HALF-YEAR FINANCIAL REPORT
HORNBACH BAUMARKT AG GROUP

H1
2020/21

(MARCH 1 – AUGUST 31, 2020)

HORNBACH
Es gibt immer was zu tun.

HORNBACH BAUMARKT AG GROUP

Half-Year Financial Report 2020/21 (March 1 – August 31, 2020)

Key figures of the HORNBACH Baumarkt AG Group (in € million, unless otherwise stated)	2nd Quarter 2020/21	2nd Quarter 2019/20	Change in %	1st Half 2020/21	1st Half 2019/20	Change in %
Net sales	**1,456.8**	**1,184.0**	**23.0**	**2,949.0**	**2,444.7**	**20.6**
of which: in Germany	748.6	601.7	24.4	1,557.0	1,255.8	24.0
of which in other European countries	708.2	582.3	21.6	1,391.9	1,188.9	17.1
Like-for-like sales growth	21.4%	8.8%		19.4%	8.3%	
Gross margin as % of net sales	36.0%	36.3%		36.3%	36.6%	
EBITDA	203.6	145.2	40.2	419.7	287.3	46.1
Earnings before interest and taxes (EBIT)	**147.0**	**86.8**	**69.3**	**307.0**	**170.9**	**79.6**
Adjusted EBIT	**147.0**	**87.3**	**68.4**	**307.0**	**171.4**	**79.1**
Consolidated earnings before taxes	132.1	72.5	82.3	278.9	142.2	96.1
Consolidated net income	100.6	54.7	83.9	210.5	106.5	97.7
Basic/diluted earnings per share (€)	3.17	1.72	84.3	6.62	3.35	97.6
Investments	34.3	28.7	19.2	57.4	53.0	8.4

Misc. key figures of the HORNBACH Baumarkt AG Group (in € million, unless otherwise stated)	August 31, 2020	February 29, 2020	Change in %
Total assets	3,841.4	3,564.3	7.8
Shareholders' equity	1,314.9	1,132.1	16.1
Shareholders' equity as % of total assets	34.2%	31.8%	
Number of stores	160	160	0.0
Sales area in 000 m² (based on BHB)	1,890	1,889	0.1
Number of employees	21,806	20,438	6.7

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

Summary

HORNBACH Baumarkt AG Group maintains strong growth in second quarter

- **Consolidated sales up 20.6 % to € 2.95 billion in first six months of 2020/21 financial year**
- **Interconnected retail: Significant retail business growth in both stationary and online channels**
- **DIY stores with garden centers post like-for-like growth of 19.4 %: Germany up 24.3 % – other European countries up 14.4 %**
- **Clearly disproportionate growth in half-year earnings: Adjusted EBIT up 79.1 % to € 307.0 million – EPS at € 6.62**
- **Full-year sales and earnings forecast for 2020/21: Range now specified in greater detail**

The HORNBACH Baumarkt AG Group benefited once again in the second quarter of 2020/21 from the trend triggered by the coronavirus pandemic towards consumers spending more time within their own four walls. The temporary restrictions on sales, which substantially reduced customer frequencies in some countries and regions at times in the first quarter, were fully lifted in the second quarter. Consolidated sales for the period from June 1 to August 31, 2020 grew by 23.0 %, as against 18.4 % in the period from March 1 to May 31, 2020. Sales for the first half as a whole therefore rose by 20.6 % to € 2,949.0 million (2019/20: € 2,444.7 million). On a like-for-like basis and net of currency items, consolidated sales rose by 21.4 % in the second quarter (Q2) and by 19.4 % in the first half (H1). The retail activities in Germany contributed to the Group's growth with a substantial increase in like-for-like sales of 24.3 % in the first half of 2020/21. Other European countries generated like-for-like sales growth (H1) of 14.4 %. The online business showed clearly disproportionate growth and, even once restrictions on stationary sales had been lifted, remained significantly higher than in the equivalent period in the previous year. Together with improved cost ratios, this dynamic sales growth led to a significant jump in earnings. EBIT excluding non-operating earnings items (adjusted EBIT) increased by 68.4 % to € 147.0 million in the second quarter of 2020/21 (2019/20: € 87.3 million) and by 79.1 % to € 307.0 million in the first half of 2020/21 (2019/20: € 171.4 million). Six-month earnings per Baumarkt share almost doubled year-on-year and stood at € 6.62 (2019/20: € 3.35). In view of its ongoing pleasing earnings performance in the second quarter and more positive assessment of the risks relating to the coronavirus pandemic, the company has now specified its full-year forecast in greater detail.

Macroeconomic and Sector-Specific Framework

The first half of the 2020 calendar year was dominated by the effects of the coronavirus crisis, which led worldwide to an abrupt and steep downturn in economic output and the number of people in work.

In the second quarter, Europe witnessed its severest recession since the Second World War. In the first quarter of 2020, gross domestic product already fell compared with the previous quarter by 3.3 % in the European Union (EU 27) and by 3.7 % in the euro area (EA 19), and that even though most EU states did not impose lockdown measures or restrictions on contact until mid-March. Compared with the previous year's quarter, the downturn in GDP amounted to 2.7 % in the EU 27 and to 3.2 % in the EA 19 countries. According to figures released by Eurostat, in the second quarter economic output then fell by 11.4 % in the EU 27 and by 11.8 % in the EA 19 countries compared with the previous quarter and by 13.9 % and 14.7 % respectively compared with the previous year's quarter.

Adjusted for seasonal and calendar-related factors, **output in the construction industry** fell compared with the previous quarter by 2.7 % in the EU 27 and by 2.2 % in the EA 19 countries in the first quarter of 2020 and by 10.0 % and 8.9 % in the second quarter.

Different parts of the **retail sector** were affected to very different extents by the lockdown measures and restrictions on contact. While individual segments such as grocery retailers and DIY stores benefited, European retail sales as a whole fell significantly in the first half of the year. Retail sales (excluding motor vehicle retail) adjusted for calendar-related factors fell by 2.2 % in the EU 27 and 2.6 % in the EA 19 countries compared with the previous year's quarter in the first quarter of 2020 and by 5.2 % in both regions compared with the previous quarter in the second quarter. By contrast, according to GfK figures gross DIY retail sales for the first half of the 2020 calendar year grew year-on-year by 15.6 % in Germany, 25.6 % in the Netherlands, 8.3 % in Austria, 3.5 % (in local currency) in Switzerland, and 0.3 % in the Czech Republic. It should be noted that DIY retail was affected, particularly in March and April 2020, by restrictions on sales in Austria, Switzerland, Luxembourg, the Czech Republic, Slovakia, and several German federal states.

GDP growth rates in countries with HORNBACH DIY stores and garden centers (calendar year)

Percentage change on previous quarter Source: Eurostat (calendar year figures)	3rd Quarter 2019	4th Quarter 2019	1st Quarter 2020	2nd Quarter 2020
Germany	**0.3**	**0.0**	**(2.0)**	**(9.7)**
Austria	(0.2)	(0.2)	(2.4)	(10.4)
Czech Republic	0.5	0.4	(3.3)	(8.7)
Luxembourg	0.4	0.4	(2.9)	n/a
Netherlands	0.3	0.5	(1.5)	(8.5)
Romania	0.5	1.2	0.3	(12.3)
Slovakia	0.4	0.6	(5.2)	(8.3)
Sweden	0.3	0.1	0.2	(8.3)
Switzerland	0.4	0.8	(2.5)	(8.2)
Euro area (EA 19)	**0.3**	**0.1**	**(3.7)**	**(11.8)**
EU 27	**0.4**	**0.1**	**(3.3)**	**(11.4)**

The coronavirus pandemic caused a downturn of historic proportions in Germany's economic output as well. According to figures released by the Federal Statistical Office Destatis, GDP adjusted for price, seasonal and calendar-related factors fell compared with the respective previous quarter by 2.0 % in the first calendar quarter and by 9.7 % in the second quarter of 2020. Private consumer spending decreased by 2.5 % in the first quarter and by 10.9 % in the second quarter. Construction investments, which still grew by 5.1 % in the first quarter, then fell by 4.2 % in the second quarter compared with the previous quarter. This nevertheless corresponded to slight growth of 1.4 % compared with the same quarter in the previous year. According to Destatis, the number of building permits issued for residential units in Germany rose year-on-year by 7.0 % in the first half of 2020. New orders in the main construction trade fell by 3.5 %, while sales increased year-on-year by 6.5 %. Sales in the finishing trade rose by 5.4 % in the first half of 2020.

The German **retail sector** reported year-on-year price-adjusted growth of 0.8 % and nominal sales growth of 1.5 % in the first half of the 2020 calendar year compared with the second half of 2019. Sales with metal ware, coatings, construction, and home improvement goods grew by 14.2 % on a price-adjusted basis. Internet and mail order sales rose by 16.0 %. Based on initial findings, the reduction in sales tax since July 1, 2020 has not had any material impact, with retail sales in July decreasing by 0.9 % compared with the previous month.

Sales at DIY and home improvement stores in Germany (calendar year)

Source: BHB/GfK Total Store Report Deutschland	1st Quarter 2020	2nd Quarter 2020	1st Half 2020
Gross sales (€ billion)	4.38	7.44	11.82
Nominal year-on-year change (%)	5.5	22.5	15.6
Like-for-like year-on-year change (%)	6.0	22.9	16.0

According to the BHB sector association, the German **DIY retail sector** increased its aggregate gross nominal sales year-on-year by 15.6 % to € 11.82 billion in the first half of the 2020 calendar year. This exceptional boom benefited nearly all product groups, but especially coatings and decorating accessories, timber, garden equipment, and construction materials and chemicals. On a like-for-like basis, i.e. excluding stores newly opened, closed or subject to major conversion measures, sales in the sector rose by 16.0 % in the period from January to June 2020. Sales growth amounted to 6.0 % in the first quarter and to 22.9 % in the second quarter – and that despite temporary closures of stationary stores for private customers in Bavaria, Mecklenburg-Western Pomerania, Lower Saxony, and Saxony.

Earnings, Financial, and Asset Position

Impact of coronavirus pandemic on DIY retail business

While the sales performance in the first quarter of 2020/21 was affected by official measures taken to contain the coronavirus pandemic, which varied on a regional and local level (see Quarterly Statement as of May 31, 2020), all HORNBACH DIY stores and garden centers were open throughout the second quarter.

Development in HORNBACH store and logistics network

No new DIY stores and garden centers were opened in the first half of 2020. As of August 31, 2020, the HORNBACH Baumarkt AG Group therefore operated 160 retail outlets with total sales areas of 1.89 million m², of which 96 locations in Germany and 64 in other European countries.

The company expanded its logistics capacities, on the one hand by extending the logistics center in Enzersdorf, from where the DIY stores and garden centers in Austria and Eastern Europe are supplied, and on the other hand by opening new store dispatch centers to handle the sharp rise in online retail volumes.

Seasonal and calendar-related factors

Impact of weather conditions

All in all, the first half of the 2020/21 financial year offered favorable conditions for implementing DIY projects. In many regions, the spring and summer were mainly dry and sunny with moderate temperatures. Midsummer, with temperatures of 30 degrees and higher, only arrived at the end of July. After a very dry start to the summer, the second half of August brought strong rainfall and storms to several regions. Overall, however, rain volumes fell short of the long-term average.

Number of business days

In the first half of the 2020/21 financial year (March 1 to August 31, 2020), there were on average 1.2 business days fewer than in the previous year's period. The arithmetic calendar-related impact at the Group came to minus 1.3 business days in Q1 and plus 0.1 business days in Q2.

Sales Performance

2nd quarter of 2020/21

Consolidated sales at HORNBACH Baumarkt AG rose by 23.0 % to € 1,456.8 million in the period from June 1 to August 31, 2020 (2019/20: € 1,184.0 million) and thus grew more rapidly than in the first quarter (plus 18.4 %), which was influenced by temporary restrictions on sales in some regions. Net sales in the Germany region grew by 24.4 % to € 748.6 million (2019/20: € 601.7 million), while the Other European Countries region increased its quarterly net sales year-on-year by 21.6 % to € 708.2 million (2019/20: € 582.3 million).

On a like-for-like basis and net of currency items [↳Brief Glossary on Page 12], consolidated sales grew by 21.4 % in the quarter under report, compared with growth of 8.8 % in the previous year. Including currency items for non-euro countries, namely the Czech Republic, Romania, Sweden, and Switzerland, we improved our group-wide like-for-like sales by 21.5 % in the second quarter of 2020/21. In Germany, like-for-like sales grew by 24.1 % in the second quarter of 2020/21. In other European countries, we generated growth of 18.6 % in the period from June to August 2020. Including currency items, this growth came to 18.8 %.

Like-for-like sales performance[1)]

(in percent)

2020/21 financial year 2019/20 financial year	1st Quarter	2nd Quarter	1st Half
Group	**17.5**	**21.4**	**19.4**
	7.8	8.8	8.3
Germany	**24.4**	**24.1**	**24.3**
	6.9	8.0	7.4
Other European Countries	**10.3**	**18.6**	**14.4**
	8.7	9.6	9.2

1) Excluding currency items

1st half of 2020/21

Consolidated net sales grew by 20.6 % to € 2,949.0 million in the period under report from March 1 to August 31, 2020 (2019/20: € 2,444.7 million). Net sales in Germany showed cumulative growth of 24.0 % to € 1,557.0 million (2019/20: € 1,255.8 million). In other European countries, we increased our first-half sales by 17.1 % to € 1,391.9 million (2019/20: € 1,188.9 million). The international share of sales therefore decreased from 48.6 % to 47.2 %. On a like-for-like basis, consolidated sales in the first half of the year improved by 19.4 % excluding and by 19.5 % including currency items.

- In the **Germany region,** we generated like-for-like sales growth of 24.3 % in the first half of 2020/21 (2019/20: plus 7.4 %). Based on our own calculations, this means that we significantly outperformed the sector average and gained additional market share. Our stationary business at DIY stores with garden centers contributed the largest share of our sales growth in absolute terms. Our online business, which is dovetailed with our stationary DIY retail business (interconnected retail: "ICR"), gained significant momentum due to the coronavirus pandemic and generated sales growth of nearly 70% in the first half of 2020/21.

  The pleasing business performance in the period under report also reflects our popularity with DIY and home improvement customers. As in the previous year already, in 2020 HORNBACH was ranked first for "Overall satisfaction" in Kundenmonitor Deutschland, the most prestigious consumer survey in the German retail sector. Customers also awarded us the best marks in major individual criteria, such as "Value for money", "Product range selection and diversity", "Merchandise and product quality", and "Private label quality". German DIY store customers also see HORNBACH as having the edge over its competitors in criteria including "Product range", "Prices", "Specialist advice", and "Service".

- In the **Other European Countries region**, where we pool our retail activities in eight countries outside Germany, like-for-like sales for the first half of 2020/21 rose year-on-year by 14.4 % net of currency items (2019/20: plus 9.2 %) and by 14.5 % including currency items (2019/20: plus 9.4 %). HORNBACH further extended its market position in key country markets. Based on the DIY sales indicators for four countries outside Germany available to us upon completion of this financial report, HORNBACH's growth rates in the period from January to July 2020 were in most cases significantly higher than the sector averages. As in Germany, our dynamic business performance in other European countries was also driven to an above-average extent – measured in terms of growth rates – by interconnected retail sales.

Earnings Performance

The following comments refer to the earnings performance of the HORNBACH Baumarkt AG Group. Information about the "Retail" and "Real Estate" segments can be found in the segment report in the notes to the financial statements (Page 24).

2nd quarter of 2020/21

Earnings for the summer quarter of 2020/21 were significantly higher than in the previous year's period. This was mainly due to the further acceleration in sales growth in the second quarter of 2020/21 compared with the previous quarter together with the fact that costs rose far less rapidly than sales. Key data on the earnings performance in the second quarter of 2020/21 are as follows:

- Gross profit rose by 22.1 %, or € 95.0 million, to € 524.8 million in the quarter under report (2019/20: € 429.8 million). The **gross margin**, i.e. gross profit as a percentage of net sales [↳Brief Glossary on Page 13], fell from 36.3 % to 36.0 %.

- **Selling and store expenses** grew less rapidly than sales, rising by 12.5 % to € 326.4 million (2019/20: € 290.1 million). This increase was due on the one hand to higher personnel expenses, with additional capacities required in sales and logistics due to ongoing higher customer totals. On the other hand, when compared with the first quarter the figures were affected by the resumption of advertising activities and of modernization activities in the store network. Overall, the store expense ratio [↳Brief Glossary on Page 13] fell from 24.5 % to 22.4 %. Due to reduced expansion activities, **pre-opening expenses** fell year-on-year from € 2.6 million to € 1.1 million in the second quarter of 2020/21, corresponding to a reduction in the pre-opening expense ratio from 0.2 % to 0.1 %. **General and administration expenses** fell by 4.5 % from € 56.0 million to € 53.5 million in the second quarter, with this being due in particular to lower material costs. The administration expense ratio [↳Brief Glossary on Page 13] therefore decreased from 4.7 % to 3.7 %.

- Given the improvement in operating earnings, earnings before interest, taxes, depreciation, and amortization (**EBITDA**) [↳Brief Glossary on Page 12] rose by 40.2 % to € 203.6 million in the second quarter of 2020/21 (2019/20: € 145.2 million).

- Operating earnings (**EBIT**) rose by 69.3 % to € 147.0 million in Q2 (2019/20: € 86.8 million). No non-operating earnings items arose in the second quarter of 2020/21 (2019/20: € 0.5 million). In the 2020/21 reporting period, **adjusted EBIT** [↳Brief Glossary on Page 12] thus corresponds to EBIT. Adjusted EBIT improved by 68.4 % to € 147.0 million (2019/20: € 87.3 million). The adjusted EBIT margin rose year-on-year from 7.4 % to 10.1 %.

- **Net financial expenses** decreased from minus € 14.4 million to minus € 15.0 million. Earnings were mainly reduced in this respect by the change in currency items from minus € 0.2 million to minus € 1.3 million.

- Consolidated earnings before taxes (**EBT**) [↳Brief Glossary on Page 12] grew by 82.3 % to € 132.1 million (2019/20: € 72.5 million).

- **Consolidated net income** for the second quarter increased by 83.9 % to € 100.6 million (2019/20: € 54.7 million). **Earnings per share** are reported at € 3.17 for the second quarter of 2020/21 (2019/20: € 1.72).

1st half of 2020/21

Thanks to the continuation of strong growth in the second quarter, the key earnings figures of the HORNBACH Baumarkt AG Group for the first half (March 1 to August 31, 2020) also increased significantly. Key data on the earnings performance in the first half of 2020/21 are as follows:

- Gross profit increased by 19.6 % to € 1,070.7 million (2019/20: € 895.6 million). The **gross margin** decreased by around 30 base points from 36.6 % to 36.3 %. The reduction in the gross margin primarily resulted from the changed product mix due to the growth in the ICR business. Compared with the average shopping cart of customers in our stationary business, the average e-commerce shopping cart includes a greater share of lower-margin items. The growing share of sales attributable to our online business is changing the Group's product mix and depressing the margin. Not only that, this also increases the freight costs incurred to deliver goods to customers, which are only partly covered by the delivery charges paid (freight revenues). Due to the sharp rise in demand in our online shops, these factors were particularly relevant in the first half of 2020/21. Thanks to improved conditions in group-wide procurement, adjustments to retail prices, and positive currency items, however, it was possible to offset a large share of the reduction in the margin.

- **Selling and store expenses** grew notably less rapidly than sales, rising by 6.2 % to € 657.3 million (2019/20: € 618.9 million). The store expense ratio fell from 25.3 % to 22.3 %. **Pre-opening expenses** amounted to € 1.5 million (2019/20: € 3.5 million). **General and administration expenses** eased from € 111.9 million to € 111.3 million. The administration expense ratio fell from 4.6 % to 3.8 %. Cumulative store and administration expenses include special bonuses for the dedication shown by employees in the extreme conditions due to the coronavirus pandemic.

- **EBITDA** increased by 46.1 % to € 419.7 million (2019/20: € 287.3 million).

- **EBIT** improved by 79.6 % to € 307.0 million in the first six months of 2020/21 (2019/20: € 170.9 million). There were no non-operating earnings items in the first half of 2020/21 (2019/20: minus € 0.5 million). **Adjusted EBIT** grew by 79.1 % to € 307.0 million (2019/20: € 171.4 million). The adjusted EBIT margin rose to 10.4 %, up from 7.0 % in the previous year's comparative period.

- **Net financial expenses** improved from minus € 28.7 million to minus € 28.1 million. Within this line item, the reduction in interest expenses by € 1.6 million more than offset the higher volume of negative currency items (net balance of minus € 0.9 million).

- **Consolidated earnings before taxes** rose by 96.1 % to € 278.9 million (2019/20: € 142.2 million). The half-year tax rate decreased from 25.1 % to 24.5 %. **Consolidated net income** grew by 97.7 % to € 210.5 million (2019/20: € 106.5 million). **Earnings per share** are reported at € 6.62 for the first half of 2020/21 (2019/20: € 3.35).

Financial and Asset Position

Financial position

Investments totaled € 57.4 million in the first half of 2020/21 (2019/21: € 53.0 million). At € 34.4 million, 60 % of investments were channeled into land and buildings, while the remainder related to plant and office equipment at new and existing stores and to intangible assets (mainly IT software).

The cash flow from operating activities rose from € 324.4 million to € 508.6 million in the first half of 2020/21. The increase in the inflow of funds from operating activities was driven not only by higher consolidated net income, but also by the improvement in working capital by around € 80 million. Net income for the first half of the year includes depreciation of € 75.8 million recognized on right-of-use assets (2019/20: € 78.4 million). The outflow of funds for investment activities amounted to € 56.3 million in the first half of 2020/21 (2019/20: € 71.5 million). To avoid negative interest rates, in the previous year cash and cash equivalents of € 20 million were reallocated to current financial assets and recognized as an outflow of funds for investing activities. The outflow of funds for financing activities, which totaled € 92.0 million (2019/20: € 84.4 million), included an amount of € 70.4 million for repayments of current and non-current lease liabilities (2019/20: € 70.0 million). Information about the financing and investing activities of the HORNBACH Baumarkt AG Group can be found in the cash flow statement on Page 17.

Asset position

Total assets at the HORNBACH Baumarkt AG Group amounted to € 3,841.4 million as of August 31, 2020 (February 29, 2020: € 3,564.3 million). The principal reason for this growth was the € 359 million increase in cash and cash equivalents accompanied by a slight reduction in right-of-use assets (minus € 45 million) and a € 59 million reduction in inventories. Shareholders' equity as posted in the balance sheet rose to € 1,314.9 million, up 16.1 % compared with the previous reporting date. The **equity ratio** [↳Brief Glossary on Page 13] rose to 34.2 % (February 29, 2020: 31.8 %). **Net financial debt** [↳Brief Glossary on Page 13] fell from € 1,573.3 million to € 1,181.0 million as of August 31, 2020. Excluding current and non-current lease liabilities pursuant to IFRS 16, the Group reported net financial assets of € 62.5 million as of August 31, 2020 (February 29, 2020: net financial debt of € 289.7 million).

Other Disclosures

Changes in composition of Board of Management

On September 24, 2020, the Supervisory Boards of HORNBACH Management AG and HORNBACH Baumarkt AG appointed Karin Dohm (48) as a new member of the Boards of Management of the two companies as of January 1, 2021. By extending its Board of Management, the company is preparing at an early stage for the succession to CFO Roland Pelka (63). After nearly 25 years of board responsibility at HORNBACH Baumarkt AG and HORNBACH Management AG, Roland Pelka will be retiring during the next financial year. Karin Dohm has a degree in economics and is also a fully qualified auditor and tax advisor. She most recently held international management positions at the Deutsche Bank Group. Thanks to her former consulting experience and current supervisory board activities, she has in-depth experience of the retail sector.

Inclusion in SDAX

The HORNBACH Baumarkt AG share was included in the SDAX on August 24, 2020. The share price more than doubled (+122 %) in the first half of 2020/21. In keeping with this development, the market capitalization rose from € 540.7 million as of February 29, 2020 to € 1,202 million as of August 31, 2020.

Employees

A total of 21,806 employees across Europe were in fixed employment at HORNBACH Baumarkt AG or one of its subsidiaries as of the reporting date on August 31, 2020 (February 29, 2020: 20,438).

Statement of figures

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

Risk and Opportunity Report

We presented the risks and opportunities involved in the future business activities of the HORNBACH Baumarkt AG Group in detail in the Risk and Opportunity Reports in our 2019/20 Annual Report (from Page 63 onwards). This basic assessment of the Group's medium to long-term development potential had not changed materially upon publication of this interim report.

With regard to the risks and opportunities resulting from the coronavirus pandemic, the current assessment after the first six months of the 2020/21 financial year is more positive than the comments provided in the 2019/20 Annual Report (Page 69). Through to the completion of this interim report, it was apparent that no repeat was to be expected of the widespread lockdown on large parts of public life and economic activity in the countries in which HORNBACH operates. Substantial restrictions on sales or even store closures, such as those which severely limited activities in our DIY retail business in several countries and German federal states in spring 2020, are viewed as unlikely. Our risk assessment of the coronavirus crisis is therefore mainly focused on macroeconomic risks, which nevertheless still involve a high degree of forecasting uncertainty.

Outlook

Macroeconomic and Sector-Specific Framework

We presented our forecast of the macroeconomic and sector-specific framework on Pages 78 and 79 of the 2019/20 Annual Report of the HORNBACH Baumarkt AG Group. Published at the end of May 2020, this was still colored by the peak of the crisis in the spring. At the time, it was only possible to provide a highly diffuse and fragmented impression of the impact that the far-reaching measures taken to contain coronavirus infections would have on the global economy. The gradual emergence of macroeconomic data on the historic reduction in economic output in the second quarter of the calendar year and expected extent of the recovery in the third calendar quarter have since made it possible to provide a better assessment of the economic situation and an outlook for 2020.

Based on its Summer Forecast published at the beginning of July 2020, the European Commission expected the recession in 2020 to be even deeper and more regionally varied than still assumed in the spring. According to this forecast, the euro area economy would contract by 8.7 % this year and grow by 6.1 % in 2021. For the EU 27 countries, GDP was expected to fall by 8.3 % in 2020 and grow by 5.8 % next year. In its Monthly Report for August 2020, the German Bundesbank expected real-term GDP in the euro area to grow sharply in the third quarter, with this growth also notably being driven by positive developments in the consumption of goods. According to the economists, however, this growth would be insufficient to offset the loss of GDP in the first half of the year. Moreover, the economy was expected to recover significantly more slowly in the further course of the third quarter than in the months from May to July 2020. Furthermore, no widespread improvement was yet apparent internationally in terms of the development in the number of infections.

For Germany, the experts expected the economy to perform more positively than the European average. There had been increasing recent indications that the coronavirus-related downturn in the German economy in 2020 would prove less severe than initially feared. At the beginning of September, the Federal Government revised its economic forecast upwards and predicted a crisis-related downturn in gross domestic product (GDP) of 5.8 % for 2020, compared with its previous forecast of minus 6.3 %. The first bank economists have also raised their economic forecasts for Germany and believe that the economy might possibly return even more quickly to its pre-crisis level.

Key indicators pointed to economic recovery. Among others, the HDE's Consumption Barometer also rose for the fourth consecutive month in September 2020. Consumer confidence in Germany has improved further. That is also reflected in the cumulative sales growth reported by German retailers, even if there are significant disparities within the sector. In Germany as in other European countries, the DIY sector demonstrated its systemic relevance and, in the year to date, has witnessed a substantial year-on-year increase in customer demand.

Forecast Business Performance in 2020/21

On Pages 80 to 84 of the 2019/20 Annual Report of the HORNBACH Baumarkt AG Group, we provided an assessment of our forecast business performance in 2020/21. These comments too were shaped by the substantial uncertainties resulting from the COVID-19 pandemic. As already set out above in the Risk and Opportunity Report, in light of the positive developments in the second quarter and first half of 2020/21 our assessment of the further operating performance in HORNBACH's international network is now more positive than previously. This assessment has also benefited from the latest political news and the lessons already learned in terms of containing the coronavirus crisis. We are convinced that the DIY retail sector, which played a key role in showing that stationary customer businesses could be responsibly organized with high safety standards, particularly during the peak of the crisis, will most likely not be subject to any widespread store closures. Demand among consumers for the products and services offered by our stationary DIY stores, garden centers, and online shops remains significantly higher than before the crisis. No abrupt end to this consumer trend is currently foreseeable. However, there is still the general risk that any unexpected and sudden intensification in the number of infections or drastic deterioration in labor markets and consumers' incomes could harm the consumer climate during the second half of 2020/21. This would potentially lead to a severe reduction in sales.

Expansion

A DIY megastore with a garden center was opened on schedule in Oradea (Romania) at the end of September 2020. We therefore now operate seven locations in Romania. No further openings of new DIY stores and garden centers are scheduled for the second half of 2020/21. The total number of HORNBACH DIY stores and garden centers will therefore amount to 161 at the end of the financial year on February 28, 2021, of which 65 locations in other European countries. Alongside its DIY retail activities, HORNBACH plans to launch a new specialist store concept under the "Bodenhaus" brand, most likely in the fourth quarter of 2020/21. Mainly targeting professional customers, this specialist retail concept for hard floor coverings - particularly tiles, parquet floors, laminates, vinyl, and decking - is initially to be tested at two locations in Berlin and Cologne.

Sales and earnings forecast

Given the pleasing growth generated in the first half of 2020/21 and the more positive assessment for the second half of 2020/21 (September 1, 2020 to February 28, 2021), the current annual forecast, published by way of ad-hoc announcement on August 10, 2020, can now be specified in greater detail. The forecast range of sales and earnings growth has been narrowed, with the lower limits raised. Consolidated sales for the 2020/21 financial year (2019/20: € 4.4 billion) are now expected to show growth in a corridor of between plus 9 % (previously: plus 5 %) and plus 15 %. Adjusted EBIT is expected to range between € 220 million (previously: € 180 million) and € 280 million (2019/20: € 182 million).

Brief Glossary of Key Performance Figures

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

Like-for-like sales net of currency items (change in %)	*Alternative key performance figure to measure the operating business performance and indicate the organic growth achieved by our retail activities (stationary stores and online shops)*	The calculation of like-for-like sales is based on all DIY stores with garden centers that have been in operation for at least one full year. No account is taken of stores newly opened, closed, or subject to substantial conversion measures in the past twelve months. Like-for-like sales are calculated excluding sales tax (net) and based on the local currency for the reporting period under comparison (currency-adjusted). The rate of change in like-for-like sales net of currency items is therefore a performance indicator independent of exchange rate factors. On a euro basis, like-for-like sales are also calculated including currency items for those countries in our European store network that have currencies other than the euro.
EBITDA	*Alternative key performance figure to comment on earnings performance*	EBITDA stands for earnings before interest, taxes, depreciation and amortization (on property, plant and equipment and on intangible assets). EBITDA is a cash flow-based figure, as depreciation and amortization, which do not impact on liquidity, are added to operating earnings (EBIT).
Adjusted EBIT	*Major key performance figure to comment on operating earnings performance*	To calculate this key figure, EBIT is adjusted to exclude non-operating earnings items. Non-operating expenses (e.g. impairment losses on assets, expenses due to discontinuation of projects) are added to EBIT, while non-operating income (e.g. income from disposals of properties, income from write-ups of assets impaired in previous years) are deducted. Adjusted EBIT is therefore particularly useful for management purposes and for comparing the operating earnings performance over time or in forecasts.
EBT	*Alternative key performance figure to comment on operating earnings performance*	Given IFRS 16 lease accounting, consolidated earnings before taxes (EBT) are becoming increasingly important as an alternative key performance figure. EBT is the key earnings figure that shows the impact on the income statement of IFRS 16 effects; these comprise depreciation of right-of-use assets and interest expenses for financial debt.

Cost ratios	*Alternative key performance figures for the development in store, pre-opening, and administration expenses as a percentage of net sales*	The **store expense ratio** is obtained by dividing selling and store expenses by net sales. Selling and store expenses comprise those costs incurred in connection with the operation of stationary DIY stores with garden centers and the online shops. They mainly include personnel expenses, advertising expenses, and general operating expenses (such as transport expenses, service and maintenance), as well as depreciation and amortization. The **pre-opening expense ratio** is calculated by dividing pre-opening expenses by net sales. Costs incurred in connection with and upon the construction of a new stationary DIY store with a garden center through to opening are reported as pre-opening expenses. Pre-opening expenses largely comprise personnel expenses, costs of supplies and disposal, and administration expenses. The **administration expense ratio** is the quotient of administration expenses and net sales. Administration expenses include all administrative expenses incurred in connection with the operation or construction of stationary DIY stores with garden centers and with the development and operation of online retail (e-commerce) and which cannot be directly allocated to such. They mainly consist of personnel expenses, legal and advisory expenses, depreciation and amortization, costs of premises, and IT, travel, and vehicle expenses. As well as purely administrative expenses, they also include project-related and digitalization expenses.
Equity ratio	*Alternative key performance figure to comment on asset position*	The equity ratio is derived by dividing shareholders' equity as reported in the balance sheet (equity posted) by total capital (balance sheet total).
Net financial debt	*Alternative key performance figure to comment on financial position*	This key figure is calculated as total current and non-current financial debt less cash and cash equivalents and – where applicable – less current financial assets.
Gross margin	*Further key performance figure to comment on earnings performance*	The gross 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.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Income Statement

€ million	2nd Quarter 2020/21	2nd Quarter 2019/20	Change in %	1st Half 2020/21	1st Half 2019/20	Change in %
Sales	1,456.8	1,184.0	23.0	2,949.0	2,444.7	20.6
Cost of goods sold	932.1	754.2	23.6	1,878.2	1,549.2	21.2
Gross profit	**524.8**	**429.8**	**22.1**	**1,070.7**	**895.6**	**19.6**
Selling and store expenses	326.4	290.1	12.5	657.3	618.9	6.2
Pre-opening expenses	1.1	2.6	(57.4)	1.5	3.5	(56.3)
General and administration expenses	53.5	56.0	(4.5)	111.3	111.9	(0.5)
Other income and expenses	3.2	5.8	(45.2)	6.4	9.7	(34.3)
Earnings before interest and taxes (EBIT)	**147.0**	**86.8**	**69.3**	**307.0**	**170.9**	**79.6**
Interest and similar income	0.1	0.2	(67.1)	0.2	0.2	(23.5)
Interest and similar expenses	13.7	14.3	(4.7)	27.2	28.8	(5.7)
Other financial result	(1.4)	(0.2)	>(100)	(1.1)	(0.1)	>(100)
Net financial expenses	**(15.0)**	**(14.4)**	**(4.1)**	**(28.1)**	**(28.7)**	**2.3**
Consolidated earnings before taxes	**132.1**	**72.5**	**82.3**	**278.9**	**142.2**	**96.1**
Taxes on income	31.5	17.7	77.3	68.5	35.8	91.4
Consolidated net income	**100.6**	**54.7**	**83.9**	**210.5**	**106.5**	**97.7**
Basic/diluted earnings per share (€)	3.17	1.72	84.3	6.62	3.35	97.6

Statement of Comprehensive Income

€ million [1]	2nd Quarter 2020/21	2nd Quarter 2019/20	1st Half 2020/21	1st Half 2019/20
Consolidated net income	**100.6**	**54.7**	**210.5**	**106.5**
Actuarial gains and losses on defined benefit plans	0.1	(9.6)	6.6	(15.6)
Measurement of equity instruments	(3.3)	2.5	(3.3)	2.5
Deferred taxes on income and expenses recognized directly in equity that will not be reclassified	0.2	1.6	(0.8)	2.6
Other comprehensive income that will not be recycled at a later date	**(3.0)**	**(5.4)**	**2.5**	**(10.4)**
Exchange differences arising on the translation of foreign subsidiaries	3.6	3.6	(6.8)	4.2
Other comprehensive income that will possibly be recycled at a later date	**3.6**	**3.6**	**(6.8)**	**4.2**
Total comprehensive income	**101.2**	**52.9**	**206.2**	**100.2**

[1] Deferred taxes on pension commitments and equity instruments will from now on be recognized in a separate line item. The previous year's figures have been adjusted.

Balance Sheet

Assets	August 31, 2020 € million	%	February 29, 2020 € million	%
Non-current assets				
Intangible assets	15.5	0.4	15.9	0.4
Property, plant, and equipment	1,111.9	28.9	1,097.7	30.8
Investment property	7.1	0.2	6.7	0.2
Right-of-use assets	1,172.7	30.5	1,217.8	34.2
Financial assets	7.2	0.2	10.5	0.3
Other non-current receivables and assets	1.3	0.0	1.3	0.0
Deferred tax assets	12.0	0.3	10.4	0.3
	2,327.6	**60.6**	**2,360.3**	**66.2**
Current assets				
Inventories	755.6	19.7	814.4	22.9
Trade receivables	14.0	0.4	11.6	0.3
Contract assets	1.4	0.0	1.6	0.0
Other current assets	80.3	2.1	72.1	2.0
Income tax receivables	1.3	0.0	2.1	0.1
Cash and cash equivalents	661.1	17.2	302.2	8.5
	1,513.8	**39.4**	**1,203.9**	**33.8**
	3,841.4	**100.0**	**3,564.3**	**100.0**

Equity and liabilities	August 31, 2020 € million	%	February 29, 2020 € million	%
Shareholders' equity				
Share capital	95.4	2.5	95.4	2.7
Capital reserve	143.6	3.7	143.6	4.0
Revenue reserves	1,075.8	28.0	893.0	25.1
	1,314.9	**34.2**	**1,132.1**	**31.8**
Non-current liabilities				
Non-current financial debt	541.3	14.1	540.9	15.2
Non-current lease liabilities	659.2	17.2	681.7	19.1
Non-current lease liabilities related to affiliated companies	447.2	11.6	463.2	13.0
Pensions and similar obligations	18.2	0.5	24.2	0.7
Deferred tax liabilities	13.0	0.3	12.6	0.4
Other non-current liabilities	41.7	1.1	41.5	1.2
	1,720.5	**44.8**	**1,764.3**	**49.5**
Current liabilities				
Current financial debt	57.3	1.5	50.9	1.4
Current lease liabilities	77.8	2.0	78.5	2.2
Current lease liabilities related to affiliated companies	59.4	1.5	60.1	1.7
Trade payables	257.7	6.7	250.7	7.0
Contract liabilities	45.0	1.2	34.4	1.0
Other current liabilities	113.5	3.0	76.0	2.1
Income tax liabilities	70.9	1.8	17.6	0.5
Other provisions and accrued liabilities	124.6	3.2	99.5	2.8
	806.0	**21.0**	**667.9**	**18.7**
	3,841.4	**100.0**	**3,564.3**	**100.0**

Statement of Changes in Equity

1st Half 2019/20 in € million	Share capital	Capital reserve	Cumulative currency translation	Other revenue reserves	Total equity
Balance at March 1, 2019	**95.4**	**143.6**	**37.3**	**792.2**	**1,068.6**
Consolidated net income				106.5	106.5
Actuarial gains and losses on defined benefit plans				(12.9)	(12.9)
Measurement of available for equity instruments, net after taxes				2.5	2.5
Exchange differences arising on the translation of foreign subsidiaries			4.2		4.2
Total comprehensive income			**4.2**	**96.0**	**100.2**
Dividend distribution				(21.6)	(21.6)
Treasury stock transactions				(0.7)	(0.7)
Balance at August 31, 2019	**95.4**	**143.6**	**41.5**	**865.9**	**1,146.4**

1st Half 2020/21 in € million	Share capital	Capital reserve	Cumulative currency translation	Other revenue reserves	Total equity
Balance at March 1, 2020	**95.4**	**143.6**	**47.8**	**845.2**	**1,132.1**
Consolidated net income				210.5	210.5
Actuarial gains and losses on defined benefit plans				5.8	5.8
Measurement of available for equity instruments, net after taxes				(3.2)	(3.2)
Exchange differences arising on the translation of foreign subsidiaries			(6.8)		(6.8)
Total comprehensive income			**(6.8)**	**213.0**	**206.2**
Dividend distribution				(21.6)	(21.6)
Treasury stock transactions				(1.8)	(1.8)
Balance at August 31, 2020	**95.4**	**143.6**	**41.0**	**1,034.8**	**1,314.9**

Cash Flow Statement

€ million	1st Half 2020/21	1st Half 2019/20
Consolidated net income	**210.5**	**106.5**
Depreciation and amortization of investments in property, plant, and equipment and in intangible assets	36.9	37.9
Depreciation of right-of-use assets	75.8	78.4
Change in provisions	1.2	1.5
Gains/losses on disposals of non-current assets and of non-current assets held for sale	(0.6)	0.5
Change in inventories, trade receivables and other assets	47.3	45.8
Change in trade payables and other liabilities	134.7	56.8
Other non-cash income/expenses	2.8	(2.9)
Cash flow from operating activities	**508.6**	**324.4**
Proceeds from disposal of non-current assets and of non-current assets held for sale	1.1	1.4
Payments for investments in property, plant, and equipment	(55.9)	(50.9)
Payments for investments in intangible assets	(1.5)	(2.1)
Cash paid for investments in connection with short-term finance planning	0.0	(20.0)
Cash flow from investing activities	**(56.3)**	**(71.5)**
Dividends paid	(21.6)	(21.6)
Repayment of current and non-current lease liabilities	(70.4)	(70.0)
Change in current financial debt	0.0	7.2
Cash flow from financing activities	**(92.0)**	**(84.4)**
Cash-effective change in cash and cash equivalents	360.3	168.4
Change in cash and cash equivalents due to changes in exchange rates	(1.3)	0.7
Cash and cash equivalents at March 1	302.2	242.5
Cash and cash equivalents at August 31	**661.1**	**411.6**

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 € 16.6 million (2019/20: € 11.5 million) and interest payments of € 21.2 million (2019/20: € 22.3 million) and increased by interest received of € 0.2 million (2019/20: € 0.2 million). Of interest payments, an amount of € 20.4 million (2019/20: € 21.6 million) involves interest paid in connection with leases.

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

GROUP NOTES

Notes to the Interim Consolidated Financial Statements as of August 31, 2020

(1) Accounting principles

This interim report of HORNBACH Baumarkt AG and its subsidiaries for the 1st half as of August 31, 2020 has been prepared in accordance with § 315e (1) of the German Commercial Code (HGB) based on International Financial Reporting Standards (IFRS) in the form requiring mandatory application in the European Union. The abridged interim report has been prepared in accordance with IAS 34 "Interim Financial Reporting".

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

This interim report is to be read in conjunction with the consolidated financial statements of HORNBACH Baumarkt AG for the 2019/20 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).

Figures have been rounded up or down to the nearest million euros. This may result in discrepancies between figures in the various numeric presentations. Percentages have been calculated on the basis of € 000s.

Changes in accounting principles

The new standards, amendments to standards, and interpretations requiring first-time application in the 2020/21 financial year were described in the 2019/20 consolidated financial statements. These changes did not have any material implications for the consolidated financial statements.

IFRS 16 "Leases"

In the second quarter of 2020, the International Accounting Standards Board (IASB) published an amendment to IFRS 16 that permits lessees to recognize rent concessions directly related to COVID-19 through profit or loss rather than as adjustments to the right-of-use assets. This amendment has not yet been adopted by the European Parliament; approval is nevertheless deemed highly likely. To be eligible, rent adjustments must satisfy the following conditions:

- They must be directly related to COVID-19.
- The change to lease payments leads to revised consideration for the lease that is substantially the same or less than the consideration for the lease immediately prior to such change.
- The reduction in lease payments only relates to payments due on or before June 30, 2021.
- No other substantive changes are made to the terms of the lease.

(2) Impact of COVID-19

The Group's business activities were influenced to a limited extent in the period under report by the global spread of the COVID-19 pandemic. The overwhelming share of the Group's sales locations was not affected by store closures, or only for a temporary period. Further details about this can be found in the interim group management report.

The discretionary decisions and estimates made by the management when preparing the abridged interim group report impact on the measurement of the assets and liabilities thereby recognized, as well as on the income and expenses stated for the period under report. In making discretionary decisions and estimates, the management took account of all available information concerning expected economic developments and country-specific government countermeasures. Due to the currently unforeseeable global implications of the COVID-19 pandemic, however, these discretionary decisions and estimates made by the management are subject to increased uncertainty. Actual amounts may diverge from the assessments and estimates made by the management. Changes in these amounts may impact materially on the interim consolidated financial statements. This information has been factored into the following range of topics:

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

In the period under report, the Group performed a review to ascertain whether the repercussions of the COVID-19 pandemic had led to any specific indications of potential impairment among its non-financial assets. This analysis took account of:

- The development in the Group's operating performance during the period under report
- Forward-looking analysis of the Group's operative planning
- The development in the market capitalization compared with equity posted during the period under report
- Qualitative comparison within the DIY sector.

The review established that there are currently no further indications of impairment. In this respect, the company planning underlying the consolidated financial statements as of February 29, 2020 retains its validity. The assumptions and estimates made in these consolidated financial statements are nevertheless subject to increased uncertainty. Future changes in expected cash flows and discount rates may lead to the recognition of write-downs or write-ups in future.

Inventories

HORNBACH was only affected to a limited extent by lockdown-related store closures. In this respect, the company was not exposed to any inventory-related risks that were materially in excess of normal levels. Impairments have therefore been recognized for inventories based on the principle of net realizable value and are reviewed on a monthly basis. No COVID-19-related material increase in the impairment rate for inventories is discernible at the Group in the period under report.

Trade receivables and other current assets

Given the cash and carry principle, the company's risk exposure is mainly limited to debit and credit card companies of suitable creditworthiness. Furthermore, a material share of the default risk relating to trade receivables is outsourced by way of factoring agreements. A suitable risk provision based on historic empirical values is stated to cover any liability quotas.

Traditional trade receivables mainly involve customers of suitable creditworthiness. No COVID-19-related material increase in the expected default risk is discernible at the Group in the period under report. The year-on-year increase in the expected default risk is chiefly due to the higher business volumes seen in the first half of 2020/21.

Sales

The Group's sales are influenced by seasonal factors and affected by weather conditions. Alongside these factors, the performance in the first half of 2020/21 was also influenced by the fact that not all of our locations were subject to lockdown measures. It is not possible to provide a quantitative categorization of the sales growth. Further details about this can be found in the interim group management report.

No material change in the rate of returns is discernible in the period under report.

Government grants

HORNBACH received government grants in those states/countries that were affected by lockdown measures in the first half of 2020/21. Group-wide grants totaling € 2.9 million were recognized in the period under report, with these being passed on to employees or paid as social security contributions. The grants received therefore represent a transitory item within the financial statements. The portion of grants meeting the requirements of IAS 20 has been deducted from the respective expenses in the income statement (net statement).

Personnel expenses

To acknowledge the dedication shown by employees during the pandemic in the 1st half of 2020/21, the management decided to pay a one-off bonus. The resultant expenses recognized in the period under report amounted to € 6.9 million. These outlays have been allocated to the respective functional expenses.

Other COVID-19-related expenses

The measures required to protect our customers and employees and to uphold stationary sales include commissioning security firms and additional temporary staff, as well as extensive disinfection and hygiene-related measures. As of the reporting date, the resultant expenses amounted to € 12.0 million. These outlays have been allocated to the respective functional expenses.

(3) Seasonal influences

Due to weather conditions, the HORNBACH Baumarkt 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 half. The business performance in the first six months as of August 31, 2020 does not necessarily provide an indication for the year as a whole.

(4) Other income and expenses

Other income and expenses are structured as follows:

€ million	2nd Quarter 2020/21	2nd Quarter 2019/20	Change in %
Other income	5.5	11.5	(52.4)
Other expenses	2.3	5.8	(59.6)
Other income and expenses	**3.2**	**5.8**	**(45.2)**

€ million	1st Half 2020/21	1st Half 2019/20	Change in %
Other income	10.0	17.1	(41.2)
Other expenses	3.7	7.4	(50.3)
Other income and expenses	**6.4**	**9.7**	**(34.3)**

Other income for the first half of 2020/21 mainly results from operating income and chiefly relates to ancillary revenues at DIY stores with garden centers, income from disposal services, income from allocations within the HORNBACH Holding AG & Co. KGaA Group, and income from damages payments.

Other expenses mainly relate to losses incurred for damages and to operating expenses in connection with impairments of receivables and to disposal losses.

(5) Earnings per share

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

Basic earnings per share

	2nd Quarter 2020/21	2nd Quarter 2019/20
Number of shares issued	31,807,000	31,807,000
Consolidated net income allocable to shareholders in HORNBACH Baumarkt AG in € million	100.6	54.7
Earnings per share in €	**3.17**	**1.72**

	1st Half 2020/21	1st Half 2019/20
Number of shares issued	31,807,000	31,807,000
Consolidated net income allocable to shareholders in HORNBACH Baumarkt AG in € million	210.5	106.5
Earnings per share in €	**6.62**	**3.35**

(6) Other disclosures

The personnel expenses of the HORNBACH Baumarkt AG Group amounted to € 440.4 million in the first half of the 2020/21 financial year (2019/20: € 397.0 million).

Depreciation and amortization totaling € 36.9 million was recognized on intangible assets and property, plant and equipment at the HORNBACH Baumarkt AG Group in the first six months (2019/20: € 37.9 million). An amount of € 75.8 million related to depreciation of right-of-use assets in connection with leases (2019/20: € 78.4 million).

No non-operating earnings items requiring allocation to functional expenses arose in the first half of 2020/21. In the previous year, pre-opening expenses included non-operating expenses of € 0.5 million.

(7) Shareholders' equity

On July 6, 2020, the Board of Management of HORNBACH Baumarkt AG resolved pursuant to § 71 (1) No. 2 of the German Stock Corporation Act (AktG) to acquire up to 60,000 treasury stock shares. These shares are to be acquired for the annual issue of employee shares scheduled to take place at the end of 2020. The buyback of shares began on August 3, 2020 and is limited to February 28, 2021. By August 31, 2020, HORNBACH Baumarkt AG had acquired 50,000 treasury stock shares. In the statement of changes in equity, the acquisition costs for these shares (€ 1.8 million) have been recognized under "Treasury stock transactions".

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

(8) Dividend

As proposed by the Board of Management and Supervisory Board of HORNBACH Baumarkt AG, following approval by the Annual General Meeting on July 9, 2020 a dividend of € 0.68 per share was distributed to shareholders for the 2019/20 financial year.

(9) Contingent liabilities, guarantees and other financial obligations

These mainly involve financial obligations in connection with investment projects, as well as rental, hiring, leasehold, and lease contracts in which the leased items had not yet been handed over for use as of the balance sheet date or which are outside the scope of IFRS 16. These items amounted to € 95.5 million at the end of the period under report (February 29, 2020: € 130.8 million).

The company had contingent liabilities of € 189.1 million as of the balance sheet date (February 29, 2020: € 138.5 million). These mainly relate to conditionally deferred rental relationships and outstanding land purchase contracts. The timing of any potential outflow of funds for contingent liabilities is uncertain, as they depend on various external factors that are outside HORNBACH's control.

(10) Related party disclosures

In addition to the subsidiaries included in the consolidated financial statements, HORNBACH Baumarkt AG also has direct or indirect relationships with associated companies when performing its customary business activities. These include the parent company, HORNBACH Holding AG & Co. KGaA, and its general partner (HORNBACH Management AG), as well as their direct and indirect subsidiaries. Apart from the transactions performed in the usual course of business and reported in the annual financial statements, no material transactions were undertaken with closely related companies and persons in the period under report.

(11) Fair value disclosures

The methods and principles applied to determine fair value are basically unchanged compared with the consolidated financial statements as of February 29, 2020. The following table presents the carrying amounts and fair values of individual financial assets and liabilities pursuant to IFRS 9 as of August 31, 2020:

€ million	Category	Carrying amount 08.31.2020	Fair value 08.31.2020	Carrying amount 02.29.2020	Fair value 02.29.2020
Assets					
Financial assets	FVtOCI	7.2	7.2	10.5	10.5
Trade receivables	AC	12.2	12.2	9.8	9.8
Trade receivables due to non-recourse factoring that are not derecognized	FVtPL	1.8	1.8	1.8	1.8
Contract assets	AC	1.4	1.4	1.6	1.6
Other current and non-current assets					
Derivatives without hedge relationship	FVtPL	1.4	1.4	0.3	0.3
Other assets	AC	59.6	59.6	52.9	52.9
Cash and cash equivalents	AC	661.1	661.1	302.2	302.2
Equity and liabilities					
Financial debt					
Bonds	AC	246.9	259.0	246.6	261.2
Liabilities to banks	AC	350.8	347.7	344.9	339.1
Lease liabilities	n/a	1,243.6	--	1,283.6	--
Derivatives with hedge relationship	n/a	0.0	0.0	0.0	0.0
Derivatives without hedge relationship	FVtPL	0.9	0.9	0.3	0.3
Trade payables	AC	257.7	257.7	250.7	250.7
Contract liabilities	AC	45.0	45.0	34.4	34.4
Other current and non-current liabilities	AC	15.2	15.2	21.1	21.1
Accrued liabilities	AC	37.7	37.7	22.6	22.6

Other current and non-current assets of € 20.7 million (February 29, 2020: € 20.2 million), other current and non-current liabilities of € 140.0 million (February 29, 2020: € 96.4 million), and accrued liabilities of € 85.6 million (February 29, 2020: € 75.1 million) are outside the scope of IFRS 7.

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

€ million	Category	08.31.2020	02.29.2020
Assets			
Valuation based on level 2 input data			
Derivatives without hedge relationship	FVtPL	1.4	0.3
Valuation based on level 3 input data			
Financial assets	FVtOCI	7.2	10.5
Liabilities			
Valuation based on level 1 input data			
Bonds	AC	259.0	261.2
Valuation based on level 2 input data			
Liabilities to banks	AC	347.7	339.1
Lease liabilities	n/a	--	--
Derivatives with hedge relationship	n/a	0.0	0.0
Derivatives without hedge relationship	FVtPL	0.9	0.3

Derivative financial instruments without hedge relationships involve foreign currency items for outstanding orders.

Financial assets include an investment measured using level 3 input data. Reference is made in this respect to the disclosures made in the 2019/20 consolidated financial statements. A change in the measurement of this investment required recognition in equity in the first half of 2020/21. This was mainly due to a change in the relevant interest rate (WACC). The discount rate after taxes increased from 4.8 % to 6.3 %. The following table presents the development in fair value:

Changes in financial assets level 3 input data	08.31.2020	02.29.2020
Balance at March 1	**10.5**	**7.3**
Change in valuation (OCI)	(3.3)	3.1
Balance at August 31 / February 29	**7.2**	**10.5**

The following overview presents the sensitivities of the main input factors as of August 31, 2020:

€ million	Fair Value	
	Increase	Decrease
Rent (5% change)	0.8	(0.8)
Discount rate (50 basis point change)	(1.4)	0.4

(12) Segment report

1st Half 2020/21 in € million 1st Half 2019/20 in € million	Retail	Real Estate	Headquarters	Consolidation	HORNBACH Baumarkt AG Group
Segment sales	**2,947.2**	**141.1**	**0.0**	**(139.3)**	**2,949.0**
	2,442.5	139.3	0.0	(137.1)	2,444.7
Sales to third parties	2,947.1	0.0	0.0	0.0	2,947.1
	2,442.5	0.0	0.0	0.0	2,442.5
Rental income from third parties	0.0	1.8	0.0	0.0	1.8
	0.0	2.2	0.0	0.0	2.2
Rental income from affiliated companies	0.0	139.3	0.0	(139.3)	0.0
	0.0	137.1	0.0	(137.1)	0.0
EBIT	**261.1**	**57.3**	**(11.4)**	**0.0**	**307.0**
	129.8	51.0	(9.9)	0.0	170.9
of which: depreciation and amortization	25.0	82.7	4.9	0.0	112.6
	27.8	82.9	5.7	0.0	116.4
Segment earnings (adjusted EBIT)	**261.1**	**57.3**	**(11.4)**	**0.0**	**307.0**
	129.8	51.5	(9.9)	0.0	171.4
EBITDA	**286.2**	**139.9**	**(6.5)**	**0.0**	**419.7**
	157.6	133.9	(4.2)	0.0	287.3
Segment assets	**1,217.3**	**2,113.3**	**497.5**	**0.0**	**3,828.1**
	1,146.8	2,183.7	0.0	281.0	3,611.6
of which: credit balances at banks	176.1	0.0	444.4	0.0	620.4
	167.1	0.0	206.4	0.0	373.5

Reconciliation in € million	1st Half 2020/21	1st Half 2019/20
Segment earnings (adjusted EBIT)	**307.0**	**171.4**
Non-operating effects	0.0	(0.5)
Net financial expenses	(28.1)	(28.7)
Consolidated earnings before taxes	**278.9**	**142.2**

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

1st Half 2020/21 in € million 1st Half 2019/20 in € million	Retail	Real Estate	HORNBACH Baumarkt AG Group
Germany	**1,556.9**	**0.1**	**1,557.0**
	1,255.7	0.1	1,255.8
Other European countries	**1,390.2**	**1.7**	**1,391.9**
	1,186.8	2.1	1,188.9
Revenue from contracts with customers	**2,947.1**	**1.8**	**2,949.0**
	2,442.5	2.2	2,444.7

Bornheim bei Landau/Pfalz, September 24, 2020

HORNBACH Baumarkt Aktiengesellschaft
The Board of Management

Erich Harsch

Roland Pelka

Susanne Jäger

Karsten Kühn

Ingo Leiner

Dr. Andreas Schobert

RESPONSIBILITY STATEMENT (BALANCE SHEET OATH)

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

Bornheim bei Landau/Pfalz, September 24, 2020

HORNBACH Baumarkt Aktiengesellschaft
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REVIEW REPORT

To HORNBACH Baumarkt AG, Bornheim/Pfalz

We have performed a limited review of the condensed interim consolidated financial statements, which comprise the income statement and the statement of comprehensive income for the period from 1 March to 31 August 2020, the balance sheet as at 31 August 2020, the statement of changes in equity, the statement of cash flows and the selected explanatory notes, together with the interim group management report of HORNBACH Baumarkt AG, Bornheim bei Landau/Pfalz/Germany, for the period from 1 March to 31 August 2020, that are part of the semi-annual financial report pursuant to Section 115 German Securities Trading Act (WpHG). The executive directors are responsible for the preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the German Securities Trading Act (WpHG) applicable to interim group management reports. Our responsibility is to issue an attestation report on the condensed interim consolidated financial statements and on the interim group management report based on our limited review.

We conducted our limited review of the condensed interim consolidated financial statements and of the interim group management report in accordance with the German Generally Accepted Standards for the Limited Review of Financial Statements promulgated by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform the limited review in a manner that, based on critical assessment, we can preclude with a certain level of assurance, that, in material respects, the condensed interim consolidated financial statements have not been prepared in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, or that, in material respects, the interim group management report has not been prepared in accordance with the requirements of the German Securities Trading Act (WpHG) applicable to interim group management reports. A limited review is primarily confined to making enquiries of the Company's employees and performing analytical assessments and therefore does not offer the assurance that can be obtained through an audit of financial statements. Since we were not engaged to perform an audit of financial statements, we cannot issue an auditor's report.

Based on our limited review no matters have come to our attention that cause us to assume that, in material respects, the condensed interim consolidated financial statements of HORNBACH Baumarkt AG, Bornheim/Pfalz/Germany, have not been prepared in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, or that, in material respects, the interim group management report has not been prepared in accordance with the requirements of the German Securities Trading Act (WpHG) applicable to interim group management reports.

Mannheim, September 24, 2020

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

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

FINANCIAL CALENDAR

September 29, 2020	Half-Year Financial Report 2020/21 as of August 31, 2020
December 22, 2020	Quarterly Statement: 3rd Quarter of 2020/21 as of November 30, 2020
March 23, 2021	Trading Statement 2020/21 as of February 28, 2021
May 27, 2021	Annual Report 2020/21 as of February 28, 2021 DVFA Analysts Conference of HORNBACH Baumarkt AG

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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 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.