

HORNBACH Holding AG & Co. KGaA
Group

1st QUARTER
2016/2017

Quarterly Statement
as of May 31, 2016

HORNBACK HOLDING AG & CO. KGaA GROUP

Statement on 1st Quarter of 2016/2017 (March 1 – May 31, 2016)

Key Figures of the HORNBACK Holding AG & Co. KGaA Group (in € million, unless otherwise stated)	1 st Quarter 2016/2017	1 st Quarter 2015/2016	Change %
Net sales	1,116.1	1,052.1	6.1
of which in Germany	647.0	630.3	2.6
of which in other European countries	469.1	421.8	11.2
Like-for-like sales growth	4.4%	(1.1)%	
Gross margin as % of net sales	36.8%	37.9%	
EBITDA	99.5	96.2	3.4
EBIT	76.5	76.8	(0.3)
Consolidated earnings before taxes	68.4	72.1	(5.2)
Consolidated net income ¹⁾	50.9	52.3	(2.6)
Basic/diluted earnings per share (€)	2.56	2.57	(0.4)
Investments	49.9	30.8	62.2

Misc. key figures of the HORNBACK Holding AG & Co. KGaA Group (in € million, unless otherwise stated)	May 31, 2016	February 29, 2016	Change %
Total assets	2,814.0	2,679.7	5.0
Shareholders' equity ¹⁾	1,381.2	1,333.6	3.6
Shareholders' equity as % of total assets	49.1%	49.8%	
Number of employees	17,621	17,373	1.4

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

¹⁾ Including minority interests pursuant to IFRS

Summary

- HORNBACK Group posts pleasing start to 2016/2017 financial year
- Consolidated sales rise by 6.1% to € 1,116 million in first quarter of 2016/2017
- Like-for-like, currency-adjusted sales at DIY stores with garden centers up 4.4% – Builders' merchant sales up 0.8%
- Operating earnings of € 77 million match previous year's level
- Sales and earnings forecast confirmed for 2016/2017 financial year

The HORNBACK Holding AG & Co. KGaA Group (HORNBACK Group) began the 2016/2017 financial year with pleasing sales growth. Consolidated sales grew 6.1% to € 1,116.1 million (2015/2016: € 1,052.1 million) in the first quarter of 2016/2017 (March 1 to May 31, 2016). Sales at the largest operating subgroup, HORNBACK Baumarkt AG (DIY retail), rose 6.4% to € 1,058.9 million (2015/2016: € 995.2 million). Like-for-like, currency-adjusted DIY sales grew 4.4% in the first three months, and that although fluctuating weather conditions, at times extreme, in the spring of 2016 impeded the implementation of construction and renovation projects in many areas. The HORNBACK Baustoff Union GmbH subgroup improved its sales year-on-year by 0.8% to € 56.8 million. The HORNBACK Group upheld its consolidated operating earnings at the previous year's level, with EBIT of € 76.5 million, and that despite a lower gross margin and higher expenses for interconnected retail and e-commerce. Earnings per Holding share are reported at € 2.56 for the first three months (2015/2016: € 2.57). The full-year sales and earnings forecast for 2016/2017 has been confirmed.

Earnings, Financial, and Net Asset Situation

The HORNBAACH Holding AG & Co. KGaA Group comprises the HORNBAACH Baumarkt AG, HORNBAACH Baustoff Union GmbH, and HORNBAACH Immobilien AG subgroups.

Seasonal and calendar-related fluctuations

As a general rule, due to seasonal factors within the financial year the HORNBAACH Group reports a stronger business performance in the spring and summer months than in the fall and winter. Exceptional weather conditions may have a significant impact on the Group's sales performance within these reporting periods. Compared with the corresponding periods in previous years, this may also result in seasonal base effects. Any assessment of the business performance should also take account of those base effects that may result from different numbers of business days in the comparative periods. The Group's business performance in the three-month period to May 31, 2016 does not necessarily provide an indication of its full-year business performance.

In the first three months of the 2016/2017 financial year, the weather conditions were unfavorable for our DIY retail business across large sections of our international network. Average temperatures and volumes of precipitation in spring 2016 were consistent with long-term averages, but there were extreme fluctuations in the period from March to May 2016. Sunny and warm spells were repeatedly followed in many areas by sudden deteriorations in weather conditions, with heavy rain, snow, and sleet. May 2016 then brought very severe weather, especially in the south of Germany. In the first quarter of 2016/2017, there was a group-wide average of one business day more than in the previous year's quarter. In our assessment, the positive calendar factor was insufficient to compensate for the negative weather factors.

Sales performance of the HORNBAACH Group

Consolidated sales increased by 6.1% to € 1,116.1 million in the first quarter of 2016/2017 (2015/2016: € 1,052.1 million).

HORNBAACH Baumarkt AG subgroup

In the first quarter of 2016/2017 (March 1 to May 31, 2016), we launched operations at two new DIY megastores with garden centers in Prague (Czech Republic) and Innsbruck (Austria). In Germany, one small existing location was closed due to the lack of any possibility to extend the site. As of May 31, 2016, the HORNBAACH Baumarkt AG subgroup operated a total of 154 retail outlets (February 29, 2016: 153), of which 98 in Germany (99).

The subgroup's sales exceeded the one billion euro mark for the first time in the first quarter of 2016/2017, growing by 6.4% to € 1,058.9 million (2015/2016: € 995.2 million). On a like-for-like basis, i.e. excluding sales at stores newly opened or closed in the past twelve months, group-wide DIY sales rose by 4.4% net of currency items in the first quarter (2015/2016: minus 1.1%), and by 4.0% including currency items. From a geographical perspective, this pleasing sales growth was driven both by the Germany region and the Other European countries region. Given the extreme weather fluctuations seen in the months of March to May 2016, a detrimental factor when it comes to planning and implementing some construction and home improvement projects, the sales performance in the opening quarter of this financial year can be termed very pleasing. Key data relating to the sales performance in the first quarter of 2016/2017 is as follows:

Germany region

- Net sales up 2.8% to € 591.9 million (2015/2016: € 575.7 million)
- Like-for-like sales growth of 2.7%
- Outperformance of German DIY sector extended compared with Q1 2015/2016

Other European countries region

- Net sales with significant growth of 11.3% to € 467.0 million (2015/2016: € 419.6 million)
- International share of subgroup's sales increases from 42.2% to 44.1%
- Like-for-like, currency-adjusted sales up 6.6% – including currency items up 5.7%

HORNBACH Baustoff Union GmbH subgroup

The HORNBACH Baustoff Union GmbH (HBU), which focuses above all on the needs of professional customers in its main target groups of the main construction and subconstruction trades, as well as private construction clients, increased its sales by 0.8% to € 56.8 million in the first quarter of 2016/2017. As of May 31, 2016, this subgroup was operating an unchanged total of 24 builders' merchant outlets in south-western Germany and at two locations close to the border in France (Lorraine).

Earnings performance

The following comments refer to the earnings performance of the overall HORNBACH Holding AG & Co. KGaA Group. Key data relating to the earnings performance in the first quarter of 2016/2017 (March 1 to May 31, 2016) is as follows:

- Gross profit rose by 3.1% to € 410.6 million in the first quarter of 2016/2017 (2015/2016: € 398.4 million). The gross margin decreased from 37.9% to 36.8%. This reduction chiefly resulted from lower retail prices and changes in the product mix due among other factors to the growing share of e-commerce sales in the retail business at the HORNBACH Baumarkt AG subgroup.
- Selling and store expenses rose by 3.9%, and thus less rapidly than sales, in the period under report. As a result, the store expense ratio decreased from 26.3% to 25.8%. At 0.2%, the pre-opening expense ratio remained unchanged. General and administration expenses, which rose by 4.3%, also increased less rapidly than sales. Pure administration expenses grew by 1.2%, thus declining as a proportion of sales, while the expenses incurred to expand e-commerce and for our interconnected retail (ICR) strategy increased by 14.3%.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) for the first quarter of 2016/2017 grew by 3.4% to € 99.5 million (2015/2016: € 96.2 million).
- At € 76.5 million, operating earnings (EBIT) remained virtually unchanged (2015/2016: € 76.8 million). Non-operating income and expenses played a negligible role in the income statement for the first quarter of 2016/2017. Adjusted EBIT thus largely corresponds to EBIT.
- Due in particular to negative currency items and a higher interest charge, net financial expenses deteriorated significantly from minus € 4.6 million to minus € 8.1 million. This figure also accounts for the higher interest charge resulting from the re-classification of eleven former operating lease contracts as finance lease contracts.
- Consolidated earnings before taxes decreased by 5.2% to € 68.4 million (2015/2016: € 72.1 million).
- Net income for the period is reported at € 50.9 million (2015/2016: € 52.3 million). Earnings per Holding share remained almost unchanged at € 2.56 in the first quarter of 2016/2017 (2015/2016: € 2.57).

Earnings performance per segment

The key earnings figures of the overall Group for the period under report were largely shaped by the earnings performance of the **HORNBACH Baumarkt AG subgroup**. Operating earnings (EBIT) here decreased by 5.6% to € 61.5 million in the first quarter of 2016/2017 (2015/2016: € 65.2 million). Further details about the earnings performance can be found in the quarterly statement published separately by the HORNBACH Baumarkt AG subgroup.

EBIT at the **HORNBACH Baustoff Union GmbH subgroup** rose by 2.4% to € 1.5 million (2015/2016: € 1.4 million).

Mainly benefiting from lower real estate expenses, EBIT at the **HORNBACH Immobilien AG subgroup** increased by 21.2%, or € 2.5 million, to € 14.4 million. The previous year's quarter had been adversely affected by higher costs for converting the former Praktiker location in Saarbrücken, which was reopened in March 2015 as a state-of-the-art HORNBACH DIY store with a garden center.

Financial and net asset situation

Consistent with the Group's expansion, investments rose from € 30.8 million to € 49.9 million in the first three months of the current 2016/2017 financial year. Of this total, around 68% was invested in land and buildings, while the remainder was channeled into plant and office equipment at new and existing stores, as well as into intangible assets (mainly IT software). Furthermore, we restructured cash and cash equivalents of € 60 million into current financial assets with terms of more than three months. Investments were fully financed by the cash flow of € 120.7 million from operations (2015/2016: € 130.3 million). Information about the financing and investing activities of the HORNBACH Group can be found in the cash flow statement on Page 10.

Total assets grew to € 2,814.0 million as of May 31, 2016, up 5.0% compared with the balance sheet date on February 29, 2016. This was mainly due to increases in receivables and other assets (plus € 72 million), property, plant and equipment (plus € 43 million), and inventories (plus € 35 million). Shareholders' equity as reported in the balance sheet rose by 3.6% to € 1,381.2 million. At 49.1%, the equity ratio remained high (February 29, 2016: 49.8%). Including current financial assets, net financial debt decreased from € 441.1 million at the balance sheet date on February 29, 2016 to € 388.4 million as of May 31, 2016.

Employees

A total of 17,621 employees were in fixed employment at the HORNBACH Holding AG & Co. KGaA Group or one of its subsidiaries as of the reporting date on May 31, 2016 (February 29, 2016: 17,373).

Other Disclosures

New quarterly reporting format

Following a change in European Community law, the obligation for publicly listed companies in the EU to provide quarterly reporting was lifted in 2015. As a result, the legal obligation for publicly listed companies to issue quarterly reports was rescinded in Germany as well. Pursuant to § 51 a of the Stock Exchange Rules of the Frankfurt Stock Exchange, we are drawing on the option of preparing condensed quarterly statements in German and English for the first and third quarters of the financial year rather than full quarterly reports. This statement pools all relevant information in a new format. Furthermore, we will as previously continue to prepare a half-year financial report as well as the combined management report in the Annual Report of the HORNBACH Holding AG & Co. KGaA Group.

The figures reported have been rounded up or down to the nearest million euro amounts. Discrepancies may therefore arise between the various figures presented. Percentages have been calculated on the basis of thousand euro amounts.

Contingent liabilities and other financial obligations

These mainly involve obligations for rental, hiring, leasehold and leasing contracts for which the companies of the HORNBACH Holding AG & Co. KGaA Group do not constitute the economic owners of the assets thereby leased pursuant to IFRS regulations (operating lease). These amounted to € 622.2 million at the end of the first quarter as of May 31, 2016 (February 29, 2016: € 622.2 million).

Outlook

The outlook and other statements made concerning the expected performance of the Group in the 2016/17 financial year have not changed materially compared with the assessments published in the 2015/2016 Annual Report of the HORNBAACH Holding AG & Co. KGaA Group.

The Board of Management can confirm the sales and earnings forecast for the 2016/2017 financial year published on Pages 94 to 97 of the 2015/2016 Annual Report. Accordingly, the company still expects to generate consolidated sales growth in a medium single-digit percentage range. With regard to the earnings forecast, the company still expects its operating earnings (EBIT) to significantly exceed the figure for the previous 2015/2016 financial year (€ 137.5 million) and its EBIT net of non-operating income and expenses to match or slightly exceed the level reported for the 2015/2016 financial year (€ 151.2 million).

Income Statement

€ million	1 st Quarter 2016/2017	1 st Quarter 2015/2016	Change %
Sales	1,116.1	1,052.1	6.1
Cost of goods sold	705.5	653.7	7.9
Gross profit	410.6	398.4	3.1
Selling and store expenses	287.5	276.8	3.9
Pre-opening expenses	2.0	1.8	16.0
General and administration expenses	47.1	45.1	4.3
Other income and expenses	2.5	2.0	22.2
Earnings before interest and taxes (EBIT)	76.5	76.8	(0.3)
Interest and similar income	0.4	0.2	86.1
Interest and similar expenses	7.9	6.6	20.1
Other financial result	(0.7)	1.7	>(100)
Net financial expenses	(8.1)	(4.6)	75.2
Consolidated earnings before taxes	68.4	72.1	(5.2)
Taxes on income	17.4	19.8	(11.8)
Consolidated net income	50.9	52.3	(2.6)
of which: income attributable to shareholders	41.0	41.4	(0.9)
of which: non-controlling interest	9.9	10.9	(9.2)
Basic/diluted earnings per share (€)	2.56	2.57	(0.4)
Basic/diluted earnings per preference share (€)	--	2.60	

Statement of Comprehensive Income

€ million	1 st Quarter 2016/2017	1 st Quarter 2015/2016
Consolidated net income	50.9	52.3
Actuarial gains and losses on defined benefit plans	(1.8)	(3.5)
Deferred taxes on actuarial gains and losses on defined benefit plans	0.3	0.7
Other comprehensive income that will not be recycled at a later date	(1.5)	(2.8)
Measurement of derivative financial instruments (cash flow hedge)		
Measurement of derivative hedging instruments directly in equity ¹⁾	(0.3)	(0.2)
Gains and losses from measurement of derivative financial instruments transferred to profit or loss	0.7	1.1
Exchange differences arising on the translation of foreign subsidiaries	(2.2)	4.1
Deferred taxes on gains and losses recognized directly in equity	(0.1)	(0.2)
Other comprehensive income that will be recycled at a later date	(1.9)	4.7
Total comprehensive income	47.5	54.2
of which: attributable to shareholders	38.3	42.9
of which: attributable to non-controlling interest	9.2	11.3

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

Balance Sheet

Assets	May 31, 2016		February 29, 2016	
	€ million	%	€ million	%
Non-current assets				
Intangible assets	13.3	0.5	12.2	0.5
Property, plant, and equipment	1,550.6	55.1	1,507.9	56.3
Investment property	40.6	1.4	41.0	1.5
Non-current receivables and other assets	5.7	0.2	8.8	0.3
Non-current income tax receivables	3.7	0.1	8.2	0.3
Deferred tax assets	16.3	0.6	16.5	0.6
	1,630.3	57.9	1,594.8	59.5
Current assets				
Inventories	658.4	23.4	623.0	23.2
Other receivables and assets	156.5	5.6	85.0	3.2
Income tax receivables	25.7	0.9	24.8	0.9
Cash and cash equivalents	340.6	12.1	349.7	13.1
Non-current assets held for sale and disposal groups	2.5	0.1	2.4	0.1
	1,183.7	42.1	1,085.0	40.5
	2,814.0	100.0	2,679.7	100.0

Equity and liabilities	May 31, 2016		February 29, 2016	
	€ million	%	€ million	%
Shareholders' equity				
Share capital	48.0	1.7	48.0	1.8
Capital reserve	130.4	4.6	130.4	4.9
Revenue reserves	964.2	34.3	925.9	34.6
Equity of shareholders of HORNBACH Holding AG & Co. KGaA	1,142.6	40.6	1,104.3	41.2
Non-controlling interest	238.6	8.5	229.3	8.6
	1,381.2	49.1	1,333.6	49.8
Non-current liabilities				
Non-current financial debt	646.3	23.0	638.5	23.8
Provisions for pensions	16.7	0.6	14.6	0.5
Deferred tax liabilities	51.9	1.8	52.3	1.9
Other non-current liabilities	33.8	1.2	32.6	1.2
	748.7	26.6	737.9	27.5
Current liabilities				
Current financial debt	142.7	5.1	152.3	5.7
Trade payables and other liabilities	411.0	14.6	351.9	13.1
Income tax liabilities	32.9	1.2	23.7	0.9
Other provisions and accrued liabilities	97.5	3.5	80.3	3.0
	684.1	24.3	608.2	22.7
	2,814.0	100.0	2,679.7	100.0

Statement of Changes in Equity

1 st Quarter 2015/2016 € million	Share capital	Capital reserve	Hedging reserve	Cumulative currency translation	Other revenue reserves	Equity attributable to shareholders	Non-controlling interest	Total group equity
Balance at March 1, 2015	48.0	130.4	(4.6)	23.9	843.4	1,041.1	217.9	1,259.0
Consolidated net income					41.4	41.4	10.9	52.3
Actuarial gains and losses on defined benefit plans, net after taxes					(2.2)	(2.2)	(0.7)	(2.8)
Measurement of derivative financial instruments (cash flow hedge), net after taxes			0.5			0.5	0.1	0.6
Foreign currency translation				3.2		3.2	1.0	4.1
Total comprehensive income	0.0	0.0	0.5	3.2	39.2	42.9	11.3	54.2
Balance at May 31, 2015	48.0	130.4	(4.1)	27.1	882.7	1,084.0	229.2	1,313.2

1 st Quarter 2016/2017 € million	Share capital	Capital reserve	Hedging reserve	Cumulative currency translation	Other revenue reserves	Equity attributable to shareholders	Non-controlling interest	Total group equity
Balance at March 1, 2016	48.0	130.4	(1.8)	21.6	906.0	1,104.3	229.3	1,333.6
Consolidated net income					41.0	41.0	9.9	50.9
Actuarial gains and losses on defined benefit plans, net after taxes					(1.2)	(1.2)	(0.4)	(1.5)
Measurement of derivative financial instruments (cash flow hedge), net after taxes			0.2			0.2	0.1	0.3
Foreign currency translation				(1.7)		(1.7)	(0.4)	(2.2)
Total comprehensive income	0.0	0.0	0.2	(1.7)	39.9	38.3	9.2	47.5
Balance at May 31, 2016	48.0	130.4	(1.6)	19.9	945.9	1,142.6	238.6	1,381.2

Cash Flow Statement

€ million	1 st Quarter 2016/2017	1 st Quarter 2015/2016
Consolidated net income	50.9	52.3
Depreciation and amortization of non-current assets	23.0	19.4
Change in provisions	0.1	0.1
Gains/losses on disposals of non-current assets and of non-current assets held for sale	(0.4)	(0.1)
Change in inventories, trade receivables, and other assets	(40.9)	(31.2)
Change in trade payables and other liabilities	86.8	90.4
Other non-cash income/expenses	1.1	(0.6)
Cash flow from operating activities	120.7	130.3
Proceeds from disposal of non-current assets and of non-current assets held for sale	0.7	0.3
Payments for investments in property, plant, and equipment	(48.3)	(30.1)
Payments for investments in intangible assets	(1.6)	(0.7)
Cash paid for investments in connection with short-term finance planning	(60.0)	0.0
Cash flow from investing activities	(109.3)	(30.5)
Repayment of long-term debt	(6.5)	(8.5)
Change in current financial debt	(13.8)	8.1
Cash flow from financing activities	(20.3)	(0.4)
Cash-effective change in cash and cash equivalents	(8.9)	99.5
Change in cash and cash equivalents due to changes in exchange rates	(0.3)	0.2
Cash and cash equivalents at March 1	349.7	400.9
Cash and cash equivalents at May 31	340.6	500.6

Segment Report

1 st Quarter 2016/2017 in € million 1 st Quarter 2015/2016 in € million	HORNBACH Baumarkt AG subgroup	HORNBACH Baustoff Union GmbH subgroup	HORNBACH Immobilien AG subgroup	Headquarters and consolidation	HORNBACH Holding AG & Co. KGaA Group
Segment sales	1,058.9	56.8	19.8	(19.4)	1,116.1
	995.2	56.4	19.5	(19.0)	1,052.1
Sales to third parties	1,058.4	56.6	0.0	0.0	1,115.1
	994.8	56.2	0.0	0.0	1,051.0
Sales to affiliated companies	0.0	0.2	0.0	(0.2)	0.0
	0.0	0.2	0.0	(0.2)	0.0
Rental income from third parties	0.4	0.0	0.6	0.0	1.0
	0.4	0.0	0.7	0.0	1.1
Rental income from affiliated companies	0.0	0.0	19.2	(19.2)	0.0
	0.0	0.0	18.9	(18.9)	0.0
Segment earnings (EBIT)	61.5	1.5	14.4	(0.9)	76.5
	65.2	1.4	11.9	(1.8)	76.8
Depreciation and amortization	18.2	1.3	3.5	0.0	23.0
	14.5	1.4	3.5	0.1	19.4
EBITDA	79.7	2.7	17.9	(0.9)	99.5
	79.7	2.8	15.4	(1.7)	96.2
Segment assets	2,100.4	143.8	479.9	44.2	2,768.2
	1,858.5	142.7	491.6	50.5	2,543.3

Reconciliation in € million	1 st Quarter 2016/2017	1 st Quarter 2015/2016
Segment earnings (EBIT) before "Headquarters and consolidation"	77.4	78.5
Headquarters	(0.9)	(1.4)
Consolidation adjustments	0.0	(0.4)
Net financial expenses	(8.1)	(4.6)
Consolidated earnings before taxes	68.4	72.1

FINANCIAL CALENDAR 2016

June 24, 2016	Quarterly Statement: 1 st Quarter of 2016/2017 as of May 31, 2016
July 8, 2016	Annual General Meeting of HORNBAACH Holding AG & Co. KGaA Festhalle Landau, Landau/Pfalz
September 29, 2016	Half-Year Financial Report 2016/2017 as of August 31, 2016 DVFA Analysts Conference
December 22, 2016	Quarterly Statement: 3 rd Quarter of 2016/2017 as of November 30, 2016

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DISCLAIMER

This interim report contains forward-looking statements based on assumptions and estimates made by the Board of Management of HORNBAACH. Statements referring to the future 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 HORNBAACH. Furthermore, they include a lack of acceptance of new sales formats or new product ranges, as well as changes to the corporate strategy. HORNBAACH has no plans to update the forecast statements, neither does it accept any obligation to do so.