INTERIM REPORT

HORNBACH BAUMARKT AG GROUP

FIRST NINE MONTHS 2015/2016

(MARCH 1 – NOVEMBER 30, 2015)

Es gibt immer was zu tun.

HORNBACH BAUMARKT AG GROUP

Nine-Month Interim Report for 2015/2016

(March 1 – November 30, 2015)

Key figures of the HORNBACH Baumarkt AG Group[1)] (in € million, unless otherwise stated)	3rd Quarter 2015/2016	3rd Quarter 2014/2015	Change %	Nine Months 2015/2016	Nine Months 2014/2015	Change %
Net sales	**863.0**	**814.9**	**5.9**	**2,796.4**	**2,669.8**	**4.7**
of which in other European countries	382.5	337.5	13.3	1,199.9	1,108.9	8.2
Like-for-like sales growth	2.9%	1.0%		1.8%	4.9%	
Gross margin as % of net sales	36.6%	37.6%		37.6%	37.9%	
EBITDA	20.1	33.3	(39.5)	171.7	183.5	(6.5)
Earnings before interest and taxes (EBIT)	**5.0**	**19.4**	**(74.3)**	**127.3**	**142.2**	**(10.4)**
Consolidated earnings before taxes	1.3	15.5	(91.6)	119.2	129.0	(7.6)
Consolidated net income	1.2	11.4	(89.6)	91.6	92.3	(0.8)
Basic/diluted earnings per share (€)	0.04	0.36	(88.8)	2.88	2.90	(0.7)
Investments	35.6	33.5	6.4	109.9	76.9	42.9

Misc. key figures of the HORNBACH Baumarkt AG Group[1)] (in € million, unless otherwise stated)	November 30, 2015	February 28, 2015	Change %
Total assets	1,845.0	1,731.0	6.6
Shareholders' equity	993.2	922.4	7.7
Shareholders' equity as % of total assets	53.8%	53.3%	
Number of stores	153	146	4.8
Sales area in 000 m² (based on BHB)	1,772	1,704	4.0
Number of employees	16,533	15,684	5.4

Rounding up or down may lead to discrepancies between percentages and totals. Calculation of percentage figures based on € 000s.
[1)] Previous year's figures adjusted due to IFRIC 21; please see Note 1.

INTERIM GROUP MANAGEMENT REPORT

Summary

- **Consolidated sales at HORNBACH Baumarkt AG up 4.7% to € 2.8 billion in first nine months of 2015/2016**
  - **Group-wide like-for-like sales net of currency items rise 1.8% in first nine months**
  - **Pleasing growth momentum at international Hornbach stores**
  - **DIY stores in Germany uphold previous year's level**
- **Unsatisfactory third-quarter earnings performance leaves its mark on nine-month earnings**
  - **Negative margin factors and disproportionate cost increases in Germany adversely affect earnings in fall months**
  - **Nine-month consolidated EBIT down 10.4% to € 127.3 million**
  - **Improved net financial expenses and lower taxes mean earnings per share almost match previous year's figure**
- **Annual target updated: full-year EBIT for 2015/2016 expected to fall short of previous year's figure**
- **Expansion program for 2015/2016 complete after four new store openings in third quarter of 2015/2016**

The business performance of the HORNBACH Baumarkt AG Group witnessed a significant setback during the third quarter of 2015/2016 (September 1 to November 30, 2015). Notwithstanding group-wide sales growth, operating earnings fell significantly in the third quarter. The downturn in earnings primarily involved the DIY business in Germany and was chiefly due to a lower gross margin and disproportionate cost increases compared with the development in sales. The unsatisfactory third-quarter performance also left its mark on the earnings performance for the first nine months of 2015/2016. Consolidated sales grew by 4.7% to € 2,796.4 million in the first nine months (2014/2015: € 2,669.8 million), but consolidated operating earnings for the same period fell by 10.4% to € 127.3 million (2014/2015: € 142.2 million). Given the third-quarter earnings performance, the Group has reduced its full-year earnings expectations. The sales growth targets for the HORNBACH Baumarkt AG Group have nevertheless been confirmed.

Consolidated sales for the period September 1 to November 30, 2015 increased by 5.9% to € 863.0 million (2014/2015: € 814.9 million). In the first nine months of 2015/2016, the 153 HORNBACH DIY stores with garden centers in nine European countries increased their consolidated sales by 4.7% to € 2.8 billion. On a like-for-like basis and net of currency items, consolidated sales grew by 2.9% in the third quarter. Here, we succeeded in offsetting the subdued development in domestic sales with strong demand in other European countries. Cumulatively for the first nine months, like-for-like sales net of currency items rose by 1.8% across the Group.

The HORNBACH Baumarkt AG Group's earnings reduced year-on-year in the first nine months of 2015/2016. The like-for-like sales growth was insufficient to make up for the charges on earnings resulting from a lower gross margin and increased expenses. At € 127.3 million, consolidated operating earnings (EBIT) for the first nine months fell 10.4% short of the previous year's figure. Thanks to lower interest expenses, positive exchange rate items, and a lower tax charge, the net income for the period of € 91.6 million in the first nine months almost matched the previous year's figure (€ 92.3 million). As a result, earnings per share remained virtually unchanged at € 2.88 (2014/2015: € 2.90).

HORNBACH opened four new locations, of which two in the Netherlands, one in Austria, and one in Romania, in the third quarter of 2015/2016, thus completing the expansion program for the 2015/2016 financial year as a whole. As of November 30, 2015, the Group operated a total of 153 retail outlets (February 28, 2015: 146), of which 99 stores in Germany and 54 stores in other European countries.

Macroeconomic and Sector-Specific Framework

According to the German Bundesbank, the **global economy** witnessed subdued expansion in the third quarter of the 2015 calendar year. There was no indication of any marked slowdown in economic growth, or even of any downturn in the global economy, such as that occasionally feared in public discussions in view of developments in several emerging economies.

Driven by private consumer and government spending and held back by the trade balance, the **European economy** maintained its moderate upturn in the period from July to September 2015. Based on figures released by Eurostat, the euro area (EA 19) and the EU 28 grew by 0.3% and 0.4% respectively compared with the previous quarter. According to the economic data available upon completion of this report, apart from the stagnation in Switzerland all of the countries outside Germany in which the HORNBACH Baumarkt AG Group operates showed positive GDP growth in the third quarter of 2015 compared with the previous quarter.

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

Percentage change on previous quarter Source: Eurostat (calendar year figures)	4th Quarter 2014	1st Quarter 2015	2nd Quarter 2015	3rd Quarter 2015
Germany	**0.6**	**0.3**	**0.4**	**0.3**
Austria	(0.2)	0.7	0.3	0.1
Czech Republic	0.4	2.5	1.0	0.5
Luxembourg	2.8	(0.3)	(0.9)	n.a.
Netherlands	0.9	0.6	0.1	0.1
Romania	0.8	1.4	0.0	1.4
Slovakia	0.9	0.9	0.9	0.9
Sweden	1.1	0.8	1.0	0.8
Switzerland	0.7	(0.3)	0.2	0.0
Euro Area	**0.4**	**0.5**	**0.4**	**0.3**
EU28	**0.5**	**0.5**	**0.4**	**0.4**

The **German economy** also upheld its moderate growth rate, with positive momentum coming above all from domestic consumption. Both private and government spending increased further. Based on the Bundesbank assessment, the domestic construction industry grew in line with the overall German economy, and thus slightly positively, in the third quarter of 2015. In the period from January to September 2015, permits were issued for a total of 4.8%, or 10,300, more residential units than in the previous year's period. This growth was driven above all by an increase in the number of building permits issued for detached houses (plus 5.6%).

From January to September 2015, sales in the German retail sector grew year-on-year by 2.7% in nominal terms, and by 2.8% in real terms. The German DIY megastore and garden center sector generated growth at the same rate, increasing its cumulative total gross sales by 2.7% to € 13.8 billion. On a like-for-like basis, i.e. excluding stores newly opened, closed, or substantially converted in the past twelve months, the German DIY retail sector matched the previous year's figure, with growth of 0.1%. Sector sales in Germany stagnated in the fall months. Given the persistently high numbers of asylum seekers arriving in the country and the public debate surrounding the management of the refugee crisis, a deterioration in consumer confidence became apparent. Consumers' optimism as to future economic developments and their expectations as to future incomes have taken a knock. Thanks to low inflation and energy prices, however, consumers' propensity to spend nevertheless remains high.

Earnings, Financial and Net Asset Situation*

Development in HORNBACH store network

In the third quarter of 2015/2016 (September 1 to November 30, 2015) we launched operations at four new locations:

Number #	Location	Country	Sales area in m² (weighted as per BHB)	Opening date
150	Geleen	Netherlands	13,200	09.02.2015
151	Klagenfurt	Austria	10,900	10.07.2015
152	Sibiu	Romania	9,100	10.14.2015
153	Best (near Eindhoven)	Netherlands	13,800	11.04.2015

The expansion program for the 2015/2016 financial year has thus been completed. As of November 30, 2015, HORNBACH Baumarkt AG operated a group-wide total of 153 retail outlets (February 28, 2015: 146). Of these, 99 stores are in Germany and 54 in other European countries. Total sales areas at the HORNBACH Baumarkt AG Group amounted to around 1.77 million m² as of November 30, 2015 (February 28, 2015: 1.70 million m²).

Sales performance

3rd quarter of 2015/2016

The HORNBACH Baumarkt AG Group increased its net sales by 5.9% to € 863.0 million in the third quarter of the 2015/2016 financial year (2014/2015: € 814.9 million). On a like-for-like basis and net of currency items, consolidated sales grew by 2.9% in the third quarter. Including currency items for non-euro countries, namely the Czech Republic, Romania, Sweden, and Switzerland, our like-for-like growth amounted to 3.9%.

The DIY stores with garden centers in the eight countries outside Germany were the key growth driver. Sales here, including new store openings, grew by 13.3% to € 382.5 million in the period from September to November 2015 (2014/2015: € 337.5 million). Like-for-like sales net of currency items in other European countries rose by 7.0%. Including currency items, the like-for-like sales growth was even higher at 9.6%.

In Germany, we reported a far weaker third-quarter sales performance than in other European countries. Net sales in the domestic business grew by 0.6% to € 480.4 million (2014/2015: € 477.4 million). On a like-for-like basis, domestic sales fell marginally short of the previous year's figure, with growth of minus 0.2%.

First nine months of 2015/2016

In the first nine months (March 1 to November 30, 2015), we increased our consolidated sales by 4.7% to € 2,796.4 million (2014/2015: € 2,669.8 million). Cumulative like-for-like sales net of currency items rose by 1.8% in the nine-month period. Including currency items, group-wide growth came to 3.0%. Thanks to strong demand growth in other European countries, we more than made up for the subdued performance in domestic sales.

Nine-month net sales in other European countries rose by 8.2% to € 1,199.9 million (2014/2015: € 1,108.9 million). Due to the comparatively higher increase in international sales, the share of nine-month consolidated sales at HORNBACH Baumarkt AG attributable to international activities rose to 42.9% (2014/2015: 41.5%). On a like-for-like basis, we improved our sales in other European countries by 3.7% net of currency items, and by 6.7% including currency items. Against the backdrop of macroeconomic developments in those countries outside Germany in which we operate, which were positively affected by private consumer spending, we thus posted a very pleasing performance and have boosted our growth momentum with each passing quarter. In the period under report, we outperformed the overall sectors in all countries for which we have indicators of average like-for-like sales performance at our DIY competitors.

* Unless otherwise indicated, HORNBACH time periods refer to the company's financial year (March to February).

Driven by the Group's expansion, net sales in Germany in the nine-month reporting period grew by 2.3% to € 1,596.5 million (2014/2015: € 1,560.9 million). With growth of 0.4%, like-for-like sales in the domestic business remained virtually unchanged. Here, the challenging base effect in the previous year should be noted, with like-for-like sales growth of 6.5% in the first nine months of 2014/2015. Based on information available from the BHB sector association and our own assessments, we slightly outperformed the DIY sector average in Germany on a cumulative basis in the reporting period from March to November 2015.

Earnings performance

The following information refers to the earnings performance of the HORNBACH Baumarkt AG Group. Information about the performance of the "DIY store" and "Real estate" segments can be found in the segment report in the notes (Page 20).

3rd quarter of 2015/2016

The earnings performance of the HORNBACH Baumarkt AG Group witnessed a setback in the course of the third quarter. This was due above all to a severe downturn in earnings in the DIY store business in **Germany**, a development chiefly resulting from the unexpectedly poor business performance in November 2015. There were several reasons for this:

- **Sales performance**
  The month of November 2015 brought a reduction in like-for-like sales in the German DIY store sector. This was due not least to weather conditions remaining too mild for seasonal business with winter product ranges and to subdued consumer confidence. These factors also had a more negative impact on the sales performance of our DIY stores in Germany than we had expected. The level of sales achieved in November 2015 and the quarter as a whole was insufficient to make up for the concurrent impact of the negative earnings factors outlined below.

- **Development in margin**
  The weaker sales performance was exacerbated by a deterioration in the gross margin on an unexpected scale, especially in Germany. This was due to the interaction between margin-related factors that were in some cases structural and in others merely temporary. Discount campaigns at competitors, which were stepped up in individual cases, raised the pressure on retail prices in the DIY sector to an extent beyond that which we have already permanently factored into our future expectations given increased price sensitivity on account of the internet. Moreover, within our rapidly growing online sales there was an increase in those sales involving products generating lower gross margins compared with stationary sales. What's more, our margin was adversely affected by significantly lower gross margins at the former Praktiker/Max Bahr locations we have taken over. This involves one-off base effects in connection with the expiry of the initial terms granted to us by suppliers upon the reopening of the stores under the HORNBACH flag in the past financial year.

- **Development in costs**
  In our annual planning for the 2015/2016 financial year, we included cost increases for store operations and administration. The lion's share of these relates to the increasing digitization of our business model (strategic future projects), the intensification in our marketing activities, and higher maintenance requirements at our stationary stores. The available budget increases in Germany were not fully exhausted either in November or in the third quarter of 2015/2016. As a proportion of the lower than expected level of sales, however, the significantly disproportionate rise in store and administration expenses impacted negatively on the earnings performance in Germany.

By contrast, the **international regions** reported a pleasing earnings performance for the third quarter of 2015/2016. Thanks to substantial like-for-like sales growth and the fact that store and administration expenses rose less sharply than sales, we managed to offset most of the decline in the gross margin, which was only moderate compared with the German business, and the expansion-related increase in pre-opening expenses. Like in the previous year, we generated clearly positive operating earnings in other European countries in the third quarter of 2015/2016. However, these were not sufficient to make up for the decline in earnings in Germany or to match the previous year's operating earnings on group level.

Influenced in particular by the aforementioned factors in the domestic DIY store business, the quarterly gross margin at the HO**RNBACH Baumarkt AG Group** decreased from 37.6% to 36.6%. Selling and store expenses rose by 7.8%, and thus slightly disproportionately compared with consolidated sales (plus 5.9%). General and administration expenses showed sharply disproportionate growth compared with sales, rising by 21.5%. This was mainly due to ongoing high spending on strategic future projects such as the further international rollout of our internet activities. Group-wide pre-opening expenses remained virtually unchanged in the quarter under report.

Consolidated operating earnings (EBIT) at HORNBACH Baumarkt AG for the third quarter of 2015/2016 reduced year-on-year from € 19.4 million to € 5.0 million (minus 74.3%). Assisted by a slight improvement in net financial expenses, the earnings before taxes of € 1.3 million fell € 14.2 million short of the previous year's figure. Net income for the period decreased from € 11.4 million to € 1.2 million. Given the low absolute volume of earnings customary in the third quarter, the percentage rates of change are correspondingly high.

First nine months of 2015/2016

The unsatisfactory performance in the third quarter left its mark on the earnings performance for the first nine months of 2015/2016. Thanks to a successful race to catch up in the second quarter, consolidated operating earnings (EBIT) for the first half of the year had almost regained the previous year's level. Overall, the like-for-like sales growth in the nine-month period was insufficient to offset the charges on earnings resulting from the weaker gross margin and deterioration in cost ratios in the third quarter.

The gross margin for the first nine months decreased year-on-year from 37.9% to 37.6%. This was mainly due to a year-on-year reduction in retail prices, higher freight costs (B2C), the base effect in connection with initial procurement terms for the transformed Praktiker/Max Bahr DIY stores, and product range changes relating among other factors to the growing share of e-commerce sales, which on average involve lower margins. These factors could not be made up for by opposing positive items resulting from changes in procurement prices and currency items.

Mainly driven by higher advertising expenses and increased operating expenses, selling and store expenses rose by 6.0% to € 794.3 million (2014/2015: € 749.4 million). Given this disproportionate increase in expenses compared with the sales growth of 4.7%, the store expense ratio rose from 28.1% to 28.4%. Earnings benefited from the decline in pre-opening expenses by almost a third to € 8.4 million. The pre-opening expense ratio reduced from 0.5% to 0.3%. Cumulative general and administration expenses rose by 13.8% to € 128.6 million (2014/2015: € 113.0 million) and thus increased as a percentage of net sales from 4.2% to 4.6%. This increase was attributable above all to higher spending on technology, e-commerce, including the customer service center, and strategic projects.

At € 127.3 million, consolidated operating earnings (EBIT) for the first nine months fell 10.4% short of the previous year's figure. Earnings after interest and after taxes performed more positively. Thanks to the cumulative reduction in interest expenses by € 1.7 million and positive net exchange rate items of € 3.3 million, net financial expenses improved from minus € 13.1 million to minus € 8.1 million. Nine-month consolidated earnings before taxes decreased by 7.6% to € 119.2 million (2014/2015: € 129.0 million). Due to the amended composition of earnings by country, the tax rate for the first nine months reduced significantly from 28.5% to 23.2%. As a result, the cumulative net income for the period of € 91.6 million almost matched the previous year's figure (€ 92.3 million). At € 2.88, earnings per share thus remained virtually unchanged (2014/2015: € 2.90).

Financial and net asset situation

In parallel with the Group's expansion, investments rose from € 76.9 million to € 109.9 million in the first nine months of 2015/2016. Of this total, around 67% was channeled into land and buildings, while the rest was invested in plant and operating equipment at new and existing stores and in intangible assets (mostly IT software). Investments were fully financed from the cash flow of € 168.9 million from operations (2014/2015: € 164.8 million). Information about the financing and investing activities of the HORNBACH Baumarkt AG Group can be found in the cash flow statement on Page 14.

Total assets at the HORNBACH Baumarkt AG Group grew to € 1,845.0 million as of November 30, 2015, up 6.6% compared with the balance sheet date on February 28, 2015. This was mainly due to the € 62.5 million increase in property, plant and equipment to € 820.2 million and the € 47.3 million increase in cash and cash equivalents to € 382.1 million. Shareholders' equity as reported in the balance sheet rose to € 993.2 million, up 7.7%, or € 70.8 million, compared with the previous reporting date. The equity ratio improved to 53.8% (February 28, 2015: 53.3%). As of November 30, 2015, cash and cash equivalents exceeded financial debt (€ 349.8 million) by € 32.3 million. At the balance sheet date on February 28, 2015, Group reported net financial debt of € 9.6 million.

Employees

A total of 16,533 employees, of which 6,939 outside Germany, were in fixed employment at HORNBACH Baumarkt AG or one of its subsidiaries as of the reporting date on November 30, 2015 (February 28, 2015: 15,684/6,320).

Events After the Balance Sheet Date

No events of material significance for the assessment of the earnings, financial and net asset situation of the HORNBACH Baumarkt AG Group occurred between the end of the first nine months as of November 30, 2015 and the publication of this interim report.

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 2014/2015 Annual Report (from Page 75 onwards). This basic assessment of the Group's medium to long-term development potential was still largely valid upon publication of this interim report.

Outlook

We provided a detailed forecast of the macroeconomic and sector-specific framework and of the Group's expected business performance in 2015/2016 on Pages 89 to 92 of the 2014/2015 Annual Report of the HORNBACH Baumarkt AG Group. Our basic assessments concerning macroeconomic developments and the business prospects for the DIY sector in the European countries in which we operate were still largely valid upon publication of this interim report. Due to the weak third-quarter earnings performance of our DIY store business in Germany, however, we have updated the full-year earnings targets for the business performance of the HORNBACH Baumarkt AG Group in the 2015/2016 financial year. These forward-looking statements are based on the assumption that there is no unexpected macroeconomic downturn or substantial deterioration in consumer confidence in the course of the fourth quarter of 2015/2016 (December 1, 2015 to February 29, 2016).

Expansion

No further openings of HORNBACH DIY stores with garden centers are scheduled before the end of the current 2015/2016 financial year. Our store network will therefore comprise an unchanged total of 153 locations at the end of the financial year on February 29, 2016.

Sales expectations for the HORNBACH Baumarkt AG Group

The Board of Management can confirm the assessment concerning the Group's expected sales performance in the 2015/2016 financial year published on Page 90 of the 2014/2015 Annual Report. Against this backdrop, we still aim to increase our consolidated sales, i.e. net sales including stores newly opened, closed or extended, for the 2015/2016 financial year in a medium single-digit percentage range. In terms of the Group's like-for-like sales net of currency items, we still expect to generate growth in a low to medium single-digit percentage range.

Earnings expectations for the HORNBACH Baumarkt AG Group

As already communicated by ad-hoc announcement on December 9, 2015, by contrast, we have updated the earnings expectations for the HORNBACH Baumarkt AG Group most recently published in the half-year financial report to account for the unsatisfactory earnings performance in the third quarter of 2015/2016.

We no longer expect consolidated operating earnings (EBIT) for the 2015/2016 financial year as a whole to roughly match the figure reported for the 2014/2015 financial year. We rather see EBIT as being more likely to fall a maximum of 20% short of the previous year's figure of € 109.8 million.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Income Statement

€ million [1)]	3rd Quarter 2015/2016	3rd Quarter 2014/2015	Change %	Nine Months 2015/2016	Nine Months 2014/2015	Change %
Sales	863.0	814.9	5.9	2,796.4	2,669.8	4.7
Cost of goods sold	547.2	508.9	7.5	1,745.4	1,656.8	5.3
Gross profit	**315.8**	**306.0**	**3.2**	**1,051.0**	**1,013.0**	**3.7**
Selling and store expenses	267.1	247.7	7.8	794.3	749.4	6.0
Pre-opening expenses	3.1	3.2	(2.6)	8.4	12.1	(30.9)
General and administration expenses	43.1	35.5	21.5	128.6	113.0	13.8
Other income and expenses	2.5	(0.2)	-	7.6	3.6	108.5
Earnings before interest and taxes (EBIT)	**5.0**	**19.4**	**(74.3)**	**127.3**	**142.2**	**(10.4)**
Interest and similar income	0.2	0.2	(4.2)	0.6	0.7	(9.8)
Interest and similar expenses	3.5	3.7	(4.2)	10.6	12.4	(14.1)
Other financial result	(0.3)	(0.4)	(18.7)	1.9	(1.4)	(236.6)
Net financial expenses	**(3.7)**	**(3.9)**	**(5.7)**	**(8.1)**	**(13.1)**	**(38.0)**
Consolidated earnings before taxes	**1.3**	**15.5**	**(91.6)**	**119.2**	**129.0**	**(7.6)**
Taxes on income	0.1	4.1	(96.9)	27.6	36.8	(24.9)
Consolidated net income	**1.2**	**11.4**	**(89.6)**	**91.6**	**92.3**	**(0.8)**
Basic/diluted earnings per share (€)	0.04	0.36	(88.8)	2.88	2.90	(0.7)

[1)] Previous year's figures adjusted due to IFRIC 21; please see Note 1.

Statement of Comprehensive Income

€ million [1)]	3rd Quarter 2015/2016	3rd Quarter 2014/2015	Nine Months 2015/2016	Nine Months 2014/2015
Consolidated net income	**1.2**	**11.4**	**91.6**	**92.3**
Actuarial gains and losses on defined benefit plans	(1.1)	(7.4)	(0.6)	(7.4)
Deferred taxes on actuarial gains and losses on defined benefit plans	0.2	1.4	0.1	1.4
Other comprehensive income that will not be recycled at a later date	**(0.9)**	**(5.9)**	**(0.5)**	**(5.9)**
Measurement of derivative financial instruments (cash flow hedge)				
Measurement of derivative hedging instruments directly in equity	(0.1)	(0.1)	(0.1)	(1.1)
Gains and losses from measurement of derivative financial instruments transferred to profit or loss	0.5	0.5	1.4	2.3
Measurement of available for sale financial assets	0.0	0.0	0.4	0.0
Exchange differences arising on the translation of foreign subsidiaries	(0.7)	0.4	(2.5)	0.8
Deferred taxes on gains and losses recognized directly in equity	(0.1)	(0.1)	(0.4)	(0.3)
Other comprehensive income that will be recycled at a later date	**(0.4)**	**0.7**	**(1.2)**	**1.7**
Total comprehensive income	**(0.1)**	**6.1**	**89.9**	**88.0**

1) Previous year's figures adjusted due to IFRIC 21; please see Note 1.

Balance Sheet

Assets [1]	November 30, 2015		February 28, 2015	
	€ million	%	€ million	%
Non-current assets				
Intangible assets	12.0	0.6	11.2	0.6
Property, plant, and equipment	820.2	44.5	757.7	43.8
Investment property	14.7	0.8	15.4	0.9
Financial assets	2.4	0.0	2.0	0.0
Non-current receivables and other assets	3.3	0.2	3.2	0.2
Non-current income tax receivables	1.6	0.1	3.2	0.2
Deferred tax assets	3.8	0.2	4.3	0.2
	858.0	**46.5**	**796.9**	**46.0**
Current assets				
Inventories	536.5	29.1	532.7	30.8
Other receivables and assets	58.6	3.2	51.6	3.0
Income tax receivables	9.9	0.5	14.9	0.9
Cash and cash equivalents	382.1	20.7	334.8	19.3
	987.0	**53.5**	**934.1**	**54.0**
	1,845.0	**100.0**	**1,731.0**	**100.0**

Equity and liabilities [1]	November 30, 2015		February 28, 2015	
	€ million	%	€ million	%
Shareholders' equity				
Share capital	95.4	5.2	95.4	5.5
Capital reserve	143.6	7.8	143.6	8.3
Revenue reserves	754.2	40.9	683.4	39.5
	993.2	**53.8**	**922.4**	**53.3**
Non-current liabilities				
Non-current financial debt	252.6	13.7	337.6	19.5
Provisions for pensions	12.9	0.7	11.1	0.6
Deferred tax liabilities	30.6	1.7	30.8	1.8
Other non-current liabilities	29.6	1.6	28.1	1.6
	325.8	**17.7**	**407.6**	**23.5**
Current liabilities				
Current financial debt	97.2	5.3	6.9	0.4
Trade payables and other liabilities	340.3	18.4	288.8	16.7
Income tax liabilities	24.3	1.3	22.2	1.3
Other provisions and accrued liabilities	64.3	3.5	83.1	4.8
	526.0	**28.5**	**401.0**	**23.2**
	1,845.0	**100.0**	**1,731.0**	**100.0**

[1] Previous year's figures adjusted due to IFRIC 21; please see Note 1.

Statement of Changes in Equity

Nine Months 2014/2015 € million	Share capital	Capital reserve	Hedging reserve	Cumulative currency translation	Other revenue reserves	Total equity
Balance at March 1, 2014	**95.4**	**143.6**	**(3.0)**	**22.8**	**603.1**	**862.0**
Changes in accounting policy because of IFRIC 21					(0.7)	(0.7)
Balance at March 1, 2014 (adjusted)	**95.4**	**143.6**	**(3.0)**	**22.8**	**602.4**	**861.3**
Consolidated net income [1)]					92.3	92.3
Actuarial gains and losses on defined benefit plans, net after taxes					(5.9)	(5.9)
Measurement of derivative financial instruments (cash flow hedge), net after taxes			0.9			0.9
Foreign currency translation				0.8		0.8
Total comprehensive income			**0.9**	**0.8**	**86.3**	**88.0**
Dividend distribution					(19.1)	(19.1)
Treasury stock transactions					(0.2)	(0.2)
Balance at November 30, 2014	**95.4**	**143.6**	**(2.0)**	**23.6**	**669.4**	**930.0**

Nine Months 2015/2016 **€ million**	Share capital	Capital reserve	Hedging reserve	Cumulative currency translation	Other revenue reserves	Total equity
Balance at March 1, 2015 [1)]	**95.4**	**143.6**	**(1.8)**	**39.6**	**645.6**	**922.4**
Consolidated net income					91.6	91.6
Actuarial gains and losses on defined benefit plans, net after taxes					(0.5)	(0.5)
Measurement of derivative financial instruments (cash flow hedge), net after taxes			0.9			0.9
Measurement of available for sale financial assets, net after taxes					0.4	0.4
Foreign currency translation				(2.5)		(2.5)
Total comprehensive income			**0.9**	**(2.5)**	**91.5**	**89.9**
Dividend distribution					(19.1)	(19.1)
Balance at November 30, 2015	**95.4**	**143.6**	**(0.9)**	**37.1**	**717.9**	**993.2**

[1)] Previous year's figures adjusted due to IFRIC 21; please see Note 1.

Cash Flow Statement

€ million [1]	Nine Months 2015/2016	Nine Months 2014/2015
Consolidated net income	**91.6**	**92.3**
Depreciation and amortization of non-current assets	44.3	41.3
Change in provisions	2.5	(0.4)
Gains/losses on disposals of non-current assets and of non-current assets held for sale	(0.3)	(0.3)
Change in inventories, trade receivables and other assets	(4.6)	2.2
Change in trade payables and other liabilities	38.2	31.0
Other non-cash income/expenses	(2.7)	(1.4)
Cash flow from operating activities	**168.9**	**164.8**
Proceeds from disposal of non-current assets and of non-current assets held for sale	1.3	1.0
Payments for investments in property, plant, and equipment	(106.9)	(76.1)
Payments for investments in intangible assets	(3.0)	(0.8)
Cash flow from investing activities	**(108.6)**	**(75.9)**
Dividends paid	(19.1)	(19.1)
Repayment of long-term debt	(3.3)	(26.4)
Payments for transaction costs	0.0	(0.5)
Change in current financial debt	9.4	9.7
Cash flow from financing activities	**(13.0)**	**(36.2)**
Cash-effective change in cash and cash equivalents	47.3	52.7
Change in cash and cash equivalents due to changes in exchange rates	(0.1)	(0.1)
Cash and cash equivalents at March 1	334.8	371.1
Cash and cash equivalents at November 30	**382.1**	**423.7**

[1] Previous year's figures adjusted due to IFRIC 21; please see Note 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 € 18.7 million (2014/2015: € 28.3 million) and interest payments of € 3.7 million (2014/2015: € 5.0 million) and increased by interest received of € 0.6 million (2014/2015: € 0.7 million).

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

NOTES

Notes to the Interim Consolidated Financial Statements as of November 30, 2015

(1) Accounting principles

This unaudited group interim report of HORNBACH Baumarkt AG (until August 3, 2015: Hornbach-Baumarkt-Aktiengesellschaft) and its subsidiaries for the first nine months as of November 30, 2015 has been prepared in accordance with § 315a of the German Commercial Code (HGB) based on International Financial Reporting Standards (IFRS) in the form requiring mandatory application in the European Union. The abridged interim report has been prepared in accordance with IAS 34 "Interim Financial Reporting".

Pursuant to IAS 34 "Interim Financial Reporting", income tax expenses for the first nine months 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 2014/2015 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 2015/2016 financial year were described in the notes to the consolidated financial statements for 2014/2015. Alongside a basic description of the relevant accounting principle, these also present any implications expected to result from first-time application.

With the exception of the item outlined below, the amendments and new regulations requiring first-time mandatory application in the 2015/2016 financial year have not had material implications for the group interim report of HORNBACH Baumarkt AG.

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

This interpretation has implications for the recognition of land tax obligations at the HORNBACH Baumarkt AG Group.

First-time application has resulted in the following effects:

€ million	11.30.2014 (old)	11.30.2014 (adjustment)	11.30.2014 (adjusted)	2.28.2015 (old)	2.28.2015 (adjustment)	2.28.2015 (adjusted)
Assets						
Non-current assets						
Deferred tax assets	3.3	0.0	3.3	4.2	0.1	4.3
Current assets						
Other receivables and assets	58.4	(0.1)	58.4	51.6	0.0	51.6
Equity and liabilities						
Shareholders' equity						
Revenue reserves	691.1	(0.1)	690.9	684.1	(0.7)	683.4
Non-current liabilities						
Deferred tax liabilities	31.5	0.0	31.5	31.0	(0.2)	30.8
Current liabilities						
Trade payables and other liabilities	306.9	0.0	307.0	287.9	0.9	288.8
Other provisions and accrued liabilities	65.5	0.0	65.5	83.0	0.1	83.1

€ million	Nine Months 2014/2015 (old)	Nine Months 2014/2015 (adjustment)	Nine Months 2014/2015 (adjusted)
Selling and store expenses	(750.2)	0.8	(749.4)
Earnings before interest and taxes (EBIT)	**141.4**	**0.8**	**142.2**
Consolidated earnings before taxes	**128.2**	**0.8**	**129.0**
Taxes on income	(36.5)	(0.2)	(36.8)
Consolidated net income	**91.7**	**0.6**	**92.3**

The adjustments arising in the income statement within the 2014/2015 financial year will fully reverse by the end of the comparative period on February 28, 2015. Basic and diluted earnings per share as of November 30, 2014 have increased by € 0.02 to € 2.90.

If IFRIC 21 had not been applied, the following amendments would have resulted for the first nine months as of November 30, 2015:

- Reduction in net income for the period by € 0.7 million
- Increase in revenue reserves by € 0.1 million
- Increase in other assets by € 0.1 million

(2) 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 nine months. The business performance in the first nine months as of November 30, 2015 does not necessarily provide an indication for the year as a whole.

(3) Other income and expenses

Other income and expenses are structured as follows:

€ million	3rd Quarter 2015/2016	3rd Quarter 2014/2015	Change %
Other income	3.8	4.6	(19.0)
Other expenses	1.2	4.8	(74.7)
Other income and expenses	**2.5**	**(0.2)**	**-**

€ million	Nine Months 2015/2016	Nine Months 2014/2015	Change %
Other income	11.6	13.3	(12.5)
Other expenses	4.1	9.7	(58.0)
Other income and expenses	**7.6**	**3.6**	**108.5**

Other income for the first nine months of 2015/2016 mainly results from operating income and chiefly relates to ancillary revenues at DIY stores with garden centers, income from damages payments, advertising expense grants, and income from allocations within the HORNBACH Holding AG & Co. KGaA AG Group (until October 8, 2015: HORNBACH HOLDING AG Group).

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

(4) 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

	3rd Quarter 2015/2016	3rd Quarter 2014/2015 [1]
Number of shares issued	31,807,000	31,807,000
Consolidated net income attributable to shareholders in HORNBACH-Baumarkt-AG in € million	1.2	11.4
Earnings per share in €	**0.04**	**0.36**

	Nine Months 2015/2016	Nine Months 2014/2015 [1]
Number of shares issued	31,807,000	31,807,000
Consolidated net income attributable to shareholders in HORNBACH-Baumarkt-AG in € million	91.6	92.3
Earnings per share in €	**2.88**	**2.90**

[1] Previous year's figures adjusted due to IFRIC 21; please see Note 1.

(5) Other disclosures

The personnel expenses of the HORNBACH Baumarkt AG Group amounted to € 473.7 million at the end of the first nine months as of November 30, 2015 (2014/2015: € 452.5 million).

Depreciation and amortization totaling € 44.3 million was recognized on intangible assets and property, plant and equipment at the HORNBACH Baumarkt AG Group in the first nine months of the 2015/2016 financial year (2014/2015: € 41.3 million).

(6) Shareholders' equity

On August 10, 2015, 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 50,000 treasury stock shares. These shares were to be acquired for the annual issue of employee shares scheduled to take place at the end of 2015. The buyback of shares began on August 11, 2015 and is limited to February 29, 2016. A total of 43,560 shares were issued to employees on November 11, 2015. The share buyback is deemed complete following the issue of these employee shares.

The buyback of shares pursuant to this management board resolution is being undertaken in accordance with the safe harbor regulations set out in § 20a (3) of the German Securities Trading Act (WpHG) in conjunction with Regulation (EC) No. 2273/2003 of the Commission dated December 22, 2003.

(7) Dividend

As proposed by the Board of Management and Supervisory Board of HORNBACH Baumarkt AG, following approval by the Annual General Meeting on July 8, 2015 a dividend of € 0.60 per share was distributed to shareholders for the 2014/2015 financial year.

(8) Contingent liabilities and other financial obligations

These mainly involve obligations for rental, hiring, leasehold and leasing contracts for which the companies of the HORNBACH Baumarkt AG Group do not constitute the economic owners of the assets thereby leased pursuant to IFRS regulations (operating lease). These amounted to € 1,107.4 million at the end of the reporting period (February 28, 2015: € 1,160.2 million).

The above figures do not include those obligations in connection with rental agreements identified as finance leases upon inception of the respective lease and only recognized as finance lease upon the exercising of the respective utilization rights. These rental obligations had a nominal amount of € 65.5 million at the reporting date and will be recognized as financial leases in subsequent periods.

(9) 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 (until October 8, 2015: HORNBACH HOLDING AG) and its general partner (HORNBACH Management AG), as well as its direct and indirect subsidiaries. Apart from the transactions performed in the usual course of business and reported in the annual financial statements, no major transactions were undertaken with closely related companies and persons in the period under report.

(10) Fair value disclosures

The methods and principles applied to determine fair value are basically unchanged compared with the consolidated financial statements. The following table presents the carrying amounts of financial instruments broken down by IAS 39 measurement categories as well as their fair values broken down by balance sheet category.

€ million	Category	Carrying amount 11.30.2015	Fair value 11.30.2015	Carrying amount 2.28.2015	Fair value 2.28.2015
Assets					
Financial assets	AfS	2.4	2.4	2.0	2.0
Other receivables and assets					
Other financial assets	LaR	51.6	51.6	40.2	40.2
Cash and cash equivalents	LaR	382.1	382.1	334.8	334.8
Equity and liabilities					
Financial debt					
Bonds	FLAC	247.5	271.5	247.0	274.8
Liabilities to banks	FLAC	96.8	97.0	92.1	92.4
Liabilities in connection with finance leases	n.a.	0.6	0.6	0.8	0.8
Derivatives with hedge relationship	n.a.	2.0	2.0	2.9	2.9
Derivatives without hedge relationship	FLHfT	2.8	2.8	1.7	1.7
Trade payables and other liabilities	FLAC	266.6	266.6	239.1	239.1
Accrued liabilities	FLAC	22.5	22.5	17.9	17.9

Receivables and other assets of € 10.3 million (February 28, 2015: € 14.5 million), trade payables and other/sundry liabilities of € 103.3 million (February 28, 2015: € 77.9 million; prior to IFRIC 21 adjustment: € 77.0 million), and accrued liabilities of € 32.8 million (February 28, 2015: € 55.8 million; prior to IFRIC 21 adjustment: € 55.7 million) are outside the scope of IFRS 7.

€ million	11.30.2015	2.28.2015
Assets		
Valuation based on level 3 input data		
Available for sale financial assets	2.4	2.0
Equity and liabilities		
Valuation based on level 2 input data		
Derivatives with hedge relationship	2.0	2.9
Financial liabilities held for trading	2.8	1.7

The derivative financial instruments with hedge relationships recognized in the balance sheet relate to interest hedges (interest swaps). Derivative financial instruments without hedge relationships involve foreign currency items for outstanding orders.

Reference is made to the notes to the 2014/2015 consolidated financial statements for information about the measurement of the financial assets for which Level 3 input data was used. A measurement change requiring recognition in equity arose in the 2nd quarter of 2015/2016. This chiefly related to a change in the relevant interest rate (WACC), which fell from 7.45% to 7.09%. No material measurement changes arose in the 3rd quarter of 2015/2016.

Changes in financial assets (Level 3 input data) € million	2015/2016	2014/2015
As of March 1	**2.0**	**0.0**
Change in valuation (OCI)	0.4	0.0
Balance at November 30	**2.4**	**0.0**

The sensitivities in key input factors as of November 30, 2015 are presented in the following overview:

€ million	Fair Value	
	Increase	Decrease
Rent (5% change)	0.6	(0.6)
Discount rate (50 basis point change)	(0.8)	0.4

(11) Segment report

Nine Months 2015/2016 in € million Nine Months 2014/2015 in € million [1]	DIY stores	Real estate	Headquarters and consolidation	HORNBACH Baumarkt AG Group
Segment sales	**2,795.1**	**120.8**	**(119.5)**	**2,796.4**
	2,668.9	113.5	(112.6)	2,669.8
Sales to third parties	2,795.1	0.0	0.0	2,795.1
	2,668.8	0.0	0.0	2,668.8
Rental income from third parties	0.0	1.3	0.0	1.3
	0.0	0.9	0.0	0.9
Rental income from affiliated companies	0.0	119.5	(119.5)	0.0
	0.0	112.6	(112.6)	0.0
Segment earnings (EBIT)	**102.7**	**42.7**	**(18.1)**	**127.3**
	124.5	34.7	(17.0)	142.2
Depreciation and amortization	**27.0**	**12.5**	**4.9**	**44.3**
	25.8	11.3	4.3	41.3
EBITDA	**129.7**	**55.2**	**(13.2)**	**171.7**
	150.3	46.0	(12.7)	183.5
Segment assets	**823.4**	**695.7**	**310.6**	**1,829.8**
	744.2	612.0	383.3	1,739.5
of which: credit balances at banks	80.7	0.0	275.9	356.6
	33.5	0.0	350.8	384.2

Reconciliation in € million [1]	Nine Months 2015/2016	Nine Months 2014/2015
Segment earnings (EBIT) before "Headquarters and consolidation"	**145.4**	**159.2**
Headquarters	(18.1)	(17.0)
Net financial expenses	(8.1)	(13.1)
Consolidated earnings before taxes	**119.2**	**129.0**

[1] Previous year's figures adjusted due to IFRIC 21; please see Note 1.

Bornheim, December 21, 2015

HORNBACH Baumarkt AG
The Board of Management

FINANCIAL CALENDAR 2016

March 22, 2016	Trading Statement 2015/2016
May 24, 2016	Annual Results Press Conference 2015/2016 Publication of Annual Report DVFA Analysts' Conference
June 24, 2016	Financial Update: 1st Quarter of 2016/2017 as of May 31, 2016
July 7, 2016	Annual General Meeting of HORNBACH Baumarkt AG Festhalle Landau, Landau/Pfalz
September 29, 2016	Half-Year Financial Report 2016/2017 as of August 31, 2016
December 22, 2016	Financial Update: 3rd Quarter of 2016/2017 as of November 30, 2016

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DISCLAIMER

This interim report contains forward-looking statements based on assumptions and estimates made by the Board of Management of 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.