HORNBACH-Baumarkt-AG Group

Annual Report 2011 | 2012

HORNBACH
Es gibt immer was zu tun.

CONTENTS

Key Group, Financial and Operating Data

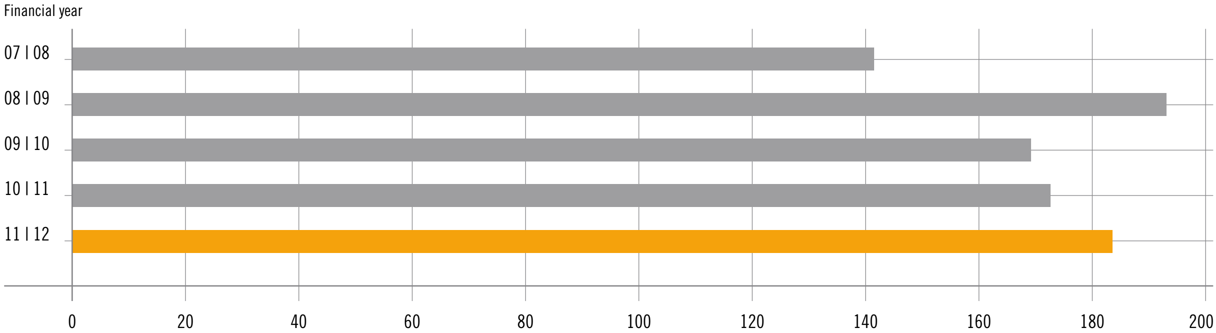
Amounts shown in € million unless otherwise stated	Change in financial year 2011/2012 on previous year	IFRS 2011/2012	2010/2011	2009/2010	2008/2009	2007/2008	2006/2007	2005/2006	2004/2005	2003/2004	2002/2003
Sales and earnings figures [1]											
Net sales	5.8%	3,001	2,836	2,686	2,599	2,469	2,392	2,234	2,094	1,923	1,628
of which in other European countries	6.5%	1,272	1,195	1,109	1,065	962	862	788	688	611	424
Sales growth as % of net sales		5.8	5.6	3.4	5.2	3.2	7.1	6.7	8.9	18.2	13.1
EBITDA [2]	6.8%	184	173	169	193	142	160	137	152	127	103
as % of net sales		6.1	6.1	6.3	7.4	5.7	6.7	6.1	7.3	6.6	6.4
EBIT [3]	7.8%	128	119	115	137	79	96	70	91	65	46
as % of net sales		4.3	4.2	4.3	5.3	3.2	4.0	3.1	4.3	3.4	2.8
Earnings before taxes and extraordinary result	4.4%	106	102	96	122	56	73	44	68	44	25
as % of net sales		3.5	3.6	3.6	4.7	2.3	3.0	1.9	3.2	2.3	1.6
Net income for the year	2.3%	77	76	68	95	47	61	25	43	28	14
as % of net sales		2.6	2.7	2.5	3.7	1.9	2.5	1.1	2.1	1.5	0.9
Gross margin as % of net sales		37.4	37.4	36.8	36.6	36.3	36.0	35.7	36.4	35.7	35.3
Store expenses as % of net sales [4]		29.0	29.3	29.6	29.1	29.4	29.0	29.5	28.8	28.6	28.9
Costs of central administration as % of net sales [4]		4.3	4.2	4.1	4.1	4.1	3.9	4.1	3.9	3.7	4.0
Pre-opening expenses as % of net sales [4]		0.2	0.1	0.1	0.3	0.3	0.2	0.5	0.5	0.6	1.1
Cash flow figures											
Cash flow from operating activities	(32.0)%	104	153	156	124	67	197	16	124	46	36
Investments	52.8%	104	68	68	82	105	88	144	92	71	129
Proceeds from divestments		11	38	3	66	43	40	96	23	39	2
Earnings potential [5]	(29.6)%	111	158	160	132	74	202	27	134	57	55
as % of net sales		3.7	5.6	6.0	5.1	3.0	8.4	1.2	6.4	3.0	3.4
Dividend distribution	0.0%	15.9	15.9	13.7	13.7	13.6	13.5	13.2	13.1	13.1	13.1
Balance sheet and financial figures											
Total assets	2.3%	1,628	1,592	1,439	1,425	1,351	1,331	1,286	1,274	1,162	1,093
Non-current assets	7.6%	668	621	601	565	569	616	612	635	638	664
Inventories	3.5%	476	459	428	496	479	446	496	426	425	363
Cash and cash equivalents	(4.3)%	404	423	296	236	167	193	72	143	49	23
Shareholders' equity	8.5%	792	730	655	591	516	471	415	399	363	350
Shareholders' equity as % of total assets		48.6	45.9	45.5	41.5	38.2	35.4	32.3	31.3	31.3	32.0
Return on shareholders' equity based on net income - in %		10.2	10.9	11.0	17.1	9.4	13.7	6.1	11.4	7.9	4.1
Net working capital	12.2%	358	319	312	349	345	306	407	317	306	240
Additions to non-current assets	52.6%	104	68	68	84	105	87	140	88	73	140
Inventory turnover rate per year		4.0	4.0	3.7	3.4	3.4	3.3	3.1	3.1	3.1	3.1
Retail store data											
Number of stores		134	133	131	129	125	120	124	117	110	102
of which in Germany		91	92	92	92	91	89	92	88	83	78
of which in other European countries		43	41	39	37	34	31	32	29	27	24
Like-for-like sales growth in %		2.8	2.6	0.7	1.4	(0.2)	4.0	0.5	1.5	5.2	1.5
Sales area in m² (based on BHB)	2.3%	1,549,085	1,513,722	1,480,216	1,446,794	1,384,901	1,307,572	1,319,484	1,198,209	1,115,900	1,014,685
Weighted average net sales per m² in €	1.6%	1,933	1,903	1,828	1,839	1,810	1,833	1,753	1,796	1,804	1,699
Average store size in m²	1.6%	11,560	11,381	11,299	11,215	11,079	10,896	10,641	10,241	10,145	9,948
Weighted average sales per store		22.3	21.7	20.7	20.6	20.1	19.9	18.7	18.4	18.3	16.9
Other information											
Employees - annual average - converted into full-time equivalents	5.8%	12,188	11,520	11,357	11,005	10,528	10,091	10,046	9,407	8,499	7,464
Sales per employee in € 000s	0.0%	246	246	237	236	235	237	222	223	226	218
Number of shares [6]		31,807,000	15,903,500	15,903,500	15,740,060	15,685,020	15,506,120	15,200,320	15,097,830	15,011,500	15,011,500
Earnings per share in € [6]		2.43	4.76	4.32	6.04	2.98	3.95	1.64	2.88	1.86	0.96

1) Starting in the 2003/2004 financial year: other taxes (e.g. property tax) have been included under operating expenses
2) Earnings before interest, taxes, depreciation and amortization; starting in the 2007/2008 financial year: excluding net currency result
3) Earnings before interest and taxes; starting in the 2007/2008 financial year: excluding net currency result
4) Starting in the 2003/2004 financial year: excluding interest
5) Cash flow from operating activities, plus pre-opening expenses
6) Starting in the 2011/2012 financial year: change in number of shares following issue of bonus shares as of July 29, 2011 (c.f. Note (9) in notes to consolidated financial statements)

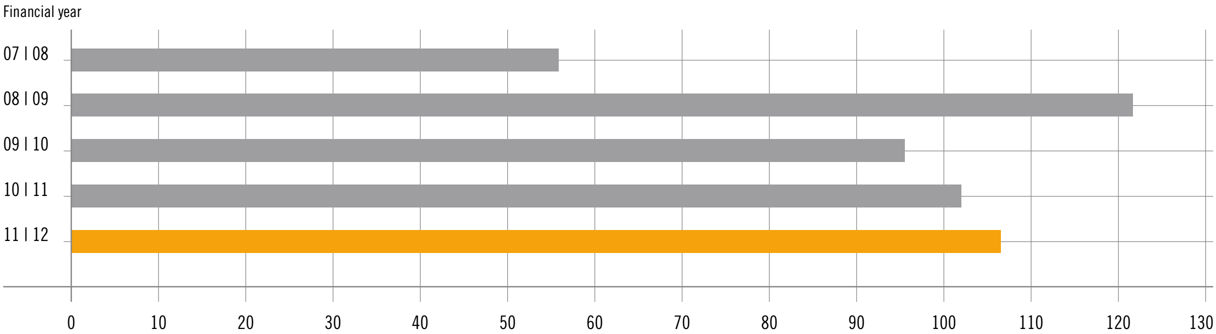
Structure of consolidated balance sheet
(€ million)

(Rounded up/down to nearest € million)

Earnings before interest, taxes, depreciation and amortization (EBITDA)
(€ million)



Earnings before taxes
(€ million)

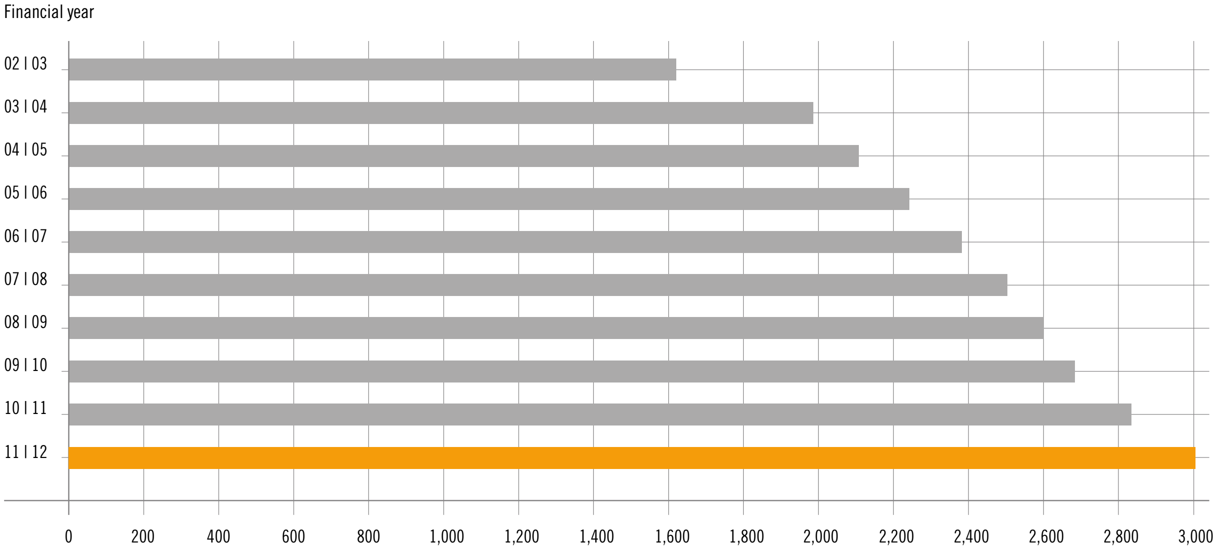


Conserving values

»True value may not be visible, but it never remains truly hidden«. Seneca knew that already.
An old family bible, great-grandmother's cabinet, or the cult "beetle" car – the value often lies in the stories and emotions. Veiled by the traces of time, it takes hard work, dedication, and the right tools to breathe new life into old objects. Hours of relentless work with the screwdriver, hammer and sandpaper, and all with one aim in mind – to conserve personal treasures for later generations. With a strong partner with experience and ideas, value conservation can be a real pleasure. ■

COMPANY PROFILE

Sales performance of the HORNBACH-Baumarkt-AG Group
(net, € million)



The HORNBACH Group is characterized by its ability to respond to the challenges of trading in DIY, home improvement and garden products, and to set new standards in the process.

Since the company was founded in 1877, five generations of the Hornbach family have been active in almost all areas of the construction sector – in the building trade, as manufacturers of prefabricated components and, for the first time in 1900, as builders' merchants.

As one of the pioneers in Germany and Europe, HORNBACH opened its first DIY store in 1968 and combined it with a garden center – at its time unique in Europe. This combination has since developed to become a European standard in the DIY sector today.

In the second half of the 1980s, HORNBACH added a new dimension to the market with its concept of large DIY and home improvement megastores with garden centers. Today, an impressively presented range of around 50,000 top quality DIY and gardening articles is available to DIY customers in spacious stores and at permanently low prices. Well-trained, service-oriented employees make project customers and DIY enthusiasts, especially those on the lookout for solutions for extensive renovation and construction projects, the focus of their activities.

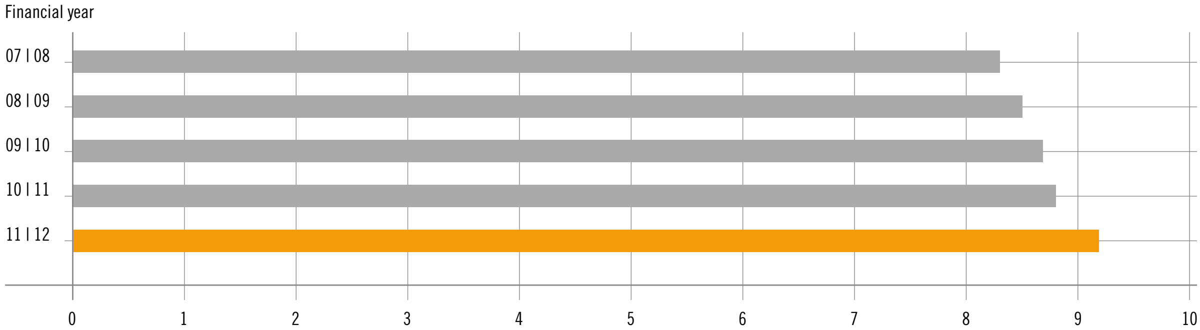
The consistent implementation of the company's concept, coupled with the high expectations it places in the quality of its locations, its stores, its product range and employees, have facilitated the dynamic growth shown by the company in recent years and form the basis for further expansion. With an average sales area of more than 11,000m² per store, HORNBACH has underlined its unique position in the DIY megastore with garden center segment and also has the highest level of sales area productivity of any of the leading DIY companies in Germany. The net sales of the HORNBACH-Baumarkt-AG Group grew by 5.8 % to € 3,001 million in the 2011/2012 financial year. At the balance sheet date on February 29, 2012, the Group operated 134 DIY megastores with garden centers in nine countries across Europe (91 of which in Germany) with total sales areas of around 1.55 million square meters.

Following the company's successful entry into the Austrian market in August 1996, it has consistently pressed ahead with its expansion into neighboring European countries. Stores were subsequently opened in the Netherlands, Luxembourg and the Czech Republic. The company's international growth continued with its expansion to Switzerland, Sweden and Slovakia. The entry into the Romanian market followed in the summer of 2007. As of February 29, 2012, HORNBACH was operating a total of 43 DIY megastores with garden centers in eight countries outside Germany. The international share of consolidated sales rose to 42.4 % in the 2011/2012 financial year and is set to rise consistently in future. The Group will nevertheless also continue to pursue opportunities for expansion in Germany. Since December 1, 2010, the stationary retail business has been supplemented by HORNBACH's online shop, with which the Group aims to make targeted use of the opportunities presented by multichannel retailing.

HORNBACH-Baumarkt-AG is a publicly listed stock corporation. The ordinary shares in the company (ISIN DE0006084403) are listed on the German Stock Exchange and have been admitted to the subsection of the official market involving additional admissions obligations (the "Prime Standard"). Of approximately 31.8 million ordinary shares in the company, 76.4 % are held by HORNBACH HOLDING AG, while 18.4 % are owned by independent shareholders. The British retail group Kingfisher plc held a stake of around 5.2 % at the balance sheet date.

HORNBACH is also present in the debt market with a corporate bond issued in November 2004 with a ten-year term and an interest coupon of 6.125 % (ISIN: XS0205954778).

HORNBACH's DIY market share in Germany
(in %)



All-rounder

All Inga had to start with was a discount toolbox and a bit of experience with vintage cars. The toolbox and her patience quickly expired, so she asked HORNBACH what the best tools to use would be. Lift-off! Now she can do the brakes and valves in her sleep. ■


57

TO OUR SHAREHOLDERS

Dear Shareholders,

Trust is a great asset. We learned that lesson most recently in the euro debt crisis, one which is still far from being resolved. Having said that, we do not have to scale the dizzy heights of European policy making to see how fast trust painstakingly built up can be lost. The retail sector is an expert in this area. Day in, day out, it is exposed to the whims of consumer confidence. In the age of the internet and social media, disappointed customers are quicker than ever to punish poor quality, false promises, or disparities between price policies and price realities by withdrawing their confidence. For some retailers, 2011 did not end on a happy note in this respect. Retail formats with opaque price structures had particular problems. And I am by no means only referring to the relevant players in the DIY sector!

We stood back while the discount preachers set out on their various odysseys and returned correspondingly weakened. Our approach is quite different. We accord priority to transparent end consumer prices that are not discounted even for major customers. Our strategy involves offering the best price that we can find at any of our competitors for each and every one of our articles. Our customers do not have to waste their time on complicated price comparisons. We do this job for all of our customers at the same time. Should we occasionally miss a lower price, then customers are covered by our price guarantee. This saves time and makes life easier for our customers when making their purchases. And they can rely on us! This means that the purchase decision is rather determined by criteria such as product selection, quality, stocks on hand, and specialist advice. Our concept consistently reflects this approach.

We invested great energy, nerves, and considerable sums in the past to best meet the needs of project customers. These efforts have paid off, as is documented by our sustainable performance in previous years, and in particular by a review of the past 2011/2012 financial year. Let us begin by looking at the hard financial data. This is best reflected in the pleasing figures in this year's Annual Report.

I would like to draw your attention to the following highlights in the 2011/2012 financial year:

- Our sales exceeded the three billion euro mark for the first time in our company's history. Consistent with our forecast, our net sales thus rose across the Group by 5.8 % to € 3,001 million (2010/2011: € 2,836 million).
- As in the previous year, our business with project customers in Germany was one of the Group's main growth drivers. On a like-for-like basis, our DIY stores with garden centers in Germany grew by 5.8 %, and increased their market share from 8.8 % to 9.2 %.
- In other European countries, we managed to maintain our like-for-like, currency-adjusted sales more or less at the previous year's level. Highly pleasing growth momentum in Germany and Western Europe as a whole enabled us to more than offset the downturn in sales in Eastern Europe. On a like-for-like basis, we increased our sales across the Group by 2.8 %, and by 4.0 % including currency items.
- We further improved our store sales productivity. Weighted average sales per store rose to € 22.3 million, up from € 21.7 million in the previous year. Average weighted net sales per square meter of sales area rose from € 1,903 to € 1,933. Notwithstanding the expansion-related growth in inventories, we managed to maintain our inventory turnover rate at its high level of 4.0.
- We successfully upheld our course of sustainable earnings growth in the 2011/2012 financial year. The Group's operating earnings (EBIT) showed disproportionate growth compared with sales, rising by 7.8 % to € 128.4 million.
- Last but by no means least: Our equity ratio increased to 48.6 %. Given our high volume of liquidity and broad range of financing sources, we enjoy a high degree of security and flexibility when it comes to financing our company's further growth.

However, key financial figures only tell part of the story. A whole series of non-financial performance indicators also play a major role in any assessment of our concept (please see Page 60 onwards). I would like to single out one such indicator in particular – the results of the Kundenmonitor Deutschland 2011 customer survey.

This study, representative for the whole of Germany, is the most important of its kind, and has been established for many years now. It measures the customer orientation of companies in various sectors. HORNBACH achieved the best results of all leading DIY store players. We topped the league in the most important category – the "Overall satisfaction" shown by customers with the company. Our mark of 2.24 represents the highest mark yet achieved in the DIY sector. What's more, our lead over the next-best competitor was significant. Not only that, DIY and garden center customers ranked us 1st in 16 out of 33 other survey categories. Among others, these included:

- "Product selection and variety" and "Product range compared with competitors"
- "Quality of merchandise and products"
- "Services" and "Services compared with competitors"
- "Willingness to recommend to others"
- "Value for money" and "Prices compared with competitors".

The fact that we left our competitors further behind in 2011 than ever before in terms of customers' perception of our prices is also due in no small part to our online store. The online store is to a certain extent the acid test for customers' confidence in our transparent permanent low price strategy. At the end of the day, however, our internet presence also accords the greatest priority to the range of services we can offer in terms of selection, quality and service standards. Since launching our online retail activities in December 2010, we have pressed ahead at full steam with the further development of our internet platform (www.hornbach.com). Our customers can now inform themselves about more than 40,000 articles and have more than 13,000 articles delivered directly to their homes. HORNBACH thus has Germany's most extensive online range of construction and renovation products. Not only that, we are also the first German DIY company to offer the "Reserve online and pick up at store" service across the board. At present, our customers can commission more than 30,000 articles within four hours from their local HORNBACH store. This service is a real time-saver, especially for our professional customers. A further knock-on benefit is that customers have the opportunity to clarify any tricky questions they have about their projects directly at the store with one of our competent sales staff.

Best specialist advice at HORNBACH

I am especially pleased about this top ranking in the Kundenmonitor survey. According to German DIY and garden center customers, nowhere else can they receive advice as good as that at HORNBACH. Our customers have recognized the efforts we have put into providing optimal specialist and individual advice, and into selecting and training our specialist advisors – and that is very satisfying indeed.

Our advisors are much more than just sales staff. Many of them are trained or master tradesmen, all are DIY fans, keen to try things out and find solutions. People who come to our stores are taken seriously, we listen to them and respond to their ideas. Sometimes we have to tell them that their ideas will not work that way. Then they go home empty-handed. But we think that is better than foisting products onto them which they will only be annoyed about later. Put simply, our ongoing relationship with customers is more important to us than any short-term sales success.

We would not succeed without the passionate commitment and openness to innovation shown by our employees, who will soon number 14,000 across the Group. With their great dedication, they have made a valuable contribution to our success. For that, I owe them my respect and my sincere thanks!

Steffen Hornbach
Chairman of the Board of Management
HORNBACH-Baumarkt-AG

REPORT OF THE SUPERVISORY BOARD

Albrecht Hornbach

Dear Ladies and Gentlemen,

In the past 2011/2012 financial year we dealt in great detail with the company's situation, its perspectives and its strategic alignment. We advised the Board of Management in its management of the company and monitored its conduct in accordance with the requirements of the law, the Articles of Association and the Code of Procedure. At our meetings, the Board of Management provided us with regular, prompt and extensive written and oral reports on the business performance and economic situation of the company and its subsidiaries. The Supervisory Board was involved in decisions of major significance for the company. Moreover, the Supervisory Board Chairman was in regular contact with the Board of Management, and especially with its Chairman, outside the framework of meetings to discuss significant issues and also to hold a number of working meetings.

Meetings of the Supervisory Board

Five Supervisory Board meetings were held in total in the 2011/2012 financial year. One member of the Supervisory Board attended fewer than half of the meetings. No conflicts of interest arose on the part of members of the Board of Management and Supervisory Board in the year under report.

At our meetings, we addressed the economic situation of the company, its business performance, corporate strategy and planning, investment and financial policy, opportunity and risk situation and its risk management, the requirements governing compensation for the Board of Management and corporate governance on the basis of oral and written reports provided by the Board of Management. The Board of Management also provided regular oral and wirtten reports on the company's situation and on the development in its earnings and financial situation compared with the previous year and the budget. Budget variances were discussed and substantiated. Those actions of the Board of Management requiring our approval were discussed in detail. Following thorough examination and discussion of the proposals submitted by the Board of Management, the Supervisory Board approved all of the respective measures at its meetings.

At the meeting held on May 18, 2011 to approve the annual financial statements, we examined the annual and consolidated financial statements in great detail in the presence of the auditor, as was also the case on May 15, 2012. We also formally accepted the report from the Audit Committee on its work and the findings of its audit. All of the questions raised by Supervisory Board members were answered in detail by the auditors. The report of the Supervisory Board, the joint corporate governance report of the Board of Management and the Supervisory Board, the risk report, the compliance report, and the new requirements governing compensation of the Board of Management were also discussed and approved at this meeting. The agenda for the Annual General Meeting, including the proposed resolutions, was approved.

At the meeting held directly before the Annual General Meeting on July 7, 2011, the Board of Management reported on the current situation of the Group. Moreover, dates were agreed for regular meetings up to and including the 2012/2013 financial year.

On September 28, 2011, the Supervisory Board held an unscheduled meeting at which the enlargement in the Board of Management from five to seven members, the appointment of three new members of the Board of Management as of March 1, 2012 and an amended business allocation plan for the Board of Management were discussed and approved. Furthermore, the conclusion of syndicated credit line was approved.

On December 20, 2011, the Board discussed the Group's current business situation, the risk report and the compliance report. At the same meeting, the updated Declaration of Conformity with the German Corporate Governance Code was submitted pursuant to § 161 of the German Stock Corporation Act (AktG) and then made permanently available to shareholders on the company's homepage. Apart from a few exceptions, HORNBACH-Baumarkt-AG has complied with and continues to comply with the recommendations of the German Corporate Governance Code. Only the following recommendations have not been complied with for the reasons outlined in the Declaration of Conformity: the possibility of a postal ballot, the agreement of a deductible in the D&O insurance policy for Supervisory Board members, the setting of a cap on severance pay for members of the Board of Management, that the Supervisory Board Chairman also chairs the committee dealing with contracts with the Board of Management, the formation of a nomination committee, the setting of an age limit for Supervisory Board members, the statement of targets for diversity and a commensurate representation of women, that the Supervisory Board should not include more than two former members of the Board of Management, and the individualized disclosure of compensation or benefits granted to Supervisory Board members for services rendered in person. Further information about corporate governance at HORNBACH-Baumarkt-AG can be found in the joint report of the Board of Management and the Supervisory Board from Page 20 onwards.

At its final meeting in the past 2011/2012 financial year, held on February 28, 2012, the Supervisory Board discussed the Group's current business situation, and examined and approved the budget for the financial years 2012/2013 to 2016/2017. Furthermore, the Board appointed a new Labor Director and elected a new Audit Committee Chairman as of March 1, 2012.

Committees and committee meetings

The Supervisory Board has established three committees. The current composition of the committees can be found on Page 17 of this Annual Report.

The Audit Committee met five times in the year under report. Meetings were held in May, June, September, December and February. In May 2011, the Audit Committee discussed the annual financial statements of HORNBACH-Baumarkt-AG and the consolidated financial statements, the management reports, the proposed appropriation of profits and the audit reports, including the dependent company report, in the presence of the auditor and of the Chairman of the Board of Management and the Chief Financial Officer. Key focuses of discussion at this meeting also included the risk and compliance reports of the Board of Management, group internal audit reports, the reports compiled by the Board of Management on the financial situation of the company and the candidate to be proposed for election as auditor. The financial report for the first quarter was discussed at the June meeting and on September 28, 2011 the half-year financial report was discussed in the presence of the auditors. In December 2011, the key focuses for the audit of the annual financial statements were determined together with the auditors. At the same meeting, the Committee addressed the nine-month financial report, the risk and compliance reports and the company's financial situation. In February 2012, the budget for the financial years 2012/2013 to 2016/2017 was discussed in detail and approved. The internal audit plan for the 2012/2013 financial year was adopted at the same meeting.
The Audit Committee Chairman reported in detail on the work of the committee to full Supervisory Board meetings.

The Personnel Committee held two meetings. The May meeting dealt with the recommended resolution concerning new compensation regulations for the Board of Management and the extension to the management contracts with Susanne Jäger and Roland Pelka. In September, the Committee discussed the enlargement of the Board of Management and its composition.

It was not necessary to convene the Mediation Committee established pursuant to § 27 (3) of the German Codetermination Act (MitBestimmG).

Personnel-related matters

Wolfger Ketzler stood down from his position on the Supervisory Board as of February 29, 2012 and was appointed to the Board of Management as of March 1, 2012. Joerg Walter Sost was appointed by court, following a corresponding petition, to succeed Wolfger Ketzler on the Supervisory Board for the period from March 1, 2012 to the Annual General Meeting on July 5, 2012. Dr. Wolfgang Rupf was elected as Audit Committee Chairman as of March 1, 2012. Manfred Valder, a long-standing member of the Board of Management, stood down from his position on the Board at the end of the 2011/2012 financial year and went into retirement following 43 years of service at our company. The Supervisory Board thanks Manfred Valder for his long and successful commitment to our company. Frank Brunner, previously Managing Director of Hornbach International GmbH, was appointed to the Board of Management as of March 1, 2012 to succeed Manfred Valder with responsibility for the operative management of the DIY stores with garden centers. The Board of Management was enlarged from five to seven members at the beginning of the 2012/2013 financial year. Alongside Frank Brunner and Wolfger Ketzler, Ingo Leiner, previously Director of Logistics and Company Development, was appointed to the Board of Management. The current business allocation plan for the Board of Management can be found on Page 17 of the Annual Report.

Annual and consolidated financial statements

KPMG Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (KPMG), Berlin and Frankfurt am Main, audited the annual financial statements of HORNBACH-Baumarkt-AG and the consolidated financial statements as of February 29, 2012, as well as the management reports of HORNBACH-Baumarkt-AG and the Group and provided them each with an unqualified audit opinion. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Moreover, KPMG confirmed that the early warning risk management system was consistent with requirements and that no risks to the company's ongoing existence had been identified.

Key focuses of the audit in the 2011/2012 financial year included select IT-related processes and checks (e.g. authorization concepts, network access security), the functionality of internal controls of key financial reporting processes, the audit of follow-up accounting in accordance with the German Accounting Law Modernization Act (BilMoG), the audit of the ongoing value of non-current assets (IAS 36), the assessment of stores with negative store results, the audit of the existence and measurement of inventories, the audit of the completeness and measurement of provisions, the audit of the recognition and measurement of deferred and current tax assets and liabilities, compliance with credit terms in connection with group financing, the delineation of the scope of consolidation, the correctness of the annual financial statements included in the consolidated financial statements, the consolidation of capital, the completeness and accuracy of note disclosures, and the completeness and plausibility of the disclosures made in the group management report.

The financial statements and audit reports were provided to all Supervisory Board members in good time. They were examined in detail at the meeting of the Audit Committee on May 15, 2012 and at the subsequent meeting of the Supervisory Board held on the same day to approve the financial statements. The auditor took part in these discussions. He reported on the principal audit findings and was available to provide further information and to answer questions. Based on the findings of the preliminary audit performed by the Audit Committee and of our own examination of the documents provided by the Board of Management and the auditor, we did not raise any objections and endorse KPMG's audit findings. We approve the annual financial statements prepared by the Board of Management for HORNBACH-Baumarkt-AG and the Group as of February 29, 2012; the annual financial statements of HORNBACH-Baumarkt-AG are thus adopted. We endorse the appropriation of profits proposed by the Board of Management.

Furthermore, the Supervisory Board reviewed the report from the Board of Management on relationships with associated companies pursuant to § 312 of the German Stock Corporation Act (AktG). Neither this review nor KPMG's audit gave rise to any objections. KPMG granted the following audit opinion:

"Based on the audit and assessment we have undertaken in accordance with professional standards, we confirm that
1. the factual disclosures made in the report are correct
2. the performance of the company in the transactions listed in the report was not incommensurately high."

Based on the conclusive findings of its audit, the Supervisory Board has no objections to the statement provided by the Board of Management at the end of its report pursuant to § 312 of the German Stock Corporation Act (AktG).

HORNBACH-Baumarkt-AG achieved superb results in the past 2011/2012 financial year, asserted its position in its competitive environment and acquired additional market share. The Supervisory Board would like to extend its thanks and appreciation to the Board of Management and to all employees, both in Germany and abroad, for their commitment and extremely successful work in the past financial year.

Bornheim, May 2012

The Supervisory Board

Albrecht Hornbach
Chairman

DIRECTORS & OFFICERS

Supervisory Board

Albrecht Hornbach
Chairman
Chairman of Board of Management
HORNBACH HOLDING AG

Dr. Wolfgang Rupf
Further Deputy Chairman
Managing Director, Rupf Industries GmbH
and Rupf Engineering GmbH

Kay Strelow*
Deputy Chairman
Section Manager, Berlin-Marzahn Store

Jörg Heine*
Incoming Merchandise Manager, Duisburg Store

Rudolf Helfer*
Senior Occupational Safety Specialist

Sabine Hoffmann*
Customer Service Employee

Martin Hornbach
Member of Board of Management
Corivus AG

Wolfger Ketzler until February 29, 2012
Attorney and Tax Advisor
Beiten Burkhardt Rechtsanwaltsgesellschaft mbH
(until December 31, 2011)
Member of Board of Management
HORNBACH-Baumarkt-AG (since March 1, 2012)

Véronique Laury-Deroubaix
Commercial Director
B&Q plc

Christian Lilie*
District Manager, Germany South

Johannes Otto*
Assistant Store Manager, Schwetzingen Store

Joerg Sost since March 1, 2012
Managing Partner
J.S. Consulting GmbH

Prof. Dr.-Ing. Jens P. Wulfsberg
Professor of Production Technology
Universität der Bundeswehr Hamburg

* Employee representative

Supervisory Board Committees

Audit Committee
Dr. Wolfgang Rupf Chairman (since March 1, 2012)
Albrecht Hornbach
Martin Hornbach
Wolfger Ketzler (until February 29, 2012)
Johannes Otto

Personnel Committee
Dr. Wolfgang Rupf Chairman
Rudolf Helfer
Wolfger Ketzler (until February 29, 2012)

Mediation Committee
Dr. Wolfgang Rupf Chairman
Albrecht Hornbach
Wolfger Ketzler (until February 29, 2012)
Kay Strelow

Board of Management

Members and their areas of responsibility

Steffen Hornbach
Chairman
Graduate in Engineering
Strategic Development, Construction and Technical Procurement, New Distribution Channels, After Sales Service

Roland Pelka
Deputy Chairman
Graduate in Business Administration
Finance, Accounting and Tax, Group Controlling, Risk Management, Loss Prevention, Information Technology, Investor Relations

Frank Brunner since March 1, 2012
Graduate in Industrial Engineering (FH)
Operative Store Management, Sales and Services

Susanne Jäger
Businesswoman
Strategic and Operative Procurement, Store Planning, Store Development, Imports, Quality Assurance

Wolfger Ketzler since March 1, 2012
Attorney and Tax Advisor
Personnel, Real Estate Development, Internal Audit and Legal

Ingo Leiner since March 1, 2012
Businessman
Logistics, Company Development, In-house Consulting

Jürgen Schröcker
Graduate in Business Administration
Marketing, Market Research, Internal Communications, Public Relations, Environmental Issues, Project Show / Sales Promotion

Manfred Valder until February 29, 2012
Businessman
Operative Store Management, National und International, Sales & Services

Leave your mark

»Change is the only constant«, as Heraclitus of Ephesus so rightly put it more than 2,500 years ago. Whatever change comes our way, we should never forget our roots, where we stand, and what we aim for in future. Returning to our values offers the best basis for sustainable action. Restoring a centuries-old house, spiritedly enticing tones out of a historic musical instrument, campaigning for regenerative materials, or supporting social aid projects – sustainability comes in many guises. What all have in common is an appreciation of what we most value – now and in future. ■

CORPORATE GOVERNANCE

Declaration on Corporate Governance and Corporate Governance Report

Our actions are guided by the principles of responsible, transparent corporate management and control (corporate governance). HORNBACH has always accorded priority to high-quality corporate governance. It forms the basis for sustainable economic success and helps us enhance the trust placed in our company by our customers, business partners, investors, employees and the financial markets. The standards and guidelines we adhere to at the company over and above legal requirements are summarized below in the company's Declaration on Corporate Governance (§ 289a of the German Commercial Code – HGB), which also includes the Corporate Governance Report of the Board of Management and Supervisory Board.

Declaration of Conformity with the German Corporate Governance Code pursuant to § 161 of the German Stock Corporation Act (AktG) dated December 20, 2011

The Board of Management and Supervisory Board of HORNBACH-Baumarkt-Aktiengesellschaft hereby declare pursuant to § 161 of the German Stock Corporation Act (AktG) that the recommendations of the "German Corporate Governance Code" as outlined in the version dated May 26, 2010 and published in the electronic Federal Gazette on July 2, 2010 have basically been met since the previous Declaration of Conformity and continue to be met. Application has not been made and is not made of the recommendations included in Points 2.3.3 Sentence 2, 3.8 (3), 4.1.5, 4.2.3 (4) and (5), 5.2 (2) Sentence 1, 5.3.3, 5.4.1 (2) and (3), 5.4.2 Sentence 3 and 5.4.6 (3) Sentences 1 and 2.

The aforementioned deviations from the recommendations have arisen on account of the following considerations:

a) Point 2.3.3 Sentence 2:

The Articles of Association of HORNBACH-Baumarkt-Aktiengesellschaft do not provide for the possibility of postal votes, as a result of which it is legally not possible to organize a postal vote. However, shareholders are assisted in exercising their voting rights by a voting proxy appointed by HORNBACH-Baumarkt-Aktiengesellschaft and by the provision in line with legal requirements of forms to issue powers of attorney for the Annual General Meeting.

b) Point 3.8 (3):

In Point 3.8 (3), the Code recommends agreeing a specified deductible in any D&O insurance policy to be taken out for supervisory board members. For supervisory board members as well, this should be based on the legal requirements for management board members arising due to the Act on the Appropriateness of Management Board Compensation (VorstAG) dated July 31, 2009. No such deductible has been agreed at the expense of members of the Supervisory Board. This would reduce the attractiveness of Supervisory Board activities, and thus also the company's chances in the competition to attract qualified candidates. Furthermore, it would also improperly apply to employee representatives. The recommendation made in Point 3.8 (3) has therefore not been and is not followed.

c) Point 4.2.3 (4) and (5):

Furthermore, no application has been or is made of the recommendations included in Point 4.2.3 (4) and (5) of the Code ("severance pay cap"). The deviation to Point 4.2.3 (4) and (5) is due to competition-related factors. Apart from that, it still has to be definitively clarified whether and how the recommendations included in Point 4.2.3 (4) are legally enforceable.

d) Point 5.2 (2) Sentence 1:

The recommendations in Point 5.2 (2) Sentence 1 of the Code include the recommendation that the supervisory board chairman should also chair the committees that handle contracts with members of the management board. The company has deviated and continues to deviate from this recommendation. This deviation is intended to avoid any mere indication of a conflict of interest on the part of the Supervisory Board Chairman that could result from the fact that the Supervisory Board Chairman is the brother of the Chairman of the Board of Management of HORNBACH-Baumarkt-Aktiengesellschaft.

e) Point 5.3.3:
In Point 5.3.3, the Code recommends that the supervisory board should form a nomination committee composed exclusively of shareholder representatives which proposes suitable candidates to the supervisory board for its election proposals to the Annual General Meeting. The company's Supervisory Board has not formed such a committee. Based on our experience to date, the establishment of such a committee would not appear to be necessary.

f) Point 5.4.1 (2) and (3) and Point 4.1.5:
The company deviates from the recommendations made in Points 5.4.1 (2) and (3) and in Point 4.1.5. In the composition of its Board of Management and Supervisory Board, as well as of other management positions, HORNBACH-Baumarkt-Aktiengesellschaft accords priority above all to the knowledge, ability and expert experience required of the individuals in question.

g) Point 5.4.2 Sentence 3:
In Point 5.4.2 Sentence 3, the Code recommends that the supervisory board should not include more than two former management board members. This is intended to ensure the autonomy of the supervisory board in its advising and monitoring of the management board. However, the Code does not stipulate any number of years for which a former member of the management board is impaired in this respect following his departure from the management board. As a matter of precaution, the company therefore declares that it deviates from the recommendation made in Point 5.4.2 Sentence 3, even though Dr. Wolfgang Rupf, Albrecht Hornbach and Martin Hornbach retired from their positions on the Board of Management of HORNBACH-Baumarkt-Aktiengesellschaft on October 31, 1996, October 31, 2001 and December 31, 2001 respectively.

h) Point 5.4.6 (3) Sentence 1:
In Point 5.4.6 (3) Sentence 1, the Code recommends that the compensation of supervisory board members be reported in the corporate governance report on an individual basis and broken down into its constituent components. Given that the compensation of the Supervisory Board is governed by the Articles of Association, we see no necessity for the disclosure of individual compensation packages.

i) Point 5.4.6 (3) 3 Sentence 2:
In Point 5.4.6 (3) Sentence 2, the Code further recommends that compensation paid or benefits granted by the company to supervisory board members for services rendered personally, especially advisory and mediation services, are to be reported separately in the corporate governance report on an individual basis. HORNBACH-Baumarkt-AG also draws on the services of a law firm to which a Supervisory Board member belongs in return for customary market fees. Here, the Supervisory Board has adopted a resolution pursuant to § 114 of the German Stock Corporation Act (AktG). We see no need to provide individual disclosures in this respect.

Bornheim bei Landau, December 20, 2011

HORNBACH-Baumarkt-Aktiengesellschaft
The Supervisory Board The Board of Management

The above Declaration of Conformity dated December 20, 2011 has been published on the internet together with all earlier Declarations of Conformity and is also available as a download [www.hornbach-group.com/Declaration/HBM].

Relevant corporate governance practices
We base our entrepreneurial activities on the legal frameworks valid in the various countries in which we operate. This places a wide variety of obligations on the HORNBACH-Baumarkt-AG Group and its employees in Germany and abroad. As well as managing the company responsibly in accordance with the relevant laws, ordinances and other guidelines we have also compiled internal group guidelines setting out the system of values and management principles we adhere to at the Group.

Compliance
In a competitive climate, only those companies which manage to convince their customers with their innovation, quality, reliability, dependability and fairness on an ongoing basis will

succeed in the long term. Here, we see compliance with legal requirements, internal company guidelines and ethical principles (compliance) as absolutely crucial. HORNBACH's corporate culture is based on these principles, key aspects of which are also formulated in the company's Corporate Compliance Policy [**Internet**: www.hornbach-group.com/Compliance_Policy/HBM]. These focus above all on the integrity of our business dealings, protecting our internal expertise, compliance with antitrust law and all requirements governing international trade, correct documentation and financial communications, and equality of opportunity and the principle of sustainability.

At HORNBACH, adherence with compliance requirements is consistently expected of its employees and business partners and is also monitored, with sanctions being imposed where necessary. In October 2009, the Board of Management entrusted the coordination and documentation of compliance activities across the Group to a Chief Compliance Officer. This manager is responsible for establishing and permanently optimizing the organizational structures necessary to enforce the Group's Corporate Compliance Policy. The group internal audit department audits compliance with the Corporate Compliance Policy at regular intervals.

Our system of values: the HORNBACH foundation

HORNBACH is a forward-looking, family-managed company and is characterized by a clear system of values. The values on which this system is based are honesty, credibility, reliability, clarity and trust in people. This system of values, which had already been lived over many decades, was summarized in the so-called "HORNBACH foundation" in 2004. This model forms the cornerstone for our corporate strategy, everyday behavior and responsibility towards society. It lays down the basic values governing how we behave towards our customers, as well how our employees behave towards each other. Moreover, this foundation helps our shareholders, customers and the general public, as well as our employees, to understand what the basis of our business success is [**Internet**: www.hornbach-group.com/Fundament].

Compliance with social, safety and environmental standards

The development of company guidelines governing minimum social standards, environmental protection, product safety and equality of opportunities forms an integral component of our corporate policy, as does monitoring compliance with such. Within our Corporate Social Responsibility (CSR) framework, we have issued group-wide guidelines to ensure that HORNBACH meets its responsibilities towards individuals, society at large and the environment [**Internet**: www.hornbach-group.com/CSR-Guidelines]. The CSR guidelines cover four areas of responsibility:

- **Minimum social standards**: In our procurement activities we ensure that acceptable minimum social standards are complied with in the manufacture of our products. We base our standards here on the conventions of the International Labor Organization (ILO). With the assistance of standardized factory audits and targeted checks on location, we are actively working to ensure compliance with these standards. These efforts are continuing to focus above all on direct imports from non-EU countries. We are endeavoring to make sure that a continuously higher share of our suppliers and upstream suppliers commit to these regulations.

- **Protecting the rainforests**: In our procurement of timber and related products we ensure that the timber is cultivated and felled in accordance with generally accepted rules, especially those governing rainforest protection. For all timber products sold by HORNBACH we make sure that the timber does not stem from forest depletion, but rather from sustainable forestry and that social welfare and occupational safety standards are adhered to in the timber production process. To this end, we work together with WWF Woodgroup and other environmental protection organizations, such as Greenpeace, Robin Wood etc. HORNBACH currently stocks around 4,500 articles bearing the Forest Stewardship Council (FSC) seal for sustainable forestry. We only offer FSC-certified tropical woods.

- **Product safety**: We guarantee to our customers that all of our products meet the utmost safety standards. Within the framework of an ongoing multistage process to assure the quality and audit the safety of its products, the company ensures that all DIY products sold at HORNBACH are fully functional and do not involve any health risks. These checks are performed by employees in HORNBACH's quality management department with support from internationally certified inspection institutes. Alongside extensive product tests (initial sample inspections), the company focuses on auditing suppliers in the country of manufacture. The quality controllers also audit environmental and social welfare standards at the factories. This way, we ensure that no forced labor or child labor is involved in the production of our merchandise. Not only that, we also perform random checks to audit compliance with strict quality standards along the entire procurement chain – from production via transport to sale at our stores.

- **Equality of opportunity (diversity)**: We ensure that our employees enjoy equal opportunities. We consistently oppose any kind of discrimination. HORNBACH is committed to promoting a liberal and open society based on shared values both within and outside the company. It is in this spirit that we also signed the corporate "Diversity Charter" initiated by the Federal Government in 2008 and have worked with print campaigns dedicated to "Tolerance within Society" aimed at raising people's awareness of this topic.

Dualistic management structure

HORNBACH-Baumarkt-AG, based in Bornheim bei Landau, is governed by the requirements of German stock corporation, capital market and codetermination law, as well as by the provisions of its own Articles of Association. Accordingly, HORNBACH-Baumarkt-AG has a dualistic management structure, which assigns management of the company to the Board of Management and supervision of the company to the Supervisory Board.

Composition and modus operandi of the Supervisory Board

The Supervisory Board of HORNBACH-Baumarkt-AG consists of twelve members and, consistent with the German Codetermination Act (MitBestimmG), includes equal numbers of shareholder and employee representatives. Shareholder representatives are elected by the Annual General Meeting. The Supervisory Board Chairman coordinates the work of the Supervisory Board and attends to the affairs of the Supervisory Board externally. In the event of a parity of votes in the Supervisory Board, the Supervisory Board Chairman has the decisive vote in the second round, should renewed voting also produce a parity.

The Board of Management and Supervisory Board work together closely in the interests of the company. The Supervisory Board monitors the management of the company and accompanies the Board of Management in an advisory capacity. It appoints members of the Board of Management, dismisses them and is responsible for concluding, amending and terminating their employment contracts. Any actions by the Board of Management that could materially influence the company's net asset, financial or earnings position require prior approval by the Supervisory Board. The Code of Procedure for the Supervisory Board contains a catalog of the transactions and actions requiring such approval. The Supervisory Board may at any time resolve to extend or reduce the list of such transactions.

Supervisory Board members are solely bound by the company's best interests. They are not dependent on any assignments or instructions. In their decisions, they may not pursue personal interests or exploit business opportunities available to the company for their personal benefit. Supervisory Board members are obliged to disclose any conflicts of interest to the Supervisory Board Chairman, especially any such conflicts arising due to their performing any consultant or directorship function at customers, suppliers, lenders or other business partners of the company. Any conflicts of interest on the part of a Supervisory Board member that are material and not only temporary should result in the termination of the mandate. No conflicts of interest arose in the year under report. Advisory and other service agreements and contracts for work between one Supervisory Board member and the company require approval by the Supervisory Board.

HORNBACH-Baumarkt-Aktiengesellschaft draws on the services of a law firm to which one member of the Supervisory Board belonged until December 31, 2011, in return for customary market compensation. Other than this, there were no further contracts with Supervisory Board members requiring approval in the year under report.

The Supervisory Board has the following committees:

- Mediation Committee
- Personnel Committee
- Audit Committee

The composition of the committees can be found on Page 17 of this report. Their activities have been described in detail in the Report of the Supervisory Board (Page 12 onwards).

Composition and modus operandi of the Board of Management

The Board of Management of HORNBACH-Baumarkt-AG has a Chairman and a Deputy Chairman and consisted of five members until the end of the 2011/2012 financial year. The composition and areas of responsibility of the Board of Management, which are presented on Page 17 of this report, changed at the beginning of the 2012/2013 financial year. The Board of Management was enlarged from five to seven members as of March 1, 2012, and the business allocation plan was restructured. Following the changes in the Board of Management, the Supervisory Board believes that the company is optimally prepared for future challenges and now able to implement the company's long-term growth strategy even more effectively.

The Board of Management has a self-imposed Code of Procedure. The management of the company's business is the joint responsibility of all of its members. Compliance activities to ensure that the company adheres to laws, legal requirements and its own internal guidelines represent a key management task. The Board of Management usually meets once a week, or on an ad-hoc basis when necessary.

The Board of Management provides the Supervisory Board with regular, prompt and extensive information on all matters relevant to the company's corporate strategy, planning, business performance, financial and earnings position, risk situation and risk management. Furthermore, it presents the group investment, financial and earnings budgets to the Supervisory Board both for the forthcoming financial year and for the medium term (five years). The Chairman of the Board of Management provides immediate report to the Supervisory Board Chairman of any significant events of material relevance for any assessment of the situation, development and management of the company. Transactions and measures requiring approval by the Supervisory Board are presented to the Supervisory Board in good time. Members of the Board of Management are obliged to disclose any conflicts of interest to the Supervisory Board without delay and to inform other members of the Board of Management. Members of the Board of Management may only pursue sideline activities, in particular Supervisory Board mandates outside the Group, with the approval of the Supervisory Board Chairman.

Annual General Meeting

Shareholders of HORNBACH-Baumarkt-AG exercise their rights, including their voting rights, at the Annual General Meeting. The Annual General Meeting resolves in particular on the appropriation of profits, the discharge of the acts of the Board of Management and Supervisory Board, and elects shareholder representatives to the Supervisory Board, as well as the auditor. Shareholders are regularly informed of all significant dates by means of the financial calendar published in the annual and quarterly reports and on the company's homepage. The Annual General Meeting is generally chaired by the Supervisory Board Chairman. HORNBACH-Baumarkt-AG provides its shareholders with the services of a voting proxy bound to vote in line with instructions.

Reporting and audit of the annual financial statements

The HORNBACH-Baumarkt-AG Group prepares its financial reports in accordance with International Financial Reporting Standards (IFRS). The separate financial statements of HORNBACH-Baumarkt-AG are prepared in accordance with the German Commercial Code (HGB). In line with legal requirements, the auditor is elected by the Annual General Meeting. The Audit Committee prepares the Supervisory Board's proposal to the Annual General Meeting with regard to the auditor to be elected. The auditor is independent and is responsible for the audit of the consolidated and separate financial statements, as well as for the audit review of the half-year financial report.

HORNBACH-Baumarkt-AG has a risk management system which is continuously developed and updated to account for any changes in underlying conditions. The functionality of the early warning risk identification system is reviewed by the auditors.

Transparency

The company's shareholders, all capital market participants, financial analysts, investors, shareholder associations and the media are regularly provided with up-to-date information about the company's situation and any material changes in its business situation. Here, the internet represents the main channel of communication. All individuals with access to insider information in the course of their activities for the company are informed of the resultant obligations for them under insider law.

HORNBACH-Baumarkt-AG reports on its situation and results in its

- Quarterly reports
- Half-year financial report
- Annual report
- Annual results press conference
- Teleconferences with international financial analysts and investors
- Events with financial analysts and investors in Germany and abroad.

Dates of relevance to the company's regular financial reporting activities have been summarized in the financial calendar published on the internet communications platform of the HORNBACH Group at **www.hornbach-group.com.** Alongside this regular reporting, any information arising at HORNBACH-Baumarkt-AG which is not publicly known and which is likely to influence the company's share price significantly is published in the form of ad-hoc announcements.

Directors' dealings and shareholdings

- Members of the Board of Management and the Supervisory Board of HORNBACH-Baumarkt-AG, as well as individuals closely related to such members, are required by § 15a of the German Securities Trading Act (WpHG) and Point 6.6 of the German Corporate Governance Code to disclose transactions involving shares in the company or related financial instruments. In the year under report, the company was not notified of any transactions performed by persons in management positions or individuals closely related to such pursuant to § 15a of the German Securities Trading Act (WpHG) (Directors' Dealings).

Compensation Report

The compensation report presents the basic features and structure of the compensation of the Board of Management and the Supervisory Board. It forms a constituent component of the group management report (see Page 81) and, apart from the disclosure of individual compensation, is based on the recommendations of the German Corporate Governance Code.

Compensation of the Board of Management

The Act on the Appropriateness of Management Board Compensation (VorstAG) came into effect in August 2009. This legislation is intended to create greater incentives in terms of the structure of management board compensation at stock corporations so as to promote sustainable corporate management with a longer-term focus. The Supervisory Board of HORNBACH-Baumarkt-AG therefore closely accompanied the review of the existing system and the conception of a new compensation system for the Board of Management. On May 18, 2011, it approved an amended compensation system for members of the Board of Management. This will apply to members newly appointed and upon the reappointment of existing members of the Board of Management.

Consistent with Point 4.2.2 Sentence 4 of the German Corporate Governance Code, the Supervisory Board drew on the services of an independent external compensation expert commissioned to review the existing compensation system for members of the Board of Management and devise proposals for enhancing this system. In the new compensation system, the company's long-term results have been accorded greater weighting as a factor for measuring performance-related compensation. The share of short-term performance-related compensation has reduced. Moreover, a cap has been introduced for performance-related compensation.

The new compensation system for members of the Board of Management was approved pursuant to § 120 (4) of the German Stock Corporation Act (AktG) by the Annual General Meeting on July 7, 2011 and applies retrospectively from March 1, 2011.

Compensation system at HORNBACH-Baumarkt-AG

The compensation of members of the Board of Management is determined in line with the requirements of stock corporation law, taking due account of levels of compensation customary in the market. Total compensation of members of the Board of Management comprises the components of fixed annual salary, annual variable compensation plus ancillary benefits customary to the market and the company. Total compensation is regularly reviewed by the Supervisory Board in terms of its appropriateness.

- Fixed annual salary:
  Members of the Board of Management receive a fixed annual salary laid down in their individual contracts, which is paid monthly in twelve equal portions at the end of each calendar month. On May 18, 2011, the Supervisory Board set new levels of fixed salary graded for the Chairman, Deputy Chairman and regular members of the Board of Management with retrospective effect as of March 1, 2011.

- Variable compensation:
  In addition to their fixed annual salaries, starting in the 2011/2012 financial year members of the Board of Management also receive annual variable compensation in line with the company's sustainable performance. This is based both on company targets and on targets agreed for individual members of the Board of Management. The key success factor used to determine variable compensation is average consolidated net income after taxes (IFRS) at HORNBACH-Baumarkt-AG. The calculation of variable compensation is based on the three-year average level of consolidated net income after taxes (IFRS) at HORNBACH-Baumarkt-AG.

  Individual variable compensation is separately graded at different levels for the Chairman, Deputy Chairman and for each regular member of the Board of Management. For none of the members of the Board of Management does it exceed 1% of the three-year average level of consolidated net income after taxes (IFRS) at HORNBACH-Baumarkt-AG. Of variable compensation calculated on the basis of average consolidated net income after taxes (IFRS), up to 25% is calculated and determined in several stages following achievement of the targets individually set for each member of the Board of Management for the respective financial year. This process is based on targets individually agreed in advance for each member of the Board of Management. To set these targets, the Supervisory Board of HORNBACH-Baumarkt-AG and the respective member of the Board of Management reach a target agreement before the beginning of each financial year in which the individual targets, their respective percentage weighting and the respective degree of target achievement are determined by the full Supervisory Board. Following completion of the financial year, the full Supervisory Board determines the degree of individual target achievement for the respective member of the Board of Management.

The remaining 75% of variable compensation is determined on the sole basis of the average level of consolidated net income after taxes (IFRS) at HORNBACH-Baumarkt-AG for the past three years. For all members of the Board of Management, the level of variable compensation is capped at a maximum of 150% of the respective fixed salary of the individual member of the Board of Management. No further variable compensation is granted.

- Internal ratio of compensation components:
  No specific ratio of fixed salary to variable compensation components has been stipulated. In particular, apart from the cap at a maximum of 150% of the fixed salary, no specific relationship has been determined for the amount of fixed annual salary compared with the amount of annual variable compensation.

  The structure of annual variable compensation ensures that the overwhelming share of such compensation (75%) is based on long-term factors, thus complying with the predominantly multiyear nature of such compensation called for in the relevant legislation. In individual cases, the compensation system may be adapted by the full Supervisory Board, taking due account of legal requirements, to the extent deemed necessary to account for the duties and performance of the respective member of the Board of Management.

Transitional regulations
Those contracts with members of the Board of Management in place upon the entry into effect of the Act on the Appropriateness of Management Board Compensation (VorstAG) are subject to statutory protection. To facilitate the transition to the new compensation system, in the year under report the Supervisory Board reached agreement with all members of the Board of Management of HORNBACH-Baumarkt-AG and correspondingly adjusted their employment contracts.

Retirement provision and pension commitment
Members of the Board of Management of HORNBACH-Baumarkt-AG have for the first time been granted individual contractually agreed pension commitments as of March 1, 2011. These consist of a defined contribution pension scheme amounting to 25% of their fixed salaries, payable in two equal shares of 50% as of August 31 and February 28 of each year. The defined contribution pension scheme involves the following key aspects:

- Direct, defined contribution capital commitment executed by way of direct commitment
- Accumulation of policy reserve and netting with pension provisions in balance sheet
- Retirement pension payable upon retirement from age 65 or earlier if appropriate, but at the earliest from age 60 in line with the respective Supervisory Board resolution either as a one-off payment, in several annual installments or as a pension, one-off payment of pension capital upon death or invalidity
- Guaranteed return on pension capital of 2% p.a. plus excess return on capital commitment
- The claims are vested for all current members of the Board of Management and after five years for future new members of the Board of Management, with the period of company affiliation being imputed
- Insurance against insolvency via the Pension Assurance Association (PSVaG), Cologne, with additional cover by recognizing trust assets for the pension contributions
- Annual 1% indexing in current pensions
- Voluntary contributions permitted by members of Board of Management from fixed and variable compensation components due in future in unspecified amounts up to a maximum of total annual compensation.

Regulations governing premature departure from the company (severance pay regulations)
The employment contracts concluded with members of the Board of Management do not provide for the payment of compensation in the event of their activity on the Board of Management being terminated prematurely without compelling reason or due to a change of control. HORNBACH-Baumarkt-AG thus deviates from the recommendations made in Points 4.2.3 (4) and (5) of the German Corporate Govern-

ance Code. In individual cases, payments may nevertheless be made, based on a corresponding Supervisory Board resolution, to a member of the Board of Management retiring from the Board prematurely, particularly when the reasons for such retirement do not lie with the respective member.

Additional benefits

Members of the Board of Management of HORNBACH-Baumarkt-AG receive the following particular benefits to an extent customary to the market and the company. Some of these are deemed benefits in kind and are taxed accordingly:

- Reimbursement of travel and other expenses incurred in the interests of HORNBACH-Baumarkt-AG based on the actual amounts incurred
- Grants towards private health insurance, voluntary retirement pension scheme or alternatively contributions to a private life insurance policy
- Accident insurance covering fatality and invalidity
- Temporary continuation of payment of compensation in event of sickness or death
- Claim to provision of a company car for work-related and private use.

Compensation of the Board of Management for the 2011/2012 financial year

The total compensation of the Board of Management of HORNBACH-Baumarkt-AG for the 2011/2012 financial year amounted to € 4,629k (2010/2011: € 4,415k). Of this total, € 2,131k (2010/2011: € 1,315k) constituted fixed compensation and € 2,498k (2010/2011: € 3,100k) involved performance-related components. The members of the Board of Management held a combined total of 70,610 shares in HORNBACH-Baumarkt-AG at the balance sheet date on February 29, 2012.

Given the company's size and its market position, we believe that the total compensation of the Board of Management is appropriate. At the 2011 Annual General Meeting, shareholders voted with a three-quarters majority to forego the disclosure of the compensation of members of the Board of Management on an individual basis up to and including the 2015/2016 financial year (opting-out clause).

Compensation of the Supervisory Board

Supervisory Board compensation is governed by § 15 of the Articles of Association of HORNBACH-Baumarkt-AG.

In line with the Articles of Association, the compensation of Supervisory Board members consists of a fixed component and a variable component based on the dividend. As well as the reimbursement of his or her expenses, each Supervisory Board member receives annual fixed compensation of € 6,000 payable upon the conclusion of the Annual General Meeting and a performance-related component depending on the resolution adopted by the Annual General Meeting in respect of the appropriation of profits, and thus on the dividend distribution.

The Chairman receives three times and the Deputy Chairman twice the fixed and performance-related compensation. Supervisory Board members also sitting on the Audit Committee receive an additional sum of € 3,000. Supervisory Board members sitting on another committee or on several other committees of the Supervisory Board receive an additional sum of € 1,500 per committee. Supervisory Board members acting as the chairman of a Supervisory Board committee receive three times the respective committee compensation. Supervisory Board members who are only members of the Supervisory Board for part of the financial year receive proportionately lower compensation.

The compensation of the Supervisory Board for the 2011/2012 financial year amounts to € 231k (2010/2011: € 231k). Of this total, € 96k (2010/2011: € 96k) constitutes basic compensation, € 97k (2010/2011: € 97k) involves performance-related compensation and € 38k (2010/2011: € 38k) relates to committee activities. Supervisory Board members held a combined total of 65,825 shares in HORNBACH-Baumarkt-AG at the balance sheet date.

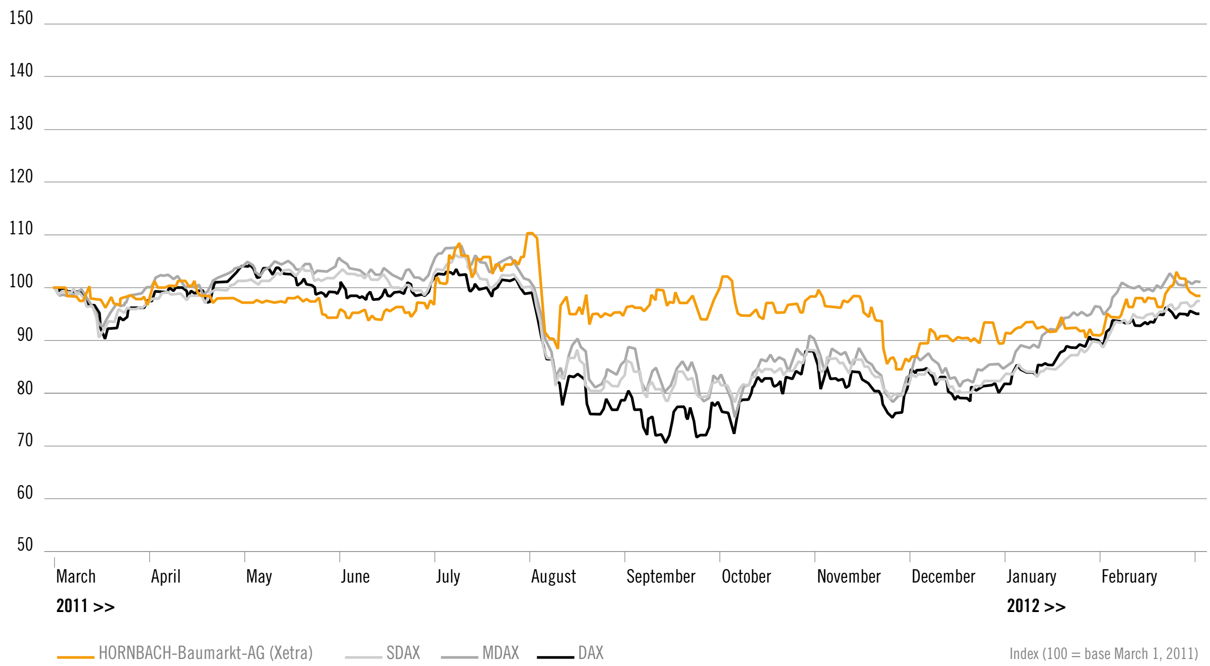



Home again

Daniela Ben Said is passionate about all things historical. It was love at first sight when she first saw the old property some time ago. But the architectural sins of the 50s and the grind of time did not made her work any easier. Beautiful timberwork and historical stone walls were trapped behind mounds of dirt and rubble, or under thick layers of plaster. As her project partner, HORNBACH had its work cut out to find a solution for every problem. After a year of hard work, the end is now in sight. The old stone house is set to become Daniela's new home. ■

THE HORNBACH-BAUMARKT SHARE

Share price performance: March 1, 2011 to February 29, 2012



Not good for the faint-hearted

Investors underwent something of an emotional rollercoaster in 2011. Rarely in the long history of the Dax, Germany's lead index, have they witnessed such marked price fluctuations. Long ignored by the markets, the debt crisis gradually came to dominate investors' thoughts on both sides of the Atlantic. At the beginning of August 2011, a toxic brew of surprisingly negative US economic data acted as the proverbial straw that broke the camel's back, and sent share prices plummeting. The Dax fell by almost 22 % within a mere eight trading days. Following its annual high at more than 7,500 points in early May, Germany's lead index fell to its annual low of 5,072 points by mid-September. The recovery that then set in from early October 2011 managed to make up for part of the losses. Through to spring 2012, stock markets were subsequently affected by the debt crisis in the euro area, economic policy measures to contain the crisis, and more recently by a more favorable macroeconomic outlook. By the end of our financial year (February 29, 2012), the Dax had returned to 7,856 points, thus losing around 5 % over the twelve-month period. German second-tier stocks performed comparatively better. Between March 1, 2011 and February 29, 2012, the SDax fell by just 3 %, while the MDax even managed to rise by 1 %.

Within this highly uncertain capital market climate, the share of HORNBACH-Baumarkt-AG (ISIN DE0006084403) posted an above-average performance from the start of the highly volatile second half of 2011. It opened the year with a Xetra price of € 25.39 on March 1, 2011, and moved sideways at this level for around four months. The strong sales and earnings performance of the HORNBACH-Baumarkt-AG Group in the first quarter (March 1 to May 31, 2011) lent the Baumarkt share considerable momentum following publication of the figures as of June 30, 2011. The annual high was reported at

€ 28.00 on July 29, 2011. After that, our dividend-paying stock was unable to escape the drop in prices on international stock markets in August 2011. Having said this, the Baumarkt share quickly managed to consolidate at a range of between € 24 and € 25.

In mid-November 2011, a renewed period of weakness on the overall market caused the share price to drop temporarily to its annual low of € 21.50 (November 25, 2011). However, it recovered very quickly with the tailwind provided by the nine-month figures published on December 22, 2011. By the end of the financial year (February 29, 2012), the share closed at € 25.05, equivalent to an annual performance of minus 1 %. The share thus proved more resistant than the overall market to the extremely unsettled backdrop of news, particularly during the intensification in the European debt crisis from summer 2011.

Quality is trump

Widespread uncertainty among stock market players, ever more extreme daily ups and downs, and the question as to the "right" sustainable investment strategy and safe havens have united many investors in the insight that what now counts most is to select the right stocks. Quality is the only factor that matters. Viewed in this light, HORNBACH and its sustainable business model, with which the company further boosted its market position in Germany and eight other countries in the past financial year as one of Europe's most successful operators of DIY stores and garden centers, fits in well with this quality-driven approach. Not only that, HORNBACH can point to a stable financing structure, a further increase in its equity ratio and high cash holdings, factors that serve to reassure today's ever more risk-averse investors.

Further proof of investors' trust was provided once again by the performance of the corporate bond issued by HORNBACH-Baumarkt-AG (ISIN XS0205954778; WKN: A0C4RP). The price of HORNBACH's bond, which runs until November 2014 and has an interest coupon of 6.125 %, was consistently well above par once again in the 2011/2012 financial year and, at 106.6 %, even managed to post a price gain of almost 2 % (Stuttgart Stock Exchange). The bond price benefited from the upgrades issued by rating agencies, who thus in turn reacted to the ongoing improvement in the Group's earnings, net asset and financial position. At the end of July 2011, Standard & Poor's (S&P) increased its corporate rating for HORNBACH-Baumarkt-AG by one grade from "BB" to "BB+", the highest rating below investment grade level, with a stable outlook. In October 2011, Moody's left its rating unchanged ("Ba2"), but lifted its outlook from "stable" to "positive".

Issue of bonus shares as of July 29, 2011

To enhance the attractiveness of HORNBACH-Baumarkt's share, in the past financial year we acted on a suggestion received from shareholders and issued one new bonus share for each existing share to all shareholders on the basis of the corresponding resolution adopted by the Annual General Meeting on July 7, 2011. The bonus shares have been included in the stock market listing since July 29, 2011. Due to the issue of bonus shares at a ratio of 1:1, the number of HORNBACH shares has doubled, while the share price consequently halved, leaving the company's market capitalization unchanged at the time of conversion. This produced the desired outcome, namely that the Baumarkt shares now appear cheaper in optical terms. Prior to the issue of bonus shares, HORNBACH's shares were relatively expense for private investors, especially when compared with the stocks of many other companies in the MDax and SDax indices. At € 55.15, the Baumarkt share price reached its highest level on July 7, 2011 since September 2007.

The issue of bonus shares was preceded by an increase in the company's share capital from company funds by converting part of the revenue reserves reported in the company's annual balance sheet as of February 28, 2011 into share capital. The share capital of HORNBACH-Baumarkt-AG was doubled to € 95,421,000.00, and is divided into 31,807,000 shares with a prorated amount of € 3.00 per share.

Key data about the HORNBACH-Baumarkt share (IFRS)		2011/2012	2010/2011
Nominal value of the share	€	3.00	3.00
Dividend[1]	€	0.50	0.50
Basic earnings per share	€	2.43	2.38
Total dividend payment	€ 000s	15,904	15,904
Shareholders' equity per share[2]	€	24.90	22.95
Market capitalization[2]	€ 000s	796,765	802,332
Share price (Xetra)[2]	€	25.05	25.23
12-month high	€	28.00	25.95
12-month low	€	21.50	17.65
Shares issued[3]	Number	31,807,000	31,807,000
Price / earnings ratio[2]		10.3	10.6

[1] 2011/2012: subject to resolution by the Annual General Meeting
[2] At the end of the financial year (the last day in February)
[3] Due to the issue of bonus shares (1:1), the number of shares doubled as of July 29, 2011. The previous year's figures have been retrospectively adjusted.

Transparent financial communications

Our investor relations activities once again provided shareholders, analysts, the financial media and the general public with prompt information on the business performance of HORNBACH-Baumarkt-AG in the past financial year. All quarterly reports, annual reports, press releases and additional financial information were published on the internet communications platform of the HORNBACH Group (www.hornbach-group.com), where we have pooled all of our information and services, especially for shareholders and press representatives. This separate site for corporate communications thus complements the product-related and marketing content available at HORNBACH's internet site at www.hornbach.com.

The Annual General Meeting, the annual results press conference, analysts' conferences and meetings with investors in Germany and abroad give us the opportunity to maintain our dialog with the capital markets. Moreover, we draw on personal contacts with the media to present our company's objectives and strategy in interviews. Here, we outline the special features of our concept, our market position and the Group's future growth prospects, as well as our current performance figures.

Dividend continuity

The Board of Management and the Supervisory Board of HORNBACH-Baumarkt-AG will propose a dividend at the same level as in the previous year for approval by the Annual General Meeting on July 5, 2012. Following the doubling of the number of shares due to the issue of bonus shares, this corresponds to a dividend of € 0.50 per share with dividend entitlement. This way, the company intends to maintain a fair balance between the interests of its shareholders on the one hand, and the company's growth financing on the other.

The share of HORNBACH-Baumarkt-AG (ISIN DE0006084403) represents a solid long-term investment with high intrinsic value. Of around 31.8 million ordinary shares in HORNBACH-Baumarkt-AG, an unchanged total of 76.4 % were held by the parent company, HORNBACH HOLDING AG, at the balance sheet date on February 29, 2012, while 18.4 % were in free float. The British retail group Kingfisher plc, with which HORNBACH entered a strategic alliance at the end of 2001, holds a 5.2 % stake. Within the German Stock Exchange index system, HORNBACH-Baumarkt-AG is admitted for trading in the Prime Standard. Among other requirements, membership in this index obliges companies to meet high transparency standards.

Basic data about the HORNBACH-Baumarkt share

Type of share	Bearer shares (individual ordinary shares)
Stock exchanges	Frankfurt, Xetra
Market segment	Prime Standard
Security identification numbers	ISIN DE0006084403 WKN 608440
Stock market code	HBM
Bloomberg	HBM GY
Reuters (Xetra)	HBMG.DE

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FINANCIAL CALENDAR FOR 2012

May 24, 2012	Annual Results Press Conference 2011/2012 Publication of Annual Report DVFA Analysts' Conference
June 28, 2012	Interim Report: 1st Quarter 2012/2013 as of May 31, 2012
July 5, 2012	Annual General Meeting of HORNBACH-Baumarkt-AG Festhalle Landau, Landau/Pfalz
September 27, 2012	Half-Year Financial Report 2012/2013 as of August 31, 2012
December 21, 2012	Interim Report: 3rd Quarter 2012/2013 as of November 30, 2012

In tune with the times

Aged 13, Udo sneaked out of his parent's house to see Jimi Hendrix give his last concert on Fehmarn. Back home, there was a huge storm, but the music had captivated him. He even made it his job. Today, Udo restores and maintains old saxophones. Over time, he has learned that you can only do good work with good tools. From miniature screwdrivers to gas torches – at HORNBACH he finds everything he needs. ■

GROUP MANAGEMENT REPORT

Macroeconomic Framework

Global upturn held back by sovereign debt crisis

The global economic recovery lost momentum in 2011. According to the International Monetary Fund (IMF), the global economy generated growth of 3.8 %, compared with growth of 5.2 % one year earlier. Given the numerous shocks faced by international markets in the past year, the global economy nevertheless put in a respectable performance. Particularly memorable in this respect were the shocking news surrounding the natural and reactor catastrophe in Japan, severe flooding in Thailand, as well as the months of civil war in Libya and the Syrian conflict. From an economic and political perspective, however, the dominant topic in 2011 was the European sovereign debt crisis, which reached a preliminary low point with the debate surrounding the second multibillion rescue package for Greece and the shaky outlook for the future of other euro countries. The fact that the USA only just managed to avert government bankruptcy in summer 2011 also served to exacerbate macroeconomic concerns on the global stage in the second half of the year.

It therefore comes as no surprise that the global economic upturn began to falter in the fourth quarter of 2011. This was due to a broad-based macroeconomic slowdown across several regions. In emerging economies, monetary policy was noticeably throttled so as to regain control of accelerated inflation. In the euro area, the intensification in the debt crisis had a strong downward impact on overall economic developments. The countries affected by the crisis came under even greater pressure to consolidate. Consumer and investor confidence declined even further. Financing terms for the commercial economy also deteriorated. Via trading structures, these negative influences spilled over onto other countries within the euro area.

Europe: following pleasing start, year ends on weak note

Thanks to high volumes of business carried over from 2010 and lively developments at the beginning of the year, Eurostat, the European Union statistics authority, has estimated that full-year growth amounted to 1.5 % in 2011 both for the euro area and for the European Union as a whole (EU 27).

In the final three months of 2011, the European economy underwent the weak period already looming on the horizon in the summer half of the year. Real-term gross domestic product (GDP) thus declined once again in the fourth quarter of 2011 for the first time since spring 2009. Seasonally-adjusted GDP both in the euro area and in the EU 27 countries contracted by 0.3 % compared with the previous quarter.

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

Percentage change on previous quarter Source: Eurostat (calendar year figures)	1st Quarter 2011	2nd Quarter 2011	3rd Quarter 2011	4th Quarter 2011	Calendar Year 2010 vs. 2009
Germany	**1.3**	**0.3**	**0.6**	**(0.2)**	**3.0**
Luxembourg	0.2	(0.6)	1.0	0.2	1.6
Netherlands	0.7	0.2	(0.4)	(0.6)	1.2
Austria	0.8	0.5	0.2	(0.1)	3.1
Romania	1.1	0.2	1.1	(0.2)	2.5
Slovakia	0.8	0.8	0.8	0.9	3.3
Sweden	0.4	1.1	0.9	(1.1)	3.9
Switzerland	0.4	0.4	0.3	0.1	1.9
Czech Republic	0.5	0.3	(0.1)	(0.1)	1.7
Euro area	**0.7**	**0.1**	**0.1**	**(0.3)**	**1.5**
EU 27	**0.6**	**0.2**	**0.3**	**(0.3)**	**1.5**

The economic slowdown in the final quarter of the year affected Europe across the board. Alongside the crisis-ridden countries in Southern Europe, some economies not directly affected by the sovereign debt crisis, including Germany and the Netherlands, also reported negative GDP growth rates. A similar picture is therefore to be seen in most countries within HORNBACH's pan-European network. According to available Eurostat data, only Luxembourg, Slovakia and Switzerland reported positive growth in macroeconomic output in the fourth quarter of 2011 compared with the previous quarter.

For 2011 as a whole, GDP growth rates in the nine European countries covered by HORNBACH's store network mostly exceeded the level of growth in the euro area, and ranged between one and four percent. As in the previous year, Germany lent the European economy a strong helping hand in 2011. While economic growth in numerous other countries suffered significantly on account of the euro debt crisis, the robust level of domestic demand in particular in Europe's largest economy helped ensure stability in the EU.

German economy grows by 3 % in 2011

The German economy showed further strong growth in 2011. According to the Federal Statistics Office (Destatis), price-adjusted GDP increased by 3.0 % (2010: plus 3.7 %). The economic recovery process thus continued in Germany for the second consecutive year following the economic crisis. Macroeconomic output overtook pre-crisis levels in the course of 2011. The upturn mostly took place in the first half of the year. In the fourth quarter of 2011, even the German economy, which had previously being ticking over at a pleasing rate, was unable to escape the extended macroeconomic implications of the euro debt crisis. With a decline of 0.2 % compared with the previous quarter, GDP took a slight knock. It nevertheless remains the case that economic output exceeded the respective figures for 2010 in all four quarters.

Unlike in 2010, the momentum driving growth in 2011 came less from strong exports, but rather from the domestic economy. Economic developments in 2011 were characterized by strong investment momentum. Significantly higher amounts were invested in equipment (price-adjusted plus 7.6 %). These mainly include machinery, appliances, and vehicles. What's more, price-adjusted construction investments grew by 5.8 %.

Furthermore, private consumer spending in particular proved to be a key driver of economic developments in Germany. This grew by 1.5 %, and thus faster that at any time in the past five years. The main factor behind this growth was the positive development on the German labor market which, irrespective of the macroeconomic deterioration at the end of 2011, has continued to expand to date. The average number of people in employment reached a new record level at more than 41 million in 2011. This boosted consumer confidence among German consumers, and that despite all of the difficult news surrounding the European debt crisis. The increase in consumer confidence is also reflected in the savings rate, which declined from 11.3 % to 10.9 %. Private consumer spending also benefited from the development in real-term incomes. Net of inflation, which surged from 1.1 % to 2.3 % in 2011, mainly on account of higher food and energy prices, Germans had one percent more in their pockets than in the previous year to spend on consumption.

Boom in housing construction

The optimistic mood among private households was and is the key source of momentum for housing construction. In conjunction with ongoing attractive financing terms, higher wages and salaries and the perceived low probability of job loss have motivated ever more households to buy their own home or tackle larger-scale renovation measures. According to the Bundesbank, the prospect of improved incomes has also stimulated the residential lettings market, which the capital providers clearly expect to offer stable asset values. To satisfy high private and commercial demand for residential properties, property holdings have been extended. The key indicators for the construction industry reflect this development.

Building permits were issued for 228,400 apartments in 2011, 21.7 % more than in the previous year. At around 200,000 residential units (plus 21.6 %), most of these related to new housing construction. Here, newly built units in apartment blocks were in particularly great demand (plus 26.8 %), while 17.5 % more units involving detached and semidetached houses were approved than in the previous year. The positive trend already observed in 2010, in which 5.5 % more building permits were issued than in 2009, thus clearly intensified further.

The boom in construction activity, which also benefited from milder weather conditions in December 2011 than in the previous year, was also reflected in the statistics for the main construction trade. According to Destatis, the construction industry reported 4.4 % new order growth on a price-adjusted basis in 2011. The strongest momentum came from housing construction, which witnessed a 17.8 % increase in orders. Overall demand in the construction sector grew by 9.3 %, while demand for civil engineering fell slightly short of the previous year's figure. Total sales in the main construction trade improved by 12.5 % to € 93.4 billion in 2011. Even higher growth rates were reported by builders' merchants. According to the Federal Association of German Builders' Merchants (BDB), sales in this sector grew by 14 % in the second half of 2011. Based on estimates compiled by the association, full-year growth might turn out even higher.

Retail sector with real-term growth of 1.1 % – tangible assets in demand

According to the Federal Statistics Office, retail sales in Germany (excluding motor vehicle retail) grew by 1.1 % in real terms and by 2.6 % in nominal terms in 2011. To date, consumers seem to have been more willing to spend their money on durable goods and larger-scale acquisitions rather than investing or saving it. The much-cited "run on tangibles" was also apparent in the more detailed retail statistics. The level of expenditure on consumers' own four walls, interior furnishings and high-value goods was particularly striking in the past year. Retail sales with metal goods, coating materials, and DIY and home improvement goods grew by 1.3 % in real terms, while price-adjusted expenditure on furniture, other furnishings and household goods rose by 4.2 %. Top of the scale in terms of popularity were watches and jewelry (plus 7.3 % in real terms), as well as works of art and coins (plus 12.0 % in real terms). Significant growth rates were reported for mail order and internet retail, where sales rose by 4.7 % in real terms. Demand in the motor vehicle retail business was even higher, with price-adjusted sales growth of 6.2 % in 2011. Due not least to rising food prices, food retail only managed to post slight price-adjusted growth of 0.2 %.

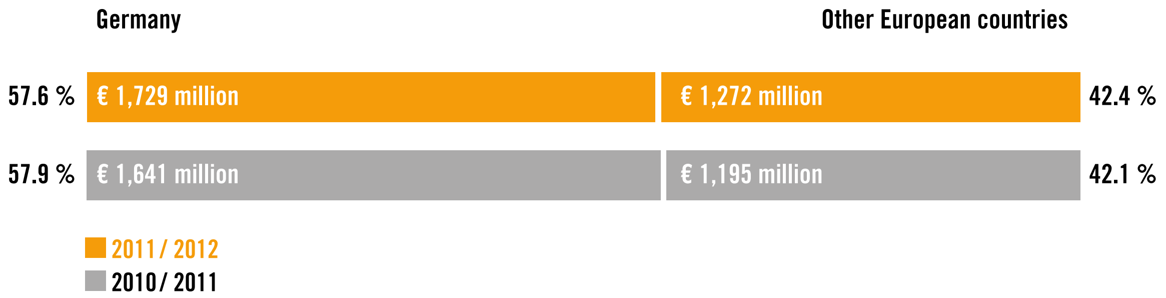
DIY and garden stores profit from consumer sentiment

Thanks to consumers' positive propensity to spend and increased demand in the housing construction and renovation businesses, the German DIY and garden center sector (DIY retail / DIY) managed to increase its sales in for the third year in succession in 2011. According to the BHB sector association, the DIY sector posted moderate growth in 2011, and that despite unfavorable weather conditions in the summer. Based on the BHB/GfK report, large-scale DIY stores with indoor sales areas of at least 1,000m² per outlet could report nominal gross sales growth of 1.5 % to € 18.71 billion (2010: € 18.43 billion). Like-for-like sales, i.e. sales excluding stores newly opened, closed or significantly renovated in the year under report, were 1.0 % ahead of the previous year's figure. Gross sales at smaller-scale DIY stores with sales areas of less than 1,000m² (DIY shops) showed slight growth of 0.7 % to € 3.77 billion in the 2011 calendar year (2010: € 3.74 billion).

The market volume of all of Germany's DIY and home improvement stores that, according to the harmonized sector calculation, comprises sales at all DIY megastores with garden centers and DIY shops, grew by 1.4 % to € 22.48 billion in 2011 (2010: € 22.18 billion).

Sales Performance

Sales by region



Consolidated sales exceed three billion euro mark

Sales at the HORNBACH-Baumarkt-AG Group exceeded the three billion euro mark for the first time in the company's history in the past financial year (March 1, 2011 to February 29 2012). Net sales rose by 5.8 % to € 3,001 million (2010/2011: € 2,836 million). This pleasing increase was thus absolutely in line with our forecast, namely of generating sales growth in a medium single-digit percentage range. The Group improved its sales productivity yet again in the year under report. Weighted sales per store increased from € 21.7 million in the previous year to € 22.3 million. Average weighted net sales per square meter of sales area at the Group rose from € 1,903 to € 1,933. Measured in terms of total sales in Europe, HORNBACH thus once again occupied top position among the ten largest German DIY players.

The HORNBACH-Baumarkt-AG Group's sales are primarily generated in the DIY store segment (see segment report in the notes on the consolidated financial statements). Sales in the real estate segment primarily involve rental income from the group-internal letting of DIY store properties to operating units in the DIY store segment. This income is fully consolidated as "Rental income from affiliated companies" in the segment report. In view of this, the following comments refer exclusively to the sales performance of the DIY store segment. When commenting on our sales performance, we also subdivide our sales into geographical segments, namely "Germany" and "Other European Countries", where the activities in the eight countries outside Germany are summarized (please also see segment report in the notes on the consolidated financial statements. Net sales in Germany increased by 5.4 % to € 1,729 million in the 2011/2012 financial year (2010/2011: € 1,641 million). Outside Germany (other European countries), and including two newly opened stores, we reported sales growth of 6.5 % to € 1,272 million (2010/2011: € 1,195 million). Due to the Group's expansion, the international share of consolidated sales grew from 42.1 % to 42.4 %.

Substantial growth momentum in Germany

Like-for-like sales at the Group, which take no account of stores newly opened or closed in the past twelve months, showed uneven developments from a geographical perspective in the 2011/2012 financial year. Thanks to very pleasing growth momentum in Germany and Western Europe as a whole, however, we managed to more than offset the downturn in sales in Eastern Europe.

Net of currency items, the Group's like-for-like sales rose significantly by 2.8 % in 2011/2012, having already achieved a growth rate of 2.6 % in the previous year. Including currency items, growth amounted to 4.0 %.

If we break down sales by quarter, then the impact of seasonal factors on our sales performance is clear. In the first quarter (March to May), the period accounting for the largest share of annual sales due to the spring and garden season, like-for-like sales jumped by 7.7 % - the highest first-quarter increase reported since the international expansion began in 1996. In the second quarter, by contrast, demand at HORNBACH DIY megastores with garden centers only just matched the previous year's figure. This was primarily due to the unfavorable weather conditions in summer 2011 compared with the previous year, as well as to the deterioration in consumer confidence in some countries outside Germany due to the European sovereign debt crisis. In the second half of the 2011/2012 reporting year, we managed to exceed the previous year's figures, even as they became more ambitious from quarter to quarter.

The comments below refer to the development in like-for-like sales at the HORNBACH-Baumarkt-AG Group.

Like-for-like sales performance* by quarter
(in percent)

2011/2012 financial year 2010/2011 financial year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Group	**7.7**	**(0.2)**	**1.0**	**2.6**	**2.8**
	(2.0)	3.7	4.3	5.6	2.6
Germany	**11.9**	**2.2**	**3.5**	**5.2**	**5.8**
	(2.3)	4.9	6.4	8.2	3.8
Other European countries	**2.3**	**(3.2)**	**(2.4)**	**(0.8)**	**(1.0)**
	(1.5)	2.1	1.3	1.9	0.8

* Excluding currency items

- **Germany**

  As in the previous year already, HORNBACH's locations in Germany were among the key growth drivers within the Group in the 2011/2012 financial year. Following record sales growth in the first quarter (plus 11.9 % on an adjusted basis), the domestic stores maintained their very pleasing growth course in the second quarter of 2011/2012 as well, and that in spite of negative base effects. In June 2011, for example, there were two shopping days less than in June 2010. This calendar effect led to a shift in sales from the second to the first quarter of 2011/2012. Furthermore, weather conditions in the second quarter were almost the opposite of those seen in the previous year. While excellent summer weather in 2010 helped above all to send garden sales soaring in June and July, the weather in the summer of 2011 was unsettled and rainy in some cases. These calendar and seasonal factors nevertheless in no way impeded the strong growth trend in the further course of the 2011/2012 financial year. The rate of sales growth accelerated from quarter to quarter in the second half of the year. This is all the more remarkable when it is considered that the third and fourth quarters of the previous year, with adjusted growth of 6.4 % and 8.2 % respectively, had set ever higher standards to beat. The DIY business also benefited from favorable weather conditions in the fall months, as well as in December 2011. In 2011/2012 as a whole, like-for-like sales in Germany grew by 5.8 % (2010/2011: 3.8 %).

German house builders, DIY enthusiasts and gardening fans did not let the insecurities arising due to the euro debt crisis undermine their consumer confidence in the year under report. Housing construction has proven an asset to the domestic economy right up to the present day. The strong demand for residential property has continued, given ever new record lows in terms of mortgage interest rates. The pleasing constitution of the German labor market and tangible pay increases have also created additional incentives to invest in new construction and renovation projects, and thus in inflation-proof assets. Given its retail format, with its focus on product range and service competence, HORNBACH caters to the needs of precisely this target group of project customers and can therefore continue to draw above-average benefit from the positive overall trend. In the comparative period from January to December 2011, for example, HORNBACH's domestic like-for-like sales were more than six percentage points ahead of the sector average in Germany (BHB: plus 1.0 %). HORNBACH thus further expanded its market position. As a percentage of aggregate sales at all German DIY stores and garden centers (€ 22.5 billion), HORNBACH's market share grew from 8.8 % to 9.2 %. If the calculation is based only on those DIY stores and garden centers with sales areas of more than 1,000m² in Germany (market volume: € 18.7 billion), then we increased our market share in this segment from 10.6 % to 11.0 %.

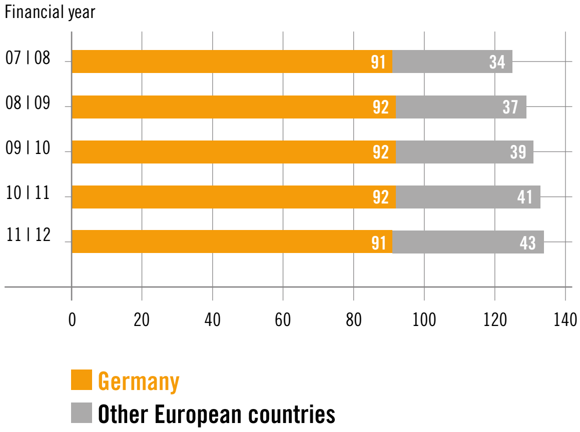
- **Other European countries**

Sales in our "Other European countries" segment more or less matched the previous year's figure in the 2011/2012 financial year. Excluding currency items, sales showed a slight decline (minus 1.0 %). Including currency items for non-euro countries (Romania, Sweden, Switzerland, Czech Republic), like-for-like sales rose by 1.6 %. Individual countries showed disparate developments due to the differing degrees of pressure on account of the financial and sovereign debt crisis. As a result, only some of HORNBACH's international DIY megastores with garden centers were able to contribute to the Group's like-for-like sales growth.

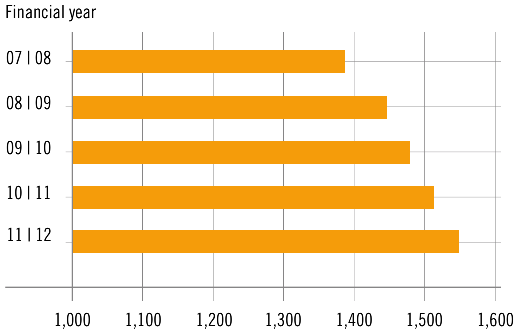
The economic recovery in **Eastern Europe** – for us, that means Romania, Slovakia and the Czech Republic – is taking longer than economists originally expected. In the year under report, the local construction industry still suffered from a lack of orders. Stagnating private consumer spending and government austerity programs meant that domestic demand remained weak in these countries. As the difficult situation on the labor market only improved sluggishly, consumers were especially careful with their spending and postponed larger-scale projects. The situation was exacerbated by the fact that the severe winter in January/February 2012 brought public life to a halt across large parts of Eastern Europe. All these factors led to low or declining sales in the retail sector. HORNBACH too was unable to escape these underlying conditions. At the same time, the rate of decline in like-for-like sales in the East European store network slowed significantly from the second quarter through to the end of the financial year on February 29, 2012.

By contrast in **Western Europe** as a whole (excluding Germany), i.e. in terms of aggregate sales for Luxemburg, the Netherlands, Austria, Switzerland and Sweden, the Group managed in the 2011/2012 financial year as a whole to exceed the high level of like-for-like sales already built up in previous years. Thanks to the distribution of risks within the "Other European countries" segment, we virtually offset the downturn in sales due to macroeconomic factors in some of our regions with pleasing sales growth in other regions. What's more, alongside the Group's own sales performance, comparison with developments in the overall sector is also highly significant. Based on the information available, in the year under report HORNBACH significantly outperformed its competitors in seven out of eight countries outside Germany, and thus acquired further market share despite the tough economic climate.

Stores and sales areas at the HORNBACH-Baumarkt-AG Group
(No. of HORNBACH DIY megastores with garden centers)



(Total sales areas in thousand square meters)



Development in HORNBACH's store network

HORNBACH launched operations with three new DIY megastores with garden centers in the 2011/2012 financial year. In May 2011, a new HORNBACH DIY megastore with a garden center was opened at the **Plzeň** location in the Czech Republic. One month later, a new store opened its doors in **Ostrava** in the eastern region of the same country. This is now the second store within the catchment area of this, the third-largest city in the country. The store network in the Czech Republic now comprises eight locations.

The standalone garden center in Neunkirchen (Saarland), which was no longer consistent with strategic requirements, was closed on schedule in June 2011. The expansion program for the financial year under report was completed in September 2011 with the opening of a newly built store at the **Sinsheim** location (Baden-Württemberg). This store has replaced the old location in the vicinity.

Including the three stores newly opened and the two scheduled closures, a total of 134 retail outlets were in operation across the Group as of February 29, 2012 (February 28, 2011: 133). Sales areas at the 91 stores in Germany most recently amounted to around 981,000m². The 43 DIY megastores in other European countries had sales areas of around 568,000m². The international stores are located in Austria (11), the Netherlands (9), Luxembourg (1), Czech Republic (8), Switzerland (5), Sweden (3), Slovakia (2), and Romania (4).

Total sales areas amounted to around 1,549,000m² at the HORNBACH-Baumarkt-AG Group as of February 29, 2012. The HORNBACH DIY megastores with garden centers had average sales areas of around 11,600m² (2010/2011: 11,400m²).

Earnings Performance

Key earnings figures of the HORNBACH-Baumarkt-AG Group

Key figure (€ million, unless otherwise stated)	2011/2012	2010/2011	Change
Net sales	3,001	2,836	5.8 %
EBITDA	184.3	172.6	6.8 %
EBIT	128.4	119.1	7.8 %
Earnings before taxes	106.5	102.0	4.4 %
Consolidated net income	77.4	75.7	2.3 %
EBITDA margin	6.1 %	6.1 %	
EBIT margin	4.3 %	4.2 %	
Tax rate	27.3 %	25.8 %	

(Differences due to rounding up or down to nearest € million)

Earnings performance of the HORNBACH-Baumarkt-AG Group

Thanks to pleasing like-for-like sales growth, we successfully upheld our course of sustainable earnings growth at the HORNBACH-Baumarkt-AG Group in the 2011/2012 financial year as well. All of the Group's key earnings figures improved compared with the previous year.

Consolidated earnings before interest and taxes (EBIT) grew disproportionately compared with sales, rising by 7.8 % to € 128.4 million. Consistent with our forecast, we reached our target of exceeding the EBIT of € 119.1 million reported for the previous year. The EBIT margin (as a percentage of net sales) improved from 4.2 % to 4.3 %. This is all the more pleasing when it is considered that earnings were negatively affected to the tune of € 5.4 million (2010/2011: € 2.4 million) by other non-operating expenses, mainly in the real estate segment. These chiefly involved impairment losses in connection with the Group's expansion in Romania, refurbishment expenses for DIY store properties, and expenses upon the discontinuation of location projects.

Earnings before interest, taxes, depreciation and amortization (EBITDA) increased by 6.8 % to € 184.3 million (2010/2011: € 172.6 million). As in the previous year, the EBITDA margin amounted to 6.1 %. Consolidated earnings before taxes (EBT) rose by 4.4 % to € 106.5 million (2010/2011: € 102.0 million), and thus somewhat more slowly than sales (plus 5.8 %). This was mainly due to negative currency items (including currency futures), which led net financial expenses to deteriorate from minus € 17.1 million to minus € 22.0 million. While the previous year's earnings benefited from positive currency items of € 4.4 million, earnings in 2011/2012 were affected by charges of € 2.5 million. This item was countered by net interest expenses, which improved from minus € 20.8 million to minus € 19.3 million. The return on sales before taxes remained unchanged at 3.6 %.

Consolidated net income for the 2011/2012 financial year rose by 2.3 % from € 75.7 million to € 77.4 million. The Group's tax rate increased from 25.8 % to 27.3 %. It should be noted that consolidated net income for the previous 2010/2011 financial year was positively affected by a tax refund claim of € 3.0 million recognized through profit or loss for previous years (2010 Annual Tax Act). The return on sales after taxes therefore eased slightly from 2.7 % to 2.6 %. Earnings per share increased from € 2.38 to € 2.43 (please see Note 9).

Key earnings figures for the DIY store segment

Key figure (€ million, unless otherwise stated)	2011/2012	2010/2011	Change
Net sales	3,000	2,835	5.8 %
of which: in Germany	1,729	1,641	5.3 %
of which in other European countries	1,271	1,195	6.4 %
Like-for-like sales growth	2.8 %	2.6 %	
EBITDA	152.0	143.9	5.6 %
EBIT	115.7	111.0	4.3 %
EBITDA margin	5.1 %	5.1 %	
EBIT margin	3.9 %	3.9 %	
Gross margin	37.4 %	37.4 %	
Store expenses as % of net sales	30.3 %	30.4 %	
Pre-opening expenses as % of net sales	0.2 %	0.1 %	
General and administration expenses as % of net sales	3.5 %	3.3 %	

(Differences due to rounding up or down to nearest € million)

Earnings performance of the DIY store segment

The DIY store segment comprises the operating retail business at the HORNBACH DIY megastores with garden centers within the Group. At the balance sheet date on February 29, 2012, we were operating 134 DIY retail outlets across Europe (2010/2011: 133). Net sales in this segment grew by 5.8 % to € 3,000 million in the 2011/2012 year under report (2010/2011: € 2,835 million).

In the 2011/2012 financial year, we managed to increase the key operating earnings figures in the DIY store segment compared with the previous year. This was chiefly due to like-for-like sales growth in Germany and Western Europe as a whole in conjunction with a stable gross margin and a slight improvement in store operating expense ratios. These factors more than offset the increase in pre-opening and administration expenses.

Gross margin

The gross margin easily defended the previous year's level in the 2011/2012 year under report. As a percentage of net sales, the gross profit remained unchanged at 37.4 %. We managed to offset higher procurement prices with a slight rise in average retail prices, changes in our product mix, and positive currency items in our international procurement activities.

Selling and store, pre-opening and administration expenses

Selling and store expenses in the DIY store segment rose by 5.6 % to € 909.7 million (2010/2011: € 861.8 million). As a percentage of net sales, the store expense ratio decreased slightly from 30.4 % to 30.3 %. This improvement in the ratio was largely due to savings generated in absolute terms with advertising expenses. Utility expenses also fell short of the previous year's figures. These were positively affected by the measures taken in the past to enhance energy efficiency at the HORNBACH DIY megastores with garden centers with the assistance of modern building control technologies and energy-saving lighting. Finally, our store expense ratio also benefited from the fact that rental expenses rose less markedly than sales. These positive items more than offset the disproportionate increase in personnel and operating expenses.

Due to the higher pace of expansion, pre-opening expenses increased from € 4.1 million to € 6.2 million in the 2011/2012 financial year (please see Note 4). Following two new store openings in the 2010/2011 financial year, operations began at three new HORNBACH locations in the year under report. The pre-opening expense ratio rose from 0.1 % to 0.2 % as a result.

Administration expenses grew by 14.6 % to € 106.1 million in the year under report (2010/2011: € 92.5 million). This markedly disproportionate increase compared with sales was primarily due to important forward-looking projects in the Group's administrative departments. Among others, these included developing and extending our online retail and tradesman service activities and further enhancing the professionalism of our group-wide human resources activities, an increasingly important factor in view of "employer branding" considerations. The administration expense ratio increased from 3.3 % to 3.5 % as a result.

Other income and expenses

Other income and expenses rose substantially from € 10.1 million to € 15.7 million in the year under report. This increase was mainly due to a positive base effect in the previous year in connection with electricity tax in Germany. Due to an amended risk assessment in respect of potential refund claims at our energy-related services provider, a provision of € 3.8 million was recognized for this item in the 2010/2011 financial year - in contrast to the electricity tax refund originally expected. A further reason for the increase in other income and expenses related to the group allocation, which rose from € 1.5 million to € 3.6 million.

In the 2011/2012 financial year, by contrast, other non-operating income and expenses were negative at minus € 1.4 million (2010/2011: minus € 1.2 million). This was mainly due to impairment losses in Romania. By the end of the 2011/2012 financial year it was apparent that the expectations in the medium-term sales and earnings performance of our Romanian store network were too high. We were therefore obliged to adjust our forecasts for this East European country in the context of the five-year plan presented to the Supervisory Board in February 2012 and to test all non-current assets in Romania for impairment. This impairment test resulted in the recognition of impairment losses of € 1.7 million for plant and office equipment in Romania in the DIY store segment at the HORNBACH-Baumarkt-AG Group.

EBITDA and EBIT

EBITDA in the DIY store segment for the 2011/2012 financial year grew by 5.6 % to € 152.0 million (2010/2011: € 143.9 million). As a percentage of net sales, the EBITDA margin remained unchanged at 5.1 %. Operating earnings (EBIT) increased by 4.3 % to € 115.7 million (2010/2011: € 111.0 million). The EBIT margin in the DIY store segment also remained unchanged at 3.9 %.

Earnings performance in the real estate segment

All the real estate activities in the HORNBACH-Baumarkt-AG Group are pooled in the real estate segment. Its main business activities involve building and subsequently letting DIY store properties within the Group. These either remain in group ownership or are sold following construction to an external investor and then leased back. The respective DIY store properties are charged to the DIY store segment on comparable rental terms customary to the market. Earnings in the real estate segment were significantly ahead of the previous year's figures in the 2011/2012 financial year.

Earnings from rental activities

The rental income in the real estate segment, 99 % of which comprises internal rental income, rose by 5.5 % to € 132.5 million in the year under report (2010/2011: € 125.7 million). At € 92.7 million, on the other hand, real estate expenses for the same period remained at the same level as in the previous year (2010/2011: € 92.4 million). To enhance energy efficiency at our stores, we invested substantantial sums in previous years in modern building control technology and energy-saving lighting systems (please also see comments in Corporate Responsibility chapter from Page 68). In the year under report, these energy savings more or less offset the increase in leasing expenses and depreciation.

Net rental income grew by 19.8 % to € 39.8 million in the year under report (2010/2011: € 33.2 million).

Disposal gains/losses and net real estate income

We reported disposal losses of € 0.5 million from real estate transactions in the year under report, contrasting with marginal disposal gains of € 0.2 million in the 2010/2011 financial year. Net income on real estate activities amounted to € 39.2 million, as against € 33.4 million one year earlier.

Other income and expenses

Earnings were negatively affected in the 2011/2012 financial year by other expenses and provisions for the refurbishment of DIY store properties and other charges upon the discontinuation of real estate projects. As a result, other income and expenses (excluding disposals gains/losses) fell from plus € 0.3 million in the previous year to minus € 1.7 million in the year under report.

EBITDA and EBIT

Thanks to higher rental income and stable real estate expenses, the charges on earnings due to real estate development were significantly more than offset in the reporting period from March 1, 2011 to February 29, 2012. EBITDA and operating earnings (EBIT) in the real estate segment showed pleasing growth rates. EBITDA thus increased by 7.0 % to € 47.0 million (2010/2011: € 43.9 million) and EBIT grew by 12.2 % to € 35.9 million (2010/2011: € 32.0 million).

Earnings performance by geographical region

As is apparent from the breakdown by geographical regions in the segment report (please see Page 118), the Group generated year-on-year earnings growth both in Germany and in other European countries. Thanks to the above-average like-for-like sales performance at our domestic DIY megastores with garden centers, we managed to improve the earnings contribution in the Germany segment once again in the 2011/2012 financial year.

EBITDA in **Germany** grew from € 62.0 million to € 68.2 million. The domestic share of the Group's EBITDA thus rose slightly from 36 % to 37 %. EBIT improved from € 26.6 million to € 33.9 million. The domestic business accounted for a 26 % share of operating earnings in the 2011/2012 financial year (2010/2011: 22 %). The EBIT margin in Germany rose from 1.6 % to 2.0 %.

In the 2011/2012 financial year as well, the domestic share of operating earnings included significant expenses for sustainable innovation projects. A major portion of the project-related administration expenses of around € 13 million (2010/2011: around € 10 million) related to the further expansion in our online retail business, which since being launched in Decem-

Key earnings figures for the real estate segment

Key figure (€ million, unless otherwise stated)	2011/2012	2010/2011	Change
Rental income	132.5	125.7	5.5 %
Real estate expenses	92.7	92.4	0.3 %
Net rental income	39.8	33.2	19.8 %
Disposal gains/losses	(0.5)	0.2	-
Net real estate income	39.2	33.4	17.6 %
EBITDA	47.0	43.9	7.0 %
EBIT	35.9	32.0	12.2 %

ber 2010 has offered ever more articles, order possibilities and service information. The costs attributable to the planned international rollout of online retailing have been charged on within group allocations. Not only that, we also pressed ahead with the Customer Service Center initiated for German stores in the 2010/2011 financial year and completed the rollout of the new checkout system to all 91 German DIY megastores with garden centers. Alongside these projects, we also worked on a series of other development projects intended to promote the Group's further growth. If these upstream costs for central forward-looking projects are deducted from the income statement of the Germany segment, then the increase in the earnings strength of our domestic DIY megastores with garden centers in the 2011/2012 financial year is even more apparent.

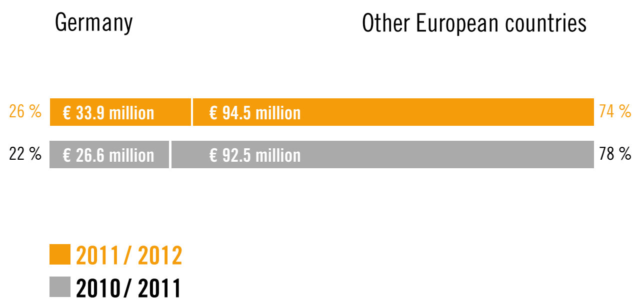
Earnings contributions from our international activities, which are pooled on the level of the HORNBACH International subgroup, showed further year-on-year growth. With EBITDA of € 116.1 million (2010/2011: € 110.7 million) in the period under report, the **international business** accounted for around 63 % (2010/2011: 64 %) of the EBITDA at the HORNBACH-Baumarkt-AG Group. EBIT in the international business increased from € 92.5 million to € 94.5 million. The international share of EBIT decreased from 78 % to 74 %. With an EBIT margin of 7.4 % (2010/2011: 7.7 %), the other European countries segment remains more profitable than the German business. The increase in operating earnings in the other European countries segment was driven in particular by pleasing earnings growth in the Group's retail activities in Western Europe.

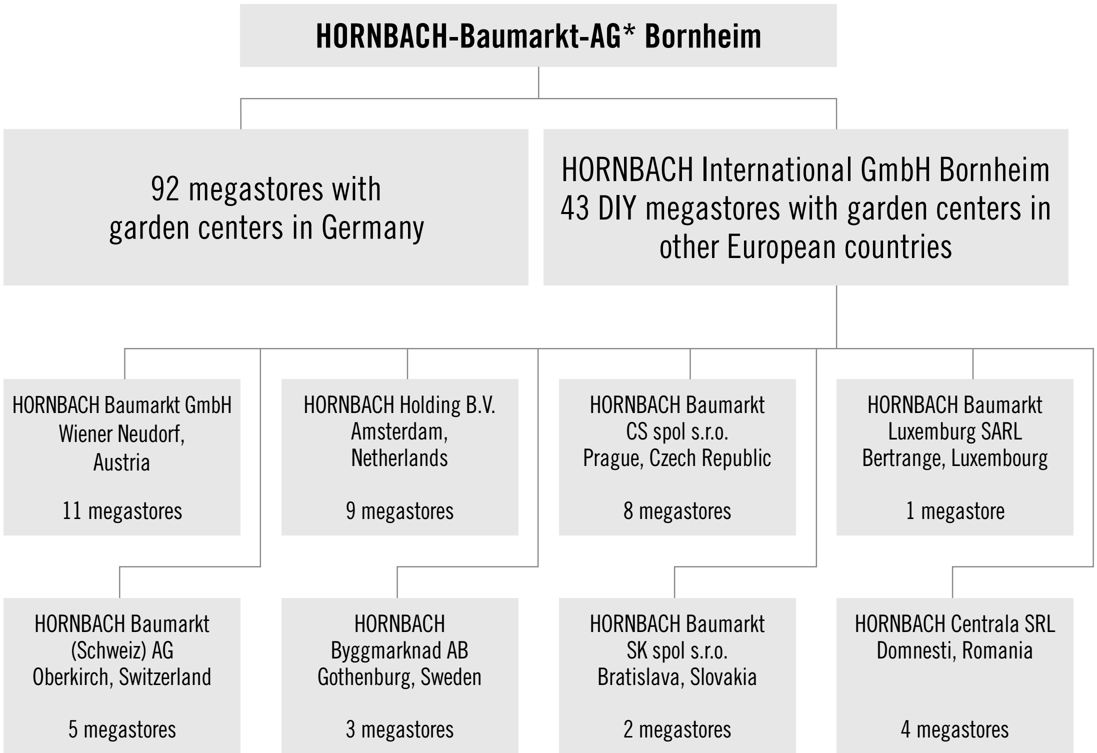
Dividend proposal

The Board of Management and Supervisory Board of HORNBACH-Baumarkt-AG will propose a dividend of € 0.50 per ordinary share with dividend entitlement (ISIN: DE0006084403) for approval by the Annual General Meeting on July 5, 2012.

EBIT by segment
(€ million)

EBIT by region
(share in %)





* Plus further shareholdings as presented in the complete overview provided in the notes to the consolidated financial statements on Page 108 (status: February 29, 2012)

Financial Situation

Principles and objectives of financial management

Financing measures are performed by the Group Treasury department at HORNBACH-Baumarkt-AG. The central organization of financial management enables the HORNBACH Group to maintain a uniform presence on the financial markets and to provide centralized liquidity management for the overall Group. HORNBACH-Baumarkt-AG grants financial assistance in the form of guarantees and letters of comfort only for its subsidiaries. The information required for efficient liquidity management is provided by rolling group financial planning covering all relevant companies, which is updated monthly and has a budgeting horizon of twelve months, as well as by short-term financial forecasting which is updated daily. Based on the information available, the financing requirements of individual units within the Group are initially settled using surplus liquidity from other group companies by means of a cash pooling system. Such liquidity bears interest at market rates on the basis of internal group loan agreements.

External financing requirements are covered by taking up loans from banks and on the capital market. Moreover, to date DIY store properties have been sold to investors upon completion, with their utilization being secured by rental agreements (sale and leaseback). Here, efforts have been made to meet the IAS 17 criteria governing classification as "Operating Leases". Due to the amendments expected in IAS 17 lease accounting and the expected discontinuation of the "operating lease" classification, future transactions will be reviewed in terms of their advantageousness. Since the issue of the bond, external financing has exclusively taken the form of unsecured loans and real estate sales (sale and leaseback).

In line with internal risk principles, derivative financial instruments are held solely for hedging purposes. The nominal values and measurement of existing derivative financial instruments have been presented in the notes on the consolidated balance sheet in the notes to the financial statements.

Financial debt

At the balance sheet date on February 29, 2012, the net financial debt of the Group amounted to € 27.7 million (2010/2011: € 17.8 million) and was structured as follows:

Type of financing	Liabilities broken down into remaining terms						2.29.2012	2.28.2011
€ million	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	Total	Total
Short-term bank debt[1]	5.7						5.7	5.5
Mortgage loans	13.1	13.1	7.4	5.5	5.0	6.6	50.7	64.0
Other loans[2] [3]	0.0	0.0	0.0	41.7	79.6	0.0	121.3	120.7
Bonds[3]	0.0	0.0	247.1	0.0	0.0	0.0	247.1	246.0
Negative fair values of derivative financial instruments	5.7						5.7	2.5
Finance leases	0.2	0.2	0.2	0.3	0.3	0.3	1.5	1.7
Total financial debt	**24.6**	**13.3**	**254.7**	**47.5**	**84.9**	**6.9**	**431.9**	**440.4**
Cash and cash equivalents							404.3	422.6
Net financial debt							**27.7**	**17.8**

(Differences due to rounding up or down to nearest € million)

[1] Financing facilities with nominal terms of under one year (overdraft and short-term interim financing facilities) and interest deferrals
[2] Loans not secured by mortgages
[3] The costs relating to the taking up of the corporate bond and the promissory note bonds have been spread pro rata temporis over the respective terms.

The Group had no short-term financing facilities as of the balance sheet date on February 29, 2012. The current financial debt (up to 1 year) of € 24.6 million (2010/2011: € 101.3 million) consists of interest deferrals of € 5.7 million (2010/2011: € 5.5 million), liabilities of € 5.7 million relating to the measurement of derivative financial instruments (2010/2011: € 2.5 million), and the portion of long-term financing facilities maturing in the short term, amounting to € 13.3 million (2010/2011: € 93.3 million).

Solid capital structure

HORNBACH enjoys great flexibility in terms of its financing and draws on a wide range of different financing instruments.

Since November 2004, HORNBACH-Baumarkt-AG has thus had a corporate bond of € 250 million issued on the European capital market with an interest coupon of 6.125 % and a term running until November 2014. The costs associated with the corporate bond, amounting to € 10,714k in total, have been spread over the term using the effective interest method.

The second tranche of a promissory note bond of € 80.0 million already concluded by HORNBACH-Baumarkt-AG in the previous year was disbursed as of June 30, 2011. The new promissory note bond has a term running until June 30, 2016 and serves to provide follow-up financing for the previous promissory note bond of the same amount maturing as of June 30, 2011. In addition, the Group still has the two promissory note bonds from the first tranche already disbursed in the previous year. These bonds, amounting to € 20 million each and denominated in CHF and CZK respectively, have terms running until August 31, 2015. Forward swaps with congruent terms were concluded to hedge the interest rate. The swaps enable the half-yearly interest to be secured for the entire term.

The value of the financing facilities secured by land charges amounted to € 50.7 million at the balance sheet date (2010/2011: € 64.0 million). Land charges of € 146.5 million had been provided as of February 29, 2012 as security for mortgage loans (2010/2011: € 146.7 million).

At the balance sheet date on February 29, 2012, the HORNBACH-Baumarkt-AG Group had free credit lines amounting to € 313.8 million (2010/2011: € 279.9 million) at customary market conditions. These include a newly concluded syndicated credit line of € 250 million with a term running until December 14, 2016. The previous syndicated credit line of € 200 million dating from 2006 was thus prematurely redeemed. The credit line may also be drawn down in foreign currencies, particularly CHF, SEK and CZK, up to an amount of € 25 million. Furthermore, supplementary bilateral loan agreements of up to € 50 million may also be concluded within the credit framework (also in foreign currencies). Upon utilization, the interest is based on the 3-month or 6-month Euribor, or the equivalent Ibor, plus an interest margin. The applicable interest margin is determined by reference to the company rating granted to HORNBACH-Baumarkt-AG by an internationally recognized rating agency. Margin premiums apply should the level of utilization exceed specified threshold values and when the facility is drawn down in foreign currencies. A provision fee dependent on the respective interest margin is charged for the unutilized portion of the credit line. To ensure the maximum possible degree of flexibility, all major group companies have credit lines denominated in their local currencies, generally at local banks.

No assets have been provided as security for the credit lines, the promissory note bonds, or the bond. The relevant contractual arrangements nevertheless require compliance with customary bank covenants, non-compliance with which could lead to a premature repayment obligation. These regularly involve pari passu clauses and negative pledge declarations. In the case of the bond, the syndicated credit line at HORNBACH-Baumarkt-AG, and the promissory note bond agreements at the HORNBACH-Baumarkt-AG Group, they also require compliance with specific financial ratios. These key financial ratios are based on consolidated figures at the HORNBACH-Baumarkt-AG Group and require interest cover of at least 2.25 times and an equity ratio of at least 25 %. In the case of the promissory note bonds and the syndicated credit line, maximum limits for financing facilities secured by land charges and financing facilities taken up by subsidiaries were also agreed. The interest cover, net debt/EBITDA ratio, equity ratio, agreed financing limits, and company liquidity (cash and cash equivalents, plus unutilized committed credit lines) are regularly monitored within the internal risk management framework. Further key figures are calculated quarterly. Should the values fall short of certain target levels, then countermeasures are initiated at an early stage. All covenants were complied with at all times in the year under report. Further information about financial debt can be found in Note 22 of the notes on the consolidated balance sheet.

Cash and cash equivalents amounted to € 404.3 million at the balance sheet date (2010/2011: € 422.6 million). As in the past, liquidity is managed in the form of fixed deposits on the money market with maximum investment horizons of three months. In the course of the financial crisis, the Group set maximum deposit totals per bank to enhance security by spreading liquidity holdings more widely.

Key financial figures of the HORNBACH-Baumarkt-AG Group

Key figure	Definition		2.29.2012	2.28.2011
Net financial debt	Current financial debt + non-current financial debt – cash and cash equivalents	€ million	27.7	17.8
Interest cover	Adjusted(*) EBITDA / Gross interest expenses		7.6	7.1
Net debt / EBITDA	Net financial debt / Adjusted(*) EBITDA		0.1	0.1

* EBITDA excluding changes in non-current provisions and gains/losses on the disposal of non-current assets as reported in the cash flow statement

Investments of € 103.8 million

The HORNBACH-Baumarkt-AG Group invested a total of € 103.8 million in the 2011/2012 financial year (2010/2011: € 67.9 million), mainly in land, buildings and plant and office equipment at existing DIY stores with garden centers, and at stores under construction. The funds required for cash-effective investments, amounting to € 103.8 million (2010/2011: € 67.9 million), were fully covered by the cash flow of € 103.8 million from operating activities (2010/2011: € 152.6 million).

Around 60 % of total investments were channeled into new real estate, including property under construction. Around 40 % of total investments mainly involved replacing and extending plant and office equipment.

The most significant investment projects related to the DIY megastores with garden centers opened in the 2011/2012 financial year in Sinsheim (Germany) and Plzeň (Czech Republic), construction work on DIY megastores with garden centers due to be opened in subsequent financial years, the conversion and extension of existing stores, the acquisition of land for the Group's further expansion, investments in plant and office equipment, and in intangible assets, especially software.

Cash flow statement

Cash flow statement (abridged) € million	2011/2012	2010/2011
Cash flow from operating activities	103.8	152.6
of which: funds from operations[1]	144.0	134.8
of which change in working capital[2]	(40.2)	17.8
Cash flow from investing activities	(92.7)	(29.9)
Cash flow from financing activities	(30.7)	3.4
Cash-effective change in cash and cash equivalents	**(19.6)**	**126.1**

(Differences due to rounding up or down to nearest € million)

[1] Consolidated earnings after taxes, plus depreciation of non-current assets and changes in provisions, minus gains/plus losses on the disposal of non-current assets, plus/minus other non-cash expenses/income

[2] Difference between "Change in inventories, trade receivables and other assets" and "Change in trade payables and other liabilities"

The inflow of funds from operating activities reduced from € 152.6 million in the previous year to € 103.8 million in the 2011/2012 financial year. Here, the inflow of funds from operations improved from € 134.8 million to € 144.0 million. This increase was chiefly driven by like-for-like sales growth in Germany and Western Europe, as well as by a lower store expense ratio. The change in working capital (changes in inventories, trade receivables and other assets plus changes in trade payables and other liabilities) resulted in an outflow of funds of € 40.2 million, as against the inflow of funds of € 17.8 million in the previous year. Alongside the building up of inventories for the Group's expansion, this development was due to a balance sheet date factor resulting from the earlier settlement of liabilities to suppliers, as a result of which cash and cash equivalents and the cash flow from changes in working capital were reported around € 42 million lower than otherwise.

The outflow of funds for investing activities rose from € 29.9 million to € 92.7 million. Here, the increase in investments by € 35.9 million to € 103.8 million was opposed by a lower volume of proceeds from disposals of non-current assets, amounting to € 11.1 million (2010/2011: € 38.0 million). No DIY megastores with garden centers were disposed of in the framework of sale and leaseback transactions in the 2011/2012 financial year. In the previous year, by contrast, one DIY store property was sold.

The outflow of funds for financing activities totaled € 30.7 million in the 2011/2012 financial year, contrasting with an inflow of funds of € 3.4 million in the previous year. Here, the scheduled repayment of non-current financial debt of € 93.1 million was opposed by the taking up of new long-term loans of € 80 million. Net financial debt increased from € 17.8 million in the previous year to € 27.7 million in the year under report.

Rating

Since 2004, the creditworthiness of the HORNBACH-Baumarkt-AG Group has been rated by the leading international rating agencies Standard & Poor’s and Moody’s Investors Service. Following a positive outlook in February 2011, Standard & Poor's upgraded the company's rating in July 2011 to "BB+" with a stable outlook on that basis. In October 2011, Moody’s confirmed its rating at "Ba2" and amended its outlook to positive.

Asset Situation

Equity ratio rises to 48.6 %

Balance sheet of the HORNBACH-Baumarkt-AG Group (abridged version)

€ million	2.29.2012	2.28.2011	Change
Non-current assets	686.9	640.6	7.2 %
Current assets	941.2	951.1	(1.0)%
Assets	**1,628.1**	**1,591.7**	**2.3 %**
Shareholders' equity	792.0	729.9	8.5 %
Non-current liabilities	471.6	400.9	17.6 %
Current liabilities	364.5	460.9	(20.9)%
Equity and liabilities	**1,628.1**	**1,591.7**	**2.3 %**

(Differences due to rounding up or down to nearest € million)

Total assets at the Group rose year-on-year by € 36.4 million, or 2.3 %, to € 1,628.1 million. This growth in total assets reflects the continuing expansion of the HORNBACH-Baumarkt-AG Group, which is mainly apparent in investments in non-current assets and increased inventories.

The equity of the Group as stated in the balance sheet amounted to € 792.0 million at the end of the financial year (2010/2011: € 729.9 million). The equity ratio rose from 45.9 % in the previous year to 48.6 %.

Non-current and current assets

Non-current assets amounted to € 686.9 million at the balance sheet date (2010/2011: € 640.6 million), and thus accounted for around 42 % of total assets (2010/2011: 40 %). Property, plant and equipment and investment property rose by € 51.2 million (8.5 %) from € 599.1 million to € 650.3 million. Additions to property, plant and equipment of € 101.1 million were countered by depreciation of € 50.3 million, write-ups of € 1.2 million, and disposals of assets amounting to € 2.0 million. Adjustments to account for exchange rate movements led property, plant and equipment and investment property to increase by € 2.6 million. Furthermore, application of IFRS 5 required real estate classified as held for sale amounting to a net total of € 1.4 million to be reclassified out of property, plant and equipment to current assets. These items of real estate were already sold in the 2011/2012 financial year.

Non-current income tax receivables involve a claim to payment of a corporate income tax credit with a present value of € 8.0 million. This item was capitalized in the 2007/2008 financial year and once again in the past financial year due to legislative amendments (SEStEG).

Current assets showed a slight decline of 1.0 % from € 951.1 million to € 941.2 million, equivalent to around 58 % of total assets (2010/2011: 60 %). Here, the growth-driven increase in inventories was offset by a reduction in cash and cash equivalents. Inventories rose from € 459.5 million to € 475.7 million. Further measures taken to optimize capital committed nevertheless enabled the inventory turnover rate to be maintained consistently high at 4.0. Receivables and other assets (including income tax receivables) amounted to € 61.2 million (2010/2011: € 63.9 million). The non-current assets held for sale and disposal groups of € 5.1 million recognized pursuant to IFRS 5 in the previous year were sold in the past financial year.

Non-current and current liabilities

Liabilities, including provisions, amounted to € 836.1 million at the balance sheet date, as against € 861.8 million in the previous year. Non-current liabilities increased from € 400.9 million to € 471.6 million. The rise in non-current liabilities by € 70.7 million was chiefly due to the taking up of a new promissory note bond of € 80 million. The non-current liabilities reported include deferred tax liabilities of € 35.7 million (2010/2011: € 37.1 million).

Current liabilities fell from € 460.9 million to € 364.5 million. Largely as a result of the follow-up financing for the promissory note bond of € 80 million maturing as of June 30, 2011, current financial debt reduced by € 76.7 million to € 24.6 million (2010/2011: € 101.3 million). Trade payables and other liabilities totaled € 244.4 million at the balance sheet, compared with € 263.3 million in the previous year. At € 67.6 million, other provisions and accrued liabilities were virtually unchanged on the previous year (€ 67.2 million).

The net debt of the HORNBACH-Baumarkt-AG Group, i.e. financial debt less cash and cash equivalents, grew slightly to € 27.7 million, up from € 17.8 million in the previous year.

Off-balance sheet financing instruments and rental obligations

In addition to the DIY megastores with garden centers owned by the HORNBACH-Baumarkt-AG Group and those used on the basis of finance lease agreements, there are 43 stores and one logistics center that are let from the associate company HORNBACH Immobilien AG or its subsidiaries, as well as 57 DIY megastores with garden centers that are let from third parties. Moreover, the Group also has a small number of additional land leasehold, leasing and rental agreements.

The obligations under rental, hiring, leasehold and leasing contracts relate exclusively to rental agreements for which the companies of the HORNBACH-Baumarkt-AG Group do not constitute the economic owners of the assets thereby leased pursuant to IFRS accounting standards (Operating Lease). The rental agreements principally relate to DIY megastores with garden centers in Germany and other countries. The terms of the rental agreements usually amount to between 15 and 20 years, with subsequent rental extension options. The respective agreements include rent adjustment clauses.

Key balance sheet figures of the HORNBACH-Baumarkt-AG Group

Key figure	Definition		2.29.2012	2.28.2011
Equity ratio	Equity / Total assets	%	48.6	45.9
Return on equity	Annual net income / Average equity	%	10.2	10.9
Return on total capital	NOPAT[1)] / Average total capital[2)]	%	11.5	10.9
Debt / equity ratio (gearing)	Net debt / Equity	%	3.5	2.4
Additions to non-current assets, including advance payments for land		€ million	103.7	67.9
Net working capital	Inventories and receivables less trade payables	€ million	357.8	318.9
Inventory turnover rate	Cost of goods sold / Average inventories		4.0	4.0

[1)] Net operating profit after tax, defined as EBIT minus unchanged standardized tax rate of 30 % for the HORNBACH Group.
[2)] Average total capital defined as average equity plus average net debt.

At February 29, 2012, obligations under rental, hiring, leasehold and leasing contracts amounted to € 1,122.8 million (2010/2011: € 1,179.4 million). This reduction is mainly due to annual rent payments for the 2011/2012 financial year. Furthermore, a number of rental adjustment and extension options were exercised in the year under report.

Overall assessment of earnings, financial and net asset situation

The HORNBACH-Baumarkt-AG Group performed well in the 2011/2012 financial year and strengthened its market position. Despite ongoing price competition and the difficult macroeconomic framework as a result of the financial and economic crisis, especially in Eastern Europe, we managed to increase our sales both in absolute terms and on a like-for-like basis. We also managed to maintain the high level of profitability already achieved in the previous year. In Germany, we once again outperformed the sector average, enabling us to expand our market share yet again. Thanks to our sales growth, we also boosted our profitability. Given the uncertain macroeconomic backdrop in Eastern Europe in particular, our international business reported satisfactory developments, achieving a slight expansion in its share of sales while maintaining a high level of profitability.

Our equity ratio has risen to 48.6 %. The capital structure and liquidity remain at very good levels. In view of our broad spectrum of financing sources, we enjoy a high degree of security and flexibility to finance our further growth. Overall, the economic situation of the Group is satisfactory.




Non-Financial Performance Indicators

HORNBACH puts project customers in the spotlight

"We're no normal DIY store. We're a project DIY store". Consistent with this image of itself, HORNBACH has made project customers the focal point of its activities for more than 130 years now. We are the address for people with big plans - construction and renovation projects in their houses, apartments and gardens - people for whom home improvement is a matter of passion and absolute dedication. At HORNBACH, they can rely on a partner that offers them a comprehensive range of services for their project - with easily accessible locations, great breadth and depth of product range, the right volume of stock on hand for their projects, uncomplicated and easily comprehensible merchandise presentation, dependable permanently low prices, and professional advice. In this, we rely not only on a high-performance stationary retail store network, but supplement this with a sophisticated range of online products focusing on our internet store and numerous planning aids.

Customers across Europe honor HORNBACH's concept

Our unmistakable position as the top address for projects was confirmed yet again in various consumer surveys and sector studies in the past financial year. In the "Kundenmonitor Deutschland" issued by ServiceBarometer AG, one of Germany's most important and detailed customer satisfaction surveys, more than 6,000 DIY customers were surveyed about their home DIY store in 2011. The results speak for themselves. Of the ten large DIY chains covered by the survey, HORNBACH was awarded the best average marks in 16 out of 32 individual categories. Among others, these included "product range compared with competitors", "value for money", "merchandise and product quality", and "specialist advice". Not only that, HORNBACH was ranked first in the most important category of all - "overall satisfaction". Consumers have thus confirmed that, with its consistent project orientation, HORNBACH has generated benefits for its customers and clearly differentiated itself from competitors.

Our results on the international stage were equally impressive once again in the year under report. HORNBACH received top marks in the "Kundenmonitor 2011" survey carried out in Austria by analogy with its German counterpart. For the third time in succession, consumers ranked our company first, and well ahead of its competitors, both in terms of "overall satisfaction" and in all four other main categories surveyed. In the Netherlands, HORNBACH came first in the consumer survey carried out by GfK Panel Services Benelux, with the best marks in the "products" and "prices" categories. Customers in Switzerland reached similar conclusions. For the second consecutive year, HORNBACH was singled out as "Retailer of the Year" in the DIY store category by the renowned market research company Q&A Research. HORNBACH scored especially well and received the top marks from Swiss customers in the "product range" and "value for money" categories.

HORNBACH received the best assessment in the annual Swedish Quality Index (SKI) customer satisfaction survey, and that for the fourth year in succession. In 2011, customers were even more satisfied with our Swedish DIY stores and garden centers than one year earlier. Particularly good marks were awarded to HORNBACH for "value for money", among other categories. According to the "Do it yourself 2011" survey performed by GfK, Czech customers also ranked HORNBACH very highly, including top position compared with competitors in the fields of "product range breadth" and "employee qualifications".

HORNBACH pursues multichannel strategy

Homogenous store network as basis for success

HORNBACH has decades of experience in operating DIY megastores with garden centers. The network of 134 stores in nine countries across Europe forms the stationary foundation for implementing the company's project concept. Our portfolio of locations in Germany and abroad is highly homogenous, with 85 % of the Group's sales areas as of the balance sheet at stores which are larger than 10,000m². This facilitates the rapid rollout of universal and/or innovative concepts to old and new sales areas alike (best-practice approach). What's more, the combination of homogeneity and large surfaces generates substantial logistical benefits, thus providing us with an advantage over our competitors. Moreover, we are also working continuously on gradually bringing the design of older stores in line with the latest standards, and on enhancing operating processes to enable customers' wishes to be met even more closely. These measures include signs, shelving measures, adjustments to the layout of stores, through to store extensions and the further enhancement of the product range.

E-business gaining in significance

We aim to help our customers implement their projects as easily as possible. That is why we are consistently pursuing a multichannel strategy without any barriers between stationary retail and the online store. It makes no difference to us whether our customers prefer to start by informing themselves about their projects and the products thereby required on the internet and then assemble the necessary articles on location at the store, or whether they prefer to have their project-related purchases delivered directly to their homes.

To this end, since launching our online retail in December 2010 we have actively enhanced our internet platform (www.hornbach.com). Whereas only just under 3,500 articles were presented at the beginning, our customers can now not only inform themselves about more than 40,000 articles, but also receive extensive tips and assistance in preparing and implementing their projects. For example, more than 90 step-by-step manuals with illustrations and more than 35 Meisterschmiede videos are available on the website, and are systematically sorted in line with the respective projects. Depending on the customer's location, these are supplemented by the range of service offered by the relevant store. This way, our customers can inform themselves on the internet about the latest training sessions, demonstrations within the different Project Show each month, and opening hours. Furthermore, they can find information online about our services, such as our tradesman, paint mixing, construction materials drive-in, and rental service.

Customers are according ever greater importance to the possibility of having items delivered directly to their homes. Today, more than 13,000 items can be ordered online. Customers often already receive their deliveries within 24 hours. This makes HORNBACH attractive even to customers not living within the catchment area of one of our stationary DIY stores and garden centers, or who face a slightly longer journey to reach a HORNBACH store.

A further component of our strategy of dovetailing our stationary and online businesses is our "Reserve online and pick up at the store" service. Customers often wish to implement their construction or renovation projects without delay and cannot afford to wait until the desired goods are delivered. Here, we now offer more than 30,000 articles that can be commissioned within four hours. This service is a real time-saver, especially for our professional customers. Given that projects also very often lead to questions requiring competent advice, by using this service customers can thus combine the benefits of quick purchases and a broad product range with the opportunity of receiving competent advice from employees at our stores.

Sustainable price policy – both stationary and online

We have relied on an uncompromising, credible permanently low price strategy for many years now. This is consistently valid for all of our business activities. Our retail prices at our stores and at our HORNBACH internet store are therefore identical. This differentiates us from the discount campaigns and differences in prices between the online business and stationary DIY retail at our competitors. We see this as providing the best foundation for achieving sustainable, above-average growth and high earnings strength in the long term. Our aim is to retain customers at HORNBACH on a permanent basis by offering the highest possible degree of transparency, reliability and honesty in our pricing policies. The price guarantee accompanying the permanently low prices is intended to provide our customers with the certainty that they can focus all of their energies at all times on solving their projects.

Tradesman service further extended

When making purchases, DIY customers are according ever greater priority to services. We further extended our tradesman service in the 2011/2012 financial year for those customers who merely wish to select their products at HORNBACH, and then entrust the work to experienced specialists ("do-it-for-me" customers). This is particularly relevant for services relating to timber, construction materials, and prefabricated construction components. These are becoming an ever more important factor, especially when implementing complex renovation projects. Right at the top of many project customers' wish lists is front door and window installation at their homes. Not only that, the installation of garage doors and interior doors is also becoming increasingly popular.

Bathroom renovation, currently an "in" topic, is another area where the tradesman service is in ever greater demand. At the specialist bathroom presentation areas in some of our stores, customers can conveniently commission the complete refurbishment of their old bathrooms, including all installation work, as well as all project-related additional services such as decoration, electrical installation and door assembly, with HORNBACH acting as the central contact partner. To date, our broad range of tradesman services has been available in Germany, Austria, Switzerland and, since the 2011/2012 financial year, in the Netherlands and Czech Republic as well. One service newly included since the past year at all stores in Germany, Switzerland, and Austria is the installation of sanitary objects, such as vanities, toilets, and faucets. The company is unique in its sector thanks to the scope of services it offers. Customers handle their projects via a central contact partner at HORNBACH, and can rely on transparent fixed prices and punctual, professional implementation.

Brand communications with powerful images

Two broad-based image campaigns helped us sharpen our brand image as a partner for project customers in Germany and abroad in the 2011/2012 financial year. "Go on, outdo yourself!" marked the start to the spring season. With powerful images, this campaign whet consumers' appetites to tackle large projects once again after the long winter.

You only make a difference by actually doing something. This was the concept underpinning the "Every change has to start somewhere" campaign in the fall. Drawing on an apparently real documentation format, the campaign tells the story of a run-down village somewhere in the middle of nowhere where the inhabitants have forgotten how to work with their hands. The village decays ever more until one day, out of the blue, a mysterious object appears; a gigantic nut filled to bursting with DIY materials and tools. When, at last, one of the inhabitants makes a start and begins to renovate his house, a whole chain reaction is set off. One DIY project follows hot on the heels of the next until the whole village is as good as new.

Both campaigns were supported in particular by accompanying online adverts, both on HORNBACH's website or with the assistance of advertising banners and search engine marketing. HORNBACH was also present on the most important social media platforms. The image campaigns were rounded off with additional marketing activities in the 2011/2012 financial year. We based these on the respective Project Show topic at our stores and thus made these topics the focus of our communications for a month in our monthly advertising booklets, in TV reminders, radio spots, on the internet and in print adverts.

As in previous years, HORNBACH's advertising campaigns received numerous distinguished awards once again in 2011/2012. Both image campaigns thus received prizes at the "Die Klappe 2012" and "Deutscher Werbefilmpreis" advertising awards. At the latter event, "Every change has to start somewhere" was even singled out as the "Best Commercial". Not only that, this campaign was also named "Best Film" in the German Advertising Yearbook. What's more, "Every change has to start somewhere" also received awards on the international stage. At the "Eurobest 2011" award, for example, the commercial received accolades in several categories.

Personnel activities support international expansion

500 new jobs

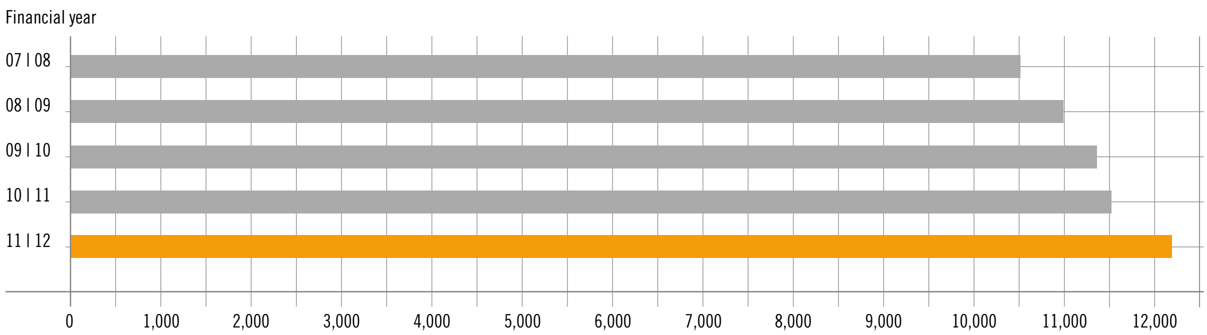
In the course of our expansion across Europe, we create new jobs year in year out. The Group's consistent growth is thus also reflected in the size of its workforce. At the balance sheet date on February 29, 2012, there were 13,662 individuals (2010/2011: 13,162) in active fixed employment at HORNBACH-Baumarkt-AG or at one of its subsidiaries. This corresponds to an increase of 3.8 %. In Germany, the number of employees rose from 7,765 to 8,093 (plus 4.2 %). In other European countries, the total workforce grew by 3.2 % to 5,569 (2010/2011: 5,397). As an annual average and converted into full-time equivalents, the HORNBACH-Baumarkt-AG Group had 12,188 employees at the balance sheet date (2010/2011: 11,522). Women accounted for around 44 % of the Group's workforce in the 2011/2012 financial year. Overall, women held 17 % of management positions at the Group.

HORNBACH hones its brand profile as attractive employer

One of the key factors in the company's success is the partnership HORNBACH forges with its employees. We measure employee satisfaction every two years. The most recent survey (2010/2011 financial year), in which more than two thirds of the Group's total workforce took part, confirmed a consistent increase in our employee's satisfaction and commitment to the company. The satisfaction index calculated for HORNBACH was in the top third compared with other European retail companies. Particular advantages highlighted by those surveyed included trust in the management, enjoyment at work, and suitable deployment in line with their own skills and expertise. This success provides our Human Resources (HR) department with added incentive in its efforts to continually strengthen HORNBACH's brand as an attractive employer. One of the core objectives of our HR strategy is to attract well-qualified, highly motivated applicants, and to retain employees at our company by offering attractive development opportunities and compensation packages.

For HORNBACH, being international does not just mean operating in numerous European markets, but also forging a united, dedicated team with the employees from a current total of 67 countries. In view of this, topics such as training programs and performance systems are developed and implemented on a basis of international cooperation. This approach enables us to ensure that our processes and programs are compatible across the Group, while also taking adequate account of the needs in different countries.

Number of employees
(annual average converted into full-time equivalents)



Main focus on training and development

HORNBACH has always accorded high priority to training the next generation of staff and continually developing our staff. This enables us to secure our own need for specialists, while also meeting our responsibility towards society. Alongside our broad range of twelve vocational training programs, our upcoming staff also have the possibility of choosing from seven different dual study programs enabling them to lay a foundation for a successful career together with HORNBACH. Given our international approach, particularly well-motivated students also have the opportunity of studying in Switzerland, Austria, Sweden, or Romania.

A total of 799 young people were actively employed as trainees within the HORNBACH-Baumarkt-AG Group (2010/2011: 733). The largest share of these were the 613 sales trainees, i.e. qualified retail sales staff and sales floor employees. A further 49 ambitious students were taking part in dual study programs in Germany and abroad. HORNBACH most recently had a trainee quote of 7.5 % in Germany, and was thus significantly ahead of the national average. According to available data at the Federal Institute for Vocational Education and Training, large companies in Germany had a trainee quota of 5.2 % in 2010.

The degree of trust HORNBACH places in its upcoming staff is reflected in the scale of responsibility it assigns to young people. Guided by a store director and a small number of experienced colleagues, trainees were thus permitted to operate the old location in Sinsheim under their own steam for up to eight weeks through to its closure. Here, the trainees were responsible for advising customers, logistics, and managing store processes.

Training our sales staff is the be all and end all

Renowned international consumer surveys, such as Kundenmonitor Deutschland 2011, have awarded HORNBACH top marks for the quality of its specialist advice. These high levels of customer satisfaction with our sales staff in Germany and abroad confirms us in our strategy. Providing ongoing training to our sales personnel in terms of their product, product range, system and advisory competence is decisive for sustainably increasing customer satisfaction. In view of this, more than 10,000 employees drew on our group-wide range of training programs in the 2011/2012 financial year. The programs for the bathroom and kitchen center divisions are a good example here. To guarantee that customers receive advice on a level comparable to specialist retailers, the sales staff must have an excellent command of the complexity of the product ranges involved, as well as of the tools needed to plan and visualize projects. These requirements are factored into a customized training program. To date, 40 employees have successfully qualified with the Chamber of Industry and Commerce (IHK) as specialist bathroom advisors, and 49 further employees have qualified as specialist kitchen advisors.

International career opportunities – leadership called for

HORNBACH-Baumarkt-AG has a pan-European structure. One of our strengths as an employer is our ability to offer international career opportunities within an expanding group. This is accompanied by our philosophy that management positions should be filled where possible with in-house staff. HORNBACH therefore has the following training programs in place for its next generation of managers:

- Division head promotion: Promotional program to prepare highly motivated sales staff for the position as specialist head of their respective store division.
- Assistant manager promotion: Promotional program to accompany upcoming managers on their way into middle management.
- Store manager promotion: Promotional program to support upcoming managers on their way into upper management.

Following fundamental restructuring, the redesigned training programs were successfully launched in Germany in the 2011/2012 financial year. In a further stage, they will also be on offer in all international regions in future, taking due account of country-specific factors.

HORNBACH also attaches great value to the ongoing development of its existing management staff in terms of their competencies. As role models, they play a key role in implementing the corporate strategy. Alongside traditional management qualities, managers are also expected to show leadership skills. Our management staff pursue the objective of acting as trustworthy, competent contact partners to their staff in all matters and of motivating their staff to perform their best. Upon the introduction of a revised employee appraisal system, in the 2011/2012 financial year the Group laid down ten management principles intended to ensure a shared and transparent understanding of management for employees and managers alike. All management staff are required to align their actions with these principles. These are also accounted for in terms of their personal development and regular performance appraisals.

IT successfully continues with new checkout system rollout

One key focus of our IT activities in the 2011/2012 year under report involved pressing ahead with the rollout of our new "FastPOS" checkout system. By the middle of 2011, all German stores had been fitted out with the new system. By the end of the year under report, all of the stores in Austria and Switzerland had also been converted. With FastPOS, the checkout keyboard is replaced by a touch-sensitive monitor. This system, which is based on Java technology, has more than proved itself in practice. Significantly shorter training periods and improved user management have helped make day-to-day work easier for our checkout teams.

There were major changes in our human resources systems in the period under report. By introducing a uniform global template, we have significantly improved group-wide human resources processes and enabled them to be presented in standardized form. The previous need for interfaces and switches between media has thus been eliminated. This way, we have laid a common foundation to facilitate new work and control processes across the Group. What's more, the entire recruitment process, i.e. application process, in Germany has been electronically supported since summer 2011. Applications are recorded in a new eRecruiting system. Applicants can thus apply for jobs at HORNBACH electronically via the internet. Not only that, an integrated eAssessment system provides an initial assessment of applicants' strengths and weaknesses. Thanks to the new, improved handling of processes, the throughput time required to process applications has been significantly reduced. One useful side effect is that the system has considerably reduced the volumes of paper used.

One major project in the period under report was the Unicode migration of our central merchandise and logistics systems. Unicode is an international standard in which a digital code is determined in the long term for each character and text element in each country. The aim here is to eliminate the use of different coding systems in different countries and cultural regions. Unicode is permanently being supplemented by characters from further font systems. Migration to a uniform coding system will help us to operate our internationally integrated systems more efficiently in the long term. This project was successfully completed in October 2011.

Group logistics secure competitive advantages

One key success factor in the operation of DIY megastores with garden centers across Europe is our sophisticated merchandise management system in conjunction with our homogenous store network. By developing our own group logistics system, we have over the years built up a competitive advantage in terms of procuring transport services. Our logistics system combines direct supplies to stores, indirect deliveries via central warehouses and cross-docking. In the past year as well, our logistics infrastructure actively supported our expansion within Europe, thus laying a foundation for further growth.

Natural regeneration

Patrick is a comprehensive school teacher and a true nature lover. As a child, finding his way round the local forests and treating the natural world with respect were a matter of course. Now, Patrick aims to pass on these values to his students. He shows children what happens with forests when they are mistreated, where HORNBACH's timber comes from, and what lies behind a complicated name like "Forest Stewardship Council". ■

Corporate Responsibility

With regard to corporate responsibility, the HORNBACH Group has imposed a set of rules governing its entrepreneurial activity. These ensure that the company meets its responsibilities towards the environment, its employees, and society as a whole.

Responsibility for the environment

Energy-saving projects

Cutting energy consumption in order to reduce CO_2 emissions and protect remaining resources has become a prime topic in the area of building and renovation as well. The Energy Saving Ordinance will place ever more ambitious requirements on homeowners in the coming years. As a project-based DIY store, HORNBACH has been a competent partner in this area for many years now, and can offer a suitable product range and qualified advice. In view of this, energy-saving possibilities, such as roof and façade insulation and window and door replacements, were key topics in our Project Shows and advertising booklets once again in the year under report. Furthermore, the communication of energy-saving opportunities is accorded great space on the internet, with several webpages informing customers in detail about our extensive product range. Project manuals provide detailed information about efficient installation methods. Other pages provide links to energy-saving assistance and calculators, as well as to related expertise and information about potential subsidies.

Timber only from sustainable forestry

One particular focus remained the ongoing communication concerning the fight against illegal tropical timber felling, underlined by the assumption of a guarantee for the origin of timber from certified sources. We are committed to attracting customers' attention to timbers bearing the quality seal of the Forest Stewardship Council (FSC). Back in 1996, our company already provided the WWF and Greenpeace with a voluntary undertaking not to import any uncertified timber. We set up our own quality management and environmental department in February 2002. One focus of its activities involves working to protect rainforests and promote sustainable forestry which also meets social and work safety standards. There is growing public awareness in this area. The FSC seal is also gaining in importance in political terms. Forests in municipal ownership in Germany, for example, are now also obtaining certification, thus offering increased possibilities of satisfying the rising demand for certified timber products.

Most extensive FSC-certified product range

In 2007, HORNBACH became the first international DIY chain to be awarded the FSC Chain of Custody certificate GFA-COC-002007. This enables the timber to be traced without any gaps in the chain from the checkout back to its place of origin. The company's entitlement to this certificate is reviewed in annual audits performed by an independent testing institute. Trade companies that are themselves certified and all environmentally-aware DIY enthusiasts can now choose from a range of around 4,500 timber products bearing the FSC seal at all HORNBACH stores. That is the most extensive range on offer anywhere in the DIY sector.

The fact that consumers are according ever greater priority to the environment is documented in a representative Forsa study commissioned by HORNBACH from the polling firm in the year under report - the "UNO International Year of Forests". The overwhelming majority of the German population would like to see a ban on the sale of illegally felled timber in Germany and would welcome corresponding legislation. According to the study, four out of five consumers check when buying timber products to see whether the timber comes from sustainable forestry. Not only that, they see DIY stores are bearing a particular responsibility to ensure that only products from sustainable forestry are on offer.

Praised by WWF as "best DIY store"

The fact that HORNBACH has been systematically extending its range of certified timber products for years now has always been particularly praised by environmental organizations and honored with awards. The FSC International awarded the company its first FSC Global Partner Award in the 2010/11 financial year. In the year under report, the WWF (World Wildlife Fund for Nature) praised HORNBACH for achieving the best grade in the DIY store sector in terms of the development and labeling of certified timber products. According to the

"Timber and Paper 2011" company survey, HORNBACH was ranked first among the seven DIY stores surveyed.

We also account for ecological factors when producing our advertising booklets. These are based on recycling fibers made of waste paper and fresh fibers. While the waste paper mostly comes from municipal household collections, the entire stock of fresh fibers required to make the paper comes from Scandinavian forests. The forestry there is generally supervised, with stocks being harvested and replanted in a responsible manner. However, not all of the forests are certified. It has nevertheless been ensured that our paper manufacturers make no use of timber from illegal felling. Both suppliers have been certified under different environmental management systems (ISO 14001, EMAS). In general, these stand for controlled, resource-effective, environmentally-compatible production processes and materials use. The printers we work with also bear the aforementioned environmental management certifications. Not only that, the printers are also certified under the "Chain of Custody" scheme.

Focus: EU directives

Within the European Union, responsibility for the environment is reflected in various directives and regulations that also affect HORNBACH and form one focus of our quality management activities (catchwords: RoHS, WEEE, REACH). Around 800 products which HORNBACH imports directly are thus governed by the REACH chemicals directive. The quality management and environmental department accords particular attention to identifying and eliminating hazardous and potentially carcinogenic contents within products, as well as to documenting their material composition in a database specially programmed for this purpose.

HORNBACH introduces "Healthy Living" quality seal

There has been an enormous increase in consumers' sensitiveness towards contaminants in the air and in products. Allergic reactions to specific materials are arising ever more frequently, so that home improvement enthusiasts and construction clients have to pay increasing attention to the composition of the materials used. To meet our customers' rising requirements in this respect, in the year under report we launched a project to address the topic of "Healthy Living". In terms of housing construction and renovation, energy efficiency became the top priority at the latest upon the introduction of the Energy Savings Ordinance. The problem here is that insulation and suitably built windows mean that rooms are now virtually air-tight. The climate in the room remains constant, but it is difficult for any harmful substances in the air to escape. The "Healthy Living" project aims to help consumers avoid contaminant substances when building and designing their interiors.

To enable our customers to recognize at first glance which products are especially low in pollutants, HORNBACH has introduced its own seal of approval. The quality of the articles thereby certified is checked in careful tests performed by independent institutes, such as the Sentinel-Haus Institut in Freiburg and the eco-Institut in Cologne, and subsequently awarded the "Healthy Living" seal of approval. These products stand for less polluted ambient air and permanently better quality of living. The seal of approval means that the products tested for contaminants can easily be found at the stores. A separate website on the topic provides detailed information and answers to frequently asked questions. We will be continually expanding our range of "Healthy Living" products in the coming years.

Comprehensive waste concept with customer service

Given the increasing scarcity of resources, a commitment to the environment in today's world would be unthinkable without recycling. To minimize the number of journeys required, HORNBACH stores use compressors for high-volume waste, such as paper and plastics. A comprehensive waste concept promotes the separation, and thus recycling, of other waste.

In the year under report, customers were offered the opportunity of depositing broken energy-saving light bulbs, LEDs, and luminescent tubes free of charge in suitable containers at the stores. With this voluntary service, HORNBACH will make it easier for consumers to dispose of these items in future during its usual opening hours, which are significantly more generous than those at municipal collection points. As a further voluntary service, the company has also enabled customers to return broken small electrical appliances, such as drills, fret saws, and battery-powered drills. The aim here is to contribute towards protecting the environment and help avoid such products being illegally disposed of in usual household waste.

Logistics: fewer miles, less packaging

With its logistics centers, HORNBACH is also making a sustainable contribution towards protecting the environment. In its logistics activities, the Group continued to work in the year under report on reducing its CO_2 emissions along the merchandise value chain. Enhanced tour planning and making optimal use of available freight capacities have enabled us to reduce the number of miles traveled, and thus also our truck requirements. This has been accompanied by a sustainable reduction in the specific volume of emissions per loading unit. The company also checks whether the haulers have engines corresponding to the Euro 5 standard, in which the Emissions Directive governing pollutant emissions has been set out since 2009.

Having said this, group logistics by no means rely solely on truck-based transport. Heavy goods, such as tiles from Italy, are transported across the Alps by rail. Containers from the import hubs of Rotterdam and Hamburg are also brought to our logistics centers in Essingen, Lehrte and Vilshofen not by truck, but by inland waterway and rail.

A further field of action involves freeing the merchandise delivered from unnecessary packaging material. To this end, we work with reusable, durable transport containers in circuits between suppliers, stores and logistics centers. As one of the wide range of activities aimed at continually improving work safety, we also check containers for gassing residues, an approach singled out as exemplary by the employers' mutual insurance association. Not only that, in the year under report we also worked together with the employers' mutual insurance association to introduce an occupational health and safety management system to ensure even more effective accident avoidance.

Less CO_2 in car pool as well

The Group's vehicle pool also accounts for ecological and economic factors. According to the manufacturers' figures, the CO_2 limits of the four vehicle classes listed range from 115 to 180 grams per kilometer. No vehicles with higher emissions are listed. Fuel consumption, which is also affected by the tires chosen, is another factor accounted for when selecting vehicles. For the vehicles ordered in the year under report, average consumption could be reduced by 6.0 %, and CO_2 emissions by 4.6 % compared with the previous year. The average consumption of the vehicles ordered currently amounts to 4.7 liters per 100 kilometers, while average CO_2 emissions amount to 124 grams per kilometer.

Energy-saving measures at stores

The company also actively takes account of environmental protection factors when building and operating its stores. The new lighting technology introduced in 2009 has benefited not only all new stores - further existing stores were upgraded in the year under report, so that 84 stores now have the new technology. A further 28 stores are set to follow in the 2012/2013 financial year. At its core, this sustainable lighting technology involves introducing electronic control gear for the operation of halogen metal vapor lamps. Central lighting control now allows the lighting to be dimmed and means that only that volume of light actually required in a given area is used. What's more, the lighting system is tailored to make optimal use of daylight. The installation of large light domes and long light bands in the roofs of new stores also assists in using natural light. The new lighting technology not only increases the operating lifetime of the lighting equipment by around 50 %, but also helps reduce annual energy costs. Not only that, it has also noticeably improved lighting quality in the shelves.

A further contribution towards saving energy is due to the Building Control Technology (BCT) that we included in our new building standards in 2008. This system manages the operating times of energy-consuming systems in line with requirements, thus optimizing energy consumption volumes. The system has so far been installed in eleven new DIY stores and rolled out to 77 existing stores. In the 2012/2013 financial year, 20 further existing stores are due to be upgraded. Efficiency is also the top priority in terms of heating energy. Here, consistent waste heat recovery in the ventilation system ensures a lower volume of consumption. This technology is applied in the construction of new stores, as is improved thermal insulation due to a new façade system. The store newly opened in Sinsheim in the year under report has benefited from this new approach. This and other measures will enable the threshold value set out in the Energy Savings Ordinance to be undercut by 15 %.

Based on weekly consumption statistics, each HORNBACH store is able to gain a precise picture of its own energy efficiency. By drawing on various energy-saving technologies, we managed to further reduce the annual CO_2 emissions of our group-wide store network in the year under report.

Responsibility for our employees

67 nations under one roof

In our behavior towards our employees, we accord absolute priority to ensuring equality of opportunity and rejecting any kind of discrimination. Ethnic origin, gender, age, physical restrictions and religious affiliation play no role in the assessment of applicants. The only qualities that count are specialist competence, a willingness to learn, and team spirit. By signing the "Diversity Charter" in 2008, the company clearly underlined its commitment to a working environment that is free of prejudice. People from a total of 67 countries across four continents work together in the nine countries in which HORNBACH operates.

At HORNBACH, the selection of suitable applicants is based on the principle of equal treatment. The company's participation in the "Berlin's Economy Needs You" initiative organized by the Chamber of Industry and Commerce in 2010/2011, which was aimed at integrating children from ethnic minorities in Berlin, was viewed as a great success. The young people moved on with superb results to their second year of training in the 2011/2012 financial year. This training program was also continued in the year under report. Within this campaign, we once again offered 22 training positions at our five stores in Berlin to young people who would otherwise find it difficult to find a job in the private economy.

Company pensions, bonuses, employee shares

We have responded to the challenges presented by future pension provision by introducing a company pension model. This consists of four modules including both collectively agreed retirement pension contributions and the option of converting voluntary bonus payments and collectively agreed remuneration claims, such as vacation allowances. The part-time early retirement model expired in 2009. This has been superseded by a retirement provision model that uses "working time accounts" to enable employees to structure their retirement age individually, i.e. to retire prematurely.

The company's success is closely linked to the competence and motivation of its employees. Their willingness to roll up their sleeves, and thus to improve the Group's earnings, is honored by our bonus model. The possibility of acquiring employee shares represents another way of enabling employees to participate in the company's success. In the 2011/2012 financial year, 23 % of all employees entitled to subscribe purchased more than 35,000 shares in the company.

Numerous preventative health check measures

Healthy, satisfied employees form the cornerstone of our economic success. In line with this approach, our occupational health and safety department not only regularly checks all workplaces in terms of accident prevention, but also offers health promotion and maintenance measures to the workforce. Among others, these include vaccinations, eye and lung function tests, and back training. All in all, our preventative services have been taken up by around 2,700 employees.

Further focuses included preventative check-ups in terms of noise pollution, workplaces with computer monitors, specialist and control activities, and skin exposure. Achieving a further reduction in accident figures, which are already below average, and permanent health promotion will remain key focuses in the 2012/2013 financial year as well. Among other measures, we will be holding a bowel cancer checkup campaign.

Even in a positive working environment, the possibility of conflicts arising between employees or with their superiors cannot be excluded. To provide a neutral point of contact, one which may also be initially approached without involving the opponent in the conflict, the company has created the position of ombudsman. His job is to listen to both sides, moderate and if possible solve the problem without this resulting in any disadvantage for the employee.

Responsibility for society

Focus on children and young people

One particular sign of our social responsibility towards our employees was the establishment in 2002 of the HORNBACH Foundation "People in Need". This has since offered assistance in cases of fatality, accidents and severe illness. Employees in turn document their solidarity with the Foundation with their "Employees help Employees" campaign, in which HORNBACH-Baumarkt-AG doubles the donations collected. Moreover, the Foundation is also a contact point for people outside the company who are in situations of dire need. All in all, the Foundation supported 107 individuals with a total of more than € 148,000 in the year under report.

However, our commitment to society is by no means limited to the work performed by the Foundation. Following the earthquake catastrophes in Haiti and Japan, the company supported reconstruction projects with donations totaling € 250,000. Furthermore, HORNBACH supports the work of many local associations and organizations at our locations. When selecting projects, priority is generally accorded to projects benefiting children and young people. Environmental protection and heritage conservation are two other areas in which the company is active to the benefit of society.

As a member of the Rhine/Neckar European Metropolitan Region, our Group is promoting academic excellence in the region. HORNBACH-Baumarkt-AG has thus continued to support a research project at the German Cancer Research Center (DKFZ) in Heidelberg with € 100,000 a year. HORNBACH Immobilien AG also supports the project with a donation of the same amount. Among other measures, this has facilitated the research carried out by a young female scientist of international standing.

No products from child labor

Over and above this, our basic rules of social responsibility include recognizing the international standards set out in the conventions of the International Labor Organization (ILO). The company thus only procures its products from factories meeting minimum standards, such as exclusion of child and forced labor, no intimidation of employees through maltreatment or verbal threats, no depositing of ID papers with employers, adherence to work safety regulations, and compliance with environmental legislation. Where accommodation is provided, it must be located outside production and materials storage areas. Suppliers have to ensure that these standards are also met by their upstream suppliers. Compliance with these regulations is checked with annual factory audits.

Risk Report

Risk management at the Group

All entrepreneurial activity directly involves opportunities and risks. Effectively managing opportunities and risks therefore represents a critical success factor in sustainably securing the company's value. The Board of Management of HORNBACH-Baumarkt-AG is committed to risk-conscious corporate management which accords top priority at all times to safeguarding the continued existence of the overall company and its subsidiaries. The risk management system (RMS) implemented by the Board of Management is intended to achieve ongoing enhancements in the early identification of risks with the aim of proactively managing such risks, as well as continuously optimizing the company's opportunity/risk profile. On this basis, the Board of Management has adopted the following principles.

Risk policy principles

The generation of economic profit necessarily involves risk taking. Nonetheless, no action or decision may entail any existential risk, i.e. any threat to the continued existence of the company or any of its operations. As a matter of principle, the Group does not enter into any risks which relate neither to its core processes nor to its support processes. Core processes involve developing and implementing the respective business models, procuring merchandise and services, location decisions, safeguarding liquidity and developing specialist and management personnel. Any earnings risks entered into have to be justified by an appropriate level of expected return. The relevant key figures are based on the return on capital committed. Risks which cannot be avoided have to be insured against, where this is economically expedient. Residual risks have to be controlled by means of a range of risk management instruments.

Organization and process

The risk management system in place at the HORNBACH-Baumarkt-AG Group forms an integral part of the company's management structure. It consists of the central components of early risk identification, controlling and planning processes, reporting and an internal control system, and is continually enhanced and optimized.

Responsibility for establishing, organizing and maintaining a suitable, target-based risk management system, and the internal control system in particular, lies with the Board of Management. In terms of the organization and maintenance of the system, the Board of Management is supported by the Director of Group Controlling / Risk Management.

Risk managers at the Group's operations in Germany and abroad are responsible for taking suitable measures to manage risks in their area of responsibility. When identifying and evaluating risks and determining appropriate measures to manage such risks, risk managers are supported by a central risk controller responsible for coordinating risk management processes and aggregating the risks thereby reported.

Risks are evaluated in terms of their implications and their probability of occurrence and are allocated to so-called risk classes in which the risks are classified as representing "high", "medium" or "low" risks overall. In cases where they cannot be quantified, they are assessed in terms of their qualitative implications. The target figures used at the Group (including EBIT) serve as a basis for reference in this respect.

The principles and regulations underlying the risk management system are documented in a risk management handbook. This sets out uniform principles for the overall Group concerning the structures and processes necessary for the early detection of risks. To support the risk management process, a standard software solution has been implemented across the Group which offers assistance in recording and documenting risks and the relevant risk management measures.

Risks are updated quarterly and reported to the Board of Management. The Supervisory Board and Audit Committee discuss the current risk situation on a half-yearly basis. Alongside this scheduled reporting, ad-hoc reporting structures are also in place and have been implemented in the risk management process for risks arising unexpectedly.

The internal control system currently in place is based on standardized documentation requirements at the Group for all processes and related risks which could have a material impact on the financial reporting process. The internal control system is supported in this respect by the relevant work instructions and handbooks available on the Group's intranet.

Within the framework of its activities, the Group Internal Audit Department regularly audits the functionality of the existing risk management system. When auditing the annual financial statements, the external auditor also assesses whether the early warning risk identification system is suitable to provide early warning of any developments that could threaten the continued existence of the company.

Internal control and risk management system in respect of the group financial reporting process (report and explanatory comments pursuant to § 315 (2) No. 5 HGB)

The objective of the internal control and risk management system in respect of the financial reporting process is to identify and evaluate those risks which could prevent the consolidated financial statements from conforming to the relevant requirements. Corresponding control measures and clear responsibilities are allocated for the risks thereby identified. These are intended to provide reasonable assurance of the possibility of preparing financial statements for the overall Group and those subsidiaries requiring consolidation that conform to the relevant requirements in spite of the risks thereby identified.

The HORNBACH-Baumarkt-AG Group began to structure its existing internal control system in respect of the financial reporting process in previous years and to document this uniformly for the overall Group in a risk matrix.

In the course of the 2011/2012 financial year, this documentation of the control measures associated with key standard group processes was continuously extended. The current status of this documentation has been provided to foreign subsidiaries to enable them to review and, where necessary, supplement their risk and control measure descriptions from the 2012/2013 financial year onwards.

Alongside defined control mechanisms, such as technical system and manual agreement processes, key elements of the internal control system include the separation of functions and the existence of guidelines and work instructions, and compliance with such. The principle of dual control is applied throughout the financial reporting process, and compliance is required with specified approval processes. Clearly defined company and management structures, clearly allocated responsibilities and adequate regulations governing access to the information and accounting systems relevant to the financial statements based on a standard authorization concept valid for the entire Group serve to further manage and control risks. These principal control measures are integrated into financial reporting processes.

Group companies prepare their financial statements locally. They are responsible for taking due account of local requirements and compliance with group-wide guidelines in the form of work instructions and accounting and organization handbooks, as well as for the correct reconciliation of local separate financial statements with the IFRS financial statements prepared in accordance with group-wide uniform accounting policies. The accounting handbook in particular sets out clear instructions limiting employees' discretionary scope in terms of the recognition, measurement and disclosure of assets and liabilities, thus reducing the risk of accounting inconsistencies within the Group. In their quarterly group-internal declarations of completeness, the managers responsible for the accounting treatment of the relevant items confirm the correctness and completeness of the respective separate financial statements. On group level, the Group Accounting Department and Group Controlling Department perform further checks on the plausibility and correctness of the accounting data input into the financial statements. The process of preparing consolidated financial statements is centrally coordinated by way of a specified deadline and activity plan and monitored both centrally and locally. Subsidiaries are supported by central contact partners throughout the entire financial reporting process.

Major changes to financial reporting processes due to new laws, legislative amendments or changes in internal processes are discussed prior to implementation at international finance conferences for all managers with significant involvement in the group financial reporting process. Specialist accounting or financial reporting issues and complex matters either involving particular risks or requiring special expertise are monitored and processed centrally. External experts, such as chartered surveyors, are drawn on in particular to assess the fair values of real estate in the context of impairment tests or to measure pension provisions.

All significant processes relevant to financial reporting are uniformly portrayed across the Group in a common IT system for the overall Group. This complete integration of all major finance systems within a uniform IT system ensures the integrity of the data on which the separate and consolidated financial statements are based. In conjunction with the accounting handbook valid for the whole Group, the use of uniform account codes across the Group and central management of the account system ensure uniform accounting treatment of transactions of the same nature.

This also serves as a basis for group consolidation in accordance with the relevant requirements. Consolidation measures and the necessary agreement activities are performed centrally by a consolidation department. The checks to be undertaken in the consolidation processes, such as the consolidation of liabilities, expenses or revenues, are performed both automatically by the system and manually.

The risk of any system breakdown or loss of data is minimized by centrally managing and monitoring all significant IT systems involved in the financial reporting process and regularly performing system backups. As an integral component of the internal control system, within the framework of its activities the Group Internal Audit Department regularly audits the effectiveness of the internal control system in respect of the financial reporting process on the basis of trial samples reviewed in line with a risk-oriented audit plan. Alongside these internal audits, the external auditor also assesses the effectiveness of internal checks of relevance to the financial reporting process within the framework of its audit. Having said this, even suitable, functional systems cannot provide absolute certainty concerning the identification and management of risks.

Financial risks

The Group's financial risks comprise foreign currency, interest rate, liquidity, and credit risks. Responsibility for managing these risks lies with the treasury department.

Foreign currency risks

In general, HORNBACH is exposed to foreign currency risks on account of its activities in countries with currencies other than the euro. Specifically, these involve Swiss francs, Czech crowns, Swedish crowns, and Romanian leis. Any depreciation in a foreign currency against the euro can lead to a reduction in consolidated earnings when translating the separate financial statements of foreign subsidiaries into euros, the Group's currency. These risks are not hedged at the Group.

Furthermore, the increasingly international business activities of the Group result in rising foreign currency requirements both for handling international procurement and for financing objects of investment in foreign currencies. Any change in the exchange rate between the respective national currency and the procurement currencies (chiefly EUR and USD) could have a direct negative impact on earnings. Open foreign currency positions in USD are largely secured by hedging transactions (forward exchange contracts and USD fixed-term deposits). Where possible, investments are financed in the functional currency of the respective country company (natural hedging). Open foreign currency positions arising at the Group in EUR, which mainly relate to intragroup deliveries and services invoiced in EUR and intragroup EUR loans, are not hedged.

Interest rate risks

Interest rate exchange agreements (interest swaps) have been concluded to secure the interest rates on existing non-current liabilities. The interest swaps enable floating interest rates on loans to be exchanged for fixed interest rates, thus securing the interest payments on loans which could have a significant influence on the Group's annual earnings.

Liquidity risks

The acquisition of land, investments in DIY megastores with garden centers and procurement of large quantities of merchandise require liquidity to be permanently available. The financing of the company's further expansion is secured by the inflow of funds from the operating cash flow and where necessary by sale and leaseback transactions, as well as by bilateral bank loans and credit lines, a syndicated credit line of € 250 million with a term running until December 14, 2016, a promissory note bond at HORNBACH-Baumarkt-AG with a volume of € 80 million and a term running until June 30, 2016, two promissory note bonds taken up in local currencies by subsidiaries of HORNBACH-Baumarkt-AG with an equivalent volume of € 20 million each and terms running until August 31, 2015, and not least the € 250 million bond issued by HORNBACH-Baumarkt-AG in the 2004/2005 financial year, which has a term running until November 15, 2014.

HORNBACH is countering the risk of no longer being able to obtain longer-term financing for new locations from banks or via sale and leaseback transactions due to financing conditions on the capital markets by flexibly adjusting its investments, maintaining a substantial liquidity cushion and with short and medium-term financing based on existing credit lines. No security in the form of assets was granted in connection with the bond and the syndicated credit line at HORNBACH-Baumarkt-AG, or the promissory note bonds at the HORNBACH-Baumarkt-AG Group. The contractual terms nevertheless require compliance with specified customary covenants. Failure to do so may possibly result in immediate repayment being required for the funds drawn down. This would necessitate follow-up financing, which would only be possible on stricter refinancing terms. These covenants require compliance with an equity ratio of at least 25 % and interest cover (adjusted EBITDA / gross interest expenses) of at least 2.25. Furthermore, maximum limits have been set for financial liabilities secured by land charges and for financial liabilities at subsidiaries. Compliance with these covenants is monitored on an ongoing basis.

The covenants were complied with at all times during the 2011/2012 financial year. As of February 29, 2012, the equity ratio amounted to 48.6 % (2010/2011: 45.9 %) and interest cover amounted to 7.6 (2010/2011: 7.1).

The information required for efficient liquidity management is provided by rolling group financial planning with a twelve-month budgeting horizon, which is updated monthly, as well as by a daily financial forecast. The Group currently faces no risks in connection with any follow-up financing necessary to cover maturing financial liabilities. At present, no liquidity risks are discernible.

Credit risks

The company limits the risk of any financial loss in connection with financial investments and derivative financial instruments by working exclusively with contractual partners of strong creditworthiness and selecting banks covered by collective deposit security arrangements. Moreover, bank deposits have been distributed among several financial institutions in order to counter the increased risk of bank deposit default in the context of the financial market crisis and the subsequent European debt crisis. This approach was maintained in the 2011/2012 financial year. The company's retail format (cash and carry) means that the risk of receivables defaults in its operating divisions is already considerably reduced.

Further detailed information about financial risks and sensitivity analyses can be found in Note 33 in the notes to the consolidated financial statements.

External risks

Macroeconomic and sector-specific risks

The dependency of HORNBACH DIY megastores with garden centers on general macroeconomic developments and levels of disposable household income could become apparent in the form of unwillingness on the part of customers to make purchases in periods of low economic growth. In particular, the different duration of the impact of the global financial and economic crisis and the subsequent European debt crisis on economic performance figures and labor markets within Europe would appear to indicate that the risks in terms of stagnating or declining DIY sales in those European countries in which HORNBACH operates are still present. Due to the varying impact of the crisis on individual countries, for example, the sales performance of the company's East European locations fell short of expectations once again in the 2011/2012 financial year.

Irrespective of this, a major dependency on economic developments in Germany has been identified. The further expansion into other European countries is intended to achieve an ongoing diversification of risk. Furthermore, the company generates a substantial share of its sales with seasonal articles, whose turnover is significantly affected by external factors, such as weather conditions.

Natural hazards

The climate change observable around the world also directly affects HORNBACH locations in Germany and other European countries. In addition to potential natural catastrophes (e.g. flooding), the Group is also exposed to risks resulting from fire and explosions. The principal insurable natural hazards and any potential interruption to operations arising as a result are covered by group-wide insurance policies.

Operating risks

Location and sales risks

Investments in unsuitable locations could have a significant negative impact on the Group's earnings power. To minimize such risks, investments in new locations are therefore prepared on the basis of detailed market research analysis, with investment decisions being taken on the basis of dynamic investment calculations and sensitivity analyses. The risk of unsatisfactory sales performance due to additional existing factors, such as customer behavior and the local competitive situation, can nevertheless not be excluded entirely. Ongoing investments therefore have to be made in locations, enhancing customer service levels, and in new concepts in order to maintain the company's competitiveness, especially in countries with low market growth and intense competition.

Procurement risks

To avoid the loss of major suppliers, the Group has developed an efficient early warning system that monitors suppliers continuously on the basis of various quantitative and qualitative criteria. The implications of any potential supplier loss are further reduced by probing the market for alternative substitutes at an early stage. Should there be any deterioration in the macroeconomic situation, however, then the risk of the Group losing suppliers and being unable to procure such products elsewhere at short notice cannot be excluded entirely. The overall Group has a total of three central warehouses in order to reduce the risk of any interruption to the logistics chain and optimize the supply of merchandise. In its procurement of merchandise, HORNBACH is subject, among other risks, to increasing purchasing prices for articles involving a high share of crude oil, copper or steel as a result of volatile prices on the international commodities markets. Furthermore, higher prices for products involving energy-intensive manufacturing processes could lead to an increase in overall procurement costs, one which it may not be possible to pass on to customers, or only following a certain delay.

Legal risks

Legislative and regulatory risks

As a result of its business activities in various countries, the HORNBACH-Baumarkt-AG Group is subject to various national legislative frameworks and regulations. Legislative amendments may therefore lead to higher compliance costs. Alongside risks such as those relating to damages claims due to infringements of patents or industrial property rights, or of damages resulting from environmental or product liability, the Group's future earnings situation may also be negatively affected in particular by any tightening up of national construction laws or regulations governing the acquisition of land. To help avert fraudulent actions, the Board of Management adopted a group-wide Corporate Compliance Policy in the 2010/11 financial year already.

Risks relating to legal disputes

In the course of their business operations, the companies of the HORNBACH-Baumarkt-AG Group are inevitably confronted with legal claims on the part of third parties, both in court and out of court. Precautionary accounting measures are taken by recognizing a suitable level of provisions for existing risks in connection with legal disputes. At present, HORNBACH is not involved in any current or foreseeable court or arbitration proceedings which could have any significant impact on the Group's economic situation.

Management and organizational risks

IT risks

The management of the Group is heavily dependent on high-performance information technology (IT). The ongoing maintenance and optimization of IT systems is performed by highly qualified internal and external experts. Unauthorized data access, and the misuse or loss of data are averted by using appropriate up-to-date virus software, firewalls, adequate access and authorization concepts and existing backup systems. Appropriate emergency plans are in place for unexpected breakdowns in IT systems.

Personnel risks

The deployment of highly motivated and qualified employees represents one of the foundations for HORNBACH's success. This pillar of the corporate culture is therefore of great significance for the overall Group. The maintenance of employee satisfaction is evaluated in regular employee surveys carried out by external service providers, while employee qualification levels are continually improved with appropriate training and development measures. Performance-based bonus models support the company in reaching this objective. In its retention of highly qualified specialist and management personnel, however, HORNBACH is dependent on a variety of external factors, such as overall developments on the labor market or in the sector, and is also subject to the specific impact of demographic changes in individual countries.

Overall assessment of risk situation

There were no risks to the continued existence of the HORNBACH-Baumarkt-AG Group in the 2011/2012 financial year. From a current perspective, there are also no discernible risks that could endanger the continued existence of the company in future or sustainably impair its earnings, financial or net asset position.

Other Disclosures

Disclosures under § 315 (4) HGB and explanatory report

As the parent company of the HORNBACH-Baumarkt-AG Group, HORNBACH-Baumarkt-AG participates in an organized market as defined in § 2 (7) of the German Securities Acquisition and Takeover Act (WpÜG) by means of the shares with voting rights thereby issued and therefore reports in accordance with § 315 (4) of the German Commercial Code (HGB).

Composition of share capital

The share capital of HORNBACH-Baumarkt-AG, amounting to € 95,421,000, is divided into 31,807,000 ordinary bearer shares with a prorated amount in the share capital of € 3.00 per share. Each individual ordinary share entitles its holder to one vote at the Annual General Meeting. Reference is made to the relevant requirements of stock corporation law in respect of the further rights and obligations for ordinary shares.

Direct or indirect shareholdings in the capital

HORNBACH HOLDING AG, based in Le Quartier Hornbach 19, 67433 Neustadt an der Weinstrasse, Germany, holds more than 10 % of the voting rights. Its shareholding, and thus its share of voting rights, amounted to 76.4 % as of February 29, 2012.

Statutory requirements and provisions in the Articles of Association relating to the appointment and dismissal of members of the Board of Management and amendments to the Articles of Association

The appointment and dismissal of members of the Board of Management (§ 84 and § 85 of the German Stock Corporation Act – AktG) and amendments to the Articles of Association (§ 133 and § 179 of the German Stock Corporation Act – AktG) are based on the requirements of stock corporation law.

Change of control

Substantial agreements taking effect upon any change of control are in place between HORNBACH-Baumarkt-AG and third parties in respect of contracts relating to the long-term financing of the Group.

Powers of the Board of Management to issue shares

Pursuant to § 4 of the company's Articles of Association (Share Capital), the Board of Management is authorized until July 7, 2016, subject to approval by the Supervisory Board, to increase the company's share capital by a total of up to € 15,000,000.00 by issuing new ordinary shares on one or several occasions in return for cash contributions (Authorized Capital I). The new shares may in each case be issued as ordinary shares with voting rights or as non-voting preference shares. The Board of Management is authorized, subject to approval by the Supervisory Board, to determine the further details concerning the execution of capital increases. Shareholders are generally to be granted subscription rights when the authorized capital is drawn on. However, the Board of Management is entitled, subject to approval by the Supervisory Board, to exclude shareholders' subscription rights:

- in order to settle residual amounts
- to the extent necessary to grant subscription rights to the holders of conversion or option rights issued or still to be issued by the company or by direct or indirect wholly-owned subsidiaries to the extent that they would be entitled to such shares having exercised their respective conversion or option rights
- to offer new shares up to a total volume of € 1,500,000.00 to employees of the company and its subsidiaries for subscription as employee shares
- to the extent that the proportion of share capital attributable to the new shares for which subscription rights are excluded does not exceed a total of ten percent of the existing share capital either at the time of this authorization being adopted or at the time at which such authorization takes effect or is exercised and that the issue price of the new shares does not fall significantly short of the stock market price. Shares issued, disposed of or to be issued by any other direct or analogous application of § 186 (3) Sentence 4 of the German Stock Corporation Act (AktG) are to be imputed to this restriction to ten percent of the share capital. This relates in particular to the disposal of treasury stock undertaken on the basis of an authorization to dispose of treasury stock pursuant to § 71 and § 186 (3)

Sentence 4 of the German Stock Corporation Act (AktG), as well as to shares issued or to be issued in order to service bonds with conversion and/or option rights in cases where the respective bonds were issued on the basis of an authorization pursuant to § 221 (4) and § 186 (3) Sentence 4 of the German Stock Corporation Act (AktG).

The Board of Management is authorized until July 7, 2016, subject to approval by the Supervisory Board, to increase the company's share capital by a total of up to € 30,000,000.00 by issuing new individual shares on one or several occasions in return for cash or non-cash contributions (Authorized Capital II). The new shares may in each case be issued as ordinary shares with voting rights or as non-voting preference shares. The Board of Management is authorized, subject to approval by the Supervisory Board, to determine the further details concerning the execution of capital increases. Shareholders are generally to be granted subscription rights when the authorized capital is drawn on. However, the Board of Management is authorized, subject to approval by the Supervisory Board, to exclude shareholders' subscription rights to the extent that the capital increases in return for non-cash contributions are undertaken for the purpose of acquiring companies or shareholdings in companies.

The Board of Management is further authorized, subject to approval by the Supervisory Board, to exclude shareholders' subscription rights to the extent required to grant subscription rights to owners of conversion or option rights issued or still to be issued by the company or its direct or indirect wholly-owned subsidiaries to the extent that the holders of these rights would be entitled to such shares following the exercising of their conversion or option rights. Moreover, residual amounts may also be excluded from shareholders' subscription rights.

The Supervisory Board is authorized to adjust the wording of the Articles of Association in line with the respective volume and level of utilization of the authorized capital and of any conditional capital.

Compensation report

The compensation report sets out the basic features and structure of the compensation paid to the Board of Management and Supervisory Board. It is a constituent component of the Group Management Report and has been presented in the Corporate Governance chapter from Page 25 onwards of this Annual Report.

Dependent company report

A report on relationships with associate companies has been compiled for the 2011/2012 financial year pursuant to § 312 of the German Stock Corporation Act (AktG). With regard to those transactions requiring report, the report states: "Our company has received adequate counterperformance for all legal transactions executed with associate companies in accordance with the circumstances known to us at the time at which the legal transactions were performed and has not been disadvantaged by such transactions. No measures requiring report arose during the financial year."

Events after the balance sheet date

No events that could be of material significance for the assessment of the net asset, financial or earnings position of HORNBACH-Baumarkt-AG or of the HORNBACH-Baumarkt-AG Group occurred between the balance sheet date on February 29, 2012 and the preparation of this annual report.

Outlook

The European DIY sector will continue to provide HORNBACH with growth opportunities in future as well. These are to be assessed in conjunction with the risks outlined in the Risk Report. Upon the completion of this report, the assessment of the future macroeconomic framework for the retail activities of the HORNBACH-Baumarkt-AG Group involved greater uncertainties than was the case one year ago. Our opportunities are closely linked to future developments in government finances, labor markets, real-term incomes and consumer confidence in Europe. What's more, the business performance of DIY and garden stores could be affected in the coming years by a series of sector-specific development trends (megatrends). Against this backdrop, the company is consistently enhancing its retail format and corporate strategy, aiming to ensure continuity, reliability and sustainability so as to make optimal use of potential opportunities for future growth.

Macroeconomic opportunities

The overall picture concerning future developments in the global economy was highly diffuse at the beginning of 2012, as actual news, hard economic data and key early indicators appeared to emit partly contradictory signals. Bank economists and economic research institutes queued up to reduce their forecasts. In January 2012, the International Monetary Fund corrected its 2011 Autumn Forecast significantly downwards to account for the weaker economic performance in the winter quarter. For 2012, the IMF now only expects economic growth of 3.3 %, compared with the previous forecast of 4.0 % – a level that is nevertheless expected to be more or less regained in 2013. Forecasts were cut above all for the euro area which, given the discussions surrounding the billions channeled into rescue packages for Greece and further unstable countries in Southern Europe, was a source of great concern. The IMF continued to stress the downside risks, and placed the intensification in the euro area sovereign debt crisis at the top of its list of risks. The euro crisis was joined in spring 2012 by the latent conflict in the Middle East due to the nuclear program in Iran, a factor that sent listed crude oil prices soaring to annual highs and thus feeding inflationary concerns. Despite all these developments, economic and market confidence levels seemed to look up once again. Confidence surveys among worldwide procurement managers in February 2012 pointed to a renewed stabilization in economic activity following the dip at the end of 2011.

Growing hopes of economic turnaround in euro area

In February 2012, the European Union also issued a downward correction in the expectations published in its Autumn Forecast in November. For 2012 as a whole, the Commission has now forecast no change in real-term GDP (previously: plus 0.6 %) in EU 27 countries, and a reduction of 0.3 % (previously: plus 0.5 %) in the euro area. The Commission nevertheless expects the European economy to show modest growth in the second half of the year and is pinning its hopes on an economic turnaround. This expectation is backed up by the Economic Sentiment Indicator (ESI), the euro area economic confidence indicator, which brightened up once again at the beginning of 2012. A similar trajectory has been seen in European consumer confidence which, following its long downward slide in the second half of 2011, now gradually seems to be finding a firmer foothold. Weak domestic demand, and in particular the decline in construction activity and private consumer spending, was one of the main causes for the economic weakness recently seen in Europe.

Economists see these forecasts as being subject to substantial uncertainties with regard to the further course of the debt crisis and the ongoing difficult employment situation in Europe. The wide range of estimates for individual countries within the EU is also striking. Forecasts for those individual countries in which HORNBACH operates its DIY stores with garden centers are more positive. Based on Eurostat figures for 2012, only the Netherlands are expected to see a reduction in real-term GDP (minus 0.9 %). In the Czech Republic, economic output is expected to match the previous year's level. The estimates for Germany, Luxembourg, Austria, and Sweden are all at or around 0.7 %. At the upper end of the range of expectations for 2012 are Slovakia (plus 1.2 %), Romania (plus 1.6 %), and Switzerland (plus 1.9 %). In Eurostat's outlook, the European economy is thought to be capable of generating growth of around 1.5 % in 2013. Here, gross domestic product in HORNBACH's network of countries, especially in Eastern Europe, is expected to outstrip the euro area average.

German economy back on expansion course

Many economists have been surprised by the robustness of the German economy. Following the race to catch up in the wake of the financial and economic crisis, Germany also seems to have absorbed the dip in the final quarter of 2011 without any great difficulty and now appears to have returned to a flatter growth curve. This assessment increasingly gained ground among economic experts at banks and research institutes in spring 2012. Based on the median forecast issued by the Centre for European Economic Research (ZEW), real-term GDP in Germany is set to grow by 0.5 % in 2012. With forecast growth of 1.0 %, private consumer spending is expected to play a major role and grow faster than capital investment. Private consumer spending and investments are forecast to increase by 1.2 % and 3.3 % respectively in 2013, thus contributing to higher GDP growth of 1.6 %.

In its monthly report for February, the German Bundesbank predicted that the growth process would recommence in spring 2012 already. This expectation also reflects the positive mood among industrial companies. Well-stocked order books helped companies pass through the weak fourth quarter of 2011 unscathed. Demand from emerging economies is still deemed strong, while the US economy has also started to regain momentum. These factors helped offset the weaker business climate in the crisis-ridden euro area.

Mixed prospects in retail sector

In terms of its labor market and consumer climate, Germany must until recently have seemed to represent an absolute exception when viewed in the overall European context. Even though the economy faltered in the fall and winter of 2011, the German population remained optimistic about the future. This is also confirmed by the consumer confidence surveys carried out by GfK, which reveal that consumers' optimism was grounded above all in expectations as to their future incomes given the stable labor market situation. At an annual average of 41.1 million, the number of people in employment reached a new record level in Germany in 2011.

Against this backdrop, the German retail sector is cautiously optimistic about the future. According to Destatis, retail sales grew by 3.5 % in nominal terms and by 1.6 % in real terms in January 2012. Given the additional shopping day compared with the previous year, this basically represents a stable sales performance. The ifo business confidence index shows that confidence among retail players noticeably improved in January and February 2012 following a slight dip in the fourth quarter of 2011. Almost equal numbers of companies had positive and negative expectations as to their future sales performance in the remainder of the 2012 calendar year.

When calculating its Retail Confidence Index, the Association of German Retailers (HDE) most recently saw increasing numbers of optimistic three-month forecasts. Twelve-month forecasts reached their higher level since August 2011. The HDE believes that consumer spending will contribute to the low economic growth expected in Germany in 2012, but will not itself show any notable momentum. Accordingly, the HDE has forecast nominal sales growth of 1.5 % in 2012. On a price-adjusted basis, sales can thus be expected to mark time. Despite positive developments in private consumer spending thanks to the robust state of the labor market, economic experts believe that it is questionable whether the strong demand for motor vehicles and other durable consumer goods, such as furniture, watches and jewelry, seen in the previous year will continue in 2012 as well. "There will be tough competition in terms of alternative uses for income", stressed the Association. According to the HDE, the key growth driver in 2012 once again will be online retail, where sales are forecast to grow by 13 % to almost € 30 billion.

Underlying conditions in countries outside Germany are less positive. Consumers in surrounding EU countries are more worried about losing their jobs or by the prospect of lower incomes. The European labor market statistics had yet to bottom out in spring 2012. According to Eurostat figures, the euro area unemployment rate rose further in 2011, reaching

10.7 % in January 2012 compared with 10.0 % twelve months earlier. Unlike in Germany, this situation will hold back purchasing power in numerous EU countries in the further course of 2012. This is one of the main reasons for the weak performance of the EU retail sector since summer 2010. Having said this, confidence indicators in the spring showed a hesitant improvement for the euro area as well. Economists expect private consumer spending to grow by 0.3 % in the single currency area in 2012 and that this growth rate will improve further to 0.8 % in 2013.

Housing construction as source of hope
The recovery in the European construction sector will still take time. This was the conclusion reached by the Euroconstruct research and advisory network in its forecast issued in November 2011. However, this forecast was still influenced by the intensification in the sovereign debt crisis at that time and might therefore be deemed overly pessimistic in the light of the brighter economic outlook in spring 2012. Non-housing construction and civil engineering are forecast to contract by 1.5 % and 2 % respectively in 2012, largely on account of falling public sector investment in infrastructure expansion. The main source of hope is housing construction which, based on average construction volumes in 19 EU countries, is expected to stabilize, with slight growth of 1.5 % thought possible in 2012. Having said this, Euroconstruct paints a different picture, in some cases markedly so, for individual countries. Compared with the previous estimates in June 2011, the forecasts for Slovakia, the Czech Republic, Hungary, Spain, Portugal, Italy, Ireland, and the UK were corrected significantly downwards. The situation in the domestic housing construction industry in Sweden was now also viewed far less favorably. For Switzerland, by contrast, housing construction forecasts for 2012 were significantly raised.

In their medium-term forecast for the period from 2011 to 2014, the Euroconstruct researchers paint an overwhelmingly positive picture for the countries outside Germany in which HORNBACH operates. The Dutch housing construction sector, for example, is thought capable of generating average annual growth of 6.3 %. Alongside government-sponsored measures and positive developments on the labor market, this sharp growth is due above all to a need to catch up. In 2009 and 2010, the number of apartments built in the Netherlands dropped by almost a fifth. According to Euroconstruct, this means that 2008 levels will still not have been regained by 2014. Housing construction volumes are set to grow by 4.6 % and 3.7 % a year in Switzerland in Sweden, and by 1.6 % in Austria. The volume of housing construction could contract by an average of 3 % in Slovakia, and even by 5 % in the Czech Republic. Developments here are being held back by macroeconomic expectations, unfavorable developments in private household incomes, persistently high unemployment, and a deterioration in financing terms.

For Germany, the experts have forecast above-average annual growth rates of more than 4 % through to 2014. Following years of declining new construction volumes, there is a great need to catch up when it comes to producing living space. In terms of the number of properties completed, Germany is almost top of the European league, with cumulative growth of 53 % forecast for the period from 2010 to 2014. Germany is thus ranked second behind Norway (plus 79 %). Sweden (plus 52 %), Denmark (plus 44 %) and the Netherlands (plus 32 %) occupy the next positions in the European top ranking.

According to the Bundesbank, this lively demand for construction will provide the overall German economy with substantial momentum in the foreseeable future. Civil engineering will tend to remain weak due to lower public sector demand, but construction faces the prospect of a period of high capacity utilization. The order situation in the construction segment, which includes both housing and commercial construction, was favorable in spring 2012. The two main construction industry associations (*Hauptverband der Bauindustrie* and *Zentralverband des Baugewerbes*) forecast growth rates of five to six percent in housing construction in 2012. The equivalent forecasts for commercial construction ranged between two and three percent.

Sector-specific opportunities

The medium-term macroeconomic framework and the outlook for the construction and retail sectors also offer the DIY sector positive development opportunities overall in the countries where we operate. What's more, DIY store and garden center operators stand to benefit in future from specific megatrends harboring various degrees of potential in individual country markets in terms of rising demand for products and services relating to construction, renovation and gardens. Looking forward, developments are crucially dependent on both the macroeconomic framework and company and business confidence levels remaining stable. Macroeconomic forecasts are thus subject to the ever-present risk of potentially unwelcome developments surprises arising in connection with the sovereign debt crisis or the conflict in the Gulf region.

In its outlook for 2012, the BHB DIY sector association expects the stable developments seen in the DIY sector to continue, provided that there is no unexpected increase in risks and uncertainties. Following nominal sales growth of 1.5 % in 2011, the BHB has forecast growth in a range of between 1.8 % and 2.0 % for 2012, and thus ahead of the growth forecast for the German retail sector as a whole. The sector has begun 2012 on a promising note. Like-for-like sales in the sector soared by around six percent in January, and also managed to show slightly positive overall developments during the period of icy weather conditions in February 2012.

According to the findings of the "DIY and Home Improvements Stores in Austria in 2011" report compiled by the BHB/GfK, the DIY sector managed to improve its sales by 1.6 % both on an unadjusted basis and on a like-for-like basis in the past year. Sector experts expect the sales performance in 2012 to be similarly positive to that seen in 2011. In Switzerland, DIY store operators expect to see a trend reversal in 2012. In the past year, the strength of the Swiss franc drove domestic consumers to shops in neighboring countries. That was one of the main reasons for the 2.1 % downturn in nominal sales. For 2012, by contrast, the BHB has forecast a slight recovery, with moderate sales growth of 1.0 % to 1.5 % in nominal terms.

Based on the key factors outlined above, such as levels of employment, income and consumer confidence, as well as developments in the construction sector, developments in the sector in the two-year forecast period through to 2013 can be expected to be volatile, with a wide range of positive and negative expectations concerning developments in the countries within our group-wide network.

In the hunt for growth factors, one key aspect of relevance to the entire European construction and modernization sector is the great need for solutions in terms of energy-saving building technology and energy efficiency and of contemporary interior fittings. There is an immense backlog of renovation work in Eastern Europe in particular, although the difficult period of consolidation in these countries means that their economies are only expected to recover sluggishly and significantly later than their west European counterparts. Accordingly, the DIY retail sector in Eastern Europe will encounter greater difficulties in returning to the level of sales seen before the financial crisis in 2009, and in exceeding these in the medium term.

Overall, we believe that the outlook is favorable for increasing sales and earnings in the DIY sector in Germany and abroad. These growth prospects are backed up by the megatrends briefly described below.

Opportunities due to sustainability

Construction work on existing buildings (the modernization and renovation market) has become an ever more important factor in the business performance of DIY and garden stores in recent years. The share of construction work involving new housing, by contrast, is declining across Europe and most recently accounted for significantly less than half of total housing construction investments. In Germany, sales in the modernization market have exceeded new construction volumes since 1998. More than three quarters of the total construction volumes of more than € 130 billion now involve modernization projects. Three key trends are responsible for this development:

- The **age structure of existing real estate** indicates an increasing need for maintenance and modernization. In Germany, for example, three quarters of all apartments are more than 30 years old. Less than 5 % have been built since 2000. Almost one in three detached houses in Germany is in need of renovation. Half of the owner-occupied houses built between 1949 and 1960 have not yet been comprehensively renovated and no longer meet current technology standards in terms of energy efficiency. Given that the property will decline in value and attractiveness on the housing market unless renovation measures are undertaken, the need for construction services and materials can be expected to increase.

- In view of the long-term increase in energy costs and climate protection, renovating buildings in terms of their energy efficiency is becoming an ever more important factor – one promoted not least by numerous laws, directives, ordinances and subsidies on European and national levels. **Energy-efficient construction and renovation** enable a residential property's energy costs to be cut by around three quarters and the property's operating costs to be sustainably reduced over its lifecycle. At the same time, energy-efficiency renovation makes a major contribution towards cutting CO_2 emissions. Energy efficiency is therefore one of the top themes in the European DIY sector. There is great need for investment, especially in heating technology, replacement windows, and heat insulation. Not only that, construction based on regenerative materials and the use of energy-saving lighting solutions and building technology are also high on the agenda in the DIY and real estate sectors.

- Given demographic developments in Europe, **barrier-free construction** involves the challenge of adapting existing living space and urban infrastructure to enable elderly people to retain their freedom and live independently in their familiar surroundings for as long as possible. Demand for senior-friendly construction solutions, such as barrier-free access to buildings and apartments, the installation of elevators, and doorway-widening and sanitary conversion measures, will therefore continue to rise.

These three megatrends can also be summarized under the heading of "sustainability". The ecological, economic and social dimension of sustainable construction is ever more important as a key competitive factor, not only in the real estate market. At the same time, by offering the right range of products and services, high-performing industrial and retail players, as well as tradesmen, stand to benefit from the ever greater sales potential resulting from this development.

Opportunities due to new market potential

Based on estimates compiled by IFH Retail Consultants, the European DIY market has a total volume of more than € 300 billion. Numerous different sales formats are competing for the favor of DIY enthusiasts, construction clients and garden lovers. By offering suitable customer focus and specialist retail concepts, DIY store operators have the opportunity to acquire additional market share at the cost of other sales formats. This growth potential is inversely proportionate to the share of the total DIY market accounted for by DIY stores in a given country.

Germany is the largest DIY market in Europe. Having said this, DIY and home improvement stores in Germany have so far only exhausted part of their customer potential. In Germany, this distribution channel only covers around half of the core DIY market, which has a market volume of around € 44 billion. The other half of the market is accounted for by specialist retailers (e.g. specialist tile, interior decoration, lighting or sanitary stores), builders' merchants, timber merchants, and small-scale specialist retail formats. In other European countries, DIY stores account for a higher share of the market, in some cases considerably so.

Alongside activities to boost competitiveness in stationary retail formats, the DIY store and garden center sector is also increasingly relying on the internet as a distribution channel. In Germany, various measures to build up online retail platforms have only been underway since 2010.

According to figures released by the Association of German Retailers (HDE), sales in the German online retail sector grew by 10 % to € 26.1 billion in 2011, and are forecast to increase by 13 % to € 29.5 billion in 2012. Based on sector estimates, DIY retailers generated disproportionate growth in this area in 2011, boosting their online sales by 30 % to € 430 million. For 2012, market experts expect online sales with DIY articles to rise by almost a third. In the period from 2010 to 2015, e-commerce sales at DIY store operators are forecast to treble to around € 1.0 billion.

Specialists see multichannel retailing, in which the stationary business is closely dovetailed with online retail, as representing one of the most promising sales formats within e-commerce. Today's customers are more reluctant to commit to just one channel. They inform themselves about articles and prices online and then buy the products themselves at the DIY stores, or they start by obtaining advice from specialist sales staff at the store before reaching their actual purchase decision at their computers. Not only that, e-commerce is also set to become more sociable. Social media offer innumerable platforms for consumers to share their experience with projects, products, and prices, as well as with providers and their service and quality standards. Ever more companies in the DIY sector are dealing closely with these networks and entering into active dialog with their customers.

Opportunities due to consumer trends

Past experience shows that people are more likely to withdraw into their private sphere during periods of uncertainty than at other times ("homing"). Consumers spend more time at home again and are prepared to invest in decorating and equipping their own four walls. This is not just a German phenomenon but also a key international motivation for home improvement as a popular leisure activity. Sector observers expect this homing trend to continue. This is all the more relevant at present, as consumers in numerous regions across Europe are benefiting from low mortgage interest rates and prefer to channel their resources into private house construction or renovation projects than into alternative capital investments that are increasingly viewed as unsafe or unattractive.

The realization of "living worlds" is playing an ever greater role in modernization projects in consumers' houses, apartments and gardens. Consumers are showing growing awareness of trends and influences from the realms of fashion, art, architecture and the media. Consumers' desire to map these living trends onto their own four walls is socially motivated by a desire for durable values, quality (of living), individualism and emotional flair. Compared with specialist retailers, the DIY store sector still has great potential for development, and thus new opportunities, in terms of addressing its target groups in ways which arouse their emotions, presenting "living worlds", and advising consumers on complex interior design projects.

Opportunities offered by internationalization

Over and above the opportunities available in the German DIY market, the company's expansion into other countries offers additional growth prospects. Numerous leading German DIY store players already took the decision to expand outside their own borders years ago. Outside Germany, they hope to benefit from greater sales potential and higher profitability than in the saturated German market. Not only that, internationalization also helps companies spread their market risks more widely.

It should be noted, however, that regional DIY markets are increasingly gaining in maturity and that some EU countries are having trouble recovering from the downstream impact of the financial and sovereign debt crisis on employment and income levels. These factors increase the strategic, as well as the equity requirements placed in DIY retail players if they wish to generate attractive sales and earnings growth in the longer term as well.

Strategic opportunities

Our aim is to continually expand HORNBACH's position in the European DIY market by means of organic growth. Our sales and profitability are to be sustainably increased by expanding our internationally successful retail format. This involves focusing on the strategic enhancement of our concept and the expansion of our store network at locations offering above-average growth potential in Germany and abroad. Account will also be taken of the opportunities resulting from the changes in the underlying economic and sector conditions referred to above.

- The company's strategy focuses on the concept of projects. HORNBACH is increasingly able to differentiate itself from its competitors with this approach, which is reflected in its product range, service and pricing policies. This **unmistakable differentiation** is necessary for the active promotion of the consolidation process, especially in Germany. Our solid financial resources, public corporate rating and the flexibility available to us in refinancing the business on the capital market will enable us to invest considerable sums in differentiating HORNBACH's format in future as well.

- One unshakable component of our uniform strategy across the Group is our reliable **permanent low price policy**. We believe that we are better able to retain customers at HORNBACH in the long term by offering and guaranteeing the best market price on a permanent basis. In particular, our main target group of project customers, who often undertake large-scale renovation work, needs to be able to budget in the long term. This is hardly possible with temporary discount campaigns.

- DIY customers are increasingly according priority not only to competitive prices, but also to the **quality** and **sustainability** of the products and advisory services on offer. Above all the lifestyle-driven customer target group, who base their lifestyles on health and sustainability factors, is playing an increasingly important role in this respect. These so-called "LOHAS" (lifestyle of health and sustainability) have above-average incomes, and are conscious, critical consumers. They accord great value to quality, brand and design. With our focus on the quality and sustainability of our product ranges, accompanied by professional advice, we are particularly well-placed to meet the high standards of these target groups. We are the DIY sector leaders, for example, in our procurement of FSC-certified timber products.

- We believe that we are excellently positioned in the sector with regard to the ever more important **market for modernization** and, within this market, especially with regard to the increasingly strict legal requirements governing **building energy efficiency**. We will in future continue to present complex projects, such as the insulation of facades or the replacement of windows and doors, as "Project Shows" at the stores. The "Project Show" is an innovative marketing instrument aimed at intensifying the project concept. Presentations held in special event sections at the stores provide customers with specialist advice, information and suggestions as to how they can undertake renovation projects or realize their dream living space either under their own steam or with specialist support. These activities are being extended further to cover the entire building shell and accompanied by service packages from our tradesman service. Moreover, Further sales momentum may also be provided by public sector programs subsidizing the renovation of old properties in terms of energy efficiency or to make them senior-friendly. Here, we offer an extensive database on our homepage enabling customers to research subsidy programs provided on federal, state and district levels, as well as by energy supply companies.

- We see the **Buy-it-yourself** (BIY) or Do-it-for-me market segment as offering promising growth opportunities. This segment includes the target group of those customers who are on the lookout for solutions for their home improvement projects and who wish to purchase the product ranges themselves, but who then prefer to have the work undertaken by a specialist. We also view this market segment within the broader context of the ageing population in

Germany and other parts of Europe. To tap this potential, we have, among other measures, extended our range of tradesman services. It is possible, for example, to have an entire bathroom renovation or the assembly of doors, garage doors, or awnings conveniently handled with HORNBACH acting as the general contractor guaranteeing that the work is carried out on time, correctly and at the agreed fixed price, as well as assuming responsibility for the warranty.

- Furthermore, we are expanding our range of services, information and advice in order to attract **new customer groups** to HORNBACH. These include home improvement demonstrations at the stores intended to motivate customers to do it themselves, special workshops for women, and the targeted use of step-by-step displays. These measures are backed up by the promotion of specialist skills on the part of the store personnel with the aim of achieving a further increase in product expertise and advisory competence, and thus in customer satisfaction. Our DIY megastores with garden centers are also increasingly of interest to professional customers. Generous opening hours, the stocking of large quantities, the rapid handling of purchases at our drive-in stores and builders' merchant centers, and the uncomplicated acceptance of residual volumes no longer required make HORNBACH an attractive alternative to traditional specialist retail or wholesale procurement sources.

- Since December 1, 2010, DIY enthusiasts and tradesmen have also been able to shop at HORNBACH on the internet (www.hornbach.de). The **online shop**, whose product range is being gradually expanded, represents a key strategic addition to our stationary retail business. By taking this step, we aim to targetedly exploit the considerable future growth potential retail experts see in multichannel retailing. Not only that, the online shop offers us the opportunity of acquiring new customers outside our store network catchment areas and arousing their interest in the HORNBACH brand. One further advantage is that the online shop and the results of price comparisons on the internet make our permanent low price strategy transparent to an extent that would not be possible via traditional sales and marketing channels alone.

- The exploitation of opportunities is not limited to further enhancing our concept or accessing market segments. We are also focusing on **optimizing our operating processes**. The processes involved in store organization, sales and the links to procurement and logistics are subject to a process of ongoing enhancement. This is expected to have a sustainable positive impact on the Group's sales and earnings performance.

- The **internationalization of group procurement** provides us with broad-based access to global procurement markets, and enables us to forge strategic, long-term partnerships with suppliers and industry. These partnerships benefit both sides. We provide each supplier with the opportunity to supply all of our stores as efficiently as possible. Suppliers are able make large-scale logistical deliveries directly to each location, or to supply the merchandise indirectly via our three central logistics hubs, where large numbers of individual deliveries are pooled using the cross docking function. We thus also provide regional manufacturers with the opportunity of growing outside their existing sales regions and supplying goods to additional countries. The fact that our retail format is increasingly attracting professional customers to HORNBACH has enabled us to acquire production specialists who would otherwise only supply professional specialist retailers.

  The flexible dovetailing of our suppliers with the company's logistics structures optimizes our value chain and secures a significant competitive advantage for us. The proximity of our suppliers to procurement structures in the individual countries enables us to optimally adapt our product selection to regional requirements in those countries and to improve our margins due to benefits of scale. We are tapping further earnings potential by increasingly developing private labels in cooperation with partners. These provide our customers with attractive value for money, while at the same time differentiating us from competitors.

- HORNBACH is committed to **organic growth**. We will continue to track down opportunities in our expansion across Europe in future as well. In Germany, we are relying on selective growth. Notwithstanding the general problem of excess surface capacity in the densely occupied German DIY market, there are still local and regional catchment areas with below-average coverage with DIY stores and garden centers. Here, we can draw on our structural advantages and benefits of scale, especially our high surface productivity together with the largest average store size in the market. In our expansion, we will nevertheless be focusing on countries outside Germany. Due to their lower degree of market saturation in the DIY megastore and garden center segment compared with Germany, most other European regions harbor above-average growth opportunities.

Outlook for the Group

Since the financial crisis in 2009, the basis for forecasting future developments has been subject to greater macroeconomic uncertainties than previously. At core, these relate to how industrialized economies plan to regain control of the problems resulting from excessive government debt. The intensification in the euro area, with the highly controversial rescue package for Greece, is perhaps not the final development of its kind. Future developments remain subject to numerous risks. Market volatility has increased across the board. Short to medium-term developments in sales, procurement and refinancing markets are difficult to predict.

One crucially important factor for the business prospects of the HORNBACH-Baumarkt-AG Group is the future development in consumer demand in those countries in which we operate. Private consumer spending is decisively affected by the development in levels of employment and disposable income, factors affected not least by the development in inflation, savings measures to consolidate government finances, and social security and healthcare reforms. Forward-looking parameters, such as expectations as to developments in the overall economy and in personal incomes, or consumers' propensity to spend, act as confidence indicators pointing to future developments in real economic data.

The statements made concerning the two-year forecast period are based on the company's medium-term planning, which has a budgeting horizon of five years and is extrapolated annually. The corporate budget for the financial years 2012/2013 to 2016/2017, into which the annual budget for 2012/2013 is integrated, was approved by the Supervisory Board at the end of February 2012.

Expansion

It is planned to significantly step up the pace of our expansion in the 2012/2013 and 2013/2014 financial years compared with the two previous years – two and three new stores were opened in 2010/2011 and 2011/2012 respectively. Some of the planned new store openings are intended to replace existing locations no longer meeting the latest standards. We have not planned any market entry in a new country for the forecast period, but will rather focus on expanding and modernizing our store network in our existing country markets, i.e. in Germany and eight other European countries. Depending on the progress made in the building permit and construction planning stages, store openings may be rescheduled between individual years. The majority of new stores will be opened outside Germany.

In the 2012/2013 financial year, we plan to open up to six new HORNBACH DIY megastores with garden centers across the Group. Outside Germany, four locations are planned. Upon the completion of this report, three locations were under construction: Romania (1), Sweden (1) and Switzerland (1). In Germany, we intend to open two new stores, of which one as a replacement location. Up to nine new store openings are planned across Europe for the 2013/2014 financial year. Of these, up to five stores will be in other European countries. The four stores planned in Germany are mainly replacement locations. These will be offset by the closure of four old locations. Including replacement locations and closures, the group-wide total number of HORNBACH DIY megastores with garden centers based on the expansion planned for the current and next financial year should rise to up to 144 by February 28, 2014 (February 29, 2012: 134).

Investments

Assuming that sales and earnings develop as expected, the gross investment volume at the HORNBACH-Baumarkt-AG Group is budgeted to range between € 150 million and € 170 million in each of the 2012/2013 and 2013/2014 financial years. We will thus be investing significantly more than in the 2011/2012 financial year (€ 104 million). The overwhelming share of these funds will be channeled into building new stores, equipping new and existing stores, converting and extending existing stores, and IT infrastructure.

HORNBACH enjoys maximum flexibility in terms of financing its investments. Alongside the free cash flow from operating activities, the company's cash resources and free credit lines mean that a large volume of disposable liquidity is available. Furthermore, if need be there is the possibility of financing investment projects with sale and leaseback transactions, for example, or by taking up additional promissory note bonds.

Sales performance

Our ongoing objective is that of achieving sustainable organic growth in the core operating business of the HORNBACH DIY megastores with garden centers. We have based our forecast for the 2012/2013 financial year on the expectation that consolidated sales will show a similar rate of growth as in the 2011/2012 financial year under report. In terms of like-for-like sales, we expect growth in 2012/2013 to fall short of the previous year's figure (plus 2.8 %). This expectation also reflects the economic slowdown forecast for most EU countries in 2012. In conjunction with the stepping up in the rate of expansion, the revival in gross domestic product and consumer spending expected from the second half of 2012 should then lead to increased sales momentum in the European countries in which we operate in the 2013/2014 financial year. We aim to achieve ongoing improvements in the operating processes underlying our sales and services by introducing numerous measures and concepts. Our aim is to continually enhance customer satisfaction levels by competently extending the range of advice and assistance provided to our customers both in the stationary retail business and at the online store.

- Based on our expectations, **Germany** will be one of the regions showing the highest rates of sales growth once again in the 2012/2013 financial year. Here, we expect the rate of like-for-like sales growth to exceed the group average once more. We expect this positive sales trend to continue in the following 2013/2014 financial year. This forecast is based on the assumption that the consumer climate remains more or less stable on account of robust developments in employment and income levels. However, in the event of any significant macroeconomic turbulence in the two-year forecast period, for example as a result of an unexpected intensification in the euro debt crisis or of exogenous price shocks on commodity markets, then the possibility of like-for-like sales reducing cannot be excluded. Given our strong competitive position, we are confident that HORNBACH will continue to outperform the German sector average and thus acquire further market share in future as well.

- Consistent with our base scenario, we intend to improve our sales performance in **other European countries** in the 2012/2013 and 2013/2014 financial years compared with the 2011/2012 financial year under report. We thus expect to see consistent like-for-like sales growth in all eight countries outside Germany in the forecast period. We are more positive in our assessment of growth prospects for our west European locations than for their east European counterparts. Having said this, our stores in Romania, Slovakia, and the Czech Republic, should nevertheless manage to gradually increase their sales momentum in the coming years. Irrespective of the hesitant economic recovery, the backlog in the east European construction and modernization market is enormous. Should there be any significant deterioration in the macroeconomic framework, a development not expected upon the preparation of this report, then our locations in other European countries would also be exposed to the risk of a reduction in like-for-like sales.

We expect our consolidated sales, i.e. our net sales accounting for new openings, closures and extensions of stores, to show growth in a medium single-digit percentage range in the current 2012/2013 financial year and in a medium to high single-digit percentage range in the following 2013/2014 financial year.

Earnings performance

Our future earnings performance is mainly based on the expected earnings contributions from the DIY store and real estate segments.

- The operating earnings performance of the **DIY store segment** is primarily dependent on the rate of change in like-for-like sales. A further key factor is the gross margin, which we believe will tend slightly downwards over the two-year forecast period. We see this as being due above all to the increased pressure on margins on account of the sharp growth in e-commerce in the DIY store sector. As retail prices, consistent with our multichannel strategy, are identical both at the online shop and in our stationary retail outlets, we expect prices to be negatively affected. We intend to counter this factor with positive volume effects, by raising our share of private labels and introducing selective price policy measures while maintaining our permanent low price strategy.

The store expense ratio (store expenses as a percentage of net sales) is budgeted to gradually decrease in the 2012/2013 and 2013/2014 financial years. The ongoing improvement in business processes and increased energy efficiency at the stores should make a key contribution towards enhancing productivity at the stores, and should more than offset the budgeted rise in expenses for maintenance and conversion measures, and for modernizing merchandise presentation.

Due to the faster pace of expansion, pre-opening expenses are set to rise noticeably in the 2012/2013 financial year and to remain at around the same level in the following 2013/2014 financial year. The administration expense ratio will show a further slight increase in the two-year budget period through to the end of February 2014 compared with the 2011/2012 financial year. This is due on the one hand to a series of organizational changes in the company's administration structures, including the enlargement of the Board of Management from March 1, 2012. On the other hand, innovation projects, such as the further expansion in HORNBACH's internet store and its Customer Service Center, require higher volumes of resources to be invested in specific periods. The administration expense ratio is then expected to decline gradually from the 2014/2015 financial year.

- The earnings performance of the **real estate segment** in the two-year forecast period through to the end of February 2014 will mainly be characterized by the stable development in rental income in line with the Group's expansion. Over this period, it is planned to dispose of up to three new HORNBACH DIY megastores with garden centers by way of sale and leaseback transactions.

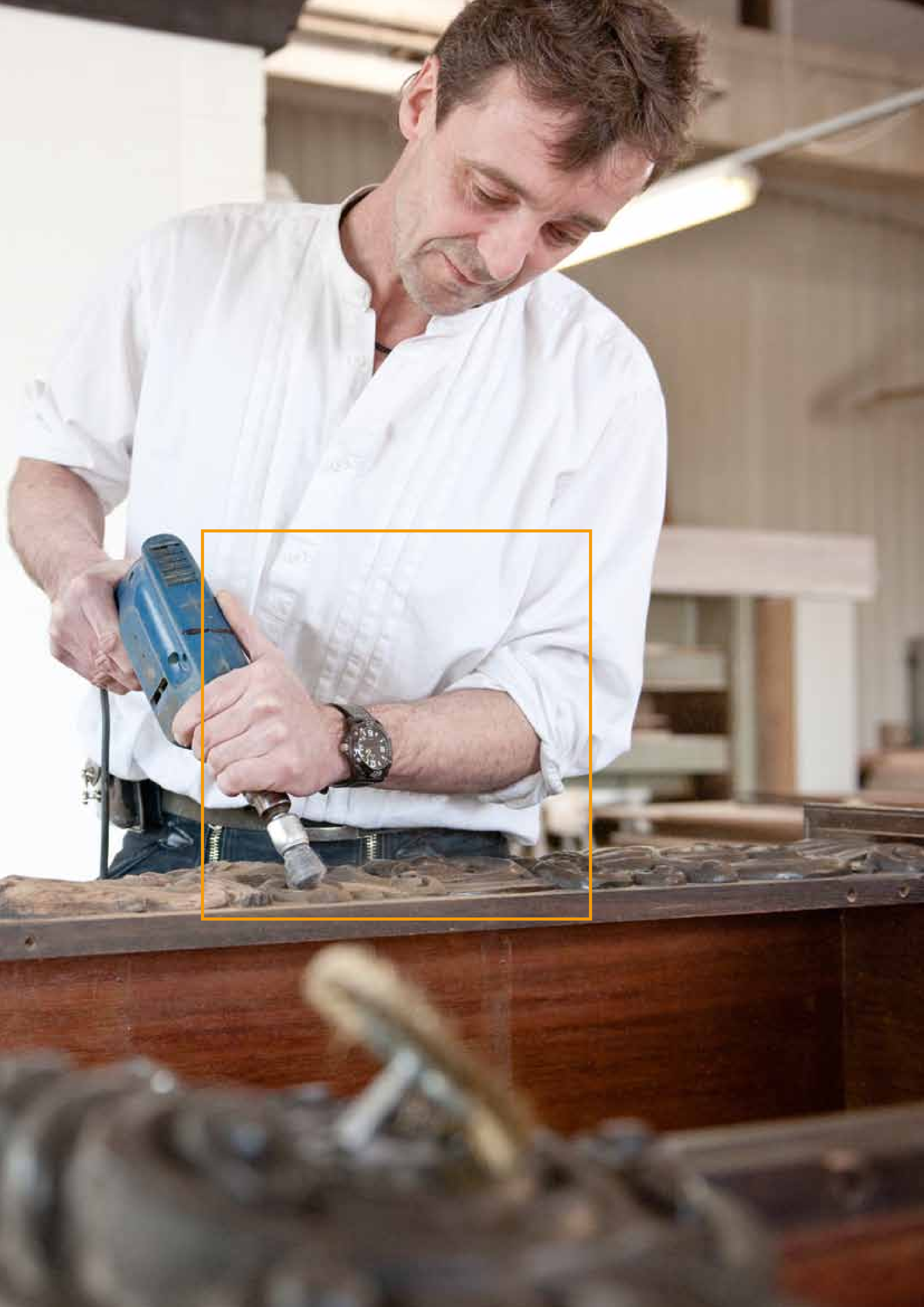
The earnings performance of the Group in the 2012/2013 and 2013/2014 financial years will be determined by the development in earnings in the DIY store segment. Due mainly to a slight decrease in the gross margin and to higher administration and pre-opening expenses, we expect operating earnings (EBIT) at the HORNBACH-Baumarkt-AG Group for the current financial year (2012/2013) to be at the same level as in the 2011/2012 financial year (€ 128 million).

We consciously accept that the expenses budgeted for innovation projects and for an even more effective organizational structure will temporarily hold back our earnings performance. We are nevertheless convinced that the further development of our intrinsic strengths will contribute towards accelerated sales and sustainable earnings growth in the following years. We therefore expect to see a noticeably higher level of earnings from the 2013/2014 financial year.

DISCLAIMER
This annual report is to be read in the context of the audited financial data of the HORNBACH-Baumarkt-AG Group and the disclosures made in the notes to the consolidated financial statements contained in the annual report. It contains statements relating to the future based on assumptions and estimates made by HORNBACH's Board of Management. Forward-looking statements are 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 turn out to be accurate. The assumptions may involve risks and uncertainties which could result in actual events 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. The diagrams and charts, as well as the comments relating to such, have been provided for illustrative purposes and do not form part of the management report.

Knock on wood

As a little boy, Ralf looked over his father's shoulder when he was doing his woodwork.
He was seized by a passion for this living material and made it his job. His newest project is also his oldest. This intricately decorated cabinet is a customer's family heirloom. Absolute attention to detail is crucial. The customer has placed his trust in Ralf, and he in turn can depend on HORNBACH's professional service. ■



CONSOLIDATED FINANCIAL STATEMENTS

Income Statement of the HORNBACH-Baumarkt-AG Group

for the period from March 1, 2011 to February 29, 2012

	Notes	2011/2012 € 000s	2010/2011 € 000s	Change %
Sales	1	3,001,049	2,836,106	5.8
Cost of goods sold	2	1,878,131	1,775,783	5.8
Gross profit		**1,122,918**	**1,060,323**	**5.9**
Selling and store expenses	3	870,819	829,559	5.0
Pre-opening expenses	4	7,172	4,944	45.1
General and administration expenses	5	129,414	118,682	9.0
Other income and expenses	6	12,900	11,971	7.8
Earnings before interest and taxes (EBIT)		**128,413**	**119,109**	**7.8**
Other interest and similar income		5,983	3,879	54.2
Other interest and similar expenses		25,245	24,715	2.1
Other financial result		(2,699)	3,726	
Net financial expenses	**7**	**(21,961)**	**(17,110)**	**28.4**
Consolidated earnings before taxes		**106,452**	**101,999**	**4.4**
Taxes on income	8	29,074	26,334	10.4
Consolidated net income		**77,378**	**75,665**	**2.3**
Basic/diluted earnings per share (€)	9	2.43	2.38	2.1

Statement of Comprehensive Income of the HORNBACH-Baumarkt-AG Group

for the period from March 1, 2011 to February 29, 2012

	Notes	2011/2012 € 000s	2010/2011 € 000s
Consolidated net income		**77,378**	**75,665**
Actuarial gains and losses on defined benefit plans	23	1,322	(2,842)
Measurement of derivative financial instruments (cash flow hedge)			
Measurement of derivative hedging instruments directly in equity		(8,785)	4,288
Gains and losses from measurement of derivative financial instruments transferred to profit or loss		1,650	2,679
Exchange differences arising on the translation of foreign subsidiaries		4,845	12,748
Deferred taxes on gains and losses recognized directly in equity	8	1,646	(1,444)
Other comprehensive income		**678**	**15,429**
Total comprehensive income		**78,056**	**91,094**

Balance Sheet of the HORNBACH-Baumarkt-AG Group

as of February 29, 2012

Assets	Notes	2.29.2012 € 000s	2.28.2011 € 000s
Non-current assets			
Intangible assets	11	16,291	20,451
Property, plant, and equipment	12	644,437	593,144
Investment property	12	5,824	5,965
Financial assets	13	1,229	1,238
Non-current receivables and other assets	14/23	3,821	2,986
Non-current income tax receivables	26	7,985	8,991
Deferred tax assets	15	7,337	7,855
		686,924	**640,630**
Current assets			
Inventories	16	475,659	459,497
Other receivables and assets	17	57,179	60,708
Income tax receivables	26	4,070	3,189
Cash and cash equivalents	18	404,250	422,590
Non-current assets held for sale and disposal groups	19	0	5,085
		941,158	**951,069**
		1,628,082	**1,591,699**

Equity and liabilities	Notes	2.29.2012 € 000s	2.28.2011 € 000s
Shareholders' equity	**20**		
Share capital		95,421	47,710
Capital reserve		143,623	143,623
Revenue reserves		552,961	538,539
		792,005	**729,872**
Non-current liabilities			
Non-current financial debt	22	407,304	339,095
Provisions for pensions	23	0	521
Deferred tax liabilities	15	35,668	37,072
Other non-current liabilities	24/27	28,636	24,204
		471,608	**400,892**
Current liabilities			
Current financial debt	22	24,601	101,330
Trade payables and other liabilities	25	244,434	263,289
Income tax liabilities	26	27,848	29,103
Other provisions and accrued liabilities	27	67,586	67,213
		364,469	**460,935**
		1,628,082	**1,591,699**

Statement of Changes in Equity of the HORNBACH-Baumarkt-AG Group

2010/2011 financial year € 000s	Notes	Share capital	Capital reserve	Hedging reserve	Cumulative currency translation	Other revenue reserves	Total equity
Balance at March 1, 2010		**47,710**	**143,623**	**(3,542)**	**12,383**	**454,533**	**654,707**
Consolidated net income						75,665	75,665
Actuarial gains and losses on defined benefit plans, net after taxes	23					(2,318)	(2,318)
Measurement of derivative financial instruments (cash flow hedge), net after taxes				4,999			4,999
Foreign currency translation					12,748		12,748
Total comprehensive income				**4,999**	**12,748**	**73,347**	**91,094**
Dividend distribution	21					(15,904)	(15,904)
Treasury stock transactions						(25)	(25)
Balance at February 28, 2011		**47,710**	**143,623**	**1,457**	**25,131**	**511,951**	**729,872**

2011/2012 financial year **€ 000s**	Notes	Share capital	Capital reserve	Hedging reserve	Cumulative currency translation	Other revenue reserves	Total equity
Balance at March 1, 2011		**47,710**	**143,623**	**1,457**	**25,131**	**511,951**	**729,872**
Consolidated net income						77,378	77,378
Actuarial gains and losses on defined benefit plans, net after taxes	23					1,063	1,063
Measurement of derivative financial instruments (cash flow hedge), net after taxes				(5,230)			(5,230)
Foreign currency translation					4,845		4,845
Total comprehensive income				**(5,230)**	**4,845**	**78,441**	**78,056**
Dividend distribution	21					(15,904)	(15,904)
Treasury stock transactions	20					(19)	(19)
Issue of bonus shares	20	47,711				(47,711)	0
Balance at February 29, 2012		**95,421**	**143,623**	**(3,773)**	**29,976**	**526,758**	**792,005**

Cash Flow Statement of the HORNBACH-Baumarkt-AG Group

	Notes	2011/2012 € 000s	2010/2011 € 000s
Consolidated net income		**77,378**	**75,665**
Depreciation and amortization of non-current assets	10	57,104	53,809
Change in provisions		7,477	3,841
Gains/losses on disposals of non-current assets and of non-current assets held for sale		(159)	(561)
Change in inventories, trade receivables and other assets		(15,157)	(27,000)
Change in trade payables and other liabilities		(25,046)	44,819
Other non-cash income/expenses		2,181	1,994
Cash flow from operating activities		**103,778**	**152,567**
Proceeds from disposal of non-current assets and of non-current assets held for sale		11,118	38,009
Payments for investments in property, plant, and equipment		(93,008)	(60,167)
Payments for investments in intangible assets		(2,621)	(7,757)
Payments for acquisitions of shareholdings and other business units		(8,148)	0
Cash flow from investing activities		**(92,659)**	**(29,915)**
Dividends paid	21	(15,904)	(15,904)
Proceeds from taking up long-term debt	22	80,000	40,000
Repayment of long-term debt		(93,100)	(20,534)
Proceeds from group financing activities		(62)	(12)
Payments for transaction costs		(1,591)	(593)
Change in current financial debt		(21)	490
Cash flow from financing activities		**(30,678)**	**3,447**
Cash-effective change in cash and cash equivalents		(19,559)	126,099
Change in cash and cash equivalents due to changes in exchange rates		1,219	911
Cash and cash equivalents at March 1		422,590	295,580
Cash and cash equivalents at February 29/28		**404,250**	**422,590**

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

The non-cash income/expense item mainly relates to deferred taxes, unrecognized exchange rate gains/losses, write-ups to non-current assets, and write-downs of non-current assets held for sale.

The cash flow from operating activities was reduced by income tax payments of € 30,461k (2010/2011: € 19,328k) and interest payments of € 26,513k (2010/2011: € 26,622k) and increased by interest received of € 5,983k (2010/2011: € 3,879k).

The proceeds from disposal of non-current assets and of non-current assets held for sale reported for the current year include proceeds of € 2,718k from disposals in previous years (2010/2011: € 123k).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Explanatory Notes on the Principles and Methods Applied in the Consolidated Financial Statements

Basis of preparation

In line with § 315a of the German Commercial Code (HGB), HORNBACH-Baumarkt-AG prepares consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as requiring mandatory application in the European Union. HORNBACH-Baumarkt-AG and its subsidiaries are included in the consolidated financial statements of HORNBACH HOLDING AG. The consolidated financial statements and group management report of HORNBACH HOLDING AG are published in the electronic Federal Official Gazette (Bundesanzeiger).

HORNBACH-Baumarkt-AG is a publicly listed stock corporation whose legal domicile is in Bornheim, Germany. HORNBACH-Baumarkt-AG and its subsidiaries develop and operate DIY megastores with garden centers on an international basis. .

The financial year of HORNBACH-Baumarkt-AG and thus of the Group runs from March 1 of each year through to the final day of February of the following year.

Individual items in the income statement and the balance sheet have been grouped together in the interests of clarity. These items have been reported separately in the notes to the financial statements. In line with IAS 1 "Presentation of Financial Statements", a distinction has been made in the balance sheet reporting between non-current and current debt capital. Debt items are treated as current if they are due within one year. The consolidated financial statements have been compiled in euros. This represents the functional currency at HORNBACH-Baumarkt-AG. The figures have been rounded off to the nearest thousand or million euros. Such rounding up or down may result in minor discrepancies between the figures depicted in the various sections of these notes.

Assumptions and estimates have been made when preparing the consolidated financial statements which have an effect on the recognition and/or measurement of assets, liabilities, income and expenses as presented. These assumptions and estimates mainly relate to uniform procedures applied across the Group in respect of economic useful lives, the recognition and measurement of provisions, the calculation of current market values and the ability to obtain future tax relief. The principal assumptions and estimates which, due to their uncertainty, may result in discrepancies in the level of assets and liabilities reported have been outlined in the notes to the respective items. Changes are accounted for as a credit or charge to operations upon receipt of further information.

The Board of Management of HORNBACH-Baumarkt-AG prepared the consolidated financial statements and approved them for publication on April 26, 2012. The period in which adjusting events could be accounted for thus expired as of this date.

Amendments to recognition and measurement methods as a result of new standards

Application has been made of all International Financial Reporting Standards and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) valid and requiring mandatory application at the balance sheet date, to the extent that such are relevant for the HORNBACH-Baumarkt-AG Group.

The following new standards, revised standards and interpretations required application for the first time in the 2011/2012 financial year:

- In November 2009, the IASB published amendments to IAS 24 "Related Party Disclosures". The amended version of IAS 24 has introduced an exemption option for disclosures of transactions with specified closely related companies. This exemption covers all transactions with government bodies that control, jointly manage or significantly influence the reporting company and transactions with companies controlled, jointly managed or significantly influenced by the same government body. As a result of the amendment, detailed disclosures only have to be made concerning individually significant transactions. For transactions that are collectively, but not individually significant, companies now only have to provide quantitative or qualitative indications of their implications.

  Furthermore, the amendment to IAS 24 has changed the definition of a related party to ensure that symmetry is now obtained. Two companies closely related from the perspective of one of the companies are now also closely related from the perspective of the other company.
  The HORNBACH-Baumarkt-AG Group is not affected by the new exemption option. Its group of related parties has not changed.

- In November 2009, the IASB published amendments to IFRIC 14 "Prepayment of a Minimum Funding Requirement". This pronouncement has modified IFRIC 14: IAS 19 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction". IFRIC 14 sets out rules governing the recognition of defined benefit pension plans in cases where existing plan assets exceed the pension obligation. The amendment is relevant when companies are subject to minimum funding requirements and make prepayments to meet such requirements. In these cases, the amendment now permits companies to recognize the economic benefit accruing from such prepayments of minimum funding requirements as an asset in their accounts. First-time application of IFRIC 14 has not had any implications for the consolidated financial statements of HORNBACH-Baumarkt-AG.

- In November 2009, the IASB published IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments". IFRIC 19 explains the accounting treatment of cases where a company extinguishes a financial liability in part or in full by issuing shares or other equity instruments. The interpretation clarifies that the equity instruments issued to a creditor to extinguish a financial liability form part of the "consideration paid" as defined in IAS 39.41. The corresponding equity instruments basically require measurement at fair value. Where this cannot be reliably determined, the equity instruments must be measured at the fair value of the liability extinguished. The difference between the carrying amount of the financial liability to be derecognized and the first-time recognition of the equity instrument issued must be recognized through profit or loss.
  First-time application of IFRIC 19 has not had any implications for the consolidated financial statements of HORNBACH-Baumarkt-AG.

- Within its annual improvements project, the IASB published its "Improvements to IFRSs 2008-2010" omnibus standard on May 6, 2010. The EU adopted the amendments into EU law on February 19, 2011. The

2008-2010 annual improvements project has introduced eleven amendments to a total of six standards and one interpretation. The adjustments made to formulations in individual IFRSs are intended to clarify existing requirements. Alongside these, amendments have also been introduced that have implications for recognition, statement, and measurement methods. The amendments relate to the IAS 1, IAS 27 (in conjunction with IAS 21, IAS 28 and IAS 31), IAS 34, IFRS 1, IFRS 3, IFRS 7 standards, and the IFRIC 13 interpretation. First-time application of these amendments has not had any material implications for the net asset, financial or earnings position of the HORNBACH-Baumarkt-AG Group.

Standards and interpretations not applied prematurely

The IASB has issued the following standards, interpretations, and revisions to existing standards of relevance to the HORNBACH-Baumarkt-AG Group which do not yet require mandatory application and which the HORNBACH-Baumarkt-AG Group has also not applied prematurely:

- In October 2010, the IASB published amendments to IFRS 7 "Financial Instruments: Disclosures". The amendments to IFRS 7 require extended note disclosure obligations to be made when financial assets are transferred. This is intended to additionally clarify the nature of the relationships between financial assets not requiring complete derecognition and the corresponding financial liabilities. Furthermore, it should be possible to better judge the nature of and in particular the risks associated with any continuing involvement with derecognized financial assets. The amendments will also require additional disclosures to be made when a disproportionately high number of transfers with continuing involvement arise, for example at around the end of a reporting period. The amendments require first-time application in financial years beginning on or after July 1, 2011. The amendments to the standard are not expected to have any implications for the future consolidated financial statements of HORNBACH-Baumarkt-AG.

Standards, interpretations and amendments published as of the balance sheet date, but not yet adopted into European law by the EU Commission

- Amendments to IAS 1 "Presentation of Items of Other Comprehensive Income": These amendments affect the presentation of other comprehensive income within the statement of comprehensive income. In future, those items of other comprehensive income that are reclassified at a later date to the income statement (recycling) must be presented separately from items of other comprehensive income that will never be reclassified. Where items are recognized on a gross basis, i.e. without netting with deferred tax items, the deferred taxes should now no longer be recognized as an aggregate total, but rather allocated to the two groups of items. Subject to adoption into EU law, which is still outstanding, this amendment will require first-time application in financial years beginning on or after July 1, 2012.

- On December 20, 2010, the IASB published amendments to IAS 12 "Income Taxes". These involve a supplement relating to the calculation of deferred taxes for investment property measured at fair value (IAS 40.33). The amendment also incorporates SIC 21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets". In the case of investment property, it is often difficult to assess whether existing temporary tax differences will be reversed by further use or upon disposal. The amendment to IAS 12 clarifies that the measurement of deferred taxes should be based on the refutable assumption that such items will be reversed by disposal. Subject to adoption into EU law, which is still outstanding, these amendments will require first-time application in financial years beginning on or after January 1, 2012. Earlier application is permitted. At the HORNBACH-Baumarkt-AG Group, investment property is measured using the cost model (IAS 40.56). The amendments to IAS 12 are not expected to have any implications for the net asset, financial or earnings position of the HORNBACH-Baumarkt-AG Group.

- IAS 19 "Employee Benefits (revised 2011)": Alongside more extensive disclosure obligations for employee benefits, the revised standard has resulted in particular in the following amendments:
  There is currently an option as to how unexpected fluctuations in pension obligations, so-called actuarial gains and losses, may be presented in the financial statements. These may be recognized (a) through profit or loss in the income statement, (b) under other comprehensive income (OCI) or (c) over time using the so-called corridor method. To ensure greater transparency and comparability of these items, the revised version of IAS 19 has eliminated this option. In future, it will only be permitted to recognize these items directly under other comprehensive income. Furthermore, the expected income from plan assets is currently determined on the basis of the management's subjective expectations concerning the development in the value of the investment portfolio. Upon application of IAS 19 (revised 2011), it will only be permitted to recognize a typical return on plan assets at the level of the current discount rate for pension obligations.
  Subject to adoption into EU law, which is still outstanding, this amendment will require first-time application in financial years beginning on or after January 1, 2013. As the HORNBACH-Baumarkt-AG Group already bases its accounting on the method due to be applicable in future, first-time application of this standard is not expected to have any implications.

- Amendments to IAS 27 "Separate Financial Statements": Upon the adoption of IFRS 10 "Consolidated Financial Statements", the requirements governing the principle of control and preparation of consolidated financial statements will be transferred out of IAS 27 and definitively treated in IFRS 10 (please see comments on IFRS 10). As a result, IAS 27 will in future only include those requirements governing the accounting treatment of subsidiaries, joint ventures and associates in IFRS separate financial statements. Subject to adoption into EU law, which is still outstanding, this amendment will require first-time application in financial years beginning on or after January 1, 2013. The amendments to IAS 27 will not have any implications for the net asset, financial or earnings position of the HORNBACH-Baumarkt-AG Group.

- Amendments to IAS 28 "Investments in Associates and Joint Ventures": The adoption of IFRS 11 "Joint Arrangements" also resulted in adjustments being made to IAS 28. As previously, IAS 28 governs application of the equity method. However, its scope of application will be significantly extended due to the adoption of IFRS 11. In future, not only investments in associates, but also investments in joint ventures will have to be measured using the equity method (please see IFRS 11). Application of proportionate consolidation for joint ventures will thus become obsolete. Subject to adoption into EU law, which is still outstanding, this amendment will require first-time application in financial years beginning on or after January 1, 2013. First-time application of the amended standard is not expected to have any implications for the future consolidated financial statements of HORNBACH-Baumarkt-AG.

- Amendments to IAS 32 and IFRS 7 "Offsetting Financial Assets and Financial Liabilities": This supplement to IAS 32 clarifies the requirements in place for offsetting financial instruments. The supplement explains the significance of the current legal rights to set-off and clarifies which methods involving gross settlement may be deemed to constitute net settlement pursuant to the standard. These clarifications are also accompanied by extended note disclosure requirements in IFRS 7. Subject to adoption into EU law, which is still outstanding, the amendment to IAS 32 will require first-time application in financial years beginning on or after January 1, 2014. Subject to adoption into EU law, which is still outstanding, the amendment to IFRS 7 will require first time application in financial years beginning on or after January 1, 2013. First-time application of the amended standard is not expected to have any implications for the future consolidated financial statements of HORNBACH-Baumarkt-AG.

- Amendments to IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters": As a result of this amendment to IFRS 1, the references previously used to the date January 1, 2004 as the fixed transition date have been replaced by the "date of transition to IFRS". Furthermore, provisions have now been included in IFRS 1 to cover those cases in which companies were unable to comply with IFRS requirements for a period of time as their functional currencies were subject to hyperinflation. Subject to adoption into EU law, which is still outstanding, this amendment will require first-time application in financial years beginning on or after July 1, 2011.

- IFRS 9 "Financial Instruments": The recognition and measurement of financial instruments in line with IFRS 9 is set to replace IAS 39. In future, financial assets will be classified and measured in only two groups - at amortized cost and at fair value. The group of financial assets measured at amortized cost consists of those financial assets which only provide for a right to payment of interest and principal amounts at specified dates and which are also held within a business model whose objective is the holding of assets. All other financial assets belong to the group measured at fair value. As previously, financial assets in the first category may be redesignated to the fair value category in specific circumstances ("fair value option"). Changes in the value of financial assets in the fair value category must basically be recognized through profit or loss. For specific equity instruments, however, use may be made of the option of recognizing changes in value under other comprehensive income; dividend claims relating to these assets must nevertheless be recognized through profit or loss. The requirements for financial liabilities have basically been taken over from IAS 39. The main difference relates to the recognition of value changes for financial liabilities measured at fair value. In future, these will have to be broken down. The portion allocable to a company's proprietary credit risk must be recognized under other comprehensive income, while the remaining portion of the change in value must be recognized through profit or loss. Subject to adoption into EU law, which is still outstanding, IFRS 9 will require first-time application in financial years beginning on or after January 1, 2015. The implications of future application of IFRS 9 for the presentation of the net asset, financial and earnings position of the HORNBACH-Baumarkt-AG Group are currently still being investigated.

- IFRS 10 "Consolidated Financial Statements": In this standard, the concept of control is provided with a new, comprehensive definition. If one company controls another company, then the parent company must consolidate the subsidiary. Under the new concept, control exists when voting or other rights mean that the potential parent company can exercise power over the potential subsidiary, when it participates in positive or negative variable returns from the potential subsidiary, and when it can influence these returns on account of its power over the potential subsidiary. This new standard might have implications for the scope of consolidation, such as for special purpose entities. Where differing qualifications in terms of subsidiary status are ascertained under IAS 27/SIC-12 and IFRS 10, retrospective application must be made of IFRS 10. Early application is only permitted if undertaken in parallel with the application of IFRS 11 and IFRS 12, as well as with the amendments to IAS 27 and IAS 28 introduced in 2011. Subject to adoption into EU law, which is still outstanding, the new standard will require first-time application in financial years beginning on or after January 1, 2013. First-time application of the amended standard is not expected to have any implications for the future consolidated financial statements of HORNBACH-Baumarkt-AG.

- IFRS 11 "Joint Arrangements": This standard provides new requirements for the accounting treatment of joint arrangements. The decisive criterion under the new concept is whether the entity constitutes a joint operation or a joint venture. A joint operation exists when the parties exercising joint control have direct rights over the assets and obligations for the liabilities. The individual rights and obligations are recognized on a prorated basis in the consolidated financial statements. In a joint venture, by contrast, the parties exercising joint control have rights over the net asset surplus. This right is presented in the consolidated financial statements by application of the equity method. The option of proportionate consolidation in the consolidated financial statements will thus no longer exist. Subject to adoption into EU law, which is still outstanding, the new standard will require first-time application in financial years beginning on or after January 1, 2013. Specific transitional requirements have been laid down for the transition, e.g. from proportionate consolidation to the equity method. Earlier application is only permitted in parallel with IFRS 10 and IFRS 12, as well as with the amendments to IAS 27 and IAS 28 introduced in 2011. First-time application of the amended standard is not expected to have any implications for the future consolidated financial statements of HORNBACH-Baumarkt-AG.

- IFRS 12 "Disclosure of Interests in Other Entities": This standard governs the disclosure obligations for interests held in other entities. The disclosures required are considerably more extensive than those required to date under IAS 27, IAS 28 und IAS 31. Subject to adoption into EU law, which is still outstanding, this new standard will require first-time application in financial years beginning on or after January 1, 2013. First-time application of the amended standard is not expected to lead to extended note disclosures in the consolidated financial statements of HORNBACH-Baumarkt-AG.

- IFRS 13 "Fair Value Measurement": This standard lays down uniform requirements for fair value measurement in IFRS financial statements. In future, all fair value measurements called for by other standards will have to comply with the uniform requirements of IFRS 13. Only IAS 17 and IFRS 2 will continue to be governed by their own requirements. IFRS 13 defines fair value as the exit price, i.e. as the price that would be obtained upon the sale of the asset, or the price that would have to be paid to assign a liability. A three-level hierarchy system graded in terms of dependence on observable market prices is to be introduced in line with the system already known for the fair value measurement of financial assets. This new method of fair value measurement may result in values that differ from those determined in line with existing requirements. Subject to adoption into EU law, which is still outstanding, this new standard will require first-time application in financial years beginning on or after January 1, 2013. The implications of the future application of IFRS 13 for the presentation of the net asset, financial and earnings position of the HORNBACH-Baumarkt-AG Group are currently still being investigated.

- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine": This interpretation is intended to provide uniform requirements for the accounting treatment of stripping costs at surface mines. If the future use of the excavated material is expected to generate revenues, then the allocable costs must be recognized as inventories in line with IAS 2. Furthermore, this gives rise to an intangible asset that must be capitalized together with the surface mining asset in cases where access to further resources is improved and the requirements set out in the interpretation are met. This asset must be depreciated over its expected useful life. Subject to adoption into EU law, which is still outstanding, IFRIC 20 will require first-time application in financial years beginning on or after January 1, 2013. First-time application of the amended standard is not expected to have any implications for the future consolidated financial statements of HORNBACH-Baumarkt-AG.

Consolidation principles

The annual financial statements of the companies included in the consolidated financial statements are based on uniform recognition and measurement principles.

The separate financial statements of the companies included in the consolidated financial statements have been prepared as of the balance sheet date for the consolidated financial statements.

In the case of acquisitions based on contracts concluded prior to March 31, 2004, the capital consolidation was based on the purchase method by offsetting the relevant acquisition costs of the investment against the reassessed prorated shareholders' equity on the date of acquisition of the subsidiary. Any remaining debit differences were capitalized as goodwill following allocation of hidden reserves and hidden burdens and were subject to straight-line amortization in line with their anticipated useful lives up to the end of the 2004/2005 financial year, with a corresponding charge to operations. There were no remaining credit differences at the end of the 2004/2005 financial year.

In the case of acquisitions based on contracts concluded subsequent to March 31, 2004, application is made of IFRS 3 "Business Combinations", IAS 36 (2004 revision) "Impairment of Assets" and IAS 38 (2004 revision) "Intangible Assets". The capital consolidation of these acquisitions is thus based on the purchase method. Any resultant goodwill and the residual carrying amount as of March 1, 2005 of goodwill resulting from acquisitions undertaken prior to March 31, 2004 are not subject to scheduled amortization but are rather tested for impairment at least once a year pursuant to IAS 36.

Intercompany profits relating to non-current assets and inventories are eliminated by means of a charge to operations. Intercompany income and expenses and receivables and liabilities between the consolidated companies have been offset against each other.

Scope of consolidation

In addition to HORNBACH-Baumarkt-AG, the consolidated financial statements include 9 domestic and 24 foreign subsidiaries by way of full consolidation.

As the sole shareholder in HORNBACH International GmbH, HORNBACH-Baumarkt-AG holds, either directly or indirectly, 100% of the voting rights in the consolidated subsidiaries.

As in the previous year, all direct and indirect subsidiaries of HORNBACH-Baumarkt-AG have been included in the consolidated financial statements for the 2011/2012 financial year.

The two real estate companies HORNBACH Real Estate Amsterdam-Sloterdijk B.V., Amsterdam (Netherlands), and TIM HB SRL, Timisoara (Romania), were included in the consolidated financial statements for the first time in the 2011/2012 financial year.

The development in the scope of consolidation was as follows:

	2011/2012	2010/2011
March 1	**32**	**32**
Companies consolidated for the first time	2	0
February 29/28	**34**	**32**

The changes in the scope of consolidation had no material implications for the income statement.

The changes in the scope of consolidation in the current 2011/2012 financial year resulted in the following aggregate changes in individual asset and liability items.

€ 000s	Additions 2011/2012
Property, plant, and equipment	7,952
Other assets	847
Non-current liabilities	621
Current liabilities	4,395

Consolidated shareholdings

Company name and domicile	Shareholding in %	Equity[1] in thousands, local currency	Local currency
Germany			
HORNBACH International GmbH, Bornheim	100	106,019	EUR
AWV-Agentur für Werbung und Verkaufsförderung GmbH, Bornheim	100	254	EUR
Ollesch & Fitzner GmbH, Bornheim	100	554	EUR
BM Immobilien Gamma GmbH, Bornheim	100	(4)	EUR
BM Immobilien Lambda GmbH, Bornheim	100	20	EUR
HB Reisedienst GmbH, Bornheim	100	7,226	EUR
HB Services GmbH, Bornheim	100	20	EUR
HORNBACH Versicherungs-Service GmbH, Bornheim	100	145	EUR
HORNBACH Solar-, Licht- und Energiemanagement GmbH, Bornheim	100	(34)	EUR
Other European countries			
HORNBACH Baumarkt CS spol s.r.o., Prague, Czech Republic	100	1,432,020	CZK
HORNBACH Baumarkt GmbH, Wiener Neudorf, Austria	100	62,688	EUR
EZ Immobilien Beta GmbH, Wiener Neudorf, Austria	100	6,096	EUR
HL Immobilien Lambda GmbH, Wiener Neudorf, Austria	100	(632)	EUR
HS Immobilien Sigma GmbH, Wiener Neudorf, Austria	100	(538)	EUR
HORNBACH Baumarkt Luxemburg SARL, Bertrange, Luxembourg	100	10,612	EUR
HORNBACH Baumarkt (Schweiz) AG, Oberkirch, Switzerland	100	90,974	CHF
HORNBACH Byggmarknad AB, Gothenburg, Sweden	100	117,247	SEK
HIAG Fastigheter i Sisjön AB, Gothenburg, Sweden	100	291	SEK
HORNBACH Holding B.V., Amsterdam, Netherlands	100	80,114	EUR
HORNBACH Bouwmarkt (Nederland) B.V., Driebergen-Rijsenburg, Netherlands	100	14,867	EUR
HORNBACH Real Estate Breda B.V., Breda, Netherlands	100	1,974	EUR
HORNBACH Real Estate Amsterdam-Sloterdijk, Amsterdam, Netherlands	100	9	EUR
HORNBACH Real Estate Tilburg B.V., Tilburg, Netherlands	100	422	EUR
HORNBACH Real Estate Groningen B.V., Groningen, Netherlands	100	416	EUR
HORNBACH Real Estate Wateringen B.V., Wateringen, Netherlands	100	789	EUR
HORNBACH Real Estate Alblasserdam B.V., Alblasserdam, Netherlands	100	(1,130)	EUR
HORNBACH Real Estate Nieuwegein B.V., Nieuwegein, Netherlands	100	854	EUR
HORNBACH Real Estate Nieuwerkerk B.V., Nieuwerkerk, Netherlands	100	60	EUR
HORNBACH Real Estate Geleen B.V., Geleen, Netherlands	100	30	EUR
HORNBACH Reclame Activiteiten B.V., Nieuwegein, Netherlands	100	5	EUR
HORNBACH-Baumarkt SK spol. s.r.o., Bratislava, Slovakia	100	19,216	EUR
HORNBACH Centrala SRL, Domnesti, Romania	100	(4,265)	RON
TIM HB SRL, Timisoara Bd., Romania	100	747	RON

[1] Shareholders' equity corresponds to the local equity; in the case of HORNBACH Centrala SRL and TIM HB SRL, however, equity has been determined in accordance with IFRS.

Control and profit and loss transfer agreements are in place between HORNBACH-Baumarkt-AG on the one hand and HORNBACH International GmbH and Ollesch & Fitzner GmbH on the other.

Currency translation

In the separate financial statements of HORNBACH-Baumarkt-AG and its consolidated subsidiaries, transactions in currencies other than the respective company's functional currency have been translated into the relevant functional currency at the transaction rate. All receivables and liabilities in currencies other than the respective company's functional currency have been measured, irrespective of any currency hedges, at the reporting date rate. The resultant exchange gains and losses have generally been included in the income statement. Forward exchange transactions have been recognized at fair value.

In line with IAS 21, the annual financial statements of foreign group companies have been translated into euros on the basis of the functional currency concept. This is the local currency for all of the companies in view of the fact that the foreign companies conduct their business independently from a financial, economic and organizational point of view. Accordingly, non-current assets, other assets and liabilities have been translated at the median rate on the reporting date. Income and expense items have been translated using average rates. Exchange rate differences arising from the translation of the annual financial statements of foreign subsidiaries are recognized directly in equity in a separate item within revenue reserves.

The most important foreign exchange rates applied are as follows:

Country	Rate on reporting date		Average rate	
	2.29.2012	2.28.2011	2011/2012	2010/2011
RON Romania	4.3486	4.2057	4.25397	4.23142
SEK Sweden	8.8088	8.7445	9.02505	9.34325
CHF Switzerland	1.2051	1.2840	1.22086	1.35157
CZK Czech Republic	24.8430	24.3530	24.74297	25.01167
USD USA	1.3443	1.3834	1.38438	1.31889

Accounting policies

Assets have generally been measured at amortized cost. Derivative financial instruments and assets measured at fair value through profit and loss have been recognized at fair value. Revenues such as rental income, interest income and dividends have been deferred.

Goodwill

Goodwill is tested for impairment once a year. Should any events or changes in circumstances indicate any impairment in value, then such impairment test must be performed more frequently. Pursuant to IAS 36, the carrying amounts of the smallest cash generating units, including the share of goodwill allocated to such units, are compared with the higher of the net sale price and the value in use (so-called recoverable amount) of such units.

If the carrying amount of the cash generating unit exceeds its recoverable amount, then a write-down is required. The impairment loss for a cash generating unit is initially allocated to goodwill. Any remaining impairment loss is subsequently recognized for the other assets in the cash generating unit. However, assets may only be written down at maximum to the recoverable amount of the individual asset identified. Goodwill is not written up.

Individual DIY stores are viewed as cash generating units at the HORNBACH-Baumarkt-AG Group. The value in use is calculated on the basis of the discounted future cash flows of a cash generating unit expected on the basis of the detailed financial budget for the coming financial year and in the strategic five-year plan. Periods reaching further into the future have been based on a growth factor of 1.0% (2010/2011: 0.5%). The strategic five-year plan is largely based on the developments expected in consumer spending as stated in economic forecasts published by economic research institutes. A detailed financial budget for the coming financial year is then compiled on this basis.

Discounting is based on average equity and debt capital costs after taxes (WACC= Weighted Average Cost of Capital). The calculation of the costs of equity is based on the yield expected on a long-term risk-free federal bond. The costs of debt capital are based on the aforementioned base rate and include a risk premium. This risk premium is appropriate to the rating of HORNBACH-Baumarkt-AG or of a relevant peer group. The discount rates applied for the respective cash generating units take account of the specific equity capital structures of a peer group, and of country risk. Discount rates of between 5.8% and 7.6% were applied in the 2011/2012 financial year (2010/2011: 7.8%).

Intangible assets (except goodwill)

Intangible assets with finite useful lives are recognized at amortized cost.

Amortization is determined using the straight-line method based on the following economic useful lives:

	Years
Software and licenses	3 to 8
Other intangible assets	3 to 8

Impairment losses are recognized when there are indications of impairment and the recoverable amount falls short of the carrying amount. The recoverable amount is the higher of the net sale price and the value in use. Corresponding write-ups are recognized when the reasons for impairment losses recognized in previous years no longer apply.

There are no intangible assets with indefinite useful lives.

Property, plant and equipment and investment property
Property, plant and equipment and investment property are recognized at amortized cost.

Depreciation is undertaken on a straight-line basis. If there are indications of any impairment in value and if the recoverable amount is less than the amortized cost, then impairment losses are recognized for the respective items of property, plant and equipment. Corresponding write-ups are recognized when the reasons for impairment losses recognized in previous years no longer apply.

Depreciation is uniformly based on the following economic useful lives across the Group:

	Years
Buildings and outdoor facilities (including rented property)	15 to 33
Other equipment, plant, and office equipment	3 to 15

Should major components of property, plant and equipment have different useful lives, then these components are recognized and measured separately.

Financing costs incurred in connection with real estate development ("building interest") which can be directly allocated to the acquisition, construction or establishment of land and buildings ("qualifying assets") are capitalized as a component of costs in accordance with IAS 23 “Borrowing Costs (revised)".

Leases
Leased items of property, plant and equipment which are to be viewed in economic terms as asset purchases with long-term financing (finance leases) are recognized pursuant to IAS 17 “Leases” at fair value at the beginning of the leasing relationship, unless the present value of the leasing payments is lower. The relevant assets are depreciated over their economic useful lives or over the term of the contract if shorter. Application is made of the same method of depreciation applicable to comparable assets acquired or manufactured. Moreover, an equivalent financial liability is capitalized at the amount of the fair value of the asset or the present value of the minimum leasing payments, if lower. Where group companies act as lessees within an operating lease, i.e. when all significant risks and rewards remain with the lessor, then the leasing expenses are recognized on a straight-line basis in the income statement.

Inventories

Inventories are carried at cost or at net sale value. The net sale value is taken to be the expected realizable sales proceeds less the costs incurred up to disposal. The acquisition costs of inventory holdings are determined using weighted average prices. Costs of unfinished services relate to customer orders for merchandise deliveries, including services provided, with tradesmen commissioned by HORNBACH. Unfinished products and unfinished services mainly involve directly allocable costs of material and invoiced tradesman services.

Taxes

Taxes levied by the respective countries on taxable income and changes in deferred tax items are recognized as taxes on income. These are calculated in accordance with the relevant national legislation on the basis of the tax rates applicable at the balance sheet date, or due to be applicable in the near future.

Other taxes are allocated to the respective functional divisions and recognized under the corresponding expenses for the relevant function.

In line with IAS 12, deferred taxes are recognized and measured using the balance sheet liability method based on the tax rate expected to be valid at the realization date. Deferred tax assets are recognized for the tax benefits expected to arise from future realizable losses carried forward. Deferred tax assets arising from deductible temporary differences and tax losses carried forward which exceed temporary taxable differences are only recognized to the extent that it can be assumed with reasonable certainty that the company in question will generate sufficient taxable income in future.

Deferred tax assets and liabilities are netted for each company or fiscal unity provided that such are due to or from the same tax authority.

Non-current assets held for sale and disposal groups

Land, buildings and other non-current assets and disposal groups which are very likely to be sold in the coming financial year are measured at fair value less related disposal expenses if such is lower than the carrying amount.

Pensions and similar obligations

Consistent with legal requirements in the respective countries and with individual commitments made to members of the Board of Management, group companies of HORNBACH-Baumarkt-AG have obligations relating to defined contribution and defined benefit pension plans. In the case of defined benefit plans, provisions have been calculated using the projected unit credit method in accordance with IAS 19 "Employee Benefits". When determining the pension obligation in accordance with actuarial principles, this method accounts for the pensions known of and claims vested as of the balance sheet date, as well as for the increases in salaries and pensions to be expected in future. The plan assets are deducted at fair value from the obligations. Should this result in a net asset, then this is recognized, provided that it does not exceed the present value of future reductions in contributions or repayments or any retrospective service costs. Actuarial gains or losses are recognized directly in equity, having accounted for any deferred taxes. In the case of defined contribution plans, the contributions are recognized as expenses upon becoming due for payment.

Provisions and accrued liabilities

Provisions are recognized for uncertain obligations to third parties where such are likely to result in a future outflow of resources. Provisions are stated at the expected settlement amount, having accounted for all identifiable risks, and are not offset against recourse claims. If the overall effect is material, non-current provisions are measured at present value discounted to the end of the respective terms. Provisions for pending losses and onerous contracts are recognized if the contractual obligations in connection with stores rented from third parties are higher than the expected economic benefits. In the case of accrued liabilities, the date and level of the respective liability are no longer uncertain.

Financial instruments

Financial instruments are contracts which result in a financial asset at one company and a financial liability or equity instrument at another company. On the one hand, these include primary financial instruments such as trade receivables and payables, financial receivables and financial liabilities. On the other hand, they also include derivative financial instruments, such as options, forward exchange transactions, interest swaps and currency swaps. Customary purchases and sales of foreign exchange are generally recognized as of the transaction date. Customary purchases and sales of all other financial assets are generally recognized as of the settlement date, i.e. on the date at which the asset is delivered. Upon initial recognition, financial instruments are recognized at cost. This corresponds to their fair value.

Financial assets are basically derecognized once the contractual rights to payment have expired. Furthermore, financial assets are derecognized when the contractual rights to payment, and thus all significant risks and rewards or powers of disposal over these assets, have been assigned. Financial liabilities are derecognized once they have been settled, i.e. once the liability has been repaid, cancelled or has expired.

Primary financial instruments

In accordance with IAS 39 "Financial Instruments: Recognition and Measurement", asset-side financial instruments are subsequently measured at amortized cost, at cost, or at fair value. Primary financial instruments constituting liabilities are measured at amortized cost. The HORNBACH-Baumarkt-AG Group has so far not made any use of the option of classifying financial assets or financial liabilities as measured at fair value through profit or loss.

Financial assets are classified as available for sale pursuant to IAS 39. They are measured at fair value, where this can be reliably determined, and otherwise at cost. Investments and prepayments for financial assets are recognized at cost, as there is no active market for these items and their fair values cannot be reliably determined at reasonable expense. These exclusively relate to equity instruments.

Receivables and other assets (except derivatives) are carried at amortized cost or at present value, if lower. Value reductions are stated to account for all identifiable risks. These are determined on the basis of individual risk assessments and depending on the maturity structure of overdue receivables. Specific cases of default lead to the receivable in question being derecognized. Impairment accounts are maintained for trade receivables and the financial assets recognized under other receivables and assets. Amounts from impairment accounts are derecognized, with a corresponding charge to the carrying amount of the impaired assets, in cases such as when insolvency proceedings against the debtor have been completed, or when the receivable is deemed irretrievably lost.

Cash and cash equivalents include cash on hand and short-term deposits with maturity dates of less than three months. These items are measured at amortized cost.

Financial debt (bank loans, bonds) are recognized at the respective loan amount, less transaction costs, and subsequently measured at amortized cost. The difference to the repayment amount is recognized as an expense over the term of the bond and the promissory note bonds using the effective interest method. All other debt items are also recognized at amortized cost. This mostly corresponds to the respective repayment amount.

Derivative financial instruments

Derivative financial instruments, such as forward exchange transactions and interest swaps, are used to hedge exchange rate and interest risks. In line with the Group's risk principles, no derivative financial instruments are held for speculative purposes. Upon addition, derivative financial instruments are recognized in the balance sheet at fair value. Any transaction costs incurred are immediately recognized as expenses.

Derivatives which are not integrated into an effective hedging relationship as defined in IAS 39 are subject to mandatory classification as held for trading (financial assets/liabilities held for trading) and are thus measured at fair value through profit or loss. The fair values of forward exchange transactions (including the embedded forward exchange transactions) are determined on the basis of market conditions at the balance sheet date. The fair value of interest swaps is determined by the financial institutions with which they were concluded.

Upon entering into a hedging transaction, the HORNBACH-Baumarkt-AG Group classifies certain derivatives as hedging future cash flows or planned transactions (cash flow hedges). Changes in the fair value of those cash flow hedges viewed as effective are recognized directly in equity under revenue reserves, taking due account of deferred taxes, until the result of the hedged item is recognized. Non-effective gains and losses are recognized through profit or loss.

Sales

Income from the sale of goods is recognized upon transfer of ownership, taking due account of the expected level of goods returned.

Cost of goods sold

As well as the direct acquisition costs of the merchandise in question, the cost of goods sold also includes ancillary acquisition costs, such as freight charges, customs duties and other services rendered, as well as write-downs on inventories.

Rental income

Rental income from operating lease arrangements is recognized on a straight-line basis under sales over the term of the rental contract.

Government grants

Government grants awarded to cover expenses incurred and for assistance purposes are recognized as income in the income statement. Grants awarded for non-current assets reduce the cost of such assets accordingly.

Expenses

Rental expenses for operating lease arrangements are recognized on a straight-line basis as expenses over the term of the rental contract.

Outlays on advertising campaigns and sales promotion measures are recognized as expenses once the relevant powers of disposal have been granted or the respective service received.

The reversal of provisions and accrued liabilities has generally been recognized as a reduction in expenses within the functional expense group in which the costs of recognizing the corresponding provision or accrued liability were originally presented.

Interest expenses and interest income are recognized in accordance with the period of the respective financial debt.

Tax expenses include current and deferred taxes unless they relate to facts or circumstances accounted for directly in equity.

Segment Report

Segment reporting is consistent with the recognition and measurement methods applied in the consolidated financial statements (IFRS). Sales to external third parties represent net sales. Transfer prices between the segments are equivalent to those applied to external third parties.

Segment delineation

The allocation of business fields (segments) corresponds to the internal reporting system used by the Board of Management of the HORNBACH-Baumarkt-AG Group for managing the company. The “DIY store” segment includes the 134 (2010/2011: 133) DIY megastores and garden centers grouped together in the HORNBACH-Baumarkt-AG Group. The “Real estate” segment includes the retail properties owned by companies in the HORNBACH-Baumarkt-AG Group, which let and charge the properties to the respective DIY stores with garden centers within the Group at normal market conditions. The “Headquarters and consolidation” reconciliation column includes administration and consolidation items not attributable to the individual segments.

Segment earnings

Earnings before interest and taxes (EBIT) have been taken to represent the segment earnings.

Segment assets and liabilities

Apart from income tax receivables, income tax liabilities and deferred taxes, asset and liability items in the consolidated balance sheet have been directly allocated to the individual segments as far as possible. Remaining assets and liabilities have been allocated as appropriate. Liabilities in the consolidated balance sheet have been increased by liabilities to group companies in the individual segments and have been allocated to the individual segments in line with their causation. The resultant adjustments have been eliminated in the “Headquarters and consolidation” reconciliation column. Investments relate to the non-current assets allocable to the respective segment.

2011/2012 in € million 2010/2011 in € million	DIY stores	Real estate	Headquarters and consolidation	HORNBACH-Baumarkt-AG Group
Segment sales	**3,000.1**	**132.5**	**(131.6)**	**3,001.0**
	2,835.2	125.7	(124.8)	2,836.1
Sales to third parties	3,000.0	0.0	0.0	3,000.0
	2,835.1	0.0	0.0	2,835.1
Sales to affiliated companies	0.1	0.0	0.0	0.1
	0.1	0.0	0.0	0.1
Rental income from third parties	0.0	0.9	0.0	0.9
	0.0	0.9	0.0	0.9
Rental income from affiliated companies	0.0	131.6	(131.6)	0.0
	0.0	124.8	(124.8)	0.0
Segment earnings (EBIT)	**115.7**	**35.9**	**(23.2)**	**128.4**
	111.0	32.0	(23.9)	119.1
of which: depreciation and amortization/write-ups	36.2	11.1	8.6	55.9
	32.8	11.9	8.8	53.5
Segment assets	**734.3**	**512.6**	**361.8**	**1,608.7**
	753.0	475.1	343.6	1,571.7
of which: credit balances at banks	62.4	0.0	324.3	386.7
	95.3	0.0	308.6	403.9
Investments	**36.6**	**54.6**	**12.5**	**103.7**
	32.1	27.4	8.4	67.9
Segment liabilities	**295.0**	**121.4**	**356.2**	**772.6**
	312.1	129.4	354.1	795.7
of which: financial debt	5.7	99.2	327.1	431.9
	2.5	111.9	326.0	440.4

Reconciliation in € million	2011/2012	2010/2011
Segment earnings (EBIT) before "Headquarters and consolidation"	**151.6**	**143.0**
Headquarters	(23.2)	(23.9)
Consolidation adjustments	0.0	0.0
Net financial expenses	(22.0)	(17.1)
Consolidated earnings before taxes	**106.5**	**102.0**
Segment assets	**1,608.7**	**1,571.7**
Deferred tax assets	7.3	7.9
Income tax receivables	12.1	12.1
Total assets	**1,628.1**	**1,591.7**
Segment liabilities	**772.6**	**795.7**
Deferred tax liabilities	35.7	37.1
Income tax liabilities	27.8	29.1
Total liabilities	**836.1**	**861.8**

Geographical disclosures

In the interests of comprehensibility, the mandatory geographical disclosures for sales to third parties and non-current assets have been supplemented on a voluntary basis with additional information.

The geographical disclosures have been subdivided into the "Germany" and "Other European countries" regions. The "Other European countries" region includes the Czech Republic, Austria, the Netherlands, Luxembourg, Switzerland, Sweden, Slovakia, and Romania.

Sales are allocated to the geographical regions in which they were generated. Apart from income tax receivables, income tax liabilities and deferred taxes, all assets have been allocated to the region in which they are located. Investments relate to non-current assets allocated to the respective region. The reconciliation column includes consolidation items.

2011/2012 in € million 2010/2011 in € million	Germany	Other European countries	Reconciliation	HORNBACH-Baumarkt-AG Group
Sales	**1,927.9**	**1,272.1**	**(199.0)**	**3,001.0**
	1,814.5	1,195.0	(173.4)	2,836.1
Sales to third parties	1,728.9	1,271.1	0.0	3,000.0
	1,641.1	1,193.9	0.0	2,835.1
Sales to affiliated companies	199.0	0.1	(199.0)	0.1
	173.3	0.1	(173.4)	0.1
Rental income from third parties	0.0	0.9	0.0	0.9
	0.0	0.9	0.0	0.9
EBIT	**33.9**	**94.5**	**0.0**	**128.4**
	26.6	92.5	0.0	119.1
Depreciation and amortization/write-ups	**34.3**	**21.6**	**0.0**	**55.9**
	35.4	18.1	0.0	53.5
EBITDA	**68.2**	**116.1**	**0.0**	**184.3**
	62.0	110.7	0.0	172.6
Assets	**1,217.6**	**929.3**	**(538.2)**	**1,608.7**
	1,205.7	876.1	(510.1)	1,571.7
of which: non-current assets*)	341.9	333.7	(8.0)	667.6
	326.2	293.8	0.0	620.0
Investments	**44.5**	**59.3**	**(0.1)**	**103.7**
	33.3	34.7	0.0	67.9

*) These involve property, plant and equipment, investment property, intangible assets and non-current deferrals and accruals. This item does not include non-current income tax receivables of € 8.0 million (2010/2011: € 9.0 million) for the Germany region.

Notes on the Consolidated Income Statement

(1) Sales

Sales mainly involve revenues in the DIY store segment. Furthermore, revenues of € 959k (2010/2011: € 970k) from the letting of real estate have also been reported under sales.

The sales of the Group broken down into business fields and regions have been depicted in the segment report.

(2) Cost of goods sold

The cost of goods sold represents the expenses required for the generation of sales and is structured as follows.

	2011/2012 € 000s	2010/2011 € 000s
Expenses for auxiliary materials and purchased goods	1,855,359	1,757,749
Expenses for services rendered	22,772	18,034
	1,878,131	**1,775,783**

(3) Selling and store expenses

Selling and store expenses include those costs incurred in connection with the operation of DIY megastores with garden centers. These mainly involve personnel expenses, costs of premises and advertising expenses, as well as depreciation and amortization. Moreover, this item also includes general operating expenses, such as administration expenses, transport costs, maintenance and upkeep and rental expenses for plant and office equipment.

(4) Pre-opening expenses

Pre-opening expenses mainly relate to those expenses arising at or close to the time of the construction up to the opening of new DIY megastores with garden centers. Pre-opening expenses mainly consist of personnel expenses, advisory expenses, costs of premises, advertising expenses, administration expenses, miscellaneous personnel expenses and depreciation and amortization.

(5) General and administration expenses

General and administration expenses include all costs incurred by administration departments in connection with the operation or construction of DIY stores with garden centers which cannot be directly allocated to such. They mainly consist of personnel expenses, legal and advisory expenses, depreciation and amortization, costs of premises and miscellaneous administration expenses, such as IT, travel and vehicle expenses.

(6) Other income and expenses

Other income and expenses are structured as follows:

	2011/2012 € 000s	2010/2011 € 000s
Other income from operating activities		
Income from advertising allowances and other reimbursements of suppliers	6,248	5,156
Income from allocations within the HORNBACH HOLDING Group	2,572	2,446
Income from disposal of non-current assets	1,065	559
Income from damages	942	775
Income from payment differences	667	533
Miscellaneous other income	9,622	10,335
	21,116	**19,804**
Other income from non-operating activities		
Income from write-ups to property, plant, and equipment and investment property	1,196	273
Income from reversal of provisions for onerous contracts	210	516
Income from disposal of real estate	73	497
Other non-operating income	169	11
	1,648	**1,297**
Other income	**22,764**	**21,101**

Miscellaneous other income from operating activities principally relates to ancillary revenues at the DIY stores with garden centers, other income from personnel grants, and income from the writing back of receivables.

	2011/2012 € 000s	2010/2011 € 000s
Other expenses from operating activities		
Impairments and defaults on receivables	1,154	470
Losses due to damages	1,122	1,096
Losses on disposal of non-current assets	298	321
Expenses from payment differences	144	146
Miscellaneous other expenses	1,792	4,734
	4,510	**6,767**
Other expenses from non-operating activities		
Impairment of property, plant, and equipment, intangible assets and investment property	1,704	1,354
Losses on disposal of non-current assets	681	122
Additions to provisions for onerous contracts	370	380
Impairment of non-current assets held for sale	100	150
Other non-operating expenses	2,499	357
	5,354	**2,363**
Other expenses	**9,864**	**9,130**
Net income from other income and expenses	**12,900**	**11,971**

Miscellaneous other expenses mainly include expenses for services charged on. The corresponding income is recognized under other income. In the 2010/2011 financial year, this item also included additions of € 3.8 million to provisions for potential refund claims at our energy-related service provider due to a changed assessment of the risk involved.

Other non-operating expenses include amounts of € 1.5 million for the addition to a provision for the refurbishment obligation at a DIY store property sold and leased back and of € 0.8 million for the targeted clean-up agreement for a DIY store property owned by the Group.

(7) Net financial expenses

	2011/2012 € 000s	2010/2011 € 000s
Other interest and similar income		
Interest income on financial instruments measured at amortized cost	5,833	3,729
of which: from affiliated companies	23	23
Other	150	150
of which: from affiliated companies	150	150
	5,983	**3,879**
Other interest and similar expenses		
Interest expenses on financial instruments measured at amortized cost	21,737	20,829
of which: to affiliated companies	0	1
Interest expenses on financial instruments used as hedging instruments	1,650	2,679
Interest expenses from compounding of provisions	753	0
Other	1,105	1,206
of which: to affiliated companies	187	258
	25,245	**24,715**
Net interest expenses	**(19,262)**	**(20,836)**
Other financial result		
Gains/losses on derivative financial instruments	238	665
Gains and losses from foreign currency exchange	(2,937)	3,061
	(2,699)	**3,726**
Net financial expenses	**(21,961)**	**(17,110)**

In line with IAS 17 "Leases", financial leasing contracts are recognized under property, plant and equipment, with the interest component of the leasing installments, amounting to € 107k (2010/2011: € 120k) being recognized under interest and similar expenses. Net interest expenses do not include interest incurred for financing the construction stage of real estate development measures. This interest amounted to € 2,432k in the year under report (2010/2011: € 2,828k) and has been capitalized as a component of the costs of the property, plant and equipment concerned. As in the previous year, the average financing cost rate used to determine the volume of borrowing costs eligible for capitalization amounted to 5.9%.

(Deferred) interest payments on interest swaps included as a hedging instrument within cash flow hedges pursuant to IAS 39 are netted for each swap contract and recognized on the basis of their net amount either as interest income or interest expenses.

Interest expenses from the compounding of provisions have been reported separately for the first time in the 2011/2012 financial year. The previous year's figure has not been adjusted.

Gains/losses on derivative financial instruments include gains and losses of € 405k on derivative currency instruments (2010/2011: € 1,313k) and the ineffective portion, amounting to € -167k (2010/2011: € -648k), of the change in value of an interest swap deployed as a hedging instrument in a hedging relationship pursuant to IAS 39. The hedged item and hedging transaction expired as of June 30, 2011.

The gains and losses from foreign currency exchange for the 2011/2012 financial year chiefly result from the measurement of foreign currency receivables and liabilities. This resulted in net expenses of € 3,444k (2010/2011: € 3,318k). Furthermore, this item also includes realized exchange rate gains of € 7,555k (2010/2011: € 14,685k) and realized exchange rate losses of € 7,048k (2010/2011: € 8,306k).

(8) Taxes on income

The taxes on income reported include the taxes on income paid or payable in the individual countries, as well as deferred tax accruals.

As in the previous year, the German companies included in the HORNBACH-Baumarkt-AG Group are subject to an average trade tax rate of approximately 14% of their trading income. The corporate income tax rate continues to amount to 15%, plus 5.5% solidarity surcharge.

As in the previous year, all domestic deferred tax items have been valued at an average tax rate of 30%. The calculation of foreign income taxes is based on the relevant laws and regulations in force in the individual countries. As in the previous year, the income tax rates applied to foreign companies range from 16% to 31%.

The actual income tax charge of € 29,074k (2010/2011: € 26,334k) is € 2,862k lower (2010/2011: € 4,266k) than the expected tax charge of € 31,936k (2010/2011: € 30,600k) which would have been payable by applying the average tax rate of 30% at HORNBACH-Baumarkt-AG (2010/2011: 30%) to the Group's pre-tax earnings of € 106,452k (2010/2011: € 101,999k).

Deferred tax assets have been stated for as yet unutilized losses carried forward amounting to € 19,524k (2010/2011: € 24,256k). HORNBACH-Baumarkt-AG expects it to be possible to offset the tax losses carried forward, which in some cases are attributable to start-up losses in individual countries, against future earnings in full.

No deferred tax assets have been reported in the case of losses carried forward amounting to € 7,120k (2010/2011: € 1,256k), as future realization of the resultant benefit is not expected. Of these, losses carried forward of € 1,663k (2010/2011: € 0k) and of € 4,808k (2010/2011: € 0k) are due to expire within the next 5 and 7 years respectively. There are no time limits on the utilization of all other losses carried forward for which no deferred tax assets have been stated.

In the 2011/2012 financial year, deferred tax assets of € 163k (2010/2011: € 182k) were recognized for the first time for losses carried forward whose utilization was previously not viewed as likely. Furthermore, deferred tax assets of € 182k were derecognized in the 2011/2012 financial year for losses carried forward whose utilization is no longer deemed likely. The income from first-time recognition and expenses for derecognition of these deferred tax items are included in deferred tax income.

Tax expenses for the previous year were reduced by € 718k due to the utilization of previously unrecognized losses carried forward.

Breakdown of the tax charge:

	2011/2012 € 000s	2010/2011 € 000s
Current taxes on income		
Germany	7,425	7,149
Other countries	21,905	21,614
	29,330	**28,763**
Deferred tax expenses/income		
due to changes in temporary differences	(1,144)	(2,980)
due to changes in tax rates	(8)	(566)
due to losses carried forward	896	1,117
	(256)	**(2,429)**
Taxes on income	**29,074**	**26,334**

The transition from the expected to the actual income tax charge is as follows:

	2011/2012		2010/2011	
	€ 000s	%	€ 000s	%
Expected income tax charge	31,936	100.0	30,600	100.0
Difference between local tax rate and group tax rate	(6,420)	(20.1)	(6,196)	(20.2)
Tax-free income	(345)	(1.1)	(308)	(1.0)
Tax reductions/increases due to changes in tax rates	(8)	0.0	(566)	(1.8)
Tax increases attributable to expenses not deductible for tax purposes	3,533	11.1	5,541	18.0
Tax increases attributable to unstated losses carried forward	793	2.5	60	0.2
Non-period current and deferred taxes	(415)	(1.3)	(2,797)	(9.1)
Taxes on income	**29,074**	**91.1**	**26,334**	**86.1**
Effective tax rate in %	27.3		25.8	

Taxes on income include non-period current tax income of € 1,399k (2010/2011: tax expenses of € 9k) and non-period deferred taxes of € 984k (2010/2011: tax income of € 2,806k). The non-period current tax income includes tax income of € 866k from the change in the present value of corporate income tax claims. This change was due in particular to the adjustment in the discount rate. The non-period current taxes reported for the previous year mainly related to two opposing items. The tax expenses of € 3,204k resulting from the external tax audit completed in the previous financial year were countered by tax income of € 3,390k. This was due to the compounding of existing corporate income tax claims (€ 365k) and the first-time recognition of future corporate income tax credits due to the 2010 Annual Tax Act (€ 3,025k). The non-period deferred taxes for the previous year chiefly result from the adjustment in tax carrying amounts in connection with the aforementioned external tax audit.

The taxes recognized directly in equity in the financial year under report relate to the following items:

	2011/2012 € 000s	2010/2011 € 000s
Actuarial gains and losses on defined benefit plans		
Actuarial gains and losses on defined benefit plans before taxes	1,322	(2,842)
Change in deferred taxes	(259)	524
	1,063	**(2,318)**
Measurement of derivative financial instruments (cash flow hedge)		
Changes in fair value of derivative financial instruments before taxes	(7,135)	6,967
Change in deferred taxes	1,905	(1,968)
	(5,230)	**4,999**
Exchange differences arising on the translation of foreign subsidiaries	**4,845**	**12,748**
Other comprehensive income, net after taxes	**678**	**15,429**
of which: other comprehensive income before taxes	(968)	16,873
of which: change in deferred taxes	1,646	(1,444)

(9) Earnings per share

Basic earnings per share are calculated in line with IAS 33 "Earnings per Share" by dividing the consolidated net income allocable to the shareholders of HORNBACH-Baumarkt-AG by the weighted average number of shares in circulation during the financial year. As in the previous year, no dilutive effects arose in the 2011/2012 financial year.

Bonus shares were issued at a ratio of 1:1 to all shareholders in HORNBACH-Baumarkt-AG on July 29, 2011 (please see Note 20). The number of shares in HORNBACH-Baumarkt-AG doubled from 15,903,500 to 31,807,000 as a result. The calculation of earnings per share has been retrospectively adjusted to account for this.

Earnings per share

	2011/2012	2010/2011
Weighted number of shares issued	31,807,000	31,807,000
Consolidated net income allocable to shareholders in HORNBACH-Baumarkt-AG (in €)	77,377,911	75,664,903
Earnings per share in €	**2.43**	**2.38**

(10) Other disclosures on the income statement

Personnel expenses

The individual expense items include the following personnel expenses:

	2011/2012 € 000s	2010/2011 € 000s
Wages and salaries	413,037	388,937
Social security contributions and pension expenses	88,208	79,390
	501,245	**468,327**

Wages and salaries also include expenses for temporary employees.

Depreciation and amortization

	2011/2012 € 000s	2010/2011 € 000s
Scheduled amortization of intangible assets and depreciation of property, plant, and equipment and investment property	55,400	52,455
Impairment of property, plant, and equipment, intangible assets and investment property	1,704	1,354
	57,104	**53,809**

The impairment losses recognized in the 2011/2012 financial year relate to plant and office equipment. In the previous year, impairment losses related to goodwill, as well as to land and buildings not used for operations. Reference is also made to the disclosures on intangible assets and property, plant and equipment in Notes 11 and 12 respectively.

Depreciation and amortization is included in the following items in the income statement:

2011/2012 financial year € 000s	Intangible assets	Property, plant, and equipment and investment property	Total
Selling and store expenses	873	43,680	44,553
Pre-opening expenses	0	356	356
General and administration expenses	5,919	4,572	10,491
Other income and expenses	0	1,704	1,704
	6,792	**50,312**	**57,104**

2010/2011 financial year € 000s	Intangible assets	Property, plant, and equipment and investment property	Total
Selling and store expenses	568	41,429	41,997
Pre-opening expenses	0	77	77
General and administration expenses	5,767	4,614	10,381
Other income and expenses	589	765	1,354
	6,924	**46,885**	**53,809**

Notes on the Consolidated Balance Sheet

(11) Intangible assets

The development in intangible assets in the 2010/2011 and 2011/2012 financial years was as follows:

€ 000s	Franchises, industrial property rights, and similar rights and values as well as licenses to such rights and values	Goodwill	Assets under construction	Total
Cost				
Balance at March 1, 2010	66,436	3,860	1,031	71,327
Additions	7,677	0	81	7,758
Disposals	4	0	0	4
Reclassifications	1,032	0	(1,031)	1
Foreign currency translation	54	0	0	54
Balance at February 28/March 1, 2011	**75,195**	**3,860**	**81**	**79,136**
Additions	2,582	0	39	2,621
Disposals	186	589	0	775
Reclassifications	94	0	(80)	14
Foreign currency translation	7	0	0	7
Balance at February 29, 2012	**77,692**	**3,271**	**40**	**81,003**
Amortization				
Balance at March 1, 2010	51,713	0	0	51,713
Additions	6,335	589	0	6,924
Disposals	4	0	0	4
Foreign currency translation	52	0	0	52
Balance at February 28/March 1, 2011	**58,096**	**589**	**0**	**58,685**
Additions	6,792	0	0	6,792
Disposals	187	589	0	776
Reclassifications	3	0	0	3
Foreign currency translation	8	0	0	8
Balance at February 29, 2012	**64,712**	**0**	**0**	**64,712**
Carrying amount at February 29, 2012	**12,980**	**3,271**	**40**	**16,291**
Carrying amount at February 28, 2011	17,099	3,271	81	20,451

Additions to franchises, industrial property rights and similar rights and values and licenses to such rights and values mainly relate to the acquisition of software licenses, the renewal of store checkout systems and expenses incurred to prepare the software for its intended use.

The goodwill relates to garden centers in the Netherlands. The impairment loss on goodwill in the previous year related to the closure of a HORNBACH garden center in Germany in June 2011, which was decided on in the 2010/2011 financial year. The corresponding impairment in the previous year was recognized under other expenses from non-operating activities in the DIY store segment. The corresponding historic cost has been recognized under disposals in the 2011/2012 financial year.

As in the previous year, there are no major restrictions on ownership and disposition rights.

(12) Property, plant and equipment and investment property

The development in property, plant and equipment in the 2010/2011 and 2011/2012 financial years was as follows:

€ 000s	Land, leasehold rights, and buildings on third-party land	Investment property (IAS 40)	Other equipment, plant, and office equipment	Assets under construction	Total
Cost					
Balance at March 1, 2010	586,831	23,445	474,821	8,753	1,093,850
Reclassifications to/from non-current assets held for sale	0	(10,079)	0	0	(10,079)
Additions	17,043	0	27,482	15,641	60,166
Disposals	39	3,625	21,505	195	25,364
Reclassifications	2,058	0	1,744	(3,803)	(1)
Foreign currency translation	11,227	0	5,832	323	17,382
Balance at February 28/March 1, 2011	**617,120**	**9,741**	**488,374**	**20,719**	**1,135,954**
Reclassifications to/from non-current assets held for sale	(1,370)	0	0	0	(1,370)
Changes in scope of consolidation	7,948	0	0	4	7,952
Additions	36,315	0	38,173	18,614	93,102
Disposals	19	694	27,696	742	29,151
Reclassifications	14,426	0	2,000	(16,440)	(14)
Foreign currency translation	2,268	0	613	(98)	2,783
Balance at February 29, 2012	**676,688**	**9,047**	**501,464**	**22,057**	**1,209,256**
Depreciation					
Balance at March 1, 2010	127,219	10,609	375,899	0	513,727
Reclassifications to/from non-current assets held for sale	0	(5,844)	0	0	(5,844)
Additions	13,211	853	32,821	0	46,885
Write-ups	0	(273)	0	0	(273)
Disposals	24	1,569	20,871	0	22,464
Reclassifications	3	0	(3)	0	0
Foreign currency translation	940	0	3,874	0	4,814
Balance at February 28/March 1, 2011	**141,349**	**3,776**	**391,720**	**0**	**536,845**
Additions	14,113	88	36,111	0	50,312
Write-ups	(555)	(641)	0	0	(1,196)
Disposals	8	0	27,156	0	27,164
Reclassifications	0	0	(3)	0	(3)
Foreign currency translation	(236)	0	437	0	201
Balance at February 29, 2012	**154,663**	**3,223**	**401,109**	**0**	**558,995**
Carrying amount at February 29, 2012	**522,025**	**5,824**	**100,355**	**22,057**	**650,261**
Carrying amount at February 28, 2011	475,771	5,965	96,654	20,719	599,109

The impairment losses included in depreciation relate to assets whose carrying amounts exceed their recoverable amounts. The recoverable amount corresponds to the higher of fair value less costs to sell (net sale price) and value in use. These impairment losses have been recognized under other expenses from non-operating activities.

In the 2011/2012 financial year, it was not possible to uphold the expectations from previous years in terms of the medium-term sales and earnings performance of the Romania region. The impairment test performed as a result led to the recognition of impairment losses pursuant to IAS 36.105 in conjunction with IAS 36.104 on marketing-oriented and sales promotional plant and office equipment, which were written down by € 1,704k to a value of zero.

The value in use of the Romania region is calculated by reference to the discounted expected future cash flows of the DIY stores with garden centers located there expected on the basis of the detailed financial budget for the coming financial year and in the strategic five-year plan. Periods reaching further into the future have been based on a growth factor of 1.0% (2010/2011: 0.5%). The strategic five-year plan is largely based on the developments expected in consumer spending as stated in economic forecasts published by economic research institutes. A detailed financial budget for the coming financial year is then compiled on this basis.

Discounting is based on average equity and debt capital costs after taxes (WACC= Weighted Average Cost of Capital). The calculation of the costs of equity is based on the yield expected on a long-term risk-free federal bond. The costs of debt capital are based on the aforementioned base rate and include a risk premium. This risk premium is appropriate to the rating of HORNBACH-Baumarkt-AG or of a relevant peer group. The discount rates applied for the respective cash generating units take account of the specific equity capital structures of a peer group, and of country risk. A discount rate of 10.0% was applied in the 2011/2012 financial year (2010/2011: 10.2%).

In the 2010/2011 financial year, impairment losses of € 765k were recognized for items of investment property, which were written down to their net sale prices. The net sale prices of items of property, plant and equipment were determined by reference to current value surveys, purchase offers, and agreed sale contracts.

Impairment losses are included in non-current asset items as follows:

	2011/2012	2010/2011
DIY stores segment		
Goodwill	0	589
Other equipment, plant, and office equipment	1,704	0
	1,704	**589**
Real estate segment		
Land	0	365
Buildings	0	400
	0	**765**
Total	**1,704**	**1,354**

The write-ups of € 1,196k in the 2011/2012 financial year (2010/2011: € 273k) relate to the appreciation in value on pieces of land not used for operations, or originally intended for DIY store extensions, for which impairment losses were recognized in previous years. The write-ups were based on purchase offers and agreed sale contracts and have been recognized under other income from non-operating activities in the real estate segment.

Reference is made to Note 7 with regard to capitalized financing costs.

The real estate assets are predominantly owned by HORNBACH-Baumarkt-AG and by real estate companies established for this purpose.

Other equipment, plant and office equipment mainly relate to HORNBACH-Baumarkt-AG in the case of German consolidated companies and to HORNBACH Baumarkt GmbH, HORNBACH Baumarkt Luxemburg SARL, HORNBACH Baumarkt CS spol s.r.o., Hornbach Bouwmarkt (Nederland) B.V., Hornbach Baumarkt (Schweiz) AG, HORNBACH-Baumarkt SK spol s.r.o., Hornbach Byggmarknad AB, and HORNBACH Centrala SRL in the case of foreign consolidated companies.

Investment property mainly relates to retail properties at various locations in Germany. The respective rental contracts have basic rental periods of 1 to 15 years and in some cases provide extension options for the lessee. The properties let to third parties are recognized at amortized cost. A useful life of 33 years has been assumed. The fair value of investment property amounts to approximately € 8.0 million (2010/2011: € 7.9 million). The fair values have been determined by independent experts in the overwhelming majority of cases. The valuations are based on the capitalized earnings power of the individual pieces of real estate on the open market. In individual cases, the fair values have been based on purchase offers received.

Rental income of € 421k was generated on properties let to third parties in the year under report (2010/2011: € 417k). Expenses of € 299k were incurred for the maintenance of the properties let to third parties (2010/2011: € 231k). Expenses of € 21k were incurred for all other items of investment property (2010/2011: € 171k).

The real estate acts as security for bank loans in the form of registered land charges amounting to € 146.5 million (2010/2011: € 146.7 million).

Property, plant and equipment include a building with a carrying amount of € 997k (2010/2011: € 1,163k) that is allocable to the Group as economic owner on account of the structure of the underlying lease agreement (finance lease). The finance lease has been concluded for a basic rental period of 20 years. At the end of the basic rental period, there is an option to extend the contract at least once for a period of 5 years. Furthermore, the contract provides for an index-based rent adjustment clause and for pre-emptive purchase rights on customary market terms. The leased asset acts as security for the leasing obligation.

(13) Financial assets

The development in financial assets in the 2010/2011 and 2011/2012 financial years was as follows:

€ 000s	Investments	Advance payments for financial assets	Total
Cost			
Balance at March 1, 2010	94	1,028	1,122
Foreign currency translation	0	116	116
Balance at February 28/March 1, 2011	**94**	**1,144**	**1,238**
Foreign currency translation	0	(9)	(9)
Balance at February 29, 2012	**94**	**1,135**	**1,229**
Carrying amount at February 29, 2012	**94**	**1,135**	**1,229**
Carrying amount at February 28, 2011	94	1,144	1,238

All financial assets have been recognized at cost as it was not possible to determine reliable fair values.

(14) Other non-current receivables and assets

Other non-current receivables and assets mainly consist of deposits of € 2,171k (2010/2011: € 2,103k) paid as security for possible subsequent claims to purchase price reductions on the part of the buyer. The deposits have a maximum term of 10 years.

As of February 29, 2012, this item also includes deferred expenses of € 1,038k in connection with a newly concluded, but as yet unutilized syndicated credit line of € 250 million with a term until December 14, 2016.

Moreover, this item also includes the net balance of the fair value of plan assets and the present value of the pension obligation for the statutory pension obligation in Switzerland, amounting to € 66k (2010/2011: € 0k). Details about this item and its development can be found in Note 23.

(15) Deferred taxes

Deferred taxes relate to the following items:

	2.29.2012 Assets € 000s	2.29.2012 Liabilities € 000s	2.28.2011 Assets € 000s	2.28.2011 Liabilities € 000s
Intangible assets and property, plant, and equipment	772	35,182	629	33,924
Inventories	383	3,288	246	3,894
Other assets and liabilities	1,129	78	1,051	62
Other provisions	3,960	1,637	3,647	1,042
Liabilities	1,451	983	604	2,593
Losses carried forward	5,142	0	6,121	0
	12,837	**41,168**	**12,298**	**41,515**
Set-off	(5,500)	(5,500)	(4,443)	(4,443)
Total	**7,337**	**35,668**	**7,855**	**37,072**

(16) Inventories

	2.29.2012 € 000s	2.28.2011 € 000s
Auxiliary materials and supplies	1,278	1,873
Unfinished products, unfinished services	1,088	0
Finished products and merchandise	480,425	463,553
Inventories (gross)	**482,791**	**465,426**
less valuation allowances	7,132	5,929
Inventories (net)	**475,659**	**459,497**
Carrying amount of inventories measured at net realizable value	23,875	25,630

Expenses of € 1,848,227k were recognized as merchandise input expenses for merchandise and auxiliary materials and supplies in the 2011/2012 financial year (2010/2011: € 1,751,820k).

(17) Receivables and other assets

The receivables and other assets of the Group are structured as follows:

	2.29.2012 € 000s	2.28.2011 € 000s
Trade receivables	6,973	3,846
Receivables from affiliated companies	859	1,136
of which: from shareholders	0	0
Positive fair values of derivative financial instruments	2	4,649
Other receivables and assets	49,345	51,077
	57,179	**60,708**

Trade receivables include assigned receivables of € 1,100k (2010/2011: € 168k) that have not been derecognized as the credit risk remains at the HORNBACH-Baumarkt-AG Group. A corresponding liability has been recognized in the same amount.

Other receivables and assets mainly consist of receivables in connection with pledged funds, receivables from credit card companies, receivables from product reimbursements and bonus agreements, and deferred charges and prepaid expenses.

As in the previous year, there are no major restrictions on ownership or disposition rights in respect of the other receivables and assets reported.

The following tables provide an analysis of the financial assets included under receivables and other assets. Only those receivables for which individual allowances have been recognized have been portrayed as impaired. The HORNBACH-Baumarkt-AG Group also accounts for credit risks by recognizing portfolio-based allowances.

2.29.2012 € 000s	Carrying amount	of which: neither impaired nor overdue	of which: not impaired, but overdue within the following time bands (days)			
			< 60	61-90	91-180	> 180
Trade receivables	6,973	5,182	996	190	335	49
Receivables from affiliated companies	859	859				
Positive fair values of derivative financial instruments	2	2				
Other receivables and assets	35,400	33,142	1,372	165	78	185
	43,234	**39,185**	**2,368**	**355**	**413**	**234**

2.28.2011 € 000s	Carrying amount	of which: neither impaired nor overdue	of which: not impaired, but overdue within the following time bands (days)			
			< 60	61-90	91-180	> 180
Trade receivables	3,846	1,364	1,728	250	314	19
Receivables from affiliated companies	1,136	1,136				
Positive fair values of derivative financial instruments	4,649	4,649				
Other receivables and assets	36,944	34,230	1,405	581		
	46,575	**41,379**	**3,133**	**831**	**314**	**19**

Allowances for trade receivables and for other receivables and assets developed as follows:

€ 000s	Trade receivables		Other receivables and assets	
	2011/2012	2010/2011	2011/2012	2010/2011
Allowances at March 1	**322**	**296**	**911**	**820**
Utilization	175	180	444	123
Reversals	62	53	122	12
Additions	433	247	381	217
Foreign currency translation	3	12	2	9
Allowances at end of financial year	**521**	**322**	**728**	**911**

The complete retirement of receivables resulted in expenses of € 336k (2010/2011: € 86k). The receipt of receivables already derecognized resulted in income of € 74k (2010/2011: € 114k).

(18) Cash and cash equivalents

	2.29.2012 € 000s	2.28.2011 € 000s
Cash balances at banks	386,651	403,918
Checks and cash on hand	17,599	18,672
	404,250	**422,590**

(19) Non-current assets held for sale and disposal groups

This item includes assets which are highly likely to be sold in the coming financial year. In the 2011/2012 financial year, one piece of land not used for operations and originally intended for a DIY store extension, amounting to € 1,370k, was reclassified out of property, plant and equipment. The figure for the previous year includes three properties not required for operations amounting to € 5,085k. All of the assets reported relate to the real estate segment and were sold in the 2011/2012 financial year.

Impairment losses of € 100k were recognized for non-current assets held for sale in the 2011/2012 financial year (2010/2011: € 150k). These have been reported under other expenses for non-operating activities in the real estate segment.

(20) Shareholders' equity

The development in the shareholders' equity of the HORNBACH-Baumarkt-AG Group is shown in the statement of changes in group equity for the 2011/2012 and 2010/2011 financial years.

Share capital

Among other items, the Annual General Meeting of HORNBACH-Baumarkt-AG on July 7, 2011 decided to increase the company's share capital by issuing bonus shares from company funds. As a result of the issue of bonus shares at a ratio of 1:1, the number of shares in HORNBACH-Baumarkt-AG has doubled. By converting a partial amount of € 47,710,500 of the revenue reserves reported in the company's annual balance sheet as of February 28, 2011 into share capital, the share capital has now doubled to € 95,421,000. It is divided into 31,807,000 individual shares with a prorated nominal amount € 3.00 per share. The bonus shares enjoy dividend entitlement from March 1, 2011.

The authorization to utilize Authorized Capital I and Authorized Capital II granted by the Annual General Meeting on July 10, 2008 was rescinded by the Annual General Meeting of HORNBACH-Baumarkt-AG on July 7, 2011.

The following provisions now apply for the authorized capital:

The Annual General Meeting held on July 7, 2011 resolved the creation of Authorized Capital I and Authorized Capital II in line with the following provisions:

- The Board of Management is authorized until July 7, 2016, subject to approval by the company's Supervisory Board, to increase the company's share capital by up to € 15,000,000 by means of a single or repeated issue of new shares – ordinary shares with voting rights or non-voting preference shares – in exchange for cash contributions (Authorized Capital I). Shareholders' subscription rights may be excluded in specified circumstances.

- The Board of Management is authorized until July 7, 2016, subject to approval by the company's Supervisory Board, to increase the company's share capital by up to € 30,000,000 by means of a single or repeated issue of new shares – ordinary shares with voting rights or non-voting preference shares – in exchange for cash or non-cash contributions (Authorized Capital II). Shareholders' subscription rights may be excluded in specified circumstances.

Total authorized capital therefore amounts to € 45,000,000, equivalent to 47.16 % of the current share capital (2010/2011: 47.16 %).

On the basis of a resolution adopted by the Board of Management on September 5, 2011, the employees of HORNBACH-Baumarkt-AG and its foreign subsidiaries were offered employee shares at a preferential price of € 13.00 per share. A total of 35,320 shares were acquired via the stock exchange at an average price of € 25.50 and subsequently assigned to employees. An amount of € 19k was recognized in equity to account for the difference (€ 0.54) between the acquisition price and the stock market price upon the date on which the shares were assigned to employees. The difference per share between the preferential sale price and the stock market price (€ 12.50) has been recognized through profit or loss.

HORNBACH-Baumarkt-AG published the following notification in the Stock Exchange Gazette (Börsen-Zeitung) on April 20, 2002 pursuant to § 41 (3) of the German Securities Trading Act (WpHG): HORNBACH HOLDING AG, Bornheim/Pfalz, has notified us pursuant to § 41 (2) Sentence 1 WpHG that it held 80.29 % of the voting rights in HORNBACH-Baumarkt-AG on April 1, 2002. These related exclusively to its own voting rights.

HORNBACH-Baumarkt-AG published the following notification in the Stock Exchange Gazette (Börsen-Zeitung) on August 16, 2002 pursuant to § 25 (1) WpHG: HORNBACH Familien-Treuhandgesellschaft mbH, Annweiler am Trifels, has notified us pursuant to § 21 (1) and § 22 (1) No. 1 WpHG that its share of the voting rights in HORNBACH-Baumarkt AG exceeded the 5 % threshold on August 6, 2002 and now amounts to 80.29 %. These related exclusively to voting rights attributable under § 22 (1) No. 1 WpHG.

Furthermore, HORNBACH-Baumarkt-AG published the following notification in the Stock Exchange Gazette (Börsen-Zeitung) on October 16, 2002 pursuant to § 25 (1) WpHG: Kingfisher plc., London/UK, has notified us pursuant to § 21 (1) WpHG that its share of the voting rights in HORNBACH-Baumarkt-AG, Bornheim bei Landau/Pfalz, exceeded the 5 % threshold on October 11, 2002. Kingfisher plc now holds approximately 5.5 % of the voting rights in our company (826,924 ordinary shares). These relate exclusively to its own voting rights. Before acquiring these 826,924 voting rights, Kingfisher held no voting rights in HORNBACH-Baumarkt-AG.

HORNBACH-Baumarkt-AG published the following notification in the Stock Exchange Gazette (Börsen-Zeitung) on May 30, 2003 pursuant to § 25 (1) WpHG: Platinum Asset Management ltd., Sydney/Australia, has notified us pursuant to § 21 (1) WpHG that its share of the voting rights in HORNBACH-Baumarkt-AG, Bornheim bei Landau/Pfalz, exceeded the 5 % threshold on May 27, 2003, and now amounts to around 5.51 %. These relate exclusively to its own voting rights.

HORNBACH-Baumarkt-AG published the following voting rights notification electronically on April 23, 2009 pursuant to § 26 (1) WpHG: Platinum Investment Management ltd. (formerly Platinum Asset Management ltd.), Sydney/Australia, has notified us pursuant to § 26 (1) WpHG (formerly § 25 (1) WpHG) that the notification dated May 30, 2003 has been withdrawn, as the 5 % threshold was not exceeded at that date (or subsequently).

HORNBACH-Baumarkt-AG published the following voting rights notification electronically with the aim of circulation across Europe on June 14, 2007 pursuant to § 26 (1) WpHG: Eijsvogel Finance Limited, 3 Sheldon Square, London W2 6PX, UK, notified us on June 14, 2007 pursuant to § 21 (1) WpHG that the share of voting rights held by Eijsvogel Finance Limited in HORNBACH-Baumarkt-AG (ISIN DE0006084403) exceeded the 3 % and 5 % thresholds on June 12, 2007, and amounted to 5.33 % (826,924 voting rights) at that date.

Capital reserve

The capital reserve includes the equity components generated over and above the par value of the shares issued.

Revenue reserves

Revenue reserves include the “statutory reserve”, “other revenue reserves”, and accumulated earnings and equity components recognized directly in equity.

By resolution of the Annual General Meeting of HORNBACH-Baumarkt-AG on July 7, 2011, revenue reserves of € 47,710,500 were converted into share capital by issuing bonus shares in the 2011/2012 financial year (please see "Share capital").

Disclosures concerning capital management

The capital management practiced by HORNBACH-Baumarkt-AG pursues the aim of maintaining a suitable equity base in the long term. The equity ratio is viewed as representing an important key figure for investors, analysts, banks and rating agencies. The company aims on the one hand to achieve the growth targets it has set itself while maintaining healthy financing structures and a stable dividend policy, and on the other hand to achieve long-term improvements in its key rating figures. The capital management instruments deployed include active debt capital management.

The company has entered into covenants towards some providers of debt capital which, among other conditions, require it to maintain an equity ratio of at least 25 %. The equity ratio, interest cover, debt/equity ratio and company liquidity (cash and cash equivalents plus unutilized committed credit lines) are monitored monthly as part of the company’s internal risk management. Further key figures are calculated on a quarterly basis. Should the values fall short of certain target levels, then suitable countermeasures are initiated at an early stage. The covenants were complied with at all times during the 2011/2012 financial year. The equity ratio amounted to 48.6 % as of February 29, 2012 (2010/2011: 45.9 %).

No changes were made to the company’s capital management approach in the financial year under report.

(21) Distributable earnings and dividends

The distributable amounts involve the unappropriated net profit reported in the balance sheet of HORNBACH-Baumarkt-AG prepared in accordance with German commercial law.

HORNBACH-Baumarkt-AG concluded the 2011/2012 financial year with an annual net surplus of € 28,404,630.14. Furthermore, a profit carryover of € 40,577.31 is also still available from the previous year.

Following the allocation of € 12,541,707.65 to other revenue reserves, the unappropriated net profit amounts to € 15,903,500.00.

The Board of Management and the Supervisory Board of HORNBACH-Baumarkt-AG will propose to the Annual General Meeting that the unappropriated net profit of HORNBACH-Baumarkt-AG reported as of February 29, 2012 be appropriated as follows:

	€
Dividend of € 0.50 on 31.807,000 shares	15,903,500.00

By resolution of the Annual General Meeting held on July 7, 2011, a dividend of € 1.00 (2010/2011: € 1.00) per share was distributed in the 2011/2012 financial year. The total amount distributed thus amounted to € 15,904k (2010/2011: € 15,904k).

(22) Financial debt

Total current and non-current financial debt is structured as follows:

2011/2012 financial year € 000s	Maturities Current < 1 year	 Non-current 1-5 years	 Non-current > 5 years	Carrying amount 2.29.2012 Total
Bonds	0	247,080	0	247,080
Liabilities to banks	18,757	152,297	6,645	177,699
Liabilities in connection with finance leases	192	989	293	1,474
Negative fair values of derivative financial instruments	5,652	0	0	5,652
Total	**24,601**	**400,366**	**6,938**	**431,905**

2010/2011 financial year € 000s	Maturities Current < 1 year	 Non-current 1-5 years	 Non-current > 5 years	Carrying amount 2.28.2011 Total
Bonds	0	245,994	0	245,994
Liabilities to banks	98,601	79,913	11,697	190,211
Liabilities in connection with finance leases	195	925	566	1,686
Negative fair values of derivative financial instruments	2,534	0	0	2,534
Total	**101,330**	**326,832**	**12,263**	**440,425**

Current financial debt (up to 1 year) amounted to € 26.4 million at the balance sheet date on February 29, 2012 (2010/2011: € 101.3 million). This consists of interest deferrals of € 5.7 million (2010/2011: € 5.5 million), the portion of long-term financing facilities maturing in the short term, amounting to € 13.3 million (2010/2011: € 93.3 million), and liabilities of € 5.7 million relating to the measurement of derivative financial instruments (2010/2011: € 2.5 million).

HORNBACH-Baumarkt-AG still has the corporate bond of € 250.0 million issued on the European capital market in November 2004 with an interest coupon of 6.125 % and a term running until November 2014. The costs associated with the corporate bond, amounting to € 10,714k in total, have been spread over the term using the effective interest method.

As of June 30, 2011, HORNBACH-Baumarkt-AG took up an unsecured promissory note bond of € 80.0 million with a floating rate and a term running until June 30, 2016. The funds serve to provide follow-up financing for the promissory note bond of the same amount maturing on June 30, 2011. To secure the interest rate, a forward swap with congruent terms was concluded in the 2010/2011 financial year already. The swap enabled the half-yearly interest payable to be secured at a level of 2.11 % p.a., plus a bank margin, for the entire term.

In the previous year, HORNBACH (Schweiz) AG, Oberkirch, and HORNBACH Baumarkt CS spol s.r.o., Prague, took up promissory note bonds with floating interest rates and equivalent values of € 20 million each in CHF and CZK respectively and terms running until August 31, 2015. The interest payable was secured by way of interest swaps with congruent terms. The half-yearly interest payable via the interest swaps was secured over the entire term at a level of 1.03 % p.a. in the case of the CHF promissory note bond and of 2.08 % p.a. in the case of the CZK promissory note bond, in both cases plus a bank margin.

In the third quarter of the 2011/2012 financial year, HORNBACH-Baumarkt-AG agreed a syndicated credit line of € 250 million. This facility, which matures on December 14, 2016, serves to prematurely replace the existing syndicated credit line of € 200 million at HORNBACH-Baumarkt-AG otherwise due to mature in June 2013. The credit line may also be drawn down in foreign currencies, particularly CHF, SEK and CZK, up to an amount of € 25 million. Furthermore, supplementary bilateral loan agreements of up to € 50 million may also be concluded within the credit framework (also in foreign currencies). Upon utilization, the interest is based on the 3-month or 6-month EURIBOR, or the equivalent IBOR, plus an interest margin. The applicable interest margin is determined by reference to the company rating granted to HORNBACH-Baumarkt-AG by an internationally recognized rating agency. Margin premiums apply should the level of utilization exceed specified threshold values and when the facility is drawn down in foreign currencies. A provision fee dependent on the respective interest margin is charged for the unutilized portion of the credit line.

As of February 29, 2012, the HORNBACH-Baumarkt-AG Group had total credit lines of € 315.3 million (2010/2011: € 279.9 million). Unutilized credit lines amounted to € 313.8 million (2010/2011: € 279.9 million). Furthermore, HORNBACH-Baumarkt-AG has a credit line for import credits amounting to USD 40.0 million (2010/2011: USD 35.0 million). Of this, an amount of USD 23.4 million had been drawn down as of the balance sheet date (2010/2011: USD 17.2 million).

Land charges amounting to € 146.5 million had been provided as security for liabilities to banks (2010/2011: € 146.7 million). No contractual obligations were breached during the period under report.

No assets have been provided as security for the credit lines, the promissory note bonds referred to above, or the bond. The relevant contractual arrangements nevertheless require compliance with customary bank covenants, non-compliance with which could lead to a premature repayment obligation. These regularly involve pari passu clauses and negative pledge declarations. In the case of the bond, the syndicated credit line at HORNBACH-Baumarkt-AG, and the promissory note bond agreements at the HORNBACH-Baumarkt-AG Group, they also require compliance with specific financial ratios. These key financial ratios are based on consolidated figures at the HORNBACH-Baumarkt-AG Group and require interest cover of at least 2.25 times and an equity ratio of at least 25 %. In the case of the promissory note bonds and the syndicated credit line, maximum limits for financing facilities secured by land charges and financing facilities taken up by subsidiaries were also agreed. The interest cover, net debt/EBITDA ratio, equity ratio, agreed financing limits, and company liquidity (cash and cash equivalents, plus unutilized committed credit lines) are regularly monitored within the internal risk management framework. Further key figures are calculated quarterly. Should the values fall short of certain target levels, then countermeasures are initiated at an early stage. All covenants were complied with at all times in the year under report.

In addition to existing current account liabilities at normal market conditions and the bond issued in the 2004/2005 financial year, the Group also has non-current liabilities to banks. These consist of the following items:

2011/2012 financial year	Currency	Interest agreement in % (including swap)	Maturity	**Amount 2.29.2012 € 000s**
Loans	EUR	4.86	2016	79,603
	CHF	3.78	2015	21,821
	CZK	4.83	2015	19,896
Mortgage loans	EUR	4.56 to 6.36	2013 to 2019	42,428
	CZK	5.08	2018	8,294
				172,042

2010/2011 financial year	Currency	Interest agreement in % (including swap)	Maturity	Amount 2.28.2011 € 000s
Loans	EUR	4.63	2011	79,988
	CHF	3.78	2015	20,452
	CZK	4.83	2015	20,269
Mortgage loans	EUR	4.56 to 6.36	2013 to 2019	54,252
	CZK	5.08	2018	9,763
				184,724

Non-current liabilities to banks either have fixed interest rates, or have floating interest rates based on the short-term Euribor, or a corresponding foreign currency Ibor, plus a bank margin. These still amount to between 0.45 and 2.75 percentage points. Interest swaps have been concluded to secure the interest rate on non-current liabilities with floating interest rates. These enable the interest payments to be secured on those loans which could have a significant influence on the Group's annual earnings.

Transition of future leasing payments to the liabilities from financial leasing contracts:

2011/2012 financial year € 000s	Maturities Current < 1 year	 Non-current 1-5 years	 Non-current > 5 years	2.29.2012 Total
Liabilities in connection with finance leases	192	989	293	1,474
Interest component	85	219	9	313
Total lease payments to be made in future	**277**	**1,208**	**302**	**1,787**

2010/2011 financial year € 000s	Maturities Current < 1 year	 Non-current 1-5 years	 Non-current > 5 years	2.28.2011 Total
Liabilities in connection with finance leases	195	925	566	1,686
Interest component	107	283	39	429
Total lease payments to be made in future	**302**	**1,208**	**605**	**2,115**

(23) Pensions and similar obligations

As a result of legal requirements in individual countries and individual commitments made to members of its Board of Management, the HORNBACH-Baumarkt-AG Group has obligations relating to defined benefit and defined contribution pension plans.

Apart from payment of contributions, the defined contribution plans do not involve any further obligations on the part of the HORNBACH-Baumarkt-AG Group. The total of all defined contribution pension expenses amounted to € 39,126k in the 2011/2012 financial year (2010/2011: € 37,234k). Of this total, an amount of € 23,878k involved the employer's share of contributions to the state pension scheme in Germany (2010/2011: € 23,318k).

In the case of defined benefit plans, a distinction is made between pension plans financed by provisions and those financed by funds. The HORNBACH-Baumarkt-AG Group has one fund-financed pension plan which is financed via an external pension provider. This pension plan is due to legal requirements in Switzerland, and grants old-age, invalidity and fatality pensions and payments. The employee covers 35 % of the premiums to be paid for the savings balances, as well as further clearly defined costs. The remaining expenses are covered by the employer. Risk and cost premiums are calculated by the insurance company on an individual basis and reassessed each year. The pension plans were adjusted and simplified as of January 1, 2011, with a distinction now only being made between two insurance groups, rather than the previous total of four. This reallocation of the pension plan resulted in a reduction in invalidity payments and related surviving dependants' payments for some of the employees insured. As these new benefits apply directly and do not have to be earned first, the retrospective service cost was recognized in full in the income statement for the 2010/2011 financial year.

In the 2011/2012 financial year, HORNBACH-Baumarkt-AG undertook to provide members of its Board of Management with a fund-financed pension plan. This model offers the opportunity of increasing pension claims, while the company simultaneously guarantees a minimum return of 2 % p.a. for members of its Board of Management. The assets contributed by the company or additionally paid in by members of the Board of Management are held in a fiduciary capacity and invested in funds by Allianz Treuhand GmbH, Frankfurt am Main.

Provisions for obligations in connection with working time accounts have been offset as of the balance sheet date against the corresponding cover assets in the form of securities. The cover assets are managed in a fiduciary capacity by Allianz Treuhand GmbH, Frankfurt am Main.

Pensions and similar obligations are structured as follows:

	2011/2012 € 000s	2010/2011 € 000s
Present value of pension obligation	27,854	24,687
less fair value of plan assets	(27,920)	(24,166)
Pension commitments as reported in balance sheet	**(66)**	**521**
of which: pension provisions	0	521
of which: plan assets	66	0

The plan assets were structured as follows at the balance sheet date:

	2.29.2012 %	2.28.2011 %
Debt securities	81.5	80.9
Shares	3.0	2.3
Real estate	10.0	10.8
Other	5.5	6.0
	100.0	**100.0**

Change in pension obligation

	2011/2012 € 000s	2010/2011 € 000s
Present value of pension obligation at beginning of period	24,687	18,432
Current service cost of employer	2,788	1,577
Interest cost	767	722
Employee contributions	1,966	936
Net balance of payments contributed and paid out	(2,139)	478
Insurance premiums	(790)	(618)
Plan amendments	0	(2,151)
Actuarial gains/losses recognized directly in equity	(1,041)	2,730
Foreign currency translation	1,616	2,581
	27,854	**24,687**

Change in plan assets

	2011/2012 € 000s	2010/2011 € 000s
Plan assets at beginning of period	24,166	18,567
Expected return on plan assets	621	576
Employer contributions	2,233	1,739
Employee contributions	1,966	936
Net balance of payments contributed and paid out	(2,139)	478
Insurance premiums	(790)	(618)
Actuarial gains/losses recognized directly in equity	281	(112)
Foreign currency translation	1,582	2,600
	27,920	**24,166**

The following expenses have been recognized through profit or loss as personnel expenses:

	2011/2012 € 000s	2010/2011 € 000s
Current service cost of employer	2,788	1,577
Interest cost	767	722
Plan amendments	0	(2,151)
Expected return on plan assets	(621)	(576)
	2,934	**(428)**

The amounts recognized through profit or loss are included in the personnel expenses allocated to the following items in the income statement:

	2011/2012 € 000s	2010/2011 € 000s
Selling and store expenses	2,162	(382)
Pre-opening expenses	1	0
General and administration expenses	771	(46)
	2,934	**(428)**

Payments of contributions amounting to € 2.7 million are expected for the 2012/2013 financial year.

Actuarial gains and losses may arise on account of changes in the parameters underlying the calculation of the present value of the pension obligation and the fair value of the plan assets. These changes are recognized directly in equity, together with the share of deferred taxes attributable to such changes.

The actuarial gains and losses (before deferred taxes) recognized in equity developed as follows:

	2011/2012 € 000s	2010/2011 € 000s
Gains and losses at beginning of period	(4,438)	(1,596)
Gains and losses arising during period	1,322	(2,842)
Gains and losses at end of period	**(3,116)**	**(4,438)**

The calculation has been based on the following actuarial assumptions:

	2.29.2012 %	2.28.2011 %
Discount interest rate	2.5 to 4.67	2.8
Expected long-term credit interest rate	2.5	2.0
Expected return on plan assets	2.1 to 4.67	2.2
Future salary increases	1.5 to 3.0	1.5
Future pension increases	0.0 to 2.0	0.5

The expected return on plan assets is calculated as the weighted average of the investment strategy and the expected returns per investment category.

The historic development is as follows:

	2011/2012 € 000s	2010/2011 € 000s	2009/2010 € 000s	2008/2009 € 000s	2007/2008 € 000s
Present value of pension obligation	27,854	24,687	18,432	14,410	11,335
Fair value of plan assets	(27,920)	24,166	18,567	15,246	13,344
Yield on plan assets	902	463	222	355	327
Experience adjustments arising on plan assets	(281)	112	253	184	115
Experience adjustments arising on plan liabilities	(89)	301	769	1,713	(166)

(24) Other non-current liabilities

Other non-current liabilities mainly involve non-current provisions. These include personnel provisions, provisions for contractually assumed structural maintenance obligations, and a provision required by law for the storage of business documents. The rental agreements underlying the maintenance obligations have remaining terms of between 2 and 25 years. The provision for the storage of business documents chiefly relates to statutory storage periods of between 7 and 11 years.

Non-current personnel provisions have been recognized mainly for part-time early retirement commitments and for the statutory reserve required in Austria to cover potential claims on the part of employees in the event of their leaving the company.

The provisions for part-time early retirement mainly involve the part-time early retirement agreements concluded by HORNBACH-Baumarkt-AG in the 2005/2006 and 2006/2007 financial years. The work undertaken by part-time early retirees is performed within the framework of the so-called block model. Provisions amounting to € 2,785k (2010/2011: € 3,257k) have been recognized to cover the performance backlog up to the balance sheet date and for top-up payments. This provision is expected to be reversed upon the final employee thereby entitled reaching regular retirement age in the 2016/2017 financial year. Claims from an existing reinsurance policy have been netted with the existing obligations. The provisions have been calculated by an independent expert on the basis of the 2005 G mortality tables published by Heubeck-Richttafeln-GmbH and using a discount rate of 2.1 % p.a. (2010/2011: 4.07 % p.a.). Moreover, provisions of € 24k (2010/2011: € 3k) were recognized to cover part-time early retirement obligations in Austria.

The development in provisions is presented in Note 27.

This item also includes an accrual stated for the amounts paid by HORNBACH Immobilien AG as settlement for the disadvantages sustained by HORNBACH-Baumarkt-AG in connection with the termination of existing rental agreements and the conclusion of new rental agreements with increased rent and the assumption of maintenance expenses. The accrual item established for this purpose is being written back to earnings over the remaining term of the original rental agreements (18 years).

(25) Trade payables and other liabilities

	2.29.2012 € 000s	2.28.2011 € 000s
Trade payables and advance payments received for orders	188,752	213,438
Liabilities to affiliated companies	769	1,436
of which: to shareholders	217	126
Other liabilities	54,913	48,415
of which: other taxation	14,833	14,432
of which: social security contributions	2,688	2,474
	244,434	**263,289**

As in the previous year, all trade payables and other liabilities have remaining terms of less than one year.

Trade payables are secured by reservations of title to the customary extent.

Other taxation liabilities include amounts for which the individual group companies are liable. Liabilities for social security contributions particularly include contributions yet to be remitted to the social security funds. In addition to the aforementioned items, other liabilities mainly include deposits and pledged funds, merchandise credits not yet redeemed, liabilities relating to employee salary payments, and amounts due for outstanding invoices.

(26) Income tax receivables and liabilities

The receivables and liabilities relating to taxes on income involve current tax liabilities / receivables and taxes, and tax risks relating to previous financial years. The tax liabilities reported for the previous year also include taxes resulting from an external tax audit completed in the previous year for the years 2005 to 2007. Current income tax provisions are offset against corresponding income tax refund claims, provided that they relate to the same tax jurisdiction and are identical as far as their type and their due date are concerned. Tax provisions for current income taxes mainly relate to corporate income tax (including the solidarity surcharge) and to trade tax.

The "German act on fiscal measures accompanying the introduction of the European Company and amending further tax legislation (SEStEG)" came into force on December 13, 2006. Among other aspects, this act allows refunds of corporate income tax credits resulting from the retention of profit in accordance with previous corporation tax law requirements no longer to be linked to the distribution of profits. Furthermore, due to the 2010 Annual Tax Act, corporate income tax claims previously viewed as irrecoverable and amounting to a – discounted – total of € 3.0 million were recognized in the previous financial year. The corporate income tax credits will be disbursed in ten equal amounts on September 30 of each year through to 2017. As of February 29, 2012, the HORNBACH-Baumarkt-AG Group had corporate income tax refund claims amounting to € 10.0 million in total (2010/2011: € 11.9 million), which have been recognized at a present value of € 9.7 million (2010/2011: € 10.7 million) under non-current and current income tax receivables.

Reference is made to the information about deferred taxes included in Note 15 with regard to the deferred tax assets and liabilities recognized under non-current assets and non-current liabilities.

(27) Other provisions and accrued liabilities

Other provisions and accrued liabilities developed as follows in the 2011/2012 financial year:

€ 000s	Opening balance at 3.1.2011	Utilization	Reversals	Additions	Interest compounding	Foreign currency translation	Closing balance at 2.29.2012	of which: non-current
Other provisions								
Personnel	7,498	1,819	0	1,752	311	(2)	7,740	7,740
Miscellaneous	14,534	3,428	781	9,031	752	61	20,169	15,278
	22,032	**5,247**	**781**	**10,783**	**1,063**	**59**	**27,909**	**23,018**
Accrued liabilities								
Other taxes	989	154	118	81	0	44	842	0
Personnel	45,714	44,134	1,198	42,818	0	83	43,283	0
Miscellaneous	16,390	11,007	1,374	14,504	0	57	18,570	0
	63,093	**55,295**	**2,690**	**57,403**	**0**	**184**	**62,695**	**0**
Total	**85,125**	**60,542**	**3,471**	**68,186**	**1,063**	**243**	**90,604**	**23,018**

Miscellaneous other current provisions mainly relate to provisions for customers' expected utilization of their rights of return, recognized at € 1,590k (2010/2011: € 1,671k), for onerous contracts, at € 1,305k (2010/2011: € 1,190k), for clean-up agreements, at € 780k (2010/2011: € 50k), and for litigation risks, at € 496k (2010/2011: € 317k).

Reference is made to Note 24 with regard to details of non-current provisions.

Other taxes largely involve the deferral of land tax.

The accrued liabilities for personnel obligations primarily relate to outstanding holiday entitlements, overtime, holiday pay, Christmas bonuses, and employee bonuses.

Miscellaneous accrued liabilities relate in particular to the costs of gas, water, electricity, property duties and advertising, as well as to year-end expenses and legal advisory expenses.

Other Disclosures

(28) Guarantees and other commitments

As in the previous year, there were no guarantees or other commitments as of February 29, 2012.

(29) Other financial obligations and contingent assets

2011/2012 financial year € million	Current < 1 year	Maturities Non-current 1-5 years	Non-current > 5 years	2.29.2012 Total
Purchase obligations for investments	54.8	0.0	0.0	54.8
Obligations under rental, leasehold and leasing contracts	145.4	496.5	480.9	1,122.8
Other financial obligations	10.5	0.5	0.0	11.0
	210.7	**497.0**	**480.9**	**1,188.6**

2010/2011 financial year € million	Current < 1 year	Maturities Non-current 1-5 years	Non-current > 5 years	2.28.2011 Total
Purchase obligations for investments	21.4	0.0	0.0	21.4
Obligations under rental, leasehold and leasing contracts	146.2	503.0	530.2	1,179.4
Other financial obligations	9.7	0.0	0.0	9.7
	177.3	**503.0**	**530.2**	**1,210.5**

HORNBACH-Baumarkt-AG draws on the services of various temporary employment agencies to offset seasonal and sickness-related personnel requirements. Some of the service providers drawn on in the past were organized within the Christian Trade Unions for Temporary Employment and Temporary Employment Agencies Payment Association (CGZP), whose eligibility to negotiate collective payment agreements was not recognized in a verdict passed by the Federal Labor Court (BAG) on December 14, 2010. As a result, HORNBACH-Baumarkt-AG is exposed to a low risk of having recourse claims asserted against it in the event of insolvency at the relevant temporary employment agencies. These claims would correspond to that portion of the social security contributions not covered by statutory limitation, amounting to a maximum of € 0.8 million.

HORNBACH-Baumarkt-AG agreed a credit line of up to € 50.0 million with HORNBACH Immobilien AG within the framework of its expansion strategy. The agreement has a term running up to and including June 26, 2013. No funds had been drawn down as of the balance sheet date on February 29, 2012.

Antitrust proceedings have been initiated against one subsidiary of HORNBACH-Baumarkt-AG due to vertical price fixing. We do not expect these proceedings to result in any charge on earnings, or only to an immaterial extent.

The obligations resulting from rental, hiring, leasehold and leasing contracts relate exclusively to those rental contracts in which the companies of the HORNBACH-Baumarkt-AG Group do not constitute the economic owners of the rented assets pursuant to IFRS regulations (operating leases). Rental agreements mainly relate to DIY stores in Germany and abroad. The terms of the rental agreements range from 15 to 20 years, with subsequent rental extension options and purchase options at market value. The agreements include rent adjustment clauses.

An amount of € 144,684k was recognized in the 2011/2012 financial year as rental expenses in connection with operating lease agreements, including related expenses (2010/2011: € 139,142k).

Furthermore, the Group also has recourse claims of approximately € 3.0 million in connection with renovation obligations for a DIY megastore with a garden center let within a sale and leaseback transaction. Legal action has been taken to assert these claims.

(30) Future income from rental and leasing contracts

Future income from rental and leasing contracts is structured as follows:

Rental income from third parties € 000s	Maturities Current < 1 year	 Non-current 1-5 years	 Non-current > 5 years	Total
2011/2012 financial year	1,849	4,662	604	7,115
2010/2011 financial year	817	1,901	350	3,068

Rental income results from the letting of retail real estate. The rental contracts mostly have terms of between 5 and 15 years.

Rental income has only been reported for up to one year in the case of rental contracts with indefinite contractual terms.

(31) Legal disputes

HORNBACH-Baumarkt-AG does not anticipate that it or any of its group companies will be involved in current or foreseeable court or arbitration proceedings which could have any material effect on the economic situation of the Group. Moreover, appropriate provisions have been stated and adequate insurance benefits are anticipated at the relevant group companies for any financial charges in connection with other legal or arbitration proceedings. Such charges are therefore not expected to have any material impact on the financial position of the Group.

(32) Supplementary disclosures on financial instruments

The following tables show the carrying amounts of the financial instruments in each IAS 39 measurement category, and their fair values broken down by balance sheet category:

€ 000s	Category	Carrying amount 2.29.2012	Fair value 2.29.2012	Carrying amount 2.28.2011	Fair value 2.28.2011
Assets					
Financial assets	AfS	1,229	1,229	1,238	1,238
Other receivables and assets					
Derivatives with hedge relationship	n.a.	0	0	4,077	4,077
Derivatives without hedge relationship	FAHfT	2	2	572	572
Other financial assets	LaR	45,941	45,941	46,302	46,302
Cash and cash equivalents	LaR	404,250	404,250	422,590	422,590
Equity and liabilities					
Financial debt					
Bonds	FLAC	247,080	264,375	245,994	263,500
Liabilities to banks	FLAC	177,699	179,023	190,211	190,588
Liabilities in connection with finance leases	n.a.	1,474	1,556	1,686	2,000
Derivatives with hedge relationship	n.a.	5,284	5,284	2,294	2,294
Derivatives without hedge relationship	FLHfT	368	368	240	240
Trade payables and other liabilities	FLAC	206,044	206,044	227,734	227,734
Accrued liabilities	FLAC	18,570	18,570	16,390	16,390

Aggregate totals by measurement category: € 000s	Category	Carrying amount 2.29.2012	Carrying amount 2.28.2011
Loans and receivables	LaR	450,191	468,892
Available for sale financial assets	AfS	1,229	1,238
Financial assets held for trading	FAHfT	2	572
Financial liabilities measured at amortized cost	FLAC	649,393	680,329
Financial liabilities held for trading	FLHfT	368	240

Derivative financial instruments have been recognized at fair value in the balance sheet. Fair value measurement has been based on input factors observable on markets and thus corresponds to Level 2 of the fair value hierarchy as defined in IFRS 7.

Cash and cash equivalents, financial assets held for sale, other financial assets, accrued liabilities, trade payables, and other liabilities mature in the short term in the majority of cases. Their carrying amounts therefore approximate to their fair values as of the balance sheet date.

The fair value of the publicly listed bond corresponds to the nominal value multiplied by the market value at the balance sheet date.

The fair values of the liabilities to banks and the finance lease liabilities have been calculated as present values.

The present values of financial assets and liabilities have been calculated based on current money market interest rates, taking due account of their maturity structure and the respective credit margin.

Net result by measurement category	2011/2012 € 000s	2010/2011 € 000s
Loans and receivables (LaR)	(1,090)	(840)
Financial instruments held for trading (FAHfT and FLHfT)	406	1,313
Financial liabilities measured at amortized cost (FLAC)	(2,054)	3,995

The net results of the measurement category "financial instruments held for trading" are attributable to derivative financial instruments. The net results of the measurement categories "loans and receivables" and "financial liabilities measured at amortized cost" involve foreign currency translation items, the results of disposals and write-downs.

(33) Risk management and financial derivatives

Risk management principles

The assets, liabilities and planned financial transactions of the HORNBACH-Baumarkt-AG Group are subject in particular to risks resulting from changes in exchange rates and interest rates.

The aim of the company's risk management is therefore to minimize these market risks by means of suitable financial market-based hedging activities. To achieve this aim, derivative financial instruments are deployed to limit interest rate and foreign currency risks. In general, however, the company only hedges those risks which could impact materially on its financial result.

The necessary decisions may only be taken on the basis of the strategic requirements determined by the Chief Financial Officer. These requirements focus on hedging interest rate and foreign currency risks. Moreover, these requirements do not permit financial transactions to be undertaken for speculative purposes. Furthermore, certain transactions also require prior approval by the Supervisory Board.

The treasury department regularly reviews and monitors the current and future interest charge and the foreign exchange requirements of the overall Group. The Board of Management is informed of its findings on a regular basis.

Market risks

For the presentation of market risks, IFRS 7.40 "Financial Instruments: Disclosures" requires the hypothetical impact on profit and loss and equity which would have resulted if those changes in the relevant risk variables (e.g. market interest rates or exchange rates) which could reasonably be assumed to be possible at the balance sheet date had actually materialized to be presented on the basis of sensitivity analyses. The market risks faced by the HORNBACH-Baumarkt-AG Group consist of foreign currency risks and interest rate risks. The company does not face any other price risks.

Foreign currency risk

Foreign currency risks, i.e. potential reductions in the value of a financial instrument or future cash flow due to changes in foreign exchange rates, particularly apply wherever monetary financial instruments, such as receivables or liabilities, exist in a currency other than the local currency of the company, or will exist in the scheduled course of business. The foreign currency risks of the HORNBACH-Baumarkt-AG Group mainly result from financing measures and from the company's business operations. Exchange rate differences arising from the translation of financial statements into the group currency do not constitute a foreign currency risk as defined by IFRS 7.

The group companies are largely financed by means of external financing measures denominated in the functional currency of the corresponding group company (natural hedging). Moreover, there are also intragroup loans denominated in euros, thus resulting in foreign currency risks at those group companies which have a functional currency other than the euro. These risks are basically not hedged.

The foreign currency risks faced by the HORNBACH-Baumarkt-AG Group in its business operations mainly relate to the purchase of goods in the Far East using US dollars and from intragroup supplies and services, which are basically handled in euros. The US dollar currency risk is hedged using forward exchange transactions and fixed deposits denominated in US dollars.

Including hedging measures, the Group had the following main foreign currency items open as of the balance sheet date:

€ 000s	2.29.2012	2.28.2011
EUR	(19,969)	(767)
USD	5,457	5,656
CZK	(428)	(906)

The most important exchange rates have been presented on Page 109.

In the sensitivity analysis provided below for foreign currency risks, it has been assumed that the foreign currency holdings as of the balance sheet date are representative of the financial year as a whole.

If the euro had **appreciated by 10 %** compared with the Group's other main currencies at the balance sheet date, and all other variables had remained unchanged, consolidated earnings before taxes would have been € 2,599k lower (2010/2011: € 767k). Conversely, if the euro had **depreciated by 10 %** compared with the Group's other main currencies at the balance sheet date, and all other variables had remained unchanged, then consolidated earnings before taxes would have been € 2,599k higher (2010/2011: € 767k). The hypothetical impact on earnings of € +2,599k (2010/2011: € +767k) is the result of the following sensitivities: EUR/RON € 3,613k (2010/2011: € 1,433k), EUR/CHF € -2,055k (2010/2011: € -1,124k), EUR/USD € 546k (2010/2011: € 749k), EUR/CZK € 299k (2010/2011: € -927k), and EUR/SEK € 196k (2010/2011: € 636k).

Interest rate risk
At the end of the year, the Group was principally financed by a euro bond with a nominal total of € 250,000k and by unsecured promissory note bonds with total equivalent values of around € 120,000k (nominal). Furthermore, the Group also has long-term fixed-interest euro loans amounting to € 42,428k (2010/2011: € 54,252k) and long-term CZK loans amounting to € 8,294k (2010/2011: € 9,763k). The principal long-term financial liabilities with floating interest rates have been converted into fixed-interest financial liabilities using derivative financial instruments.

The sensitivity analysis provided below is based on the following assumptions:

In the case of fixed-interest primary financial instruments, changes in market interest rates only impact on profit and loss or equity when such instruments are measured at fair value. Primary financial instruments measured at amortized cost are therefore not subject to any interest rate risk as defined in IFRS 7. The same applies to financial liabilities which originally had floating interest rates, but which have been converted into fixed-interest financial liabilities by means of cash flow hedges.

Changes in the market interest rates of interest derivatives designated to hedge primary financial instruments with floating interest rates within the framework of a cash flow hedge impact on the hedging reserve within equity and have therefore been accounted for in the equity-related sensitivity analysis.

Changes in the market interest rates of primary financial instruments with floating interest rates impact on the income statement and have therefore been accounted for in the sensitivity analysis.

In the sensitivity analysis for interest rate risks, it has been assumed that the volumes as of the balance sheet date are representative of the financial year as a whole. A parallel shift in the interest rate structure curve has been assumed.

If the market interest rate had been **100 basis points higher** at the balance sheet date, and all other variables had remained unchanged, then consolidated earnings before taxes would have been € 3,868k higher (2010/2011: € 4,040k) and equity before deferred taxes would have been € 4,783k higher (2010/2011: € 5,726k). Conversely, if the market interest rate had been **100 basis points lower** at the balance sheet date, and all other variables had remained unchanged, then consolidated earnings before taxes would have been € 3,868k lower (2010/2011: € 4,040k) and equity before deferred taxes would have been € 5,044k lower (2010/2011: € 6,037k).

Credit risk
Credit risk involves the risk that a contractual party is unable to comply in part or in full with the obligations entered into upon the conclusion of a financial instrument. The credit risk of the Group is strictly limited to the extent that financial assets and derivative financial instruments are concluded as far as possible with contractual parties of good credit standing. Moreover, transactions with individual contractual partners are subject to a maximum limit. The risk of receivables default in the operating business is already considerably reduced on account of the retail format (cash & carry). The maximum credit risk is basically equivalent to the carrying amounts of the financial assets.

Liquidity risk

The following tables show the contractually agreed (undiscounted) interest and principal repayments for primary and derivative financial liabilities, and for derivative financial assets.

2011/2012 financial year € 000s	Carrying amount 2.29.2012	Cash flows < 1 year	1 to 5 years	> 5 years
Primary financial liabilities				
Bonds	247,080	15,313	280,625	0
Liabilities to banks	177,699	25,710	172,532	6,949
Liabilities in connection with finance leases	1,474	277	1,208	302
Trade payables and other liabilities	206,044	205,961	83	0
Accrued liabilities	18,570	18,570	0	0
	650,867	**265,831**	**454,448**	**7,251**
Derivative financial liabilities				
Foreign currency derivatives without hedge relationship	368	368	0	0
Interest derivatives in connection with cash flow hedges	5,284	1,294	4,344	372
	5,652	**1,662**	**4,344**	**372**
Derivative financial assets				
Foreign currency derivatives without hedge relationship	2	(2)	0	0
	2	**(2)**	**0**	**0**
		267,491	**458,792**	**7,623**

2010/2011 financial year € 000s	Carrying amount 2.28.2011	Cash flows < 1 year	 1 to 5 years	 > 5 years
Primary financial liabilities				
Bonds	245,994	15,313	295,938	0
Liabilities to banks	190,211	103,630	90,282	12,395
Liabilities in connection with finance leases	1,686	302	1,208	605
Trade payables and other liabilities	227,734	227,470	264	0
Accrued liabilities	16,390	16,390	0	0
	682,015	**363,105**	**387,692**	**13,000**
Derivative financial liabilities				
Foreign currency derivatives without hedge relationship	240	240	0	0
Interest derivatives in connection with cash flow hedges	2,294	1,519	2,894	1,118
	2,534	**1,759**	**2,894**	**1,118**
Derivative financial assets				
Foreign currency derivatives without hedge relationship	572	(572)	0	0
Interest derivatives in connection with cash flow hedges	4,077	564	3,382	292
	4,649	**(8)**	**3,382**	**292**
		364,856	**393,968**	**14,410**

All financial liabilities and derivative assets held at the balance sheet date have been included. No account has been taken of budget figures for future new liabilities and derivative assets. Floating-rate interest payments were calculated on the basis of interest rates valid at the balance sheet date. Liabilities denominated in foreign currencies were translated at the relevant reporting date rate.

Reference is made to Note 22 with regard to the management of liquidity risk.

Hedging measures

Hedging transactions serve to hedge the interest rate and foreign currency risks associated with an underlying transaction (hedged item).

Cash flow hedge – interest rate risk

Payer interest swaps are concluded for major long-term financial liabilities with floating interest rates. These enable the variable interest rates on the loans to be converted into fixed interest rates. Creditworthiness risks are not hedged.

As of June 30, 2011, HORNBACH-Baumarkt-AG took up an unsecured promissory note bond of € 80.0 million with a floating interest rate and a term running until June 30, 2016. The funds serve to provide follow-up financing for the promissory note bond of the same amount maturing as of June 30, 2011. To secure the interest rate, a forward swap with congruent terms was taken up in the 2010/2011 financial year already. The swap enabled the half-yearly interest payable to be secured for the entire term at a level of 2.11 % p.a., plus a bank margin.

In the previous year, two floating-rate promissory note bonds with an equivalent value of € 20 million each and terms running until August 31, 2015 were taken up in CHF and CZK.. The interest payable was hedged with congruent interest swaps. The half-yearly interest payable via the swaps was secured for the entire term at a level of 1.03 % p.a. for the CHF promissory note bond and of 2.08 % p.a. for the CZK promissory note bond, in both cases plus a bank margin.

At the end of the 2011/2012 financial year, the Group had interest swaps amounting to € 139,070k (2010/2011: € 221,734k), with which a transformation from floating interest commitments to fixed interest commitments was achieved. The fair value of the interest swaps amounted to € -5,284k as of February 29, 2012 (2010/2011: € 1,783k). Of this sum, € 5,284k has been recognized under financial debt (2010/2011: € 2,294k). In the previous year, € 4,077k was also recognized under other assets. The previous year's figure included a forward swap with a nominal amount of € 80,000k and a fair value of € 3,144k to secure the interest rate in connection with the taking up of a new promissory note bond in the 2011/2012 financial year. In the previous year, this involved the hedge of an expected transaction.
All interest rate swaps met hedge accounting requirements as of February 29, 2012. Changes in the fair values are recognized in the hedging reserve within equity.

The following table presents the contractually agreed maturities for the payments, i.e. the time at which the hedged item is recognized through profit or loss:

Start	End	Nominal value at 2.29.2012 in € 000s	Nominal value at 2.28.2011 in € 000s	Reference rate
6.30.2011	6.30.2016	80,000	80,000	6-month Euribor
9.30.2002	9.30.2017	8,510	9,990	3-month Euribor
9.30.2002	9.30.2017	5,783	6,788	3-month Euribor
12.30.1999	12.30.2014	1,841	2,454	6-month Euribor
12.30.1998	12.30.2013	1,023	1,534	3-month Eurolibor
6.30.2006	6.30.2011	0	80,000	6-month Euribor

Start	End	Nominal value at 2.29.2012 in CHF 000s	Nominal value at 2.28.2011 in CHF 000s	Reference rate
8.31.2010	8.31.2015	26,420	26,420	6-month CHF-Libor

Start	End	Nominal value at 2.29.2012 in CZK 000s	Nominal value at 2.28.2011 in CZK 000s	Reference rate
8.31.2010	8.31.2015	496,600	496,600	6-month CZK-Pribor

The HORNBACH-Baumarkt-AG Group meets the hedge accounting requirement set out in IAS 39 in that it already documents the relationship between the derivative financial instrument deployed as a hedging instrument and the hedged item, as well as the hedging objective and strategy, at the beginning of any hedging measure. This also includes an assessment of the effectiveness of the hedging instruments thereby deployed. The effectiveness of the hedging relationship is assessed prospectively using the critical terms match method. Retrospective effectiveness is calculated at each balance sheet date using the dollar offset method. A hypothetical derivative is taken as the hedged item. A hedging relationship is termed effective when the changes in the value of the hedging instrument and the hypothetical derivative are compensated by between 80 % and 125 %. Hedging relationships are cancelled without delay upon becoming ineffective.

Other hedging measures – foreign currency risk

The HORNBACH-Baumarkt-AG Group also deploys hedging measures which do not meet the hedge accounting requirements set out in IAS 39, but which nevertheless make an effective contribution towards hedging the Group's financial risks in line its risk management principles. For example, the HORNBACH-Baumarkt-AG Group hedges the foreign currency risks involved in select (planned) transactions, including the embedded foreign currency derivatives potentially resulting from the transactions, such as those involved in the purchase of merchandise in the Far East using US dollars, by working with forward exchange transactions or by making fixed deposit investments denominated in foreign currencies in the form of macro hedges.

The fair value of forward exchange transactions, including the embedded forward exchange transactions, amounted to € -366k at February 29, 2012 (2010/2011: € 332k). Of this sum, € 368k (2010/2011: € 240k) has been recognized under financial debt and € 2k (2010/2011: € 572k) under other assets.

No fair value hedges or net investment in a foreign operation hedges have been undertaken to date.

Derivatives

The following table provides an overview of the nominal and fair values of derivative financial instruments as of the balance sheet date. The values of opposing transactions, such as foreign exchange purchases or sales, have been shown on a net basis. Nominal value totals are shown in the nominal value line without offsetting any opposing transactions.

2011/2012 financial year	Forward exchange transactions	Interest swaps	Total
Nominal value in € 000s	33,737	139,070	172,807
Fair value in € 000s (before deferred taxes)	(366)	(5,284)	(5,650)

2010/2011 financial year	Forward exchange transactions	Interest swaps	Total
Nominal value in € 000s	24,897	221,734	246,631
Fair value in € 000s (before deferred taxes)	332	1,783	2,115

As all interest swaps are included in effective hedging relationships, the changes in their value, less deferred taxes, have basically been recognized in the hedging reserve within equity. The ineffective portion is recognized through profit or loss under net financial expenses.

(34) Sundry disclosures

Employees

The average number of employees was as follows:

	2011/2012	2010/2011
Salaried employees	13,037	12,488
Wage earners	197	161
Trainees	775	681
	14,009	**13,330**
of which: part-time employees	2,819	2,735

In terms of geographical regions, 8,398 of the average workforce were employed in Germany during the 2011/2012 financial year (2010/2011: 8,107) and 5,611 in other European countries (2010/2011: 5,223).

Auditor's fee

The fees charged by the auditor of the annual and consolidated financial statements of HORNBACH-Baumarkt-AG, KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, for the year under report were as follows:

	2011/2012 € 000s	2010/2011 € 000s
Auditing of financial statements	393	392
Other certification services	155	155
Tax advisory services	61	112
Other services	42	4
	651	**663**

Information on the German Corporate Governance Code

The annual Declaration of Conformity with the German Corporate Governance Code required by § 161 of the German Stock Corporation Act (AktG) was submitted by the Board of Management and Supervisory Board of HORNBACH-Baumarkt-AG on December 20, 2011 and made available to shareholders on the company's homepage.

(35) Related party disclosures

In addition to the subsidiaries included in the consolidated financial statements, HORNBACH-Baumarkt-AG has direct or indirect relationships with associated companies in the course of its customary business activities. These include the parent company HORNBACH HOLDING AG and its direct and indirect subsidiaries.

The associated companies are:
HORNBACH-Familien-Treuhandgesellschaft mbH

Parent company
HORNBACH HOLDING AG

Associates
HORNBACH Immobilien AG
Hornbach Baustoff Union GmbH

Subsidiaries and second-tier subsidiaries of associates
Union Bauzentrum Hornbach GmbH
Ruhland-Kallenborn & Co. GmbH
Ruhland-Kallenborn Grundstücksverwaltungsgesellschaft mbH
Robert Röhlinger GmbH
Etablissements Camille Holtz et Cie S.a., Phalsbourg
Saar-Lor Immobilière S.C.I., Phalsbourg
HIAG Immobilien Beta GmbH
HIAG Immobilien Gamma GmbH
HIAG Immobilien Delta GmbH
HIAG Immobilien Jota GmbH
HIAG Fastigheter i Göteborg AB
HIAG Fastigheter i Helsingborg AB
HIAG Fastigheter i Stockholm AB
HIAG Fastigheter i Göteborg Syd AB
HIAG Fastigheter i Botkyrka AB
HO Immobilien Omega GmbH
HR Immobilien Rho GmbH
HC Immobilien Chi GmbH
HM Immobilien My GmbH
Hornbach Real Estate Nederland B.V.
Hornbach Real Estate Best B.V.
HORNBACH Immobilien HK s.r.o.
Hornbach Immobilien SK-BW s.r.o.
Hornbach Imobiliare SRL
HB Immobilien Bad Fischau GmbH
SULFAT GmbH & Co. Objekt Bamberg KG
SULFAT GmbH & Co. Objekt Düren KG
SULFAT GmbH & Co. Objekt Saarbrücken KG

The following principal transactions were performed with the associated companies:

	2011/2012 € 000s	2010/2011 € 000s
Rent and ancillary costs for rented DIY stores with garden centers and other real estate	65,945	61,539
Interest charge for group financing	187	258
Allocations paid for administration expenses	413	368
Allocations received for administration expenses	2,572	2,445
Purchase of non-current assets	33	0
Deliveries and services to HORNBACH HOLDING AG and its subsidiaries	81	66

At February 29, 2012 there were receivables of € 859k (2010/2011: € 1,136k) and liabilities of € 769k (2010/2011: € 1,435k) due to HORNBACH HOLDING AG and its subsidiaries. All transactions are undertaken at normal market prices and with customary delivery conditions.

HORNBACH HOLDING AG has provided guarantee declarations for liabilities at the HORNBACH-Baumarkt-AG Group amounting to € 40,236k (2010/2011: € 46,935k). Guarantee fees of € 187k (2010/2011: € 258k) were recognized as expenses at the HORNBACH-Baumarkt-AG Group in this respect during the year under report.

Otmar Hornbach, a former longstanding member of the Supervisory Board and Board of Management, is continuing to put his extensive experience at the company's service within the framework of a consulting agreement. These advisory services are remunerated by means of symbolic amount of one euro each month.

Some of the companies included in the consolidated financial statements make use of Kurhaus Trifels Seminarhotel GmbH, Annweiler, for seminars and conferences. This company is represented by its managing directors Bettina Hornbach and Albrecht Hornbach. Services of € 9k were performed by the seminar hotel in the 2011/2012 financial year (2010/2011: € 0k). These services were invoiced at customary rates. Liabilities of € 4k were outstanding at the balance sheet date on February 29, 2012.

Beiten Burkhardt Rechtsanwaltsgesellschaft mbh, a law firm, indirectly counts as a related party pursuant to IAS 24 "Related party disclosures". Given the key management position held at Beiten Burkhardt Rechtsanwaltsgesellschaft mbh by Wolfger Ketzler, a former member of the Supervisory Board and now a member of the Board of Management of HORNBACH-Baumarkt-AG, it is necessary to report on business relationships between the two companies. In the 2011/2012 financial year, Beiten Burkhardt Rechtsanwaltsgesellschaft mbh performed advisory services amounting to € 73k (2010/2011: € 109k). These were invoiced at customary hourly rates. There were no liabilities outstanding at the balance sheet date.

(36) Events after the balance sheet date

The consolidated financial statements of HORNBACH-Baumarkt-AG for the 2011/2012 financial year were approved for publication by the Board of Management on April 26, 2012.

(37) Supervisory Board and Board of Management

Members of the Board of Management:

Steffen Hornbach Strategic Development, Construction and Technical Procurement, New Distribution Channels, After Sales Services	Chairman
Roland Pelka Finance, Accounting and Tax, Group Controlling, Risk Management, Loss Prevention, Information Technology, Investor Relations	Deputy Chairman
Frank Brunner Operative Store Management, Sales and Services	since March 1, 2012
Susanne Jäger Strategic and Operative Procurement, Store Planning, Store Development, Imports, Quality Assurance	
Wolfger Ketzler Personnel, Real Estate Development, Internal Audit, and Legal	since March 1, 2012
Ingo Leiner Logistics, Company Development, In-house Consulting	since March 1, 2012
Jürgen Schröcker Marketing, Market Research, Internal Communications, Public Relations, Environmental Issues, Project Show / Sales Promotion	
Manfred Valder Operative Store Management, National and International, Sales and Services	until February 29, 2012

The total compensation paid to the Board of Management of HORNBACH-Baumarkt-AG for performing its duties for the Group in the 2011/2012 financial year amounts to € 4,629k (2010/2011: € 4,415k). Of this sum, € 2,131k (2010/2011: € 1,315k) relates to fixed compensation and € 2,498k (2010/2011: € 3,100k) to performance-related components. Post-employment benefits amounting to € 505k were incurred for active members of the Board of Management in the 2011/2012 financial year. These involve expenses incurred to endow pension provisions which are offset by corresponding asset balances (Note 23).

Members of the Board of Management owned a total of 70,610 shares (2010/2011: 35,345) in HORNBACH-Baumarkt-AG at the balance sheet date on February 29, 2012.

Members of the Supervisory Board:

As representatives of the shareholders

Albrecht Hornbach Chairman of the Board of Management HORNBACH HOLDING AG	Chairman
Dr. Wolfgang Rupf Managing Director of Rupf Industries GmbH and Rupf Engineering GmbH	Deputy Chairman
Martin Hornbach Member of the Board of Management Corivus AG	
Wolfger Ketzler Attorney and Tax Advisor Beiten Burkhardt Rechtsanwaltsgesellschaft mbH (until December 31, 2011) Member of the Board of Management HORNBACH-Baumarkt-AG (since March 1, 2012)	until February 29, 2012
Véronique Laury-Deroubaix Commercial Director B&Q plc	
Joerg Sost Managing Partner J.S. Consulting GmbH	since March 1, 2012
Prof. Dr.-Ing. Jens P. Wulfsberg Professor of Production Technology Universität der Bundeswehr Hamburg	

As representatives of the employees

Kay Strelow Section Manager	Deputy Chairman for the trade unions
Jörg Heine Incoming Merchandise Manager	for salaried employees
Rudolf Helfer Senior Occupational Safety Specialist	for salaried employees
Sabine Hoffmann Customer Service Employee	for salaried employees
Christian Lilie District Manager	for managerial employees
Johannes Otto Assistant Store Manager	for the trade unions

The total compensation of the Supervisory Board for the 2011/2012 financial year amounted to € 231k (2010/2011: € 231k). Of this sum, € 96k (2010/2011: € 96k) related to basic compensation, € 97k (2010/2011: € 97k) to performance-related compensation, and € 38k (2010/2011: € 38k) to committee activities. The members of the Supervisory Board owned a combined total of 65,825 shares in HORNBACH-Baumarkt-AG at the balance sheet date (2010/2011: 32,860).

Mandates in supervisory boards and other control bodies
(Disclosures pursuant to § 285 Number 10 HGB)

Members of the Supervisory Board
a) Membership of statutory supervisory boards
b) Membership of comparable control bodies

Albrecht Hornbach
a) HORNBACH Immobilien AG (Chairman)
b) Rheinland-Pfalz Bank (Member of Advisory Board)

Dr. Wolfgang Rupf
a) HORNBACH HOLDING AG (Chairman)
IVA Valuation & Advisory AG (Deputy Chairman)

Martin Hornbach
b) Corivus Swiss AG

Wolfger Ketzler (until February 29, 2012)
a) RNR AG (Chairman)
HORNBACH HOLDING AG (until February, 29, 2012)

Joerg Sost (since March 1, 2012)
b) Bürger Glas- und Fasertechnik GmbH (Chairman of Advisory Board)
Atreus GmbH (Member of Advisory Board)
Bürger GmbH (Member of Advisory Board)
Spirella AG (Member of Administrative Board)
Spirella Holding AG (Member of Administrative Board)
Freudenberg Schwab Vibration Control AG (Member of Advisory Board)

Members of the Board of Management
a) Membership of statutory supervisory boards
b) Membership of comparable control bodies

Steffen Hornbach
a) HORNBACH Immobilien AG

Roland Pelka
a) HORNBACH Immobilien AG (Deputy Chairman)
WASGAU Produktions & Handels AG
b) Commerzbank AG (Member of Regional Advisory Board, Central Region)

Wolfger Ketzler (since March 1, 2012)
a) RNR AG (Chairman)
HORNBACH-Baumarkt-AG (until February 29, 2012)
HORNBACH HOLDING AG (until February 29, 2012)

Bornheim bei Landau, April 26, 2012

HORNBACH-Baumarkt-Aktiengesellschaft
The Board of Management

Steffen Hornbach

Roland Pelka

Frank Brunner

Susanne Jäger

Wolfger Ketzler

Ingo Leiner

Jürgen Schröcker

RESPONSIBILITY STATEMENT (BALANCE SHEET OATH)

We hereby affirm that, to the best of our knowledge, the consolidated financial statements give a true and fair picture of the assets, liabilities, financial position and results of operations of the Group in accordance with the applicable reporting principles, and the group management report 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.

Bornheim bei Landau, April 26, 2012

HORNBACH-Baumarkt-Aktiengesellschaft
The Board of Management

Steffen Hornbach

Roland Pelka

Frank Brunner

Susanne Jäger

Wolfger Ketzler

Ingo Leiner

Jürgen Schröcker

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by Hornbach-Baumarkt-AG, Bornheim bei Landau/Pfalz, comprising the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the financial year from March 1, 2011 to February 29, 2012. The preparation of the consolidated financial statements and the group management report in accordance with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a (1) HGB are the responsibility of the company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal control system in respect of the financial reporting process and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined, primarily on a test basis, within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

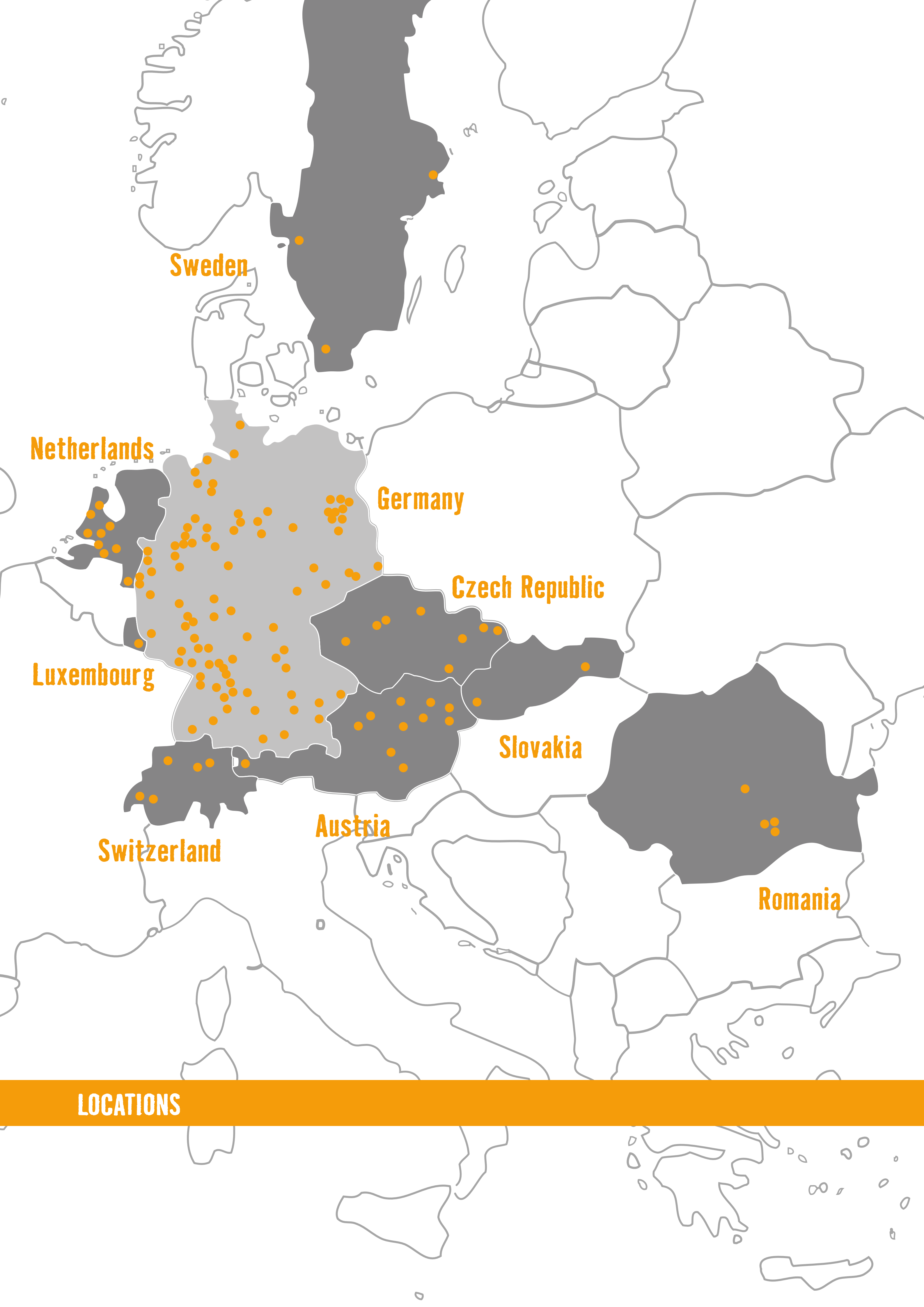
Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a (1) HGB, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, April 26, 2012
KPMG AG
Wirtschaftsprüfungsgesellschaft

Bertram
German Public Auditor

Kunisch
German Public Auditor



Sweden
Netherlands
Germany
Czech Republic
Luxembourg
Slovakia
Austria
Switzerland
Romania

LOCATIONS

Germany

Baden-Württemberg
Binzen
Esslingen
Göppingen
Heidelberg
Karlsruhe
Karlsruhe-Hagsfeld
Ludwigsburg
Mannheim
Mosbach
Pforzheim
Remseck
Rottweil
Schwetzingen
Sindelfingen
Sinsheim*
Tübingen

Bavaria
Altötting
Bamberg
Erlangen
Fürth
Ingolstadt
Kempten
Munich-Freiham
Munich-Fröttmaning
Neu-Ulm
Nuremberg
Passau
Straubing
Würzburg

Berlin
Berlin-Bohnsdorf
Berlin-Mariendorf
Berlin-Marzahn
Berlin-Neukölln
Berlin-Weissensee

Brandenburg
Ludwigsfelde
Marquardt
Velten
Vogelsdorf

Bremen
Bremen
Bremen Weserpark
Bremerhaven

Hamburg
Hamburg-Eidelstedt

Hesse
Darmstadt
Frankfurt
Frankfurt-Niedereschbach
Hanau
Lohfelden (DIY megastore)
Lohfelden (garden center)
Mainz-Kastel
Wiesbaden

Lower Saxony
Braunschweig
Garbsen
Hanover-Linden
Isernhagen-Altwarmbüchen
Oldenburg
Osnabrück
Wilhelmshaven
Wolfsburg

North Rhine-Westphalia
Bielefeld
Datteln
Dortmund
Duisburg
Essen
Gelsenkirchen
Gütersloh
Herne
Krefeld
Moers
Mönchengladbach
M'gladbach-Reststrauch
Münster
Niederzier
Paderborn
Wuppertal

Rhineland-Palatinate
Bornheim
Kaiserslautern
Koblenz
Ludwigshafen
Mainz
Pirmasens
Trier
Worms

Saarland
Saarbrücken

Saxony
Chemnitz
Dresden
Dresden-Prohlis
Görlitz
Leipzig

Saxony-Anhalt
Magdeburg

Schleswig-Holstein
Kiel

Thuringia
Jena

International

Austria
Ansfelden
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Brunn a.G.
Gerasdorf
Hohenems
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Leoben
Seiersberg
St. Pölten
Vienna-Stadlau
Wels

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Ostrava
Ostrava*
Plzeň*
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Prague-Remy

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Bertrange

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Tilburg
Wateringen
Zaandam

Romania
Bucharest-Balotesti
Bucharest-Berceni
Bucharest-Militari
Brasov

Slovakia
Bratislava
Kosice

Sweden
Gothenburg
Malmö
Stockholm-Botkyrka

Switzerland
Biel
Etoy
Galgenen
Littau
Villeneuve

* newly opened in 2011/2012 financial year

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To all participants

Injuries, tight deadlines, unreliable weather – none of these adversities made you lose your nerve. My sincere thanks for that – and for the fantastic results!

Adrian Schröder.