

# INTERIM REPORT

HORNBAACH HOLDING AG GROUP

1<sup>st</sup> QUARTER

2014/2015

(MARCH 1 – MAY 31, 2014)

# HORNBACH HOLDING AG GROUP

## Interim Report for the 1<sup>st</sup> Quarter of 2014/2015

(March 1 – May 31, 2014)

Key Figures of the HORNBACH HOLDING AG Group (in € million, unless otherwise stated)	1 <sup>st</sup> Quarter 2014/2015	1 <sup>st</sup> Quarter 2013/2014	Change %
<b>Net sales</b>	<b>1,035.1</b>	<b>892.0</b>	<b>16.0</b>
of which in other European countries	404.7	362.4	11.7
Like-for-like sales growth	14.6%	(5.9)%	
Gross margin as % of net sales	37.7%	36.7%	
EBITDA	106.0	69.5	52.6
<b>EBIT</b>	<b>87.3</b>	<b>51.1</b>	<b>70.8</b>
Consolidated earnings before taxes	78.7	42.7	84.2
Consolidated net income <sup>1)</sup>	55.2	31.2	77.0
Basic/diluted earnings per preference share (€)	2.77	1.62	71.0
Investments	34.4	31.1	10.6

Misc. key figures of the HORNBACH HOLDING AG Group (in € million, unless otherwise stated)	May 31, 2014	February 28, 2014	Change %
Total assets	2,509.0	2,362.3	6.2
Shareholders' equity	1,219.4	1,164.1	4.7
Shareholders' equity as % of total assets	48.6%	49.3%	
Number of employees <sup>2)</sup>	16,381	16,021	2.2

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

<sup>1)</sup> Including minority interests pursuant to IFRS

<sup>2)</sup> Head count at reporting date including persons in marginal employment

## Summary

- HORNBACK Group with successful start to 2014/2015 financial year
- First-quarter sales up 16.0 % to € 1,035 million
  - DIY megastores with garden centers: like-for-like sales growth of 14.6 % – all countries report positive growth
  - Builders' merchant sales up by one tenth to € 58.0 million
- Substantially disproportionate earnings growth – EBIT for first three months up 70.8 % to € 87.3 million
- After new openings in Lübeck and Prague, store network grows to 143 DIY stores and garden centers in nine countries
- Full-year forecast for 2014/2015 remains unchanged

The HORNBACK HOLDING AG Group (HORNBACK Group) began the 2014/2015 financial year on a highly dynamic note. In the first three months of the current financial year (March 1 to May 31, 2014), the Group more than made up for the sharp drop in sales and earnings due to weather conditions in the previous year's quarter and posted record levels of sales and earnings. Sales at the HORNBACK HOLDING AG Group in the first quarter of 2014/2015 increased by 16.0 % to € 1,035.1 million. Sales at HORNBACK-Baumarkt-AG, the largest operating subgroup, grew by 16.4 % to € 976.7 million. These figures also includes sales at the two stores opened in Lübeck and Prague in March 2014. Like-for-like sales at the HORNBACK DIY megastores with garden centers showed group-wide growth of 14.6 %. The domestic business once again accounted for the strongest growth momentum. We can nevertheless also point to pleasing sales growth in the eight countries outside Germany. First-quarter sales at the 27 builders' merchant outlets at the HORNBACK Baustoff Union GmbH subgroup increased by 10.1 % to € 58.0 million (2013/2014: € 52.7 million).

Consistent with expectations, this sales performance together with an improved gross margin and more favorable store operation and administration expense ratios enabled the HORNBACK Group to significantly increase its earnings compared with the previous year's figures. Consolidated operating earnings (EBIT) rose by 70.8 % to € 87.3 million (2013/2014: € 51.1 million). Net income for the period totaled € 55.2 million (2013/2014: € 31.2 million). Earnings per preference share amounted to € 2.77 for the period under report (2013/2014: € 1.62). The Group has confirmed its sales and earnings forecast for the 2014/2015 financial year as a whole.

## Earnings, Financial and Net Asset Situation

### Sales performance

The HORNBACK HOLDING AG Group comprises the HORNBACK-Baumarkt-AG, HORNBACK Baustoff Union GmbH and HORNBACK Immobilien AG subgroups. The HORNBACK Group's sales for the first quarter of the current 2014/2015 financial year (March 1 to May 31, 2014) increased by 16.0 % to € 1,035.1 million (2013/2014: € 892.0 million).

### HORNBACK-Baumarkt-AG subgroup

In the quarter under report (March 1 to May 31, 2014), this subgroup's sales more than made up for the ground lost in the same period in the previous year. While in spring 2013 the garden business was massively impaired by the prolonged winter in the months of March and April, the 2014 spring season benefited from mild weather conditions. In March 2014 in particular, customer demand for construction, renovation and gardening products and services virtually rocketed across our group network, with sales growth of 34.5 %. April and May 2014 also brought very pleasing sales performances. In the first quarter of 2014/2015, sales at the HORNBACK-Baumarkt-AG subgroup grew year-on-year by 16.4 % to € 976.7 million (2013/2014: € 838.9 million), thus also significantly exceeding first-quarter sales in the year before last (2012/2013: € 865.1 million).

The sales for the first quarter of 2014/2015 include sales at two newly opened stores. In March 2014, we opened our 93<sup>rd</sup> location in Germany in Lübeck. In the same month, operations were launched in Prague-Čestlice, our third HORNBACH DIY megastore with a garden center in the Czech capital. Our store network in the Czech Republic now comprises nine locations. As of May 31, 2014, HORNBACH operated 143 retail outlets across the Group (February 28, 2014: 141). Of these, 50 stores are in other European countries.

On a like-for-like basis, i.e. excluding stores newly opened or closed in the past twelve months, and net of currency items, group-wide sales grew by 14.6 % in the first quarter of 2014/2015. Including currency items, like-for-like sales growth amounted to 13.9 %. The strongest sales growth, also largely determining the quarterly performance, was generated in March, in which the Group's like-for-like sales increased by a third. The geographical segmentation figures reveal that HORNBACH's German store network once again showed the highest growth momentum. The "Other European countries" segment nevertheless also reported like-for-like sales growth in all three months in the reporting period.

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

Percentage change on previous quarter Source: Eurostat (calendar year figures)	2 <sup>nd</sup> Quarter 2013	3 <sup>rd</sup> Quarter 2013	4 <sup>th</sup> Quarter 2013	1 <sup>st</sup> Quarter 2014
Germany	0.7	0.3	0.4	0.8
Austria	0.0	0.3	0.4	0.3
Czech Republic	0,3	0,3	1,8	0,0
Luxembourg	1.9	0.6	0.7	n.a.
Netherlands	0.0	0.1	1.0	-1,4
Romania	0.7	1.6	1.4	0.1
Slovakia	0.4	0.4	0.5	0.6
Sweden	0.1	0.3	1.6	-0.1
Switzerland	0.5	0.5	0.2	0.5
<b>Euro area (EA 18)</b>	<b>0.3</b>	<b>0.1</b>	<b>0.3</b>	<b>0.2</b>
<b>EU 28</b>	<b>0.4</b>	<b>0.3</b>	<b>0.4</b>	<b>0.3</b>

#### ■ Germany

According to the assessment by the German Bundesbank, the upturn in the Germany economy has gained further significant ground since the beginning of 2014. Adjusted for seasonal and calendar factors, real-term gross domestic product (GDP) grew by 0.8 % in the first quarter of the 2014 calendar year compared with the previous quarter. The upward trend in the domestic economy has recently received additional momentum from investments in equipment, which have regained positive growth territory following a long period of weakness. To date, the strong levels of confidence among companies and consumers in Germany have not been adversely affected to any noticeable extent by negative factors in the international arena. On the contrary, the trend towards recovery in the euro area is thought to have helped improve the investment climate, previously long plagued by uncertainty. Private consumer spending remained a key growth driver in the first three months of 2014. Weather conditions played a major role here, as the exceptionally mild, dry winter hardly impaired economic activity in outdoor professions. Overall, construction investments showed strong growth, a development thought to have been driven in particular by housing construction. Demand for commercial construction has also risen noticeably in recent months. The German retail sector benefited from consumers' propensity to spend. Between January and April 2014, sales here rose by 1.2 % in real terms and by 2.0 % in nominal terms compared with the equivalent period in the previous year.

The DIY store and garden center sector also profited from the mild winter in the first calendar quarter of 2014. According to figures released by the BHB sector association, the sector generated nominal sales growth of 8.5 % in this period, contrasting with the 12.2 % downturn seen in the previous year's quarter. These figures include sales at the insolvent Praktiker Group. Sig-

nificantly more positive developments are apparent in the sector figures excluding stores newly opened and closed, which no longer include sales at the Praktiker and Max Bahr DIY stores now closed. Including consolidation items, the German DIY sector thus generated like-for-like sales growth of 26.4 % in the period from January to March 2014. In the months of April and May, sales showed year-on-year growth in a medium to high single-digit percentage range.

In this competitive climate, HORNBAACH's German DIY megastores with garden centers superbly asserted their position and continued to outperform the sector average. In the first three months of the 2014/2015 financial year (March 1 to May 31, 2014), sales at HORNBAACH's domestic stores grew by a fifth to € 574.5 million (2013/2014: € 478.9 million). On a like-for-like basis, we increased our domestic sales by 19.4 %, thus further significantly exceeding the strong momentum already seen in the fourth quarter of 2013/2014.

#### ■ Other European countries

Compared with developments in the German economy, the European rate of expansion remained more subdued. In the 2014 winter months, seasonally-adjusted real-term gross domestic product grew by 0.2 % in the euro area and by 0.3 % in the European Union (EU 28). Due not least to special factors, the discrepancies in growth rates between individual regions became more marked once again in the first calendar quarter of 2014. According to figures available from Eurostat, GDP growth rates in the nine countries in which HORNBAACH operates its DIY megastores with garden centers ranged from 0.8 % in Germany to minus 1.4 % in the Netherlands. The Bundesbank largely attributes the weak figure for the Netherlands to decidedly weak levels of domestic consumption and exports of natural gas due to mild temperatures. Growth rates in Romania, Sweden, and the Czech Republic matched the previous quarter's figures. In Austria, Switzerland, and Slovakia, economic output grew by between 0.3 % and 0.6 % compared with the previous quarter.

GDP growth in the EU in the first calendar quarter of 2014 was lent positive momentum by the construction industry, which significantly increased its seasonally-adjusted output on account of the mild winter weather. Boosted by the first signs of improvement on the labor market, private consumer spending managed at least to generate marginally positive growth momentum. Seasonally-adjusted real-term retail sales (excluding vehicle retail) in the first quarter of 2014 were thus around 0.7 % ahead of the figure for the final quarter of 2013.

Demand for products and services relating to construction and renovation projects showed pleasing developments in the countries where we operate in the period under report. The positive trend apparent since the second quarter of 2013/2014 intensified further in the first three months of the 2014/2015 financial year. Including the most recent new store openings, sales in Other European countries, the segment in which the company's business activities in eight countries outside Germany are pooled, grew by 11.7 % to € 402.1 million (2013/2014: € 360.0 million). Due to the lower rate of growth compared with Germany, the international share of consolidated sales at HORNBAACH-Baumarkt-AG decreased from 42.9 % to 41.2 %. On a like-for-like basis, sales outside Germany in the first quarter of 2014/2015 grew by 8.2 % excluding and by 6.7 % including currency items. On a regional level, we can report substantial like-for-like sales growth in all countries.

#### **HORNBAACH Baustoff Union GmbH subgroup**

Given favorable conditions overall, the HORNBAACH Baustoff Union GmbH (HBU) subgroup, which focuses on the needs of professional customers in its main target groups in the main construction and subconstruction trades, as well as on private clients, also achieved significant sales growth in the first quarter of 2014/2015. Builders' merchant sales thus increased by 10.1 % to € 58.0 million in the period under report (2013/2014: € 52.7 million). HBU currently operates 25 builders' merchant outlets in south-western Germany and 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 Group in the first quarter of 2014/2015 (March 1 to May 31, 2014). In the period under report, the HORNBACH Group not only made up for the weather-related loss of earnings in the previous year's quarter, but also significantly exceeded the earnings reported for the same period in the year before last (2012/2013). Consistent with expectations, the high level of like-for-like sales growth in Germany and abroad together with an improvement in the gross margin led to markedly disproportionate earnings growth in the first quarter.

More favorable procurement terms in particular led to an improvement in the gross margin, i.e. gross profit as a percentage of net sales, from 36.7 % to 37.7 %. Primarily due to higher personnel expenses (including bonus payments) and operating expenses, selling and store expenses increased, albeit less rapidly than sales, by 8.8 % to € 260.0 million (2013/2014: € 239.0 million). As a result, the store expense ratio fell from 26.8 % to 25.1 %. Pre-opening expenses rose from € 2.3 million to € 3.6 million. As a percentage of net sales, they most recently amounted to 0.3 %. Driven mainly by higher personnel expenses, general and administration expenses grew by 9.9 % to € 41.4 million. The administration expense ratio improved from 4.2 % to 4.0 %. Non-operating earnings items were negligible in the quarter under report. The previous year's figures include a non-operating gain of € 0.6 million from the disposal of a piece of land not used for operations.

Earnings before interest, taxes, depreciation and amortization (EBITDA) rose by 52.6 % to € 106.0 million in the first quarter of 2014/2015 (2013/2014: € 69.5 million). Operating earnings (EBIT) increased by 70.8 % to € 87.3 million (2013/2014: € 51.1 million). Due to higher interest expenses, net financial expenses fell by 3.0 % to minus € 8.7 million (2013/2014: € 8.4 million). Consolidated earnings before taxes jumped from € 42.7 million in the previous year's quarter to € 78.7 million in the quarter under report. Net of taxes, net income for the period totaled € 55.2 million (2013/2014: € 31.2 million). Earnings per preference share are reported at € 2.77 (2013/2014: € 1.62).

### Earnings performance by segment

By analogy with the overall Group, **HORNBACH-Baumarkt-AG**, the largest operating subgroup, can also report a very pleasing first-quarter operating earnings performance. Operating earnings (EBIT) here virtually doubled from € 37.6 million to € 73.0 million. Further details can be found in the interim report published separately by the subgroup.

Earnings at the **HORNBACH Baustoff Union GmbH subgroup** grew disproportionately compared with sales in the first quarter of 2014/2015. Largely driven by an increase in gross profit, a relative reduction in store expenses and an absolute reduction in administration expenses, operating earnings at this subgroup grew from € 1.2 million to € 1.7 million.

Due mainly to higher rental income and a reduction in real estate expenses, EBIT at the **HORNBACH Immobilien AG subgroup** rose by 3.0 % to € 13.5 million (2013/2014: € 13.1 million).

### Financial and net asset situation

Investments totaled € 34.4 million in the first quarter of 2014/2015 (2013/2014: € 31.1 million). Around 62 % of these funds were invested in land and buildings, while the rest were channeled into plant and office equipment at new and existing stores, and into intangible assets. Investments were fully financed from the cash flow of € 133.2 million from operations (2013/2014: € 91.1 million). Information about the financing and investing activities of the HORNBACH HOLDING AG Group can be found in the cash flow statement on Page 11.

Due mainly to higher cash and cash equivalents and the build-up in inventories, total assets rose to € 2,509.0 million as of May 31, 2014, up by 6.2 % compared with the balance sheet date on February 28, 2014. Cash and cash equivalents grew by € 96.7 million to € 525.5 million (plus 22.5 %). Shareholders' equity as reported in the balance sheet grew to € 1,219.4 million, up € 55.3 million (plus 4.7 %) compared with the previous balance sheet date. At 48.6 %, the equity ratio remains pleasingly

high (February 28, 2014: 49.3 %). As of May 31, 2014, the net financial debt of the HORNBAACH HOLDING AG Group decreased to € 179.2 million, down from € 280.2 million as of February 28, 2014.

### Employees

A total of 16,381 employees across Europe were in fixed employment at the HORNBAACH HOLDING AG Group as of the reporting date on May 31, 2014 (February 28, 2014: 16,021). Since the 2014/2015 financial year, the calculation of employee totals has also included persons in marginal employment (so-called "mini-jobbers"). The comparative figures for the balance sheet date on February 28, 2014 have been retrospectively adjusted.

## Risk and Opportunity Report

We presented the risks and opportunities involved in the future business activities of the HORNBAACH HOLDING AG Group in detail in the risk and opportunity reports in our 2013/2014 Annual Report (from Page 79 onwards). This basic assessment of the Group's medium to long-term development potential was still largely valid upon publication of this interim report.

## Outlook

We published our outlook for the current 2014/2015 financial year at our Annual Results Press Conference on May 27, 2014. Details can be found in the Outlook on Pages 93 to 97 of our 2013/2014 Annual Report.

### Expansion

In the period from June 2014 to February 2015, we still aim to open up to seven new HORNBAACH DIY megastores with garden centers across the Group. On the one hand, we intend to launch operations at six former Praktiker and Max Bahr stores we have taken over. Two of these stores (Trier and Saarbrücken) are replacement locations. On the other hand, we plan to close our standalone garden center in Lohfelden near Kassel and convert the nearby old DIY store into a combined HORNBAACH DIY megastore with a garden center, most probably by the end of the financial year. Including replacement locations, the group-wide total number of HORNBAACH DIY megastores with garden centers is expected to increase to up to 146 by February 28, 2015 (February 28, 2014: 141).

### Sales and earnings forecast

The high sales and earnings growth seen in the first three months is due to be followed by three quarters in which our performance will have to stand up to comparison with exceptionally ambitious base figures from the previous year's comparative periods. The second quarter of 2013/2014 thus witnessed a sharp recovery following the inauspicious spring season. The company may not be able to match this level of earnings in the second quarter of the current financial year. Furthermore, the second half of the previous financial year was characterized by strong like-for-like sales growth and earnings growth driven, among other factors, by the positive impact and windfall profits resulting from the consolidation of the DIY sector in Germany. Given the headwind expected as former Praktiker and Max Bahr locations are gradually reopened by major competitors, we expect these positive consolidation-related factors to reduce significantly as the 2014/2015 financial year progresses. Finally, the fourth quarter of 2013/2014 also benefited from unusually mild weather conditions. These cannot be expected in the coming winter months of December 2014 through February 2015.

With regard to our **sales forecast**, our overall assessment of expected positive and negative factors means that we still expect our consolidated sales, i.e. net sales including stores newly opened, closed and extended, to show growth in a medium single-digit percentage range in the 2014/2015 financial year and most probably to exceed the growth seen in the previous 2013/2014 financial year (plus 4.3 %). With regard to our **earnings forecast**, we still expect operating earnings (EBIT) at the HORNBAACH HOLDING AG Group to show disproportionate growth compared with sales in the 2014/2015 financial year.

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## Income Statement

€ million	1 <sup>st</sup> Quarter 2014/2015	1 <sup>st</sup> Quarter 2013/2014	Change %
Sales	1,035.1	892.0	16.0
Cost of goods sold	645.1	564.8	14.2
<b>Gross profit</b>	<b>390.1</b>	<b>327.2</b>	<b>19.2</b>
Selling and store expenses	260.0	239.0	8.8
Pre-opening expenses	3.6	2.3	51.5
General and administration expenses	41.4	37.7	9.9
Other income and expenses	2.2	3.0	(25.8)
<b>Earnings before interest and taxes (EBIT)</b>	<b>87.3</b>	<b>51.1</b>	<b>70.8</b>
Other interest and similar income	0.3	0.2	72.8
Other interest and similar expenses	8.3	7.6	8.7
Other financial result	(0.7)	(1.0)	(31.2)
<b>Net financial expenses</b>	<b>(8.7)</b>	<b>(8.4)</b>	<b>3.0</b>
<b>Consolidated earnings before taxes</b>	<b>78.7</b>	<b>42.7</b>	<b>84.2</b>
Taxes on income	23.4	11.5	103.7
<b>Consolidated net income</b>	<b>55.2</b>	<b>31.2</b>	<b>77.0</b>
of which: income attributable to shareholders	44.1	25.7	71.6
of which: non-controlling interest	11.1	5.5	102.3
<b>Basic/diluted earnings per share (€)</b>	<b>2.74</b>	<b>1.59</b>	<b>72.3</b>
<b>Basic/diluted earnings per preference share (€)</b>	<b>2.77</b>	<b>1.62</b>	<b>71.0</b>

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

## Statement of Comprehensive Income for the Period

€ million	1 <sup>st</sup> Quarter 2014/2015	1 <sup>st</sup> Quarter 2013/2014
<b>Consolidated net income</b>	<b>55.2</b>	<b>31.2</b>
Measurement of derivative financial instruments (cash flow hedge)		
Measurement of derivative hedging instruments directly in equity	(1.0)	(0.6)
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	0.3	(2.6)
Deferred taxes on gains and losses recognized directly in equity	0.1	(0.1)
<b>Other comprehensive income that will be recycled at a later date</b>	<b>0.1</b>	<b>(2.2)</b>
<b>Total comprehensive income</b>	<b>55.3</b>	<b>29.0</b>
of which: attributable to shareholders	44.2	23.9
of which: attributable to non-controlling interest	11.1	5.1

Rounding up or down may lead to discrepancies between totals.



## Balance Sheet

Assets	Balance at May 31, 2014		February 28, 2014	
	€ million	%	€ million	%
<b>Non-current assets</b>				
Intangible assets	11.5	0.5	12.0	0.5
Property, plant, and equipment	1,249.4	49.8	1,235.4	52.3
Investment property	37.5	1.5	38.5	1.6
Non-current receivables and other assets	5.4	0.2	5.1	0.2
Non-current income tax receivables	10.6	0.4	10.6	0.4
Deferred tax assets	8.8	0.4	8.9	0.4
	<b>1,323.3</b>	<b>52.7</b>	<b>1,310.4</b>	<b>55.5</b>
<b>Current assets</b>				
Inventories	555.3	22.1	539.1	22.8
Other receivables and assets	88.0	3.5	72.9	3.1
Income tax receivables	15.9	0.6	11.0	0.5
Cash and cash equivalents	525.5	20.9	428.8	18.2
Non-current assets held for sale and disposal groups	1.0	0.0	0.0	0.0
	<b>1,185.7</b>	<b>47.3</b>	<b>1,051.9</b>	<b>44.5</b>
	<b>2,509.0</b>	<b>100.0</b>	<b>2,362.3</b>	<b>100.0</b>

Equity and liabilities	Balance at May 31, 2014		February 28, 2014	
	€ million	%	€ million	%
<b>Shareholders' equity</b>				
Share capital	48.0	1.9	48.0	2.0
Capital reserve	130.4	5.2	130.4	5.5
Revenue reserves	826.0	32.9	781.9	33.1
<b>Equity of shareholders of HORNBACH HOLDING AG</b>	<b>1,004.4</b>	<b>40.0</b>	<b>960.2</b>	<b>40.6</b>
Non-controlling interest	215.1	8.6	203.9	8.6
	<b>1,219.4</b>	<b>48.6</b>	<b>1,164.1</b>	<b>49.3</b>
<b>Non-current liabilities</b>				
Non-current financial debt	584.4	23.3	614.7	26.0
Provisions for pensions	0.8	0.0	0.8	0.0
Deferred tax liabilities	57.2	2.3	57.4	2.4
Other non-current liabilities	25.6	1.0	25.6	1.1
	<b>667.9</b>	<b>26.6</b>	<b>698.5</b>	<b>29.6</b>
<b>Current liabilities</b>				
Current financial debt	120.3	4.8	94.3	4.0
Trade payables and other liabilities	362.7	14.5	300.0	12.7
Income tax liabilities	41.7	1.7	31.8	1.3
Other provisions and accrued liabilities	96.9	3.9	73.6	3.1
	<b>621.6</b>	<b>24.8</b>	<b>499.7</b>	<b>21.2</b>
	<b>2,509.0</b>	<b>100.0</b>	<b>2,362.3</b>	<b>100.0</b>

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

## Statement of Changes in Equity

1 <sup>st</sup> Quarter 2013/2014 € million	Share capital	Capital reserve	Hedging reserve	Cumulative currency translation	Other revenue reserves	Equity attributable to shareholders	Non-controlling interest	Total group equity
<b>Balance at March 1, 2013</b>	<b>48.0</b>	<b>130.4</b>	<b>(6.0)</b>	<b>18.5</b>	<b>711.3</b>	<b>902.2</b>	<b>194.7</b>	<b>1,096.9</b>
Consolidated net income					25.7	25.7	5.5	31.2
Measurement of derivative financial instruments (cash flow hedge), net after taxes			0.3			0.3	0.1	0.4
Foreign currency translation				(2.1)		(2.1)	(0.5)	(2.6)
<b>Total comprehensive income</b>	<b>0.0</b>	<b>0.0</b>	<b>0.3</b>	<b>(2.1)</b>	<b>25.7</b>	<b>23.9</b>	<b>5.1</b>	<b>29.0</b>
<b>Balance at May 31, 2013</b>	<b>48.0</b>	<b>130.4</b>	<b>(5.7)</b>	<b>16.4</b>	<b>736.9</b>	<b>926.1</b>	<b>199.8</b>	<b>1,125.9</b>

1 <sup>st</sup> Quarter 2014/2015 € million	Share capital	Capital reserve	Hedging reserve	Cumulative currency translation	Other revenue reserves	Equity attributable to shareholders	Non-controlling interest	Total group equity
<b>Balance at March 1, 2014</b>	<b>48.0</b>	<b>130.4</b>	<b>(4.3)</b>	<b>11.4</b>	<b>774.7</b>	<b>960.2</b>	<b>203.9</b>	<b>1,164.1</b>
Consolidated net income					44.1	44.1	11.1	55.2
Measurement of derivative financial instruments (cash flow hedge), net after taxes			(0.3)			(0.3)	0.1	(0.2)
Foreign currency translation				0.4		0.4	(0.1)	0.3
<b>Total comprehensive income</b>	<b>0.0</b>	<b>0.0</b>	<b>(0.3)</b>	<b>0.4</b>	<b>44.1</b>	<b>44.2</b>	<b>11.1</b>	<b>55.3</b>
<b>Balance at May 31, 2014</b>	<b>48.0</b>	<b>130.4</b>	<b>(4.6)</b>	<b>11.8</b>	<b>818.8</b>	<b>1,004.4</b>	<b>215.1</b>	<b>1,219.4</b>

Rounding up or down may lead to discrepancies between totals.

## Cash Flow Statement

€ million	1 <sup>st</sup> Quarter 2014/2015	1 <sup>st</sup> Quarter 2013/2014
<b>Consolidated net income</b>	<b>55.2</b>	<b>31.2</b>
Depreciation and amortization of non-current assets	18.7	18.3
Change in provisions	(0.2)	(0.1)
Gains/losses on disposals of non-current assets and of non-current assets held for sale	(0.4)	(1.1)
Change in inventories, trade receivables, and other assets	(36.9)	(64.4)
Change in trade payables and other liabilities	96.6	105.4
Other non-cash income/expenses	0.2	1.7
<b>Cash flow from operating activities</b>	<b>133.2</b>	<b>91.1</b>
Proceeds from disposal of non-current assets and of non-current assets held for sale	0.7	7.0
Payments for investments in property, plant, and equipment	(34.1)	(30.6)
Payments for investments in intangible assets	(0.3)	(0.5)
<b>Cash flow from investing activities</b>	<b>(33.7)</b>	<b>(24.2)</b>
Repayment of long-term debt	(9.0)	(9.4)
Payments for transaction costs	(0.5)	0.0
Change in current financial debt	6.8	9.7
<b>Cash flow from financing activities</b>	<b>(2.7)</b>	<b>0.3</b>
Cash-effective change in cash and cash equivalents	96.8	67.2
Change in cash and cash equivalents due to changes in exchange rates	(0.2)	(0.2)
Cash and cash equivalents at March 1	428.8	356.9
<b>Cash and cash equivalents at May 31</b>	<b>525.5</b>	<b>423.9</b>

Rounding up or down may lead to discrepancies between totals.

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

The cash flow from operating activities was reduced by income tax payments of € 18.5 million (2013/2014: € 9.8 million) and interest payments of € 4.7 million (2013/2014: € 4.6 million) and increased by interest received of € 0.3 million (2013/2014: € 0.2 million).

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

## Notes to the Interim Consolidated Financial Statements as of May 31, 2014

### (1) Accounting principles

This unaudited group interim report of HORNBAACH HOLDING AG and its subsidiaries for the first quarter as of May 31, 2014 has been prepared in accordance with § 315a of the German Commercial Code (HGB) based on International Financial Reporting Standards (IFRS) in the form requiring mandatory application in the European Union. The abridged interim report has been prepared in accordance with IAS 34 "Interim Financial Reporting".

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

This interim report is to be read in conjunction with the consolidated financial statements of HORNBAACH HOLDING AG for the 2013/2014 financial year. Reference is made to these financial statements on account of the additional information they contain as to the specific accounting and valuation methods applied. The notes included therein also apply to this interim report, unless any amendments are expressly indicated. Moreover, this interim report is also consistent with German Accounting Standard No. 16 (DRS 16) – Interim Reporting – of the German Accounting Standards Committee (DRSC).

### Changes in accounting principles

The new standards, amendments to standards, and interpretations requiring first-time application in the 2014/2015 financial year are described in the notes to the consolidated financial statements for 2013/2014. Alongside a basic description of the relevant accounting principle, these also present any implications resulting from first-time application.

The amendments and new regulations requiring first-time mandatory application in the 2014/2015 financial year have not had any material implications for the group interim report of HORNBAACH HOLDING AG.

### (2) Scope of consolidation

HORNBAACH Asia Ltd., Hong Kong (Hong Kong), was included in the consolidated financial statements for the first time in the first quarter of 2014/2015. This company was founded in the 2014/2015 financial year.

This change to the scope of consolidation did not have any material implications for the Group's net asset, financial, or earnings position.

### (3) Seasonal influences

Due to weather conditions, the HORNBAACH HOLDING AG Group generally reports a weaker business performance in the fall and winter than in the spring and summer months. These seasonal fluctuations are reflected in the figures for the first quarter. The business results for the first three months as of May 31, 2014 do not necessarily provide an indication of the results to be expected for the year as a whole.

**(4) Other income and expenses**

Other income and expenses are structured as follows:

€ million	1 <sup>st</sup> Quarter 2014/2015	1 <sup>st</sup> Quarter 2013/2014	Change %
Other income	3.9	4.3	(8.3)
Other expenses	1.7	1.3	31.1
<b>Other income and expenses</b>	<b>2.2</b>	<b>3.0</b>	<b>(25.8)</b>

Percentages calculated on the basis of € 000s. Rounding up or down may lead to discrepancies between totals.

Other income for the first quarter includes operating income of € 3.9 million (2013/2014: € 3.7 million). This chiefly relates to ancillary revenues at DIY megastores with garden centers, income from damages payments, income from disposals of non-current assets, advertising grants, and other supplier credits. Furthermore, the previous year's figure also includes non-operating income of € 0.6 million resulting from the sale of a property not used for operations.

Other expenses mainly relate to operating expenses. These chiefly include losses incurred for damages and impairments of receivables.

**(5) Net financial expenses**

Interest expenses for the first quarter include expenses of € 0.4 million 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.

**(6) Earnings per share**

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

	1 <sup>st</sup> Quarter 2014/2015	1 <sup>st</sup> Quarter 2013/2014
Consolidated net income in € million	44.1	25.7
Additional dividend for preference shares in € million	0.2	0.2
<b>Consolidated net income adjusted to account for additional dividend claims in € million</b>	<b>43.8</b>	<b>25.4</b>
Number of ordinary shares issued	8,000,000	8,000,000
Number of preference shares issued	8,000,000	8,000,000
	<b>16,000,000</b>	<b>16,000,000</b>
<b>Earnings per share in €</b>	<b>2.74</b>	<b>1.59</b>
Additional dividend claim per preference share in €	0.03	0.03
<b>Earnings per preference share in €</b>	<b>2.77</b>	<b>1.62</b>

Rounding up or down may lead to discrepancies between totals.

**(7) Other disclosures**

The personnel expenses of the HORNBAACH HOLDING AG Group amounted to € 169.5 million at the end of the first quarter as of May 31, 2014 (2013/2014: € 150.2 million).

Depreciation and amortization totaling € 18.7 million was recognized on intangible assets, property, plant and equipment, and investment property at the HORNBAACH HOLDING AG Group in the first three months of the 2014/2015 financial year (2013/2014: € 18.3 million).

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

These mainly involve obligations for rental, hiring, leasehold and leasing contracts for which the companies of the HORNBAACH HOLDING AG Group do not constitute the economic owners of the assets thereby leased pursuant to IFRS regulations (Operating Lease). These amounted to € 713.6 million at the end of the first quarter of 2014/2015 (February 28, 2014: € 738.8 million).

**(9) Related party disclosures**

In addition to the subsidiaries included in the consolidated financial statements, HORNBAACH HOLDING AG also has direct or indirect relationships with associated companies when performing its customary business activities. Apart from the transactions performed in the usual course of business and reported in the annual financial statements, no major transactions were undertaken with closely related companies and persons during the first quarter of 2014/2015.

**(10) Fair value disclosures**

The methods and principles used to calculate fair value have basically remained unchanged compared with the consolidated financial statements. Fair values are calculated on the basis of the three-level hierarchy. Consistent with the availability of input factors, fair values are calculated in line with the following hierarchy:

Level 1 – Current market prices on an active market for identical financial instruments

Level 2 – Current market prices on an active market for comparable financial instruments or using valuation models whose key input factors are based on observable market data

Level 3 – Input factors not based on observable market prices.

The following tables present the carrying amounts of financial instruments broken down by IAS 39 measurement categories as well as their fair values broken down by balance sheet category:

€ million	Category	Carrying amount 5.31.2014	Fair value 5.31.2014	Carrying amount 2.28.2014	Fair value 2.28.2014
<b>Assets</b>					
Other receivables and assets					
Derivatives without hedge relationship	FAHFT	0.0	0.0	0.3	0.3
Other financial assets	LaR	81.5	81.5	63.9	63.9
Cash and cash equivalents	LaR	525.5	525.5	428.8	428.8
<b>Equity and liabilities</b>					
Financial debt					
Bonds	FLAC	246.6	262.5	246.4	263.3
Liabilities to banks	FLAC	448.9	467.5	454.1	472.1
Liabilities in connection with finance leases	n.a.	1.0	1.0	1.0	1.1
Derivatives with hedge relationship	n.a.	7.6	7.6	7.4	7.4
Derivatives without hedge relationship	FLHFT	0.6	0.6	0.0	0.0
Trade payables and other liabilities	FLAC	281.7	281.7	252.2	252.2
Accrued liabilities	FLAC	25.9	25.9	19.7	19.7

Rounding up or down may lead to discrepancies between totals.

Receivables and other assets of € 11.9 million (February 28, 2014: € 13.8 million), trade payables and other/sundry liabilities of € 106.7 million (February 28, 2014: € 73.5 million), and accrued liabilities of € 64.0 million (February 28, 2014: € 46.6 million) are outside the scope of IFRS 7.

€ million	5.31.2014	2.28.2014
<b>Assets</b>		
Valuation based on level 2 input data		
Financial assets held for trading	0.0	0.3
<b>Equity and liabilities</b>		
Valuation based on level 2 input data		
Derivatives with hedge relationship	7.6	7.4
Financial liabilities held for trading	0.6	0.0

Rounding up or down may lead to discrepancies between totals.

The derivative financial instruments with hedge relationships recognized in the balance sheet mainly relate to interest hedges (interest swaps). Derivative financial instruments without hedge relationships involve foreign currency items for outstanding orders and the fair value of an interest swap for which the hedge relationship was reversed.

## (11) Segment report

1 <sup>st</sup> Quarter 2014/2015 in € million 1 <sup>st</sup> Quarter 2013/2014 in € million	HORNBACH- Baumarkt-AG subgroup	HORNBACH Baustoff Union GmbH subgroup	HORNBACH Immobilien AG subgroup	Headquarters and consolidation	HORNBACH HOLDING AG Group
<b>Segment sales</b>	<b>976.7</b>	<b>58.0</b>	<b>19.7</b>	<b>(19.2)</b>	<b>1,035.1</b>
	838.9	52.7	18.8	(18.4)	892.0
Sales to third parties	976.4	57.8	0.0	0.0	1,034.2
	838.6	52.5	0.0	0.0	891.1
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	0.2	0.0	0.7	0.0	0.9
	0.3	0.0	0.6	0.0	0.9
Rental income from affiliated companies	0.0	0.0	19.0	(19.0)	0.0
	0.0	0.0	18.2	(18.2)	0.0
<b>Segment earnings (EBIT)</b>	<b>73.0</b>	<b>1.7</b>	<b>13.5</b>	<b>(0.9)</b>	<b>87.3</b>
	37.6	1.2	13.1	(0.8)	51.1
<b>Depreciation and amortization/write-ups</b>	<b>13.8</b>	<b>1.3</b>	<b>3.7</b>	<b>0.0</b>	<b>18.7</b>
	13.7	1.3	3.4	0.0	18.3
<b>EBITDA</b>	<b>86.7</b>	<b>3.0</b>	<b>17.2</b>	<b>(0.9)</b>	<b>106.0</b>
	51.2	2.5	16.5	(0.8)	69.5
<b>Segment assets</b>	<b>1,795.9</b>	<b>130.9</b>	<b>535.1</b>	<b>11.7</b>	<b>2,473.6</b>
	1,703.2	129.7	521.1	7.6	2,361.6
of which: credit balances at banks	426.7	0.8	40.5	12.3	480.3
	359.7	1.1	28.6	9.0	398.5

Reconciliation in € million	1 <sup>st</sup> Quarter 2014/2015	1 <sup>st</sup> Quarter 2013/2014
Segment earnings (EBIT) before "Headquarters and consolidation"	88.3	51.9
Headquarters	(0.8)	(0.7)
Consolidation adjustments	(0.1)	(0.1)
Net financial expenses	(8.7)	(8.4)
<b>Consolidated earnings before taxes</b>	<b>78.7</b>	<b>42.7</b>

Rounding up or down may lead to discrepancies between totals.

Neustadt an der Weinstrasse, June 26, 2014

The Board of Management of HORNBACH HOLDING Aktiengesellschaft



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## FINANCIAL CALENDAR 2014

June 26, 2014	Interim Report: 1 <sup>st</sup> Quarter 2014/2015 as of May 31, 2014
July 10, 2014	Annual General Meeting Festhalle Landau, Landau/Pfalz
September 25, 2014	Half-Year Financial Report 2014/2015 as of August 31, 2014 DVFA Analysts' Conference
December 22, 2014	Interim Report: 3 <sup>rd</sup> Quarter 2014/2015 as of November 30, 2014

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### DISCLAIMER

*This interim report contains forward-looking statements based on assumptions and estimates made by the Board of Management of HORNBACH. 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 HORNBACH. Furthermore, they include unusual weather conditions, 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.*