 301.3 million in the previous year to € 342.8 million. This increase was mainly due to the maintenance expenses incurred in the course of converting former Max Bahr locations. Alongside higher expenses for external personnel providers and other external services, other operating expenses also include non-period expenses mainly involving impairments and derecognitions of trade receivables.

Net financial expenses (including income from investments) grew by € 14.7 million from plus € 2.9 million to plus € 17.6 million in the year under report. This increase was largely attributable to income from investments, which rose by € 18.6 million to € 33.1 million on account of impairment losses of € 26.5 million recognized on two investments held by HORNBACH International GmbH in the 2013/2014 financial year. In the previous year, this led to a reduction in the amount of profit transferred to HORNBACH-Baumarkt-AG.

In the 2014/2015 financial year, HORNBACH Baumarkt (Schweiz) AG, HORNBACH Baumarkt GmbH, Austria, and HORNBACH Baumarkt Luxemburg SARL, Luxembourg, distributed profit totaling € 31.3 million to HORNBACH International GmbH (2013/2014: € 43.3 million).

At € 2.2 million, interest income and income from loans of financial assets were at approximately the same level as in the previous year (2013/2014: € 2.1 million). Interest expenses remained virtually unchanged at € 17.7 million in the year under report.

At € 55.6 million, the result of ordinary operations was around 30 % higher than the previous year's figure of € 42.7 million. In view of the individual factors outlined above, the annual net surplus for the 2014/2015 financial year grew from € 31.0 million to € 46.2 million.

Asset situation

At € 1,205.6 million, total assets as of February 28, 2015 were € 44.6 million, or 3.8 %, ahead of the previous year's figure (€ 1,161.0 million)

Non-current assets amounted to € 464.0 million, or 38.5 % of total assets, at the balance sheet date (2013/2014: € 404.2 million / 34.8 %). Given investments of € 42.6 million, depreciation of € 29.3 million and retirements of carrying amounts of € 0.8 million, property, plant and equipment increased to € 281.0 million (2013/2014: € 268.5 million).

Balance sheet of HORNBACH-Baumarkt-AG pursuant to HGB (abridged version)

Assets	2.28.2015 € 000s	2.28.2014 € 000s
Intangible assets	7,091	6,941
Property, plant and equipment	281,036	268,527
Financial assets	175,897	128,716
Non-current assets	**464,024**	**404,184**
Inventories	343,339	313,898
Receivables and other assets	90,515	362,959
Cash holdings, credit balances at banks, and checks	299,137	69,721
Current assets	**732,991**	**746,578**
Deferred expenses and accrued income	6,243	6,715
Deferred tax assets	2,389	3,489
Total assets	**1,205,647**	**1,160,966**
Equity and liabilities		
Shareholders' equity	533,338	506,383
Provisions	69,320	62,554
Liabilities	600,641	589,167
Deferred income and accrued expenses	2,348	2,862
Total assets	**1,205,647**	**1,160,966**

Due to long-term loans to three Dutch group companies and an increase in the shareholding held in HORNBACH International GmbH, Bornheim, financial assets grew by a total of € 47.2 million to € 175.9 million. Furthermore, immaterial retirements were also reported as a result of the merger of the shareholdings held in BM Immobilien Gamma GmbH, Bornheim, and BM Immobilien Lambda GmbH, Bornheim.

Current assets excluding deferred expenses and accrued income and deferred taxes decreased from € 746.6 million in the previous year to € 733.0 million at the balance sheet date. Due to the company's growth, inventories rose by 9.4 %, or € 29.4 million, from € 313.9 million in the previous year to € 343.4 million. As in the previous year, the inventory turnover rate amounted to 4.5. Receivables from affiliated companies fell by € 282.5 million to € 41.9 million (2013/2014: € 324.4 million). This reduction was chiefly attributable to the repayment of fixed-term deposits by the group company HORNBACH Baumarkt Luxemburg SARL, Bertrange, Luxembourg. Given the current interest rate climate, HORNBACH-Baumarkt-AG has invested these funds directly at banks in Germany. This also resulted in an increase in cash and cash equivalents from € 69.7 million in the previous year to € 299.1 million.

At € 2.4 million, deferred tax assets fell short of the previous year's figure (2013/2014: € 3.5 million). This reduction was chiefly due to the change in temporary booking differences for intangible assets and property, plant and equipment as a result of the tax audit completed in the year under report.

At € 533.3 million, shareholders' equity as of February 28, 2015 was 5.3 % higher than in the previous year (€ 506.4 million). The equity ratio is reported at 44.2 % (2013/2014: 43.6 %). Provisions rose from € 62.6 million to € 69.3 million at the balance sheet date. This largely resulted from higher provisions for personnel expense items.

Liabilities totaled € 600.6 million at the balance sheet date, as against € 589.2 million in the previous year. Due to scheduled repayments, liabilities to banks for non-current loans decreased from € 82.6 million in the previous year to € 81.6 million. Given the company's growth, trade payables rose from € 155.0 million to € 160.5 million. Within the group-wide cash pooling system, liabilities to affiliated companies grew by € 9.6 million from € 64.7 million to € 74.3 million.

Financial situation

Information about the principles and objectives of financial management, an explanation of financial liabilities and the capital structure can be found in the Financial Situation of the HORNBACH-Baumarkt-AG Group (Page 63 onwards).

Shareholders' equity (after the planned dividend distribution) covers around 111 % of non-current assets. In the 2014/2015 financial year, HORNBACH-Baumarkt-AG invested a total of € 46.5 million (2013/2014: € 34.4 million) in intangible assets, land, buildings, and plant and office equipment. Investments in land and buildings amounted to € 5.8 million, while a further sum of € 36.8 million was channeled into replacing and expanding plant and office equipment. Of total investments, € 3.0 million related to intangible assets acquired in return for payment (2013/2014: € 1.5 million). Furthermore, largely due to the granting of long-term loans to three Dutch group companies financial assets also increased.

The inflow of cash mainly resulted from the repayment by a group company of various fixed-term investments. Given the current interest rate climate, HORNBACH-Baumarkt-AG has directly invested these funds at banks in Germany.

Overall assessment of earnings, financial and asset situation of HORNBACH-Baumarkt-AG

The operating business at the domestic DIY megastores with garden centers pooled at HORNBACH-Baumarkt-AG performed positively once again in the 2014/2015 year under report. HORNBACH's 97 locations significantly outperformed the DIY sector average in Germany. Positive earnings items resulting from the pleasing retail business in Germany and increased income from investments were countered by higher expansion-related expenses and one-off charges for conversion measures at former Praktiker and Max Bahr locations. Irrespective of these factors, HORNBACH-Baumarkt-AG yet again increased its earnings power in the period under report.

The equity ratio showed a further slight increase on the previous year's already high level. Non-current assets and around 52 % of current assets are financed on a long-term basis by shareholders' equity (after the planned dividend distribution) or non-current debt capital. Overall, the company's economic situation remains satisfactory.

EVENTS AFTER THE BALANCE SHEET DATE

No events that could be of material significance for the assessment of the net asset, financial or earnings position of HORNBACH-Baumarkt-AG or of the HORNBACH-Baumarkt-AG Group occurred between the balance sheet date on February 28, 2015 and the date of preparation of this Annual Report.

Proposed appropriation of net profit of HORNBACH-Baumarkt-AG

HORNBACH-Baumarkt-Aktiengesellschaft concluded the 2014/2015 financial year with an annual net surplus of € 46,240,495.04.

Following the allocation of € 23,100,000.00 to revenue reserves, the Board of Management and Supervisory Board propose to appropriate the net profit of € 23,140,495.04 as follows:

- € 0.60 dividend per share with a nominal value of € 3.00 on 31,807,000 ordinary shares
- Dividend distribution: € 19,084,200.00
- Further allocation of € 4,056,295.04 to revenue reserves

RISK REPORT

Risk management at the Group

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

Risk policy principles

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

Organization and process

The risk management system in place at the HORNBACH-Baumarkt-AG Group forms an integral part of the company's management structure. It consists of the central components of early risk identification, controlling and planning processes, reporting and an internal control system, and is continually enhanced and optimized. Within these ongoing improvements to its risk management, in the 2014/2015 financial year the company redefined the implications and probability of occurrence intervals for its risks to allow HORNBACH-specific requirements to be presented even more appropriately. Responsibility for establishing, organizing and maintaining a suitable, target-based risk management system, and the internal control system in particular, lies with the Board of Management. In terms of the organization and maintenance of the system, the Board of Management is supported by the Director of Group Controlling / Risk Management.

The Board of Management has appointed risk managers at the Group's operations in Germany and abroad. These are charged with identifying 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.

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 way, we can assess the existence and extent of any need for action. Where risks cannot be quantified, they are assessed in terms of their qualitative implications.

Company risk assessment categories in ascending order

Probability of occurrence		Potential implications (in €)	
improbable	≤ 1 %	low	≤ 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

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

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

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

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

Internal control and risk management system in respect of the group financial reporting process (report and pursuant to § 315 (2) No. 5 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 from conforming to the relevant requirements. Corresponding control measures and clear responsibilities are allocated for the risks thereby identified. These are intended to provide reasonable assurance of the possibility of preparing financial statements for the overall Group and those subsidiaries requiring consolidation that conform to the relevant requirements in spite of the risks thereby identified.

At the HORNBACH-Baumarkt-AG 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 separate financial statements with the IFRS financial statements prepared in accordance with group-wide uniform accounting policies. The accounting handbook in particular sets out clear instructions limiting employees' discretionary scope in terms of the recognition, measurement and disclosure of assets and liabilities, thus reducing the risk of accounting inconsistencies within the Group.

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

Major changes to financial reporting processes due to new laws, legislative amendments or changes in internal processes are discussed prior to implementation at international finance conferences for all managers with significant involvement in the group financial reporting process. Specialist accounting or financial reporting issues and complex matters either involving particular risks or requiring special expertise are monitored and processed centrally. External experts, such as chartered surveyors, are drawn on in particular to assess the fair values of real estate 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 for the overall Group. This complete integration of all major finance systems within a uniform IT system ensures the integrity of the data on which the separate and consolidated financial statements are based. In conjunction with the accounting handbook valid for the whole Group, the use of uniform account codes across the Group and central management of the account system ensure uniform accounting treatment of transactions of the same nature.

This also serves as a basis for group consolidation in accordance with the relevant requirements. Consolidation measures and the necessary agreement activities are performed centrally by a consolidation department. The checks to be undertaken in the consolidation processes, such as the consolidation of liabilities, expenses or revenues, are performed both automatically by the 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. Alongside these internal audits, the external auditor also assesses the effectiveness of internal checks relevant to the financial reporting process within its audit. However, even suitable functional systems cannot provide absolute certainty concerning the identification and management of risks.

Overview of overall risks*

	Probability of occurrence	Potential implications
Financial risks		
Foreign currency risks	possible	low
Liquidity risks	improbable	critical
Credit risks	rare	moderate
External risks		
Macroeconomic and sector-specific risks	possible	noticeable
Natural hazards	improbable	severe
Operating risks		
Location and sales risks	frequent	noticeable
Procurement risks	occasional	moderate
Legal risks		
Legislative and regulatory risks	occasional	severe
Risks relating to legal disputes	possible	low
Management and organizational risks		
IT risks	improbable	critical
Personnel risks	possible	moderate

* Unless otherwise stated, the risks hereby listed apply both to the "DIY store" segment and to the "Real estate" segment.

Financial risks

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

Foreign currency risks

In general, HORNBACH is exposed to foreign currency risks on account of its activities in countries with currencies other than the euro. Specifically, these involve Swiss francs, Czech crowns, Swedish crowns, 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.

Furthermore, the increasingly 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 deposits). Where possible, investments are financed in the functional currency of the respective country company (natural hedging). Open foreign currency positions arising at the Group in EUR, which mainly relate to intragroup deliveries and services invoiced in EUR and intragroup EUR loans, are not hedged.

Liquidity risks

The acquisition of land, investments in DIY megastores with garden centers and procurement of large quantities of merchandise require high volumes of liquidity to be permanently available. The financing of the company's further expansion is secured by the inflow of funds from the operating cash flow, as well as by bilateral bank loans and credit lines, a syndicated credit line of € 250 million with a term running until April 15, 2019, a promissory note bond at HORNBACH-Baumarkt-AG with a volume of € 80 million and a term running until June 30, 2016, and not least the € 250 million bond issued by HORNBACH-Baumarkt-AG in February 2013, which has a term running until February 15, 2020. HORNBACH 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 investments, maintaining a substantial liquidity cushion, and with short and medium-term financing based on existing credit lines. No security in the form of assets was granted in connection with the bond, the syndicated credit line, or the promissory note bond at HORNBACH-Baumarkt-AG. 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. Alongside general covenants, such as pari passu, negative pledge, and cross default covenants, specific financial covenants were also agreed for the promissory note bond and the syndicated credit line at HORNBACH-Baumarkt-AG. These require compliance with an equity ratio of at least 25 % and interest cover (adjusted EBITDA / gross interest expenses) of at least 2.25 on the level of the HORNBACH-Baumarkt-AG Group. Furthermore, maximum limits have been set for financial liabilities secured by land charges and for financial liabilities at subsidiaries. The bond is only governed by general covenants, such as pari passu, negative pledge, and cross default covenants, but not by financial covenants. As of February 28, 2015, the equity ratio amounted to 53.3 % (2013/2014: 51.6 %) and interest cover amounted to 10.6 (2013/2014: 10.0).

Compliance with these covenants is monitored on an ongoing basis. All covenants were complied with at all times during the 2014/2015 financial year.

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

Credit risks

The company limits the risk of any financial loss in connection with financial investments and derivative financial instruments by working exclusively with contractual partners of strong creditworthiness and selecting banks covered by collective deposit security arrangements. Moreover, bank deposits have been distributed among several financial institutions in order to counter the increased risk of bank deposit default in the context of the financial market crisis and the subsequent European credit and sovereign debt crisis. This approach was also maintained in the 2014/2015 financial year. The company's retail format (cash and carry) means that the risk of receivables defaults in its operating divisions is already considerably reduced.

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

External risks

Macroeconomic and sector-specific risks

The dependency of HORNBACH DIY megastores with garden centers on general macroeconomic developments and levels of disposable household income may become apparent in the form of unwillingness on the part of customers to make purchases in periods of low economic growth. Not only that, the economic outlook in Europe may also turn out weaker than expected due to the influence of negative developments in the global political and economic framework.

Irrespective of this, a major dependency on economic developments in Germany has been identified. The further expansion into other European countries is intended to achieve an ongoing diversification of risk. Furthermore, the company generates a substantial share of its sales with seasonal articles whose turnover is significantly affected by external factors, such as weather conditions. Prolonged winter weather, for example, might shorten the spring season and result in lower sales in the gardening division in the important 1st quarter of the financial year.

Changing consumer behavior, particularly with regard to increasing digitization, also harbors risks. To be prepared for the future in this respect, and thus counter this risk, we have gradually expanded our online activities by way of an integrated multichannel strategy.

Natural hazards

The climate change observable around the world also directly affects HORNBACH locations in Germany and other European countries. In addition to potential natural catastrophes (e.g. 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 arising as a result are covered by group-wide insurance policies.

Operating risks

Location and sales risks

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

Procurement risks

As a retail company, HORNBACH is dependent on external suppliers and manufacturers. We exercise the utmost caution in our selection of 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 implications of any potential supplier loss are 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, then the risk of the Group losing suppliers and being unable to procure such products elsewhere at short notice cannot be excluded entirely. The overall Group has a total of four central warehouses in order to reduce the risk of any interruption to the logistics chain and optimize the supply of merchandise. In its procurement of merchandise, HORNBACH is subject, among other risks, to increasing purchasing prices for articles involving a high share of crude oil, copper or steel as a result of volatile prices on the international commodities markets. Furthermore, higher prices for products involving energy-intensive manufacturing processes could lead to an increase in overall procurement costs, one which it might not be possible to pass on to customers, or only following a certain delay.

Legal risks

Legislative and regulatory risks

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

Risks relating to legal disputes

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

Management and organizational risks

IT risks

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

Personnel risks

The deployment of highly motivated and qualified employees represents one of the foundations for HORNBACH's success. This pillar of the corporate culture is therefore of great significance for the overall Group. The maintenance of employee satisfaction is therefore evaluated in regular employee surveys carried out by external service providers, while employee qualification levels are continually improved with appropriate training and development measures. Performance-based bonus models support the company in reaching this objective. Not only that, all management staff hold annual one-to-one meetings with their employees in which their past performance is appraised and future development measures are agreed. In its retention of highly qualified specialist and management personnel, however, HORNBACH is dependent on a variety of external factors, such as overall developments on the labor market or in the sector, and is also subject to the country-specific impact of demographic changes.

Overall assessment of risk situation

The assessment of the overall risk situation found that there were no risks to the continued existence of the HORNBACH-Baumarkt-AG Group in the 2014/2015 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.

OPPORTUNITY REPORT

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

The business performance of DIY and garden stores may be affected in the coming years by a series of sector-specific development trends (megatrends). Against this backdrop, the company is consistently enhancing its retail format and corporate strategy, aiming to ensure continuity, reliability and sustainability so as to make optimal use of potential opportunities for future growth.

Sector-specific opportunities

Megatrends play a key role for DIY store and garden center operators. These harbor various degrees of potential in individual country markets in terms of rising demand for products and services relating to construction, renovation and gardens.

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

Opportunities due to sustainability

Construction work on existing buildings (the modernization and renovation market) has become an ever more important factor in the business performance of DIY and garden stores in recent years. The share of construction work involving new housing, by contrast, is declining across Europe and most recently accounted for significantly less than half of total housing construction investments. In Germany, sales in the modernization market have exceeded new construction volumes since 1998. Due to favorable financing terms, the share of new construction work has risen slightly once again since 2011. Nearly three quarters of the total construction volumes of around € 175 billion nevertheless involved modernization projects. Three key trends are responsible for this development:

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

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

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

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

Opportunities due to consumer trends

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

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

Opportunities due to new market potential

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

Germany is the largest DIY market in Europe. Having said this, DIY and home improvement stores in Germany have so far only exhausted part of their customer potential. In Germany, this distribution channel only covers around half of the core DIY market, which has a market volume of around € 43 billion. The other half of the market is accounted for by specialist retailers (e.g. specialist tile, interior decoration, lighting or sanitary stores), builders' merchants, and timber merchants. In other European countries, DIY stores account for a higher share of the market, in some cases considerably so.

Alongside activities to boost competitiveness in stationary retail formats, since 2010 the DIY store and garden center sector has also increasingly relied on the internet as a distribution channel. Online retail has reported by far the strongest growth rates within the overall retail sector. E-commerce with DIY product ranges has so far posted an above-average performance in this respect. According to forecasts compiled by IFH Retail Consultants, online sales in Germany involving typical DIY store product groups are set to grow by more than 10 % to around € 2.6 billion in 2015. The experts expect online sales with all DIY and home improvement formats available in the stationary retail sector to shown even more dynamic developments, with forecast growth 16 % to € 495 million.

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

Opportunities due to internationalization

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

Strategic opportunities

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

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

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

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

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

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

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

- For many of our project customers, it has become absolutely normal to plan construction and renovation projects and the related purchases in detail on the internet. Since its launch in December 2010, our online store (www.hornbach.de) has grown into a high-performance virtual DIY megastore and garden center. The internet plays a key role in flanking our stationary retail business. To account for this, we now offer this opportunity to prepare purchases at our stores with the assistance of our website not only to customers in Germany, but also to those in Switzerland, Austria, and the Netherlands.

  One core aspect of our internet presence is the direct relationship our customers have to their preferred HORNBACH store. This way, our customers can inform themselves online about products, prices and availability and also compare articles. Numerous text and image guidelines offer ideas and assistance in preparing and implementing projects. Customers can have articles delivered directly to their homes by mail order or opt for our "Reserve online and pick up at the store" service. From just four hours after the reservation, all of the articles in stock are ready to be collected from the desired HORNBACH store. This service is a real timesaver, especially for our professional customers. Not only that, the online shop offers us the opportunity of acquiring new customers outside our store network catchment areas and arousing their interest in the HORNBACH brand.

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

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

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

Explanatory comments on risk and opportunity report of HORNBACH-Baumarkt-AG

The risks and opportunities at HORNBACH-Baumarkt-AG are largely consistent with those presented for the HORNBACH-Baumarkt-AG Group.

OUTLOOK

FORECAST MACROECONOMIC AND SECTOR-SPECIFIC FRAMEWORK

Upon completion of this report, the forecasts concerning the future macroeconomic framework for the retail activities of the HORNBACH-Baumarkt-AG Group still involved uncertainties. Economic optimism was boosted in spring 2015 in particular by the asset purchase program launched by the European Central Bank in March 2015 and by the combination of low oil prices and a weak euro. These factors were nevertheless countered by economic uncertainty due to the ongoing geopolitical crises in Ukraine and the Middle East and the intensification in the discussions surrounding the potential exit of Greece from the euro area ("Grexit"). A high volume of risk factors thus continues to apply. Market volatility has generally increased. Short and medium-term development in sales, procurement, and refinancing markets remain hard to predict.

One key factor for the business prospects of the HORNBACH-Baumarkt-AG Group is the future development in consumer demand in those countries in which we operate. Private consumer spending is crucially dependent on developments in employment and disposable income, factors that are also influenced not least by developments in inflation, austerity measures to consolidate public finances, or reforms to welfare and healthcare systems. Forward-looking parameters, such as economic and income expectations, or consumers' propensity to spend, provide early indications of developments in consumer confidence ahead of the real macroeconomic data. Not only that, exceptional weather conditions can severely impact on consumer behavior and our seasonal business, even though this factor cannot be accounted for in our advanced planning.

Macroeconomic framework in Europe

Despite the expected positive global momentum due to the reduction in the oil price, in January 2015 the IMF corrected its global economic growth forecast for the current calendar year downwards by 0.3 % to 3.5 %. Growth momentum is mainly expected to come from industrialized economies. By contrast, major emerging economies, such as China and Brazil, are expected to lose momentum. The euro area will only emerge gradually from the sovereign debt crisis and is therefore only expected to post moderate growth.

In early 2015, both future macroeconomic developments and companies' future business situations based on key early indicators were most recently assessed increasingly positively. In the median forecast issued by the Centre for European Economic Research (ZEW), economists and bank analysts expect to see GDP growth of 1.2 % in the euro area in 2015. This would represent a further acceleration in growth compared with the previous year (plus 0.9 %). The European Commission expects to see growth of 1.3 % in the current calendar year. According to the ZEW, private consumer spending in the currency area is set to rise at a similar rate. For the European Union as a whole (EU 28), the GfK expects private consumer spending to rise by between 1.0 % and 1.5 % in real terms.

The Commission's forecasts for most countries in which HORNBACH operates its DIY megastores with garden centers are significantly more positive than the euro area average. The respective estimates range between plus 0.8 % and plus 2.7 %. Real-term GDP in 2015 is set to grow by 1.5 % in Germany and by 1.4 % in the Netherlands. Luxemburg, Slovakia, the Czech Republic, Romania, and Sweden are forecast to achieve growth rates of 2.3 % to 2.7 %. Only in Austria is the forecast GDP growth of plus 0.8 % somewhat lower than the euro area average.

According to Eurostat figures, the retail sector in the euro area (EA 19) posted price-adjusted sales growth of 3.2 % and 3.0 % in January and February 2015 compared with the equivalent months in the previous year. The equivalent figures for the EU 28 countries are 3.7 % and 3.6 %. This marks a promising start to the new calendar year.

Having already risen by just under 1 % in 2014, European construction volumes are expected to grow by almost 2 % in 2015. This is the conclusion reached by the Euroconstruct research and consulting network in its forecast dated February 2015. The experts nevertheless still expect to see marked regional disparities. While Euroconstruct has forecast a noticeable revival in housing construction in Sweden, Germany, Slovakia, the Netherlands, and Austria, for example, the number of apartments completed in the Czech Republic and Switzerland in 2015 is set to fall compared with the previous year.

It remains to be seen how the geopolitical crises and the negotiations concerning Greece remaining in the euro area will impact on confidence indicators as 2015 progresses.

Macroeconomic framework in Germany

Economists surveyed by the ZEW in March forecast economic growth of 1.5% for Germany in the 2015 calendar year. According to the German Institute for Economic Research (DIW), GDP is even expected to rise by 2.2%. As in the previous year already, the strongest momentum for the domestic economy is expected to come from private consumer spending, which will be boosted by substantial income growth and favorable developments on the labor market. The GfK expects private consumer spending in Germany to grow 1.5% in real terms in 2015 (2014: plus 1.1%). Capital investment is on average forecast to rise by 2.1%, following strong growth of 3.4% in 2014. Consumer confidence as measured by the GfK in Germany in March 2015 remained at a record level. German consumer sentiment was thus hardly affected by the crises abroad. Consumers rather saw the German economy as benefiting from a clear upward trend – boosted by a weak euro that should stimulate exports and by lower energy costs.

The German construction industry has forecast nominal sales growth of 2.0% for 2015. The sector still sees housing construction, where sales are expected to show nominal growth of 3.0%, as the driving force behind construction activity. Having said this, according to the sector association forecast commercial and public sector construction are also set to perform positively, with nominal sales growth rates of 1.5% and 1.0% respectively. Based on the DIW's assessment, the substantial construction investments recently seen will lose momentum in 2015, not least as a result of deteriorating opportunities for returns in housing construction.

Based on figures released by the Federal Statistical Office, turnover in the German retail sector grew by 4.3% in real terms and by 3.3% in nominal terms in the first two months of 2015 compared with the period from January to February 2014. Given the favorable economic climate, for the 2015 calendar year the Association of German Retailers (HDE) expects nominal sales growth of 1.5% to around € 466 billion. Online retail is set to continue as the key growth driver this year as well. The HDE expects sales here to grow by 12% to around € 47 billion.

For the current calendar year, the BHB sector association is "cautiously optimistic, also with regard to forthcoming openings in former Praktiker and Max Bahr locations". It has forecast like-for-like sales growth of 1.5% to 2.5% for 2015. The BHB sees potential for this growth in private renovation and housing construction, which should continue to benefit from record-low financing costs and consumers' doubts as to the wisdom of other forms of capital investment.

Overall assessment of the expected impact of the business framework on the business performance of the Group

Based on our assessment, the macroeconomic and sector-specific framework forecast across Europe for 2015 – and especially the revival in consumer demand and housing construction activity – will impact positively on the sales and earnings performance of the HORNBACH-Baumarkt-AG Group in the 2015/2016 financial year.

FORECAST BUSINESS PERFORMANCE OF THE HORNBACH-BAUMARKT-AG GROUP IN 2015/2016

The statements made concerning the expected business performance in the 2015/2016 financial year are based on the company's medium-term planning, which has a budgeting horizon of five years and is extrapolated annually. The budget for the financial years 2015/2016 to 2019/2020, into which the annual budget for 2015/2016 is integrated, was approved by the Supervisory Board at the end of February 2015.

Expansion

We still have not planned any market entry into a new country for the one-year forecast period, but will rather focus on expanding and modernizing our store network in our existing country markets, i.e. in Germany and eight other European countries. Depending on the progress made in the building permit and construction planning stages, store openings may be rescheduled between individual years.

The focus of our expansion and investment activities in the 2015/2016 financial year will shift back to our international business. Given the takeover of former locations from the German store network of the Praktiker Group, which was broken up, we focused in the past financial year on our domestic business. Up to six new DIY megastores with garden centers (including two replacement locations) are planned to be opened in 2015/2016. Of these five new openings are at locations in the Netherlands (2), Austria (2), and Romania (1), while one new opening is in Germany. The planned DIY megastores with garden centers in Saarbrücken (replacement location following the conversion of a former Praktiker store) and in Regau in Upper Austria opened in March 2015 already. Furthermore, the annual planning for 2015/2016 also provides for the opening of up to five small-scale DIY stores in the new HORNBACH Compact store format, which has sales areas of around 800 m². Following the opening of the pilot store in Bad Bergzabern at the end of July 2014, the small-scale concept is to be tested intensively from the 2015/2016 financial year. Overall, we aim to increase the total number of HORNBACH DIY stores with garden centers to up to 156 by February 29, 2016 (February 28, 2015: 146), of which up to 102 in Germany and 54 in other European countries.

Investments

Gross investments of between € 170 million and € 190 million have been budgeted at the HORNBACH-Baumarkt-AG Group for the 2015/2016 financial year. The overwhelming share of these funds will be channeled into building new stores, converting and extending existing stores, and IT infrastructure.

The substantial increase in investments compared with the 2014/2015 financial year (€ 100 million) is mainly due to the marked differences between the two periods in terms of the ownership structure of new store openings. Stores owned by the HORNBACH-Baumarkt-AG Group require substantial investments in land and buildings. For stores owned by the associate group HORNBACH Immobilen AG (rent) or external third parties (sale and leaseback or rent), by contrast, the investment volume is largely limited to plant and office equipment. While all of the stores newly opened in the 2014/2015 financial year were rented locations, the expansion program for 2015/2016 includes four DIY megastores with garden centers owned by the HORNBACH-Baumarkt-AG Group. Part of the real estate investments thereby required was already incurred as advance payments in the 2014/2015 financial year. Given this factor, investments in land and buildings are expected to more than double in the one-year 2015/2016 forecast period (2013/2014: € 46 million). Investments in plant and office equipment at new and existing stores and in intangible assets are also expected to increase substantially compared with the previous year (€ 54 million).

HORNBACH enjoys maximum flexibility in terms of financing its investments. Alongside the free cash flow from operating activities, the company's cash resources and free credit lines mean that a large volume of disposable liquidity is available. In the forecast period, total investments are expected to exceed the inflow of cash from operating activities. A small part of the financing will be secured by way of foreign currency mortgage loans in order to exploit currency-related benefits. The overwhelming share of the additional financial requirement is to be covered with free liquidity. No sale and lease-back transactions have been budgeted for the 2015/2016 financial year.

Sales performance

Thanks to our future expansion and increased growth at our existing stores, we expect consolidated sales in the 2015/2016 budget year to significantly exceed the figure for the 2014/2015 financial year under report (€ 3,357 million). Given the macroeconomic and sector-specific framework outlined above, the Group's like-for-like sales net of currency items in the 2015/2016 financial year are expected to show moderate growth compared with the previous year's exacting standard. This also reflects the broad-based economic recovery with a further improvement in consumer confidence assumed for the countries in our European sales network in 2015.

The start to the 2015/2016 financial year was within the projected framework. The exceptional contrast between weather conditions in the spring months of 2013 and 2014 meant that substantial base effects had to be accounted for in our past forecasts, as also in our current forecast for the 2015/2016 financial year. The high degree of volatility is apparent by comparing monthly sales for March: While consolidated sales fell by 18.5 % in March 2013 due to weather conditions, in March 2014 sales surged by 34.5 %. As expected, sales in March 2015 settled down at a high level below the previous year's record figure. Consistent with expectations, upon completion of this report it was apparent that sales for the first quarter of 2015/2016 (March 1 to May 31, 2015) would fall short of the previous year's figure (Q1 2013/2014: plus 16.4 % to € 977 million) by a single-digit percentage margin. We expect to be able to more than offset the weaker first-quarter sales performance in subsequent quarters.

- In **Germany**, we expect to see further like-for-like sales growth in the 2015/2016 financial year over and above the high level already achieved in the previous year. Given our strong competitive position, we are confident that HORNBACH will outperform the German sector average and thus acquire further market share in future as well. Our forecast is based on the assumption that the consumer climate in Germany will remain largely stable and continue to be supported by robust developments in employment and income levels. However, any significant macroeconomic disruptions during the forecast period, for example as a result of geopolitical crises or exogenous price shocks on commodity or energy markets, would lead via a deterioration in consumer confidence to downside risks for the development in our like-for-like sales.

- We believe that the sales performance of our stores in **other European countries** will improve further in the 2015/2016 forecast period compared with the 2014/2015 financial year. This expectation is also backed up by the further economic revival in Europe forecast by economists for 2015. We expect to see increasing convergence in the performance in like-for-like sales net of currency items across large parts of our international network. We therefore expect to report comparable rates of adjusted growth in other European countries and in Germany. Any significant deterioration in the macroeconomic framework would also negatively affect the like-for-like sales performance at HORNBACH's locations in other European countries.

Sales forecast for the HORNBACH-Baumarkt-AG Group

We expect our consolidated sales, i.e. net sales including new openings, closures and extensions of stores, to show growth in a medium single-digit percentage range in the 2015/2016 financial year. For like-for-like sales net of currency items, we expect to see group-wide growth in a low to medium single-digit percentage range.

Earnings performance

Our future earnings performance is mainly based on the earnings contributions expected from the "DIY store" and "Real estate" segments.

DIY store segment

The operating earnings performance of the DIY store segment is principally determined by the rate of change in like-for-like sales, the gross margin, and the development in costs.

We expect the **gross margin** in the 2015/2016 financial year roughly to match the previous year's level (38.0 %). Pressure on prices is expected to remain high in the competitive climate for stationary DIY. We believe that the rapid growth in online retail and resultant increase in price transparency in the DIY store sector will tend to raise pressure on margins in future. We intend to counter the negative impact on prices largely with positive volume effects and the targeted expansion in our share of private labels.

According to our 2015/2016 annual budget, **selling and store expenses** are set to rise slightly more rapidly than sales. As a result, the store expense ratio should slightly exceed the previous year's figure.

Within store expenses, we expect to see disparate developments in individual cost items in some cases. Due to the expected collectively agreed pay rises and expansion-related increase in staff totals, personnel expenses will rise slightly faster than sales. Having declined as a proportion of sales in the 2014/2015 financial year, the advertising expenses budgeted for the forecast period will also show slightly disproportionate growth due to the increasing use of innovative advertising formats.

We continue to expect a disproportionate increase in general operating expenses. The main reasons for this on the one hand involve expenses for the innovative expansion in our logistics infrastructure, which will only lead to sustainable savings potential along the value chain in subsequent years. On the other hand, a high volume of maintenance measures for land and buildings has been budgeted once again for the 2015/2016 financial year. Some of the properties used for DIY retail are already more than 20 years old. To maintain their substance while also ensuring an up-to-date store appearance, it will be necessary to make substantial funds available once again in the forecast period to renovate our properties and modernize our sales areas and merchandise presentation. Finally, part of the budgeted increase in operating expenses is also due to our expansion.

Rental expenses, by contrast, should rise less rapidly than sales. Not only that, the measures taken in previous years to optimize energy use with state-of-the-art building control and lighting technology should help ensure that utility expenses in the DIY store segment rise less rapidly than sales.

Pre-opening expenses are set to fall in absolute terms in 2015/2016. Even though eleven store openings are planned in the forecast period, as against eight new store openings and one substantial store extension in the 2014/2015 financial year, up to five of the new stores in the forecast period relate to the new small-scale "HORNBACH Compact" concept, which involves lower pre-opening expenses than HORNBACH DIY megastores with garden centers. The budget for the forecast period also includes some pre-opening expenses for new store openings scheduled for the first months of the following 2016/2017 financial year. Pre-opening expenses should fall slightly as a percentage of net sales.

The budget for 2015/2016 accounts for a disproportionate rise in **administration expenses**. Project-driven expenses will continue to play a key role in this respect. We will channel targeted resources into strategic forward-looking projects, and in particular into consistently further expanding our online activities in Germany and other European countries. Furthermore, the budget for information technology, which is closely linked to the strategic projects, has also been raised. In view of this, the administration expense ratio will increase significantly in the 2015/2016 financial year.

DIY store segment in the 2015/2016 forecast period is expected to fall significantly short of the level seen in the 2014/2015 financial year (€ 82.4 million).

Real estate segment

We expect the real estate segment to post a very pleasing earnings performance in the 2015/2016 financial year.

On the one hand, rental income will continue to show stable growth in line with the Group's expansion. On the other hand, a positive base effect means that the real estate expenses budgeted for 2015/2016 are below the previous year's figure in absolute terms. Due to the conversion measures at the former Praktiker and Max Bahr locations taken over by HORNBACH, general operating expenses in the real estate segment more than doubled in the 2014/2015 financial year. This one-off charge will no longer apply in the forecast period. We therefore expect to see significant operating earnings growth in the real estate segment in the 2015/2016 financial year (2014/2015: € 48.5 million).

Earnings forecast for the HORNBACH-Baumarkt-AG Group

This earnings forecast is based on the assumption that there will not be any unexpected macroeconomic downturn or any significant deterioration in consumer confidence in the forecast period.

The earnings performance of the Group in the forecast period from March 1, 2015 to February 29, 2016 will be shaped by opposing developments in earnings in the DIY store and real estate segments. The improvement in earnings in the real estate segment is expected to more than offset the budgeted reduction in earnings in the DIY store segment in the forecast period.

Our earnings forecast assumes that the operating earnings (EBIT) of the HORNBACH-Baumarkt-AG Group in the 2015/2016 financial year will roughly match the figure for the 2014/2015 financial year (€ 109.8 million).

Separate financial statements (HGB)

In the separate financial statements of HORNBACH-Baumarkt-AG, which will be shaped by business developments at the HORNBACH DIY stores with garden centers in Germany, we expect to see sales growth in a low to medium single-digit percentage range in the 2015/2016 financial year.

With regard to factors influencing earnings, we expect the store expense ratio to remain virtually unchanged. Given the shift in the focus of our expansion from Germany back to other European countries, pre-opening expenses will reduce significantly in the forecast period compared with the 2014/2015 financial year. This should largely offset the budgeted rise in project-related administration expenses.

Based on our assessment, the result of ordinary operations at HORNBACH-Baumarkt-AG in the 2015/2016 forecast period will match or slightly exceed the figure for the 2014/2015 financial year.

OTHER DISCLOSURES

Disclosures under § 315 (4) and § 289 (4) HGB and explanatory report of Board of Management

As the parent company of the HORNBACH-Baumarkt-AG Group, HORNBACH-Baumarkt-AG participates in an organized market as defined in § 2 (7) of the German Securities Acquisition and Takeover Act (WpÜG) by means of the shares with voting rights thereby issued and therefore reports in accordance with § 315 (4) and § 289 (4) of the German Commercial Code (HGB).

Composition of share capital

The share capital of HORNBACH-Baumarkt-AG, amounting to € 95,421,000, is divided into 31,807,000 ordinary bearer shares with a prorated amount in the share capital of € 3.00 per share. Each 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.

Direct or indirect capital shareholdings

HORNBACH HOLDING AG, based in Le Quartier Hornbach 19, 67433 Neustadt an der Weinstrasse, Germany, holds more than 10 % of the voting rights. Its shareholding, and thus its share of voting rights, amounted to 76.4 % as of February 28, 2015.

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

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

Change of control

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

Powers of Board of Management to issue shares

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

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

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

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

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

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

Corporate Governance Declaration pursuant to § 289a HGB

The Corporate Governance Declaration requiring submission pursuant to § 289a of the German Commercial Code (HGB) is available under "Corporate Governance" in the Investor Relations section of the company's homepage at www.hornbach-group.com. Pursuant to § 317 (2) Sentence 2 HGB, the disclosures made under § 289a HGB have not been included in the audit performed by the auditor.

Dependent company report

A report on relationships with associate companies has been compiled for the 2014/2015 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 and measures 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 or the measures taken and has not been disadvantaged by such. No measures were omitted at the instigation of or on behalf of the controlling company or any associate of such."

Compensation report

The compensation report sets out the basic features and structure of the compensation paid to the Board of Management and Supervisory Board. It is a constituent component of the Group Management Report and has been presented in the Corporate Governance chapter from Page 26 onwards of this Annual Report.

DISCLAIMER

Our combined management report should be read in conjunction with the audited financial data of the HORNBACH-Baumarkt-AG 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 Board of Management. Forward-looking statements are always only valid at the time at which they are made. Although we assume that the expectations reflected in these forecast statements are realistic, the company can provide no guarantee that these expectations will also turn out to be accurate. The assumptions may involve risks and uncertainties which could result in actual results differing significantly from the forecast statements. The factors which could produce such variances include changes in the economic and business environment, particularly in respect of consumer behavior and the competitive environment in those retail markets of relevance for HORNBACH. Furthermore, they include a lack of acceptance of new sales formats or new product ranges, as well as changes to the corporate strategy. HORNBACH has no plans to update the forecast statements, neither does it accept any obligation to do so.

CONSOLIDATED FINANCIAL STATEMENTS

DESIGNED TO LAST

Specializing in outdoor timber products, our KONSTA private label offers a variety of garden doors and gateways. The focus here is on simple structures and maximum stability. First-class timber from home forests helps ensure outstanding end product quality.

Our user-friendly timber construction sets are a real favorite with customers. The appealing design and high-quality finishing of the garden elements make KONSTA's timber doors and gateways truly popular. Customers also appreciate our five-year garden timber guarantee ...

CONSOLIDATED FINANCIAL STATEMENTS

Income Statement of the HORNBACH-Baumarkt-AG Group

for the Period from March 1, 2014 to February 28, 2015

	Notes	2014/2015 € 000s	2013/2014 € 000s	Change %
Sales	1	3,356,547	3,151,988	6.5
Cost of goods sold	2	2,080,043	1,973,876	5.4
Gross profit		**1,276,503**	**1,178,112**	**8.4**
Selling and store expenses	3	999,363	925,394	8.0
Pre-opening expenses	4	14,958	10,130	47.7
General and administration expenses	5	157,423	141,561	11.2
Other income and expenses	6	5,018	4,076	23.1
Earnings before interest and taxes (EBIT)		**109,778**	**105,102**	**4.4**
Other interest and similar income		1,113	959	16.1
Other interest and similar expenses		16,360	16,850	(2.9)
Other financial result		461	(1,888)	(124.4)
Net financial expenses	7	**(14,786)**	**(17,779)**	**(16.8)**
Consolidated earnings before taxes		**94,993**	**87,323**	**8.8**
Taxes on income	8	25,485	30,973	(17.7)
Consolidated net income		**69,508**	**56,350**	**23.4**
Basic/diluted earnings per share (€)	9	2.19	1.77	23.7

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

for the Period from March 1, 2014 to February 28, 2015

	Notes	2014/2015 € 000s	2013/2014 € 000s
Consolidated net income		**69,508**	**56,350**
Actuarial gains and losses on defined benefit plans	23/24	(11,147)	1,827
Deferred taxes on actuarial gains and losses on defined benefit plans		2,246	(369)
Other comprehensive income that will not be recycled at a later date		**(8,901)**	**1,458**
Measurement of derivative financial instruments (cash flow hedge)			
Measurement of derivative hedging instruments directly in equity		(1,205)	(392)
Gains and losses from measurement of derivative financial instruments transferred to profit or loss		2,750	2,203
Measurement of available for sale financial assets	13/32	1,895	0
Exchange differences arising on the translation of foreign subsidiaries		16,821	(4,434)
Deferred taxes on gains and losses recognized directly in equity	8	(425)	(494)
Other comprehensive income that will be recycled at a later date		**19,836**	**(3,117)**
Total comprehensive income		**80,443**	**54,691**

Balance Sheet of the HORNBACH-Baumarkt-AG Group

as of February 28, 2015

Assets	Notes	2.28.2015 € 000s	2.28.2014 € 000s
Non-current assets			
Intangible assets	11	11,207	11,281
Property, plant, and equipment	12	757,678	711,854
Investment property	12	15,388	5,862
Financial assets	13/32	1,989	94
Non-current receivables and other assets	14/23	3,183	3,098
Non-current income tax receivables	26	3,244	4,842
Deferred tax assets	15	4,208	3,358
		796,897	**740,389**
Current assets			
Inventories	16	532,733	504,568
Other receivables and assets	17	51,582	48,896
Income tax receivables	26	14,937	5,320
Cash and cash equivalents	18	334,813	371,110
Non-current assets held for sale and disposal groups	19	0	0
		934,065	**929,894**
		1,730,963	**1,670,283**

Equity and liabilities	Notes	2.28.2015 € 000s	2.28.2014 € 000s
Shareholders' equity	**20**		
Share capital		95,421	95,421
Capital reserve		143,623	143,623
Revenue reserves		684,101	622,942
		923,144	**861,986**
Non-current liabilities			
Non-current financial debt	22	337,567	364,650
Provisions for pensions	23	11,138	757
Deferred tax liabilities	15	30,985	33,384
Other non-current liabilities	24/27	28,137	26,557
		407,827	**425,348**
Current liabilities			
Current financial debt	22	6,894	7,095
Trade payables and other liabilities	25	287,887	285,247
Income tax liabilities	26	22,222	21,248
Other provisions and accrued liabilities	27	82,987	69,359
Disposal group liabilities	19	0	0
		399,991	**382,949**
		1,730,963	**1,670,283**

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

2013/2014 financial year € 000s	Notes	Share capital	Capital reserve	Hedging reserve	Cumulative currency translation	Other revenue reserves	Total equity
Balance at March 1, 2013		**95,421**	**143,623**	**(4,282)**	**27,237**	**561,199**	**823,198**
Consolidated net income						56,350	56,350
Actuarial gains and losses on defined benefit plans	23					1,458	1,458
Measurement of derivative financial instruments (cash flow hedge), net after taxes				1,317			1,317
Foreign currency translation					(4,434)		(4,434)
Total comprehensive income				**1,317**	**(4,434)**	**57,808**	**54,691**
Dividend distribution	21					(15,904)	(15,904)
Treasury stock transactions	20					1	1
Issue of bonus shares	20						0
Balance at February 28, 2014		**95,421**	**143,623**	**(2,965)**	**22,803**	**603,104**	**861,986**

2014/2015 financial year € 000s	Notes	Share capital	Capital reserve	Hedging reserve	Cumulative currency translation	Other revenue reserves	Total equity
Balance at March 1, 2014		**95,421**	**143,623**	**(2,965)**	**22,803**	**603,104**	**861,986**
Consolidated net income						69,508	69,508
Actuarial gains and losses on defined benefit plans	23					(8,901)	(8,901)
Measurement of derivative financial instruments (cash flow hedge), net after taxes				1,148			1,148
Measurement of available for sale financial assets, net after taxes	32					1,867	1,867
Foreign currency translation					16,821		16,821
Total comprehensive income				**1,148**	**16,821**	**62,474**	**80,443**
Dividend distribution	21					(19,084)	(19,084)
Treasury stock transactions	20					(201)	(201)
Issue of bonus shares	20	0					0
Changes in scope of consolidation		0					0
Balance at February 28, 2015		**95,421**	**143,623**	**(1,817)**	**39,624**	**646,293**	**923,144**

Cash Flow Statement of the HORNBACH-Baumarkt-AG Group

	Notes	2014/2015 € 000s	2013/2014 € 000s
Consolidated net income		**69,508**	**56,350**
Depreciation and amortization of non-current assets	10	57,454	55,885
Change in provisions		5,138	6,600
Gains/losses on disposals of non-current assets and of non-current assets held for sale		274	206
Change in inventories, trade receivables and other assets		(38,235)	(26,312)
Change in trade payables and other liabilities		17,428	45,735
Other non-cash income/expenses		(4,210)	5,925
Cash flow from operating activities		**107,357**	**144,389**
Proceeds from disposal of non-current assets and of non-current assets held for sale		1,402	5,090
Payments for investments in property, plant, and equipment		(96,924)	(70,366)
Payments for investments in intangible assets		(2,999)	(1,530)
Payments for investments in financial assets		0	(104)
Payments for acquisitions of shareholdings and other business units		0	0
Cash flow from investing activities		**(98,521)**	**(66,910)**
Proceeds from capital increases	20	0	0
Dividends paid	21	(19,084)	(15,904)
Proceeds from taking up long-term debt and bond issue	22	0	0
Repayment of long-term debt and bond		(27,674)	(7,036)
Proceeds from group financing activities		91	222
Payments for transaction costs		(500)	0
Change in current financial debt		1,280	(510)
Cash flow from financing activities		**(45,887)**	**(23,228)**
Cash-effective change in cash and cash equivalents		(37,051)	54,251
Change in cash and cash equivalents due to changes in exchange rates		754	(319)
Cash and cash equivalents at March 1		371,110	317,178
Cash and cash equivalents at balance sheet date		**334,813**	**371,110**

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

The other non-cash income/expenses item mainly relates to deferred taxes and unrecognized exchange rate gains/losses.

The cash flow from operating activities was reduced by income tax payments of € 34,620k (2013/2014: € 25,065k) and interest payments of € 16,972k (2013/2014: € 17,889k) and increased by interest received of € 944k (2013/2014: € 959k).

The proceeds from disposal of non-current assets and of non-current assets held for sale include proceeds of € 0k from disposals in previous years (2013/2014: € 1,222k).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Basis of preparation

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

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

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

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-Baumarkt-AG. The figures have been rounded off to the nearest thousand or million euros. Such rounding up or down may result in minor discrepancies between the figures depicted in the various sections of these notes.

The Board of Management of HORNBACH-Baumarkt-AG prepared the consolidated financial statements and approved them for publication on May 4, 2015. The period in which adjusting events could be accounted for thus expired as of this date.

Amendments to recognition and measurement methods as a result of new requirements

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

The following new standards, revised standards and interpretations required application for the first time in the 2014/2015 financial year:

- IFRS 10 "Consolidated Financial Statements": In this standard, the concept of control is provided with a new, comprehensive definition. If one company controls another company, then the parent company must consolidate the subsidiary. Under the new concept, control exists when voting or other rights mean that the potential parent company can exercise power over the potential subsidiary, when it participates in positive or negative variable returns from the potential subsidiary, and when it can influence these returns on account of its power over the potential subsidiary.

HORNBACH-Baumarkt-AG directly or indirectly holds 100 % of the shares in the capital of its subsidiaries. This share of capital basically corresponds to the share of voting rights with which "control" as defined in IFRS 10 can be exercised. Other legal arrangements influencing "control" as defined in IFRS 10 do not apply. As a result, first-time application of IFRS 10 has not had any implications for the presentation of the consolidated financial statements of HORNBACH-Baumarkt-AG.

- IFRS 11 "Joint Arrangements": This standard provides new requirements for the accounting treatment of joint arrangements. The decisive criterion under the new concept is whether the entity constitutes a joint operation or a joint venture. A joint operation exists when the parties exercising joint control have direct rights over the assets and obligations for the liabilities. The individual rights and obligations are recognized on a prorated basis in the consolidated financial statements. In a joint venture, by contrast, the parties exercising joint control have rights over the net asset surplus. This right is presented in the consolidated financial statements by application of the equity method. The option of proportionate consolidation in the consolidated financial statements is thus obsolete.

  Given the share of capital and voting rights held by HORNBACH-Baumarkt-AG in its subsidiaries, there are no joint arrangements as defined in IFRS 11. There are also no other contractual arrangements that would result in a joint operation. First-time application of IFRS 11 has therefore not had any implications for the presentation of the consolidated financial statements of HORNBACH-Baumarkt-AG.

- IFRS 12 "Disclosure of Interests in Other Entities": This standard governs the disclosure obligations for interests held in other entities. The disclosures required are considerably more extensive than those required to date under IAS 27, IAS 28, IAS 31, and SIC-12.

  First-time application of this standard has not resulted in any material extension in the note disclosures in the consolidated financial statements of HORNBACH-Baumarkt-AG.

The other standards, revisions, and interpretations requiring mandatory application from the 2014/2015 financial year have not had any material implications for the consolidated financial statements of HORNBACH-Baumarkt-AG:

- Amendments to IAS 27 "Separate Financial Statements"
- Amendments to IAS 28 "Investments in Associates and Joint Ventures"
- Amendments to IFRS 10, IFRS 11 and IFRS 12 "Transition Guidance"
- Amendments to IFRS 10, IFRS 12 and IAS 27 "Investment Entities"
- Amendments to IAS 32 "Presentation: Offsetting Financial Assets and Financial Liabilities"
- Amendments to IAS 39 (2013) "Novation of Derivatives and Continuation of Hedge Accounting"

The amendment to IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets” was prematurely applied by HORNBACH in the 2013/2014 financial year.

Standards and interpretations not applied prematurely

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

- IFRIC 21 "Levies": This interpretation deals with the accounting treatment of public dues (levies) and clarifies when such obligations have to be recognized as provisions or liabilities in the financial statements. The scope of the interpretation specifically does not include fines, duties resulting from public law contracts or duties covered by the scope of other IFRS standards, such as IAS 12 "Income Taxes". Pursuant to its EU endorsement, the interpretation requires first-time application in financial years beginning on or after June 17, 2014.

  This interpretation is relevant for the recognition of land tax obligations at HORNBACH-Baumarkt-AG. Consistent with the retrospective application requirement, this is expected to have the following implications:

€ 000s	February 28, 2015	March 1, 2014
Assets		
Non-current assets		
Deferred tax assets	51	242
Current assets		
Other receivables and assets	(10)	(97)
Equity and liabilities		
Shareholders' equity		
Revenue reserves	(726)	(733)
Non-current liabilities		
Deferred tax liabilities	(222)	0
Current liabilities		
Trade payables and other liabilities	894	795
Other provisions and accrued liabilities	95	83

  Earnings-effective items that arose as of February 28, 2015 due to retrospective application have no material implications for the consolidated financial statements for the comparative period and have thus already been recognized in full as of March 1, 2014.

- Amendments to IAS 19 (revised 2011) "Employee Contributions": This amendment clarifies how contributions made by employees or third parties should be allocated to service periods in cases where the contributions are linked to service time. Companies may recognize contributions made by employees or third parties to defined benefit plans as a reduction in current service cost in the period in which the associated work was performed. This approach is conditional on the contributions being independent of the number of service years. This amendment requires first-time application in financial years beginning on or after July 1, 2014. Premature application is permitted. First-time application of this amendment will not have any implications for the future presentation of the consolidated financial statements of HORNBACH-Baumarkt-AG.

- Annual Improvements to IFRSs 2010 – 2012 Cycle: Within the IASB's annual improvements process, amendments are introduced within individual IFRS standards in order to eliminate inconsistencies with other standards or to specify their content in greater detail. This cycle introduces amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, and IAS 38. Unless otherwise stipulated in individual cases, these amendments require first-time application in financial years beginning on or after July 1, 2014. Premature application is permitted. First-time application of these amendments is not expected to have any implications for the future presentation of the consolidated financial statements of HORNBACH-Baumarkt-AG.

- Annual Improvements to IFRSs 2011 – 2013 Cycle: Within the IASB's annual improvements process, amendments are introduced within individual IFRS standards in order to eliminate inconsistencies with other standards or to specify their content in greater detail. This cycle introduces amendments to IFRS 1, IFRS 3, IFRS 13, and IAS 40. Unless otherwise stipulated in individual cases, these amendments require first-time application in financial years beginning on or after January 1, 2015. Premature application is permitted. First-time application of these amendments is not expected to have any implications for the future presentation of the consolidated financial statements of HORNBACH-Baumarkt-AG.

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

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

- IFRS 9 "Financial Instruments": This standard issued in July 2014 is set to replace the existing IAS 39 requirements. IFRS 9 contains revised guidelines concerning the classification and measurement of financial instruments, including a new expected credit loss model to calculate impairments of financial assets and new general hedge accounting requirements. It has also taken over requirements governing the recognition and retirement of financial instruments from IAS 39. Subject to adoption into EU law, which is still outstanding, this new standard will require first-time application in financial years beginning on or after January 1, 2018.

- IFRS 14 "Regulatory Deferral Accounts": This standard allows first-time adopters of IFRS to continue recognizing regulatory deferral accounts under national law in their IFRS financial statements as well where specific conditions are met. Subject to adoption into EU law, which is still outstanding, this standard will require first-time application in financial years beginning on or after January 1, 2016. Premature application is permitted.

- IFRS 15 "Revenue from Contracts with Customers": This new standard reorganizes the requirements governing the recognition of revenues. As a result, IFRS 15 will replace all previous relevant standards governing revenue recognition (IAS 18, IAS 11, and IFRIC 13), as well as the relevant interpretations. From now on, companies will be required to determine the date or period in which revenues are recognized by reference to a five-stage model. The model will also be used to determine the amount of revenues. In general, revenues will have to be recognized as of the date/period in which control over the goods and services is transferred. The standard also includes guidelines for multiple element arrangements and new requirements governing the treatment of service contracts and contract modifications. The scope of note disclosures has also been extended. Subject to adoption into EU law, which is still outstanding, this standard will require first-time application in financial years beginning on or after January 1, 2017. Premature application is permitted.

- Annual Improvements to IFRSs 2012 – 2014 Cycle: Within the IASB's annual improvements process, amendments are introduced within individual IFRS standards in order to eliminate inconsistencies with other standards or to specify their content in greater detail. This cycle introduces amendments to IFRS 5, IFRS 7, IAS 19, and IAS 34. Unless otherwise stipulated in individual cases, these amendments require first-time application in financial years beginning on or after January 1, 2016. Their adoption into EU law is still outstanding.

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”: This amendment offers clarification concerning transactions between investors and associates or joint ventures. Where the transaction involves a business as defined in IFRS 3, the complete gains or losses must be recognized at the investor. Partial recognition of gains or losses applies when the transaction does not involve a business. Subject to adoption into EU law, which is still outstanding, this standard will require first-time application in financial years beginning on or after January 1, 2016. Due to the envisaged revision of the amendment by the IASB, the EU endorsement process was suspended in February 2015.

- Amendments to IAS 27 “Equity Method in Separate Financial Statements”: This amendment will result in the reintroduction of the option abolished in 2003 of recognizing interests in subsidiaries, joint ventures and associates in the separate financial statements of the investor using the equity method. Subject to adoption into EU law, which is still outstanding, this standard will require first-time application in financial years beginning on or after January 1, 2016.

- Amendments to IAS 16 and IAS 41 “Bearer Plants”: These amendments clarify that bearer plants should in future no longer be recognized under IAS 41. Application is therefore made of IAS 16. Through to maturity, bearer plants should be recognized by analogy with internally generated property, plant and equipment and subsequently using the cost model or the revaluation model. Subject to adoption into EU law, which is still outstanding, this standard will require first-time application in financial years beginning on or after January 1, 2016.

- Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortisation”: The amendments specify that revenue-based methods of depreciation and amortization are not appropriate for property, plant and equipment and intangible assets. A rebuttable presumption nevertheless applies for intangible assets with limited useful lives. In limited cases, it is then nevertheless possible to apply revenue-based amortization. Subject to adoption into EU law, which is still outstanding, this standard will require first-time application in financial years beginning on or after January 1, 2016.

- Amendments to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”: These amendments clarify that the acquisition of interests or additional interests in joint operations should be recognized under IFRS 3 and other standards provided that the operations constitute a business as defined in IFRS 3 and that such recognition does not conflict with the guidelines in IFRS 11. In the case of the acquisition of additional interests, however, the interests already held do not require remeasurement. Subject to adoption into EU law, which is still outstanding, this standard will require first-time application in financial years beginning on or after January 1, 2016.

- Amendments to IAS 1 "Disclosure Initiative": This amendment clarifies in particular that disclosure obligations only apply when their content is not immaterial. Furthermore, clarifications have also been introduced concerning the aggregation and disaggregation of items in the balance sheet and the statement of comprehensive income, the presentation of other comprehensive income for companies included at equity, and the structure of note disclosures. Subject to adoption into EU law, which is still outstanding, this standard will require first-time application in financial years beginning on or after January 1, 2016.

- Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception": This amendment specifies the consolidation obligation when the parent company is an investment entity. The circumstances in which there is no obligation to consolidate subsidiaries are listed. Subject to adoption into EU law, which is still outstanding, this standard will require first-time application in financial years beginning on or after January 1, 2016.

The implications of IFRS 9, IFRS 15 and the amendments to IAS 1 "Presentation of Financial Statements" for the consolidated financial statements are currently being investigated. From a current perspective, the other new requirements are not expected to have any material implications.

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

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

Capital consolidation has been based on 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 have been eliminated.

Scope of consolidation

The assessment as to whether a subsidiary is fully consolidated in the consolidated financial statements of HORNBACH-Baumarkt-AG 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-Baumarkt-AG 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 in accordance with IAS 39.

In addition to HORNBACH-Baumarkt-AG, the consolidated financial statements include 6 domestic and 29 foreign subsidiaries by way of full consolidation. As the sole shareholder in HORNBACH International GmbH, HORNBACH-Baumarkt-AG holds, either directly or indirectly, 100 % of the voting rights in the consolidated subsidiaries. As in the previous year, all direct and indirect subsidiaries of HORNBACH-Baumarkt-AG have been included in the consolidated financial statements for the 2014/2015 financial year.

Changes to scope of consolidation

HORNBACH Asia Ltd., Kowloon (Hong Kong), and HORNBACH Real Estate Duiven B.V., Duiven (Netherlands), were included in the consolidated financial statements for the first time in the 2014/2015 financial year. Both companies were founded in the 2014/2015 financial year. Furthermore, BM Immobilien Gamma GmbH, Bornheim (Germany), and BM Immobilien Lambda GmbH, Bornheim (Germany), were merged into HORNBACH-Baumarkt-AG, Bornheim (Germany), as of March 1, 2014.

The changes in the scope of consolidation in the 2014/2015 financial year had no implications for the net asset, financial, and earnings position.

The development in the scope of consolidation was as follows:

	2014/2015	2013/2014
March 1	**36**	**35**
Companies consolidated for the first time	2	3
Companies sold	0	0
Mergers	2	2
February 28	**36**	**36**

Consolidated shareholdings

Company name and domicile	Shareholding in %	Equity[1] in thousands, local currency	Local currency
Germany [2]			
HORNBACH International GmbH, Bornheim	100	106,019	EUR
AWV-Agentur für Werbung und Verkaufsförderung GmbH, Bornheim	100	281	EUR
HB Reisedienst GmbH, Bornheim	100	7,325	EUR
HB Services GmbH, Bornheim	100	18	EUR
HORNBACH Versicherungs-Service GmbH, Bornheim	100	123	EUR
HORNBACH Solar-, Licht- und Energiemanagement GmbH, Bornheim	100	(35)	EUR
Other countries			
HORNBACH Baumarkt CS spol s.r.o., Prague, Czech Republic	100[4]	1,927,954	CZK
HORNBACH Baumarkt GmbH, Wiener Neudorf, Austria	100	68,152	EUR
EZ Immobilien Beta GmbH, Wiener Neudorf, Austria	100	7,889	EUR
HL Immobilien Lambda GmbH, Wiener Neudorf, Austria	100	(223)	EUR
HS Immobilien Sigma GmbH, Wiener Neudorf, Austria	100	(789)	EUR
HORNBACH Baumarkt Luxemburg SARL, Bertrange, Luxembourg	100	11,887	EUR
HORNBACH Baumarkt (Schweiz) AG, Oberkirch, Switzerland	100	126,012	CHF
HORNBACH Byggmarknad AB, Gothenburg, Sweden	100	32,252	SEK
HIAG Fastigheter i Sisjön AB, Gothenburg, Sweden	100	342	SEK
HORNBACH Holding B.V., Amsterdam, Netherlands	100	92,749	EUR
HORNBACH Bouwmarkt (Nederland) B.V., Driebergen-Rijsenburg, Netherlands	100	10,256	EUR
HORNBACH Real Estate Breda B.V., Breda, Netherlands	100	1,815	EUR
HORNBACH Real Estate Best B.V., Nieuwegein, Netherlands	100	(37)	EUR
HORNBACH Real Estate Amsterdam-Sloterdijk, Amsterdam, Netherlands	100	(45)	EUR
HORNBACH Real Estate Den Haag B.V., The Hague, Netherlands	100	5	EUR
HORNBACH Real Estate Zwolle B.V., Zwolle, Netherlands	100	9	EUR
HORNBACH Real Estate Almelo B.V., Almelo, Netherlands	100	16	EUR
HORNBACH Real Estate Duiven B.V., Duiven, Netherlands	100	338	EUR
HORNBACH Real Estate Tilburg B.V., Tilburg, Netherlands	100	685	EUR
HORNBACH Real Estate Groningen B.V., Groningen, Netherlands	100	660	EUR
HORNBACH Real Estate Wateringen B.V., Wateringen, Netherlands	100	821	EUR
HORNBACH Real Estate Alblasserdam B.V., Alblasserdam, Netherlands	100	558	EUR
HORNBACH Real Estate Nieuwegein B.V., Nieuwegein, Netherlands	100	1,318	EUR
HORNBACH Real Estate Nieuwerkerk B.V., Nieuwerkerk, Netherlands	100	1,526	EUR
HORNBACH Real Estate Geleen B.V., Geleen, Netherlands	100	66	EUR
HORNBACH Reclame Activiteiten B.V., Nieuwegein, Netherlands	100	(6)	EUR
HORNBACH-Baumarkt SK spol. s.r.o., Bratislava, Slovakia	100	19,246	EUR
HORNBACH Centrala SRL, Domnesti, Romania	100[3]	66,570	RON
HORNBACH Asia Ltd., Kowloon, Hong Kong	100	2,359	HKD

1) Shareholders' equity corresponds to the local equity; in the case of HORNBACH Centrala SRL, however, equity has been determined in accordance with IFRS.
2) Of which: 100 % direct shareholding.
3) Of which: 1.6854 % direct shareholding.
4) Of which: 0.0033 % direct shareholding.

A control and profit and loss transfer agreement is in place between HORNBACH-Baumarkt-AG and HORNBACH International GmbH.

Currency translation

In the separate financial statements of HORNBACH-Baumarkt-AG and its consolidated subsidiaries, transactions in currencies other than the respective company's functional currency have been translated into the relevant functional currency at the transaction rate. All receivables and liabilities in currencies other than the respective company's functional currency have been measured, irrespective of any currency hedges, at the reporting date rate. The resultant exchange gains and losses have generally been included in the income statement. 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	
	2.28.2015	2.28.2014	2014/2015	2013/2014
RON Romania	4.4413	4.5018	4.43664	4.43973
SEK Sweden	9.3693	8.8525	9.19695	8.69850
CHF Switzerland	1.0636	1.2153	1.18988	1.23045
CZK Czech Republic	27.4380	27.3440	27.58367	26.31141
USD USA	1.1240	1.3813	1.29303	1.33332
HKD Hong Kong	8.7167	n.a.	10.02620	n.a.

Accounting policies

Assets and liabilities have generally been measured at amortized cost. Derivative financial instruments and assets measured at fair value through profit and loss have been recognized at fair value. Revenues 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. Pursuant to IAS 36, the carrying amounts of the smallest cash generating units, including the share of goodwill allocated to such units, are compared with the higher of the fair value less costs to sell and the value in use (so-called recoverable amount) of such units.

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

Individual DIY stores are viewed as cash generating units at the HORNBACH-Baumarkt-AG Group. The value in use is calculated on the basis of the discounted future cash flows of a cash generating unit expected on the basis of the detailed financial budget for the coming financial year within the strategic five-year plan. Periods reaching further into the future have been based on growth factors of 1.0 % to 1.5 % (2013/2014: 1.0 % to 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. A detailed financial budget for the coming financial year is then compiled on this basis.

Discounting is based on average equity and debt capital costs after taxes (WACC= Weighted Average Cost of Capital). The calculation of the costs of equity is based on the yield expected on a long-term risk-free federal bond. The costs of debt capital are based on the aforementioned base rate and include a risk premium. This risk premium is appropriate to the rating of HORNBACH-Baumarkt-AG or of a relevant peer group. The discount rates applied for the respective cash generating units take account of the specific equity capital structures of a peer group, and of country risk. Discount rates of between 6.2 % and 6.9 % were applied in the 2014/2015 financial year (2013/2014: 5.4 % to 6.7 %).

Intangible assets (except goodwill)
Intangible assets with finite useful lives are recognized at amortized cost.

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

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

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

There are no intangible assets with indefinite useful lives.

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

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

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

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

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

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

Leases

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

Inventories

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

Taxes

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

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

In line with IAS 12, deferred taxes are recognized and measured using the balance sheet liability method based on the tax rate expected to be valid at the realization date. Deferred tax assets are recognized for the tax benefits expected to arise from future realizable losses carried forward. Deferred tax assets arising from deductible temporary differences and tax losses carried forward 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. Recognized and unrecognized deferred tax assets are reviewed at each balance sheet date to ascertain whether any adjustment in their current values is required.

Deferred tax assets and liabilities referring to items recognized directly in equity are also recognized 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-Baumarkt-AG have obligations relating to defined contribution and defined benefit pension plans. In the case of defined benefit plans, provisions have been calculated using the projected unit credit method in accordance with IAS 19 (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 under personnel expenses. The net interest result is also recognized under personnel expenses. Actuarial gains and losses relating to the pension obligation or the plan assets are recognized directly 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 under personnel expenses 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 such are likely to result in a future outflow of resources. Provisions are stated at the expected settlement amount, having accounted for all identifiable risks, and are not offset against recourse claims. This items also includes provisions for severance payments. 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. Any risks existing in connection with legal disputes and court cases are recognized under provisions. The amount of provision is based on the assessment of the relevant circumstances. In the case of accrued liabilities, the date and level of the respective liability are no longer uncertain.

Financial instruments

Financial instruments are contracts which result in a financial asset at one company and a financial liability or equity instrument at another company. On the one hand, these include primary financial instruments such as trade receivables and payables, financial receivables and financial liabilities. On the other hand, they also include derivative financial instruments, such as options, forward exchange transactions, interest swaps and currency swaps. 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 recognized 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 instruments

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

Financial assets are classified pursuant to IAS 39 as available for sale, as they cannot be allocated to any other of the IAS 39 categories. They are measured at fair value. Investments and prepayments for financial assets (equity instruments) are recognized at cost when there is no active market for these items and their fair values cannot be reliably determined at reasonable expense.

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

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

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

Derivative financial instruments

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

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

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

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.

Sales

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

Cost of goods sold

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

Rental income

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

Government grants

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

Expenses

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

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

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

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

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

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 the classification of leases as finance or operating leases. Based on the contractual terms, an assessment is made upon concluding or modifying the respective contracts as to whether the risks and rewards associated with ownership of the leased item are attributable to HORNBACH-Baumarkt-AG or to the counterparty. More detailed information can be found in Notes 22 and 29.

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, the recognition and measurement of provisions, the calculation of the recoverable amount to determine the amount of any impairments, the determination of the net disposal price for inventories, and the ability to obtain future tax relief.

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.

The principal assumptions and estimates which, due to their uncertainty, may lead to discrepancies in the level of assets and liabilities reported have been outlined in the respective notes. Changes are accounted for as a credit or charge to operations upon receipt of further information.

Segment Report

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

Segment delineation

The allocation of business fields (segments) corresponds to the internal reporting system used by the Board of Management of the HORNBACH-Baumarkt-AG Group for managing the company. The “DIY store” segment includes the 146 (2013/2014: 141) DIY megastores and garden centers grouped together in the HORNBACH-Baumarkt-AG Group. The “Real estate” segment includes the retail properties owned by the HORNBACH-Baumarkt-AG Group, which are let and charged to the respective DIY stores with garden centers within the Group at normal market conditions. The “Headquarters and consolidation” reconciliation column includes administration and consolidation items not attributable to the individual segments.

Segment earnings

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

Segment assets and liabilities

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

2014/2015 in € million 2013/2014 in € million	DIY stores	Real estate	Headquarters and consolidation	HORNBACH-Baumarkt-AG Group
Segment sales	**3,355.2**	**153.1**	**(151.7)**	**3,356.5**
	3,151.0	146.2	(145.2)	3,152.0
Sales to third parties	3,355.1	0.0	0.0	3,355.1
	3,150.9	0.0	0.0	3,150.9
Sales to affiliated companies	0.1	0.0	0.0	0.1
	0.1	0.0	0.0	0.1
Rental income from third parties	0.0	1.4	0.0	1.4
	0.0	1.0	0.0	1.0
Rental income from affiliated companies	0.0	151.7	(151.7)	0.0
	0.0	145.2	(145.2)	0.0
Segment earnings (EBIT)	**82.4**	**48.5**	**(21.2)**	**109.8**
	71.2	51.3	(17.4)	105.1
of which: depreciation and amortization	35.9	15.8	5.8	57.5
	34.8	15.1	6.0	55.9
Segment assets	**786.9**	**630.8**	**290.9**	**1,708.6**
	733.0	582.9	340.9	1,656.8
of which: credit balances at banks	42.9	0.0	257.7	300.6
	42.4	0.0	307.4	349.8
Investments	**47.5**	**45.5**	**6.9**	**99.9**
	41.1	28.4	2.5	72.0
Segment liabilities	**364.5**	**32.7**	**357.5**	**754.7**
	344.1	60.6	348.9	753.6
of which: financial debt	9.5	87.9	247.0	344.5
	11.3	114.1	246.4	371.7

Reconciliation in € million	2014/2015	2013/2014
Segment earnings (EBIT) before "Headquarters and consolidation"	**131.0**	**122.5**
Headquarters	(21.2)	(17.4)
Net financial expenses	(14.8)	(17.8)
Consolidated earnings before taxes	**95.0**	**87.3**
Segment assets	**1,708.6**	**1,656.8**
Deferred tax assets	4.2	3.4
Income tax receivables	18.2	10.2
Total assets	**1,731.0**	**1,670.3**
Segment liabilities	**754.7**	**753.6**
Deferred tax liabilities	31.0	33.4
Income tax liabilities	22.2	21.2
Total liabilities	**807.9**	**808.2**

Geographical disclosures

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

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

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

2014/2015 in € million 2013/2014 in € million	Germany	Other European countries	Reconciliation	HORNBACH-Baumarkt-AG Group
Sales	**2,199.4**	**1,390.3**	**(233.2)**	**3,356.5**
	2,052.0	1,324.7	(224.7)	3,152.0
Sales to third parties	1,966.2	1,388.8	0.1	3,355.1
	1,827.4	1,323.5	0.0	3,150.9
Sales to affiliated companies	233.2	0.2	(233.3)	0.1
	224.5	0.2	(224.6)	0.1
Rental income from third parties	0.1	1.3	0.0	1.4
	0.1	0.9	0.0	1.0
EBIT	**29.6**	**80.6**	**(0.4)**	**109.8**
	36.7	68.3	0.1	105.1
Depreciation and amortization	**34.6**	**22.9**	**0.0**	**57.5**
	33.9	22.0	0.0	55.9
EBITDA	**64.2**	**103.5**	**(0.4)**	**167.2**
	70.6	90.2	0.1	161.0
Assets	**1,270.8**	**727.2**	**(289.4)**	**1,708.6**
	1,249.6	951.6	(544.5)	1,656.8
of which: non-current assets*)	372.0	413.1	0.0	785.0
	361.5	368.0	0.0	729.5
Investments	**45.6**	**54.4**	**0.0**	**99.9**
	35.0	37.1	0.0	72.0

*) These involve property, plant and equipment, investment property, intangible assets and non-current deferrals and accruals. This item does not include non-current income tax receivables of € 3.2 million (2013/2014: € 4.8 million) for the Germany region.

Notes on the Consolidated Income Statement

(1) Sales

Sales mainly involve revenues in the DIY store segment. Furthermore, revenues of € 1,386k (2013/2014: € 1,047k) from the letting of real estate have also been reported under sales.

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

(2) Cost of goods sold

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

	2014/2015 € 000s	2013/2014 € 000s
Expenses for auxiliary materials and purchased goods	2,041,040	1,941,634
Expenses for services rendered	39,003	32,242
	2,080,043	**1,973,876**

(3) Selling and store expenses

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

(4) Pre-opening expenses

Pre-opening expenses mainly relate to those expenses arising at or close to the time of the construction up to the opening of new DIY megastores with garden centers. Pre-opening expenses mainly consist of personnel expenses, 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:

	2014/2015 € 000s	2013/2014 € 000s
Other income from operating activities		
Income from advertising allowances and other reimbursements of suppliers	1,228	1,214
Income from allocations within the HORNBACH HOLDING Group	1,760	2,053
Income from disposal of non-current assets	788	893
Income from damages	1,864	1,838
Income from payment differences	529	389
Miscellaneous other income	15,981	9,579
	22,150	**15,966**
Other income from non-operating activities		
Income from disposal of real estate	15	270
Other non-operating income	0	306
	15	**576**
Other income	**22,164**	**16,542**

Miscellaneous other income principally relates to income from retirements of liabilities, ancillary revenues at the DIY stores with garden centers, income from disposal activities, income from personnel grants, and income from the reversal of impairments of receivables.

	2014/2015 € 000s	2013/2014 € 000s
Other expenses from operating activities		
Losses due to damages	3,022	2,412
Impairments and defaults on receivables	2,956	1,162
Losses on disposal of non-current assets	318	340
Expenses from payment differences	350	276
Miscellaneous other expenses	5,058	1,564
	11,704	**5,754**
Other expenses from non-operating activities		
Impairment of property, plant, and equipment, intangible assets and investment property	1,668	315
Losses on disposal of non-current assets	759	1,030
Additions to provisions for onerous contracts	2,981	5,367
Other non-operating expenses	34	0
	5,442	**6,712**
Other expenses	**17,146**	**12,466**
Net income from other income and expenses	**5,018**	**4,076**

(7) Net financial expenses

	2014/2015 € 000s	2013/2014 € 000s
Other interest and similar income		
Interest income on financial instruments measured at amortized cost	963	759
of which: from affiliated companies	0	8
Interest income on financial instruments used as hedging instruments	0	0
Other	150	200
of which: from affiliated companies	150	200
	1,113	**959**
Other interest and similar expenses		
Interest expenses on financial instruments measured at amortized cost	12,482	13,254
of which: to affiliated companies	0	0
Interest expenses on financial instruments used as hedging instruments	2,750	2,203
Interest expenses from compounding of provisions	184	110
Other	944	1,283
of which: to affiliated companies	(15)	138
	16,360	**16,850**
Net interest expenses	**(15,247)**	**(15,891)**
Other financial result		
Gains/losses on derivative financial instruments	(1,947)	429
Gains and losses from foreign currency exchange	2,408	(2,317)
	461	**(1,888)**
Net financial expenses	**(14,786)**	**(17,779)**

In line with IAS 17 “Leases”, financial leasing contracts are recognized under property, plant and equipment, with the interest component of the leasing installments, amounting to € 64k (2013/2014: € 78k) being recognized under interest and similar expenses. Net interest expenses do not include interest incurred for financing the construction stage of real estate development measures. This interest amounted to € 1,364k in the year under report (2013/2014: € 1,724k) 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 4.4 % (2013/2014: 4.4 %).

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

The interest expenses on financial instruments used as hedging instruments reported for the 2014/2015 financial year include expenses of € 414k resulting from the reversal of a cash flow hedge relationship. As a result of the decision taken by the Board of Management to prematurely redeem a CZK loan in June 2014, the transaction expected upon designation is no longer applicable. The fair value changes of the hedging instrument recognized in equity through to reversal have therefore been recognized through profit or loss in net financial expenses.

Gains/losses on derivative financial instruments include gains and losses of € -1,947k on derivative currency instruments (2013/2014: € 429k).

The gains and losses from foreign currency exchange for the 2014/2015 financial year chiefly result from the measurement of foreign currency receivables and liabilities. This resulted in net income of € 2,168k (2013/2014: expenses of € 535k). Furthermore, this item also includes realized exchange rate gains of € 6,669k (2013/2014: € 3,582k) and realized exchange rate losses of € 6,428k (2013/2014: € 5,364k).

(8) Taxes on income

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

As in the previous year, the German companies included in the HORNBACH-Baumarkt-AG Group are subject to an average trade tax rate of approximately 14.6 % of their trading income. The corporate income tax rate continues to amount to 15 %, plus 5.5 % solidarity surcharge.

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

The actual income tax charge of € 25,485k (2013/2014: € 30,973k) is € 3,013k lower (2013/2014: € 4,776k higher) than the expected tax charge of € 28,498k (2013/2014: € 26,197k) which would have been payable by applying the average tax rate of 30 % at HORNBACH-Baumarkt-AG (2013/2014: 30 %) to the Group's pre-tax earnings of € 94,993k (2013/2014: € 87,323k).

Deferred tax assets have been stated for as yet unutilized losses carried forward amounting to € 633k (2013/2014: € 630k). HORNBACH-Baumarkt-AG expects it to be possible to offset the tax losses carried forward, which in some cases are attributable to start-up losses in individual countries, against future earnings in full.

No deferred tax assets have been reported in the case of losses carried forward amounting to € 39,458k (2013/2014: € 37,040k), as future realization of the resultant benefit is not expected. Of these, losses carried forward of € 2,003k and € 4,277k are due to expire within the next 5 and 7 years respectively. The previous year's figures included losses carried forward whose use is limited to 5 years (€ 3,481k) or 7 years (€ 4,104k). There are no time limits on the utilization of all other losses carried forward for which no deferred tax assets have been stated.

Losses carried forward amounting to € 1,236k for which no deferred tax assets had been recognized were utilized. These losses carried forward are expected to increase in future, as a result of which the Group has continued not to recognize any deferred tax assets.

As in the previous year, no deferred tax assets were recognized for the first time in the 2014/2015 financial year for losses carried forward whose utilization was previously not deemed possible. No deferred tax assets were derecognized in the 2014/2015 financial year for losses carried forward whose utilization is no longer deemed likely (2013/2014: € 5,118k).

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-Baumarkt-AG Group are subject to German taxation at 5 %. No deferred tax liabilities have been recognized for retained profits of € 311,105k at subsidiaries (2013/2014: € 301,596k), as these are either not subject to taxation or currently intended for reinvestment over an indefinite period.

Breakdown of the tax charge:

	2014/2015 € 000s	2013/2014 € 000s
Current taxes on income		
Germany	6,523	10,795
Other countries	21,053	15,659
	27,576	**26,454**
Deferred tax expenses/income		
due to changes in temporary differences	(2,091)	4,550
due to changes in tax rates	0	(40)
due to losses carried forward	0	9
	(2,091)	**4,519**
Taxes on income	**25,485**	**30,973**

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

	2014/2015		2013/2014	
	€ 000s	%	€ 000s	%
Expected income tax charge	28,498	100.0	26,197	100.0
Difference between local tax rate and group tax rate	(5,472)	(19.2)	(4,413)	(16.8)
Tax reductions due to distributions				
Tax-free income	(280)	(1.0)	(403)	(1.5)
Tax reductions/increases due to changes in tax rates	0	0.0	(40)	(0.2)
Tax increases attributable to expenses not deductible for tax purposes	3,591	12.6	3,608	13.8
Tax increases attributable to unstated losses carried forward	999	3.5	1,939	7.4
Non-period current and deferred taxes	(1,851)	(6.5)	4,085	15.6
Taxes on income	**25,485**	**89.4**	**30,973**	**118.3**
Effective tax rate in %	26.8		35.5	

The non-period current taxes of € 174k (2013/2014: € 844k) result from tax income of € 1,381k (2013/2014: € 0k) from the capitalization of trade tax credits on foreign dividends and of € 67k (2013/2014: € 86k) from the change in the present value of corporate income tax refund claims and tax expenses of € 1,280k (2013/2014: € 0k) from the findings and follow-up effects of the tax audit completed in Germany for the years 2008 – 2011.

The non-period deferred taxes of € 1,677k (2013/2014: expenses of € 4,929k) chiefly result from the findings and follow-up effects of the tax audit completed in Germany for the years 2008 – 2011.

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

	2014/2015 € 000s	2013/2014 € 000s
Actuarial gains and losses on defined benefit plans		
Actuarial gains and losses on defined benefit plans before taxes	(11,147)	1,827
Change in deferred taxes	2,246	(369)
	(8,901)	**1,458**
Measurement of derivative financial instruments (cash flow hedge)		
Changes in fair value of derivative financial instruments before taxes	1,545	1,811
Change in deferred taxes	(397)	(494)
	1,148	**1,317**
Measurement of available for sale financial assets		
Changes in fair value of available for sale financial assets before taxes	1,895	0
Change in deferred taxes	(28)	0
	1,867	**0**
Exchange differences arising on the translation of foreign subsidiaries	**16,821**	**(4,434)**
Other comprehensive income, net after taxes	**10,935**	**(1,659)**
of which: other comprehensive income before taxes	9,114	(796)
of which: change in deferred taxes	1,821	(862)

(9) Earnings per share

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

	2014/2015	2013/2014
Weighted number of shares issued	31,807,000	31,807,000
Consolidated net income allocable to shareholders in HORNBACH-Baumarkt-AG (in €)	69,507,608	56,349,703
Earnings per share in €	**2.19**	**1.77**

(10) Other disclosures on the income statement

Personnel expenses

The individual expense items include the following personnel expenses:

	2014/2015 € 000s	2013/2014 € 000s
Wages and salaries	502,478	453,834
Social security contributions and pension expenses	106,669	98,388
	609,147	**552,222**

Wages and salaries also include expenses for temporary employees.

Depreciation and amortization

	2014/2015 € 000s	2013/2014 € 000s
Scheduled amortization of intangible assets and depreciation of property, plant, and equipment and investment property	55,786	55,570
Impairment of property, plant, and equipment, intangible assets and investment property	1,668	315
	57,454	**55,885**

The impairment losses recognized in the 2014/2015 financial year relate to properties used for operations, properties not used for operations, and plant and office equipment. In the previous year, impairment losses related to land not used for operations and plant and office equipment. Reference is also made to the disclosures on intangible assets and property, plant and equipment in Notes 11 and 12 respectively.

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

2014/2015 financial year € 000s	Intangible assets	Property, plant, and equipment and investment property	Total
Selling and store expenses	568	47,170	47,738
Pre-opening expenses	0	44	44
General and administration expenses	2,508	5,496	8,004
Other income and expenses	0	1,668	1,668
	3,076	**54,378**	**57,454**

2013/2014 financial year € 000s	Intangible assets	Property, plant, and equipment and investment property	Total
Selling and store expenses	549	46,812	47,361
Pre-opening expenses	0	116	116
General and administration expenses	2,660	5,433	8,093
Other income and expenses	0	315	315
	3,209	**52,676**	**55,885**

Notes on the Consolidated Balance Sheet

(11) Intangible assets

The development in intangible assets in the 2013/2014 and 2014/2015 financial years was as follows:

€ 000s	Franchises, industrial property rights, and similar rights and values as well as licenses to such rights and values	Goodwill	Assets under construction	Total
Cost				
Balance at March 1, 2013	79,134	3,271	266	82,671
Additions	1,479	0	51	1,530
Disposals	448	0	0	448
Reclassifications	178	0	(165)	13
Foreign currency translation	(15)	0	0	(15)
Balance at February 28/March 1, 2014	**80,328**	**3,271**	**152**	**83,751**
Additions	2,828	0	171	2,999
Disposals	332	0	0	332
Reclassifications	153	0	(151)	2
Foreign currency translation	16	0	0	16
Balance at February 28, 2015	**82,993**	**3,271**	**172**	**86,436**
Amortization				
Balance at March 1, 2013	69,722	0	0	69,722
Additions	3,209	0	0	3,209
Disposals	448	0	0	448
Foreign currency translation	(13)	0	0	(13)
Balance at February 28/March 1, 2014	**72,470**	**0**	**0**	**72,470**
Additions	3,076	0	0	3,076
Disposals	332	0	0	332
Foreign currency translation	15	0	0	15
Balance at February 28, 2015	**75,229**	**0**	**0**	**75,229**
Carrying amount at February 28, 2015	**7,764**	**3,271**	**172**	**11,207**
Carrying amount at February 28, 2014	7,858	3,271	152	11,281

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 goodwill relates to two garden centers in the Netherlands, with around 50 % of the respective figure being allocable to each of these. The recoverable amounts of the two cash generating units are based in each case on their value in use. This is calculated using the discounted cash flow method by reference to Level 3 input data. The key assumptions used in the calculation, including discount rates and growth rates, can be found under "Accounting policies". A reduction in gross profit by 5 % compared with the current strategic five-year plan, which is deemed possible, would result in an impairment loss of € 1,650k for one of the two locations. An impairment loss of € 2,545k would arise for the other location. To avert any such impairment, the budget figure for the individual locations may not change by more than approximately -2 % and -0.3 % respectively. In the previous year, an analogous assumption would not have resulted in any impairment at the two locations.

(12) Property, plant and equipment and investment property

The development in property, plant and equipment in the 2013/2014 and 2014/2015 financial years was as follows:

€ 000s	Land, leasehold rights, and buildings on third-party land	Investment property (IAS 40)	Other equipment, plant, and office equipment	Assets under construction	Total
Cost					
Balance at March 1, 2013	740,735	9,665	520,156	17,042	1,287,598
Additions	25,230	0	36,417	8,719	70,366
Disposals	1,638	18	24,339	1,025	27,020
Reclassifications	6,305	0	4,402	(10,720)	(13)
Foreign currency translation	(4,919)	0	(3,190)	(78)	(8,187)
Balance at February 28/March 1, 2014	**765,713**	**9,647**	**533,446**	**13,938**	**1,322,744**
Additions	29,579	9,366	42,521	15,458	96,924
Disposals	1,029	29	18,006	797	19,861
Reclassifications pursuant to IAS 40	(286)	286	0	0	0
Reclassifications	3,072	0	5,618	(8,692)	(2)
Foreign currency translation	14,650	0	3,321	66	18,037
Balance at February 28, 2015	**811,699**	**19,270**	**566,900**	**19,973**	**1,417,842**
Depreciation					
Balance at March 1, 2013	169,095	3,661	406,727	0	579,483
Additions	15,944	133	36,599	0	52,676
Disposals	11	8	23,694	0	23,713
Foreign currency translation	(1,167)	0	(2,251)	0	(3,418)
Balance at February 28/March 1, 2014	**183,861**	**3,786**	**417,381**	**0**	**605,028**
Additions	16,501	111	37,766	0	54,378
Disposals	1,028	15	17,142	0	18,185
Foreign currency translation	849	0	2,706	0	3,555
Balance at February 28, 2015	**200,183**	**3,882**	**440,711**	**0**	**644,776**
Carrying amount at February 28, 2015	**611,516**	**15,388**	**126,189**	**19,973**	**773,066**
Carrying amount at February 28, 2014	581,852	5,862	116,065	13,938	717,716

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

In the 2014/2015 financial year, impairment losses of € 23k were recognized for items of investment property, which were written down to their net sale prices (2013/2014: € 46k). The net sale prices of these assets were determined by reference to external current value surveys. Application was basically made of the same input data and valuation methods also used to determine the fair value of investment property.

In the 2014/2015 financial year, impairment requirements were identified on marketing oriented and sales promotional plant and office equipment and on real estate at one store in the Sweden region and at two stores in Germany that simultaneously represent cash generating units. The carrying amounts were therefore written down by € 1,645k to net disposal value. The recoverable amount for these locations amounts to € 23,494k. In the previous year, a corresponding write-down of € 269k to net disposal value was recognized at a store in the Czech Republic. The recoverable amount in the previous year amounted to € 3,924k.

Where ownership of the real estate at the location is attributable to the HORNBACH-Baumarkt-AG group, the net disposal value of the real estate is determined by external independent surveyors. These determine the fair value less costs to sell by reference to Level 3 input data using the valuation methods outlined below. Application is made on the one hand of the capitalized value method, generally the discounted cash flow method. Here, a present value is derived from future (rental) income by application of a discount rate. On the other hand, market price-based methods are applied in the form of analogy methods. Here, reference is made to standard land values determined by comparing the price with suitable other pieces of land or by surveyor committees on the basis of corresponding land sales. Furthermore, application is made of the multiplier method, in which rental income surpluses are multiplied by land-specific factors. Alongside the input data already mentioned, the surveyors also account for additional premiums and discounts to do justice to the individual property-specific circumstances (e.g. size, situation, conversion or demolition costs still required).

The net disposal 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.

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

	2014/2015	2013/2014
DIY stores segment		
Other equipment, plant, and office equipment	1,146	269
	1,146	**269**
Real estate segment		
Land	23	46
Buildings	499	0
	522	**46**
Total	**1,668**	**315**

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

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

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

Investment property mainly relates to retail properties at various locations in Germany. The respective rental contracts have basic rental periods of 1 to 15 years and in some cases provide extension options for the lessee. The properties let to third parties are recognized at amortized cost. A useful life of 33 years has been assumed. The fair value of investment property amounts to approximately € 18.2 million (2013/2014: € 8.5 million). The fair values have been determined by independent experts and classified as Level 3 fair values. An explanation of the valuation methods can be found in the comments on Page 131.

Rental income of € 829k was generated on properties let to third parties in the year under report (2013/2014: € 431k). Expenses of € 305k were incurred for the maintenance of the properties let to third parties (2013/2014: € 242k). Expenses of € 77k were incurred for all other items of investment property (2013/2014: € 11k).

The real estate acts as security for bank loans in the form of registered land charges amounting to € 46.7 million (2013/2014: € 66.3 million).

Property, plant and equipment include a building with a carrying amount of € 0k (2013/2014: € 665k) that is allocable to the Group as economic owner on account of the structure of the underlying lease agreement (finance lease). The finance lease has been concluded for a basic rental period of 20 years. At the end of the basic rental period, there is an option to extend the contract at least once for a period of 5 years. Furthermore, the contract provides for an index-based rent adjustment clause and for pre-emptive purchase rights on customary market terms. The leased asset acts as security for the leasing obligation.

(13) Financial assets

The development in financial assets in the 2013/2014 and 2014/2015 financial years was as follows:

€ 000s	Investments	Advance payments for financial assets	Total
Cost			
Balance at March 1, 2013	94	1,184	1,278
Additions	0	104	104
Disposals	0	(1,234)	(1,234)
Foreign currency translation	0	(54)	(54)
Balance at February 28/March 1, 2014	**94**	**0**	**94**
Measurement of available for sale financial assets	1,895	0	1,895
Balance at February 28, 2015	**1,989**	**0**	**1,989**
Carrying amount at February 28, 2015	**1,989**	**0**	**1,989**
Carrying amount at February 28, 2014	94	0	94

The shareholding previously measured at cost HORNBACH Immobilien H.K. s.r.o., Czech Republic, was measured at fair value for the first time as of February 28, 2015. Information about the measurement assumptions can be found in Note 32. The Group currently has no intention to sell financial assets.

(14) Other non-current receivables and assets

Other non-current receivables and assets mainly consist of deposits of € 2,397k (2013/2014: € 2,140k) paid as security for possible subsequent claims to purchase price reductions on the part of the buyer. The deposits have a maximum remaining term of 5 years.

Furthermore, other non-current receivables and assets also include deferred expenses of € 763k (2013/2014: € 482k) in connection with a syndicated credit line of € 250 million with a term running until April 15, 2019, which was extended in the 2014/2015 financial year but has not yet been utilized.

Moreover, as of February 28, 2015 this item also includes receivables of € 21k (2013/2014: € 382k) due from the Federal Employment Agency in connection with payments granted under the relevant part-time early retirement legislation.

(15) Deferred taxes

Deferred taxes relate to the following items:

	2.28.2015		2.28.2014	
	Assets € 000s	Liabilities € 000s	Assets € 000s	Liabilities € 000s
Intangible assets and property, plant, and equipment	812	33,476	805	33,007
Inventories	601	3,448	581	3,830
Other provisions	7,812	259	5,396	1,395
Liabilities	1,253	920	1,144	758
Other assets and liabilities	1,167	363	1,029	34
Tax-free reserves	0	129	0	129
Losses carried forward	173	0	172	0
	11,818	**38,595**	**9,127**	**39,153**
Set-off	(7,610)	(7,610)	(5,769)	(5,769)
Total	**4,208**	**30,985**	**3,358**	**33,384**

(16) Inventories

	2.28.2015 € 000s	2.28.2014 € 000s
Auxiliary materials and supplies	1,652	1,501
Unfinished products, unfinished services	1,666	2,272
Finished products and merchandise	538,425	509,491
Inventories (gross)	**541,743**	**513,264**
less valuation allowances	9,010	8,696
Inventories (net)	**532,733**	**504,568**
Carrying amount of inventories measured at net realizable value	25,998	24,240

Expenses of € 2,032,030k were recognized as merchandise input expenses for merchandise and auxiliary materials and supplies in the 2014/2015 financial year (2013/2014: € 1,932,938k).

(17) Receivables and other assets

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

	2.28.2015 € 000s	2.28.2014 € 000s
Trade receivables	5,851	8,506
Receivables from affiliated companies	1,188	1,884
of which: from shareholders	0	0
Positive fair values of derivative financial instruments	0	280
Other receivables and assets	44,543	38,226
	51,582	**48,896**

Trade receivables include receivables of € 1,273k (2013/2014: € 1,181k) assigned within factoring agreements that have not been derecognized as the credit risk remains at the HORNBACH-Baumarkt-AG Group. A corresponding liability has been recognized in the same amount.

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

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

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

2.28.2015 € 000s	Carrying amount	of which: neither impaired nor overdue	of which: not impaired, but overdue within the following time bands (days)			
			< 60	61-90	91-180	> 180
Trade receivables	5,851	2,686	2,285	151	265	3
Receivables from affiliated companies	1,188	1,188				
of which: from shareholders	0					
Positive fair values of derivative financial instruments	0					
Other receivables and assets	30,780	29,027	658	341	185	83
	37,819	**32,901**	**2,943**	**492**	**450**	**86**

2.28.2014 € 000s	Carrying amount	of which: neither impaired nor overdue	of which: not impaired, but overdue within the following time bands (days)			
			< 60	61-90	91-180	> 180
Trade receivables	8,506	3,589	3,377	486	433	49
Receivables from affiliated companies	1,884	1,884				
of which: from shareholders	0					
Positive fair values of derivative financial instruments	280	280				
Other receivables and assets	26,793	25,112	1,417	57	67	140
	37,463	**30,865**	**4,794**	**543**	**500**	**189**

There were no indications of impairment at the balance sheet date for financial assets that were neither impaired not overdue.

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

€ 000s	Trade receivables		Other receivables and assets	
	2014/2015	2013/2014	2014/2015	2013/2014
Allowances at March 1	**632**	**560**	**348**	**622**
Utilization	312	252	40	327
Reversals	166	140	77	77
Additions	500	461	1,791	131
Foreign currency translation	38	2	1	(1)
Allowances at February 28	**692**	**632**	**2,023**	**348**

The complete retirement of receivables resulted in expenses of € 649k (2013/2014: € 608k). The receipt of receivables already derecognized resulted in income of € 43k (2013/2014: € 16k).

(18) Cash and cash equivalents

	2.28.2015 € 000s	2.28.2014 € 000s
Cash balances at banks	300,631	349,843
Checks and cash on hand	34,182	21,267
	334,813	**371,110**

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

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

As in the previous year, no items were reclassified out of property, plant and equipment in the 2014/2015 financial year.

(20) Shareholders' equity

The development in the shareholders' equity of the HORNBACH-Baumarkt-AG Group is shown in the statement of changes in group equity for the 2013/2014 and 2014/2015 financial years.

Share capital

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

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

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

Total authorized capital therefore amounts to € 45,000,000. As in the previous year, this is equivalent to 47.16 % of the current share capital.

On the basis of a resolution adopted by the Board of Management on August 25, 2014, the employees of HORNBACH-Baumarkt-AG and its foreign subsidiaries were offered employee shares at a preferential price of € 19.00 per share. A total of 41,850 shares were acquired via the stock exchange at an average price of € 33.42 and subsequently assigned to employees. An amount of € 201k 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 per share between the preferential sale price and the stock market price (€ 9.62) has been recognized through profit or loss.

Publication of WpHG voting right notifications

HORNBACH-Baumarkt-AG published the following notification in the Stock Exchange Gazette (Börsen-Zeitung) on April 20, 2002 pursuant to § 41 (3) of the German Securities Trading Act (WpHG):

> HORNBACH HOLDING AG, Bornheim/Pfalz, has notified us pursuant to § 41 (2) Sentence 1 WpHG that it held 80.29 % of the voting rights in HORNBACH-Baumarkt-AG on April 1, 2002. These related exclusively to its own voting rights.

HORNBACH-Baumarkt-AG published the following notification in the Stock Exchange Gazette (Börsen-Zeitung) on August 16, 2002 pursuant to § 25 (1) WpHG:

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

HORNBACH-Baumarkt-AG published the following voting rights notification electronically on April 23, 2009 pursuant to § 26 (1) WpHG:

Platinum Investment Management Ltd. (formerly Platinum Asset Management ltd.), Sydney/Australia, has notified us pursuant to § 26 (1) WpHG (formerly § 25 (1) WpHG) that the notification dated May 30, 2003 has been withdrawn, as the 5 % threshold was not exceeded at that date (or subsequently).

HORNBACH-Baumarkt-AG published the following voting right notifications electronically on March 31, 2014 pursuant to § 26 (1) WpHG:

Kingfisher plc, 3 Sheldon Square, Paddington, London W2 6PX, United Kingdom, notified us on March 28, 2014 pursuant to § 21 (1) WpHG that the share of voting rights held by Kingfisher plc in HORNBACH-Baumarkt-Aktiengesellschaft fell short of the 5 % and 3 % thresholds on March 27, 2014 and on that date amounted to 0 % (corresponding to 0 voting rights).

Furthermore, Kingfisher plc notified us on March 28, 2014 that the share of voting rights held by Eijsvogel Finance Limited, 3 Sheldon Square, Paddington, London W2 6PX, United Kingdom, in HORNBACH-Baumarkt-Aktiengesellschaft fell short of the 5 % and 3 % thresholds on March 27, 2014 and on that date amounted to 0 % (corresponding to 0 voting rights).

HORNBACH-Baumarkt-AG published the following voting right notification electronically on June 17, 2014 pursuant to § 26 (1) WpHG:

Invesco Canada Ltd (formerly AIM Funds Management Inc.), Toronto, Canada, notified us on June 16, 2014 pursuant to § 21 (1) WpHG that its share of voting rights in HORNBACH-Baumarkt-Aktiengesellschaft, Bornheim bei Landau/Pfalz, fell short of the 5 % and 3 % thresholds on September 12, 2002 and on that date amounted to 0 % (corresponding to 0 voting rights).

Capital reserve

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

Revenue reserves

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

Disclosures concerning capital management

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

The company has entered into covenants towards some providers of debt capital which, among other conditions, require it to maintain an equity ratio of at least 25 %. The equity ratio, interest cover, debt/equity ratio and company liquidity (cash and cash equivalents plus available committed credit lines) are monitored monthly as part of the company’s internal risk management. Further key figures are calculated on a quarterly basis. Should the values fall short of certain target levels, then suitable countermeasures are initiated at an early stage. The covenants were complied with at all times during the 2014/2015 financial year. The equity ratio amounted to 53.3 % as of February 28, 2015 (2013/2014: 51.6 %).

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

(21) Distributable earnings and dividends

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

HORNBACH-Baumarkt-AG concluded the 2014/2015 financial year with an annual net surplus of € 46,240,495.04.

Following the allocation of € 23,100,000.00 to other revenue reserves, the unappropriated net profit amounts to € 23,140,495.04.

The Board of Management and the Supervisory Board of HORNBACH-Baumarkt-AG will propose to the Annual General Meeting that the unappropriated net profit of HORNBACH-Baumarkt-AG reported as of February 28, 2015 be appropriated as follows:

	€
Dividend of € 0.60 on 31,807,000 shares	19,084,200.00
Additional allocation to revenue reserves	4,056,295.04
	23,140,495.04

By resolution of the Annual General Meeting held on July 9, 2014, a dividend of € 0.60 (2013/2014: € 0.50) per share was distributed on a total of 31,807,000 (2013/2014: 31,807,000) individual shares in the 2014/2015 financial year. The total amount distributed thus amounted to € 19,084k (2013/2014: € 15,904k).

(22) Financial debt

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

€ 000s	Maturities			Carrying amount
	Current < 1 year	Non-current 1-5 years	Non-current > 5 years	2.28.2015 Total
Bonds	0	247,009	0	247,009
Liabilities to banks	4,972	87,111	0	92,083
Liabilities in connection with finance leases	255	564	0	819
Negative fair values of derivative financial instruments	1,667	2,882	0	4,550
Total	**6,894**	**337,567**	**0**	**344,461**

€ 000s	Maturities			Carrying amount
	Current < 1 year	Non-current 1-5 years	Non-current > 5 years	2.28.2014 Total
Bonds	0	0	246,401	246,401
Liabilities to banks	6,876	112,617	413	119,906
Liabilities in connection with finance leases	219	820	0	1,039
Negative fair values of derivative financial instruments	0	4,400	0	4,400
Total	**7,095**	**117,837**	**246,814**	**371,745**

Current financial debt amounted to € 6.9 million at the balance sheet date on February 28, 2015 (2013/2014: € 7.1 million). This consists of the portion of long-term financing facilities maturing in the short term, amounting to € 4.4 million (2013/2014: € 6.1 million), liabilities of € 1.7 million relating to the measurement of derivative financial instruments (2013/2014: € 0.0 million), and interest deferrals of € 0.8 million (2013/2014: € 1.0 million).

HORNBACH-Baumarkt-AG took up a seven-year corporate bond of € 250 million on February 15, 2013. The bond has an interest coupon of 3.875%. In combination with the issue price of 99.25 %, this results in a yield of 4.00 % p.a. The total costs of € 2,355k arising in connection with the corporate bond and the disagio of € 1,875k have been spread over the term using the effective interest method.

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

The promissory note bond of CZK 496.6 million taken up at HORNBACH Baumarkt CS spol s.r.o. in the 2010/2011 financial year was prematurely redeemed as of June 30, 2014. The accompanying swap was dissolved at fair value.

Alongside the aforementioned bond and promissory note bonds, 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:

2014/2015 financial year	Currency	Interest agreement in % (including swap)	Maturity	Amount 2.28.2015 € 000s
Loans	EUR	4.86	2016	79,873
Mortgage loans	EUR	5.57 to 6.36	2015 to 2017	7,351
	CZK	5.08	2018	4,044
				91,267

2013/2014 financial year	Currency	Interest agreement in % (including swap)	Maturity	Amount 2.28.2014 € 000s
Loans	EUR	4.86	2016	79,778
	CZK	4.83	2015	18,125
Mortgage loans	EUR	5.00 to 6.36	2014 to 2019	15,771
	CZK	5.08	2018	5,217
				118,890

Non-current liabilities to banks either have fixed interest rates, or have floating interest rates based on the short-term Euribor, or a corresponding foreign currency Ibor, plus a bank margin of, as in the previous year, 0.75 to 2.75 percentage points. Interest swaps have been concluded to secure the interest rate on non-current liabilities with floating interest rates. These enable the interest payments to be secured on those loans which could have a significant influence on the Group's annual earnings.

In the first quarter of the 2014/2015 financial year, HORNBACH-Baumarkt-AG agreed the extension of the existing syndicated credit line of € 250 million. Upon this extension, the maturity was postponed from December 14, 2016 to April 15, 2019. Furthermore, improved terms were agreed. The credit line may still also be drawn down in foreign currencies, particularly CHF, SEK and CZK, up to an amount of € 25 million. Furthermore, supplementary bilateral loan agreements of up to € 50 million may also be concluded within the credit framework (also in foreign currencies). Upon utilization of the credit line, the interest is based on the 3-month or 6-month Euribor, or the equivalent Ibor, plus an interest margin. The applicable interest margin is determined by reference to the company rating granted to HORNBACH-Baumarkt-AG by an internationally recognized rating agency. Margin premiums apply should the level of utilization exceed specified threshold values. A provision fee dependent on the respective interest margin is charged for the unutilized portion of the credit line.

As of February 28, 2015, the HORNBACH-Baumarkt-AG Group had total credit lines of € 290.8 million (2013/2014: € 291.8 million) on customary market terms. Unutilized credit lines amounted to € 286.9 million (2013/2014: € 289.5 million). Furthermore, HORNBACH-Baumarkt-AG has a credit line for import credits amounting to USD 40.0 million (2013/2014: USD 40.0 million). Of this, an amount of USD 6.4 million had been drawn down as of the balance sheet date (2013/2014: USD 6.2 million).

Land charges amounting to € 46.7 million have been provided as security for liabilities to banks (2013/2014: € 66.3 million).

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

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

€ 000s	Maturities			2.28.2015
	Current < 1 year	Non-current 1-5 years	Non-current > 5 years	Total
Liabilities in connection with finance leases	255	564	0	819
Interest component	47	40	0	87
Total lease payments to be made in future	**302**	**604**	**0**	**906**

€ 000s	Maturities			2.28.2014
	Current < 1 year	Non-current 1-5 years	Non-current > 5 years	Total
Liabilities in connection with finance leases	219	820	0	1,039
Interest component	58	86	0	144
Total lease payments to be made in future	**277**	**906**	**0**	**1,183**

(23) Pensions and similar obligations

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

Defined contribution plans

Apart from payment of contributions, the defined contribution plans do not involve any further obligations on the part of the HORNBACH-Baumarkt-AG Group. The total of all defined contribution pension expenses amounted to € 45,481k in the 2014/2015 financial year (2013/2014: € 43,049k). Of this total, an amount of € 27,611k involved the employer's share of contributions to the state pension scheme in Germany (2013/2014: € 25,771k).

Multiemployer defined benefit pension 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-Baumarkt-AG 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 € 2,200k in the 2015/2016 financial year.

Defined benefit plans

Switzerland

The HORNBACH-Baumarkt-AG 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 around 800 beneficiaries.

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. 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-Baumarkt-AG. 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 may adjust the respective 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

Since the 2011/2012 financial year, HORNBACH-Baumarkt-AG has undertaken to provide members of its Board of Management with a fund-financed pension plan. This model offers the opportunity of increasing pension claims, while the company simultaneously guarantees a minimum return of 2 % p.a. for members of its Board of Management. The assets contributed by the company or additionally paid in by members of the Board of Management are held in a fiduciary capacity and invested in diversified funds by Allianz Treuhand GmbH, Frankfurt am Main. The funds are invested in line with a capital investment concept jointly defined by

HORNBACH-Baumarkt-AG and Allianz Treuhand GmbH. Provided that amendments to the capital investment concept do not contravene the fiduciary objective, HORNBACH-Baumarkt-AG is itself entitled to have such amendments made. The risk that the trust assets do not generate the minimum return of 2 % p.a. is borne by HORNBACH-Baumarkt-AG.

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 separately compared in each case with the fund assets.

Furthermore, company employees 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. These value credits may be used, for example, for premature retirement. 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-Baumarkt-AG guarantees the value retention of amounts contributed to value credits and thus bears the investment risk. Salary components contributed by the 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.

Pensions and similar obligations are structured as follows:

	2014/2015 € 000s	2013/2014 € 000s
Present value of pension obligation	55,561	37,654
less fair value of plan assets	(44,423)	(36,898)
Pension commitments as reported in balance sheet	**11,138**	**757**
of which: pension provisions	11,138	757

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

	2.28.2015 %	2.28.2014 %
Debt securities	83.6	83.5
Shares	4.0	3.4
Real estate	10.6	10.6
Other	1.8	2.5
	100.0	**100.0**

Change in pension obligation

	2014/2015 € 000s	2013/2014 € 000s
Present value of pension obligation at the beginning of the period	37,654	34,619
Current service cost of employer	3,043	3,200
Interest cost	1,099	694
Remeasurement effects because of changes in financial assumptions	11,014	(2,066)
Actuarial gains and losses arising from experience adjustments	(1,121)	303
Employee contributions	2,470	2,577
Net balance of payments contributed and paid out	(2,466)	(876)
Insurance premiums	(1,138)	(942)
Foreign currency translation	5,005	145
Present value of pension obligation at the end of the period	**55,561**	**37,654**

Change in plan assets

	2014/2015 € 000s	2013/2014 € 000s
Plan assets at beginning of period	36,898	32,592
Interest income	1,112	677
Return on plan assets (excluding interest income)	(147)	(132)
Employer contributions	3,081	2,865
Employee contributions	2,470	2,577
Net balance of payments contributed and paid out	(2,466)	(876)
Insurance premiums	(1,138)	(942)
Foreign currency translation	4,614	136
Plan assets at the end of the period	**44,423**	**36,898**

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-Baumarkt-AG 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, these also include plan-related amounts recognized in other comprehensive income within equity.

	2014/2015 € 000s	2013/2014 € 000s
Current service cost of employer	3,043	3,200
Interest cost	1,099	694
Interest income	(1,112)	(677)
Effects recognized in P&L	**3,030**	**3,217**
Actuarial gains and losses	(9,893)	1,763
Return on plan assets (excluding interest income)	(147)	(132)
Effects recognized in OCI	**(10,040)**	**1,631**
Costs for defined benefit plans	**13,070**	**1,586**

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

	2014/2015 € 000s	2013/2014 € 000s
Selling and store expenses	2,096	2,299
Pre-opening expenses	0	0
General and administration expenses	934	918
	3,030	**3,217**

Actuarial assumptions

The calculation has been based on the following actuarial assumptions. These vary depending on the country in which the plan is based.

	2.28.2015		2.28.2014	
	Weighted average	Range	Weighted average	Range
Discount interest rate	1.1 %	1.0 % to 1.9 %	2.5 %	2.4 % to 3.0 %
Expected long-term credit interest rate	1.8 %	1.8 %	2.0 %	2.0 %
Future salary increases	1.7 %	1.5 % to 3.0 %	1.7 %	1.5 % to 3.0 %
Future pension increases	0.3 %	0.0 % to 2.0 %	0.0 %	0.0 %

The discount rate used has been determined on the basis of the return on blue-chip fixed-income 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 2005 G". Swiss plans are governed by the "BVG 2010 Generationentafel".

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	2.28.2015		2.28.2014	
	Increase	Decrease	Increase	Decrease
Discount rate (0.25 basis points change)	(2,446)	2,665	(1,332)	1,454
Rate of pension increase (0.10 basis points change)	604	(590)	399	(336)

Future cash flows

Payments of contributions amounting to € 3,092k are expected for the 2015/2016 financial year.

Expected payments	2.28.2015 € 000s
2015/2016	300
2016/2017	371
2017/2018	468
2018/2019	565
2019/2020	628
2020 to 2024	11,769

Expected payments	2.28.2014 € 000s
2014/2015	286
2015/2016	396
2016/2017	478
2017/2018	568
2018/2019	652
2019 to 2023	11,702

(24) Other non-current liabilities

Other non-current liabilities mainly involve non-current provisions. These include personnel provisions, provisions for contractually assumed structural maintenance obligations, and a provision required by law for the storage of business documents. The rental agreements underlying the maintenance obligations have remaining terms of between 1 and 21 years. The provision for the storage of business documents chiefly relates to statutory storage periods of between 7 and 11 years.

The development in provisions is presented in Note 27.

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

Non-current personnel provisions have been recognized mainly for the statutory reserve required in Austria to cover potential claims on the part of employees in the event of their leaving the company (severance pay).

Part-time early retirement

The provisions for part-time early retirement mainly involve the part-time early retirement agreements concluded by HORNBACH-Baumarkt-AG in the 2005/2006 and 2006/2007 financial years. The work undertaken by part-time early retirees is performed within the framework of the so-called block model. Provisions amounting to € 284k (2013/2014: € 958k) have been recognized to cover the performance backlog up to the balance sheet date and for top-up payments. This provision is expected to be reversed upon the final employee thereby entitled reaching regular retirement age in the 2016/2017 financial year. Claims from an existing reinsurance policy have been netted with the existing obligations. The provisions have been calculated by an independent expert on the basis of the 2005 G mortality tables published by Heubeck-Richttafeln-GmbH and using a discount rate of 0.11 % p.a. (2013/2014: 1.46 % p.a.). Moreover, provisions of € 66k (2013/2014: € 31k) were recognized to cover part-time early retirement obligations in Austria.

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 compensation 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 HORNBACH-Baumarkt-AG.

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

	2014/2015 € 000s	2013/2014 € 000s
Present value of pension obligation at the end of the period	4,003	4,126
Current service cost of employer	275	306
Interest cost	134	134
Remeasurement effects because of changes in financial assumptions	970	(52)
Actuarial gains and losses arising from experience adjustments	136	(143)
Employee contributions		
Net balance of payments contributed and paid out	(275)	(368)
Insurance premiums		
Plan amendments	0	0
Present value of pension obligation at the end of the period	**5,243**	**4,003**

	2014/2015 € 000s	2013/2014 € 000s
Current service cost of employer	275	306
Interest cost	134	134
Effects recognized in P&L	**409**	**440**
Actuarial gains and losses	(1,106)	195
Effects recognized in OCI	**(1,106)**	**195**
Total costs for the plan	**1,515**	**245**

The average remaining term of the obligation amounts to 15.3 years (2013/2014: 14.8 years).

Actuarial assumptions and sensitivity analysis

	2.28.2015	2.28.2014
Discount interest rate	1.6 %	3.3 %
Future salary increases	2.7 %	3.0 %

The discount rate used has been determined on the basis of the return on blue-chip fixed-income bonds. The biometric calculation has been based on "AVÖ 2008 P – Rechnungsgrundlage für die Pensions-versicherungen".

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	2.28.2015		2.28.2014	
	Increase	Decrease	Increase	Decrease
Discount rate (0.5 basis points change)	(378)	420	(271)	300
Rate of salary increase (0.25 basis points change)	217	(207)	160	(153)

(25) Trade payables and other liabilities

	2.28.2015 € 000s	2.28.2014 € 000s
Trade payables and advance payments received for orders	231,417	226,813
Liabilities to affiliated companies	230	1,237
of which: to shareholders	38	165
Other liabilities	56,240	57,197
of which: other taxation	18,317	17,473
of which: social security contributions	3,604	2,593
	287,887	**285,247**

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

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

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

(26) Income tax receivables and liabilities

The receivables and liabilities relating to taxes on income involve current tax liabilities / receivables and taxes for previous financial years. Tax liabilities/receivables also include taxes resulting from the external tax audit for the years 2008 to 2011 completed in the current financial year and follow-up items. Current income tax provisions are offset against corresponding income tax refund claims, provided that they relate to the same tax jurisdiction and are identical as far as their type and their due date are concerned. Tax provisions for current income taxes mainly relate to corporate income tax (including the solidarity surcharge) and to trade tax.

The "German act on fiscal measures accompanying the introduction of the European Company and amending further tax legislation (SEStEG)" came into force on December 13, 2006. Among other aspects, this act allows refunds of corporate income tax credits resulting from the retention of profit in accordance with previous corporation tax law requirements no longer to be linked to the distribution of profits. Furthermore, due to the 2010 Annual Tax Act, corporate income tax claims previously viewed as irrecoverable and amounting to a – discounted – total of € 3.0 million were recognized in the 2010/2011 financial year. The corporate income tax credits will be disbursed in ten equal amounts on September 30 of each year through to 2017. As of February 28, 2015, the HORNBACH-Baumarkt-AG Group had corporate income tax refund claims amounting to € 5.0 million in total (2013/2014: € 6.7 million), which have been recognized at a present value of € 4.9 million (2013/2014: € 6.5 million) under non-current and current income tax receivables.

Income tax receivables include a receivable of € 1.4 million in connection with trade tax credits on foreign dividends.

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

(27) Other provisions and accrued liabilities

Other provisions and accrued liabilities developed as follows in the 2014/2015 financial year:

€ 000s	Opening balance at 3.1.2014	Utilization	Reversals	Additions	Interest compound-ing	Foreign currency translation	Closing balance at 2.28.2015	of which: non-current
Other provisions								
Personnel	6,866	2,305	0	3,995	12	0	8,568	8,568
Miscellaneous	23,736	7,005	721	7,915	186	193	24,302	14,847
	30,602	**9,310**	**721**	**11,909**	**198**	**193**	**32,870**	**23,415**
Accrued liabilities								
Other taxes	213	65	20	163	0	0	290	0
Personnel	43,334	42,378	145	54,557	0	7	55,374	0
Miscellaneous	16,495	12,859	2,366	16,486	0	113	17,868	0
	60,042	**55,302**	**2,532**	**71,205**	**0**	**120**	**73,533**	**0**
	90,643	**64,612**	**3,253**	**83,114**	**198**	**313**	**106,403**	**23,415**

Miscellaneous other current provisions mainly relate to provisions for onerous contracts, recognized at € 6,153k (2013/2014: € 5,403k), for customers' expected utilization of their rights of return, at € 1,592k (2013/2014: € 1,911k), and for litigation risks, at € 604k (2013/2014: € 793k).

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

Other taxes largely involve the deferral of land tax.

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

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

Other Disclosures

(28) Guarantees and other commitments

As in the previous year, there were no guarantees or other commitments as of February 28, 2015.

(29) Other financial obligations

€ million	Maturities Current < 1 year	Non-current 1-5 years	Non-current > 5 years	2.28.2015 Total
Purchase obligations for investments	67.6	41.9	0.0	109.5
Obligations under rental, leasehold and leasing contracts	168.0	559.2	433.0	1,160.2
Other financial obligations	12.3	0.4	0.0	12.7
	247.9	**601.5**	**433.0**	**1,282.4**

€ million	Maturities Current < 1 year	Non-current 1-5 years	Non-current > 5 years	2.28.2014 Total
Purchase obligations for investments	46.0	55.8	0.0	101.7
Obligations under rental, leasehold and leasing contracts	164.6	568.9	513.1	1,246.6
Other financial obligations	10.0	0.6	0.0	10.6
	220.6	**625.2**	**513.1**	**1,358.9**

HORNBACH-Baumarkt-AG agreed a credit line of up to € 50 million with HORNBACH Immobilien AG within the framework of its expansion strategy. The agreement has a term running up to and including June 29, 2018. No funds had been drawn down as of the balance sheet date on February 28, 2015.

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

An amount of € 160,889k, excluding ancillary expenses, was recognized in the 2014/2015 financial year as rental expenses in connection with operating lease agreements (2013/2014: € 154,888k).

(30) Future income from rental and leasing contracts

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

Rental income from third parties € 000s	Maturities Current < 1 year	Non-current 1-5 years	Non-current > 5 years	Total
February 28, 2015	3,650	5,904	203	9,757
February 28, 2014	1,993	3,348	371	5,712

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

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

(31) Legal disputes

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

(32) Supplementary disclosures on financial instruments

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

€ 000s	Category	Carrying amount 2.28.2015	Fair value 2.28.2015	Carrying amount 2.28.2014	Fair value 2.28.2014
Assets					
Financial assets	AfS	1,989	1,989	94	94
Other receivables and assets					
Derivatives with hedge relationship	n.a.		0		0
Derivatives without hedge relationship	FAHfT	0	0	280	280
Other financial assets	LaR	40,238	40,238	39,917	39,917
Cash and cash equivalents	LaR	334,813	334,813	371,110	371,110
Non-current assets held for sale and disposal groups	LaR	0	0	0	0
Equity and liabilities					
Financial debt					
Bonds	FLAC	247,009	274,750	246,401	263,250
Liabilities to banks	FLAC	92,083	92,424	119,906	121,148
Liabilities in connection with finance leases	n.a.	819	821	1,039	1,056
Derivatives with hedge relationship	n.a.	2,882	2,882	4,400	4,400
Derivatives without hedge relationship	FLHfT	1,667	1,667	0	0
Trade payables and other liabilities	FLAC	239,052	239,052	239,232	239,232
Accrued liabilities	FLAC	17,868	17,868	16,495	16,495

The following items are outside the scope of IFRS 7: receivables and other assets of € 14,527k (2013/2014: € 11,797k), trade payables and other liabilities of € 76,972k (2013/2014: € 72,572k), and accrued liabilities of € 55,664k (2013/2014: € 43,547k).

Aggregate totals by measurement category € 000s	Category	Carrying amount 2.28.2015	Carrying amount 2.28.2014
Loans and receivables	LaR	375,051	411,027
Available for sale financial assets	AfS	1,989	94
Financial assets held for trading	FAHfT	0	280
Financial liabilities measured at amortized cost	FLAC	596,012	622,034
Financial liabilities held for trading	FLHfT	1,667	0

Cash and cash equivalents, other financial 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.

Available for sale financial assets comprise a ten-percent company shareholding in HORNBACH Immobilien H.K. s.r.o., Czech Republic. This company lets out several DIY store properties and is not publicly listed. Its fair value has largely been determined by reference to Level 3 input data. Due to the extension in the company's letting portfolio, its fair value was determined by reference to Level 3 input data for the first time in the 2014/2015 financial year. The shareholding was previously measured at cost. To calculate the fair value, application was made of the discounted cash flow method. To this end, the cash flows resulting from company-specific planning were discounted by a risk-adjusted interest rate (WACC). In the 2014/2015 financial year, the discount rate amounted to 7.45 %. Furthermore, account was taken of a growth factor of 1.0 %. The cash flows derived from company-specific planning mainly result from rental income within long-term letting arrangements and cash flows relating to the company's operations.

The development in the available for sale financial assets measured at fair value on the basis of Level 3 input data is presented below.

Changes in financial assets (Level 3 input data)	2014/2015	2013/2014
As of March 1	**0**	**0**
Transfer into Level 3 from measured at cost	93	0
Change in valuation (OCI)	1,895	0
Balance at February 28	**1,988**	**0**

The sensitivities of the most important input factors as of February 28, 2015 are presented in the following overview:

€ 000s	Fair Value	
	Increase	Decrease
Rent (5 % change)	591	(591)
Discount rate (50 basis point change)	(504)	589

The derivative financial instruments within hedges recognized in the balance sheet involve interest hedges (interest swaps). Derivative financial instruments outside of hedges include foreign currency items for outstanding orders. 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 finance leases have been measured by analogy. The credit risk for the aforementioned financial instruments has been accounted for by reference to risk discounts available on the market.

The fair value of the publicly listed bond corresponds to the nominal value multiplied by the market value at the balance sheet date. The fair value has thus been determined by reference to Level 1 data in the fair value hierarchy.

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.

€ 000s	2.28.2015	2.28.2014
Assets		
Valuation based on level 2 input data		
Financial assets held for trading	0	280
Valuation based on level 3 input data		
Available for sale financial assets	1,988	0
Equity and liabilities		
Valuation based on level 2 input data		
Derivatives with hedge relationship	2,882	4,400
Financial liabilities held for trading	1,667	0

The following net results have been recognized in the income statement:

Net result by measurement category	2014/2015 € 000s	2013/2014 € 000s
Loans and receivables (LaR)	3,120	(1,976)
Available-for-sale financial assets (AfS)	0	(755)
Financial instruments held for trading (FAHfT and FLHfT)	(1,947)	574
Financial liabilities measured at amortized cost (FLAC)	(1,517)	(1,108)

The net results of the measurement category "financial instruments held for trading" are attributable to derivative financial instruments. The net results of the measurement categories "loans and receivables", "available-for-sale financial assets", and "financial liabilities measured at amortized cost" involve foreign currency translation items, the results of disposals and write-downs. Furthermore, in the 2014/2015 financial year measurement changes of € 1,895k relating to "available-for-sale financial assets" were recognized directly in equity (2013/2014: € 0k).

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 transactions concluded by the Group. As in the previous year, the current fair values of these transactions mean that it would not be possible to net these transactions were the triggering event to occur.

(33) Risk management and financial derivatives

Risk management principles

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

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

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

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

Market risks

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

Foreign currency risk

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

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

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

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

€ 000s	2.28.2015	2.28.2014
EUR	(14,343)	(31,461)
USD	11,896	7,349
CZK	(807)	(681)

The above EUR currency position results from the following currency pairs: RON/EUR € -13,628k (2013/2014: € -14,379k), CHF/EUR € 10,513k (2013/2014: € -8,254k), SEK/EUR € -7,673k (2013/2014: € -18,285k), and CZK/EUR € -3,554k (2013/2014: € 9,457k).

The most important exchange rates have been presented under "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 € 2,870k lower (2013/2014: € 3,944k). 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 € 2,870k higher (2013/2014: € 3,944k). The hypothetical impact on earnings of € +2,870k (2013/2014: € +3,944k) is the result of the following sensitivities: EUR/USD € 1,397k (2013/2014: € 850k), EUR/RON € 1,364k (2013/2014: € 1,458k), EUR/CHF € -939k (2013/2014: € 830k), EUR/SEK € 775k (2013/2014: € 1,857k), and EUR/CZK € 273k (2013/2014: € -1,051k).

Interest rate risk

At the end of the year, the Group was principally financed by a euro bond with a nominal total of € 250,000k and by unsecured promissory note bonds with total equivalent nominal values of around € 80,000k (2013/2014: € 100,000k). Furthermore, the Group also has short-term and long-term fixed-interest euro loans amounting to € 7,351k (2013/2014: € 15,771k), and long-term CZK loans amounting to € 4,044k (2013/2014: € 5,217k). The principal long-term financial liabilities with floating interest rates have been converted into fixed-interest financial liabilities using derivative financial instruments.

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

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

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

In the sensitivity analysis for interest rate risks, it has been assumed that the volumes as of the balance sheet date are representative of the financial year as a whole. A parallel shift in the interest rate 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 € 3,006k higher (2013/2014: € 3,498k) and equity before deferred taxes would have been € 865k higher (2013/2014: € 1,997k). 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 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 € 301k lower (2013/2014: € 350k) and equity before deferred taxes would have been € 88k lower (2013/2014: € 205k). In the previous year, a shift in the interest rate curve by 100 basis points downwards was simulated. If the market interest rate at the previous year's balance sheet date had been 100 basis points lower, then consolidated earnings before taxes for the previous year would have been € 3,498k lower and equity before deferred taxes would have been € 2,049k lower.

Credit risk

Credit risk involves the risk that a contractual party is unable to comply in part or in full with the obligations entered into upon the conclusion of a financial instrument. The credit risk of the Group is strictly limited to the extent that financial assets and derivative financial instruments are concluded as far as possible with contractual parties of good credit standing. Moreover, transactions with individual contractual partners are subject to a maximum limit. The risk of receivables default in the operating business is already considerably reduced on account of the retail format (cash & carry). The maximum credit risk is basically equivalent to the carrying amounts of the financial assets, which do not include any material risk clusters.

Liquidity risk

The following tables show the contractually agreed (undiscounted) outflows of cash for primary and derivative financial liabilities:

€ 000s	Carrying amount 2.28.2015	Cash outflows < 1 year	1 to 5 years	> 5 years
Primary financial liabilities				
Bonds	247,009	9,688	288,776	0
Liabilities to banks	92,083	7,491	88,610	0
Liabilities in connection with finance leases	819	302	604	0
Trade payables and other liabilities	239,052	210,920	28,133	0
Accrued liabilities	17,868	17,868	0	0
	596,831	**246,268**	**406,123**	**0**
Derivative financial liabilities				
Foreign currency derivatives without hedge relationship	1,667	1,667	0	0
Interest derivatives in connection with cash flow hedges	2,882	1,896	1,019	0
	4,550	**3,564**	**1,019**	**0**
		249,831	**407,142**	**0**

€ 000s	Carrying amount 2.28.2014	Cash outflows < 1 year	1 to 5 years	> 5 years
Primary financial liabilities				
Bonds	246,401	9,688	38,750	259,714
Liabilities to banks	119,906	10,664	118,089	421
Liabilities in connection with finance leases	1,039	277	906	0
Trade payables and other liabilities	239,232	239,188	44	0
Accrued liabilities	16,495	16,495	0	0
	623,073	**276,311**	**157,789**	**260,135**
Derivative financial liabilities				
Interest derivatives in connection with cash flow hedges	4,400	1,609	2,791	0
	4,400	**1,609**	**2,791**	**0**
		277,920	**160,580**	**260,135**

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

With regard to the management of liquidity risk, reference is made to Note 22 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 for major long-term financial liabilities with floating interest rates. These enable the variable interest rates on the loans to be converted into fixed interest rates. Creditworthiness risks are not hedged.

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

The promissory note bond of CZK 496.6 million taken up at HORNBACH Baumarkt CS spol s.r.o. in the 2010/2011 financial year was prematurely redeemed as of June 30, 2014. The accompanying swap was dissolved at fair value.

At the end of the 2014/2015 financial year, the Group had interest swaps amounting to € 86,836k (2013/2014: € 107,482k), with which a transformation from floating interest commitments to fixed interest commitments was achieved. The fair value of the interest swaps amounted to € -2,882k as of February 28, 2015 (2013/2014: € -4,400k) and has been recognized under financial debt.

All interest rate swaps met hedge accounting requirements as of February 28, 2015. Fair value changes are recognized in the hedging reserve in equity up to recognition of the results of the hedged transaction.

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

Start	End	Nominal value at 2.28.2015 in € 000s	Nominal value at 2.28.2014 in € 000s	Reference rate
6.30.2011	6.30.2016	80,000	80,000	6-month Euribor
9.30.2002	9.30.2017	4,070	5,550	3-month Euribor
9.30.2002	9.30.2017	2,766	3,771	3-month Euribor

Start	End	Nominal value at 2.28.2015 in CZK 000s	Nominal value at 2.28.2014 in CZK 000s	Reference rate
8.31.2010	8.31.2015	0	496,600	6-month CZK-Pribor

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

Other hedging measures – foreign currency risk

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

Of the fair value of embedded forward exchange transactions, amounting to € -1,667k (2013/2014: € +280k), an amount of € 1,667k has been recognized under financial debt in the 2014/2015 financial year and amount of € 280k under other assets in the previous year.

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.

2.28.2015	Embedded forward exchange transactions	Interest swaps	Total
Nominal value in € 000s	19,824	86,836	106,660
Fair value in € 000s (before deferred taxes)	(1,667)	(2,882)	(4,549)

2.28.2014	Embedded forward exchange transactions	Interest swaps	Total
Nominal value in € 000s	17,730	107,482	125,212
Fair value in € 000s (before deferred taxes)	280	(4,400)	(4,120)

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

(34) Sundry disclosures

Employees

The average number of employees was as follows:

	2014/2015	2013/2014
Salaried employees	15,715	14,446
Trainees	776	768
	16,491	**15,214**
of which: part-time employees	4,559	3,041

In terms of geographical regions, 9,913 of the average workforce were employed in Germany during the 2014/2015 financial year (2013/2014: 9,030) and 6,578 in other European countries (2013/2014: 6,184).

Auditor's fee

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

	2014/2015 € 000s	2013/2014 € 000s
Auditing of financial statements	429	411
Other certification services	163	153
Tax advisory services	20	78
Other services	41	35
	633	**677**

Information on the German Corporate Governance Code

The annual Declaration of Conformity with the German Corporate Governance Code required by § 161 of the German Stock Corporation Act (AktG) was submitted by the Board of Management and Supervisory Board of HORNBACH-Baumarkt-AG in December 2014 and made available to shareholders on the company's homepage.

(35) Related party disclosures

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

The associated companies are:
HORNBACH-Familien-Treuhandgesellschaft mbH

Parent company
HORNBACH HOLDING AG

Associates
HORNBACH Immobilien AG
HORNBACH Baustoff Union GmbH

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

The following principal transactions were performed with associates:

	2014/2015 € 000s	2013/2014 € 000s
Rent and ancillary costs for rented DIY stores with garden centers and other real estate	75,416	74,133
Interest charge for group financing	(15)	138
Interest income for group financing	150	208
Allocations paid for administration expenses	701	398
Allocations received for administration expenses	1,760	2,053
Purchase of non-current assets	0	0
Deliveries and services to HORNBACH HOLDING AG and its subsidiaries	209	160
Deliveries and services from HORNBACH HOLDING AG and its subsidiaries	662	705

At February 28, 2015, there were receivables of € 1,188k (2013/2014: € 1,884k) and liabilities of € 230k (2013/2014: € 1,237) due to HORNBACH HOLDING AG and its subsidiaries. All transactions are undertaken at normal market prices and with customary delivery conditions.

HORNBACH HOLDING AG has provided guarantee declarations for liabilities at the HORNBACH-Baumarkt-AG Group amounting to € 11,744k (2013/2014: € 25,938k). Guarantee fees of € 15k (2013/2014: € 138k) were recognized as expenses at the HORNBACH-Baumarkt-AG Group in this respect during the year under report.

Some of the companies included in the consolidated financial statements of HORNBACH-Baumarkt-AG make use of Kurhaus Trifels Seminarhotel GmbH, Annweiler, for seminars and conferences. This company is represented by its managing director, Bettina Hornbach, wife of Albrecht Hornbach. Services of € 12k were performed by the seminar hotel in the 2014/2015 financial year (2013/2014: € 11k). These services were invoiced at customary rates. Liabilities of € 0k were outstanding at the balance sheet date on February 28, 2015 (2013/2014: € 2k).

(36) Events after the balance sheet date

The consolidated financial statements of HORNBACH-Baumarkt-AG for the 2014/2015 financial year were approved for publication by the Board of Management on May 4, 2015.

(37) Supervisory Board and Board of Management

Members of the Board of Management:

Steffen Hornbach Strategic Development; Operative Store Management, Sales and Services (since Nov. 1 2014); Marketing, Market Research, Internal Communications (until Sep. 30, 2014)	Chairman
Roland Pelka Finance, Accounting and Tax, Controlling, Risk Management, Loss Prevention, Group Communications; Information Technology (until December 31, 2014)	Deputy Chairman
Frank Brunner Operative Store Management, Sales and Services	until October 31, 2014
Susanne Jäger Procurement, Imports, Store Planning, Store Development, Quality Assurance, Environmental Issues	
Wolfger Ketzler *Labor Director* Personnel, Real Estate, Construction, Technical Procurement, Internal Audit, Legal, Compliance	
Karsten Kühn Marketing, Market Research, Internal Communications	since October 1, 2014
Ingo Leiner Logistics	
Dr. Andreas Schobert Technology	since January 1, 2015

Compensation of the Board of Management for the 2014/2015 financial year totals € 5,024k (2013/2014: € 5,187k). Of this, € 2,594k (2013/2014: € 2,302k) relates to fixed compensation and € 2,430k (2013/2014: € 2,885k) to performance-related components. Post-employment benefits (pension provision endowment) of € 614k were incurred for active Board members in the 2014/2015 financial year (2013/2014: € 543k).

Compensation to former members of the Board amounted to € 1,924k in the 2014/2015 financial year (2013/2014: € 739k); the pension provisions for former members total € 910k (2013/2014: € 623k).

All pension provisions are offset by corresponding value credits (Note 11).

Based on a shareholder resolution for a limited period up to and including the 2015/2016 financial year, individualized disclosure of the compensation of members of the Board of Management has been waived.

Members of the Supervisory Board:

As representatives of the shareholders

Albrecht Hornbach Chairman of the Board of Management HORNBACH HOLDING AG	Chairman
Dr. Wolfgang Rupf Managing Director of Rupf Industries GmbH and Rupf Engineering GmbH	Deputy Chairman

Dr. John Feldmann
Supervisory Board member
Former Management Board member at BASF SE

Erich Harsch
CEO
dm-drogerie markt GmbH & Co. KG

Christoph Hornbach
School Principal

Martin Hornbach
Managing Director
Corivus Gruppe GmbH

Joerg Walter Sost
Managing Partner
J.S. Consulting GmbH

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

As representatives of the employees

Kay Strelow Section Manager	Deputy Chairman for trade unions
Mohamed Elaouch Section Manager	for salaried employees
Martin Fischer Professional Customer Advisor	for salaried employees
Christian Garrecht Security Specialist	for salaried employees
Kerstin Holfert Section Manager	for salaried employees
Hans Kroha State Retail Section Head at ver.di	for trade unions
Brigitte Mauer Section Manager	for salaried employees
Michael Reiland Store Manager	for senior employees

The total compensation of the Supervisory Board for the 2014/2015 financial year amounted to € 515k (2013/2014: € 461k). Of this sum, € 390k (2013/2014: € 358k) related to basic compensation and € 125k (2013/2014: € 103k) to committee activities.

Mandates in supervisory boards and other control bodies

(Disclosures pursuant to § 285 Number 10 HGB)

Members of the Supervisory Board

a) Membership of statutory supervisory boards
b) Membership of comparable control bodies

Albrecht Hornbach
a) HORNBACH Immobilien AG (Chairman)
b) Inception Exploration Ltd. (Member of Board)
Rheinland-Pfalz Bank (Member of Advisory Board)

Dr. Wolfgang Rupf
a) HORNBACH HOLDING AG (Chairman)
IVA Valuation & Advisory AG (Deputy Chairman)
b) Inception Exploration Ltd. (Member of Board)

Dr. John Feldmann
a) Bilfinger SE
HORNBACH HOLDING AG
KION Group AG (Chairman)
KION Material Handling GmbH (Chairman, until April 2014)

Erich Harsch
a) HORNBACH HOLDING AG
b) GS 1 Germany GmbH (Chairman)

Christoph Hornbach
a) Corivus AG
HORNBACH HOLDING AG (Deputy Chairman)

Martin Hornbach
a) Corivus AG (Chairman since January 2015)
b) Corivus Swiss AG (Chairman of Advisory Board)
Corivus GmbH (Chairman of Advisory Board)

Hans Kroha
a) WASGAU Produktions & Handels AG

Joerg Walter Sost
a) HORNBACH HOLDING AG
DUOPLAST AG
b) Atreus GmbH (Member of Advisory Board)
Aurelius AG (Member of Advisory Board)
Bürger GmbH (Member of Advisory Board)
Deutsche Bank AG (Member of Regional Advisory Board)
DUOPLAST Holding GmbH (Member of Advisory Board)
ZT Management Holding GmbH (Member of Advisory Board)

Members of the Board of Management

a) Membership of statutory supervisory boards
b) Membership of comparable control bodies

Steffen Hornbach

a) HORNBACH Immobilien AG

Roland Pelka

a) HORNBACH Immobilien AG (Deputy Chairman)
WASGAU Produktions & Handels AG
b) Commerzbank AG (Member of Regional Advisory Board, Central Region)

Frank Brunner (until October 31, 2014)

b) Hornbach Baumarkt GmbH, Austria (Deputy Chairman)

Wolfger Ketzler

a) RNR AG (Chairman)

Bornheim bei Landau, May 4, 2015

HORNBACH-Baumarkt-Aktiengesellschaft
The Board of Management

Steffen Hornbach

Roland Pelka

Susanne Jäger

Wolfger Ketzler

Karsten Kühn

Ingo Leiner

Dr. Andreas Schobert

RESPONSIBILITY STATEMENT (BALANCE SHEET OATH)

We hereby affirm that, to the best of our knowledge, the consolidated financial statements give a true and fair picture of the assets, liabilities, financial position and results of operations of the Group in accordance with the applicable reporting principles, and the group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Bornheim bei Landau, May 4, 2015

HORNBACH-Baumarkt-Aktiengesellschaft
The Board of Management

Steffen Hornbach

Roland Pelka

Susanne Jäger

Wolfger Ketzler

Karsten Kühn

Ingo Leiner

Dr. Andreas Schobert

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by Hornbach-Baumarkt-AG, Bornheim bei Landau/Pfalz, comprising the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements and its report on the position of the company and the Group for the business year from March 1, 2014 to February 28, 2015. The preparation of the consolidated financial statements and the group management report in accordance with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a (1) HGB are the responsibility of the company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal control system in respect of the financial reporting process and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined, primarily on a test basis, within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

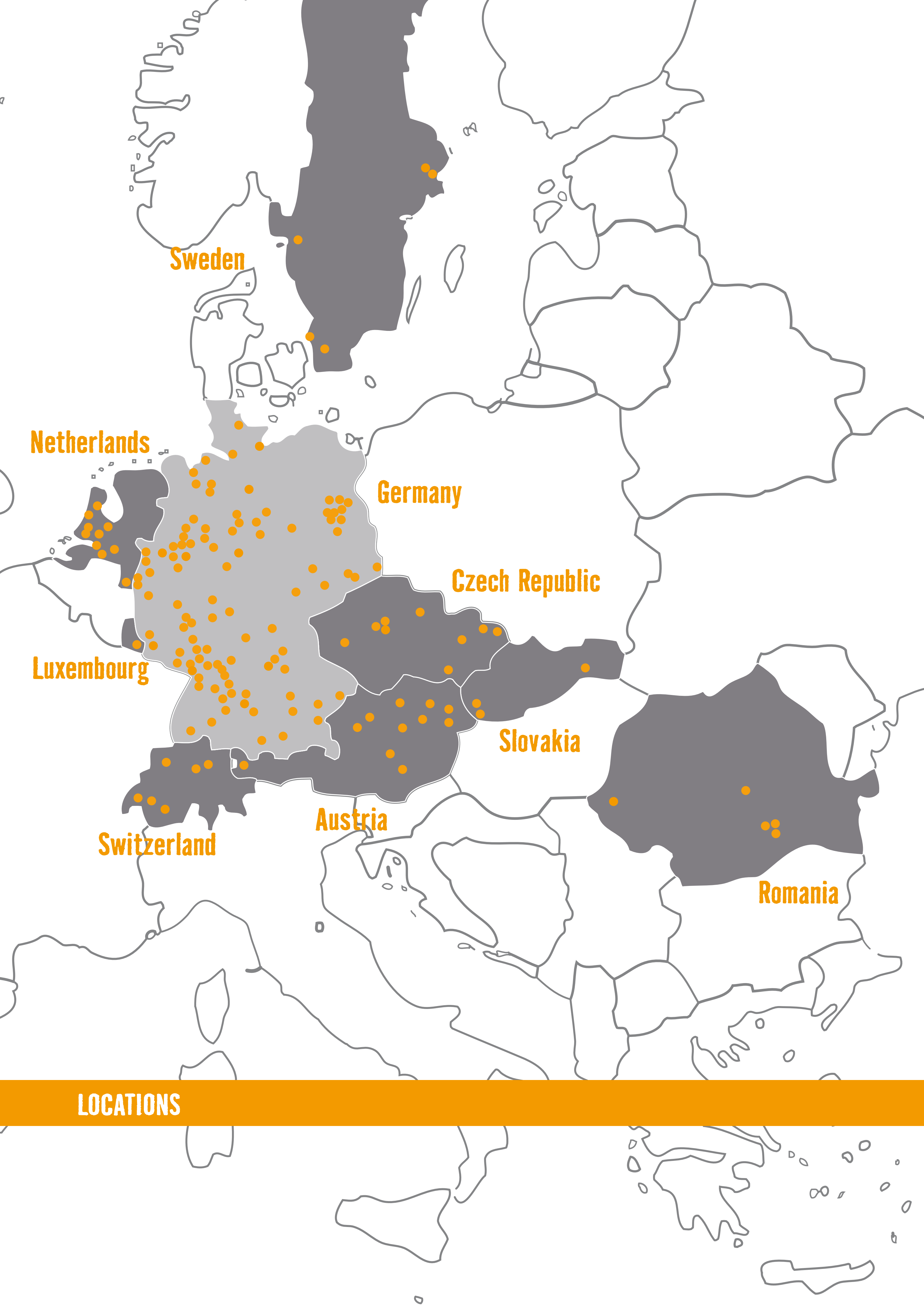
In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a (1) HGB, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, May 4, 2015
KPMG AG, Wirtschaftsprüfungsgesellschaft

Meurer
German Public Auditor

Palm
German Public Auditor

LOCATIONS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Trier*
Worms

Saarland
Saarbrücken

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* newly opened in 2014/2015 financial year

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