

HALF-YEAR FINANCIAL REPORT
HORNBAACH BAUMARKT AG GROUP

H1
2021/22

(MARCH 1 – AUGUST 31, 2021)



HORNBACH BAUMARKT AG GROUP

Half-Year Financial Report 2021/22 (March 1 – August 31, 2021)

Key figures of the HORNBACH Baumarkt AG Group (in € million, unless otherwise stated)	2 nd Quarter 2021/22	2 nd Quarter 2020/21	Change in %	1 st Half 2021/22	1 st Half 2020/21	Change in %
Net sales	1,509.4	1,456.8	3.6	3,085.2	2,949.0	4.6
of which: in Germany	764.8	748.6	2.2	1,579.7	1,557.0	1.5
of which in other European countries	744.6	708.2	5.1	1,505.5	1,391.9	8.2
Like-for-like sales growth	2.5%	21.4%		3.4%	19.4%	
Gross margin as % of net sales	36.0%	36.0%		36.1%	36.3%	
EBITDA	209.7	203.6	3.0	420.8	419.7	0.3
Earnings before interest and taxes (EBIT)	150.5	147.0	2.4	304.3	307.0	(0.9)
Adjusted EBIT	150.5	147.0	2.4	304.3	307.0	(0.9)
Consolidated earnings before taxes	135.9	132.1	2.9	275.0	278.9	(1.4)
Consolidated net income	104.4	100.6	3.8	209.2	210.5	(0.6)
Basic/diluted earnings per share (€)	3.28	3.17	3.5	6.58	6.62	(0.6)
Investments	98.4	34.3	>100	151.4	57.4	>100

Misc. key figures of the HORNBACH Baumarkt AG Group (in € million, unless otherwise stated)	August 31, 2021	February 28, 2021	Change in %
Total assets	3,998.6	3,765.2	6.2
Shareholders' equity	1,443.9	1,254.9	15.1
Shareholders' equity as % of total assets	36.1%	33.3%	
Number of stores	165	163	1.2
Sales area in 000 m ² (based on BHB)	1,941	1,918	1.2
Number of employees	23,114	22,136	4.4

Summary

Strong Q2 performance drives half-year earnings close to previous year's record

- Customer demand for construction and DIY projects still high despite unsettled summer weather and greater travel activity
- Thanks to solid performance in home market and further sales growth in other European countries, consolidated sales exceed previous year's record in second quarter (Q2) as well – sales up 4.6% to € 3.1 billion in first half (H1) of 2021/22
- Positive trend in like-for-like sales continues in H1: Group plus 3.4%, Germany plus 0.7%, other European countries plus 6.4%
- Online sales (interconnected retail) rise by 48.4% to € 593 million in first six months – online sales now account for 19.2% of total sales
- Adjusted EBIT grows in Q2 and, at € 304.3 million in H1, almost matches previous year's record
- Profitability stable in half-year period: At 9.9%, adjusted EBIT margin still significantly higher than pre-pandemic level (7.0%) and only slightly below high previous year's figure (2020/21: 10.4%)
- Full-year forecast for 2021/22 confirmed and specified in greater detail: Sales and adjusted EBIT expected to reach upper third of forecast range

The HORNBACH Baumarkt AG Group upheld its positive business performance in the second quarter of 2021/22 (June 1 to August 31, 2021). Customer demand for construction and DIY projects remained high in the summer months, and that although weather conditions were highly unsettled and consumers began to travel far more widely again. Consolidated sales in the second quarter of 2021/22 exceeded the record figure reported for the previous year's quarter by 3.6%, having already risen by 5.6% in the first three months of the 2021/22 financial year. Thanks to solid growth in its home market (plus 1.5%) and a marked rise in other European countries (plus 8.2%), the company's half-year sales therefore grew by 4.6% to € 3,085.2 million (2020/21: € 2,949.0 million).

On a like-for-like basis and net of currency items, consolidated sales rose by 2.5% in the second quarter and by 3.4% in the first half of 2021/22. With its retail activities in Germany, HORNBACH generated moderate like-for-like growth of 0.7% in the first six months of 2021/22, building on the record figure of 24.3% in the previous year, and gained further market share. In other European countries, like-for-like sales net of currency items showed further growth of 6.4% in the half-year period (2020/21: 14.4%).

Sales in the online business (interconnected retail; ICR), which has seen great demand even after the lifting of all pandemic-related restrictions in Germany (June 7, 2021) and other European countries (May 10, 2021), grew by 48.4% to € 593 million in the first half of 2021/22. As a result, ICR accounted for a 19.2% share of overall sales in the first six months of the current 2021/22 financial year (2020/21: 13.6%).

Operating earnings adjusted to exclude non-operating earnings items (adjusted EBIT) grew by 2.4% to € 150.5 million in the second quarter of 2021/22 (2020/21: € 147.0 million) and, at € 304.3 million in the first half of 2021/22, almost matched the previous year's record (€ 307.0 million). The adjusted EBIT margin stood at 9.9% in the first half of 2021/22 (2020/21: 10.4%) and was thus consistently well ahead of the figure for the pre-pandemic first half of 2019/20 (7.0%). Six-month earnings per Baumarkt share are reported at € 6.58 (2020/21: € 6.62).

The forecast for the HORNBACH Baumarkt AG Group for the 2021/22 financial year has been confirmed and specified in greater detail. Sales growth is expected in the upper third of the forecast range of 1% to 5%. With regard to the earnings forecast, the Board of Management currently expects adjusted consolidated operating earnings (adjusted EBIT) to reach the upper third of the forecast corridor of € 240 million to € 278 million and thus, as previously forecast, to fall slightly short of the record figure reported for the 2020/21 financial year (€ 278.8 million).

Macroeconomic and Sector-Specific Framework

The first quarter of the 2021 calendar year was marked by large numbers of coronavirus infections and the accompanying measures and restrictions in the retail sector. These had a significantly negative impact on private consumer spending in particular. Compared with the first quarter of the previous year, **gross domestic product** in the European Union (EU 27) and the euro area (EA 19) fell by 1.2%. Growth gained momentum in the second quarter as ever more restrictions were lifted. The EU 27 countries achieved year-on-year growth of 13.8%, while the EA 19 countries posted GDP growth of 14.3%.

Adjusted for calendar-related factors, **output in the construction industry** rose year-on-year by 2.2% in the EU 27 and by 3.0% in the EA 19 in the first quarter of 2021 and by 14.0% and 16.5% in the second quarter.

As in the previous year, **retail activities** in the regions in which HORNBACH operates were affected to differing extents by restrictions on sales. Retail sales (excluding motor vehicle retail) adjusted for calendar-related factors rose year-on-year by 2.5% in the EU 27 and 2.4% in the EA 19 countries in the first quarter of 2021. In the second quarter, the retail sector reported growth of 11.8% (EU 27) and 11.7% (EA 19). According to GfK figures, gross DIY retail sales for the first half of the 2021 calendar year fell year-on-year by 15.2% in Germany and by 24.7% in the Netherlands. Both countries were affected far less severely by restrictions on sales in the previous year's period than in the current year. By contrast, gross sales grew by 8.3% in Austria, by 17.9% (in local currency) in Switzerland, and by 1.9% in the Czech Republic.

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

Percentage change on previous quarter Source: Eurostat (calendar year figures)	3 rd Quarter 2020	4 th Quarter 2020	1 st Quarter 2021	2 nd Quarter 2021
Germany	9.0	0.7	(2.0)	1.6
Austria	11.0	(2.5)	(0.2)	3.6
Czech Republic	6.8	0.7	(0.4)	1.0
Luxembourg	9.2	1.9	1.4	n/a
Netherlands	7.5	0.0	(0.8)	3.1
Romania	4.8	4.0	2.5	1.8
Slovakia	9.0	0.5	(1.4)	2.0
Sweden	7.5	0.2	0.8	0.9
Switzerland	6.4	(0.1)	(0.4)	1.8
Euro area (EA 19)	12.4	(0.6)	(0.3)	2.2
EU27	11.6	(0.4)	(0.1)	2.1

In Germany, GDP adjusted for price and calendar-related factors fell year-on-year by 3.1 % in the first quarter of the calendar year, while economic output grew by 9.4 % in the second quarter of 2021. Thanks to the increasing lifting of pandemic-related restrictions, consumer spending rose significantly in the second quarter of 2021 compared with the beginning of the year. Year-on-year, private consumer spending fell by 9.1 % in the first quarter and then rose by 6.0 % in the second quarter. Construction investments, which had fallen by 2.1 % in the first quarter, showed a year-on-year increase of 2.9 % in the second quarter. According to Destatis, the number of building permits issued for residential units in Germany rose year-on-year by 7.7 % in the first half of the 2021 calendar year. New orders for the main construction trade grew by 4.8 % in the first half, while sales fell year-on-year by 2.2 %. Sales in the finishing trade increased by 3.3 % in the first half of 2021. Developments in the construction industry were partly held back by availability issues and rising prices for construction materials such as timber, steel, and insulation materials.

The German **retail sector** reported year-on-year price-adjusted growth of 1.6 % and nominal sales growth of 3.2 % in the first half of the 2021 calendar year. Internet and mail order sales grew by 26.1 %.

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

Source: GfK Total Store Report Deutschland	1 st Half 2019	1 st Half 2020	1 st Quarter 2021	2 nd Quarter 2021	1 st Half 2021
Gross sales (€ billion)	10.22	11.82	3.45	6.58	10.03
Nominal year-on-year change (%)	4.6	15.6	(21.3)	(11.6)	(15.2)
Like-for-like year-on-year change (%)	4.4	16.0	(22.3)	(12.1)	(15.9)

According to the BHB sector association, the German **DIY retail sector** witnessed a year-on-year decline in aggregate gross nominal sales by 15.2 % to € 10.03 billion in the first half of the 2021 calendar year. This was due above all to the period of lockdowns, which lasted until June 6, as well as to unfavorable weather conditions. The sector was thus roughly at the same level as in the first half of 2019 prior to the pandemic, a period in which underlying conditions for DIY retail were significantly better than in the first half of the 2021 calendar year. On a like-for-like basis, i.e. excluding stores newly opened, closed, or subject to major conversion measures, sales in the sector fell by 15.9 % in the period from January to June 2021.

Earnings, Financial, and Asset Position

Impact of the coronavirus pandemic on the DIY retail business

On average, only around half of the HORNBACH DIY stores and garden centers were fully open to private customers in the first quarter (March 1 to May 31, 2021), leading demand to shift to the online shops and click & collect. On June 7, 2021, all HORNBACH stores in Germany were able to open without restriction once again. In other European countries, all stores have been operating normally since May 10, 2021. The second quarter (June 1 to August 31, 2021) was therefore only marginally affected by restrictions on sales.

Development in HORNBACH's store network

Two new DIY stores and garden centers were opened in the second quarter of 2021/22, namely in Trollhättan (Sweden) and in Cluj (Romania). As of August 31, 2021, the HORNBACH Baumarkt AG Group therefore operated 165 retail outlets with total sales areas of 1.94 million m², of which 98 locations in Germany and 67 in other European countries.

Seasonal and calendar-related factors

Impact of weather conditions

Overall, in large parts of the countries in which HORNBACH operates the spring and summer months offered less favorable weather conditions for implementing projects at home and in the garden than in the previous year, with lower temperatures, little sunshine and large volumes of precipitation. In July, severe regional storms led to disastrous flooding in parts of Germany, the Netherlands, Austria, and Luxembourg. No HORNBACH locations were directly hit, but the company assisted those affected in the flood regions by offering price discounts and by donating cash and materials.

Number of business days

There was an average of 1.5 business days more in the first half of the 2021/22 financial year (March 1 to August 31, 2021) than in the equivalent period in the previous year. The arithmetic calendar-related impact at the Group came to plus 0.6 business days in Q1 and plus 1.0 business days in Q2. As many of our stores were severely restricted due to the coronavirus crisis, but not closed entirely, the number of business days has not been adjusted to account for the impact of the pandemic.

Sales Performance

2nd quarter of 2021/22

Consolidated sales at HORNBACH Baumarkt AG rose by 3.6 % to € 1,509.4 million in the period from June 1 to August 31, 2021 (2020/21: € 1,456.8 million). In the Germany region, which was still affected through to June 6, 2021 by restrictions on stationary sales, net sales increased by 2.2 % to € 764.8 million (2020/21: € 748.6 million). Net sales in the Other European Countries region grew year-on-year by 5.1 % to € 744.6 million (2020/21: € 708.2 million).

Like-for-like sales net of currency items [[Brief Glossary](#) on Page 12] rose by 2.5 % in the second quarter of 2021/22 (2020/21: 21.4 %). This is roughly consistent with the long-term average for the years 2000/01 to 2019/20 (2.7%). 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 a further 2.7 % in Q2 2021/22. Like-for-like sales in Germany rose by 1.7 % in the second quarter of 2021/22 (2020/21: 24.1 %). In other European countries, like-for-like sales grew by 3.4 % (2020/21: 18.6 %) and by 3.7 % when currency items are included (2020/21: 18.8 %).

Like-for-like sales performance¹⁾

(in percent)

2021/22 financial year 2020/21 financial year	1 st Quarter	2 nd Quarter	1 st Half
Group	4.3	2.5	3.4
	17.5	21.4	19.4
Germany	(0.1)	1.7	0.7
	24.4	24.1	24.3
Other European Countries	9.5	3.4	6.4
	10.3	18.6	14.4

¹⁾ Excluding currency items**1st half of 2021/22**

Consolidated net sales grew by 4.6 % to € 3,085.2 million in the period under report from March 1 to August 31, 2021 (2020/21: € 2,949.0 million). Net sales in Germany showed cumulative growth of 1.5 % to € 1,579.7 million (2020/21: € 1,557.0 million). In other European countries, we increased our first-half sales by 8.2 % to € 1,505.5 million (2020/21: € 1,391.9 million). As a result, the international share of sales increased from 47.2 % to 48.8 %. On a like-for-like basis, consolidated sales in the first half of the year improved by 3.4 % excluding currency items (2020/21: 19.4 %) and by 3.6 % including currency items. Sales in our online business (including click & collect) surged by 48.4 % to € 593 million in the first half of 2021/22 and, based on rolling twelve-month sales of € 1.05 billion, accounted for a 20.0 % share of consolidated sales (2020/21: 11.8 %).

- In the **Germany region**, we generated like-for-like sales growth of 0.7 % in the first half of 2021/22 (2020/21: plus 24.3 %). Based on our calculations, this means we significantly outperformed the sector average and gained additional market share. According to the data published by the BHB sector association for the first half of the 2021 calendar year (January 1 to June 30), we outperformed the sector by more than 13 percentage points. We massively extended our lead over the competition, particularly during the difficult pandemic-related conditions in the months of January and February, as well as April and May 2021. Among other aspects, this shows that, thanks to its ICR strategy in conjunction with its store and logistics infrastructure, HORNBACH was better able to satisfy customer demand than many of its competitors. Sales in the 2021/22 financial year to date have even exceeded the record previous year's figures; we see this as providing confirmation that, since the onset of the coronavirus pandemic, consumers have a sustainably greater need for construction and DIY products.

The pleasing business performance in the period under report also reflects our popularity with DIY and home improvement customers. As in previous years, in 2021 HORNBACH was once again 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", "Private label quality", "Services offered", and in all criteria relating to the website and the online shop. 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 2021/22 rose by 6.4 % net of currency items (2020/21: 14.4 %) and by 6.8 % including currency items. In most countries, our stores managed in the period under report to exceed the significantly higher level of sales already reported in the previous year. HORNBACH further extended its market position in key country markets. Based on the DIY sales indicators available to us upon the completion of this financial report for Austria, the Czech Republic, the Netherlands, and Switzerland, HORNBACH's growth rates in the period from January to July 2021 were in most cases significantly higher than the sector averages.

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 23).

2nd quarter of 2021/22

Key earnings figures (earnings) in the summer quarter of 2021/22 were slightly ahead of the previous year's record results. This was mainly due to the further rise in like-for-like sales on an already high level in conjunction with a stable gross margin and a year-on-year improvement in the store expense ratio. Key data on the earnings performance in the second quarter of 2021/22 are as follows:

- Gross profit rose by 3.5 % to € 543.4 million in the quarter under report (2020/21: € 524.8 million). The **gross margin**, i.e. gross profit as a percentage of net sales [[↪ Brief Glossary on Page 13](#)], remained stable at 36.0 %.
- **Selling and store expenses** grew slightly less rapidly than sales, rising by 2.5 % to € 334.4 million (2020/21: € 326.4 million). Including bonuses, personnel expenses were at around the previous year's level. Earnings were held back, on the other hand, by base effects in marketing and general operating expenses: Upon the onset of the coronavirus pandemic, in the past year we significantly scaled back expenses for store maintenance and modernization measures, for example, as well as advertising expenses. As the 2021/22 financial year has progressed, by contrast, we have caught up with numerous previously postponed activities or returned to normal cost levels to further safeguard the attractiveness of our stores for customers. The store expense ratio [[↪ Brief Glossary on Page 13](#)] eased from 22.4 % to 22.2 %. Given increased expansion activities and new store openings in the period under report (previous year's quarter: no new store openings), **pre-opening expenses** rose significantly from € 1.1 million to € 4.2 million in the second quarter of 2021/22, leading the pre-opening expense ratio [[↪ Brief Glossary on Page 13](#)] to increase from 0.1 % to 0.3 %. Due in particular to material costs returning to normal levels, **general and administration expenses** increased by 7.7 % to € 57.6 million (2020/21: € 53.5 million). The administration expense ratio [[↪ Brief Glossary on Page 13](#)] rose slightly from 3.7 % to 3.8 %.
- Earnings before interest, taxes, depreciation, and amortization (**EBITDA**) [[↪ Brief Glossary on Page 12](#)] rose by 3.0 % to € 209.7 million in the second quarter of 2021/22 (2020/21: € 203.6 million).
- Operating earnings (**EBIT**) rose by 2.4 % to € 150.5 million in Q2 (2020/21: € 147.0 million). As in the previous year, there were no non-operating earnings items in the second quarter of 2021/22. As a result, **adjusted EBIT** [[↪ Brief Glossary on Page 12](#)] corresponds to EBIT. At 10.0 %, the adjusted EBIT margin almost matched the figure for the previous year's quarter (10.1 %).
- **Net financial expenses** improved from minus € 15.0 million to minus € 14.6 million. Earnings were mainly increased in this respect by the change in currency items from minus € 1.3 million to minus € 0.4 million.
- Consolidated earnings before taxes (**EBT**) [[↪ Brief Glossary on Page 12](#)] grew by 2.9 % to € 135.9 million (2020/21: € 132.1 million).
- **Consolidated net income** for the second quarter increased by 3.8 % to € 104.4 million (2020/21: € 100.6 million). **Earnings per share** rose from € 3.17 to € 3.28 in the second quarter of 2021/22 (plus 3.5 %).

1st half of 2021/22

The strong sales performance and earnings growth in the second quarter meant that the key earnings figures of the HORNBACH Baumarkt AG Group for the first half of the year (March 1 to August 31, 2021) almost matched the record figures posted for the previous year's period. Key data on the earnings performance in the first half of 2021/22 are as follows:

- Gross profit rose by 4.0 % to € 1,113.4 million (2020/21: € 1,070.7 million). The **gross margin** showed a slight reduction of around 20 base points from 36.3 % to 36.1 %. We largely succeeded in offsetting the increase in procurement prices due in

particular to raw material shortages, pandemic-related effects, and temporary disruptions in international production and supply chains with higher retail prices. We drew here on the rise in market prices throughout the sector while maintaining our price leadership.

- Chiefly due to the additional expenses incurred due to the lockdown in the first quarter, **selling and store expenses** grew slightly faster than sales, rising by 5.4% to € 692.9 million (2020/21: € 657.3 million). The store expense ratio increased from 22.3% to 22.5%. **Pre-opening expenses** stood at € 6.9 million (2020/21: € 1.5 million). **General and administration expenses** rose by 5.1% to € 117.0 million (2020/21: € 111.3 million). As in the previous year, the administration expense ratio amounted to 3.8%.
- **EBITDA** rose by 0.3% to € 420.8 million (2020/21: € 419.7 million).
- At € 304.3 million, **EBIT** for the first six months of 2021/22 almost reached the previous year's level (2020/21: € 307.0 million). As in the previous year, no non-operating earnings items arose in the first half of 2021/22. **Adjusted EBIT** therefore corresponds to EBIT. The adjusted EBIT margin decreased from 10.4% in the previous year's period to 9.9%.
- **Net financial expenses** decreased from minus € 28.1 million to minus € 29.3 million. This was mainly due to a € 1.4 million reduction in net interest expenses, while currency items also had a slightly negative impact.
- At € 275.0 million, **EBT** almost matched the previous year's figure (2020/21: € 278.9 million). The half-year tax rate eased from 24.5% to 23.9%. **Consolidated net income** amounted to € 209.2 million (2020/21: € 210.5 million). **Earnings per share** are reported at € 6.58 for the first half of 2021/22 (2020/21: € 6.62).

Financial and Asset Position

Financial position

The **cash flow from operating activities** fell from € 508.6 million to € 384.0 million in the first half of 2021/22. This was primarily due to the significantly lower inflow of funds from changes in working capital, which dropped from € 182.1 million to € 50.4 million. In the first six months of the previous 2020/21 financial year, trade payables and other liabilities had risen by € 134.7 million, a development chiefly due to the pandemic-related boom in orders from suppliers. Moreover, there was also an increase in liabilities for higher employee bonus payments. By contrast, in the first half of 2021/22 supplier liabilities were settled earlier than in the past to avoid negative interest rates. Furthermore, liabilities also decreased on account of the lower volume of bonuses than in the previous year. In the period under report, changes in trade payables and other liabilities led to an outflow of funds amounting to € 3.2 million. The figures for the period under report include depreciation of € 78.5 million recognized on right-of-use assets (2020/21: € 75.8 million).

The **outflow of funds for investment activities** increased from minus € 56.3 million to minus € 149.7 million. Largely due to the Group's expansion, **investments** in land and buildings, plant and office equipment at new and existing stores, and intangible assets (mainly software) rose from € 57.4 million to € 91.4 million in the first half of 2021/22. Of this total, around 62% was channeled into land and buildings. Furthermore, to avoid negative interest rates liquidity of € 60 million was invested in short-term securities and cash investments in the period under report (2020/21: € 0.0 million).

The **outflow of funds for financing activities**, which totaled minus € 102.5 million (2020/21: minus € 92.0 million) includes an amount of € 77.6 million for repayments of current and non-current lease liabilities (2020/21: € 70.4 million), dividend payments of € 28.6 million (2020/21: € 21.6 million), incoming payments of € 50.0 million from the taking up of financial loans (2020/21: € 0.0 million), and outgoing payments of € 46.3 million for the redemption of financial loans (2020/21: € 0.0 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 € 3,998.6 million as of August 31, 2021 (February 28, 2021: € 3,765.2 million). The principal reasons for this growth were the € 133 million increase in cash and cash equivalents, the current financial assets of € 60 million acquired to optimize interest rates (2020/21: € 0 million), the increase in property, plant and equipment by € 55 million, and the slight rise in right-of-use assets (plus € 33 million) accompanied by lower inventories (minus € 35 million). Shareholders' equity as posted in the balance sheet rose to € 1,443.9 million, up 15.1 % compared with the previous reporting date. The **equity ratio** [↪ [Brief Glossary](#) on Page 13] increased significantly to 36.1 % (February 28, 2021: 33.3 %). Accounting, for current financial assets, **net financial debt** [↪ [Brief Glossary](#) on Page 13] decreased from € 1,525.2 million to € 1,378.2 million. Excluding current and non-current lease liabilities pursuant to IFRS 16, the Group reported net financial debt of € 75.7 million as of August 31, 2021 (February 28, 2021: € 256.5 million).

Other Disclosures

Employees

A total of 23,114 employees across Europe were in fixed employment at HORNBACH Baumarkt AG or one of its subsidiaries as of the reporting date on August 31, 2021 (February 28, 2021: 22,136).

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 2020/21 Annual Report (from Page 68 onwards). This basic assessment of the Group's medium to long-term development potential had not changed materially upon publication of this half-year financial report.

With regard to the risks and opportunities resulting from the coronavirus pandemic, the progress now made with vaccination programs means that the current assessment after the first six months of the 2021/22 financial year is more positive overall than the comments provided in the 2020/21 Annual Report (Page 73). Upon the completion of this half-year financial year report, it was apparent that no repetition was 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 – at least for those that have been vaccinated against or recovered from the virus– or even store closures, such as those which noticeably held back our DIY retail business in several countries and federal states in spring 2021, are viewed as unlikely.

Our risk assessment of the coronavirus crisis therefore mainly focuses on macroeconomic risks, which are nevertheless still subject to a high degree of forecasting uncertainty. These particularly relate to significant ongoing uncertainties surrounding commodity price rises and supply bottlenecks on global procurement markets. Demand among customers for construction and DIY product ranges has been at elevated levels since the outbreak of the pandemic in the European countries in which we operate; we expect demand to remain significantly higher than before the pandemic in the quarters ahead as well.

Outlook

Macroeconomic and Sector-Specific Framework

We presented our forecast of the macroeconomic and sector-specific framework on Pages 83 and 84 of the 2020/21 Annual Report of the HORNBACH Baumarkt AG Group. Given the improvement in the healthcare situation, which led to pandemic-related restrictions being lifted more quickly than expected, the macroeconomic situation is now slightly better than initially assumed. In its Summer Forecast published at the beginning of July 2021, the European Commission raised its growth expectations for the EU and euro area in the current year to 4.8%. The Commission also corrected its EU inflation forecast for 2021 upwards by 0.3 percentage points to 2.2%. At the same time, on September 9 the European Central Bank (ECB) pointed out that it would maintain the scope of its net asset acquisitions in connection with the Pandemic Emergency Purchase Programme—PEPP compared with the two preceding quarters, albeit at a moderately reduced level. Accompanied by strong demand, rising energy and commodity prices, production bottlenecks due to capacity problems, and shortages of some building components and raw materials are expected to lead to a further rise in consumer prices in the current year.

For Germany, economists are now predicting growth of 3.6%, and thus slightly stronger than previously expected. The EU Commission currently expects a full-year inflation rate of 2.8% for Germany in 2021.

Having improved in the second quarter of the calendar year, business and consumer confidence became more subdued as the third calendar quarter progressed. The HDE's Consumption Barometer showed a reduction in August and September 2021, with this being due in particular to a falling propensity to spend, more pessimistic macroeconomic expectations, and rising prices. Not only that, in all regions in which we operate we are currently seeing an upward overall trend in coronavirus incidence rates and a shift towards governments requiring consumers to document that they have been vaccinated against or recovered from coronavirus. This means that the coming winter half-year will also be subject to a degree of uncertainty concerning opening requirements for retailers and consumer behavior.

The BHB sector association expects sales to stabilize at a high level in the second half of the year. It also expects the trend towards consumers improving their own four walls, which was newly revived during the pandemic, to continue. The sector is also expected to benefit from the higher numbers of people working from home.

Forecast Business Performance in 2021/22

We provided an assessment of our forecast business performance in 2021/22 on Page 85 of the 2020/21 Annual Report of the HORNBACH Baumarkt AG Group. Through to the publication of this interim report, no material changes have been made to this basic assessment of the company's further business performance in the second half of the financial year. Due to the pleasing course of business in the second quarter of 2021/22, however, we are now slightly more positive than previously in our assessment of the company's sales and earnings performance in the 2021/22 financial year as a whole.

Expansion

Two new DIY stores with garden centers are scheduled for opening in the second half of the financial year, namely in Apeldoorn (Netherlands) and Sirnach (Switzerland). An existing location in Paderborn (Germany) will be replaced by a new store. The total number of HORNBACH locations is set to rise to 167 by the end of the financial year on February 28, 2022 (February 28, 2021: 163), of which 69 locations in other European countries.

Sales and earnings forecast

At the end of the first half of 2021/22, the company can confirm and specify in greater detail the annual forecast published on June 25, 2021 in the Quarterly Statement for the first quarter of 2021/22.

In respect of the **sales forecast**, we deem it likely that the HORNBACH Baumarkt AG Group's sales growth will be in the upper third of the forecast range of 1 % to 5 % (2020/21 financial year: € 5,117 million).

With regard to the **earnings forecast**, we currently expect adjusted consolidated operating earnings (adjusted EBIT) to reach the upper third of the forecast corridor of € 240 million to € 278 million and thus, as previously forecast, to fall slightly short of the record figure reported for the 2020/21 financial year (€ 278.8 million). We thus aim to achieve an adjusted EBIT margin at the upper end of the 4.6 % to 5.2 % range in 2021/22. This would significantly exceed the figure for the financial year prior to the coronavirus pandemic (2019/20: 4.1 %) and the average for the past 20 years (3.6 %).

Brief Glossary of Key Performance Figures

In this half-year financial report we also refer to the following alternative 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 %)	<i>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)</i>	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	<i>Alternative key performance figure to comment on earnings performance</i>	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 Adjusted EBIT margin	<i>Major key performance figure to comment on operating earnings performance</i>	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. The key figures we refer to in order to measure our profitability include the adjusted EBIT margin, which is defined as adjusted EBIT as a percentage of net sales.
EBT	<i>Alternative key performance figure to comment on operating earnings performance</i>	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	2 nd Quarter 2021/22	2 nd Quarter 2020/21	Change in %	1 st Half 2021/22	1 st Half 2020/21	Change in %
Sales	1,509.4	1,456.8	3.6	3,085.2	2,949.0	4.6
Cost of goods sold	966.1	932.1	3.7	1,971.8	1,878.2	5.0
Gross profit	543.3	524.8	3.5	1,113.4	1,070.7	4.0
Selling and store expenses	334.4	326.4	2.5	692.9	657.3	5.4
Pre-opening expenses	4.2	1.1	>100	6.9	1.5	>100
General and administration expenses	57.6	53.5	7.7	117.0	111.3	5.1
Other income and expenses	3.3	3.2	4.8	7.7	6.4	21.1
Earnings before interest and taxes (EBIT)	150.5	147.0	2.4	304.3	307.0	(0.9)
Interest and similar income	0.0	0.1	(28.8)	0.1	0.2	(66.5)
Interest and similar expenses	14.3	13.7	4.4	28.5	27.2	4.7
Other financial result	(0.4)	(1.4)	(71.2)	(0.9)	(1.1)	(18.2)
Net financial expenses	(14.6)	(15.0)	(2.1)	(29.3)	(28.1)	4.3
Consolidated earnings before taxes	135.9	132.1	2.9	275.0	278.9	(1.4)
Taxes on income	31.5	31.5	0.1	65.9	68.5	(3.8)
Consolidated net income	104.4	100.6	3.8	209.2	210.5	(0.6)
Basic/diluted earnings per share (€)	3.28	3.17	3.5	6.58	6.62	(0.6)

Statement of Comprehensive Income

€ million	2 nd Quarter 2021/22	2 nd Quarter 2020/21	1 st Half 2021/22	1 st Half 2020/21
Consolidated net income	104.4	100.6	209.2	210.5
Actuarial gains and losses on defined benefit plans	(3.2)	0.1	0.3	6.6
Measurement of equity instruments	2.8	(3.3)	2.8	(3.3)
Deferred taxes on other comprehensive income that will not be recycled at a later date	0.5	0.2	0.0	(0.8)
Other comprehensive income that will not be recycled at a later date	0.1	(3.0)	3.1	2.5
Exchange differences arising on the translation of foreign subsidiaries	1.9	3.6	6.6	(6.8)
Other comprehensive income that will possibly be recycled at a later date	1.9	3.6	6.6	(6.8)
Total comprehensive income	106.4	101.2	218.8	206.2

Balance Sheet

Assets	August 31, 2021		February 28, 2021	
	€ million	%	€ million	%
Non-current assets				
Intangible assets	17.9	0.4	17.0	0.5
Property, plant, and equipment	1,200.1	30.0	1,145.1	30.4
Investment property	9.2	0.2	7.9	0.2
Right-of-use assets	1,208.5	30.2	1,175.8	31.2
Financial assets	9.5	0.2	6.7	0.2
Other non-current receivables and assets	1.6	0.0	1.7	0.0
Deferred tax assets	12.0	0.3	11.3	0.3
	2,458.8	61.5	2,365.4	62.8
Current assets				
Inventories	909.7	22.8	944.6	25.1
Current financial assets	60.0	1.5	0.0	0.0
Trade receivables	15.1	0.4	14.6	0.4
Contract assets	1.2	0.0	1.2	0.0
Other current assets	83.5	2.1	98.3	2.6
Income tax receivables	2.6	0.1	6.5	0.2
Cash and cash equivalents	467.7	11.7	334.6	8.9
	1,539.8	38.5	1,399.8	37.2
	3,998.6	100.0	3,765.2	100.0

Equity and liabilities	August 31, 2021		February 28, 2021	
	€ million	%	€ million	%
Shareholders' equity				
Share capital	95.4	2.4	95.4	2.5
Capital reserve	143.6	3.6	143.6	3.8
Revenue reserves	1,204.9	30.1	1,015.9	27.0
	1,443.9	36.1	1,254.9	33.3
Non-current liabilities				
Non-current financial debt	541.9	13.6	541.6	14.4
Non-current lease liabilities	732.0	18.3	675.4	17.9
Non-current lease liabilities related to affiliated companies	425.0	10.6	453.6	12.0
Pensions and similar obligations	19.5	0.5	19.1	0.5
Deferred tax liabilities	9.1	0.2	10.4	0.3
Other non-current liabilities	40.4	1.0	39.6	1.1
	1,768.0	44.2	1,739.6	46.2
Current liabilities				
Current financial debt	61.4	1.5	49.5	1.3
Current lease liabilities	87.0	2.2	82.2	2.2
Current lease liabilities related to affiliated companies	58.5	1.5	57.5	1.5
Trade payables	217.4	5.4	293.1	7.8
Contract liabilities	53.2	1.3	44.1	1.2
Other current liabilities	120.2	3.0	91.1	2.4
Income tax liabilities	62.5	1.6	25.2	0.7
Other provisions and accrued liabilities	126.6	3.2	127.8	3.4
	786.8	19.7	770.6	20.5
	3,998.6	100.0	3,765.2	100.0

Statement of Changes in Equity

1 st 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, net after taxes				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

1 st Half 2021/22 in € million	Share capital	Capital reserve	Cumulative currency translation	Other revenue reserves	Total equity
Balance at March 1, 2021	95.4	143.6	37.9	978.0	1,254.9
Consolidated net income				209.2	209.2
Actuarial gains and losses on defined benefit plans, net after taxes				0.3	0.3
Measurement of available for equity instruments, net after taxes				2.8	2.8
Exchange differences arising on the translation of foreign subsidiaries			6.6		6.6
Total comprehensive income			6.6	212.2	218.8
Dividend distribution				(28.6)	(28.6)
Treasury stock transactions				(1.2)	(1.2)
Balance at August 31, 2021	95.4	143.6	44.5	1,160.4	1,443.9

Cash Flow Statement

€ million	1 st Half 2021/22	1 st Half 2020/21
Consolidated net income	209.2	210.5
Depreciation and amortization of property, plant, and equipment and intangible assets	37.9	36.9
Depreciation of right-of-use assets	78.5	75.8
Change in provisions	1.2	1.2
Gains/losses on disposals of non-current assets and of non-current assets held for sale	(0.5)	(0.6)
Change in inventories, trade receivables and other assets	53.6	47.3
Change in trade payables and other liabilities	(3.2)	134.7
Other non-cash income/expenses	7.3	2.8
Cash flow from operating activities	384.0	508.6
Proceeds from disposal of non-current assets and of non-current assets held for sale	1.7	1.1
Payments for investments in property, plant, and equipment	(88.6)	(55.9)
Payments for investments in intangible assets	(2.8)	(1.5)
Payments for securities and money investments	(60.0)	0.0
Cash flow from investing activities	(149.7)	(56.3)
Dividends paid	(28.6)	(21.6)
Proceeds from taking up long-term debt	50.0	0.0
Repayment of long-term debt	(46.3)	0.0
Repayment of current and non-current lease liabilities	(77.6)	(70.4)
Cash flow from financing activities	(102.5)	(92.0)
Cash-effective change in cash and cash equivalents	131.8	360.3
Change in cash and cash equivalents due to changes in exchange rates	1.3	(1.3)
Cash and cash equivalents at March 1	334.6	302.2
Cash and cash equivalents at August 31	467.7	661.1

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 € 26.8 million (2020/21: € 16.6 million) and interest payments of € 22.6 million (2020/21: € 21.2 million) and increased by interest received of € 0.1 million (2020/21: € 0.2 million). Of interest payments, an amount of € 21.7 million (2020/21: € 20.4 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, 2021

(1) Accounting principles

This group interim report of HORNBACH Baumarkt AG and its subsidiaries for the 1st half as of August 31, 2021 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 2020/21 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) – Half-Year Financial 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 2021/22 financial year were described in the 2020/21 consolidated financial statements. These changes did not have any material implications for the interim consolidated financial statements.

IFRS 16 (2021) “Covid-19-Related Rent Concessions beyond 30 June 2021”

The International Accounting Standards Board (IASB) published an amendment to IFRS 16 in the first quarter of 2021, for which EU endorsement followed as of August 30, 2021. According to this amendment, the simplification rules resulting from the amendment to IFRS 16 (2020) “Covid-19-Related Rent Concessions” also apply beyond June 30, 2021.

Application of this amendment has not had any implications for the interim consolidated financial statements, as the Group did not receive any rent concessions in the first half of 2021/22.

(2) Impact of COVID-19

In the period under report, the Group's business activities were affected to a limited extent by the global spread of the COVID-19 pandemic. A large number of the Group's sales locations were affected by temporary restrictions on sales through to June 6, 2021 but were nevertheless able to handle a major share of their business volumes via click & collect and online retail. 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.

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 28, 2021 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.

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 € 4.3 million (2020/21: € 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, 2021 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	2 nd Quarter 2021/22	2 nd Quarter 2020/21	Change in %
Other income	5.7	5.5	4.1
Other expenses	2.4	2.3	3.1
Other income and expenses	3.3	3.2	4.8

€ million	1 st Half 2021/22	1 st Half 2020/21	Change in %
Other income	11.3	10.0	12.9
Other expenses	3.6	3.7	(1.2)
Other income and expenses	7.7	6.4	21.1

Other income for the first half of 2021/22 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

	2 nd Quarter 2021/22	2 nd Quarter 2020/21
Number of shares issued	31,801,760	31,807,000
Consolidated net income allocable to shareholders in HORNBACH Baumarkt AG in € million	104.4	100.6
Earnings per share in €	3.28	3.17

	1 st Half 2021/22	1 st Half 2020/21
Number of shares issued	31,801,760	31,807,000
Consolidated net income allocable to shareholders in HORNBACH Baumarkt AG in € million	209.2	210.5
Earnings per share in €	6.58	6.62

(6) Other disclosures

The personnel expenses of the HORNBACH Baumarkt AG Group amounted to € 449.9 million in the first half of the 2021/22 financial year (2020/21: € 440.4 million).

Depreciation and amortization totaling € 37.9 million was recognized on intangible assets and property, plant and equipment at the HORNBACH Baumarkt AG Group in the first six months (2020/21: € 36.9 million). An amount of € 78.5 million related to depreciation of right-of-use assets in connection with leases (2020/21: € 75.8 million).

As in the previous year, no non-operating earnings items requiring allocation to functional expenses arose in the first half of 2021/22.

(7) Shareholders' equity

On July 26, 2021, 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 55,000 treasury stock shares. These shares are to be acquired for the annual issue of employee shares scheduled to take place at the end of 2021. The buyback of shares began on August 9, 2021 and is limited to February 28, 2022. By August 31, 2021, HORNBACH Baumarkt AG had acquired 35,000 treasury stock shares. In the statement of changes in equity, the acquisition costs for these shares (€ 1.2 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 7, 2021 a dividend of € 0.90 per share was distributed to shareholders for the 2020/21 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 € 163.8 million at the end of the period under report (February 28, 2021: € 148.1 million).

The company had contingent liabilities of € 78.3 million as of the balance sheet date (February 28, 2021: € 112.4 million). These mainly relate to conditionally deferred rental relationships. 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 28, 2021. The following table presents the carrying amounts and fair values of individual financial assets and liabilities pursuant to IFRS 9 as of August 31, 2021:

€ million	Category	Carrying amount 8.31.2021	Fair value 8.31.2021	Carrying amount 2.28.2021	Fair value 2.28.2021
Assets					
Financial assets	FVtOCI	9.5	9.5	6.7	6.7
Current financial assets	AC	40.0	40.0	0.0	0.0
Current financial assets	FVtPL	20.0	20.0	0.0	0.0
Trade receivables	AC	13.7	13.7	12.2	12.2
Trade receivables due to non-recourse factoring that are not derecognized	FVtPL	1.4	1.4	2.4	2.4
Contract assets	AC	1.2	1.2	1.2	1.2
Other current and non-current assets					
Derivatives without hedge relationship	FVtPL	0.7	0.7	0.7	0.7
Other assets	AC	57.3	57.3	66.8	66.8
Cash and cash equivalents	AC	467.7	467.7	334.6	334.6
Equity and liabilities					
Financial debt					
Bonds	AC	247.4	270.5	247.2	268.0
Liabilities to banks	AC	354.5	372.3	343.4	353.7
Lease liabilities	n/a	1,302.5	--	1,268.7	--
Derivatives without hedge relationship	FVtPL	1.5	1.5	0.5	0.5
Trade payables	AC	217.4	217.4	293.1	293.1
Contract liabilities	AC	53.2	53.2	44.1	44.1
Other current and non-current liabilities	AC	12.2	12.2	28.4	28.4
Accrued liabilities	AC	41.8	41.8	30.1	30.1

Other current and non-current assets of € 27.1 million (February 28, 2021: € 32.5 million), other current and non-current liabilities of € 148.4 million (February 28, 2021: € 102.3 million), and accrued liabilities of € 83.6 million (February 28, 2021: € 96.3 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	8.31.2021	2.28.2021
Assets			
Valuation based on level 1 input data			
Current financial assets	FVtPL	20.0	0.0
Valuation based on level 2 input data			
Derivatives without hedge relationship	FVtPL	0.7	0.7
Valuation based on level 3 input data			
Financial assets	FVtOCI	9.5	6.7
Liabilities			
Valuation based on level 1 input data			
Bonds	AC	270.5	268.0
Valuation based on level 2 input data			
Liabilities to banks	AC	372.3	353.7
Derivatives without hedge relationship	FVtPL	1.5	0.5

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 2020/21 consolidated financial statements. A change in the measurement of this investment required recognition in equity in the first half of 2021/22. This was mainly due to a change in the relevant interest rate (WACC). The discount rate after taxes decreased from 6.7 % to 5.5 %. The following table presents the development in fair value:

Changes in financial assets level 3 input data in € million	8.31.2021	2.28.2021
Balance at March 1	6.7	10.5
Change in valuation (OCI)	2.8	(3.7)
Balance at August 31	9.5	6.7

The following overview presents the sensitivities of the main input factors as of August 31, 2021:

€ million	Fair value	
	Increase	Decrease
Rent (5% change)	0.9	(0.9)
Discount rate (50 basis point change)	(1.2)	1.4

(12) Segment report

1 st Half 2021/22 in € million 1 st Half 2020/21 in € million	Retail	Real Estate	Headquarters	Consolidation	HORNBACH Baumarkt AG Group
Segment sales	3,084.6	144.7	0.0	(144.0)	3,085.2
	2,947.2	141.1	0.0	(139.3)	2,949.0
Sales to third parties	3,084.5	0.0	0.0	0.0	3,084.5
	2,947.1	0.0	0.0	0.0	2,947.1
Rental income from third parties	0.0	0.7	0.0	0.0	0.7
	0.0	1.8	0.0	0.0	1.8
Rental income from affiliated companies	0.0	144.0	0.0	(144.0)	0.0
	0.0	139.3	0.0	(139.3)	0.0
EBIT	257.7	58.0	(11.3)	0.0	304.3
	261.1	57.3	(11.4)	0.0	307.0
of which: depreciation and amortization	28.5	83.5	4.5	0.0	116.5
	25.0	82.7	4.9	0.0	112.6
Segment earnings (adjusted EBIT)	257.7	58.0	(11.3)	0.0	304.3
	261.1	57.3	(11.4)	0.0	307.0
EBITDA	286.1	141.5	(6.8)	0.0	420.8
	286.2	139.9	(6.5)	0.0	419.7
Segment assets	1,360.6	2,235.7	387.7	0.0	3,984.0
	1,217.3	2,113.3	497.5	0.0	3,828.1
of which: credit balances at banks	162.3	0.0	275.8	0.0	438.1
	176.1	0.0	444.4	0.0	620.4

Reconciliation in € million	1 st Half 2021/22	1 st Half 2020/21
Segment earnings (adjusted EBIT)	304.3	307.0
Net financial expenses	(29.3)	(28.1)
Consolidated earnings before taxes	275.0	278.9

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

External sales by region 1 st Half 2021/22 in € million 1 st Half 2020/21 in € million	Retail	Real Estate	HORNBACH Baumarkt AG Group
Germany	1,579.7	0.0	1,579.7
	1,556.9	0.1	1,557.0
Other European countries	1,504.9	0.7	1,505.5
	1,390.2	1.7	1,391.9
Revenue from contracts with customers	3,084.6	0.7	3,085.2
	2,947.1	1.8	2,949.0

Bornheim bei Landau/Pfalz, September 28, 2021

HORNBAACH Baumarkt Aktiengesellschaft
The Board of Management

Erich Harsch

Karin Dohm

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 28, 2021

HORNBACH Baumarkt Aktiengesellschaft
The Board of Management

Erich Harsch

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REVIEW REPORT

To HORNBACH Baumarkt AG, Bornheim (Pfalz)/Germany

We have reviewed the condensed interim consolidated financial statements of HORNBACH Baumarkt AG, Bornheim (Pfalz)/Germany, which comprise the statement of profit and loss and the statement of comprehensive income for the period from 1 March to 31 August 2021, the balance sheet as at 31 August 2021, the statement of changes in consolidated equity, the statement of cash flows as well as selected explanatory notes to the financial statements, and the interim group management report for the period from 1 March to 31 August 2021, that are part of the semi-annual financial information under Section 115 German Securities Trading Act (WpHG). The preparation of the condensed interim consolidated financial statements in accordance with the International Financial Reporting Standards (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 WpHG applicable to interim group management reports is the responsibility of the executive directors of the Company. Our responsibility is to issue a review report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We conducted our review of the condensed interim consolidated financial statements and of the interim group management report in compliance with the German Generally Accepted Standards for Reviews of Financial Statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review to obtain a certain level of assurance to preclude through critical evaluation that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and to analytical procedures applied to financial data and thus provides less assurance than an audit. Since, in accordance with our engagement, we have not performed an audit, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of HORNBACH Baumarkt AG, Bornheim (Pfalz)/Germany, have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Mannheim/Germany, September 28, 2021

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed:
Steffen Schmidt
Wirtschaftsprüfer
(German Public Auditor)

Signed:
Patrick Wendlandt
Wirtschaftsprüfer
(German Public Auditor)

FINANCIAL CALENDAR

September 30, 2021	Half-Year Financial Report 2021/22 as of August 31, 2021
December 22, 2021	Quarterly Statement: 3 rd Quarter of 2021/22 as of November 30, 2021
March 22, 2022	Trading Statement 2021/22 as of February 28, 2022
May 17, 2022	Annual Report 2021/22 as of February 28, 2022 Annual Results Press Conference for the 2021/22 Financial Year Analysts Conference of HORNBACH Baumarkt AG

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DISCLAIMER

This half-year financial 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 exceptional 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.