ANNUAL REPORT
2021/2022

HORNBACH HOLDING

AG & CO. KGAA GROUP

HORNBACH
Holding

Key Group, Financial and Operating Data

Amounts shown in € million unless otherwise stated	Change financial year 2021/22 on previous year	IFRS									
		2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13
Sales and earnings figures											
Net sales	7.7%	5,875	5,456	4,729	4,362	4,141	3,941	3,755	3,572	3,369	3,229
of which in other European countries	10.3%	2,726	2,471	2,193	1,986	1,829	1,679	1,533	1,400	1,334	1,280
Sales growth as % of net sales		7.7	15.4	8.4	5.3	5.1	4.9	5.1	6.0	4.3	0.8
EBITDA	9.4%	565	516	420	235	263	254	231	243	236	221
as % of net sales		9.6	9.5	8.9	5.4	6.3	6.5	6.2	6.8	7.0	6.9
EBIT	13.8%	355	312	214	121	161	157	138	165	160	146
as % of net sales		6.0	5.7	4.5	2.8	3.9	4.0	3.7	4.6	4.8	4.5
Adjusted EBIT [1]	11.1%	363	326	227	135	166	160	151	167	164	146
as % of net sales		6.2	6.0	4.8	3.1	4.0	4.1	4.0	4.7	4.9	4.5
Earnings before taxes and non-controlling interest	18.1%	314	266	166	99	132	130	113	140	128	108
as % of net sales		5.3	4.9	3.5	2.3	3.2	3.3	3.0	3.9	3.8	3.3
Net income for the year before non-controlling interest	21.4%	245	201	123	75	96	90	98	107	86	77
as % of net sales		4.2	3.7	2.6	1.7	2.3	2.3	2.6	3.0	2.6	2.4
Gross margin as % of net sales		35.0	35.2	35.8	36.0	36.6	36.6	37.0	37.3	36.6	36.5
Store expenses as % of net sales		24.7	25.3	26.7	28.2	27.8	27.9	28.5	27.9	27.3	27.7
Costs of central administration as % of net sales		4.4	4.4	4.9	5.2	5.2	4.9	4.9	4.6	4.4	4.5
Pre-opening expenses as % of net sales		0.3	0.1	0.2	0.2	0.1	0.2	0.3	0.4	0.3	0.3
Cash flow figures											
Cash flow from operating activities	(0.4)%	345	347	324	54	182	179	152	156	198	144
Investments [2]	15.7%	179	154	131	196	148	179	156	119	116	149
Proceeds from divestments		7	5	10	5	9	11	3	5	12	6
Earnings potential [3]	2.5%	362	354	332	61	187	185	162	171	207	154
as % of net sales		6.2	6.5	7.0	1.4	4.5	4.7	4.3	4.8	6.1	4.8
Dividend distribution		38.4	32.0	24.0	24.0	24.0	24.0	12.6	12.6	10.5	10.5
Balance sheet and financial figures											
Total assets	7.4%	4,306	4,008	3,760	3,011	2,668	2,648	2,680	2,433	2,362	2,270
Non-current assets [4]	6.5%	2,551	2,397	2,379	1,757	1,686	1,651	1,561	1,336	1,286	1,268
Inventories	23.9%	1,230	993	861	799	699	662	623	567	539	515
Cash and cash equivalents	(23.6)%	332	435	368	316	164	190	350	401	429	357
Shareholders' equity	(0.6)%	1,761	1,772	1,604	1,507	1,463	1,398	1,334	1,259	1,164	1,097
as % of total assets		40.9	44.2	42.7	50.0	54.8	52.8	49.8	51.7	49.3	48.3
Return on shareholders' equity based on net income - in %		13.8	11.9	7.9	5.1	6.7	6.6	7.5	8.8	7.6	7.2
Net working capital	16.1%	981	846	727	678	532	531	464	441	397	406
Additions to non-current assets	47.7%	357	241	837	196	148	198	325	121	117	151
Inventory turnover rate per year		3.7	4.2	3.8	3.9	3.9	3.9	4.1	4.2	4.1	4.0
Other information											
Employees - annual average - converted into full-time equivalents	6.6%	19,961	18,720	17,935	17,053	16,223	15,751	15,283	14,663	14,064	13,289
Number of shares		16,000,000	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000
Earnings per share in € [5]		12.48	10.33	6.56	4.08	5.11	4.84	5.04	5.64	4.55	4.06

[1] Adjusted for non-operating items
[2] Excluding investment in short-term financial deposits (2016/17 financial year: € 30 million)
[3] Cash flow from operating activities plus pre-opening expenses
[4] Starting in the 2019/20 financial year: including right-of-use assets (IFRS 16)
[5] Until the 2014/15 financial year: average earnings per share in € (ordinary and preference shares of HORNBACH HOLDING AG)

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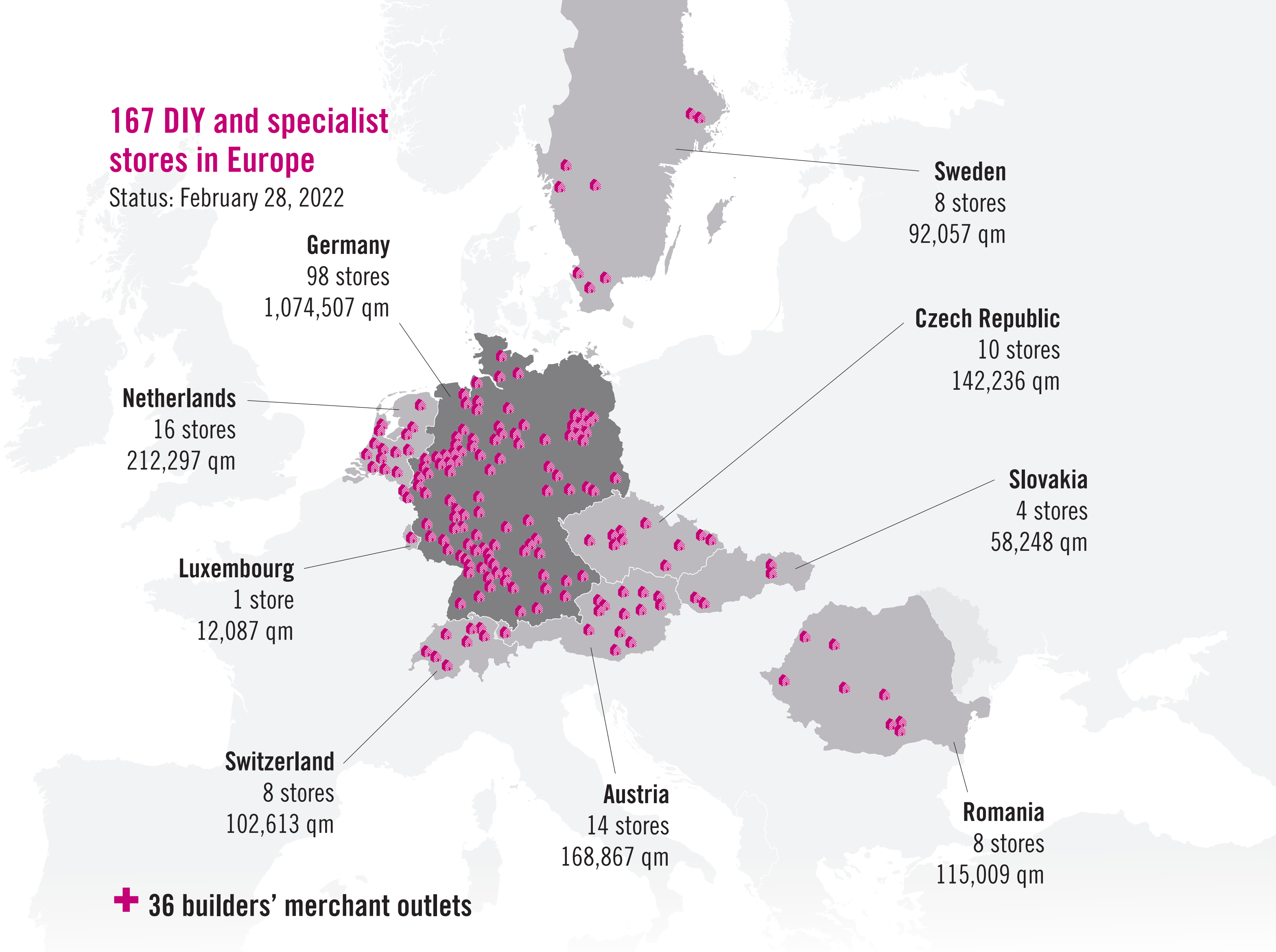

Company Profile

HORNBACH is one of the leading DIY retail groups in Germany and Europe, with 165 DIY stores and garden centers, 2 specialist stores, 36 builders' merchant outlets as well as online shops in nine European countries. HORNBACH's megastores and online shops offer DIY enthusiasts and professionals a broad product range of around 250,000 high-quality articles at permanently low prices. HORNBACH supplements its products with a wide range of project-based advice and services.

1877

HORNBACH was founded more than 140 years ago and is still family-managed, now in the fifth generation.

€ 5.9 billion

Consolidated sales rose by 7.7 % in the 2021/22 financial year.

€ 2,848

HORNBACH is the German DIY market leader in terms of sales per square meter.

Dividend gem

Since its IPO in 1987, HORNBACH Holding AG & Co. KGaA has each year distributed a dividend at least as high as the year before.

No. 1

HORNBACH regularly receives top rankings for its product range and prices in customer satisfaction surveys.

60%

HORNBACH owns more than half the properties used for its retail operations.

TO OUR SHAREHOLDERS

Letter from the CEO

Albrecht Hornbach, Chief Executive Officer of HORNBACH Management AG

Dear Ladies and Gentlemen,

The second year of the coronavirus pandemic, with periods of lockdown and the "federal emergency brake" in Germany, presented us with enormous challenges once again. Many of our suppliers were and are directly or indirectly affected by production downtime, supply shortages for commodities, containers not being available, ports being closed, and other imponderables.

At the HORNBACH Group we again channeled our strengths: We reacted decisively, swiftly, and flexibly to challenging circumstances while also seizing the opportunities presented by changes in underlying conditions.

The 2021/22 financial year was a further record year for our group of companies, one with significant growth in all our major key figures:

- The HORNBACH Group concluded the financial year with further significant sales growth of +7.7 % to€ 5.9 billion. This growth was driven by all company divisions: our German and international businesses, our DIY retail and builders' merchant businesses, both online and stationary.
- HORNBACH Baumarkt AG, our largest operating subgroup with 167 locations and 9 online shops, increased its sales by +7.4 % to € 5.5 billion. In Germany, our DIY stores and garden centers grew their net sales by +4.8 % to € 2.8 billion. Overall, our eight country markets outside Germany even posted double-digit growth of +10.3 % and increased their sales to € 2.7 billion. As a result, our interna-tional sales are now almost on a par with our German business.
- Our online sales (including click & collect) also showed double-digit growth: in this case by +10.5 % to€ 944 million. This means the HORNBACH Baumarkt AG subgroup now generates 17.2 % of its sales volumes online.

- With double-digit sales growth of +11.8 %, the HORNBACH Baustoff Union GmbH subgroup also contributed to the superb performance of the HORNBACH Group.

As a result of this further strong sales growth, the HORNBACH Group also significantly increased its earnings once more.

- Adjusted to exclude non-operating one-off items, the HORNBACH Group's EBIT grew by +11 % to € 363 million. Adjusted EBIT at the HORNBACH Baumarkt AG subgroup rose by +13 % to € 315 million.
- The adjusted EBIT margin for the overall Group rose from 6.0 % to 6.2 % and thus to a further record high since the company's conversion to IFRS accounting in the 2001/02 financial year.
- Earnings per share jumped from € 10.33 to € 12.48.

At the end of the financial year, we also successfully implemented an important strategic project: As of February 28, we withdrew HORNBACH Baumarkt AG from the stock exchange. HORNBACH's ongoing status as a family-managed company has been secure since the conversion of the holding company into a partnership limited by shares, meaning there was no longer any need for a dual listing. Now we have streamlined our capital market presence and will in future be able to present ourselves and our success story to the capital market in a more focused manner as one company.

This success story – and especially our achievements in the past financial year – has been driven by three absolutely crucial factors:

Firstly, this is our successful digitalization strategy.
More than twelve years ago, we were one of the first companies in the DIY sector to start digitalizing our business. Since launching our digitalization campaign, we have relied on our own strategy: interconnected retail, or ICR for short. We made massive investments in this field because we were – and are – convinced that, viewed in the long term, digitalization will be a crucial component in our success story. Today, we are reaping the benefits of this forward-looking approach. We have profited from our head start and extended it further. We now have the top-performing online shop in the sector, with around 250,000 articles available at the German site.

The second success factor is our supply chain and logistics concept.
During the lockdowns in the second year of the pandemic, we were at times required to close up to 140 of our stores for general sales. We reacted consistently to this situation, made intensive use of click & collect, and converted some of our stores at short notice into distribution centers from which we sent goods directly to our customers. Not only that: Since the onset of the pandemic, we have created additional storage capacities, taken a highly forward-looking approach to procurement, and made flexible use of various transport options to secure the availability of our goods for our customers. We have longstanding relationships with our suppliers and a multi-supplier strategy that allows us to draw on alternative supply sources when necessary. We have also focused for years now on ways to optimize how we use freight space. In times of rising freight costs, we are now benefiting from that.

However, the third and most important guarantors of our success are our employees, colleagues at the stores, in our logistics facilities and central departments.

In these challenging times, they again all demonstrated their ability to show initiative and their determination to tackle problems while reacting flexibly to changes in conditions. Employees who otherwise advised customers, worked at checkouts, or stocked goods onto shelves switched during the pandemic to devising and implementing hygienic protection measures, processing online orders, packaging goods and sending them to customers. We owe our colleagues, now numbering nearly 25,000 in total, our special appreciation. We know the extra efforts they made to serve our customers placed great demands on them.

So what do we expect from the new 2022/23 financial year? As I mentioned at the outset, the challenges facing the HORNBACH Group have not become any less in spring 2022. The uncertainties remain great. We nevertheless have good reason to be confident about the future. After all, we can be sure of one thing: The trend towards homing and cocooning is continuing. During the pandemic, many people took the opportunity to tackle projects in their apartments, houses, and gardens. Anyone who actually started improving their home and their garden or balcony does not suddenly stop just because the restaurants and museums are open and they can go on holiday again. People are far more attached to their own four walls now than they were before the pandemic.

Yours faithfully,
Albrecht Hornbach

Chief Executive Officer of HORNBACH Management AG,
General Partner of HORNBACH Holding AG & Co. KGaA

Report of the Supervisory Board

Dr. John Feldmann, Chairman of the Supervisory Board of HORNBACH Holding AG & Co. KGaA

Dear Shareholders,

The 2021/22 financial year was again marked by difficult discussions within society, and to a greater extent than expected, as to the best way to respond to the pandemic and mutations in the underlying virus. Large numbers of measures, varying widely from region to region, were intensified and eased on an alternating basis and provided the approval framework to which we were all obliged to adapt.

The distinct trend among consumers in the first year of the pandemic, namely to compensate for restrictions on social life by focusing on optimizing and enhancing their private environments, remained intact in the second year as well. Demand for do-it-yourself products and services was still significantly higher than in the years before the pandemic but did not match the dynamic growth seen in 2020/21. In all regions in which we operate, we continue to see a trend towards changing consumer behavior: Our customers, particularly those shopping online, tend to purchase goods slightly less frequently but in larger quantities overall and for consolidated projects. To account for this, HORNBACH will focus in future as well on further developing our diverse range of sales models in order to meet customers' needs as closely as possible. Increased costs due to the pandemic, shortages in the availability of goods, and bottlenecks in logistics: These factors made it absolutely necessary for us to adjust our own prices.

Despite the aforementioned restrictions, by dovetailing stationary DIY store retail with the internet business the team at HORNBACH Baumarkt AG achieved fantastic results in the year under report. The same applies to HORNBACH Baustoff Union GmbH, which likewise posted record earnings in the past financial year. With its projects, HORNBACH Immobilien AG also continued to make a significant stabilizing contribution to the Group's value creation. By focusing on the needs of customers in individual regions, boosting the advice and services provided, particularly in the project business, ensuring forward-looking stocking policies, and implementing measures to optimize and safeguard logistics, the company was able to significantly outperform the market in nearly all countries. HORNBACH further expanded its market share once again in 2021/22 while at the same time generating profitable growth.

The success of HORNBACH's business model is now also reflected in its stock market valuation. To further optimize this position, HORNBACH HOLDING AG & Co KGaA successfully submitted an offer to the independent shareholders in HORNBACH Baumarkt AG to take over their shares. It now owns 90.86 % of the shares in this company whose stock market listing, following the submission of a corresponding delisting application by HORNBACH Baumarkt AG, expired at the end of February. With the HORNBACH HOLDING AG & Co KGaA share, the HORNBACH Group now offers a focused investment in a growth-driven, profitable Group with a well-balanced long-term and stable financing structure.

Meetings of the Supervisory Board

The Supervisory Board held a total of four meetings in the 2021/22 financial year. All members attended all meetings of the Supervisory Board and of the committees to which they belonged in the year under report. Attendance at the meetings of the Supervisory Board and its committees amounted to 100 % in each case. Individualized disclosures on meeting attendance by Supervisory Board members can be found in the Corporate Governance Statement. No conflicts of interest arose in the year under report.

At our meetings, we dealt in detail with the business performance and economic situation of the company on the basis of oral and written reports provided by the Board of Management. We also extensively addressed the further strategic development of the company's business, investment and financial policy, and corporate governance and compliance. We informed ourselves in detail about the company's opportunity and risk situation, and the implementation of risk management, and discussed these matters with the Board of Management. The Board of Management also provided regular written and oral reports on the company's current situation, particularly with regard to the impact of the coronavirus pandemic on its retail activities, and on the development in its sales, earnings, and financial position compared with the previous year and the budget. Budget variances were explained and measures discussed.

At the meeting held in May 2021 to approve the annual financial statements, we examined the annual and consolidated financial statements for the past financial year in great detail in the presence of the auditor, as was also the case in May 2022. Furthermore, the Audit Committee also reported on its work and the findings of its audit. All questions raised by Supervisory Board members were answered in detail by the auditors. The report of the Supervisory Board, the corporate governance statement, remuneration report, risk report, and compliance report were also discussed and approved at these respective meetings. Moreover, we approved the agenda for the Annual General Meeting, including proposed resolutions. In May 2021, we also dealt with the audit of the non-financial group declaration with the participation of auditors from Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft. By analogy, in May 2022 we dealt with the audit of the non-financial group declaration with the participation of auditors from Deloitte GmbH.

At the meeting held directly before the virtual Annual General Meeting in July 2021, the Board of Management reported on the current situation of the Group and the dates of scheduled meetings up to and including the 2022/23 financial year were also agreed.

In December 2021, the Group's current business situation, risk report, and compliance report were discussed. At this meeting, the Supervisory Board also dealt in great detail with the delisting of HORNBACH Baumarkt AG. We also assessed the way in which we discharge our duties as the overall Supervisory Board and in our committees and adopted the updated Declaration of Compliance with the German Corporate Governance Code pursuant to § 161 of the German Stock Corporation Act (AktG). This declaration was made permanently available on the company's homepage. HORNBACH Holding AG & Co. KGaA largely complied with and continues to

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comply with the recommendations of the German Corporate Governance Code with only a few exceptions. Further information about corporate governance at HORNBACH Holding AG & Co. KGaA can be found in the "Corporate Governance Statement" chapter.

At its final meeting in the past 2021/22 financial year, held in February 2022, the Supervisory Board discussed the Group's current business situation as well as the budget for the financial years 2022/23 to 2026/27.

Committees and committee meetings

Directors and Officers
Supervisory Board committees

The Supervisory Board has established three committees. The current composition of the committees can be found in the "Directors and Officers" chapter of this Annual Report.

The Audit Committee met five times in the year under report, namely in May, June, September, December, and February.

In May 2021, the Audit Committee discussed the annual financial statements of HORNBACH Holding AG & Co. KGaA and the consolidated financial statements, management reports, proposed appropriation of profits, and audit reports, including the dependent company report, with the participation of the auditor, as well as the CEO and CFO. Further key focuses of discussion at this meeting also included the risk and compliance reports of the Board of Management, group internal audit reports, reports from the Board of Management on the company's financial situation, an assessment of the quality of the audit, and the candidate to be proposed for election as auditor. At the June meeting the statement for the first quarter was discussed and in September 2021 the half-year financial report was addressed in the presence of the auditors and the key audit focuses were specified for the audit of the consolidated financial statements. In December 2021, the Audit Committee held detailed discussions concerning the statement for the first nine months and also discussed the risk report, the compliance report, and the financial situation. The auditor reported on the current status of the work already begun on the audit of the financial statements. In February 2022, the budget for the financial years 2022/23 to 2026/27 was addressed in detail, as was the internal audit plan for the 2022/23 financial year. All meetings of the committee received reports on the latest status and impact of the coronavirus pandemic and the associated challenges.

The Audit Committee Chairwoman reported in detail on the work of the committee to the full Supervisory Board meetings.

The Special Committee formed by the Supervisory Board of HORNBACH Holding AG & Co. KGaA in the course of the change in legal form in October 2015 held two meetings in the 2021/22 financial year. The Special Committee performs the tasks of the Supervisory Board pursuant to § 8 (1) Sentence 2 of the Articles of Association. It is responsible in particular for checking and approving invoices submitted by the general partner pursuant to § 8 (3) of the Articles of Association. To this end, the Special Committee met in May and September 2021.

The Nomination Committee held one meeting in the year under report, namely in May 2021. At this meeting, the committee dealt with the recommendation to the Supervisory Board to elect Prof. Dr.-Ing Jens P. Wulfsberg to the Supervisory Board. His court appointment to the Supervisory Board is limited to the conclusion of the next Annual General Meeting in July 2022.

Composition of Board of Management of general partner
In the interests of safeguarding the company's future, the development of management staff is an important task incumbent on the Supervisory Boards and Boards of Management at the HORNBACH Group. Here, we rely on a good balance between continuity and change.

Roland Pelka, a member of the Board of Management of HORNBACH Baumarkt AG for nearly 25 years and also CFO in the Board of Management of HORNBACH Management AG, the general partner of HORNBACH Holding AG & Co. KGaA, entered his well-deserved retirement as of March 31, 2021. Roland Pelka made a substantial contribution to building what is now the Group's highly efficient and effective finance division. He stands for competence, reliability, and due care in designing a sustainably effective financial structure, and for transparent and trustworthy governance and reporting. We wish him the very best of health and happiness for the years ahead.

In September 2020, the Supervisory Board of HORNBACH Management AG decided to appoint Karin Dohm as a new member of the Board of Management as of January 1, 2021. She succeeded Roland Pelka, the former CFO of HORNBACH Management AG and HORNBACH Baumarkt AG as of April 1, 2021. Karin Dohm is a proven financial expert who, thanks to her consulting and supervisory board activities, has in-depth experience of the retail sector. With Karin Dohm, the company has found an ideal candidate to succeed Roland Pelka, and one who will superbly complement the Board of Management teams.

Composition of Supervisory Board
Dr. Susanne Wulfsberg stood down from the Supervisory Board as of December 31, 2021. We would like to thank her for the constructive contributions she made in recent years. We are pleased to welcome Prof. Dr.-Ing. Jens P. Wulfsberg, who took up his activities as of January 1, 2022, as her successor.

Annual and consolidated financial statements
Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Mannheim (Deloitte), audited the annual financial statements and consolidated financial statements of HORNBACH Holding AG & Co. KGaA as of February 28, 2022, as well as the combined management report and group management report of HORNBACH Holding AG & Co. KGaA for the 2021/22 financial year, 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, Deloitte confirmed that the Board of Management had suitably implemented the measures required by § 91 (2) AktG, particularly those concerning the establishment of an early warning risk management system, and that the monitoring system was suitable for the early detection of any developments that could threaten the company's continued existence.

Key audit focuses in the 2021/22 financial year included the recoverability of location properties and right-of-use assets for location properties, the measurement of inventories, and the application of IFRS 16 in respect of the consolidated financial statements and the recoverability of financial assets and receivables due from associated companies in respect of the annual financial statements.

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 12, 2022 and at the subsequent meeting of the Supervisory Board held 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. Furthermore, Deloitte reported on the preliminary planning for the audit of the financial statements for the 2022/23 financial year. 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 do not raise any objections and endorse Deloitte's audit findings. We approve the annual and consolidated financial statements of HORNBACH Holding AG & Co. KGaA prepared by the Board of Management as of February 28, 2022. 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 AktG. Neither this review nor Deloitte's audit gave rise to objections. Deloitte 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 company's performance 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 AktG.

With Russia's invasion of Ukraine, war has become a reality in Europe again after several decades of peace. HORNBACH is supporting the people affected in Ukraine and refugees with numerous initiatives. At the same time, the company is taking the measures necessary to uphold supplies to its customers as well as possible. From a current perspective, it is hardly possible to make any reliable statements concerning the impact on our business. HORNBACH's team has proven that, by building on a solid strategic basis and acting with courage, competence, and commitment, it is able to remain the preferred partner of its suppliers and customers and to safeguard its profitable growth in future as well.

The Supervisory Board has every confidence in the team's ability to master the new set of challenges as well and would like to thank all of the company's managers and staff for the contributions they made to a very successful 2021/22 financial year.

Neustadt an der Weinstrasse, May 2022

The Supervisory Board

Dr. John Feldmann
Chairman

Corporate Governance Statement

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 to enhance the trust placed in our company by our customers, business partners, investors, employees, and the financial markets. In what follows, you will find the Corporate Governance Statement pursuant to § 289f and § 315d of the German Commercial Code (HGB). The Corporate Governance Statement forms the core of our reporting on corporate governance (cf. Principle 22 of the German Corporate Governance Code dated December 16, 2019 and published in the Federal Official Gazette on March 20, 2020).

1. Declaration of Compliance with the German Corporate Governance Code dated December 2021 pursuant to § 161 AktG

The General Partner (HORNBACH Management AG, acting via its Board of Management) and the Supervisory Board of HORNBACH Holding AG & Co. KGaA hereby declare pursuant to § 161 of the German Stock Corporation Act (AktG):

I. Preliminary remarks

The German Corporate Governance Code ("the DCGK" or "the Code") is tailored to companies with the legal form of a stock corporation ("AG") or a European Company ("SE") and does not account for the special circumstances of partnerships limited by shares ("KGaA"). Many of the recommendations made in the Code can only be applied in modified form to HORNBACH Holding AG & Co. KGaA. The following factors in particular require consideration:

1. Management

Numerous Code recommendations refer to the Board of Management. Unlike an AG, however, the KGaA does not have a Board of Management. At a KGaA, the tasks incumbent on the Board of Management are performed by the General Partner. At HORNBACH Holding AG & Co. KGaA, that is HORNBACH Management AG.

2. Supervisory Board

The Code recommendations concerning the Supervisory Board also do not account for the legal form of a KGaA. Specifically, the Supervisory Board of a KGaA does not have any personnel competence in respect of the Board of Management at the General Partner (here: HORNBACH Management AG) and also cannot obligate the latter in terms of the company's management by laying down transactions subject to approval requirements.

3. Annual General Meeting

The Annual General Meeting of a KGaA basically has the same rights as that at an AG; it additionally passes resolution on the adoption of the company's annual financial statements. Unlike at an AG, some of the resolutions adopted by the Annual General Meeting require the approval of the General Partner (here: HORNBACH Management AG). These include the adoption of the company's annual financial statements.

II. Declaration in respect of the DCGK in the version dated December 16, 2019

1. Future-related section

The company will in future basically comply with the recommendations of the Code in the version dated December 16, 2019 and published in the Federal Official Gazette on March 20, 2020 with the exception of the deviations listed below.

No application is made of the following recommendations: A.1, A.2, B.1 to B.5, D.6, E.2, E.3, G.1 to G.13, G.15, and G.16.

These deviations from the recommendations are due to the fact that the KGaA does not have a Board of Management and that the Supervisory Board of the KGaA does not have any responsibility in respect of the General Partner of the KGaA, HORNBACH Management AG. Responsibility in this respect is incumbent on the Supervisory Board of HORNBACH Management AG. Specifically:

a) Recommendation A.1:
When making appointments to executive positions at the company, the Board of Management should consider diversity. The KGaA does not have a Board of Management.

b) Recommendation A.2:
According to Recommendation A.2, the Board of Management should institute an appropriate compliance management system reflecting the company's risk situation and disclose the main features of this system. Employees should be given the opportunity to report, in a protected manner, suspected breaches of the law within the company. The KGaA does not have a Board of Management. Irrespective of this, the company has a compliance management system whose main features are disclosed and which also gives employees the opportunity to report, in a protected manner, suspected breaches of the law within the company.

c) Recommendations B.1 to B.5:
In B.1 to B.5, the Code makes several recommendations concerning the composition of the Board of Management, including succession planning. The KGaA does not have a Board of Management. The Supervisory Board does not have the powers to appoint members of the Board of Management at the General Partner.

d) Recommendation D.6:
The KGaA does not have a Board of Management. The Supervisory Board Chairman is nevertheless in regular contact with the General Partner and discusses with that company's Board of Management issues of strategy, business development, the risk situation, risk management, and compliance at the company.

e) Recommendations E.2 and E.3:
E.2 and E.3 include recommendations concerning the handling of conflicts of interests on the part of members of the Board of Management. The KGaA does not have a Board of Management. Conflicts of interest on the part of members of the Board of Management of the General Partner and any sideline activities are dealt with by the General Partner.

f) Recommendations G.1 to G.13, G.15, and G.16:
In G.1 to G.13, G.15, and G.16, the DCGK sets out several recommendations concerning the remuneration of the Board of Management. The KGaA does not have a Board of Management and the Supervisory Board does not have the powers to determine the remuneration of members of the Board of Management at the General Partner.

2. Past-related section
Since the submission of its previous Declaration of Compliance in December 2020, the company basically complied with the recommendations of the Code in the version dated December 16, 2019 and published in the Federal Official Gazette on March 20, 2020 with the exception of the deviations already stated and substantiated for the future in Section II.1 above.

Neustadt an der Weinstrasse, December 2021

HORNBACH Holding AG & Co. KGaA
The Supervisory Board of HORNBACH Holding AG & Co. KGaA
The Board of Management of HORNBACH Management AG

The above Declaration of Compliance dated December 2021 has been published on our website together with all earlier Declarations of Compliance and is also available as a download.

www.hornbach-group.com
Investor Relations > Corporate Governance > Declarations of Compliance

2. Specific Features of the Legal Form and Articles of Association of HORNBACH Holding AG & Co. KGaA

HORNBACH Holding AG & Co. KGaA, based in Neustadt an der Weinstrasse, is a partnership limited by shares (KGaA). Like a stock corporation, the KGaA is a corporation whose capital is divided into shares. Like a stock corporation, the KGaA is thus suited to a broad group of investors and to simple tradability of its shares. Like a limited partnership, the KGaA has two different groups of shareholders, the personally liable shareholder(s) on the one hand and limited shareholders on the other. HORNBACH Holding AG & Co. KGaA is governed by the requirements of German law and the provisions of its Articles of Association.

2.1 Share capital and share class

The share capital of HORNBACH Holding AG & Co. KGaA amounts to € 48,000,000.00 and is divided into 16,000,000 no-par ordinary bearer shares with a prorated amount of share capital of € 3.00 per share. The ordinary shares in the KGaA are admitted to trading in the Prime Standard of the Frankfurt Stock Exchange (ISIN DE0006083405/ WKN 608340).

2.2 Group management and supervisory structure and bodies

The statutory bodies of the KGaA are the general partner, the Supervisory Board, and the Annual General Meeting.

The Articles of Association of HORNBACH Holding AG & Co. KGaA which, alongside legal requirements, define the competencies of the bodies in greater detail, can be downloaded from our website.

www.hornbach-group.com
Investor Relations > Corporate Governance

2.2.1 General partner
The general partner of HORNBACH Holding AG & Co. KGaA is HORNBACH Management AG, represented by its Board of Management, which currently consists of two members. The Board of Management of the general partner manages the business of HORNBACH Holding AG & Co. KGaA and represents the company to third parties. Pursuant to the Articles of Association, the authorization of the general partner to manage the business also extends to exceptional management measures not requiring the approval of limited shareholders at the Annual General Meeting.

The general partner does not participate either in the profit or loss or in the assets of the KGaA. The general partner is required to report regularly to the Supervisory Board of the KGaA.

Hornbach Familien-Treuhandgesellschaft mbH holds all shares in HORNBACH Management AG. Consistent with the provisions of the Articles of Association of the KGaA, the level of shareholding held by Hornbach Familien-Treuhandgesellschaft mbH in the share capital of HORNBACH Holding AG & Co. KGaA has to exceed 10 %. Furthermore, Hornbach Familien-Treuhandgesellschaft mbH must hold at least 50 % plus one share of the shares in HORNBACH Management AG.

2.2.2 Supervisory Board

The supervisory board of a KGaA is essentially constituted in the same way as that of a stock corporation (AG). The Supervisory Board of HORNBACH Holding AG & Co. KGaA is obliged to supervise the company's management. However, it is not entitled to appoint the board of management of the general partner. Furthermore, as a general rule the supervisory board of a KGaA may not issue any code of procedure for the management or compile any list of transactions requiring its approval. Like at a stock corporation, members of the supervisory board are elected by the annual general meeting.

2.2.3 Annual General Meeting

Limited shareholders exercise their rights, including their voting rights, at the Annual General Meeting. Each ordinary share in HORNBACH Holding AG & Co. KGaA grants one vote. HORNBACH Holding AG & Co. KGaA provides its shareholders with the services of a voting proxy bound to vote in line with instructions.

Legal requirements exclude the general partner, and for specific resolutions, its sole shareholder, Hornbach Familien-Treuhandgesellschaft mbH, from exercising voting rights. In particular, these include the election and dismissal of the Supervisory Board of HORNBACH Holding AG & Co. KGaA, which is therefore decided solely by the other limited shareholders. This means that Hornbach Familien-Treuhandgesellschaft mbH has no influence on the composition of the Supervisory Board of HORNBACH Holding AG & Co. KGaA. The voting prohibition also applies to the approval of the actions of the general partner and members of the Supervisory Board, as well as to the election of the auditor. The voting prohibition thus accounts for any potential conflict of interests.

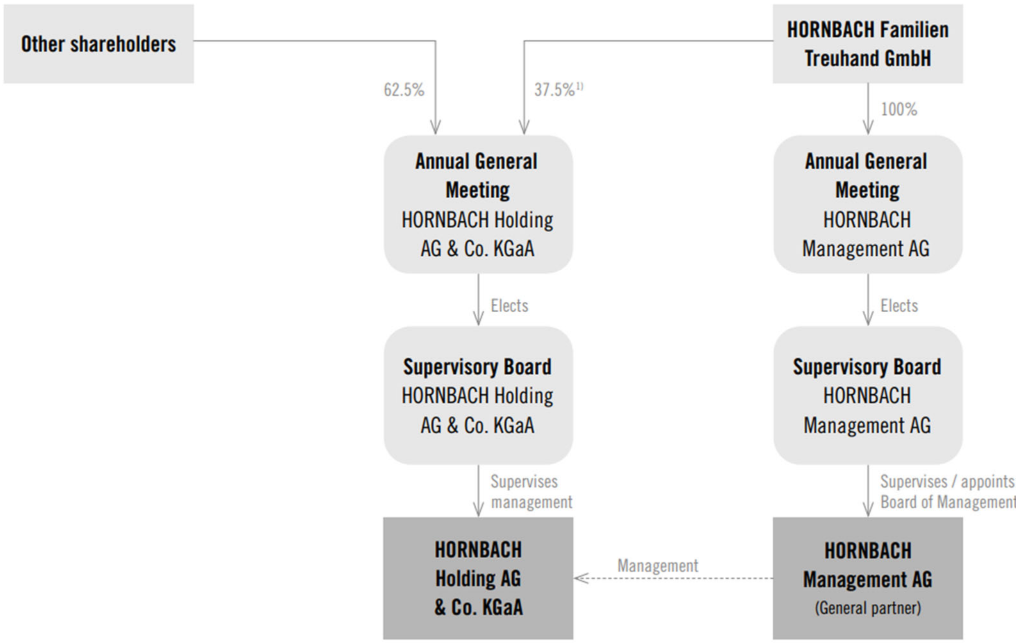
The requirements governing the preparation and execution of the Annual General Meeting are basically analogous to those at stock corporations. Pursuant to the Articles of Association, the meeting is generally chaired by the Supervisory Board Chairman.

Unlike at the annual general meeting of a stock corporation, subject to the approval of the general partner the Annual General Meeting of HORNBACH Holding AG & Co. KGaA also resolves on the adoption of the annual financial statements. The Annual General Meeting also decides on the appropriation of net profit.

Consistent with legal requirements, resolutions adopted by the Annual General Meeting require the approval of the general partner unless this is prohibited from voting on the individual matter in hand. This approval requirement applies to all matters for which the limited partnership requires the approval both of its general partner and of its limited shareholders. Resolutions adopted by the Annual General Meeting to amend the Articles of Association and other fundamental resolutions therefore basically require the approval of the general partner. At the Annual General Meeting, the general partner declares whether it approves the resolutions or intends to exercise its veto right. Such declarations are recorded in the minutes of the meeting.

Shareholders are regularly informed of all significant dates, such as the Annual General Meeting in particular, by means of the financial calendar published in the annual report, the quarterly financial reports, and on the company’s homepage at www.hornbach-group.com.

Structure of HORNBACH Holding AG & Co. KGaA
Status: February 28, 2022



[1] directly and indirectly; no voting rights for specific resolution items, such as the election of the Supervisory Board of HORNBACH Holding AG & Co. KGaA, formal approval of the actions of the general partner and Supervisory Board of the KGaA, election of the auditor; status: February 28, 2022

3. Modus Operandi of Management and Supervisory Board

Unlike at a stock corporation, the dualistic system at a partnership limited by shares does not comprise a board of management and a supervisory board, but rather a general partner and a supervisory board.

3.1 Supervisory Board

The Supervisory Board of HORNBACH Holding AG & Co. KGaA consists of six members. The CVs of the Supervisory Board members have been published on our website.

www.hornbach-group.com
Investor Relations > Corporate Governance > Supervisory Board

The Supervisory Board Chairman coordinates the work of the Supervisory Board and attends to the affairs of the Supervisory Board externally. At its meetings, the Supervisory Board adopts resolutions with a simple majority of the votes cast unless otherwise required by law or the Articles of Association. In the event of a parity of votes in the Supervisory Board, the Supervisory Board Chairman has the casting vote.

The general partner and the Supervisory Board work together closely in the interests of the company. The Supervisory Board of HORNBACH Holding AG & Co. KGaA monitors the management of the company by the general partner. To this end, the Board of Management of HORNBACH Management AG is required to report regularly, promptly, and extensively on its intended business policy, real estate strategy, and corporate planning, as well as on the company's current sales and earnings performance. Its duties to provide information include reports on the company's profitability, planned transactions with a material influence on the company's net asset, financial, and earnings position, and reports on the company's risk management and risk situation, and on compliance.

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 immediately 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 the general partner, 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 result in the resignation of such member. No conflicts of interest arose in the year under report. Advisory and other service agreements and contracts for work between a Supervisory Board member and the company require approval by the Supervisory Board. The same applies to equivalent contracts with the general partner to the extent that the company is obliged by its Articles of Association to reimburse any resultant expenses. There were no contracts requiring such approval with Supervisory Board members of HORNBACH Holding AG & Co. KGaA in the 2021/22 financial year.

Directors and Officers
Supervisory Board committees

The Supervisory Board of HORNBACH Holding AG & Co. KGaA has the following committees:

- Nomination Committee
- Audit Committee
- Special Committee

The composition of the committees is presented in the "Directors and Officers" chapter.

The Nomination Committee identifies suitable candidates for the Supervisory Board based on the objectives set by the Supervisory Board for its composition (including the competence profile and diversity concept) and prepares the proposals to be submitted by the Supervisory Board to the Annual General Meeting in respect of the election of Supervisory Board members. The Nomination Committee meets when required.

The Audit Committee particularly prepares the deliberations and resolutions to be adopted by the Supervisory Board for all issues of accounting and specifically of the annual financial statements. It also addresses matters of risk management and compliance, the necessary independence of the auditor, the award of the audit assignment to the auditor, the setting of audit focuses, fee arrangements, and the other tasks assigned to it pursuant to § 107 (3) Sentence 2 AktG. The Audit Committee monitors the auditor and regularly assesses the quality of its services. It takes suitable measures to establish and monitor the independence of the auditor and to supervise any additional services performed by the auditor. The Audit Committee prepares a recommendation for the proposal submitted by the Supervisory Board to the Annual General Meeting in respect of the election of the auditor. In preparing this recommendation, it obtains a declaration from the designated auditor in respect of any relationships in the previous financial year between the auditor, its governing bodies, and audit managers on the one hand and the company and the members of its governing bodies on the other. The Audit Committee holds regular meetings.

Unless otherwise determined by the Audit Committee Chairwomen, meetings of the Audit Committee are also attended by the CEO of the general partner and the member of the Board of Management responsible for accounting.

The Special Committee is responsible for representation towards the general partner and in particular also for reviewing and approving the invoices submitted by the general partner in connection with its management of the company's business. The Special Committee holds regular meetings.

The committee chairs exchange information with the Supervisory Board Chairman and the Board of Management of the general partner, also outside the meeting framework.

The Supervisory Board performs an efficiency review/self-assessment of its activities once a year. Based on a catalogue of questions prepared in advance, the Supervisory Board discusses the effectiveness of the work it and its committees perform in order to identify any potential improvements. This process was carried out at the December meeting.

3.1.1 Targets for the composition of the Supervisory Board, competence profile, diversity concept, and manner of implementation

Taking due account of the recommendations made in Point 5.4.1 of the German Corporate Governance Code (in the version dated February 7, 2017; corresponds to Recommendation C.1 in the version dated December 16, 2019), on December 20, 2017 the Supervisory Board adopted the targets for its composition, including a competence profile for the overall board. The corresponding Supervisory Board resolution also includes the diversity concept for the Supervisory Board. The objective here is to continually develop the specific composition, and thus the expertise and experience, of the Supervisory Board and to achieve a good balance between continuity and renewal. Given the diverse composition thereby envisaged, the concept is intended to ensure that the Supervisory Board can optimally perform its tasks thanks to the resultant variety of viewpoints and perspectives considered.

Pursuant to the competence profile, the Supervisory Board of HORNBACH Holding AG & Co. KGaA must possess the expertise needed to fulfill its supervisory function and to assess and monitor the transactions performed by the company. To this end, the Supervisory Board members must collectively be familiar with the sector in which the company operates. This particularly includes knowledge, skills, and professional expertise in managing a retail, service, and real estate group with activities in the fields of (a) building, acquiring and/or operating large-scale retail stores, especially DIY stores and home improvement centers, with or without garden centers, specialist stores, other specialist retail businesses, and e-commerce; (b) similar or other areas of the retail and wholesale sector; (c) manufacturing and processing products sold in the retail business; (d) managing assets and acquiring, managing, and disposing of participating interests in domestic and foreign subsidiaries; (e) performing management and other services for subsidiaries and participating interests; and (f) acquiring, developing, planning, building, using, administering, disposing of and/or otherwise using land, whether built on or not, and leasehold rights. This also includes expertise in the fields of digitalization and technology, as well as in accounting, auditing, financing, and corresponding legal expertise, including expertise in the field of tax law.

In view of these factors, and to compile its competence profile, the Supervisory Board listed the following specific objectives for its composition which are tailored to the company's individual situation:

- Supervisory Board members must be reliable, possess the expertise needed to fulfill their supervisory function and to assess and monitor the transactions performed by HORNBACH Holding AG & Co. KGaA, and must have sufficient time to dedicate to their duties as members of the Supervisory Board.
- The Supervisory Board must collectively have the knowledge, skills, and professional expertise required to properly perform its duties. In particular, expertise in matters relating to the operation of a retail company, asset and investment management, and real estate management must be available in the Supervisory Board, as must management experience, experience in managing and organizing companies, and experience in working in supervisory boards.
- The Supervisory Board must avoid potential conflicts of interest, and will continue to do so in future.
- The Supervisory Board should not include any members who hold directorships or perform advisory functions at any significant competitors.
- The composition of the Supervisory Board accounts for the diversity criterion, in particular with regard to the ages, genders, educational and career backgrounds of its members. The target share of women in the

Supervisory Board was set at no less than 1/6 as of February 28, 2022 and has been set at 50 % as of February 28, 2027.
- As a general rule, the Supervisory Board should only include individuals who were no older than 70 at the time of their election.
- As a general rule, the Supervisory Board should only include individuals who have not been members of the Supervisory Board for four full terms already at the time of their election.
- The Supervisory Board should include a suitable number of independent members. The Supervisory Board believes that it is sufficient in this respect if at least half of its members are independent.
- Supervisory Board members who have sat on the Supervisory Board for more than three terms in office are no longer deemed as independent.

With regard to the two final objectives and to the recommendations made in the German Corporate Governance Code in the version dated December 16, 2019, the Supervisory Board resolved on May 20, 2020 that since publication of the aforementioned recommendations in the Federal Gazette on March 20, 2020 more than half of the shareholder representatives should be independent of the company and of the general partner and that Supervisory Board members who have been members of the Supervisory Board for longer than 12 years should, as a general rule, no longer be viewed as independent.

Supervisory Board proposals to the Annual General Meeting should and will take due account of these objectives and the diversity concept, while at the same time endeavoring to ensure that the competence profile for the Board as a whole is satisfied.

3.1.2 Implementation status for (i) the objectives underlying the composition of the Supervisory Board, (ii) the diversity concept, and (iii) the competence profile, as well as disclosures on the independence of Supervisory Board members

The current composition of the Supervisory Board meets the aforementioned composition-related objectives, complies with the diversity concept, and satisfies the competence profile. The members of the Supervisory Board complement one another in terms of their ages, educational, and career backgrounds, experience, and expertise in such a way that the Board as a whole can draw on a highly varied wealth of experience and broad range of skills. The Supervisory Board included three women as of February 28, 2022 and currently includes three women (status: May 2022), as a result of which the target of 1/6 set for February 28, 2022, while upholding the current status, was met and even exceeded (c.f. "Share of Women in Senior Management Positions" in Section 3.3). No members of the Supervisory Board of HORNBACH Holding AG & Co. KGaA hold any directorships or perform advisory functions at significant competitors. The regular periods of membership and regular age limits are laid down in the Code of Procedure of the Supervisory Board and are complied with as such. The Code of Procedure of the Supervisory Board is published on the company's website.

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Investor Relations > Corporate Governance > Supervisory Board

The Supervisory Board currently includes five independent shareholder representatives. These are Dr. John Feldmann, Simone Krah, Simona Scarpaleggia, Melanie Thomann-Bopp, and Prof. Dr. Jens Wulfsberg.

3.1.3 Current allocation of competences in Supervisory Board of HORNBACH Holding AG & Co. KGaA

Management	Retail	Marketing / services	Technology / digitalization
Dr. John Feldmann Martin Hornbach Simone Krah Simona Scarpaleggia Melanie Thomann-Bopp Prof. Dr. Jens Wulfsberg	Martin Hornbach Simone Krah Simona Scarpaleggia Melanie Thomann-Bopp	Simone Krah Simona Scarpaleggia Prof. Dr. Jens Wulfsberg	Dr. John Feldmann Martin Hornbach Simone Krah Simona Scarpaleggia Melanie Thomann-Bopp Prof. Dr. Jens Wulfsberg

Accounting / auditing	Capital market / financing	Corporate governance / compliance / risk management	Personnel management / communication
Dr. John Feldmann Melanie Thomann-Bopp	Dr. John Feldmann Melanie Thomann-Bopp	Dr. John Feldmann Simona Scarpaleggia Melanie Thomann-Bopp	Dr. John Feldmann Martin Hornbach Simone Krah Simona Scarpaleggia Melanie Thomann-Bopp Prof. Dr. Jens Wulfsberg

Investment management	Real estate management
Dr. John Feldmann Martin Hornbach Melanie Thomann-Bopp	Dr. John Feldmann Martin Hornbach Melanie Thomann-Bopp

3.1.4 Individualized disclosure of meeting attendance

Supervisory Board	Meetings attended	Attendance in %
Dr. John Feldmann, Chairman	4/4	100.00
Martin Hornbach, Deputy Chairman	4/4	100.00
Simone Krah	4/4	100.00
Simona Scarpaleggia	4/4	100.00
Melanie Thomann-Bopp	4/4	100.00
Dr. Susanne Wulfsberg (stood down as of December 31, 2021)	3/3	100.00
Prof. Dr. Jens Wulfsberg (since January 1, 2022)	1/1	100.00
Total		100.00

Audit Committee	Meetings attended	Attendance in %
Melanie Thomann-Bopp, Chairwoman	5/5	100.00
Dr. John Feldmann	5/5	100.00
Martin Hornbach	5/5	100.00
Simone Krah	5/5	100.00
Total		100.00

Special Committee	Meetings attended	Attendance in %
Melanie Thomann-Bopp, Chairwoman	2/2	100.00
Dr. John Feldmann	2/2	100.00
Simone Krah	2/2	100.00
Total		100.00

Nomination Committee	Meetings attended	Attendance in %
Dr. John Feldmann, Chairman	1/1	100.00
Simone Krah	1/1	100.00
Melanie Thomann-Bopp	1/1	100.00
Total		100.00

3.2 Composition and modus operandi of the Board of Management of the general partner

Directors and Officers
Members of the Board of Management and their areas of responsibility

The Board of Management of the general partner, HORNBACH Management AG, comprised two members at the end of the 2021/22 financial year. Roland Pelka, formerly a member of the Board of Management, stood down from his position and entered retirement at the end of March 31, 2021. Karin Dohm, his successor, has been a member of the Board of Management since January 1, 2021 already. Members of the Board of Management are bound to uphold the company's best interests. Compliance activities to ensure that the company adheres to laws, legal requirements and its own internal guidelines represent a key management task. The Supervisory Board of HORNBACH Management AG has imposed a Code of Procedure on the Board of Management of the general partner governing its management of HORNBACH Holding AG & Co. KGaA. The composition and areas of responsibility of the Board of Management are presented in the "Directors and Officers" chapter in this report.

In discharging its duties, the Board of Management is required to work together with the other boards at the general partner and the company on a basis of trust. The members of the Board of Management bear joint responsibility for the overall management of the company. They work together as colleagues and inform each other about all key measures and developments in their areas of responsibility. As a general rule, the Board of Management meets at least twice a month and on an ad-hoc basis when required in the interests of the company and/or the general partner.

The Board of Management provides the Supervisory Board of HORNBACH Holding AG & Co. KGaA with regular, prompt and extensive information on all matters relevant to the company's and Group'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 Chief Executive Officer provides immediate report to the Supervisory Board Chairman of any significant events of material relevance for assessing the situation, development and management of the company. Measures requiring Supervisory Board approval are submitted in good time.

In their decisions, members of the Board of Management may not pursue personal interests or exploit business opportunities available to the company and/or the general partner for their personal benefit. Members of the Board of Management are obliged to disclose conflicts of interest to the Supervisory Board of the general partner 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 of the general partner. The CVs of the members of the Board of Management have been published on our website.

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Board of Management

3.3 Share of women in senior management positions

HORNBACH Holding AG & Co. KGaA is obliged under the “Act on the Equal Participation of Men and Women in Private-Sector and Public-Sector Management Positions” to set targets for the share of women on its Supervisory Board and the two senior management tiers below the Board of Management (of the general partner). The company set its first targets in this respect in summer 2015, which were to be met by June 30, 2017. In the meantime, the company reviewed these targets, extended them through to February 28, 2022, and has now set targets to be reached by February 28, 2027. Specifically:

3.3.1 Women on the Supervisory Board and Board of Management

At a meeting in July 2015, the Supervisory Board of HORNBACH Holding AG & Co. KGaA had set the target share of women on the Supervisory Board to be reached by June 30, 2017 at no less than 1/6 pursuant to § 111 (5) AktG. At its meeting on May 24, 2017, the Supervisory Board confirmed this target, which was achieved, and extended the target of no less than 1/6, while upholding the current status, through to February 28, 2022. At its meeting on February 18, 2022, the Supervisory Board set the target share of women on the Supervisory Board for February 28, 2027 at 50 %, with this target taking effect as of March 1, 2022. The Supervisory Board included three women as of February 28, 2022 and currently includes three women (status: May 2022). Women therefore account for 50 % of the members and the target was met as of February 28, 2022.

As the Supervisory Board is not responsible for personnel-related topics on the Board of Management at the general partner HORNBACH Management AG, it was not able to set any targets for that body. The Board of Management at the general partner currently comprises one woman and one man (status: May 2022).

3.3.2 Women in the management tier below the Board of Management

In July 2015, the Board of Management of the general partner HORNBACH Management AG had set the target share of women in the management tier beneath the Board of Management at the general partner, which at the time only comprised one manager reporting to the Board of Management, to be reached by June 30, 2017 at a level of at least 0 %. In February 2018, the Board of Management of the general partner adopted a resolution pursuant to § 76 (4) AktG to extend this target of at least 0 %, while upholding the current status, through to February 28, 2022. In January 2022, the Board of Management set the target share of women in the management tier beneath the Board of Management for February 28, 2027 at 50 %, with this target taking effect as of March 1, 2022. Upon the adoption of the resolution and as of May 2022, there are two managers reporting to the Board of Management, both of whom are women. The company does not have any other management tiers.

4. Reporting and Auditing of Financial Statements

The HORNBACH Holding AG & Co. KGaA Group prepares its financial reports in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The separate financial statements of HORNBACH Holding AG & Co. KGaA 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 Group's half-year financial reports.

HORNBACH Holding AG & Co. KGaA has a risk management system that is continually enhanced and updated to account for changes in conditions. The functionality of the early warning risk management system is checked by the auditors.

5. 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, results, and any material changes in its business situation. The HORNBACH Holding AG & Co. KGaA Group reports on its situation in its

- Quarterly statements and half-year financial report
- Annual report
- Annual results press conference and analysts' conference
- Annual General Meeting
- Conference calls and video conferences with financial analysts and investors
- Events with financial analysts and investors from Germany and abroad.

Due to the coronavirus pandemic, these events were held almost exclusively in virtual formats.

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Investor Relations and Financial Calendar

The documents and dates of relevance to the company's regular financial reporting activities are published on our homepage.

Alongside this regular reporting, any information arising at HORNBACH Holding AG & Co. KGaA 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 as insider information pursuant to Article 17 of the Market Abuse Regulation (MAR). All individuals working on behalf of the company and with access to insider information in the course of their activities are informed of the resultant obligations for them under insider law.

Members of the Board of Management of the general partner and the Supervisory Board of HORNBACH Holding AG & Co. KGaA, and individuals closely related to such, are required by Article 19 of the Market Abuse Regulation (MAR) 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 by directors or individuals closely related to such.

6. 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 overall HORNBACH 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. We have published the information referred to below on our website.

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6.1 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 group strategy, everyday behavior, and corporate social responsibility. 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.

6.2 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, compliance with legal requirements, internal company guidelines and ethical principles (compliance) is absolutely crucial. HORNBACH's corporate culture is based on these principles.

HORNBACH has a value-based compliance system which primarily pursues the objective of preventing compliance infringements before they arise, where possible. The "HORNBACH Foundation" forms the basis for HORNBACH's system of values. The principles included in the "HORNBACH Foundation" are fleshed out in the "HORNBACH Values". These formulate the standards of conduct expected of managers and employees with regard to the stakeholder groups of "Government and Society", "Managers and Employees", "Customers, Suppliers and Competitors", and "Providers of Equity and Debt Capital". Among other factors, they set out how we meet our responsibility towards society, treat each other with respect, are committed to fair competition, act with integrity, and manage our financial reporting. The "HORNBACH Values" have been translated into all languages relevant to the Group and made available to all employees.

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Compliance

The "Accepting and Granting Gratuities" code of conduct sets out guiding principles which make clear what HORNBACH expects of its employees in this regard.

The Board of Management of the general partner bears overall responsibility for compliance. One core component of HORNBACH's compliance system is the Compliance Committee, which acts as the topmost advisory body for compliance organization. The Chief Compliance Officer is responsible for coordinating group-wide compliance activities. This officer reports to the Board of Management and is responsible for permanently optimizing and further developing the Group's compliance organization and structures. The Chief Compliance Officer is supported by compliance officers operating on a decentralized basis in all of HORNBACH's regions and departments.

Compliance activities have a particular focus on the risks of "Improper conduct/corruption" and "Cartel law violations". Compliance Officers are surveyed at regular intervals to assess the development in risks which are already known and the potential emergence of new risks.

Since mid-2017, the compliance system has been supported by an internet-based whistleblower system. This provides employees, service providers, and suppliers worldwide with a further possibility of communicating directly with the Chief Compliance Officer. This way, potential infringements of compliance requirements, and in particular infringements relating to antitrust law and corruption, as well as offenses against property and assets, can be reported, also anonymously if preferred. Notifications received from employees that relate to personal or personnel matters and are thus outside the objective scope of the whistleblower system are forwarded to the relevant HR department for further processing. In the year under report, there was a low double-digit number of notifications, of which one third was outside the objective scope of the whistleblower system.

7. Remuneration Report

The remuneration report presents the basic features and structure of the remuneration of the Board of Management of the general partner and the Supervisory Board. It is available on our website at www.hornbach-group.com/remuneration_report/Holding.

8. Directors and Officers

Supervisory Board of HORNBACH Holding AG & Co. KGaA

Dr. John Feldmann
Chairman
Former Executive Board member of BASF SE

Martin Hornbach
Deputy Chairman
Managing Partner
Corivus Gruppe GmbH

Simone Krah
(Managing) President of MMM-Club e.V.

Simona Scarpaleggia
Global CEO of EDGE Strategy AG
(active until December 31, 2021)

Melanie Thomann-Bopp
Chief Financial Officer (CFO) at Sonova Retail Deutschland GmbH (until April 14, 2021)
Commercial Director at Nolte Küchen GmbH & Co. KG and Express Küchen GmbH & Co. KG
(since April 15, 2021)

Prof. Dr.-Ing. Jens P. Wulfsberg (since January 1, 2022)
Professor of Production Technology
Helmut-Schmidt-Universität/Universität der Bundeswehr Hamburg

Dr. Susanne Wulfsberg (until December 31, 2021)
Director of Floggensee Stud, Veterinary Surgeon

Supervisory Board committees

Audit Committee
Melanie Thomann-Bopp, Chairwoman
Dr. John Feldmann
Martin Hornbach
Simone Krah

Nomination Committee
Dr. John Feldmann, Chairman
Simone Krah
Melanie Thomann-Bopp

Special Committee
Melanie Thomann-Bopp, Chairwoman (since May 20, 2021)
Dr. John Feldmann
Simone Krah

Board of Management of HORNBACH Management AG
(general partner of HORNBACH Holding AG & Co. KGaA)

Members and areas of responsibility

Albrecht Hornbach
Chairman (CEO)
DIY Stores / Garden Centers (HORNBACH Baumarkt AG)
Builders' Merchants (HORNBACH Baustoff Union GmbH)
Real Estate (HORNBACH Immobilien AG)

Karin Dohm
since April 1, 2021
Finance, Accounting, Tax, Group Controlling, Risk Management, Internal Audit, Legal, Compliance, Group Communications

Roland Pelka
until March 31, 2021
Finance, Accounting, Tax, Group Controlling, Risk Management, Internal Audit, Legal, Compliance, Investor Relations

Supervisory Board of HORNBACH Management AG
(general partner of HORNBACH Holding AG & Co. KGaA)

Dr. John Feldmann
Chairman (since July 8, 2021)
Deputy Chairman (until July 8, 2021)
Former Executive Board member of BASF SE

Dr. Wolfgang Rupf (until July 8, 2021)
Chairman (until July 8, 2021)
Managing Partner, Rupf Industries GmbH
and Rupf ATG Casting GmbH

Melanie Thomann-Bopp
Deputy Chairwoman (since July 8, 2021)
Chief Financial Officer (CFO) at Sonova Retail Deutschland GmbH (until April 14, 2021)
Commercial Director at Nolte Küchen GmbH & Co. KG and Express Küchen GmbH & Co. KG
(since April 15, 2021)

Albert Hornbach
SAP Interim Manager

Arnulf Hornbach (since July 8, 2021)
Managing Partner of Flowprime GmbH

Christoph Hornbach (until July 8, 2021)
School Director

Georg Hornbach (until July 8, 2021)
Head of Controlling Department and
Head of Finance and Procurement Department
Universitätsklinikum Köln

Johann Hornbach (since July 8, 2021)
IT Project Director at Allianz Technology SE

Steffen Hornbach (until December 31, 2021)
Former CEO of HORNBACH Baumarkt AG

Simone Krah (since July 8, 2021)
(Managing) President of MMM-Club e.V.

Maria Olivier (since January 1, 2022)
Director of Silverhill Farm

Joerg Walter Sost (until July 8, 2021)
Managing Partner
J.S. Consulting GmbH

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

Dr. Susanne Wulfsberg
Director of Floggensee Stud, Veterinary Surgeon

Non-Financial Group Report

1. Fundamentals of Non-Financial Group Report

About this report

HORNBACH Holding AG & Co. KGaA is obliged pursuant to § 315b (1) - (3) of the German Commercial Code (HGB) to prepare a Non-Financial Group Report. This report has been prepared in accordance with § 315bc in conjunction with § 289b-e HGB. The contents of the report are exclusively based on the definition of materiality and the content requirements stipulated in § 315b (1) - (3) HGB. For this reason, no reference has been made to any framework. The materiality analysis of the HORNBACH Group has been presented in detail in Chapter 1.2. of this report.

1.1 Group structure and business model

The structure and business model of the HORNBACH Group are presented below.

Group Management Report
Group Fundamentals

HORNBACH Holding AG & Co. KGaA is the parent company of the HORNBACH Group. It does not have any operations itself, but has a number of major subsidiaries. In addition to HORNBACH Baumarkt AG, the largest operating subgroup at which the do-it-yourself (DIY) retail activities across Europe are pooled, the HORNBACH Group also comprises the HORNBACH Baustoff Union GmbH subgroup (regional builders' merchants) and the HORNBACH Immobilien AG subgroup (real estate and location development). At the balance sheet date on February 28, 2022, the Group had a total of 24,268 employees. In the 2021/22 financial year (March 1, 2021 to February 28, 2022), the HORNBACH Group generated net sales of around € 5.9 billion. The HORNBACH Group was founded in 1877 and is family managed, now in the fifth generation. It has the legal form of a partnership limited by shares (KGaA) and is publicly listed.

In accordance with the Articles of Association, the general partner of HORNBACH Holding AG & Co. KGaA is HORNBACH Management AG, represented by its Board of Management, which currently consists of two members. The Board of Management of the general partner manages the business of HORNBACH Holding AG & Co. KGaA and represents the company to third parties. Hornbach Familien-Treuhandgesellschaft mbH holds all shares in the general partner of HORNBACH Holding AG & Co. KGaA.

Our business activities focus on do-it-yourself (DIY) retail with DIY stores and garden centers, as well as on online DIY retail in Germany and eight other European countries. These retail activities, which mainly focus on the needs of private end customers (business-to-consumer: B2C), are managed at HORNBACH Baumarkt AG, which is by far the largest operating subgroup. With its "ProfiService" and product range, HORNBACH also targets tradespeople and other commercial customers. The DIY product range, which comprises around 50,000 articles stocked at the stationary stores and up to around 250,000 articles available online, is structured in five product divisions: (1) hardware / electrical, (2) paint / wallpaper / flooring, (3) construction materials / timber / prefabricated components, (4) sanitary / tiles, and (5) garden.

In addition, HORNBACH is also active in the regional stationary builders' merchant business via its HORNBACH Baustoff Union GmbH subsidiary (HBU), which chiefly focuses on specialist retail with commercial customers in the main and secondary construction trades (business-to-business: B2B). The range of products and services in HBU's B2B segment comprises around 180,000 articles in ten product divisions: civil engineering, building construction, roof / façade, fittings, garden, construction elements, sanitary and tiles, specialist products, fuels, and transport/other.

The principal task performed by the HORNBACH Immobilien AG subgroup is to support the DIY retail business by developing stationary retail properties for group-internal use.

The internationalization of 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 offer each supplier and manufacturer the opportunity to structure the store deliveries as efficiently as possible. Suppliers are able to make large-scale logistical deliveries directly to each location, or to supply the merchandise indirectly via our logistics centers. This way, we provide regional manufacturers as well with the opportunity of growing outside their existing sales regions and supplying goods to additional countries.

With net sales of more than € 5.5 billion in the 2021/22 financial year, the HORNBACH Baumarkt AG subgroup contributed 94 % of consolidated sales and employed around 95 % of the HORNBACH Group's workforce at the balance sheet date. The HORNBACH Baustoff Union GmbH (HBU) subgroup accounts for € 377 million, and thus around 6 % of sales, as well as for around 5 % of the Group's employees. HORNBACH Immobilien AG does not have any operating customer business or proprietary employees.

1.2 Materiality analysis

Pursuant to § 289c (3) of the German Commercial Code (HGB), non-financial topics count as material when they have significant implications for CSR aspects (environment, employees, human rights, social welfare, and anti-corruption) and are also relevant to the Group's business activities (business performance, business results, and situation).

In the 2021/22 financial year, the managers responsible for the respective topics at the Group, including representatives of both HORNBACH Baumarkt AG and Hornbach Immobilien AG and of HORNBACH Baustoff Union GmbH, reviewed whether their assessment of the non-financial topics within the Group's own business activities or supply chain and at customers which impact on the aspects defined in § 289c (2) HGB had changed to any significant extent compared with their assessment in the previous year. To this end, in an updated materiality matrix the non-financial topics were evaluated in terms of their relevance for our business activities and their implications for the aspects defined in § 289c (2) HGB.

The managers responsible for the respective topics concluded that, in addition to the seven topics reported in the previous year, the topics of "CO_2 emissions" and "Disposal and recycling" are also material both in respect of business activities and of the aspects defined in § 289c (2) HGB. The topics allocated to the "Employee" aspect have been reorganized, with "Employee health" also being defined as a standalone topic. The 2021/22 Non-Financial Group Report has therefore been based on the following topics:

1. Product range and customer information
2. Responsible procurement
3. Product responsibility
4. Employer attractiveness
5. Employee recruitment and development
6. Employee health
7. CO_2 emissions
8. Disposal and recycling
9. Compliance (voluntary disclosures, as not material within the meaning of Section 289c (3) HGB)

The findings were agreed with the Board of Management of HORNBACH Management AG in order to ensure consistent and comprehensive reporting for the overall Group.

1.3 Risk assessment

All material non-financial topics were subject to a risk assessment to ascertain whether our business activities, supply chain, or customers gave rise to any material risks for the aspects defined in § 289c (3), No. 3 and 4, and § 315c HGB. Our group-wide risk management did not identify any risks requiring report at the HORNBACH Holding AG & Co. KGaA Group.

Group Management Report
Risk Report

1.4 Sustainability management

We base all of our group-wide entrepreneurial actions on the HORNBACH Values. These provide a firm foundation for the values underpinning our dealings with customers, as well as our conduct towards our fellow employees. Furthermore, we also base our actions on HORNBACH's CSR Policy, which includes the following core requirements:

- Equal opportunities in selecting and promoting our employees
- Minimum requirements in our suppliers' production sites
- Flawless quality of our products
- Enhancing our product ranges to account for sustainability
- Recycling and waste avoidance in our business operations

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We are convinced that responsibility as embodied in corporate social responsibility (CSR) is a prerequisite for our long-term economic success and for HORNBACH Group's future prospects.

An internal CSR team with members from relevant departments across the Group is responsible for further developing the company's strategic CSR targets. The strategies, targets, and management approaches for non-financial topics are mainly defined by HORNBACH Baumarkt AG and managed by that company's Board of Management. The Board of Management is regularly involved in topic-specific measures and kept informed about their implementation. The Chief Executive Officer of HORNBACH Baumarkt AG bears overall responsibility for the topic of CSR. He is additionally responsible for the areas of strategic development, operating sales and services, and expansion. Sustainability-related topics are nevertheless dealt with by all Board of Management departments and are within the responsibility of the respective member of the Board of Management.

At the HORNBACH Baustoff Union GmbH subgroup, the management is responsible for the strategies, targets, and management approaches for those non-financial topics deemed material. Overall responsibility is incumbent on the Chairman of the Management.

Within the Board of Management of HORNBACH Management AG, the general partner of HORNBACH Holding AG & Co. KGaA, the CEO is responsible for the operating business at the two subsidiaries HORNBACH Baumarkt AG and HORNBACH Baustoff Union GmbH.

In the current financial year 2022/23, the Board of Management of HORNBACH Management AG will define suitable key performance indicators in respect of the material non-financial topics on Group level. These will serve as a basis for integrating ESG targets into the performance-related remuneration of the Board of Management of HORNBACH Management AG and its subsidiaries.

1.5 EU Taxonomy

Pursuant to the EU Taxonomy Regulation and the supplementary delegated acts, in our Non-Financial Group Report we have for the first time reported the shares of taxonomy-eligible turnover, capital expenditure, and operating expenditure for the 2021/22 financial year based on the environmental objectives currently formulated in the Taxonomy, namely "climate change mitigation" and "climate change adaptation".

1.5.1 Activities

Based on an impact analysis, all material activities at the Group which result in revenues being recognized pursuant to IAS 1 were investigated to assess whether they can be allocated to one of the economic activities listed in the annexes to the Delegated Regulation to the EU Taxonomy and thus be deemed taxonomy-eligible.

It was established in this regard that the Group's material economic activities are those of a traditional commodity dealer: procurement and sale of goods and services. These activities are not covered by the criteria sets in the Taxonomy as they are currently not listed as taxonomy-eligible economic activities in the Delegated Regulation to the EU Taxonomy.

Irrespective of this, HORNBACH performs other economic activities that constitute taxonomy-eligible activities as defined in the Delegated Regulation to the EU Taxonomy and result in revenues being recognized pursuant to IAS 1. These serve the environmental objective of "climate change mitigation". In its impact analysis, the Group identified the following economic activity that results in taxonomy-eligible revenues pursuant to IAS 1:

- 7.3. Installation, maintenance, and repair of energy-efficient appliances
  (Sale and installation of energy-efficient appliances, such as windows)

1.5.2 Accounting methods and taxonomy-eligible shares of economic activities

Due to the first-time application of the EU Taxonomy in the 2022 calendar year, there are still considerable uncertainties as to the interpretation of its components. We have therefore indicated accordingly those areas where interpretations have been drawn on when preparing the report. As our financial year diverges from the calendar year, in preparing the 2021/22 consolidated financial statements we have only referred to those publications relating to taxonomy that had been issued by February 28, 2022 and are of a legally binding nature.

To calculate the key performance indicators (KPIs) stated below, we have analyzed the available basis of figures and performed various control measures, such as plausibility checks and comparisons to avoid any potential double counting.

Turnover KPI

The share of turnover attributable to taxonomy-eligible economic activities corresponds to the net sales for which taxonomy-eligible economic activities were identified (numerator) divided by consolidated net sales (denominator). The net sales included in the numerator are consistent with IAS 1.82(a).

CAPEX KPI (capital expenditure)

This quotient is calculated as the share of taxonomy-eligible capital expenditure (numerator) divided by the HORNBACH Group's total capital expenditure (denominator). Capital expenditure as defined in the Delegated Regulation to the EU Taxonomy comprise additions to intangible assets, property, plant and equipment, and plant and office equipment, as well as right-of-use assets and assets in construction. Additions also include remeasurement effects for right-of-use assets. Additions to goodwill are not included, by contrast, as these are not covered by the EU Taxonomy.

Taxonomy-eligible capital expenditure mainly includes the acquisition, construction, and letting of energy-efficient buildings, as well as associated individual measures, and the acquisition or long-term letting of energy-efficient vehicles, including industrial vehicles (forklift trucks, floor conveyors).

OPEX KPI (operating expenditure)

The operating expenditure KPI is obtained by dividing taxonomy-eligible operating expenditure (numerator) by total operating expenditure (denominator). Pursuant to the EU Taxonomy, operating expenditure is defined as follows and thus comprises only part of the expenses reported in the income statement. It covers direct non-capitalized costs relating to research and development, building renovation measures, short-team leases, maintenance and repairs, and all other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment by the company or third parties to which activities are outsourced that are necessary to ensure the continued and effective use of such assets.

- The Group currently does not have any research and development activities that could be classified as taxonomy-eligible.
- Short-term lease expenses are determined in accordance with IFRS 16 and constitute low-value and short-term leases.
- Expenditure on maintenance and repairs as defined in the EU Taxonomy is reported in all functional areas of the income statement. The same also applies for expenditure on the renovation of existing buildings.

The taxonomy-eligible operating expenditure mainly includes the maintenance, repair, and cleaning of energy-efficient buildings and energy-efficient vehicles, including industrial vehicles. Furthermore, it also includes personnel expenses directly related to the aforementioned measures to the extent that these can be clearly allocated to such.

2021/22	Total (in € 000s)	Taxonomy-eligible (in %)	Non-taxonomy-eligible (in %)
Turnover	5,874,957	0.4 %	99.6 %
Capital expenditure (CAPEX)	356,553	21.3 %	78.7 %
Operating expenditure (OPEX) as defined in EU Taxonomy	94,840	7.9 %	92.1 %

2. Material Non-Financial Aspects

The HORNBACH Baumarkt AG subgroup holds a dominant position within the HORNBACH Group, and that both in terms of business activities and of their implications for the aspects defined in § 289c (2) HGB as they pertain to the HORNBACH Holding AG & Co. KGaA Group. The B2C retail business at HORNBACH Baumarkt AG contributes by far the largest share of the Group’s sales and is therefore also the most important lever in terms of implications for the aspects defined in § 289c (2) HGB.

The material non-financial aspects identified for the Group are also relevant to the HORNBACH Baustoff Union GmbH subgroup. The reporting has been supplemented in relevant sections to include the perspective of HORNBACH Baustoff Union GmbH.

In view of this, unless indicated otherwise, the concept described in this non-financial group report relates to the targets, strategies, management approaches, and measures at the HORNBACH Holding AG & Co. KGaA Group. In what follows, the terms “we”, “HORNBACH” and “group-wide” are synonymous with the entire HORNBACH Group. Diverging from this approach, we explicitly refer to any concepts pursued solely on the level of the HORNBACH Baumarkt AG or HORNBACH Baustoff Union GmbH subgroups.

2.1 Product range and customer information

2.1.1 Targets and strategy

Our DIY stores with garden centers, DIY online shops, and builders’ merchant outlets provide our customers with a broad and deep product range and also offer product and project-based information and competent advice with regard to product features and their suitability for implementing specific construction and renovation projects. This way, we aim to enable our customers to make the right purchase decision for their situation. The ability to make a well-informed, independent decision in favor of or against a specific product is a prerequisite for high customer satisfaction and for building a permanent, trust-based customer relationship. This in turn forms the basis for the Group's business success.

By offering the maximum possible transparency concerning the source, contents, and environmental implications of our product ranges – throughout their entire lifecycles – we also aim to enable our customers to consider ecological, health, and social welfare factors when reaching their purchase decisions. Given consumers' ever growing interest in responsible lifestyles, increasing the range of corresponding products and advice on offer also harbors growth opportunities for the company.

2.1.2 Management approach and measures

Internal evaluations and external consumer surveys provide us with indications of our customers' satisfaction with our product range and the information and services we offer.

As part of our operating activities, we collect feedback from our customers and analyze their purchasing behavior. We also factor customer evaluations posted at our online DIY shops into this process. On this basis, we endeavor to continually align our product range, services, and associated information and advice more closely to customers' needs. Not only that, when it comes to independent consumer surveys conducted to evaluate the performance of stationary DIY stores and garden centers in the European countries in which the Group operates we accord priority to being ranked among the best providers in terms of overall satisfaction, product range selection, specialist advice, value for money, and prices compared with competitors. The company’s aim is to maintain its very good rankings across Europe and to improve those rankings that are less good.

To ensure that our employees are available for customers, and thus also safeguard the quality of advice provided in our retail business, we base our staff deployment planning on expected seasonal customer frequency volumes. Two key factors highly significant to our business success are the ability to attract qualified specialist staff and the provision of regular training and further development measures to our employees. Furthermore, the HORNBACH Baumarkt AG subgroup provides digital product information and video tutorials in its online stores and on social media. These offer information on how to use the products, for example, or explain DIY projects on a step-by-step basis.

Non-Financial Group Report
2.4 Employer attractiveness
2.5 Employee recruitment and development

Within our product range, we are strengthening those products used in energy-efficient construction or for energy refurbishments. These measures enable customers to save energy while also reducing their CO_2 emissions. Furthermore, customers have the option of using low-emission products for their construction and renovation projects and this way to minimize the use or presence of harmful substances in their living environments. These products are labeled with widely recognized seals, such as Blauer Engel or the eco-INSTITUT seal, which are applied for by the respective manufacturers and displayed on the packaging. Furthermore, we actively indicate the energy and water-saving functions of products and do not stock controversial products or articles that pose a risk to the environment, such as glyphosate herbicides or plants whose cultivation involves the use of neonicotinoids (bee conservation).

The procurement organizations at HORNBACH Baumarkt AG and HORNBACH Baustoff Union GmbH manage our product range and the need for product and project-based customer information. To enable us to account as closely as possible for customers' needs in the countries in which we operate our retail business, the procurement organizations account for both central and regional requirements when listing suppliers.

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As a matter of principle, we base our product range on the HORNBACH Values. Conversely, that means we reserve the right to delist product ranges when they clearly infringe the HORNBACH Values or do not fit in with the company's ethos on other ethical or ecological grounds,

2.1.3 Target achievement status

HORNBACH does not collect any quantitative key performance data to measure or manage satisfaction with its product and application information or the sustainability of the product range. The company refers exclusively to qualitative indicators for this non-financial aspect. To this end, HORNBACH refers to numerous consumer surveys conducted by external service providers.

In Kundenmonitor Deutschland (Servicebarometer AG) and equivalent consumer surveys conducted in other European countries in the 2021/22 financial year, the HORNBACH Baumarkt AG subgroup was ranked first in the "Overall satisfaction" shown by customers with DIY and home improvement stores in Germany, Austria, and Sweden. Furthermore, HORNBACH's DIY stores and garden centers were awarded top rankings in most regions for which studies were available for the criteria relating to product range, value for money, specialist advice, and willingness to recommend to others.

2.2 Responsible procurement

Non-Financial Group Report
2.3 Product responsibility

2.2.1 Targets and strategy

Consistent, reliable product availability influences both HORNBACH's sales and its customers' satisfaction levels. Procurement and merchandise availability are therefore crucial to the company's business performance. One basic prerequisite involves ensuring the supply capability and reliability of our suppliers at all times. Moreover, in the context of our product responsibility we also attend to compliance with minimum social welfare and environmental protection standards within our supply chain, especially in the case of private label, timber, and natural stone products. Private label products account for around one quarter of sales in our DIY retail business. In the B2B business at HBU, which is more strongly focused on manufacturers' brands, private labels account for a medium single-digit percentage of sales.

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The minimum standards are set out in HORNBACH's CSR Policy and refer to the United Nations Universal Declaration of Human Rights and the core labor conventions of the International Labour Organization. They include the prohibition of child and forced labor, for example, as well as compliance with local environmental legislation. These targets and strategic requirements basically apply for all companies within the overall Group.

The HORNBACH Group has also defined CSR standards for its suppliers. Since the fall of 2020, these have been a component of supplier contracts for new suppliers to HORNBACH Baumarkt AG. The CSR standards are also integrated into any amendments made to contracts with existing suppliers. The management of the HORNBACH Baustoff Union GmbH subgroup has also decided to incorporate the group-wide CSR standards into its supplier contracts in writing in future. The implementation of the German Act on Corporate Due Diligence Obligations for the Prevention of Human Right Violations in Supply Chains will make it necessary to meet further requirements in future; the HORNBACH Group is currently preparing for these.

2.2.2 Management approach and measures

For us, the basic requirements of social responsibility include acknowledgement of international standards as codified in the conventions of the International Labour Organization (ILO). ILO requirements form one basis for the audit catalog used in the factory audits HORNBACH commissions. Timber is a commodity of particularly great importance for the Group's product range. HORNBACH's CSR Policy requires that we exclusively procure tropical timber certified by the Forest Stewardship Council (FSC) or timber from sustainable and responsible European production. This is intended to ensure that the social welfare and work safety standards set out in the CSR Policy and the CSR Standards for Suppliers are complied with in the production of the timber. To document the source of the timber used and identify timber products from illegal or disputed sources, HORNBACH works closely with suppliers, particularly in the context of its involvement in the FSC, as well as with environmental protection organizations. Independent tests performed in the recent past, for example, have repeatedly indicated that non-certified charcoal products are often linked to deforestation or precarious social conditions. To account for this, in the 2019/20 financial year HORNBACH Baumarkt AG converted its range of charcoal products and now only sells FSC-certified charcoal and barbecue briquettes. HORNBACH Baustoff Union followed its example in the 2020/21 financial year. Furthermore, when importing natural stones HORNBACH ensures that these come from companies that can document their compliance with international social welfare and work safety standards in regular factory audits.

To monitor the supply chain, the HORNBACH Baumarkt AG subgroup works with an early-warning risk detection CSR system (“CSR map”). This system on the one hand includes the article master data for HORNBACH's DIY product range, as well as supplier audit reports. On the other hand, it provides country-specific information, including corruption indices, environmental indices, and social welfare indices. Based on this data, it is possible to perform a risk assessment of individual articles. Not only that, the CSR map is also connected to a news system that processes items of news in real time. The news items are presented in relationship to the products, factories, and suppliers entered in the system. This way, potential interruptions and CSR-related risks in the supply chain can be rapidly detected and avoided or reduced.

The HORNBACH Group commissions standardized audits, mainly of production sites for the products which HORNBACH stocks as private label products or imports directly from non-EU countries. Upon the preparation of this report, at its HORNBACH DIY stores and garden centers and the online DIY shops the HORNBACH Baumarkt AG subgroup stocked 53 private labels from across all five product divisions. These accounted for around 24 % of total sales. Compared with its sister company HORNBACH Baumarkt AG, the HBU subgroup has a significantly lower share of imports and private labels. As of the reporting date, HBU stocked three private labels mainly focusing on product ranges for garden landscaping (natural stones, construction chemicals), plaster, and thermal insulation systems and tiles.

The factory audits are conducted by certified, accredited, and independent audit institutes on a regular basis for each production site. Successful audits are then valid for one year, with a renewed audit subsequently commissioned. The key focus of the audit is to check compliance with environmental, social, and anticorruption standards. Should any failure to comply with these standards be identified, then an action plan is agreed with the respective supplier. The identification of severe infringements would lead to the business relationship being terminated. Merchandise orders may only be placed with those private label and import suppliers that meet HORNBACH's criteria and pass all factory audits. Compliance with requirements in the order process is safeguarded by our SAP QM system and managed by the “Quality Management and Environment” department. Audits are commissioned and monitored, also for HBU, by the HORNBACH Baumarkt AG subgroup.

2.2.3 Target achievement status

On the level of the HORNBACH Baumarkt AG subgroup, a total of 432 factory audits were conducted, mainly at suppliers of private label products and of products directly imported from non-EU countries, in the 2021/22 financial year (2020/21: 413). In the year under report, there were no cases (2020/21: 0) in which the subgroup was required to terminate the business relationship with the supplier as a result of these audits.

Due to the coronavirus pandemic, the HORNBACH Baustoff Union GmbH subgroup did not perform any factory audits at private label suppliers in the past financial year. HBU also did not report any cases in the 2021/22 year under report in which the subgroup was required to terminate the business relationship with its supplier on account of an audit (2020/21: 0).

2.3 Product responsibility

2.3.1 Targets and strategy

Product responsibility is one of the bases of our business success. One key aspect of this responsibility involves product quality, a factor which makes a key contribution to customer satisfaction and loyalty. As a sustainable retailer, our aim here is therefore to ensure that all products sold by HORNBACH are of flawless quality. Furthermore, we believe that responsible procurement and sustainable product features (water-saving, energy-saving, etc.), a factor which also includes environmentally compatible packaging and product disposal, play an ever more important role in how customers perceive companies and therefore constitute further relevant aspects of our product responsibility.

Non-Financial Group Report
2.2 Responsible procurement
2.8 Disposal and Recycling

Non-Financial Group Report
2.2 Responsible procurement

Our product responsibility particularly relates to private label products, as well as to other imported articles and articles including the commodities of timber and natural stone. Not only that, defective products also pose a risk to the retailer's reputation. We therefore make every effort to ensure the flawless quality of our entire product range.

2.3.2 Management approach and measures

HORNBACH's quality management covers the entire procurement chain, particularly in the case of imported and private label products.

At the HORNBACH Baumarkt AG subgroup, these activities are located in organizational terms at the "Quality Management and Environment" department. At HORNBACH Baustoff Union GmbH, responsibility lies with the procurement departments. The operating units perform the following trial-sample product checks either themselves or by commissioning external service providers. These are intended to safeguard the highest possible level of product quality:

- Merchandise inspection both during production and prior to shipment
- Supervising the loading of merchandise into containers
- Merchandise inspection once the containers arrive at our logistics centers.

The HORNBACH Baumarkt AG subgroup also tests products in terms of safety, contaminants, and suitability for use with the assistance of independent, accredited, and certified testing institutes and regularly has checks performed on samples from its HORNBACH DIY stores and garden centers. Further tasks include complaints monitoring and product recalls, for example when defects arise in products already in circulation. Furthermore, the quality management team monitors compliance with the European chemicals regulation (REACH Regulation), which governs the registration, evaluation, authorization, and restriction of chemicals. These include hazardous substances and so-called substances of concern. Moreover, quality management is also responsible for compliance with the European RoHS Directive (Restriction of Hazardous Substances), which restricts and governs the use of specific hazardous substances in electrical and electronic appliances.

2.3.3 Target achievement status

In the 2021/22 financial year, quality management staff at HORNBACH Baumarkt AG and accredited, certified, and independent audit institutes performed 915 (2020/21: 1,086) product quality tests (safety, contaminants, suitability for use) and 2,183 (2020/21: 2,347) article acceptance audits. Together, these correspond to 3,542 person-days (2020/21: 4,037) performed by independent audit institutes on behalf of HORNBACH. The number of these tests is dependent in each case on order volumes.

Due to the pandemic, the company made it possible once again in 2021/22 for individual suppliers to perform their own self-inspections. To be eligible, business partners had to have enjoyed a long-term and stable relationship with HORNBACH, showed no or only few defects in previous audits, and thus have a good reputation. Inspection forms, documentary photographs, and letters of guarantee have been received from 23 suppliers (2020/21: 20).

2.4 Employer attractiveness

2.4.1 Targets and strategy

We are convinced that highly motivated employees are the basis for the company's success. Particularly sales staff and advisors at our DIY stores with garden centers and our builders' merchant outlets play a key role in influencing the satisfaction of our customers. For HORNBACH, a corporate culture which is characterized by open communications, mutual appreciation, and diversity is therefore a basic requirement for upholding a high level of commitment among employees.

As a Group with operations across Europe and employees from more than 100 countries, we attach priority to creating a working environment that is free of prejudice. Ethnic origin, gender, age, physical restrictions, and religious affiliation are not important to us. The only qualities that count are specialist competence, commitment, and team spirit.

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2.4.2 Management approach and measures

HORNBACH is convinced that all business relationships are based on trust. Trust is a core message in the HORNBACH Foundation and thus shapes our work relationships. It is indispensable for ensuring a high level of satisfaction and identification among the company's employees. The measures to uphold and increase our attractiveness as an employer are managed by the respective Personnel Departments at HORNBACH Baumarkt AG and HORNBACH Baustoff Union GmbH.

Our workforce structure data is presented in summarized form in the following table:

	2021/22	in %	2020/21	in %
Employees (headcount)	**24,268**	**100.0**	**23,279**	**100.0**
of which in Germany	13,379	55.1	12,991	55.8
of which outside Germany[1)]	10,889	44.9	10,288	44.2
of which women	10,077	41.5	9,650	41.5
of which men	14,163	58.4	13,629	58.5
of which aged up to 30 years	6,315	26.0	6,230	26.8
of which aged 31-50 years	11,433	47.1	11,028	47.4
of which aged over 50 years	6,492	26.8	6,021	25.9
of which part-time	6,158	25.4	6,005	25.8
of which with a temporary employment contract	5,543	22.8	4,815	20.7

[1)] No structural data are available for the employees of HORNBACH Baustoff Union in France (28 employees).

Fair remuneration is a component of any trust-based work relationship. HORNBACH ensures that its employees receive pay in line with customary market rates in all of its regions. In those regions where collectively agreed payment rates are in place for the retail sector, i.e. in Germany, Austria, the Netherlands, and Sweden, at its HORNBACH stores HORNBACH Baumarkt AG voluntarily and comprehensively bases its remuneration on the respective collectively agreed rates. The collectively agreed rates for retail employees also apply to employees within HORNBACH's logistics. Overall, this means that around 75 % of HORNBACH's employees are paid at or above the collectively agreed rates.

HORNBACH offers its (full-time and part-time) employees numerous additional benefits in all nine countries in which it operates. In nearly all regions, these include profit sharing, payment of vacation and/or Christmas allowances, and the opportunity to participate in a company pension scheme that is also subsidized by the employer. The company grants parental leave in accordance with statutory requirements in all the countries in which it operates. Through to 2021/22, employees at the HORNBACH Baumarkt AG subgroup also had the opportunity to purchase employee shares in HORNBACH Baumarkt AG once a year on subsidized terms. Due to the delisting of HORNBACH Baumarkt AG as of February 28, 2022, the employee participation program will be newly incepted. In future, all employees of the HORNBACH Group should have the opportunity to purchase shares in HORNBACH Holding AG & Co. KGaA on subsidized terms. Furthermore, each country company offers further additional benefits, also in line with the practices typical to the respective country and its legal framework.

Employees at the Group's administration locations have flexible working hour models. Flextime is possible at all locations; in some cases and in liaison with their respective managers, however, employees have to be present for core working hours. Driven in particular by the coronavirus pandemic, the options for mobile work have been significantly extended and were widely drawn on by the predominant share of our administration employees. These options were put to intensive use in accordance with the recommendations made by the respective national and state governments.

Employees at HORNBACH's DIY stores and garden centers have shift-based working hours, mostly in three shifts, as do employees at the outlets of HORNBACH Baustoff Union GmbH. Here too, we are making efforts to enable our employees to structure their working hours flexibly to the extent permitted by organizational requirements and the legal framework. In some countries, for example, employees are able to structure their weekly working hours in four rather than five days or to amend their weekly working hours in line with their requirements. Part-time models are in place across the Group. All employees with work time accounts can have their work time digitally recorded down to the nearest minute. This provides them with flexibility in building up or reducing overtime. This possibility does not apply to managers from a specific functional level upwards. Weekly working hours depend on the work time regulations typical to the respective country.

At HORNBACH Baumarkt AG in Germany, the appropriate representation of employees is safeguarded with our General Works Council, works councils at nearly all German locations, and equal representation of employees and shareholders on the Supervisory Board. Consistent with the German Works Council Constitution Act, we cooperate with all works councils on a basis of trust. Employee representation is also in place in Luxembourg, the Netherlands, and Sweden.

To offer employees a neutral point of contact, HORNBACH has created the position of ombudsman. He acts as contact partner to all HORNBACH employees in difficult situations. His main job is to act as an intermediary and arbitrator in misunderstandings and conflicts. This neutral point of contact is used by employees from across the Group and has met with high acceptance levels.

2.4.3 Target achievement status

Non-Financial Group Report
2.6 Employee recruitment and development

To measure and manage employer attractiveness, we refer to the personnel turnover rate as a quantitative indicator. In the year under report, the personnel turnover rate, defined as terminations (employee and employer) in relation to the average number of employees in the financial year, amounted to 14.9 % (2020/21: 10.8 %). In the financial year under report, three incidents of discrimination were identified in the form of infringements of the German General Equal Treatment Act (AGG).

2.5 Employee recruitment and development

2.5.1 Targets and strategy

Given our strategic focus on project customers at our DIY stores and garden centers and on commercial customers at our builders' merchant outlets, we have a great requirement for well-informed employees who are able to competently support our customers in complex construction and renovation projects. High-quality advice and service play a key role in determining the satisfaction of our customers and the Group's business performance and situation. Specialist staff in the stationary business therefore have to be familiar with the products offered within their area of activity and their uses, and must also be promptly trained when new models are introduced.

Where possible, key positions and management positions becoming vacant should be filled with internal candidates. By offering a range of development measures, we aim to act early to prepare suitable employees in a forward-looking manner for future management responsibility. For key forward-looking topics, the company also relies on targeted recruitment on the free labor market.

A further declared aim of HORNBACH is to retain a large number of experienced employees at the company. Both the company and its customers benefit from the longstanding experience these employees have of HORNBACH's product range and services.

Given low unemployment rates across large parts of Europe, recruiting new employees is a challenge. Moreover, the trend towards studying for a university degree is continuing and has exacerbated the already low attractiveness of the retail sector. As well as ensuring good working conditions (cf. Employer attractiveness), it is therefore essential for us to provide all employees with attractive opportunities for further training and development.

2.5.2 Management approach and measures

We recruit a large share of our fresh talent from HORNBACH's training and study programs. We basically train the right number of people to cover our own requirements. This way, we ensure that all trainees and participants in dual work-study programs have good chances of being accepted by the company once they have successfully completed their training or study program. Recruitment is managed on a decentralized basis in line with requirements at individual locations. In selecting suitable applicants, the operating units are assisted by the relevant personnel department.

We aim to adapt the range of training positions on offer to current requirements in both quantitative and qualitative terms. To cover our need for personnel we work closely together, for example, with Chambers of Industry and Commerce (IHK), colleges offering dual work-study programs, and various cooperation partners in other European countries.

In training the next generation of suitably qualified staff, we benefit from the high quality standards offered by the dual vocational training system in Germany, among other factors. The HORNBACH Baumarkt AG subgroup also works with comparable dual work-study training programs in Austria and Switzerland. Not only that, in Romania we are working with other retailers and the International Chamber of Commerce to permanently establish a dual vocational training system. HORNBACH does not offer comparable training schemes in the other countries in which it operates.

We also access potential applicants by participating in recruitment fairs and applicant training programs across Europe in cooperation with local or regional organizations, as well as with our presence in numerous digital media.

Non-Financial Group Report
2.4 Employer attractiveness
2.5 Employee recruitment and development

Our new hire structure data is presented in summarized form in the following table:

	2021/22	in %	2020/21	in %
Newly hired employees	**6,194**	**100.0**	**5,490**	**100.0**
of which in Germany	2,505	40.4	2,517	45.8
of which outside Germany	3,689	59.6	2,973	54.2
of which women	2,373	38.3	1,918	34.9
of which men	3,820	61.7	3,572	65.1
of which aged up to 30 years	3,354	54.1	3,142	57.2
of which aged 31 to 50 years	2,078	33.5	1,768	32.2
of which aged over 50 years	762	12.3	580	10.6

Practical knowledge about the products and their applications is communicated in practical and product-based training sessions offered in cooperation with suppliers. In addition, HORNBACH offers its own product and project-based training at on-site events or by video or print media. HORNBACH Baustoff Union GmbH offers regular module training for its total of more than 130 professional drivers. Where necessary, it also enables further employees to acquire their professional driving qualification.

Working together with Chambers of Industry and Commerce, we enable our employees to participate in certified training programs. These include qualification as a retail specialist, for example. Furthermore, internal and external seminars are also offered across the Group. These employee development measures are managed by the relevant personnel departments at HORNBACH Baumarkt AG and HORNBACH Baustoff Union GmbH. In the year under report, a total of 365 virtual product and other training sessions were held at HORNBACH Baumarkt AG (2020/21: 380), while 91 employees took part in certified training programs (2020/21: 138).

We prepare upcoming management staff at the HORNBACH Baumarkt AG subgroup for their new tasks with a separate training program. To this end, qualification modules have been developed for all store management positions. HORNBACH offers corresponding development opportunities to employees at its central administration departments and logistics centers as well. These management training sessions were attended by 309 employees (2020/21: 294). Of the 177 management positions (2020/21: 153) filled in the year under report, 112, or 63.3 %, were occupied with internal employees (2020/21: 114).

By holding regular meetings between HORNBACH managers and their employees, we aim to help make sure that all employees can develop their skills further in line with their needs and strengths. We believe that offering individual development opportunities is an effective way to boost employees' commitment to HORNBACH.

2.5.3 Target achievement status

We collect quantitative key figures on trainees and current vacancies. We do not have any specific targets in respect of the key figures thereby collected. The recruitment of new employees is always based on current requirements.

The figures below include trainees at the HORNBACH Baumarkt AG and HORNBACH Baustoff Union GmbH subgroups in Germany, Austria, Switzerland, and Luxembourg.

In the 2021/22 financial year, HORNBACH employed 1,048 trainees and participants in dual work-study programs (2020/21: 1,055). A group-wide total of 401 trainees completed their training in the year under report (2020/21: 405); this corresponds to 38.3 % (2020/21: 38.4 %). A total of 265 trainees were accepted for regular employment or for a third year of training (2020/21: 275); this corresponds to an acceptance rate of 66.1 % (2020/21: 67.9 %).

The structure data for trainees and participants in dual work-study programs at the HORNBACH Group is summarized and compared with the previous year's figures in the following table:

	2021/22	in %	2020/21	in %
Total number of trainees and participants in dual work-study programs	**1,048**	**100.0**	**1,055**	**100.0**
of which in Germany	796	76.0	792	75.1
of which outside Germany	252	24.0	263	24.9
Training completed in year under report	**401**	**38.3**	**405**	**38.4**
of which accepted for regular employment or for a third year of training	265	66.1	275	67.9

As training needs may vary over time, the company does not have any quantitative targets to measure employee development.

2.6 Employee health

2.6.1 Targets and strategy

Healthy and motivated employees form the basis for the company's success. It is therefore important to the company that its employees should comply with safety measures, be circumspect when at work, and familiarize themselves with any hazards. In our work environment, it is just as important to be alert as it is to wear personal protective equipment.

Health protection is an established aspect of our daily work at the company and ranges from identifying the causes of any accidents, taking suitable preventive measures, through to effectiveness checks. The mental health of our employees is also increasingly in focus, not least due to the additional burdens placed on them by the periods of uncertainty during the coronavirus pandemic, lockdowns, and restrictions on contact. The company has set itself the explicit target of protecting not only the physical integrity, but also the mental health, of its workforce.

2.6.2 Management approach and measures

The work safety department coordinates all health protection measures in place across the Group. The respective store manager or location director is responsible for implementing these measures. Consistent with legal requirements, HORNBACH has also formed a Work Safety Committee comprising representatives of the operating locations and the works council (where applicable), as well as the company physician and occupational health and safety specialists. The Work Safety Committee meets once a quarter and discusses strategies, measures, and current incidents.

The basic principles of safe conduct and work are summarized in HORNBACH's Safety Manual. This serves as a basis for annual instruction sessions and is made available as a point of reference to all of the company's employees in Germany. For the other countries in which HORNBACH operates, the Safety Manual serves as a minimum standard and can be supplemented with country-specific aspects. This also applies when local legislation permits lower safety standards. Those employees who are exposed to specific risks on account of their activities receive regular training relevant to their activity. Additional instruction is provided in the event of accidents or other safety-relevant incidents.

Safety officers have been appointed from among the workforce at all operating units (DIY stores and garden centers, HBU outlets, and logistics centers). One example of their responsibilities is a monthly inspection of the relevant site. The Group also has a fire protection officer who is in turn supported by fire protection assistants at all locations. Additional functions, such as evacuation assistants and first-aid specialists, are also covered within the organization. Employees performing these functions receive regular training, as a minimum every three years.

A risk assessment has to be performed and documented at least once a year. Additional event-specific risk assessments are required, for example when conversion measures are implemented, new work equipment is introduced, and when changes arise in employees' performance capacity.

HORNBACH provides all of its employees with the personal protective equipment they need for their roles, such as gloves, protective shoes, ear protection, safety glasses, safety knives, and back support belts. For lifting and carrying heavy goods, work equipment such as floor conveyors and lift trucks are available. These topics are particularly relevant to employees in the operating units. Alongside these, there is the matter of ergonomic setups for computer screen workplaces. Here, special recommendations are available for HORNBACH employees who are also able to perform their work on a mobile basis. To reduce psychological strain, training is offered to all employees via "HORNBACH Campus", the company's internal learning platform. A team from work safety and HR is currently compiling further concepts and programs in cooperation with the company physician and medical service.

2.6.3 Target achievement status

No quantitative targets are in place to measure employee health. The number of work-related accidents requiring report (>3 workdays lost) amounted to 749, resulting in an accident incident rate (accidents per 1,000 employees) of 32.5. The accident rate relates to 23,026 active employees (excluding Hong Kong and Hornbach Baustoff Union in France). There were no fatal accidents. The sickness rate at the HORNBACH Baumarkt AG Group stood at an annual average of 8.2 percent (2020/21: 8.0 %).

2.7 CO_2 emissions

2.7.1 Targets and strategy

HORNBACH is committed to combating climate change and takes responsibility for the emissions directly and indirectly resulting from its business activities. The largest share of the CO_2 emissions we are able to influence directly relate to the operation of our retail outlets and logistics locations. We measured the CO_2 footprint of our stores and logistics centers, as well as of the vehicles and equipment we ourselves operate (Scopes 1 and 2) at the HORNBACH Group, for the first time for the 2021/22 financial year. On this basis, we will identify potential reductions in the current financial year.

2.7.2 Management approach and measures

CO_2 emissions resulting from the operation of proprietary stores and logistics centers can largely be reduced by consuming less energy. In recent years, HORNBACH has saved substantial volumes of energy by deploying smart lighting management and building control technology, as well as by converting nearly all stores and logistics centers to LED lighting. Furthermore, the forklift truck fleet at the logistics centers has been updated, leading to a significant reduction in the volume of energy consumer per truck. These measures are already reflected in the energy consumption figures for the 2021/21 base year.

The CO_2 emissions calculated for 2021/22 are presented in the following table.

Greenhouse gas emissions in tonnes of CO_{2e}	2021/22	2020/21
Scope 1[1]	**40,308**	**32,185**
Natural gas	25,791	21,736
Heating oil	2,725	2,462
Vehicle pool	11,792	7,987
Scope 2 (market-based)[2]	**35,113**	**39,767**
Electricity	30,046	35,634
District heating	5,067	4,133
Scope 2 (location-based)[3]	**46,557**	**51,012**
Total greenhouse gas emissions Scopes 1 and 2 (market-based) in tonnes	**75,421**	**71,951**
Greenhouse gas emissions Scopes 1 and 2 (market-based) per m² of sales area[4] in kg, market-based, excluding vehicle pool	**26.79**	**27.87**

[1] Excluding coolants
[2] Market-based figures refer to emission factors at the electricity supplier.
[3] Location-based figures refer to average emission factors for the region (country) in which the electricity is consumed.
[4] DIY stores and logistics: BHB definition (closed hall 100 %, roofed-over open space/building material drive-in: 50 %, uncovered open space: 25 %), administration: gross floor space, HBU: heated surfaces

2.7.3 Target achievement status

Based on the CO_2 measurement introduced for Scopes 1 and 2 in the year under report, reduction measures and quantitative measures will now be defined in the current 2022/23 financial year.

2.8 Disposal and recycling

2.8.1 Targets and strategy

For HORNBACH as a retail company, the resources used to transport and package products are indispensable. By ensuring that these materials are handled in resource-effective ways, HORNBACH is making an active contribution to building a circular economy. We aim to use as little packaging material as possible for our private label products and our own imports and to design unavoidable packaging in such a way that it is as fully recyclable as possible.

In our business operations, we have adopted an end-to-end waste concept which promotes the separation and thus recycling of resources as secondary resources while simultaneously minimizing the volume of non-recyclable materials. Furthermore, we pursue various approaches to manufacture new products directly from our waste. In the year under report, we succeeded in this for the first time in cooperation with suppliers. We aim to expand this commitment. Given the consistent rise in disposal costs, we see well-considered resource management as indispensable.

To promote the environmentally-compatible disposal of the products we sell, we provide all our customers across the Group with the opportunity to return and dispose of lighting materials, old electrical appliances, waste oil, and batteries.

2.8.2 Management approach and measures

To simplify disposal and gain a precise overview of all material flows, HORNBACH operates its own online recycling portal that is currently used by 315 points of contact at HORNBACH Baumarkt AG in six countries and at HORNBACH Baustoff Union. Each location connected to the portal has an overview of all waste classes and is able to commission professional disposal services exactly when required. The portal also serves to manage collection of proprietary resources by HORNBACH's fleet of “Resource Liners”.

In 2014, we began the proprietary collection of resources from our stores using our HORNBACH “Resource Liners”. These now travel across large parts of Germany, the Netherlands, Luxembourg, and Switzerland. By consistently gathering waste from all sources, we are able to collect large quantities of resources at the stores and then to deliver them to the desired recycling locations, such as paper factories. This way, HORNBACH can on the one hand ensure that further processing of the resources takes place directly. On the other hand, this approach also reduces disposal charges. A further benefit is that these trucks, when they are not loaded with resources, can be integrated into the store delivery network. This way, empty runs can be avoided and stores that are in any case located on the trucks’ disposal routes can be supplied with the necessary merchandise. To minimize the number of runs as far as possible, the HORNBACH stores and logistics centers work with baling presses for the high-volume waste classes of paper and plastics.

In the year under report, the company disposed of the following volumes of waste and resources via the waste points connected to the disposal portal. The HORNBACH locations in Romania, Slovakia and the Czech Republic, as well as the central warehouse in Soltau (Germany), are currently not connected to the supply portal.

Resources in tonnes (rounded total)	2021/22
Plastics	2,800
Paper, paperboard, cardboard	11,700

Waste in tonnes (rounded total)	2021/22
Waste for recycling	9,000
Old paint, old varnish (containing dispersion and solvents)	340
Waste metal & aluminum	2,800
Rubble (pure)	16,000
Electrical waste (small appliances, large appliances, cooling appliances, lighting materials)	650
Gypsum-based waste	2,800
Timber (A1 - A3)	35,000
Compost material / green waste	3,100

Within the product development process, in the 2021/22 financial year we stepped up our efforts to reduce the volume of packaging used for private label products and proprietary import articles. Where this is not possible, we are working on more environmentally-friendly alternative solutions. One special focus in the year under report was on reducing the volume of plastic packaging and packaging material within our proprietary sales packaging. A further target is to replace packaging made of paper-plastic composites with packaging made of just one material. Optimization measures are implemented on a gradual basis in line with scheduled product range revisions. The licensing of packaging materials is managed on a Group-wide basis by the central administration in Germany.

2.8.3 Target achievement status

No quantitative targets are in place to measure waste reduction. In the year under report, HORNBACH Baumarkt AG managed to exploit potential savings for plastics in particular - on the one hand by leaving out packaging components and on the other by completely revising individual product packaging lines in terms of the materials and design used.

2.9 Compliance

Our compliance-related objectives, measures, and results are presented in the Corporate Governance Statement, Chapter 6.2 Compliance, of the HORNBACH Holding AG & Co KGaA Group. This chapter forms part of the Non-Financial Group Report.

Neustadt an der Weinstrasse, May 11, 2022

HORNBACH Holding AG & Co. KGaA
represented by its general partner HORNBACH Management AG,
represented by its Board of Management

Albrecht Hornbach Karin Dohm

Limited assurance report of the independent practitioner regarding the non-financial statement

To HORNBACH Holding AG & Co. KGaA, Neustadt an der Weinstrasse

Our Engagement

We have performed a limited assurance engagement on the separate consolidated non-financial report of HORNBACH Holding AG & Co. KGaA , Neustadt an der Weinstraße, (hereafter referred to as "the Company") for the financial year from 1 March 2021 to 28 February 2022 (hereafter referred to as "non-financial statement").

Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the non-financial statement in accordance with Section 315c in conjunction with Sections 289c to 289e HGB and Article 8 of Regulation (EU) 2020/852 of the European Parliament and the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (hereafter referred to as "EU Taxonomy Regulation") and the delegated acts adopted thereon, as well as with their own interpretation of the wording and terminology contained in the EU Taxonomy Regulation and the delegated acts adopted thereon, as is presented in section "EU Taxonomy" of the non-financial statement.

These responsibilities of the executive directors of the Company include the selection and application of appropriate methods regarding the non-financial statement and the use of assumptions and estimates for individual non-financial disclosures of the Group which are reasonable under the given circumstances. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of a non-financial statement that is free from material misstatement due to fraudulent behaviour (manipulation of the non-financial statement) or error.

Some of the wording and terminology contained in the EU Taxonomy Regulation and the delegated acts adopted thereon are still subject to considerable interpretation uncertainty and have not yet been officially clarified. Therefore, the executive directors have laid down their own interpretation of the EU Taxonomy Regulation and of the delegated acts adopted thereon in section "EU Taxonomy" of the non-financial statement. They are responsible for the reasonableness of this interpretation. As there is the inherent risk that indefinite legal concepts may allow for various interpretations, the legal conformity of the interpretation is prone to uncertainty.

The preciseness and completeness of the environmental data in the non-financial statement is subject to inherent restrictions resulting from the manner in which the data was collected and calculated as well as from assumptions made.

Independence and Quality Assurance of the Audit Firm
We have complied with the German professional requirements on independence and other professional rules of conduct.

Our firm applies the national statutory rules and professional announcements – particularly of the "Professional Charter for German Public Auditors and German Sworn Auditors" (BS WP/vBP) and of the IDW Quality Assurance Standard "Quality Assurance Requirements in Audit Practices" (IDW QS 1) promulgated by the Institut der Wirtschaftsprüfer (IDW) and does therefore maintain a comprehensive quality assurance system comprising documented regulations and measures in respect of compliance with professional rules of conduct, professional standards, as well as relevant statutory and other legal requirements.

Responsibilities of the Practitioner
Our responsibility is to express a conclusion on the non-financial statement based on our work performed within our limited assurance engagement.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", adopted by the IAASB. This Standard requires that we plan and perform the assurance engagement so that we can conclude with limited assurance whether matters have come to our attention to cause us to believe that the non-financial statement of the Company, with the exception of the external sources of documentation or expert opinions referenced therein, has not been prepared, in all material respects, in accordance with Section 315c in conjunction with Sections 289c to 289e HGB and the EU Taxonomy Regulation and the delegated acts adopted thereon, as well as with the interpretation by the executive directors presented in section "EU Taxonomy" of the non-financial statement.

The procedures performed in a limited assurance engagement are less in extent than in a reasonable assurance engagement; consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. The choice of assurance work is subject to the practitioner's professional judgment.

Within the scope of our limited assurance engagement, which we performed primarily during the months from February to May 2022, we performed, among others, the following procedures and other work:
- Obtaining an understanding of the structure of the Group's sustainability organisation and of the stakeholder engagement,
- Interviewing relevant employees involved about the process of preparation, including the arrangements and measures in place, for the preparation of the non-financial statement as well as about disclosures contained in the non-financial statement,
- Identification of probable risks of material misstatements in the non-financial statement,
- Analytical evaluation of selected disclosures contained in the non-financial statement,
- Cross validation of selected disclosures and the corresponding data in the consolidated financial statements as well as in the group management report,
- Evaluation of the presentation of the non-financial statement,

- Evaluation of the process to identify taxonomy-eligible economic activities and the corresponding disclosures in the non-financial statement.

The determination of the disclosures pursuant to Article 8 of the EU Taxonomy Regulation requires the executive directors to make interpretations of indefinite legal concepts. As there is the inherent risk that indefinite legal concepts may allow for various interpretations, the legal conformity of the interpretation, and hence our related examination, is prone to uncertainty.

Practitioner's Conclusion
Based on the work performed and the evidence obtained, nothing has come to our attention that causes us to believe that the consolidated non-financial statement of the Company for the financial year from 1 March 2021 to 28 February 2022 has not been prepared, in all material respects, in accordance with Section 315c in conjunction with Sections 289c to 289e HGB and the EU Taxonomy Regulation and the delegated acts adopted thereon, as well as with the interpretation by the executive directors presented in section "EU Taxonomy" of the non-financial statement.

Restriction of Use
We issue this report as stipulated in the engagement letter agreed with the Company (including the "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (German Public Auditors and Public Audit Firms)" as of 1 January 2017 promulgated by the Institut der Wirtschaftsprüfer (IDW)). We draw attention to the fact that the assurance engagement was performed for the purposes of the Company and the report is solely designed for informing the Company about the findings of the assurance engagement. Therefore, it may not be suitable for another than the aforementioned purpose. Hence, this report should not be used by third parties as a basis for any (asset) decision.

We are liable sole to the Company. However, we do not accept or assume liability to third parties. Our conclusion was not modified in this respect.

Düsseldorf/Germany, 11 May 2022
Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

(Patrick Wendlandt) (Sebastian Dingel)
Wirtschaftsprüfer

The HORNBACH Holding Share

Key figures for the HORNBACH Holding share		2021/22	2020/21	2019/20	2018/19	2017/18
Year-end price[1)]	€	117.60	78.20	50.90	46.10	70.30
12-month high[1)]	€	138.80	99.70	65.30	72.80	82.38
12-month low[1)]	€	77.30	33.65	44.00	40.10	63.53
Shares issued	Number	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000
Market capitalization[1)]	€ 000s	1,881,600	1,251,200	814,400	737,600	1,124,800
Earnings per share	€	12.48	10.33	6.56	4.08	5.11
Price / earnings ratio[2)]		9.4	7.6	7.8	11.3	13.8
Book value per share	€	101.89	92.30	83.67	78.48	76.01
Price-to-book ratio[3)]		1.2	0.8	0.6	0.6	0.9
Cash flow from operating activities per share	€	21.56	21.66	20.28	3.38	11.39
Price / cash flow ratio[4)]		5.5	3.6	2.5	13.6	6.2
Dividend per share[5)]	€	2.40	2.00	1.50	1.50	1.50
Distribution total[5)]	€ 000s	38,400	32,000	24,000	24,000	24,000
Payout ratio[5),6)]	%	19.2	19.4	22.9	36.7	29.4
Dividend yield[7)]	%	2.0	2.6	2.9	3.3	2.1
Performance including dividend	%	52.9	56.6	13.7	(32.3)	8.9
Performance excluding dividend	%	50.4	53.6	10.4	(34.4)	6.8
Average daily trading volume[1)]	Number	31,636	39,737	19,539	17,096	17,074

1) Closing price in XETRA trading on 2.28.2022
2) Year-end price ÷ earnings per share
3) Year-end price ÷ book value per share
4) Year-end price ÷ cash flow from operating activities per share
5) 2021/22: proposal to 2022 Annual General Meeting
6) Dividend per share ÷ earnings per share
7) Dividend per share ÷ year-end price

2021/22 on the Stock Markets

Coronavirus pandemic and the Ukraine crisis

The first half of the financial year from March 1, 2021 to February 28, 2022 witnessed a marked upward trend on international stock markets. The increasing availability of vaccines and the recovery in the global economy from its sharp downturn in the previous year fostered hopes of a swift return to normality. As the year progressed, pandemic-induced disruptions to supply chains, shortages of materials, sharp rises in commodity prices, and the emergence of the fast-spreading Omicron variant of the COVID-19 virus led to temporary dips in confidence on the stock markets. Once Omicron proved less dangerous than previously thought, the stock markets reached new highs in December. The outbreak of war in Ukraine in February triggered sharp falls in share prices, with European stocks particularly hard hit, and thus reversed the gains made in the preceding twelve months.

HORNBACH Holding share price performance

Including the dividend distribution and assuming its reinvestment, HORNBACH Holding's share rose by 52.9 % in the 2021/22 financial year (March 1, 2021 to February 28, 2022) and thus significantly outperformed its comparative indices. The SDAX lost 4.2 % over the same period, while the DAXsector Retail Index even fell by 36.9 %. Excluding the dividend, the share price increased by 50.4 %.

Share price performance: March 1, 2021 to February 28, 2022

The HORNBACH Holding share began the 2021/22 financial year on a subdued note, marking its annual low at € 77.30 on March 22, 2021. Given pandemic-related restrictions on sales activities, which lasted through to the beginning of June, investors were initially uncertain as to the ongoing outlook in the sector. Following good first-quarter and first-half results, the company's share price rose significantly as the year progressed. With its positive performance over the full-year period, HORNBACH Holding's share price moved ever further ahead of the SDAX. The announcement on December 20, 2021 of the delisting purchase offer addressed to shareholders in HORNBACH Baumarkt AG met with a positive market reception and triggered further share price growth. The HORNBACH Holding share price reached its annual high at € 138.80 on February 1, 2022. Due to widespread uncertainties resulting from the Ukraine crisis, HORNBACH's share price lost ground in the course of February and closed at € 117.60 in XETRA trading on February 28, 2022 (2020/21: € 78.20). The market capitalization therefore stood at € 1,882 million at the end of the financial year (2020/21: € 1,251 million).

Shareholder structure

Hornbach Familien-Treuhandgesellschaft mbH, the main shareholder in HORNBACH Holding AG & Co. KGaA, continued to hold 37.5 % of the share capital of the KGaA as of February 28, 2022. The other 62.5 % of the shares are held in particular by international institutional investors. Based on the voting right notifications we received and published, the following shareholders held more than five percent of voting rights at the end of the financial year: Finda Oy (Finland) with 10.06 % (published on July 8, 2021) and M&G plc (United Kingdom) with 6.77 % (published on April 6, 2021).

Analysts' assessments

As of the balance sheet date on February 28, 2022, the HORNBACH Holding share was regularly covered by five financial analysts (2020/21: four) in research reports. As of the reporting date, all analysts recommended buying the share. The average share price target amounted to € 149, implying upward potential of around 27 % compared with the closing price at the end of our 2021/22 financial year. A list of those banks and research institutes regularly reporting on HORNBACH and their most recent recommendations for the share can be viewed at the HORNBACH Group's website.

Dividend policy

HORNBACH pursues a continuity-based dividend policy which aims to maintain a fair balance between shareholders' interests on the one hand and financing the company's growth on the other. The company aims for a distribution quota of 30 % and to ensure that the dividend at least matches the previous year's level. The Board of Management and Supervisory Board of HORNBACH Holding AG & Co. KGaA are proposing an increase in the dividend from € 2.00 in the previous year to € 2.40 per share with dividend entitlement for the 2021/22 financial year for approval by the Annual General Meeting on July 8, 2022. Subject to such approval, the distribution would total € 38,400k, corresponding to a distribution quota of 19.2 % and a dividend yield of 2.0 % based on the closing price at the end of the 2021/22 financial year.

Financial communications

www.hornbach-group.com
Investor Relations

Our investor relations activities provided shareholders, analysts, the financial media, and the general public with prompt information on the business performance of the HORNBACH Holding AG & Co. KGaA Group in the past financial year. All quarterly statements, annual reports, press releases, and additional financial information were published on the website of the HORNBACH Group. The Annual General Meeting, the annual results press conference, analysts' conferences, and meetings with investors and journalists give us the opportunity to maintain our dialog with the capital markets. In particular, the delisting purchase offer addressed to shareholders in HORNBACH Baumarkt AG gave us reason to intensify our interaction with the capital market. On our transaction website (www.pluto-offer.com), in press releases, and in an advertising campaign over several weeks in both print and online media, we provided the general public with prompt and transparent information about the offer and the tender process. In parallel, we held talks with institutional investors in a virtual roadshow and were also available to answer questions from private investors and employee shareholders. Furthermore, shareholders had the opportunity to address any questions by telephone to an external shareholder hotline specifically established for the duration of the delisting purchase offer.

Annual General Meeting 2021

Due to the pandemic, the 2021 Annual General Meeting of HORNBACH Holding AG & Co. KGaA was once again held on a virtual basis and without physical attendance by shareholders. The event was transmitted live via a password-protected online portal for registered shareholders. All resolutions proposed were accepted by a majority of shareholders. These also included the distribution of a dividend of € 2.00 per share, corresponding to a distribution quota of 19.4 % based on earnings per share of € 10.33 for the 2020/21 financial year.

Key data about HORNBACH Holding share	
Type of share	No-par ordinary bearer shares
Stock exchanges	Frankfurt, Xetra
Market segment	Prime Standard
Security identification number	608340
ISIN	DE0006083405
Stock market ticker	HBH
Bloomberg (Xetra)	HBH:GR
Reuters (Xetra)	HBH.DE
Financial year	March 1 to February 28 (29)
Initial public offering	07.03.1987 (preference share of HORNBACH AG)
Number of shares	16,000,000
Share capital	€ 48,000,000

Financial Calendar 2022

May 17, 2022	Publication of Annual Report as of February 28, 2022 Annual Results Press Conference / Analysts' Conference 2021/22
June 29, 2022	Quarterly Statement: 1st Quarter of 2022/23 as of May 31, 2022
July 8, 2022	Annual General Meeting (virtual)
September 29, 2022	Half-Year Financial Report 2022/23 as of August 31, 2022
December 22, 2022	Quarterly Statement: 3rd Quarter of 2022/23 as of November 30, 2022

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COMBINED MANAGEMENT REPORT

Group Fundamentals

1. The Group at a Glance

€ 5.9 bn
consolidated sales

HORNBACH Holding AG & Co. KGaA is the parent company of the HORNBACH Group. It does not have any operations itself, but manages a number of major subsidiaries. Alongside HORNBACH Baumarkt AG, its largest operating subgroup at which the European do-it-yourself (DIY) business with DIY stores and garden centers and DIY online retail are pooled, the HORNBACH Group also comprises two further subgroups – HORNBACH Baustoff Union GmbH (regional builders' merchants) and HORNBACH Immobilien AG (real estate and location development). At the balance sheet date on February 28, 2022, the Group had a total of 24,268 employees, of which 13,379 in Germany. In the 2021/22 financial year (March 1, 2021 to February 28, 2022), the HORNBACH Group generated net sales of around € 5.9 billion. The HORNBACH Group was founded in 1877 and is still family-managed, now in the fifth generation.

The partnership limited by shares (KGaA) is publicly listed. Its share capital is divided into 16 million no-par ordinary bearer shares with voting rights. Ordinary shares in the KGaA (ISIN DE0006083405) are listed in the Prime Standard and the select SDAX index of the German Stock Exchange. Pursuant to the Articles of Association, the general partner of HORNBACH Holding AG & Co. KGaA is HORNBACH Management AG, represented by its Board of Management, currently comprising two members. The Board of Management of the general partner manages HORNBACH Holding AG & Co. KGaA and represents this to third parties. Hornbach Familien-Treuhandgesellschaft mbH owns all the shares in the general partner of HORNBACH Holding AG & Co. KGaA.

Notes to Consolidated Financial Statements
Consolidated shareholdings

The diagram on the following page presents the current group structure and provides an overview of the most important shareholdings of HORNBACH Holding AG & Co. KGaA. Full details about the scope of consolidation and consolidated shareholdings are provided in the notes to the consolidated financial statements. In the 2021/22 financial year, HORNBACH Holding AG & Co. KGaA increased its shareholding in HORNBACH Baumarkt AG from 76.36 % to 90.86 % by way of a delisting purchase offer addressed to the shareholders of HORNBACH Baumarkt AG. During the acceptance period, which ran from January 14, 2022 to February 22, 2022, a total of 4,011,904 HORNBACH Baumarkt shares, corresponding to around 12.61 % of the outstanding HORNBACH Baumarkt shares, were offered for purchase at a price of € 47.50. In parallel to the delisting purchase offer, HORNBACH Holding AG & Co. KGaA acquired additional shares via the stock exchange. The listing of HORNBACH Baumarkt AG on the Regulated Market of the Frankfurt Stock Exchange expired at the end of February 28, 2022.

1.1 HORNBACH Baumarkt AG subgroup

167
locations across Europe

At the balance sheet date on February 28, 2022, the HORNBACH Baumarkt AG subgroup operated 165 DIY megastores with garden centers and HORNBACH online shops in nine European countries. Of these, 96 locations are in Germany. A further 69 stores are located in the following other European countries: Austria (14), the Netherlands (16), Luxembourg (1), the Czech Republic (10), Switzerland (8), Sweden (8), Slovakia (4), and Romania (8). Furthermore, HORNBACH operates two specialist hard floor stores under the management of BODENHAUS GmbH and a BODENHAUS online shop in Germany. The subgroup generated sales of around € 5.5 billion (around 94 % of consolidated sales) in the 2021/22 financial year.

1.2 HORNBACH Baustoff Union GmbH subgroup

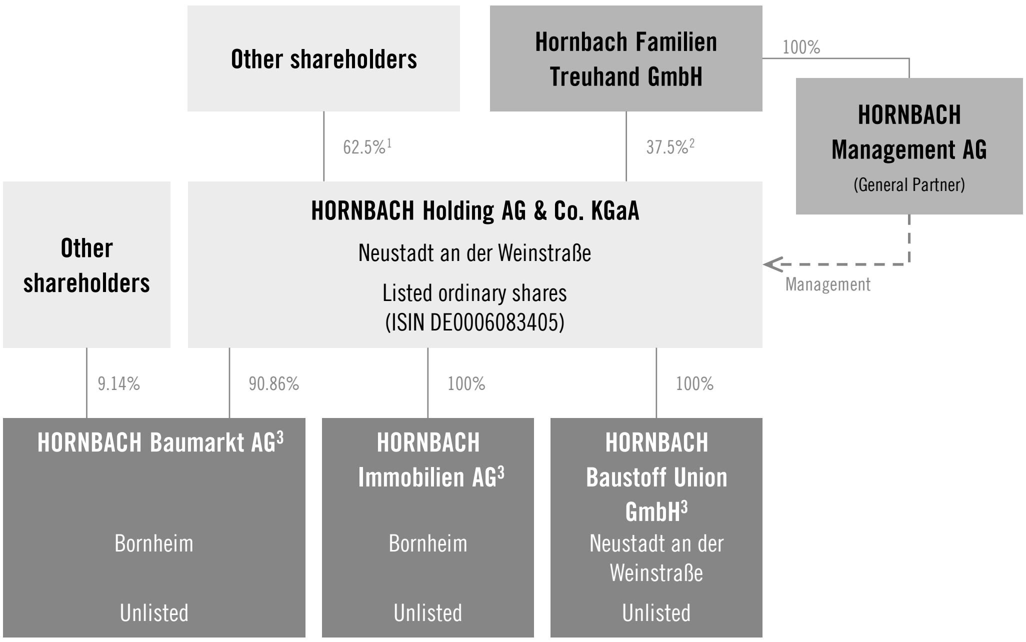
HORNBACH Baustoff Union GmbH is active in the regional builders' merchant business. At the balance sheet date on February 28, 2022, it operated a total of 34 outlets in south-western Germany and two locations close to the border in France. This subgroup generated sales of € 377 million in the 2021/22 financial year (around 6 % of consolidated sales).

36
builders' merchant outlets

1.3 HORNBACH Immobilien AG subgroup

The HORNBACH Immobilien AG subgroup mainly develops retail properties for the operating companies in the HORNBACH Holding AG & Co. KGaA Group. The overwhelming share of these properties are let within the Group on customary market terms. Of the rental income of around € 80 million in the 2021/22 financial year, 98 % resulted from the letting of properties within the overall Group.

Group structure and shareholders of HORNBACH Holding AG & Co. KGaA
Status: February 28, 2022



1) Including no-par ordinary shares held by members of the Hornbach family
2) Including no-par ordinary shares held by Hornbach family members, whose voting rights are exercised by Hornbach Familien-Treuhandgesellschaft mbH
3) Plus further shareholdings in Germany and abroad as presented in the complete overview in the notes to the consolidated financial statements

2. Group Business Model

2.1 Retail activities

The business model is predominantly characterized by the retail activities at the HORNBACH Baumarkt AG subgroup (hereinafter "HORNBACH"). HORNBACH operates DIY megastores with garden centers – mostly with sales areas in excess of 10,000 m² – in major regional catchment areas. The homogenous portfolio of locations resulting from organic growth in Germany and abroad enables HORNBACH to benefit from economies of scales in its operations and conceptual store enhancement measures, as well as in group logistics. With total sales areas of 1,977,921 m² (BHB) as of February 28, 2022, the average size of a HORNBACH DIY store with a garden center amounts to more than 11,800 m². In all the countries in which it operates, HORNBACH combines its stationary retail business with online shops (e-commerce) to act as a multichannel DIY retailer, an approach we also refer to as interconnected retail. The extensive virtual offering enables all customers to select and buy products and to obtain advice around the clock. Thanks to the seamless dovetailing of online services with stationary retail, customers can move smoothly between channels. This way, every customer can enjoy an ideal individual shopping experience.

250,000
articles available at online shop

HORNBACH has an absolute focus on project customers. On the one hand, these are home improvement enthusiasts wishing to implement extensive renovation and construction projects under their own steam in their houses, apartments, or gardens (do-it-yourself). On the other hand, they are commercial customers and tradespeople who see to all aspects of implementing projects, including all services, as high-performance partners for their customers (do-it-for-me). All of the company's stationary and online activities are tailored to these target groups. In particular, HORNBACH offers its customers a broad and deep product range stocked in sufficiently large quantities and meeting high quality standards, reliable and transparent permanently low prices, and professional advice and project-related services. Thanks not least to its innovative advertising, HORNBACH has successfully established itself as a brand among DIY customers and is regularly awarded the best customer satisfaction results in consumer surveys.

HORNBACH's product range encompasses an average of around 50,000 articles in stock at its stationary stores and up to around 250,000 articles available online. Products are available in five divisions:

- Hardware / Electrical
- Paint / Wallpaper / Flooring
- Construction Materials / Timber / Prefabricated Components
- Sanitary / Tiles
- Garden Hardware/Plants.

With a very broad selection of tiles, parquets, laminates, vinyl, and decking, the BODENHAUS specialist retail concept chiefly targets professional tradespeople, but is also aimed at private consumers wishing to lay floors themselves or have them laid. Unlike at traditional specialist retailers, at BODENHAUS nearly all products are directly available in large quantities or can be reserved or ordered via the online shop. The concept is rounded off with various additional services, such as delivery of the material to the construction site, a proprietary design center, and rubble disposal.

The Group's retail activities are supplemented by its regional activities in the builders' merchant business which are pooled at the HORNBACH Baustoff Union GmbH subgroup. This enables the HORNBACH Group to benefit from the growth potential in the construction industry. Its main target group involves professional customers in the main and secondary construction trades. HORNBACH Baustoff Union offers these customers construction materials and tools, which are both stocked and supplied, services, and professional advice for all major product ranges and lines of trades. Products range from shell construction to roofing, from interior fittings to facades, and from civil engineering through to garden and landscape construction, with all products being offered for new construction, conversion, or refurbishment projects. Furthermore, with its construction materials, services, and advice HORNBACH Baustoff Union also targets the needs of private construction clients.

2.2 Real estate activities

The HORNBACH Group has an extensive real estate portfolio. This chiefly consists of retail properties at HORNBACH Baumarkt AG that are used as DIY stores with garden centers. Based on sales areas, ownership was structured as follows at the balance sheet date on February 28, 2022:

	No. of stores	Sales area m²	Share %
Property owned			
HORNBACH Baumarkt AG subgroup	56	668,670	33.8
HORNBACH Immobilien AG subgroup	43	519,075	26.2
Subtotal of property owned	**99**	**1,187,745**	**60.0**
Land rented, building owned	4	34,968	1.8
Leased	64	755,208	38.2
Total	**167**	**1,977,921**	**100.0**

(Differences due to rounding up or down)

60 %
of sales areas in group ownership

The HORNBACH Group has an overriding strategy of ensuring that – measured in terms of sales areas and also accounting for potential sale and leaseback transactions – it owns at least half of the real estate used for operating purposes. As in the previous year, this share amounted to around 60 % at the balance sheet date on February 28, 2022. As in the previous year, the remaining total of around 40 % of sales areas are rented from third parties. In individual cases (2 %), only the land has been leased. In addition, HORNBACH Immobilien AG and HORNBACH Baumarkt AG both hold a number of purchase options entitling them to acquire further land at first-class locations in Germany and abroad. Moreover, group companies already own pieces of land in Germany and abroad which are also earmarked for use as retail locations.

The location development specialists and the employees responsible for the planning and execution of the construction of new stores, as well as for their fittings, are employed at the HORNBACH Baumarkt AG subgroup and also work on behalf of the associate HORNBACH Immobilien AG.

2.3 Hidden reserves in real estate assets

We believe that the real estate owned by the HORNBACH Immobilien AG and HORNBACH Baumarkt AG subgroups includes a high volume of hidden reserves which, based on our own assumptions and calculations, we indicate below. None of the disclosures made in Chapter 2.3 were audited.

In calculating hidden reserves, we generally refer to an average rent multiplier of 13, which we believe is an appropriate long-term average figure. Based on our assessment, this reflects a realistic, balanced ratio of opportunities and risks when calculating the capitalized earnings value of the DIY locations we own. Where up-to-date surveys are available for individual locations, these values are referred to rather than the general factor.

The property already completed and rented out by the HORNBACH Immobilien AG subgroup is reported at a carrying amount of around € 382 million in the balance sheet as of February 28, 2022. The application of an average multiplier of 13 based on the agreed rental income, as well as an age discount of 0.6 % p.a. in terms of the costs of acquisition, produces a calculated yield value of € 826 million at the balance sheet date (February 28, 2021: € 793 million). The deduction of the carrying amount of the real estate in question, amounting to € 382 million (February 28, 2021: € 396 million) leads to hidden reserves of € 444 million (February 28, 2021: € 397 million).

At the balance sheet date on February 29, 2022, the HORNBACH Baumarkt AG subgroup owned real estate in Germany and abroad used for proprietary purposes as DIY stores with garden centers with a carrying amount of around € 852 million. On the basis of intra-company rental income at usual market rates and a multiplier of 13, as well as an age discount of 0.6 % p.a. in terms of the costs of acquisition, the calculated yield value for the real estate amounts to around € 1,214 million (February 28, 2021: € 1,117 million). Deducting the carrying amount of € 852 million (February 28, 2021: € 772 million) leads to calculated hidden reserves of around € 362 million (February 28, 2021: € 345 million).

€ 806 m
hidden reserves in real estate assets

Based on this calculation method, the hidden reserves for the real estate used for operating purposes at the overall Group can be estimated at around € 806 million (February 28, 2021: € 742 million).

2.4 Reporting segments

The allocation of segments corresponds to the internal reporting system used by the management of the HORNBACH Holding AG & Co. KGaA Group for managing the company ("management approach"). This results in the following segments: "HORNBACH Baumarkt AG subgroup", "HORNBACH Immobilien AG subgroup", and "HORNBACH Baustoff Union GmbH subgroup". Administration and consolidation items not attributable to individual segments are shown in the segment report in the columns "Central functions" and "Consolidation".

3. Management System

HORNBACH prepares its financial reporting in accordance with International Financial Reporting Standards (IFRS). As well as the financial key figures pursuant to IFRS, in our management of the company and our external communications and reporting we also refer to alternative key performance indicators that are not defined in IFRS. The key figures used in the 2021/22 financial year have not changed compared with the previous year. The key figures outlined below are used to manage both the HORNBACH Holding AG & Co. KGaA Group and HORNBACH Holding AG & Co. KGaA.

3.1 Key management figures relevant for financial guidance

Sales	**Sales** are the central management figure for the operating business and a key indicator of our success with customers. The sales performance is reported in euros as net sales (excluding sales tax). Sales generated in countries outside the euro area in the period under report are translated using the relevant average exchange rate. Sales are a major key figure referred to when calculating the one-year variable remuneration for members of the Board of Management.
Adjusted EBIT	**Adjusted EBIT** (adjusted earnings before interest and taxes) is the Group's most important earnings figure. This corresponds to earnings before interest and taxes (EBIT) adjusted to exclude non-operating earnings items. The elimination of non-operating earnings items involves adding non-operating expenses (e.g. impairment losses on right-of-use assets, properties, or advertising-related assets) and deducting non-operating income (e.g. income from disposals of properties, income from write-ups of assets impaired in previous years). Adjusted EBIT is therefore particularly useful for management purposes and for comparing the operating earnings performance over time or in forecasts.

3.2 Further key performance indicators

3.2.1 Key performance indicators for earnings position

Like-for-like sales net of currency items (change in %)	The **rate of change in like-for-like sales net of currency items** serves to indicate the organic growth in our retail activities (stationary stores and online shops). The calculation of like-for-like sales is based on all DIY stores with garden centers that have been in operation for at least twelve months and on sales in the online business. By contrast, no account is taken of stores newly opened, closed, or subject to substantial conversion work in the past twelve months. Like-for-like sales are calculated without sales tax (net) and based on the local currency for the reporting period under comparison (currency-adjusted). In addition, we also calculate like-for-like sales on a euro basis and including currency items in the non-euro countries within our European store network.
Gross margin	The development in the **gross margin** offers information about our gross trading performance. This margin is defined as gross profit (net balance of sales and cost of goods sold) as a percentage of net sales. The gross margin is chiefly influenced by developments in procurement and retail prices, changes in the product mix, and currency items resulting from international procurement.
Cost ratios	The **store expense ratio** corresponds to selling and store expenses divided by net sales. Selling and store expenses involve those costs incurred in connection with operating stationary DIY stores with garden centers and online shops. 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 transport costs and expenses for maintenance and upkeep. The **pre-opening expense ratio** is obtained by dividing pre-opening expenses by net sales. Pre-opening expenses relate to those expenses arising at or close to the time of the construction up to the opening of new stationary DIY stores with garden centers. Pre-opening expenses mainly consist of personnel expenses, costs of premises, and administration expenses. The **administration expense ratio** corresponds to the quotient of administration expenses and net sales. General and administration expenses include all costs incurred by administration departments in connection with the operation or construction of stationary DIY stores with garden centers and with the development and operation of online retail (e-business) which cannot be directly allocated to such. They mainly consist of personnel expenses, legal and advisory expenses, depreciation and amortization, costs of premises, and IT, travel and vehicle expenses. As well as purely administrative expenses, these expenses also include project-related expenses, and in particular expenses for digitalization and interconnected retail.
EBITDA	**EBITDA** stands for earnings before interest, taxes, depreciation, amortization and write-ups. EBITDA is calculated on the basis of EBIT and by adding depreciation and amortization recognized through profit and loss on property, plant and equipment, right-of-use assets, and intangible assets and subtracting any write-ups recognized through profit on loss on these items. This neutralizes any distortive effects resulting from different methods of depreciation and amortization and from discretionary valuation scope.
EBIT	**EBIT**, which stands for earnings before interest and taxes, is calculated on the basis of gross profit in euros and by subtracting expenses (store, pre-opening, and administration expenses) and adding other income/expenses. Due to its independence from different forms of financing and tax systems, EBIT is referred to when comparing earnings with those at other companies.
EBT	**EBT** refer to earnings before taxes in the period under report. This key figure is independent of different management systems but also includes interest items. EBT is a major key figure referred to when calculating the one-year variable remuneration for members of the Board of Management.

Value spread	HORNBACH aims to generate a positive **value spread** (ROCE premium over WACC) – expressed as the return on capital employed (ROCE) less weighted average cost of capital (WACC). The ROCE is calculated by dividing operating earnings less allocable taxes (NOPAT = Net operating profit after Tax) by capital employed. Here, capital employed is defined as equity plus financial debt less cash and cash equivalents. The WACC expresses the level of return required to cover the costs of capital employed as a percentage, taking due account of the weighting of equity and debt capital. This capital cost rate is usually determined by reference to data available on the market for comparable companies (peer group) and their equity and debt capital structures. Furthermore, country-specific risk premiums are also included. For the purpose of measuring target achievement, an average WACC is determined by weighting the country-specific WACCs and their respective segment share of the Group's total assets. The aim is to generate a return that is in line with the market. The value spread is a major key figure referred to when calculating the multiyear variable remuneration for members of the Board of Management.

3.2.2 Key performance indicators for financial and asset position

Equity ratio	The **equity ratio** is calculated by dividing shareholders' equity as posted in the balance sheet by total capital (total assets). To safeguard its financial stability and independence, HORNBACH basically aims to maintain an equity ratio that is permanently stable and high by sector standards. HORNBACH has entered into covenants towards certain debt providers that require the company to maintain an equity ratio of at least 25 %.
Net financial debt	**Net financial debt** is calculated as total current and non-current financial debt (including lease liabilities) less cash and cash equivalents and – where applicable – less current financial assets (financial investments).
Investments and free cash flow (FCF)	In managing its financial and asset position, the HORNBACH Holding AG & Co. KGaA Group pursues the objective of safeguarding the Group's liquidity at all times and covering the financing requirements for the Group's sustainable growth at the least possible expense. Other key management figures relevant in this respect include cash-effective **investments** in land, buildings, plant and office equipment for new and existing DIY stores with garden centers, and intangible assets. Here, we aim to finance investments wherever possible from the cash flow from operations to enable a **free cash flow (FCF)** to be generated. The FCF is calculated as the cash flow from operations plus proceeds from disposals of non-current assets and less investments and dividends paid. The calculation of the FCF has been changed compared with the previous year (previously: excluding deduction of dividend) and now corresponds to the FCF figure referred to when calculating the one-year variable remuneration for members of the Board of Management.
Inventory turnover rate	For retail companies, the **inventory turnover rate** is an important indicator of merchandising efficiency. We define inventory turnover as the ratio of cost of goods sold to average inventories. The arithmetic mean of the period opening and period closing balances is taken as the average volume of inventories. The higher the inventory turnover rate, the lower the inventories and thus the volume of liquidity committed.

Business Report

1. Macroeconomic and Sector-Specific Framework

1.1 International framework

Based on figures released by the European Union statistics authority (Eurostat), the European economy (EU 27) grew by 5.3 % in the 2021 calendar year (2020: minus 5.9 %). All nine European countries in which HORNBACH operates reported positive developments following the pandemic-induced downturn in economic output in the previous year. Private consumer spending in the EU 27 countries grew by 3.8 % (2020: minus 7.3 %).

Table
GDP growth rates

According to estimates compiled by Eurostat, output in the construction sector rose by 4.8 % in 2021 (2020: minus 5.0 %), with highly disparate developments in the countries in which HORNBACH operates. While the construction sector reported a slight contraction in Germany, Romania, and Slovakia, growth rates were positive in all other countries.

Non-food retail volumes (excluding motor fuels) grew by 8.3 % in the EU 27 in 2021 (2020: minus 1.2 %), with the non-food retail sector reporting significant growth in all countries in which HORNBACH operates apart from Slovakia. According to figures released by the GfK consumer research association for the 2021 calendar year, gross sales in the do-it-yourself (DIY) retail sector fell by 8.2 % in Germany (2020: plus 13.8 %) and by 16.6 % in the Netherlands (2020: plus 22.1 %). Both countries were affected more severely than in the previous year by coronavirus-related restrictions on retail sales. Gross DIY sales rose by 2.5 % in Austria (2020: plus 10.9 %), by 11.1 % in the Czech Republic (2020: minus 0.8 %), and by 5.8 % in Switzerland (2020: plus 10.2 %). No data is available for the other countries in which HORNBACH operates.

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

Percentage change on previous quarter Source: Eurostat (calendar year figures)	1st Quarter 2021	2nd Quarter 2021	3rd Quarter 2021	4th Quarter 2021	Calendar year 2021 vs. 2020
Germany	**(1.7)**	**2.2**	**1.7**	**(0.3)**	**2.9**
Austria	(0.4)	4.1	3.4	(1.5)	4.5
Czech Republic	(0.3)	1.4	1.6	0.9	3.3
Luxembourg	3.8	0.0	0.5	0.5	6.9
Netherlands	(0.8)	3.8	2.1	0.9	4.8
Romania	2.0	1.5	0.4	(0.1)	5.9
Slovakia	(1.4)	1.9	0.4	0.3	3.0
Sweden	1.3	0.8	1.9	1.1	4.8
Switzerland	(0.1)	1.8	1.9	0.3	3.7
EU 27	**0.1**	**2.1**	**2.2**	**0.4**	**5.3**

1.2 Business framework in Germany

1.3 Macroeconomic climate

According to the Federal Statistical Office (Destatis), the German economy generated GDP growth of 2.9 % in 2021, having contracted by 4.9 % in the previous year. Due to pandemic-related lockdown measures, private consumer spending fell sharply in the first quarter of the calendar year but showed price-adjusted growth of 0.1 % in 2021 as a whole (2020: minus 6.1 %).

1.3.1 Construction activity and construction trade

According to calculations compiled by the German Institute for Economic Research (DIW), housing construction volumes rose by 11.4 % in nominal terms in 2021 (2020: 4.9 %), with disproportionate growth of 11.8 % in the market for refurbishment, renovation, and modernization measures at existing buildings, which is relevant for the DIY store sector (2020: 4.6 %). However, this growth is mostly attributable to price increases. According to Destatis, prices for the construction of new residential buildings showed annual average growth of 9.1 % in 2021.

Based on figures released by Destatis, sales in the finishing trade fell year-on-year by 3.2 % in real terms (price-adjusted) in 2021. Due to the significant rise in construction prices, however, nominal sales grew by 3.7 %.

1.3.2 Retail and DIY

Based on figures released by the Association of German Retailers (HDE), net aggregate sales in the German retail sector showed nominal growth of 1.8 % to € 587.8 billion in 2021 (2020: € 577.4 billion). Online retail (e-commerce) grew by 19.2 % to € 86.7 billion (2020: € 72.8 billion). Online sales thus accounted for a 14.7 % share of total retail sales in 2021 (2020: 12.6 %).

The BHB sector association and the GfK reported a nominal reduction in gross sales at large-scale DIY stores with sales areas of more than 1,000 m² of 8.2 % to € 20.33 billion in the 2021 calendar year (2020: € 22.14 billion). On a like-for-like basis, i.e. excluding stores newly opened, closed or subject to substantial conversion measures, the sector reported a downturn of 9.1 %. Gross sales at smaller-scale DIY stores (DIY shops with sales areas of up to 1,000 m²) fell by 3.7 % to € 3.95 billion (2020: € 4.10 billion). The market volume of all DIY and home improvement stores therefore decreased by 7.5 % to € 24.28 billion in the 2021 calendar year.

+15.7 %
DIY e-commerce sales in 2021 calendar year

According to figures compiled by market researchers at Teipel Research & Consulting, e-commerce sales with home improvement, construction materials, and garden product ranges via the online shops of stationary retailers, mail order companies, and pure online retailers (“pure players”) in Germany grew by 15.7% to a gross total of € 5.94 billion in the 2021 calendar year (2020: € 5.13 billion). DIY store chains with stationary operations increased their online sales to € 1.46 billion and raised their share of e-commerce sales from 23.6 % in the previous year to 24.6 %.

1.3.3 Regional builders’ merchant business

Developments in the builders' merchant segment are significantly influenced by sector trends in the main construction trade in the sales area covered by the HORNBACH Baustoff Union GmbH subgroup, which largely comprises Rhineland-Palatinate, Saarland, and Baden-Württemberg. In 2021, nominal sales in the main construction trade (housing construction, companies with 20 or more employees) fell by 7.5 % in Rhineland-Palatinate (2020: plus 20.1 %) and by 1.4 % in Baden-Württemberg (2020: plus 14.7 %). In Saarland, sales grew by 16.1 % (2020: 15.8 %) (nationwide figure: plus 1.3 %). New orders increased by 24.7 % in Rhineland-Palatinate and by 6.5 % in Baden-Württemberg, but decreased by 18.2 % in Saarland (nationwide: plus 8.5 %).

The builders' merchant market in the sales area covered by HORNBACH Baustoff Union GmbH remains highly contested. Alongside numerous regional and cross-regional builders' merchants, DIY stores have been penetrating the market for commercial customers and private construction clients for some time now, offering new sales formats and services (e.g. drive-in, online business with delivery, tradesmen services, and focus on professional customers and projects). Accompanied by aggressive pricing policies, this trend has increased pressure on prices and squeezed gross margins in the stationary builders' merchant business. Furthermore, the move to greater numbers of industrially produced prefabricated houses is impacting on demand at builders' merchants for building materials used in traditional construction methods.

1.4 Russia/Ukraine

The escalation in the Ukraine conflict triggered by the invasion of Russian troops on February 24, 2022 has fundamentally changed the macroeconomic framework in Germany and Europe. In addition to a sharp rise in prices largely attributable to energy prices and increased uncertainty due to the threat of shortages in the gas supply, the war has also impacted negatively on supply chains, which were already very tense due to the pandemic, as well as on merchandise availability.

2. Summary of 2021/22 Business Performance

2.1 Overall assessment of the Group's economic position

2.1.1 Coronavirus pandemic

As in the previous year, HORNBACH's business activities in the 2021/22 financial year (March 1, 2021 to February 28, 2022) were significantly affected by restrictions on sales. This factor was exacerbated by disruptions in international supply chains and price rises, some of which significant, for commodities such as timber, metals, and plastics.

The first months of the 2021/22 financial year were affected by restrictions on sales activities which varied between individual regions and were more severe overall than in the previous year. Luxembourg, Romania, Sweden, and Switzerland were the only countries with no significant restrictions in place. In the other countries in which we operate, stationary sales to private customers were at times not permitted, or restricted to specified product ranges, such as those at our garden centers, or only possible throughout the store by booking an appointment in advance (click & meet). Our largest country markets of Germany and the Netherlands were affected by stricter spring lockdowns than in the previous year. By contrast, Switzerland, Austria, and Slovakia benefited from positive base effects due to restrictions on sales being less strict than in the previous year, or due to the absence of such restrictions. It took until June 7, 2021 for all HORNBACH stores in Germany to be able to reopen without restrictions. In other European countries, all stores were operating normally by May 10, 2021.

In the second half of the year, some of the countries in which HORNBACH operates responded to the sharp rise in the number of infections in Europe by re-imposing restrictions on sales from the end of October. In some regions, customers were required to provide proof of vaccination or official recovered status to enter the stores (Austria, Romania, Germany: North Rhine-Westphalia, Rhineland-Palatinate, Saxony). At times stores were only open to commercial customers (Netherlands, Austria, Slovakia). Click & collect purchases were permitted for all customers in all countries. Due to its focus on commercial customers, HORNBACH Baustoff Union was somewhat less affected by the restrictions on sales activities.

Despite price rises in some areas of the product range, customers remained very willing overall to invest in home improvement and renovation projects, as well as in repair work. During periods of lockdown, this demand increasingly shifted to the online shops and to click & collect purchases. By taking targeted steps to list new suppliers, selecting alternative transport routes, stocking extensive quantities of goods at an early stage, and making use of all existing and new storage capacities, the company was mostly able to secure the supply of merchandise. Where necessary, the capacities for supplying end customers were flexibly extended by drawing on additional, company-internal mail dispatch centers.

Overview of coronavirus-related restrictions on sales (DIY) in 2021/22 financial year

Country	Periods of closures / restrictions for private customers	No. of stores / new store openings
Germany	3.1.2021 to 6.6.2021: incidence-based closures for private customers affecting an average of 50 % of stores; garden division open 11.22.2021 to 2.18.2022: proof of vaccination required in several federal states	**98**
Other European countries		**69**
Austria	3.31.2021 to 5.2.2021: incidence-based closures for private customers (6 out of 14 stores) 11.22.2021 to 12.12.2021: closed for private customers 11.15.2021 to 2.11.2022: proof of vaccination required	14
Czech Republic	3.1.2021 to 5.9.2021: closed for private customers, garden division open	10
Luxembourg	No material sales restrictions	1
Netherlands	3.1.2021 to 4.27.2021: closed for private customers 12.19.2021 to 1.14.2022: closed for private customers	15+1 (10.13.2021)
Romania	10.25.2021 to 2.28.2022: proof of vaccination required	7+1 (7.14.2021)
Slovakia	3.1.2021 to 4.18.2021: closed for private customers, garden division open 11.25.2021 to 12.9.2021: closed for private customers, garden division open 12.10.2021 to 2.25.2022: proof of vaccination required	4
Sweden	No material sales restrictions	7+1 (6.29.2021)
Switzerland	No material sales restrictions	7+1 (11.4.2021)
Group		**167**

2.1.2 Impact of Russia-Ukraine conflict

HORNBACH Group does not have any locations in Russia, Belarus, or Ukraine. Furthermore, we also do not have any direct suppliers in any of these three countries. Some of our suppliers nevertheless procure upstream products, components, or commodities, such as cereals for use in pet food production, from these regions.

Restrictions on transport routes due to military action, such as on rail cargo via the Trans-Siberian Railway or on inland shipping on the Black Sea, raise the degree of logistical complexity. This means that many challenges we have confronted since the beginning of the coronavirus pandemic, particularly in procuring and transporting merchandise, will continue for the time being and may intensify further due to the war. In upholding the availability of merchandise for our customers, we are assisted by our multi-supplier strategy, the additional storage capacity built up since the start of the pandemic, highly circumspect procurement and stocking policies, and the flexible deployment of a variety of transport solutions.

Increased prices for commodities, procurement, transport, and energy also obliged us to adjust our retail prices to market circumstances in several areas of our product range. In light of the permanent low price guarantee we offer to our customers, pricing policies are a complex management task in the current environment of higher inflation.

2.1.3 Seasonal and calendar-related factors and other underlying conditions

The 2021/22 year under report had an average of 3.0 business days more than the previous year. As many of our stores were subject to significant restrictions due to the coronavirus crisis, but not entirely closed, we have not adjusted the number of business days to account for this factor. The resultant calendar effect was distributed among the quarters as follows:

- 1st Quarter (Q1): plus 0.6 business days
- 2nd Quarter (Q2): plus 1.0 business days
- 3rd Quarter (Q3): plus 0.3 business days
- 4th Quarter (Q4): plus 1.0 business days

In large parts of the countries in which HORNBACH operates, the spring and summer months brought low temperatures, little sunshine, and a great deal of precipitation. Overall, weather conditions were therefore less favorable for implementing projects in houses and gardens than in the previous year. In July, severe rain in specific regions led to catastrophic flooding in parts of Germany, the Netherlands, Austria, and Luxembourg. HORNBACH locations were not directly affected, but the company offered assistance in the regions affected by flooding by offering price discounts to those affected and donating cash and materials. By contrast, the fall was mostly sunny and dry and the winter was very mild. Weather conditions in these seasons therefore impacted positively on demand for DIY product ranges.

2.1.4 Development in HORNBACH's stationary store network and interconnected retail (ICR)

HORNBACH opened four new DIY stores and garden centers in the 2021/22 financial year: these are located in Trollhättan (Sweden), Cluj (Romania), Apeldoorn (Netherlands), and Sirnach (Switzerland). In Paderborn (Germany), one older store was replaced by a larger newly built store. The DIY store and garden center in Kerkrade (Netherlands) was extended with a new specialist flooring store ("HORNBACH Vloeren") at the same location. Furthermore, within its customary modernization program HORNBACH also invested in its existing stores, for example by extending drive-in facilities or adding building material collection warehouses. Thanks to solar collectors on their roofs and heat pumps, the new stores in Apeldoorn and Paderborn can be operated on a largely energy-neutral basis.

HORNBACH is continually working to expand its ICR architecture in order to further improve customers' shopping experience, be able to react flexibly to increased demand, and ensure the same high degree of scalability and security. In the 2021/22 financial year, the company pressed further ahead with migrating its online shops to a new webshop platform, further reinforced its IT security, and implemented projects to promote its digitalization and automation. Among other steps, we equipped the mobile terminals used by our store employees with further apps and functions, expanded HORNBACH's online advice, and extended hybrid work options. The customer app has also been extended with new functions, such as a tool to measure surfaces with augmented reality, a rebuying function, and a self-learning search function. Furthermore, collection stations for online purchases were installed at further stores.

2.1.5 Asset, financial, and earnings position

The HORNBACH Group generated strong sales growth despite the restrictions applicable at times to sales to private customers. This growth was driven by ongoing high demand for home improvement products, as well as by the rise in inflation, which impacted both on procurement and on retail prices. The net sales of the HORNBACH Group rose by 7.7 % to € 5,875 million. Net sales at the **HORNBACH Baumarkt AG subgroup,** which already grew by 15.6 % in the previous year, rose by a further 7.4 % to € 5,496 million. Online retail (including click & collect) showed further disproportionate growth of 10.5 % and reached a 17.2 % share of the subgroup's total sales (2020/21: 16.7 %).

With net sales growth of 4.8 % (like-for-like: 3.7 %) in the Germany region in the 2021/22 financial year, HORNBACH significantly outperformed the German DIY store sector, which posted a downturn (gross sales) of 8.2 % in the 2021 calendar year. The market share of HORNBACH Baumarkt (GfK) increased from 14.0 % to 15.1 % in the 2021 calendar year. In the eight countries outside Germany (Other European Countries region), the HORNBACH Baumarkt AG subgroup generated net sales growth, including online retail, of 10.3 % (like-for-like and net of currency items: 7.3 %). Overall, HORNBACH also gained further market share in key country markets outside Germany.

A number of international consumer surveys, such as Kundenmonitor (Germany, Austria, Switzerland), the selection as Retailer of the Year (Netherlands), and the Swedish Brand Award, document the high level of customer satisfaction with the HORNBACH brand once again in the 2021/22 financial year. Customers awarded us the best grades in individual criteria including “value for money”, “product selection and variety”, and “product quality”.

Our DIY stores and garden centers also further improved their productivity in the 2021/22 financial year. Average annual sales at HORNBACH's DIY stores and garden centers increased from € 31.8 million to € 34.6 million in the year under report. Surface productivity, i.e. weighted net sales per square meter of sales area, rose from € 2,698 to € 2,848 per m² (plus 5.6 %).

The **HORNBACH Baustoff Union GmbH subgroup** reported sales growth 11.8 % in the 2021/22 financial year. Net sales at the total of 36 outlets (2020/21: 36) thus amounted to € 377.5 million (2020/21: € 337.7 million).

Thanks to its strong sales growth, HORNBACH significantly boosted its operating earnings strength compared with the previous year. EBIT adjusted to exclude non-operating one-off items (adjusted EBIT) grew disproportionately compared with sales, rising by 11.1 % to € 362.6 million (2021/22: € 326.4 million). The adjusted EBIT margin rose from 6.0 % to 6.2 %.

Cash-effective investments at the HORNBACH Group rose to € 178.6 million in the 2021/22 year under report (2021/22: € 154.4 million). Of investments, 51.5 % related to land and buildings, while the remainder was mainly channeled into plant and office equipment new and existing stores, as well as software.

The operating cash flow amounted to € 344.9 million (2020/21: € 346.5 million). The increase in consolidated net income was countered an opposing development in working capital from minus € 53.7 million to minus € 101.6 million. The free cash flow amounted to € 134.5 million (2020/21: € 168.2 million).

Total assets of the HORNBACH Baumarkt AG Group grew to € 4,305.7 million as of February 28, 2022 (balance sheet date on February 28, 2021: € 4,007.9 million). At 40.9 %, the equity ratio remained at a satisfactory level (February 28, 2021: 44.2 %). Net financial debt increased from € 1,084.8 million to € 1,356.0 million. The net debt ratio (net debt / EBITDA) rose from 2.1 to 2.4.

Based on the pleasing business performance and improved key lending figures, on October 13, 2021 S&P Global Ratings raised the long-term issuer rating and the rating for the senior unsecured liabilities for HORNBACH Baumarkt AG from “BB” to “BB+”. The outlook remained stable.

2.1.6 Delisting purchase offer to shareholders in HORNBACH Baumarkt AG

In the context of a delisting purchase offer addressed to the shareholders of HORNBACH Baumarkt AG, HORNBACH Holding AG & Co. KGaA increased its shareholding in HORNBACH Baumarkt AG from 76.36% to 90.86% as of February 28, 2022. The offer of € 47.50 in cash per HORNBACH Baumarkt share, corresponding to a premium of 29.4% on the volume-weighted average price for the past 6 months and a premium of 13.8% on the most recent closing price on December 17, 2021, was accepted for 4,011,904 HORNBACH Baumarkt shares. In parallel to the delisting purchase offer, HORNBACH Holding AG & Co. KGaA also acquired additional shares via the stock market. The costs of the transaction, including advisory fees and material costs, amounted to around € 223 million. A provision of around € 20 million was stated for the real estate transfer tax becoming due for payment once the 90-percent threshold is passed.

The delisting purchase offer is fully covered by a short-term credit facility that is to be refinanced with a well-balanced long-term financing structure comprising debt and/or equity instruments. This will be fully consistent with the Group's strategy of maintaining its S&P rating of at least BB+. Further refinancing measures will be considered in due course.

2.2 Target achievement in 2021/22

The comparison of the actual with the forecast business performance is summarized in the table below.

2.2.1 Targets and results of the HORNBACH Holding AG & Co. KGaA Group in the 2021/22 financial year

	Targets for 2021/22	Results in 2021/22
Expansion of HORNBACH Baumarkt AG subgroup	DIY stores and garden centers (4 new store openings): Cluj (Romania), Trollhättan (Sweden), Apeldoorn (Netherlands), Sirnach (Switzerland), 1 replacement location: Paderborn (Germany)	**All planned DIY stores and garden centers opened**
Investments	▪ Original forecast: above previous year's level (€ 154.4 million) ▪ Adjustment during financial year: € >200 million	€ 178.6 million
Sales performance		
Net sales	▪ Original forecast: at previous year's level ▪ Forecast adjusted on 6.25.2021: growth of 1 % - 5 % ▪ Forecast adjusted on 9.30.2021: growth of 1 % - 5 % (upper third of range) ▪ Forecast adjusted on 12.7.2021 (ad-hoc): growth of 2 % - 7 % ▪ Preliminary figures on 3.21.2022 (ad-hoc): growth of 7.7 %	**Plus 7.7 %** to € 5.9 billion
Earnings performance		
Adjusted EBIT	▪ Original forecast: below level for 2020/21 financial year (€ 326.4 million), but above figure for pre-pandemic 2019/20 financial year (€ 227.0 million) ▪ Forecast adjusted on 6.25.2021: range of € 290 million to € 326 million ▪ Forecast adjusted on 9.30.2021: range of € 290 million to € 326 million (upper third) ▪ Forecast adjusted on 12.7.2021 (ad-hoc): € 330 million to € 380 million ▪ Preliminary figures on 3.21.2022 (ad-hoc): € 364 million	Plus 11.1 % to **€ 362.6 million**

Note: For **sales** "at previous year's level" refers to changes of -1 % to +1 %, while "slight" changes involve changes of 2 % to 5 %. To enhance the distinctions within the "slight" category, we use the phrase "in a low single-digit percentage range" to refer to changes of 2 % to 3 % and the phrase "in a mid single-digit percentage range" to refer to changes of 4 % to 6 %. "Significant" corresponds to changes of more than 6 %. For **earnings figures**, "at previous year's level" refers to changes of -1 % to +1 %. "Slight" corresponds to changes of 2 % to10 %, while "significant" is equivalent to changes of more than 10 %.

2.2.2 Budget/actual comparison for annual financial statements (HGB)

The earnings performance at HORNBACH Holding AG & Co. KGaA is closely linked to developments on the level of its shareholdings and thus to the level and rate of change in its income from investments. At € 46.7 million, the annual net surplus was above the previous year's comparative figure of € 44.8 million. Due the uncertainties surrounding the coronavirus pandemic, the annual financial statements for the 2020/21 financial year forecast that the annual net surplus would fall slightly short of the previous year's figure.

3. Earnings Position

3.1 Sales performance

7.7%
sales growth at HORNBACH Group in 2021/22 financial year

3.1.1 Net sales of the HORNBACH Group

As of the balance sheet date on February 28, 2022, the HORNBACH Holding AG & Co. KGaA Group comprised the HORNBACH Baumarkt AG, HORNBACH Baustoff Union GmbH (HBU), and HORNBACH Immobilien AG subgroups. In the 2021/22 financial year (March 1, 2021 to February 28, 2022), the HORNBACH Group increased its consolidated sales (excluding sales taxes) by 7.7% to € 5,875 million (2020/21: € 5,456 million).

3.1.2 HORNBACH Baumarkt AG subgroup

The HORNBACH Baumarkt AG subgroup increased its net sales by 7.4% to € 5,496 million in the 2021/22 financial year (2020/21: € 5,117 million). Net sales in the Germany region grew by 4.8% to € 2,780 million in the period under report (2020/21: € 2,654 million). Outside Germany (Other European Countries region) and including four newly opened DIY megastores, we reported sales growth of 10.3% to € 2,716 million (2020/21: € 2,463 million). The share of consolidated sales contributed by the international stores rose from 48.1% to 49.4%.

The following comments refer to the development in currency-adjusted like-for-like sales at the HORNBACH Baumarkt AG subgroup, which take no account of stores newly opened or closed in the past twelve months. The subgroup most recently generated around 17 % (2020/21: around 17 %) of its like-for-like sales in the online business or from its connection to the stationary DIY retail business (interconnected retail – ICR). This includes all sales generated from online mail order, click & collect (“reserve online & collect at store”), and other online transactions involving store contact. ICR sales are fully accounted for in the calculation of the like-for-like sales performance.

Net of currency items, the subgroup's like-for-like sales rose by 5.4% in the 2021/22 financial year (including currency items: 5.8%). Here, operating regions were affected by restrictions on sales activities which varied over time in terms of their severity.

Like-for-like sales performance net of currency items of the HORNBACH Baumarkt AG subgroup by quarter (in percent)

2021/22 financial year 2020/21 financial year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Group	**4.3**	**2.5**	**(0.1)**	**20.0**	**5.4**
	17.5	21.4	19.7	(3.5)	14.7
Germany	**(0.1)**	**1.7**	**(4.3)**	**26.5**	**3.7**
	24.4	24.1	25.5	(4.9)	18.6
Other European countries	**9.5**	**3.4**	**4.5**	**13.8**	**7.3**
	10.3	18.6	14.0	(2.2)	10.8

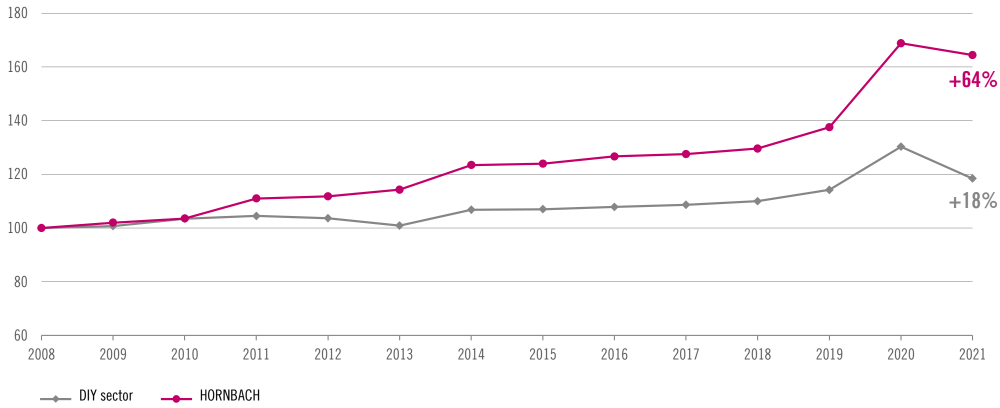
Germany

The HORNBACH DIY stores and garden centers in the Germany region increased their like-for-like sales by 3.7 % in the 2021/22 financial year. The Germany region in particular was affected by restrictions on sales activities during the important spring season.

3.7 %
like-for-like sales growth at HORNBACH DIY stores and garden centers in Germany

HORNBACH significantly outperformed the average for the DIY sector in Germany in 2021. In its "DIY Total Store Report", the GfK determines the sales performance of German DIY stores and garden centers for the calendar year on behalf of the BHB sector association. According to this report, like-for-like sales in the DIY sector fell by an average of 9.1 % in the period from January to December 2021. Over the same period, HORNBACH reported a decrease of just 2.6 % in its like-for-like sales. Since 2008, HORNBACH's like-for-like sales in Germany have grown by around 64 %, while the German DIY sector as a whole generated growth of only 18 % over the same period.

Like-for-like sales performance in Germany
(Index: 2008 = 100%, calendar year)



Particularly during the periods in which restrictions were imposed on sales due to high incidence rates (above all in March and April 2021), HORNBACH benefited from the consistent way it has dovetailed its stationary DIY retail with its online business to provide interconnected retail (ICR). This is because the collection of click & collect goods was generally permitted, as were sales to commercial customers. In Germany, HORNBACH increased its ICR sales (direct mail order and click & collect) by around 10 % in the 2021/22 financial year. ICR sales accounted for more than 20 % of sales.

We further strengthened our market position in terms of the aggregate gross sales of the DIY store sector in Germany (including online sales at stationary DIY competitors) in the 2021 calendar year. In the segment of German DIY stores and garden centers with sales areas of more than 1,000 m² (2021: € 20.3 billion), we now have a market share of 15.1 % (2020: 14.0 %).

7.3 %
like-for-like sales growth net of currency items at HORNBACH DIY stores and garden centers in other European countries

- **Other European countries**
  In a business framework affected by the pandemic, our stores in other European countries generated like-for-like sales growth net of currency items of 7.3 % in the 2021/22 financial year. Including currency items, like-for-like sales grew by 8.0 % (2020/21: 10.8 %). The performance in individual countries ranged from 3.7 % in Sweden to 24.7 % in Slovakia. This positive overall performance was driven in particular by strong growth in the fourth quarter (year-on-year plus 13.8 %). Above all, the Netherlands, the Czech Republic, and Slovakia had been affected by restrictions on sales activities in the previous year's period and thus posted high, double-digit sales growth in the fourth quarter of the year under report.

  Overall, HORNBACH gained further market share in key country markets. Based on sales indicators available to us for four countries in our network outside Germany (Netherlands, Austria, Czech Republic, Switzerland), our market share (GfK) in the 2021 calendar year grew from 21.1 % to 23.9 % in the Netherlands, from 17.5 % to 17.9 % in Austria, and from 12.3 % to 12.7 % in Switzerland. The Czech Republic was the only country in which our market share showed a slight decline, in this case from 34.0 % to 33.3 %.

  Our interconnected retail activities are having an ever greater impact on our sales performance in our international business as well. The trend towards online purchases and reservation was clearly accelerated by changes in consumer behavior during the pandemic.

3.1.3 HORNBACH Baustoff Union GmbH subgroup

11.8 %
sales growth at HORNBACH Baustoff Union subgroup in 2021/22 financial year

The HORNBACH Baustoff Union GmbH subgroup also reported substantial sales growth in the 2021/22 financial year. Net sales at the total of 36 outlets increased by 11.8 % to € 377.5 million (2020/21: € 337.7 million).

3.1.4 HORNBACH Immobilien AG subgroup

At € 79.7 million, rental income at the HORNBACH Immobilien AG subgroup in the 2021/22 financial year fell slightly short of the previous year's figure of € 80.4 million. As in the previous year, more than 98 % involved rental income from the rental of properties within the overall Group.

3.2 Earnings performance of the HORNBACH Group

3.2.1 Summary

The key operating earnings figures of the HORNBACH Holding AG & Co. KGaA Group for the 2021/22 financial year significantly exceeded the comparative figures for the previous year. This was driven above all by strong like-for-like sales growth and a proportionately lower increase in costs.

Key earnings figures of the HORNBACH Holding AG & Co. KGaA Group

Key figure (€ million, unless otherwise stated)	2021/22	2020/21	Change
Net sales	5,875	5,456	7.7 %
of which: in Germany	3,149	2,985	5.5 %
of which: in other European Countries	2,726	2,471	10.3 %
Like-for-like sales growth	5.4 %	14.7 %	
EBITDA	564.9	516.3	9.4 %
EBIT	355.0	311.9	13.8 %
Adjusted EBIT	362.6	326.4	11.1 %
Consolidated earnings before taxes	314.3	266.1	18.1 %
Consolidated net income	244.5	201.4	21.4 %
EBITDA margin	9.6 %	9.5 %	
EBIT margin	6.0 %	5.7 %	
Adjusted EBIT-Margin	6.2 %	6.0 %	
Gross margin	35.0 %	35.2 %	
Store expenses as % of net sales	24.7 %	25.3 %	
Pre-opening expenses as % of net sales	0.3 %	0.1 %	
General and administration expenses as % of net sales	4.4 %	4.4 %	
Tax rate	22.2 %	24.3 %	

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

3.2.2 Gross margin

Gross profit rose by 7.0 %, and thus slightly less rapidly than sales, to € 2,057.9 million in the 2021/22 financial year (2020/21: € 1,922.8 million). The gross margin eased slightly from 35.2 % to 35.0 %. Alongside changes in the product mix, the development in the gross margin was also influenced by challenging developments on the procurement market and in logistics.

3.2.3 Selling and store, pre-opening and administration expenses

The HORNBACH Group's **selling and store expenses** grew less rapidly than sales, rising by 5.1 % to € 1,449.2 million (2020/21: € 1,378.8 million). The largest increase in absolute terms was reported for personnel expenses, with this largely being due to the strong expansion with new stores. Furthermore, to acknowledge the personal commitment shown by our employees in extreme work conditions due to the pandemic, group-wide coronavirus bonuses of € 5.0 million were paid to employees once again in the 2021/22 financial year, with the greater share of this total being allocated to store personnel expenses. The store expense ratio (store expenses as a percentage of sales) fell by 60 basis points from 25.3 % to 24.7 %.

Given the pleasing earnings performance throughout the 2021/22 financial year, more funds were made available for necessary conversion and maintenance measures and for revising store product ranges to sustainably enhance the attractiveness of the store network for customers. The transparency and prioritization of these measures was safeguarded with a centrally managed cost management system. Due to the company's strong expansion in recent years, the charges resulting from depreciation and amortization in the same period rose year-on-year by more than 3.2 % to € 213.1 million.

Advertising expenses grew year-on-year by 22.5 % in the year under report, with this growth being due in particular to the unusually low figure for the previous year (2020/21), in which these expenses had been scaled back in connection with the pandemic.

Selling and store expenses include non-operating charges on earnings of around € 13.0 million (2020/21: € 15.8 million). These mainly involve impairment losses recognized for DIY store properties, advertising-related assets, and tenant fittings (IAS 36 impairments), as well as write-downs of right-of-use assets.

Due to new store openings in the 2021/22 financial year, **pre-opening expenses** increased to € 17.5 million (2020/21: € 7.2 million). The pre-opening expense ratio amounted to 0.3 % (2020/21: 0.1 %).

Administration expenses rose by 6.6 % to € 257.2 million (2020/21: € 241.3 million) and thus grew less rapidly than sales. The administration expense ratio remained unchanged at 4.4 %.

3.2.4 Other income and expenses

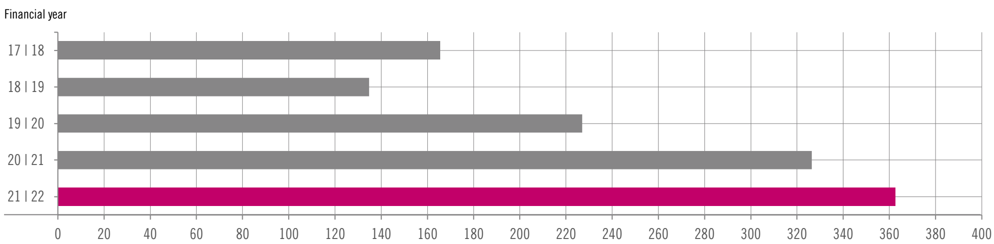
Other income and expenses amounted to € 20.9 million in the year under report (2020/21: € 16.4 million). Among other items, these include income and losses from damages cases and income from the sale of real estate and land no longer required for operations and of non-current assets.

3.2.5 EBITDA, adjusted EBIT, and EBIT

+11.1%
growth in adjusted EBIT in 2021/22 financial year

The key operating earnings figures of the HORNBACH Group for the 2021/22 financial year significantly exceeded the comparative figures for the previous year. This was driven above all by strong like-for-like sales growth and a proportionately lower increase in costs. Consolidated earnings before interest, taxes, depreciation, amortization, and write-ups (**EBITDA**) rose by 9.4 % to € 564.9 million (2020/21: € 516.3 million), corresponding to an EBITDA margin of 9.6 % (2020/21: 9.5 %). Consolidated operating earnings excluding non-operating one-off items (**adjusted EBIT**) increased by 11.1 % to € 362.6 million (2020/21: € 326.4 million). The adjusted EBIT margin stood at 6.2 % (2020/21: 6.0 %). EBIT including non-operating earnings items grew by 13.8 % to € 355.0 million (2020/21: € 311.9 million), producing an EBIT margin of 6.0 % (2020/21: 5.7 %). The non-operating earnings items included in store and pre-opening expenses, as well as in other income and expenses, decreased overall from minus € 14.5 million to minus € 7.6 million.

Adjusted EBIT
(€ million)



Notes to Consolidated Financial Statements
Note 10

The following table presents the reconciliation of consolidated operating earnings (EBIT) with adjusted EBIT, i.e. EBIT adjusted to eliminate non-operating one-off items:

Reconciliation of consolidated operating earnings (EBIT) with adjusted EBIT by segment

2021/22 in € million 2020/21 in € million	HORNBACH Baumarkt AG subgroup	HORNBACH Baustoff Union GmbH subgroup	HORNBACH Immobilien AG subgroup	Central functions	Consolidation adjustments	HORNBACH Holding AG & Co. KGaA Group
Earnings before interest and taxes (EBIT)	**289.3**	**13.0**	**57.8**	**(6.2)**	**1.1**	**355.0**
	258.6	9.3	58.4	(5.2)	(9.3)	311.9
Non-operating earnings items	25.5	0.0	(4.1)	0.0	(13.8)	7.6
	20.2	(0.3)	(2.6)	0.0	(2.8)	14.5
Adjusted EBIT	**314.7**	**13.0**	**53.7**	**(6.2)**	**(12.7)**	**362.6**
	278.8	9.0	55.8	(5.2)	(12.0)	326.4

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

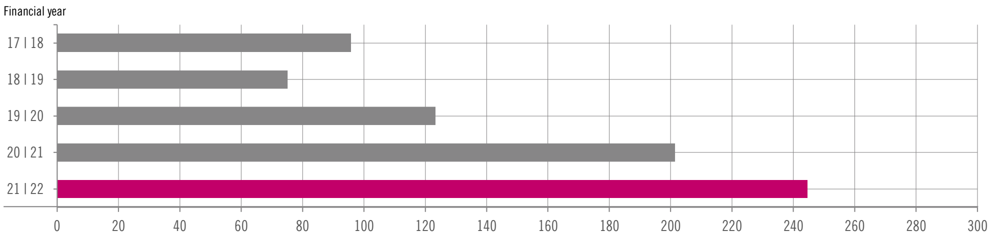
3.2.6 Net financial expenses, EBT, and consolidated net income

Net financial expenses improved slightly from minus € 45.8 million in the previous year to minus € 40.7 million in the 2021/22 financial year. Consolidated earnings before taxes (**EBT**) stood at € 314.3 million (2020/21: € 266.1 million).

Taxes on income rose from € 64.7 million to € 69.8 million. The effective tax rate on Group level eased from 24.3 % to 22.2 %. **Consolidated net income** including minority interests grew by 21.4 % to € 244.5 million (2020/21: € 201.4 million). The Group-wide return on sales rose from 3.7 % to 4.2 %. Earnings per share are reported at € 12.48 (2020/21: € 10.33).

Notes to Consolidated Financial Statements
Notes 8 and 9

Net income for the year
(€ million)



3.3 Earnings performance by segment

3.3.1 HORNBACH Baumarkt AG subgroup

The HORNBACH Group's positive earnings performance in the past 2021/22 financial year was largely determined by the earnings situation at the largest subgroup, HORNBACH Baumarkt AG. The subgroup's **adjusted EBIT**, i.e. operating earnings before non-operating one-off items, rose by 12.9 % to € 314.7 million (2020/21: € 278.8 million). The adjusted EBIT margin rose to 5.7 % (2020/21: 5.4 %), its highest value since the conversion to IFRS accounting in the 2001/02 financial year.

+12.9 %
increase in adjusted EBIT at HORNBACH Baumarkt AG subgroup

Non-operating charges on earnings, which chiefly relate to IAS 36 impairments, rose from € 20.2 million to € 25.5 million in the 2021/22 year under report. One major reason for this was the rise in the WACC due to changes in the factors used to calculate this key figure, namely the risk-free interest rate, the average beta for the peer group, and the credit spread. The amendment in these parameters led to higher impairment requirements on the level of the cash generating units (CGUs), i.e. on store level. Consolidated operating earnings before interest and taxes (**EBIT**) including one-off non-operating earnings items showed a significant increase of 11.9 % to € 289.3 million (2020/21: € 258.6 million). The EBIT margin climbed from 5.1 % to 5.3 %.

Net financial expenses are reported at minus € 52.7 million for the 2021/22 financial year (2020/21: minus € 58.4 million). This change is mainly due to positive currency items, including income from forward exchange transactions, of € 3.8 million (2020/21: negative currency items of € 2.8 million). The interest result rose slightly from € 55.6 million to € 56.7 million.

The significant increase in the company's operating earnings strength is also reflected in its other key earnings figures. **Consolidated earnings before taxes** grew by 18.1 % to € 236.6 million (2020/21: € 200.2 million). **Consolidated net income** rose by 23.4 % to € 188.9 million (2020/21: € 153.1 million). Taxes on income amounted to € 47.6 million (2020/21: € 47.1 million). Mainly due to the statement of non-period tax income resulting from the recognition of tax loss carryovers in Sweden, the effective tax rate on subgroup level eased from 23.5 % to 20.1 %. The subgroup-wide return on sales rose from 3.0 % to 3.4 %. Earnings per Baumarkt share are reported at € 5.94 (2020/21: € 4.82).

The reporting segments within the HORNBACH Baumarkt AG subgroup performed as follows in the 2021/22 financial year:

- Driven in particular by like-for-like sales growth, key operating earnings figures in the Retail segment rose further. EBITDA increased by 16.9 % to € 278.4 million in the 2021/22 financial year (2020/21: € 238.2 million). This corresponds to an EBITDA margin of 5.1 % (2020/21: 4.7 %). Segment EBIT adjusted to exclude non-operating earnings items (adjusted EBIT) rose to € 222.4 million (2020/21: € 187.0 million), corresponding to an increase of 19.0 %. The adjusted EBIT margin amounted to 4.0 % (2020/21: 3.7 %). Operating earnings (EBIT) including non-operating one-off items advanced from € 185.7 million to € 220.8 million. This resulted in an EBIT margin of 4.0 % (2020/21: 3.6 %).

- Rental income in the Real Estate segment, 99.5 % of which comprises internal rental income (2020/21: 99.1 %), showed a slight increase of 4.4 % to € 294.8 million in the year under report (2020/21: € 282.5 million). General operating expenses for the real estate showed a marked increase of € 4.6 million to € 7.4 million in the financial year under report. Depreciation and amortization rose by 7.5 % to € 195.3 million over the same period (2020/21: € 183.3 million). Depreciation and amortization include non-operating earnings items of € 25.1 million (2020/21: € 18.9 million). These mostly relate to impairment losses on right-of-use assets for DIY store properties let from third parties (IAS 36 impairments). Real estate expenses thus rose by 9.6 % to € 203.3 million (2020/21: € 185.5 million). Earnings from rental activities decreased by 6.9 % to € 90.4 million in the 2021/22 financial year (2020/21: € 97.1 million). In the year under report, disposal gains of € 0.9 million were generated from the sale of real estate. Real estate earnings therefore fell by 5.8 % to € 91.4 million (2020/21: € 97.1 million). Earnings before interest, taxes, depreciation, amortization, and write-ups (EBITDA) rose from € 277.6 million to € 285.8 million in the period under report (March 1, 2021 to February 28, 2022). EBIT in the Real Estate segment decreased by 3.9 % to € 90.6 million (2020/21: € 94.3 million). At € 114.4 million, EBIT adjusted to exclude non-operating one-off items (adjusted EBIT) was 1.0 % higher than the previous year's figure of € 113.2 million. Due to higher interest expenses resulting from the investments made (net balance: plus € 1.7 million) and negative currency items (net balance: plus € 1.1 million), net financial expenses deteriorated to minus € 43.7 million (2020/21: € 41.0 million). At € 46.8 million, earnings before taxes (EBT) fell 12.2 % short of the previous year's figure (€ 53.3 million).

3.3.2 HORNBACH Baustoff Union GmbH subgroup

At the HORNBACH Baustoff Union GmbH subgroup, EBIT adjusted for non-operating one-off items amounted to € 13.0 million in the 2021/22 financial year (2020/21: € 9.0 million). The adjusted EBIT margin increased to 3.4 % (2020/21: 2.7 %). EBIT rose to € 13.0 million (2020/21: € 9.3 million). Unlike adjusted EBIT, the EBIT figure for the previous year includes impairment losses and write-ups due to IAS 36, as well as accounting gains from the sale of a property no longer required for operations.

3.3.3 HORNBACH Immobilien AG subgroup

Adjusted for one-off items, EBIT at the HORNBACH Immobilien AG subgroup amounted to € 53.7 million in the 2021/22 financial year (2020/21: € 55.8 million). In the year under report, the sale of land and real estate not required, compensation for right-of-use assets, and write-ups generated non-operating income of € 4.1 million (2020/21: € 2.6 million). Including one-off items, EBIT at this subgroup amounted to € 57.8 million and thus fell slightly short of the previous year's figure of € 58.4 million.

3.4 Earnings performance by geographical regions

In the 2021/22 financial year, we further increased our profitability both in the Germany region and in the Other European Countries region.

EBITDA in **Germany** grew from € 223.1 million to € 240.6 million. The domestic share of the Group's EBITDA remained at the previous year's level of 43 %. EBIT for the Germany region increased from € 106.2 million to € 122.2 million. As a result, we improved the EBIT margin from 3.6 % to 3.9 %. Non-operating charges on earnings decreased from € 8.4 million to € 1.0 million in the 2021/22 financial year. EBIT for the Germany region adjusted for non-operating earnings items grew from € 114.6 million to € 123.2 million in the 2021/22 financial year. The adjusted EBIT margin in Germany therefore rose from 3.8 % to 3.9 %. The domestic share of adjusted operating earnings amounted to 34 % (2020/21: 35 %).

Other European Countries generated EBITDA of € 324.5 million (2020/21: € 293.2 million) and thus, as in the previous year, around 57 % of EBITDA at the HORNBACH Holding AG & Co. KGaA Group. We increased our EBIT outside Germany to € 233.0 million (2020/21: € 205.7 million). The EBIT margin for Other European Countries stood at 8.5 % (2020/21: 8.3 %). Non-operating charges on earnings increased from € 6.1 million to € 6.6 million. Adjusted EBIT outside Germany grew to € 239.6 million (2020/21: € 211.8 million), while the adjusted EBIT margin reached 8.8 % (2020/21: 8.6 %). The share of adjusted consolidated operating earnings contributed by the Other European Countries rose from 65 % to 66 %.

3.5 Dividend proposal

The general partner and the Supervisory Board of HORNBACH Holding AG & Co. KGaA will propose an increased dividend of € 2.40 per no-par ordinary bearer share with dividend entitlement in the KGaA (2020/21: € 2.00), for approval by the Annual General Meeting planned to be held on July 8, 2022.

€ 2.40
dividend proposal for 2021/22 financial year

4. Financial Position

4.1 Principles and objectives of financial management

Financing measures are coordinated by Group Treasury at HORNBACH Baumarkt AG in close liaison with the group company financing the respective measure. Central organization of financial management enables the HORNBACH Group to maintain a uniform presence on financial markets and 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 subsidiaries within the subgroup. Formal undertakings to companies outside the HORNBACH Baumarkt AG subgroup are provided either by HORNBACH Holding AG & Co. KGaA or by HORNBACH Immobilien AG.

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 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. Where long-term financing requirements are covered internally, these facilities take the form of long-term internal loan agreements.

At the HORNBACH Baumarkt AG subgroup, external financing generally takes the form of unsecured loans from banks and on the capital market and, where applicable, real estate sales (sale and leaseback), while the HORNBACH Immobilien AG subgroup has additionally financed itself with secured mortgage loans. Consistent with HORNBACH's forward-looking financial policy, financial liabilities due to mature are refinanced where needed at the earliest opportunity.

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 are presented in the notes on the consolidated balance sheet in the notes to the financial statements.

4.2 Financial debt

The HORNBACH Holding AG & Co. KGaA Group had financial debt of € 1,688.3 million at the balance sheet date on February 28, 2022 (2020/21: € 1,519.8 million). Net financial debt rose from € 1,084.8 million to € 1,356.0 million. Cash and cash equivalents decreased from € 435.0 million in the previous year to € 332.3 million in the year under report.

The current financial debt (up to 1 year) of € 317.3 million (2020/21: € 221.1 million) comprises the portion of loans maturing in the short term, at € 21.9 million (2020/21: € 127.3 million), current lease liabilities of € 96.4 million (2020/21: € 86.2 million), short-term time loans of € 2.5 million (2020/21: € 2.5 million), interest deferrals of € 3.7 million (2020/21: € 4.5 million), the measurement of derivative financial instruments, at € 2.3 million (2020/21: € 0.5 million), and liabilities of € 190.6 million for offers accepted in connection with the delisting purchase offer made by HORNBACH Holding AG & Co. KGaA (2020/21: € 0.0 million). The obligations resulting from this acquisition of shares in HORNBACH Baumarkt AG were recognized as of February 28, 2022 as a liability of € 190.6 million to shareholders and thus increased the volume of current financial debt. At the beginning of the new financial year, the aforementioned liability was financed by drawing down the bridge facility concluded for this purpose.

The table below presents a detailed breakdown of financial debt.

Financial debt of the HORNBACH Holding AG & Co. KGaA Group

Type of financing € million	< 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	2.28.2022 Total	2.28.2021 Total
	Liabilities broken down into remaining terms							
Short-term bank debt[1]	6.2						6.2	7.0
Liabilities from delisting acquisition offer	190.6						190.6	
Mortgage loans	21.8	14.6	14.8	4.8	4.6	11.4	72.0	64.9
Other loans[2] [3]	0.1	177.8	0.0	116.8		0.0	294.7	410.1
Bonds[3]					247.7		247.7	247.2
Negative fair values of derivative financial instruments	2.3						2.3	0.5
Lease liabilities	96.4	93.3	94.3	97.1	98.6	395.1	874.8	790.1
Total financial debt	**317.3**	**285.7**	**109.1**	**218.8**	**350.8**	**406.5**	**1,688.3**	**1,519.8**
Cash and cash equivalents							332.3	435.0
Net financial debt							**1,356.0**	**1,084.8**

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

[1] Current account liabilities, time loans and interest deferrals
[2] Loans not secured with mortgages
[3] The costs relating to the taking up of the facilities have been spread pro rata temporis over the respective terms.

HORNBACH enjoys great financing flexibility and draws where necessary on a wide range of different financing instruments. At the balance sheet date on February 28, 2022, the company had the following main financing facilities:

- the corporate bond of € 250 million at HORNBACH Baumarkt AG with a term until October 26, 2026 and an interest rate of 3.25 %
- two promissory note bonds at HORNBACH Baumarkt AG with volumes of € 126 million and € 74 million and terms until February 22, 2024 and February 23, 2026
- two promissory note bonds at HORNBACH Holding B.V. with volumes of € 52 million and € 43 million and terms until September 13, 2023 and September 15, 2025
- Group-wide financing facilities of € 72.0 million secured by land charges (2020/21: € 64.9 million). Land charges of € 182.3 million have been registered as security for these financing facilities (2020/21: € 176.0 million).

4.2.1 Credit lines

At the balance sheet date on February 28, 2022, the HORNBACH Holding AG & Co. KGaA Group had free credit lines amounting to € 813.2 million (2020/21: € 414.0 million) on customary market terms. These include an as yet unused syndicated credit line of € 350 million at HORNBACH Baumarkt AG, which has a term running until December 22, 2024. Furthermore, the credit lines include a bridge financing facility of € 400 million at HORNBACH Holding AG & Co. KGaA, which has a term running until July 3, 2022 and serves to cover liquidity requirements in connection with the delisting purchase offer addressed by HORNBACH Holding AG & Co. KGaA to shareholders in HORNBACH Baumarkt AG. To ensure the maximum possible degree of flexibility, all group companies at HORNBACH Baumarkt AG have the possibility, if required, of acceding to the syndicated credit line. The companies in the HORNBACH Baustoff Union subgroup have credit lines at local banks.

€ 813 m
free credit lines

4.2.2 Covenants

No assets have been provided as security for the credit lines, the promissory note bonds, or the corporate bond. The 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, as well as change of control, cross default, and cross acceleration arrangements for major financing facilities.

In the case of the syndicated credit line at HORNBACH Baumarkt AG, they also require compliance with specific financial ratios. These key financial ratios are based on consolidated figures at the Hornbach Baumarkt AG subgroup and require interest cover of at least 2.25 times and an equity ratio of at least 25 %. Maximum limits for financing facilities secured by land charges and financing facilities taken up by subsidiaries were also agreed. Pursuant to the definition in the syndicated loan agreement, lease liabilities classified as "operating leases" under IFRS principles prior to January 1, 2019 are not viewed as financial liabilities. As a result, these obligations are not included in calculations such as the key financial ratios for the term of the loan facility.

Maximum limits for financing facilities secured by land charges and financing facilities taken up by subsidiaries comparable to those agreed for the syndicated credit line were also agreed for the promissory note bonds at the HORNBACH Baumarkt AG subgroup. The corporate bond at HORNBACH Baumarkt AG and the bridge financing facility at HORNBACH Holding AG & Co. KGaA are also subject to a comparable limit on financing facilities secured by land charges.

The interest cover, 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 on a quarterly basis. 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 the notes to the consolidated financial statements.

The HORNBACH Holding AG & Co. KGaA Group is subject to a relevant restriction that limits the possibilities of using subsidiaries' assets to settle other subsidiaries' liabilities. This relates to liquid funds of € 290.3 million at HORNBACH Baumarkt AG and its subsidiaries (2020/21: € 334.6 million). Apart from an allowance of € 50 million, these funds must remain within the HORNBACH Baumarkt AG subgroup and may not be used to settle liabilities outside the HORNBACH Baumarkt AG subgroup.

Key financial figures of the HORNBACH Holding AG & Co. KGaA Group

	Definition		2.28.2022	2.28.2021
Net financial debt	Current financial debt + non-current financial debt – cash and cash equivalents	€ million	1,356.0	1,084.8
Leverage	Net financial debt / EBITDA		2.4	2.1
Interest cover	EBITDA / Gross interest expense		12.9	11.7
Free cash flow	Cash flow from operating activities less cash flow from investing activities less dividends paid	€ million	134.5	168.2

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

4.3 Liquidity management

Cash and cash equivalents totaled € 332.3 million at the balance sheet date (2020/21: € 435.0 million). In the past financial year, liquidity was managed in the following liquidity classes:

- operating liquidity in the form of overnight, fixed, and notice deposits with a maximum investment horizon or notice period of three months, and short-term money market investments.
- liquidity available in the medium term held in the form of fixed and notice deposits with investment horizons of between four and eleven months, as well as short-term bond funds.
- strategic liquidity in which, alongside investments in medium-term bond funds, the addition of other liquidity classes, such as equity components, is possible. To date, no funds have been invested in strategic liquidity.

4.4 Cash flow statement and investments

€ 179 m
investments

The HORNBACH Holding AG & Co. KGaA Group invested a total of € 178.6 million in the 2021/22 financial year (2020/21: € 154.4 million), mainly in land, buildings, and plant and office equipment at existing DIY stores with garden centers, and at DIY stores with garden centers under construction. The funds of € 178.6 million (2020/21: € 154.4 million) required for cash-effective investments were fully covered in the year under report by the cash flow of € 344.9 million from operating activities (2020/21: € 346.5 million). Around 52 % of total investments were channeled into new real estate, including properties under construction, while around 48 % were invested largely in replacing and expanding plant and office equipment.

Cash flow statement (abridged) € million	2021/22	2020/21
Cash flow from operating activities	344.9	346.5
of which: funds from operations[1]	446.5	400.2
of which: change in working capital[2]	(101.6)	(53.7)
Cash flow from investing activities	(171.7)	(149.2)
Cash flow from financing activities	(278.5)	(129.0)
Cash-effective change in cash and cash equivalents	**(105.3)**	**68.3**

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

The most significant investment projects related to the acquisition of land for the Group's further expansion, construction work on DIY stores with garden centers opened in the past financial year or due to be opened in subsequent financial years, the conversion and extension of existing stores, investments in the builders' merchant business, investments in plant and office equipment, and in intangible assets, especially software.

The inflow of funds from operating activities showed a slight year-on-year reduction, decreasing from € 346.5 million to € 344.9 million in the 2021/22 financial year. Funds from operations increased to € 446.5 million (2020/21: € 400.2 million). This was due above all to strong like-for-like sales growth accompanied by proportionately lower cost growth. Other non-cash income and expenses fell from € 7.7 million to € 6.6 million. The change in working capital resulted in an outflow of funds of € 101.6 million (2020/21: minus € 53.7 million). This was mainly due to the increase of inventories for the spring season in the subsequent year, a development that was only partly offset by an increase in trade payables.

The outflow of funds for investing activities rose from € 149.2 million to € 171.7 million. Cash-effective investments in non-current assets increased to € 178.6 million (2020/21: € 154.4 million). The proceeds from disposals of non-current assets and of non-current assets held for sale grew to € 6.9 million (2020/21: € 5.2 million). As in the previous year, short-term finance planning did not give rise to any movements in financial fund investments in the period under report.

The outflow of funds from financing activities totaled € 278.5 million in the 2021/22 financial year compared with an outflow of € 129.0 million in the previous year. Here, scheduled loan repayments of € 181.2 million (2020/21: € 14.1 million) were countered by new loans of € 70.0 million (2020/21: € 0.2 million). Repayments of lease liabilities led to outflows of € 97.0 million (2020/21: € 85.9 million). The dividends paid to shareholders increased to € 38.8 million (2020/21: € 29.1 million). Furthermore, shares of € 31.6 million were acquired in HORNBACH Baumarkt AG (2020/21: € 0.0 million).

4.5 Rating

BB+/stable
rating of HORNBACH Baumarkt AG Group

The creditworthiness of the HORNBACH Baumarkt AG Group is rated by Standard & Poor’s, one of the leading international rating agencies. In its most recent publication, Standard & Poor's upgraded the HORNBACH Baumarkt AG Group to “BB+” with a stable outlook.

5. Asset Position

Balance sheet of the HORNBACH Holding AG & Co. KGaA Group (abridged version)

€ million	2.28.2022	2.28.2021	Change
Non-current assets	2,579.1	2,413.1	6.9 %
Current assets	1,726.5	1,594.8	8.3 %
Assets	**4,305.7**	**4,007.9**	**7.4 %**
Shareholders' equity	1,761.3	1,772.0	(0.6)%
Non-current liabilities	1,465.4	1,390.4	5.4 %
Current liabilities	1,079.0	845.5	27.6 %
Equity and liabilities	**4,305.7**	**4,007.9**	**7.4 %**

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

The Group's total assets showed significant year-on-year growth to € 4,305.7 million (plus 7.4 %). The equity of the Group as stated in the balance sheet amounted to € 1,761.3 million at the end of the financial year (2020/21: € 1,772.0 million). The equity ratio fell from 44.2 % in the previous year to 40.9 % at the end of the 2021/22 financial year.

5.1 Non-current and current assets

Non-current assets, which account for around 60 % (2020/21: 60 %) of total assets, amounted to € 2,579.1 million at the balance sheet date (2020/21: € 2,413.1 million). They mainly comprise property, plant and equipment and investment property of € 1,742.7 million (2020/21: € 1,662.8 million) and right-of-use assets for leased properties of € 788.8 million (2020/21: € 716.7 million). The additions of € 178.0 million to right-of-use assets for leased properties and additions of € 171.6 million to property, plant and equipment were countered by depreciation of € 208.8 million and disposals of assets of around € 7.9 million. Adjustments to account for exchange rate movements led to an increase of € 17.3 million in property, plant and equipment and investment property.

The other non-current receivables and assets of € 5.9 million (2020/21: € 4.0 million) mainly involve the deferral of credit line expenses and non-current lease receivables. Furthermore, the Group has deferred tax claims of € 21.7 million (2020/21: € 12.2 million). This increase chiefly resulted from adjustments made to temporary measurement differences for finance leases, changes in utilizable loss carryovers, and the recognition of provisions.

Current assets amounted to € 1,726.5 million, or around 40 % of total assets (2020/21: 40 %). Due to the Group's expansion and to seasonal preparations, inventories rose from € 992.9 million to € 1,230.4 million. As a result, the inventory turnover rate decreased to 3.7 (2020/21: 4.2). Cash and cash equivalents fell year-on-year by € 102.7 million from € 434.9 million in the previous year to € 332.3 million in the year under report. Current receivables, contract assets, and other assets (including income tax receivables) eased from € 153.3 million to € 147.1 million. Current income tax receivables rose from € 11.3 million in the previous year to € 13.0 million in the year under report.

Key balance sheet figures of the HORNBACH Holding AG & Co. KGaA Group

Key figure	Definition		2.28.2022	2.28.2021
Equity ratio	Equity / Total assets	%	40.9	44.2
Return on equity	Annual net income before minority interests / Average equity	%	13.8	11.9
Return on total capital	NOPAT[1)]/ Average total capital[2)]	%	8.3	7.8
Debt / equity ratio (gearing)	Net debt / Equity	%	77.0	61.2
Additions to non-current assets, including advance payments for land	Additions to non-current assets, including advance payments for land[3)]	€ million	356.6	241.4
Net working capital	current assets[4)] less trade payables and contract liabilities	€ million	928.4	801.3
Inventory turnover rate	Cost of goods sold / Average inventories		3.7	4.2

1) net operating profit after tax, defined as EBIT minus standardized tax rate of 30 % at the HORNBACH Group
2) average total capital, defined as average equity plus average net debt
3) from FY 2019/20: Including right-of use assets for leased properties pursuant to IFRS 16
4) excluding cash and cash equivalents and assets held for sale

5.2 Non-current and current liabilities

Notes to Consolidated Financial Statements
Note 23:
Financial debt

Liabilities, including provisions, amounted to € 2,544.4 million at the balance sheet date (2020/21: € 2,235.9 million). Non-current liabilities rose from € 1,390.4 million to € 1,465.4 million. As well as the bond of € 247.7 million (2020/21: € 247.2 million), non-current financial debt chiefly comprises long-term loan liabilities of € 344.8 million (2020/21: € 347.7 million) and IFRS 16 lease liabilities of € 778.4 million (2020/21: € 703.9 million). Provisions for pensions fell to € 12.9 million in the year under report, down from € 19.3 million in the previous year. The deferred tax liabilities included in non-current liabilities amounted to € 31.3 million (2020/21: € 31.7 million).

Current liabilities increased from € 845.5 million to € 1,079.0 million while, due to liabilities of € 190.6 million in connection with the delisting purchase offer, current financial debt rose to € 220.9 million (2020/21: € 134.9 million). Current lease liabilities pursuant to IFRS 16 came to € 96.4 million (2020/21: € 86.2 million). Trade payables, contract liabilities, and other liabilities amounted to € 568.9 million at the balance sheet date, as against € 454.4 million in the previous year. Primarily as a result of higher provisions for bonuses, other provisions and deferred liabilities rose from € 134.7 million in the previous year to € 149.3 million.

The net debt of the HORNBACH Holding AG & Co. KGaA Group, i.e. financial debt less cash and cash equivalents, rose from € 1,084.8 million to € 1,356.0 million. Excluding lease liabilities, net debt rose from € 294.8 million to € 481.2 million.

6. Notes to the Annual Financial Statements of HORNBACH Holding AG & Co. KGaA (HGB)

HORNBACH Holding AG & Co. KGaA, whose legal domicile is in Neustadt an der Weinstrasse, prepares its annual financial statements in accordance with the requirements of the German Commercial Code (HGB) and the supplementary provisions of the German Stock Corporation Act (AktG). HORNBACH Holding AG & Co. KGaA is the parent company of the HORNBACH Group. It is not itself active in the operating retail business, but rather has a number of major shareholdings. By far the most important operating shareholding is HORNBACH Baumarkt AG, which operates DIY megastores with integrated garden centers in Germany and abroad. Further retail activities are located at HORNBACH Baustoff Union GmbH (construction materials and builders' merchants). Furthermore, the development of retail locations for the operating subsidiaries within the HORNBACH Holding AG & Co. KGaA Group is pooled at the HORNBACH Immobilien AG shareholding. Around 44 % of the sales areas owned by the HORNBACH Group are held by HORNBACH Immobilien AG.

As in previous years, in the 2021/22 financial year HORNBACH Holding AG & Co. KGaA performed important services on behalf of its subsidiaries within the overall Group. The Chief Financial Officer of HORNBACH Management AG simultaneously holds this function for HORNBACH Holding AG & Co. KGaA and HORNBACH Baumarkt AG. The employees responsible for financial market communications (investor relations) and public relations are located at HORNBACH Holding AG & Co. KGaA and also work on behalf of its HORNBACH Baumarkt AG subsidiary. A control and profit transfer agreement is in place between HORNBACH Holding AG & Co. KGaA and its wholly-owned subsidiary HORNBACH Immobilien AG.

3.3 Business framework

The macroeconomic and sector-specific framework also relevant for HORNBACH Holding AG & Co. KGaA is described in detail in the Group Management Report.

Group Management Report
Business Report
Macroeconomic and Sector-Specific Framework

3.4 Business performance of shareholdings

The retail and real estate activities and the business performance of the HORNBACH Baumarkt AG, HORNBACH Baustoff Union GmbH, and HORNBACH Immobilien AG subgroups in the 2021/22 reporting period are presented in detail in the Group Management Report.

Group Management Report
Business Report

3.5 Earnings, financial, and asset position

3.5.1 Earnings performance

The sales of € 1,052k (2020/21: € 819k) mainly result from the charging on of material and personnel expenses to affiliated companies.

At € 1.5 million, personnel expenses were higher in the 2021/22 financial year than in the previous year. The remuneration paid by HORNBACH Management AG to the Board of Management is charged on together with other management-related expenses to HORNBACH Holding AG & Co. KGaA and recognized under other operating expenses. Other operating expenses rose from € 4.6 million to € 5.2 million.

At minus € 6.3 million, earnings before interest and income from investments (net balance of gross profit less personnel expenses, depreciation and amortization, and other expenses) fell short of the previous year's figure (minus € 5.2 million).

Income Statement of HORNBACH Holding AG & Co. KGaA pursuant to HGB (abridged version)

€ 000s	2021/22	2020/21
Sales	1,052	819
Other operating income	25	17
Cost of services rendered	662	474
Gross profit	**415**	**362**
Personnel expenses	1,473	925
Depreciation and amortization	21	22
Other operating expenses	5,205	4,589
Income from investments	75,462	58,770
Interest result	1,338	1,468
Taxes	3,773	10,262
Earnings after taxes	**66,743**	**44,802**
Other taxes	20,001	1
Annual net surplus	**46,742**	**44,801**
Allocation to other revenue reserves	0	12,801
Net profit	**46,742**	**32,000**

Income from investments rose year-on-year from € 58.8 million to € 75.5 million. This was due to the increase in the income of € 49.4 million transferred from HORNBACH Immobilien AG (2020/21: € 36.9 million) and the higher income of € 26.0 million from the investment in HORNBACH Baumarkt AG (2020/21: € 21.9 million).

At € 1.3 million, the positive interest result was slightly lower than the previous year's level (2020/21: € 1.5 million).

Net income tax expenses, which comprise current and deferred taxes, amounted to € 3.8 million in the 2021/22 financial year (2020/21: € 10.3 million). The increase of the shareholding in HORNBACH Baumarkt AG to more than 90 % led to real estate transfer tax of € 20.0 million. At € 46.7 million, the annual net surplus at HORNBACH Holding AG & Co. KGaA was higher than in the previous year (2020/21: € 44.8 million).

3.5.2 Asset position

Total assets amounted to € 601.7 million as of February 28, 2022 (2020/21: € 374.5 million). The increase in non-current assets from € 266.7 million to € 468.4 million was mainly due to the increase in the shares held in HORNBACH Baumarkt AG. As a result, investments in associates rose from € 182.4 million to € 405.2 million. The increase in receivables and other assets from € 65.0 million to € 105.0 million was mainly due to higher income from investments.

No deferred tax assets were recognized (2020/21: € 0.6 million). Shareholders' equity at HORNBACH Holding AG & Co. KGaA grew from € 365.6 million to € 380.3 million at the balance sheet date on February 28, 2022. Primarily due to lower non-period taxes and higher tax prepayments, provisions for income taxes fell from € 6.9 million in the previous year to € 2.4 million in the year under report. The provision for other taxes amounted to € 20 million at the end of the financial year. This mainly relates to the real estate transfer tax expected to be payable due to the increase in the shares held in Hornbach Baumarkt AG. Due to the payment of the offer price in connection with the delisting purchase offer, which was still outstanding as of February 28, other liabilities increased to € 191.0 million (2020/21: € 1.2 million).

Balance sheet of HORNBACH Holding AG & Co. KGaA pursuant to HGB (abridged version)

Assets	2.28.2022 € 000s	2.28.2021 € 000s
Non-current assets	**468,447**	**266,741**
Receivables and other assets	105,034	65,007
Securities	0	88
Cash holdings and credit balances at banks	27,530	41,647
Current assets	**132,564**	**106,742**
Deferred expenses and accrued income	700	391
Deferred tax assets	0	646
Total assets	**601,711**	**374,520**
Equity and liabilities		
Shareholders' equity	380,316	365,574
Provisions	23,722	7,756
Liabilities	197,367	1,190
Deferred income and accrued expenses	306	0
Total equity and liabilities	**601,711**	**374,520**

3.5.3 Financial position

Information about the principles and objectives of financial management, an explanation of financial debt, and the capital structure can be found in the Group Management Report. Compared with the previous year, cash and cash equivalents fell from € 41.6 million to € 27.5 million in the 2021/22 financial year.

Group Management Report
Business Report
Financial Position

3.6 Overall assessment of earnings, financial, and asset position of HORNBACH Holding AG & Co. KGaA

The earnings, financial, and asset position of HORNBACH Holding AG & Co. KGaA remained satisfactorily stable in the 2021/22 financial year. At € 46.7 million, the annual net surplus was ahead of the previous year's figure of € 44.8 million. At 63.2 % (2020/21: 97.6 %), the equity ratio remained high. The reduction is exclusively due to the rise in total assets in connection with the acquisition of further shares in HORNBACH Baumarkt AG.

3.7 Proposed appropriation of net profit

HORNBACH Holding AG & Co. KGaA concluded the 2021/22 financial year with an annual net surplus of € 46,741,964.24. The Board of Management of the general partner proposes to appropriate the net profit of € 46,741,964.24 as follows:

- € 2.40 dividend per share with a nominal value of € 3.00 on 16,000,000 ordinary shares
- Dividend distribution: € 38,400,000.00
- Balance carried forward: € 8,341,964.24.

6.1 Earnings forecast for HORNBACH Holding AG & Co. KGaA (annual financial statements –HGB)

The earnings performance of HORNBACH Holding AG & Co. KGaA in the forecast period is closely linked to the respective outlooks on the level of its subsidiaries HORNBACH Baumarkt AG and HORNBACH Immobilien AG. The forecast development in earnings at the HORNBACH Baumarkt AG and HORNBACH Immobilien AG subgroups can be expected to impact accordingly on the level of income from investments. In our base scenario, we expect the annual net surplus for the 2022/23 financial year to fall slightly short of the figure for the 2021/22 financial year (€ 46.7 million).

Risk Report

1. 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 value of the HORNBACH Group. The general partner of HORNBACH Holding AG & Co. KGaA, HORNBACH Management AG, as represented by its Board of Management (hereinafter "the Board of Management"), 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.

2. Risk Policy Principles

Generating 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 employed. Unavoidable risks have to be insured against, where this is possible and economically expedient. Residual risks have to be controlled by means of a range of risk management instruments.

3. Organization and Process

The risk management system in place at the HORNBACH Holding AG & Co. KGaA 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.

The Board of Management has appointed risk managers at the Group's operations in Germany and abroad. These are charged with identifying and reporting risks in their areas of responsibility and managing such risks with appropriate measures. These responsibilities and accountabilities are clearly defined at the Group and reflect our company structure. 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.

Company risk assessment categories in ascending order

Probability of occurrence		Potential implications (in €)	
improbable	≤ 1 %	marginal	≤ 5.0 million
rare	> 1 % - ≤ 5 %	moderate	> 5.0 million - ≤ 10.0 million
occasional	> 5 % - ≤ 20 %	noticeable	> 10.0 million - ≤ 50.0 million
possible	> 20 % - ≤ 50 %	severe	> 50.0 million - ≤ 100.0 million
frequent	> 50 %	critical	> 100.0 million

Earnings risks are analyzed with the assistance of a risk matrix. This records both the probability of occurrence and the potential level of damages of the relevant risks. This way, we can assess the existence and extent of any need for action. The principles and regulations underlying the risk management system are documented in a risk management handbook. This sets out 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 regular 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 checks on processes and related risks which could impact materially on the financial reporting process. The internal control system is based in this respect on the relevant work instructions and handbooks available on the Group's intranet.

In its activities, the Group Internal Audit Department regularly audits the functionality of the existing risk management system.

4. Internal Control and Risk Management System in respect of the Group Financial Reporting Process (pursuant to § 315 (4) HGB)

The objective of the internal control and risk management (IKS) 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 its subsidiaries that conform to the relevant requirements in spite of the risks thereby identified.

At the HORNBACH Holding AG & Co. KGaA Group, the existing internal control (IKS) system in respect of the financial reporting process and associated risk matrix are documented on a group-wide basis. Country-specific features deviating from group processes are described by the subsidiaries and added to the documentation. The appointment of IKS managers at the country companies and parent company ensures that material process changes are documented and suitable checks implemented. In this respect, IKS managers are required to submit annual declarations of conformity. The existing IKS system is continually being developed further.

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.

The managers responsible for the accounting treatment of the relevant items at individual group companies submit quarterly group-internal declarations of completeness confirming 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 in forums such as 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 for 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. 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 the Group Accounting 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 IT system and manually. The risk of system breakdowns or data loss 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, 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. However, even suitable functional systems cannot provide absolute assurance concerning the identification and management of risks.

5. Overview of Overall Risks*

	Probability of occurrence	Potential implications
Financial risks		
Liquidity risks	rare	severe
External risks		
Macroeconomic and sector-specific risks	possible	noticeable
Natural hazards	rare	marginal
War / pandemic	possible	noticeable
Operating risks		
Location and turnover risks	possible	noticeable
Procurement risks	possible	noticeable
Legal risks		
Legislative and regulatory risks	occasional	noticeable
Management and organizational risks		
IT risks	improbable	critical
Reputational risks	occasional	noticeable
Personnel risks	rare	marginal

* Unless otherwise stated, the risks hereby listed apply to the “HORNBACH Baumarkt AG subgroup”, “HORNBACH Baustoff Union GmbH subgroup”, and “HORNBACH Immobilien AG subgroup” segments.

5.1 Changes in overview of overall risks compared with previous year

The following risks have been removed since the previous year:

- Based on new internal assessments, exchange rate risks, credit risks, and risks relating to legal disputes have been removed.
- Due to its inclusion in the new aggregate risk of war / pandemic, the individual coronavirus pandemic risk has been eliminated.

The following risks have been newly included since the previous year:

- Various external risks have been newly aggregated in the newly included risk of war / pandemic.
- Reputational risk has been reassessed and newly included.

The probability of occurrence has changed for the following risks:

- The probability of occurrence for macroeconomic and sector-specific risks (especially the entry of new market players) has been lowered.
- The probability of occurrence for the natural hazards risk (especially extreme weather events, earthquakes, landslides, and subsidence) has been raised.
- The probability of occurrence for personnel risks has been lowered.

The potential implications have changed for the following risks:

- The implications for liquidity risk (due to bankruptcy) have been lowered.
- The implications for the natural hazards risk (especially extreme weather events, earthquakes, landslides, and subsidence) have been lowered.
- The implications for procurement risks (especially due to commodities shortages and supply bottlenecks) have been raised.
- The implications for legal and regulatory risks have been lowered.

6. Financial Risks

The Group’s financial risks mainly comprise liquidity risks. Responsibility for managing these risks lies with the Treasury department.

6.1 Liquidity risks

The acquisition of land, investments in DIY megastores with garden centers and procurement of large quantities of merchandise require high volumes of 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, as well as by bilateral bank loans and credit lines, a syndicated credit line of € 350 million at HORNBACH Baumarkt AG with a term running until December 22, 2024, two promissory note bonds at HORNBACH Holding B.V. with a total volume of € 95 million and terms running until 2023 and 2025, two promissory note bonds at HORNBACH Baumarkt AG with a total volume of € 200 million and terms running until 2024 and 2026, and the € 250 million corporate bond issued by HORNBACH Baumarkt AG in October 2019, whose term runs until October 25, 2026.

The liquidity required for the delisting purchase offer addressed by HORNBACH Holding AG & Co. KGaA to shareholders in HORNBACH Baumarkt AG was secured by a bridge financing facility of € 400 million, which was concluded on January 3, 2022 and has an initial term of 6 months. The borrower has the option of extending the facility by a further 6 months.

HORNBACH counters 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 and by maintaining a substantial liquidity cushion in the form of liquid funds and free credit lines. No security in the form of assets was granted in connection with the corporate bond, the syndicated credit line at HORNBACH Baumarkt AG, or the promissory note bonds. The contractual terms nevertheless require compliance with specified customary bank 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.

Alongside general covenants, such as pari passu, negative pledge, and cross default covenants, specific financial covenants were also agreed for the syndicated credit line at HORNBACH Baumarkt AG. These require compliance with an equity ratio, adjusted to exclude IFRS 16-related items, of at least 25 % and interest cover (adjusted EBITDA / gross interest expenses) of at least 2.25 on the level of the HORNBACH Baumarkt AG subgroup. Furthermore, maximum limits have been set for financial liabilities secured by land charges and for financial liabilities at subsidiaries of HORNBACH Baumarkt AG. Comparable maximum limits were agreed for the promissory note bonds at HORNBACH Baumarkt AG and HORNBACH Holding B.V. Apart from this, these bonds are only subject to general covenants, such as pari passu, negative pledge, and cross acceleration covenants. Maximum limits for financial facilities secured by land charges similar to those applicable to the syndicated credit line were agreed for the corporate bond at HORNBACH Baumarkt AG and for the aforementioned bridge financing facility at HORNBACH Holding AG & Co. KGaA. Apart from this, the bond is only subject to general covenants, such as pari passu, negative pledge, and cross acceleration covenants. As of February 28, 2022, the adjusted equity ratio at the HORNBACH Baumarkt AG subgroup amounted to 44.6 % (2020/21: 44.0 %) and interest cover came to 14.1 (2020/21: 13.8).

These covenants are monitored on an ongoing basis. All covenants were complied with at all times during the 2021/22 financial year.

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.

7. External Risks

7.1 Macroeconomic and sector-specific risks

The dependency of HORNBACH DIY stores with garden centers on general macroeconomic developments and levels of disposable household income may become apparent in the form of unwillingness on the part of customers to make purchases in periods of low economic growth. Not only that, the economic outlook in Europe may also turn out weaker than expected due to the influence of negative developments in the global political, economic, and social framework.

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. Prolonged winter weather, for example, might shorten the spring season and result in lower sales in the gardening division in the important first quarter of the financial year.

Changing consumer behavior, particularly with regard to advancing digitalization, also harbors risks. To be prepared for the future, and thus counter this risk, we have gradually expanded our online activities by way of an integrated multichannel strategy.

7.2 Natural hazards

In addition to potential natural catastrophes (e.g. gales, flooding), the Group is also exposed to risks resulting from fire and explosions. The principal insurable natural hazards and any potential interruption to operations thereby arising are covered by group-wide insurance policies.

7.3 War / pandemic

Over and above the factors expected from a current perspective, there is the risk that wars and pandemics will have a sustained impact on parts of public life and the retail sector, and that for significantly longer and more severely than currently foreseeable, and thus adversely affect our sales, earnings, and liquidity situation. Upon the preparation of this report, the risks relating to the ongoing coronavirus pandemic were viewed as still applicable and unchanged. Alongside potential measures to contain the spread of infections, such as lockdowns, and the risk of operations being interrupted due to actual infections, the pandemic also harbors risks in the form of additional burdens on supply chains and merchandise availability due to the zero-Covid strategy adopted by China.

Furthermore, the Russia-Ukraine conflict may also impact negatively on our business. The effects here may include merchandise availability, procurement prices, and energy and commodities prices. In general, these risks are countered by potential opportunities resulting from increased demand for DIY product ranges, which may lead consumers to bring purchases forward, catch up on purchases previously missed, or substitute spending on DIY for other activities. To counter the potentially negative impacts, we have established a Ukraine crisis team which is currently monitoring these risks particularly closely and with increased frequency.

8. Operating Risks

8.1 Location and turnover 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 based on 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, expanding customer services, and new concepts in order to maintain the company's competitiveness, especially in countries with low market growth and intense competition.

8.2 Procurement risks

As a retailer, HORNBACH depends on external suppliers and manufacturers. We exercise the utmost caution when selecting our suppliers. Particularly when selecting private label suppliers, we pay attention to their reliability in terms of high product quality and their consistent compliance with safety and social standards at the respective companies. 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 impact of any potential supplier loss is further reduced by probing the market for alternative substitutes at an early stage and maintaining a multi-supplier strategy. 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 wholly excluded.

The overall Group has several distribution centers 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 with high shares of crude oil, copper or steel due to 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 might not be possible to pass on to customers in full, or only following a certain delay.

9. Legal Risks

9.1 Legislative and regulatory risks

As a result of its international business activities, the HORNBACH Holding AG & Co. KGaA Group is subject to various national legislative frameworks and regulations. Legislative amendments may therefore lead to higher 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 avoid contract breaches and onerous arrangements, we continually monitor compliance with our contractual obligations and seek advice from internal and external legal experts for contract-related matters.

10. Management and Organizational Risks

10.1 IT risks

The management of the Group is crucially 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.

10.2 Reputational risks

The HORNBACH brand is exposed to reputational risks in terms of potential image damage. These risks may result from negative brand signals that harm the good reputation and standing of the brand. The reputation of HORNBACH's brand among customers, investors, and the general public therefore always has implications for the level of trust they place in the brand and their resultant loyalty to HORNBACH.

Causes of reputational risk include management, communications, and marketing errors towards customers, deficient advice, inadequate services, defective products, accidents, and environmental scandals.

Reputational risks may impact on the company in a variety of ways. In our retail business, they may lead to a temporary or permanent decline in demand and include the loss of customers.

10.3 Personnel risks

The deployment of highly motivated and qualified employees is one of the foundations for HORNBACH's success. This pillar of the corporate culture is therefore of great significance for the overall Group. Employee qualification levels are continually improved with appropriate training and development measures. Bonus models support the company in reaching its objectives. In its recruitment and 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 country-specific impact of demographic changes.

11. Overall Assessment of Risk Situation

There were no risks to the continued existence of the HORNBACH Holding AG & Co. KGaA Group in the 2021/22 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 over several years.

Opportunity Report

The European DIY market 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 and the evaluation of the future macroeconomic framework provided in the Outlook.

1. Construction: Great Need for Maintenance and Modernization

Construction work on existing buildings (refurbishment, modernization, and renovation) is a prominent factor in the business performance of DIY and garden stores. Based on calculations by the German Institute for Economic Research (DIW), two thirds of housing construction volumes in Germany, which in 2021 amounted to around € 284.4 billion, involved construction work on existing buildings. The DIW expects further strong growth, with rates of 13.9 % and 5.3 % forecast for 2022 and 2023.

In the medium and long term, the age structure of real estate also indicates a growing need for maintenance and modernization. In Germany, for example, more than 80 % of houses and apartments are more than 30 years old. Particular momentum can be expected from the renovation of buildings to improve their energy efficiency. Given rising energy costs and climate protection, this factor is sustainably gaining in importance. In view of demographic developments in Europe, there is also increasing demand for senior citizen-friendly construction solutions, such as barrier-free access to buildings and apartments, the installation of elevators, and doorway-widening and sanitary conversion measures.

2. Consumer Trends: Cocooning, Online Shopping, and Sustainability

The coronavirus pandemic has increased the importance consumers attach to their own four walls. People are spending more time at home and increasingly working from home. According to a GfK survey, consumers continued to show great interest in home improvement and gardening in 2021, and that despite the progressive easing of pandemic-related restrictions. Global studies indicate that this trend towards “cocooning” will continue in the medium and long term. In its COVID-19 Consumer Pulse study, Accenture even predicts a “decade at home”. Compared with the period prior to the pandemic, this could also create higher demand for construction and DIY product ranges.

Due to the restrictions on stationary sales, online retail with DIY product ranges showed especially strong growth during the pandemic years. The share of DIY retail covered by e-commerce is expected to remain permanently higher and to rise further. Based on expert assessments, online sales with typical DIY store product groups in Germany are expected to grow by around 8% to approximately € 6.4 billion in 2022. HORNBACH has pursued an interconnected retail strategy since 2010 already and is able to benefit from the trend towards online shopping to a greater extent than other stationary DIY store chains.

DIY customers increasingly value products that are sustainable in both ecological and economic terms and that contribute towards saving water or energy, are durable and recyclable, and thus have a small ecological footprint over the whole of the product lifecycle. According to the GfK Consumer Panel, 32% of German DIY store customers already have a consistent focus on sustainable purchases. Offering a suitable selection of products, providing product certification, transparent product information and advice, and environmentally-friendly packaging – these are important competitive factors.

3. New Customer Groups: Commercial Customers and DIFM

The European DIY market is characterized by a large number of different sales formats. In Germany, for example, DIY and home improvement stores only cover around half of the core DIY market. The other half of market volumes is attributable to specialist retailers (e.g. specialist tile, interior decoration, lighting, or sanitary stores), builders' merchants, and timber merchants. 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.

HORNBACH's generously proportioned stores, stocking of large quantities, rapid handling of purchases at our drive-in stores and builders' merchant centers, and uncomplicated acceptance of residual volumes no longer required make it an attractive alternative to traditional specialist retail or wholesale procurement sources. Given that our retail format is increasingly attracting professional customers, we have also been able to acquire production specialists who would otherwise only supply professional specialist retailers.

We also see the market segment of do-it-for-me (DIFM) customers as harboring promising growth opportunities, also in the broader context of ageing populations in Germany and other parts of Europe. DIFM customers purchase the products for their home improvement projects themselves, but then prefer to have the work performed by a specialist. HORNBACH cooperates at all of its locations with regional trade companies that implement the projects for our customers at fixed prices and assume the warranty for these projects.

4. Digitalization: ICR and Automated Processes

Since 2010, the HORNBACH Baumarkt AG Group has forged consistently ahead with digitalizing its business model and its transformation into an interconnected retail business. Thanks to these efforts, we have sustainably boosted our competitive position within the DIY sector and made the whole company fit for the future. We expect the digitalization of store organization, sales, and the associated dovetailing of these processes with procurement and logistics to sustainably benefit the Group's sales and earnings performance. In digitalizing our supply chains, the key focus is on reducing or eliminating manual work steps by automating procurement, provision, and data processing. We are particularly looking into using artificial intelligence (AI) to improve process control and identify sales opportunities by analyzing products and services.

We have equipped all sales staff at our stores with mobile multifunction devices, thus significantly reducing their manual work steps and movements and enabling them to spend more time advising customers. Our self-service checkouts serve the same purpose, as does the self-scanning function, which enables customers to scan their articles while shopping already and considerably speed up the payment process at the checkout, particularly for larger-scale purchases. In its administration departments, HORNBACH has installed the infrastructure needed for mobile work. The flexible structuring of working hours will help employees to better combine their work and private commitments and thus enhance their performance capacity in future as well.

5. Expansion in Europe

Our expansion into other European countries will provide us with additional growth prospects in future as well due to greater sales potential, higher profitability, and the better distribution of regional market risks. In the next five years, the company plans to open more than 25 new DIY stores and garden centers, mainly outside Germany. Furthermore, the internationalization of group procurement provides us with broad access to global procurement markets and enables us to forge strategic, long-term partnerships with suppliers and industry. The proximity of our suppliers to procurement structures in the individual countries enables us to optimally adapt our product selection to regional requirements and improve our margins due to benefits of scale.

6. Explanatory Comments on the Risk and Opportunity Report of HORNBACH Holding AG & Co. KGaA

The risks and opportunities at HORNBACH Holding AG & Co. KGaA are largely consistent with those presented for the HORNBACH Holding AG & Co. KGaA Group.

Outlook

1. Macroeconomic and Sector-Specific Framework

One crucial factor for the business prospects of the HORNBACH Group is the future development in consumer demand and in construction and renovation activity in the countries in which we operate. Not only that, exceptional weather conditions can severely impact on consumer behavior and on our seasonal business, even though this factor cannot be accounted for in our advanced planning. Furthermore, economic and geopolitical crises, such as the war in Ukraine or a resurgence of the coronavirus pandemic, may significantly impact on our company's business performance.

1.1 Business framework in Europe

In April 2022, Germany's leading economic research institutes revised their growth forecasts significantly downwards. Upon the completion of this report, economic output in EU 27 countries was expected to grow by 3.3 % in the 2022 calendar year, while consumer prices were predicted to rise by 5.8 %. Sharp price increases, particularly for fossil fuels and some industrial metals, have been observed in recent months. Food prices have also risen significantly as the volume of cereal and fertilizer exports from Ukraine and Russia decreases. Furthermore, the war in Ukraine and the sanctions imposed on Russia are impacting negatively on global supply chains, which are already under stress. Higher transport costs and supply shortages mean that inflation, already high in many areas, can be expected to rise further in the months ahead.

The institutes expect the macroeconomic recovery from the coronavirus crisis to continue despite the setbacks posed by the war in Ukraine. The forecast is based on the assumptions that the military action does not extend beyond the borders of Ukraine, that the conflict continues, and that the sanctions also remain in place.

1.2 Business framework in Germany

Germany's leading economic research institutes expect the country's gross domestic product to grow by 2.7 % and consumer prices to rise by 6.1 % in the 2022 calendar year. The strong recovery starting this spring as the pandemic and its consequences recede would initially be held back by the outbreak of war in Ukraine. Based on the assessment provided by the economic research institutes, the predominant factor is the increase in insecurity surrounding the supply of commodities, especially important energy commodities. This has further intensified the rise in prices already underway before Russia attacked Ukraine.

At the beginning of the year, the German construction industry initially benefited from mild weather conditions. However, the effects of the Ukraine war are currently producing renewed supply shortages and sharp rises in prices for construction materials, especially steel and bitumen. These are holding back construction output and in some cases leading to halts on construction. Furthermore, the rise in diesel prices is resulting in higher transport costs. The uncertainty surrounding the development in prices is expected to make it more difficult to plan construction projects and therefore to dampen momentum.

The economic research institutes expect residential building investments to grow by 2.0 % in the 2022 calendar year. Materials shortages are expected to have a slightly less marked impact on the finishing trade, which plays an important role in residential construction, than on the construction and civil engineering segments. The prospect of a slight deterioration in financing terms in future might also promote the swift implementation of residential construction projects.

The BHB, the DIY sector association, sees the phenomenon of consumers focusing on their own four walls and gardens as a long-term trend that will impact positively on the sector in the period after the pandemic as well. Given the great uncertainty resulting from the Ukraine crisis, the intensification in supply chain bottlenecks, and sharp rises in energy and logistics expenses, however, the association has not provided any specific sales forecast for the DIY store sector for 2022.

2. Forecast Business Performance in 2022/23

Upon the completion of this report, the implications of the conflict in Ukraine could not yet be reliably assessed and will depend in particular on the duration and further course of the military conflict. The management of HORNBACH Group is monitoring geopolitical developments very closely and analyzing their implications for the economic climate and the company's business activities. This enables company processes to be adapted in good time and suitable measures to be taken at an early stage.

2.1 Expansion and investments

In the one-year forecast period, the Group will continue to focus on expanding and modernizing its store network and on scaling up the online shops in its existing country markets. In March 2022, new DIY stores with garden centers were opened in Nitra (Slovakia) and Enschede (Netherlands). In the further course of the 2022/23 financial year, additional new store openings are planned in Constanta (Romania) and Leipzig (Germany). Overall, we expect the group-wide total number of locations to rise to 171 by February 28, 2023 (February 28, 2022: 167), of which 72 in other European countries. This corresponds to an increase in sales areas (BHB) by around 53,000 m².

The volume of gross investments (Capex) at the HORNBACH Group in the 2022/23 financial year is budgeted at the previous year's level (€ 178.6 million). The overwhelming share of these funds is to be channeled into building new stores, plant and office equipment at new and existing stores, converting and extending existing stores, and IT infrastructure.

2.2 Sales performance

By analogy with developments at the largest operating subgroup, HORNBACH Baumarkt AG, we expect consolidated sales at the overall HORNBACH Holding AG & Co. KGaA Group in the 2022/23 financial year to slightly exceed the figure reported for the 2021/22 financial year (€ 5,875 million).

2.3 Earnings performance

In our base scenario for the 2022/23 financial year, due to ongoing geopolitical uncertainty and the associated price rises for products and services we expect the EBIT adjusted to exclude non-operating earnings items of the HORNBACH Holding AG & Co. KGaA Group for the 2022/23 financial year to fall slightly short of the figure for the 2021/22 financial year (€ 362.6 million).

The economic climate remains volatile, which makes it significantly more difficult to provide a precise forecast for the 2022/23 financial year.

Other Disclosures

1. Disclosures under § 315a and § 289a HGB and Explanatory Report of the Board of Management

As the parent company of the HORNBACH Holding AG & Co. KGaA Group, HORNBACH Holding AG & Co. KGaA 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 § 315a and § 289a of the German Commercial Code (HGB).

1.1 Composition of share capital

The share capital of HORNBACH Holding AG & Co. KGaA, amounting to € 48,000,000.00, is divided into 16,000,000 ordinary bearer shares with a prorated amount in the share capital of € 3.00 per share. Each no-par 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.

By resolution of the Annual General Meeting on July 8, 2021, the general partner is authorized until July 7, 2026, subject to approval by the Supervisory Board, to increase the company's share capital in full or in part by a total of up to € 9,600,000.00 by issuing up to 3,200,000 new no-par bearer shares on one or more occasions in return for cash and/or non-cash contributions.

The total amount of shares issued by drawing on Authorized Capital 2021 and the shares that may or are to be issued during the term of this authorization to service conversion or option rights or to satisfy conversion or option obligations for convertible bonds with option and/or conversion rights or obligations (or a combination of these instruments) may not exceed an amount of share capital totaling € 9,600,000.00 (corresponding to 20 % of share capital).

1.2 Direct or indirect shareholdings

Based on the voting right notifications received pursuant to WpHG, the following parties directly or indirectly hold more than 10 % of the voting rights:

- Hornbach Familien-Treuhandgesellschaft mbH, Annweiler am Trifels, Germany, 37.50 %
- Finda Oy, Helsinki, Finland, 10.06 %

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

HORNBACH Holding AG & Co. KGaA does not have a Board of Management. The Supervisory Board of a KGaA has no personnel-related competence for the Board of Management of the general partner. Amendments to the Articles of Association are governed by the legal requirements referred to in § 278 of the German Stock Corporation Act (AktG).

1.4 Change of control

No agreements taking effect upon any change of control are in place between HORNBACH Holding AG & Co. KGaA and third parties.

2. Corporate Governance Statement pursuant to § 315d HGB and § 289f HGB

www.hornbach-group.com
Investor Relations >
Corporate Governance

The Corporate Governance Statement requiring submission pursuant to § 315d and § 289f of the German Commercial Code (HGB) is available on our website. Pursuant to § 317 (2) Sentence 6 HGB, the contents of the disclosures made pursuant to § 315d HGB and § 289f HGB are not included in the audit by the auditor.

3. Dependent Company Report

A report on relationships with associate companies has been compiled for the 2021/22 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 the controlling company or any associate of such or at the instigation or on behalf of any of these companies in accordance with the circumstances known to us at the time at which the legal transactions were performed. No measures were taken or omitted at the instigation of or on behalf of the controlling company or any associate of such."

Non-Financial Group Declaration

www.hornbach-group.com/
Financial Reports

The German CSR Directive Implementation act (CSR-RUG) requires listed companies to report once a year on the implications of their business activities on environmental, social, and employee concerns, compliance with human rights, measures to combat corruption and bribery, and material associated risks. HORNBACH Holding AG & Co. KGaA has submitted a non-financial group declaration for the 2021/22 financial year pursuant to § 315b HGB. This will be published at the same time as the Annual Report as a separate non-financial group report on the company's homepage (www.hornbach-group.com/FinancialReports).

Neustadt an der Weinstrasse, May 11, 2022

HORNBACH Holding AG & Co. KGaA
represented by the general partner HORNBACH Management AG,
represented by the Board of Management

Albrecht Hornbach Karin Dohm

DISCLAIMER: Our combined management report should be read in conjunction with the audited financial data of the HORNBACH Holding AG & Co. KGaA Group and the disclosures made in the notes to the consolidated financial statements which can be found in other sections of this Annual Report. It contains statements referring to the future based on assumptions and estimates made by the management of HORNBACH. Although we assume that the expectations expressed or implied in these forward-looking statements are realistic, the company can provide no guarantee that these expectations will also turn out to be accurate. By their nature, forward-looking statements involve known and unknown risks, uncertainties, assumptions, and other factors which could lead actual results, developments, and outcomes to differ significantly from the forecast statements. The factors which could produce such variances include changes in the economic and business environment, particularly in respect of consumer behavior and the competitive environment in those retail markets of relevance for HORNBACH. Furthermore, they include exceptional weather conditions, a lack of acceptance for new sales formats or new product ranges, as well as changes to the corporate strategy. Forward-looking statements are always only valid at the time at which they are made. HORNBACH has no plans to update forward-looking statements, neither does it accept any obligation to do so.

CONSOLIDATED FINANCIAL STATEMENTS

Income Statement of HORNBACH Holding AG & Co. KGaA Group

for the Period from March 1, 2021 to February 28, 2022

	Notes	2021/22 € 000s	2020/21 € 000s	Change %
Sales	1	5,874,957	5,456,182	7.7
Cost of goods sold	2	3,817,058	3,533,432	8.0
Gross profit		**2,057,899**	**1,922,750**	**7.0**
Selling and store expenses	3/10	1,449,216	1,378,807	5.1
Pre-opening expenses	4/10	17,458	7,151	>100
General and administration expenses	5/10	257,161	241,332	6.6
Other income and expenses	6/10	20,907	16,429	27.3
Earnings before interest and taxes (EBIT)		**354,971**	**311,889**	**13.8**
Other interest and similar income		1,039	809	28.4
Other interest and similar expenses		43,936	44,114	(0.4)
Other financial result		2,232	(2,465)	>100
Net financial expenses	**7**	**(40,665)**	**(45,770)**	**(11.2)**
Consolidated earnings before taxes		**314,305**	**266,118**	**18.1**
Taxes on income	8	69,798	64,674	7.9
Consolidated net income		**244,507**	**201,444**	**21.4**
of which: income attributable to shareholders of HORNBACH Holding AG & Co. KGaA		199,660	165,236	20.8
of which: non-controlling interests		44,847	36,207	23.9
Basic/diluted earnings per share (€)	**9**	**12.48**	**10.33**	**20.8**

Statement of Comprehensive Income of the HORNBACH Holding AG & Co. KGaA Group

for the Period from March 1, 2021 to February 28, 2022

	Notes	2021/22 € 000s	2020/21 € 000s
Consolidated net income		**244,507**	**201,444**
Actuarial gains and losses on defined benefit plans	24/25	5,450	6,577
Deferred taxes on actuarial gains and losses on defined benefit plans		(989)	(1,122)
Other comprehensive income that will not be recycled at a later date		**4,462**	**5,455**
Measurement of derivative financial instruments (cash flow hedge)			
Measurement of derivative hedging instruments directly in equity [1]	32/33	(145)	(128)
Gains and losses from measurement of derivative financial instruments transferred to profit or loss		327	353
Exchange differences arising on the translation of foreign subsidiaries		15,460	(9,987)
Deferred taxes on other comprehensive income	8	(56)	(46)
Other comprehensive income that will possibly be recycled at a later date		**15,586**	**(9,808)**
Total comprehensive income		**264,555**	**197,090**
of which: attributable to shareholders of HORNBACH HOLDING AG & Co. KGaA		215,153	162,031
of which: attributable to non-controlling interests		49,402	35,059

[1] Represents the residual value of fair value changes and recognized changes in the value of corresponding hedge instruments in the period under report.

Balance Sheet of the HORNBACH Holding AG & Co. KGaA Group

as of February 28, 2022

Assets	Notes	2.28.2022 € 000s	2.28.2021 € 000s
Non-current assets			
Intangible assets	11	20,025	17,309
Property, plant, and equipment	12	1,715,703	1,636,942
Investment property	12	26,948	25,843
Right-of-use assets	13	788,801	716,690
Financial assets	14	112	112
Other non-current receivables and assets	15	5,875	3,955
Deferred tax assets	16	21,679	12,215
		2,579,144	**2,413,066**
Current assets			
Inventories	17	1,230,429	992,909
Trade receivables	18	47,270	40,992
Contract assets	18	1,576	1,231
Other current assets	18	98,281	111,057
Income tax receivables	27	12,958	11,284
Cash and cash equivalents	19	332,262	434,958
Non-current assets held for sale and disposal groups	20	3,738	2,359
		1,726,514	**1,594,790**
		4,305,658	**4,007,856**

Equity and liabilities	Notes	2.28.2022 € 000s	2.28.2021 € 000s
Shareholders' equity	**21**		
Share capital		48,000	48,000
Capital reserve		130,373	130,373
Revenue reserves		1,451,934	1,298,433
Equity of shareholders of HORNBACH HOLDING AG & Co. KGaA		**1,630,307**	**1,476,806**
Non-controlling interests		130,995	295,195
		1,761,302	**1,772,002**
Non-current liabilities			
Non-current financial debt	23	592,506	594,841
Non-current lease liabilities	23	778,443	703,876
Pensions and similar obligations	24	12,856	19,349
Deferred tax liabilities	16	31,327	31,716
Other non-current liabilities	25/28	50,274	40,575
		1,465,406	**1,390,357**
Current liabilities			
Current financial debt	23	220,939	134,883
Current lease liabilities	23	96,368	86,198
Trade payables	26	409,169	311,968
Contract liabilities	26	52,920	44,164
Other current liabilities	26	106,798	98,238
Income tax liabilities	27	43,416	35,303
Other provisions and accrued liabilities	28	149,340	134,744
		1,078,950	**845,497**
		4,305,658	**4,007,856**

Statement of Changes in Equity of the HORNBACH Holding AG & Co. KGaA Group

2020/21 financial year € 000s	Notes	Share capital	Capital reserve	Hedging reserve	Cumulative currency translation	Other revenue reserves	Equity attributable to shareholders	Non-controlling interests	Total group equity
Balance at March 1, 2020		**48,000**	**130,373**	**(616)**	**24,031**	**1,136,971**	**1,338,760**	**265,446**	**1,604,206**
Consolidated net income						165,236	165,236	36,207	201,444
Actuarial gains and losses on defined benefit plans, net after taxes	24/25					4,232	4,232	1,223	5,455
Measurement of derivative financial instruments (cash flow hedge), net after taxes	32/33			178			178	0	178
Exchange differences arising on the translation of foreign subsidiaries					(7,615)		(7,615)	(2,372)	(9,987)
Total comprehensive income				**178**	**(7,615)**	**169,468**	**162,031**	**35,059**	**197,090**
Dividend distribution	22					(24,000)	(24,000)	(5,118)	(29,118)
Treasury stock transactions	21					15	15	(191)	(175)
Balance at February 28, 2021		**48,000**	**130,373**	**(438)**	**16,416**	**1,282,454**	**1,476,806**	**295,195**	**1,772,002**

2021/22 financial year € 000s	Notes	Share capital	Capital reserve	Hedging reserve	Cumulative currency translation	Other revenue reserves	Equity attributable to shareholders	Non-controlling interests	Total group equity
Balance at March 1, 2021		**48,000**	**130,373**	**(438)**	**16,416**	**1,282,454**	**1,476,806**	**295,195**	**1,772,002**
Consolidated net income						199,660	199,660	44,847	244,507
Actuarial gains and losses on defined benefit plans, net after taxes	24/25					3,407	3,407	1,055	4,462
Measurement of derivative financial instruments (cash flow hedge), net after taxes	32/33			126			126	0	126
Exchange differences arising on the translation of foreign subsidiaries					11,960		11,960	3,500	15,460
Total comprehensive income				**126**	**11,960**	**203,068**	**215,153**	**49,402**	**264,555**
Dividend distribution	22					(32,000)	(32,000)	(6,770)	(38,770)
Treasury stock transactions	21				0	139	139	232	372
Acquisition of shares of a subsidiary without change of control	21				7,399	(37,192)	(29,793)	(207,064)	(236,857)
Balance at February 28, 2022		**48,000**	**130,373**	**(312)**	**35,775**	**1,416,470**	**1,630,307**	**130,995**	**1,761,302**

Cash Flow Statement of the HORNBACH Holding AG & Co. KGaA Group

	Notes	2021/22 € 000s	2020/21 € 000s
Consolidated net income		**244,507**	**201,444**
Depreciation and amortization of property, plant, and equipment and intangible assets	10	102,103	100,345
Depreciation of right-of-use assets	13	110,952	106,081
Change in provisions		(899)	1,268
Gains/losses on disposals of non-current assets and of non-current assets held for sale		(3,571)	(1,179)
Change in inventories, trade receivables and other assets		(244,015)	(165,081)
Change in trade payables and other liabilities		142,463	111,366
Other non-cash income/expenses		(6,592)	(7,743)
Cash flow from operating activities		**344,948**	**346,501**
Proceeds from disposal of non-current assets and of non-current assets held for sale		6,883	5,159
Payments for investments in property, plant, and equipment		(171,645)	(148,275)
Payments for investments in intangible assets		(6,947)	(6,101)
Cash flow from investing activities		**(171,709)**	**(149,217)**
Dividends paid	22	(38,770)	(29,118)
Proceeds from taking up long-term debt	23	70,000	182
Repayment of long-term debt	23	(181,236)	(14,138)
Repayment of current and non-current lease liabilities	23	(96,969)	(85,943)
Change in level of shareholding in subsidiary with no change in control		(31,558)	0
Cash flow from financing activities		**(278,533)**	**(129,018)**
Cash-effective change in cash and cash equivalents		(105,294)	68,266
Change in cash and cash equivalents due to changes in exchange rates		2,598	(1,593)
Cash and cash equivalents at March 1		434,958	368,286
Cash and cash equivalents at balance sheet date		**332,262**	**434,958**

Cash and cash equivalents include cash on hand, credit balances at banks, and other short-term deposits. The other non-cash income/expenses item mainly relates to deferred taxes, the updating of financing expenses deferred using the effective interest method, expenses for interest deferrals, write-ups on non-financial non-current assets, non-cash income/expenses for leases, and unrecognized exchange rate differences.

The cash flow from operating activities was reduced by income tax payments of € 68,497k (2020/21: € 59,900k) and interest payments of € 46,061k (2020/21: € 44,934k) and increased by interest received of € 1,039k (2020/21: € 809k). Of interest payments, € 27,289k (2020/21: € 26,018k) involved interest paid on leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Explanatory Notes on Accounting Policies

Information about the company

HORNBACH Holding AG & Co. KGaA, whose legal domicile is at Le Quartier Hornbach 19, Neustadt an der Weinstrasse, Germany, and its subsidiaries develop and operate DIY megastores with garden centers on an international basis. In addition, HORNBACH Holding AG & Co. KGaA and its subsidiaries are active on a regional level in the professional construction materials and builders' merchant business. The company is entered in the Commercial Register (No. HRB 64616) at Ludwigshafen am Rhein District Court. Shares in HORNBACH Holding AG & Co. KGaA are listed in the Prime Standard and traded under ISIN DE0006083405 on the Xetra and Frankfurt am Main stock exchanges.

HORNBACH Holding AG & Co. KGaA and its subsidiaries are included in the consolidated financial statements of HORNBACH Management AG. The consolidated financial statements and group management report of HORNBACH Management AG are published in the Federal Gazette (*Bundesanzeiger*).

Basis of preparation

In line with § 315e (1) of the German Commercial Code (HGB), HORNBACH Holding AG & Co. KGaA prepares consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as requiring mandatory application in the European Union. New IFRS are only applied following their endorsement by the European Union. Application has been made of all IFRS and pronouncements of the International Financial Reporting Interpretations Committee (IFRIC) with binding effect for the 2021/22 financial year. The consolidated financial statements and group management report of HORNBACH Holding AG & Co. KGaA are published in the Federal Gazette (*Bundesanzeiger*).

The financial year of HORNBACH Holding AG & Co. KGaA and thus of the Group runs from March 1 of each year through to the final day of February of the following year.

The income statement, statement of comprehensive income, balance sheet, cash flow statement, and statement of changes in equity are presented separately in the consolidated financial statements. To enhance clarity, individual income statement and balance sheet items have been grouped together. These items are reported separately in the notes. In line with IAS 1 "Presentation of Financial Statements", a distinction is made in 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 Holding AG & Co. KGaA. The figures have been rounded to the nearest thousand or million euros. Such rounding up or down may result in discrepancies between the figures depicted in the various sections of these notes.

The general partner HORNBACH Management AG prepared the consolidated financial statements of HORNBACH Holding AG & Co. KGaA and approved them for publication on May 11, 2022. The period in which adjusting events could be accounted for thus expired as of this date.

Changes to accounting policies due to new accounting requirements

The following policies require mandatory application from the 2021/22 financial year onwards:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2
- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendment to IFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021"

The implications of the amendment to IFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021" are presented below. The other policies requiring application for the first-time in the 2021/22 financial year did not have any material implications for the consolidated financial statements of HORNBACH Holding AG & Co. KGaA.

Amendment to IFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021"

In the first quarter of 2021, the International Accounting Standards Board (IASB) published a further amendment to IFRS 16 to facilitate a one-year extension to the practical expedient supporting lessees to recognize Covid-19-related rent concessions. This amendment permits lessees to recognize rent concessions directly related to Covid-19 through profit or loss rather than as adjustments to right-of-use assets. The amendments extend the period of the practical expedient to include rent concessions reducing lease payments originally maturing on or before June 30, 2022. Previously, the practical expedient only covered those rent concessions that reduced lease payments on or before June 30, 2021. To be eligible, rent adjustments must satisfy the following conditions:

- They must be directly related to COVID-19.
- The change to lease payments leads to revised consideration for the lease that is substantially the same or less than the consideration for the lease immediately prior to such change.
- The reduction in lease payments only relates to payments due on or before June 30, 2022.
- No other substantive changes are made to the terms of the lease.

The Group decided in the previous year already to exercise the option of recognizing rent concessions through profit or loss. However, no pandemic-related rent concessions were received in the 2021/22 financial year. In the previous year, an amount of € 570k was recognized in selling and store expenses with a corresponding reduction to expenses.

Standards and interpretations not applied prematurely

The IASB and the IFRS IC have issued new standards, revisions to existing standards, and interpretations which only require mandatory application in later financial years and which the HORNBACH Holding AG & Co. KGaA Group has also not applied prematurely.

The following provisions require mandatory application from the 2022/23 financial year:

- Amendment to IAS 16 "Property, Plant and Equipment"
- Amendment to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"
- Amendment to IFRS 3 "Business Combinations"
- Amendment to IFRS 16 "Leases"
- Annual Improvements to IFRSs, 2018 – 2020 Cycle

The following provisions require mandatory application from the 2023/24 financial year:

- IFRS 17 “Insurance Contracts”
- Amendment to IFRS 17 “Insurance Contracts”
- Amendment to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”
- Amendments to IAS 1 “Presentation of Financial Statements”

These provisions are not expected to have any material implications for the consolidated financial statements of HORNBACH Holding AG & Co. KGaA.

The following provisions had been published by the International Accounting Standards Board as of the balance sheet date but not yet endorsed by the European Union:

- Amendment to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”
- Amendment to IAS 12 “Income Taxes”
- Amendment to IAS 1 “Classification of Liabilities as Current or Non-Current”

If endorsed, these new provisions are currently not expected to have any material implications for the Group's asset, financial, and earnings position.

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. Subsidiaries have been included in the consolidated financial statements in accordance with IFRS 10.

Business combinations have been recognized using the purchase method. Any resultant debit differences have been recognized as goodwill. This is tested for impairment in the event of any indication of such and at least once a year.

Any change in the level of shareholding held in a fully consolidated company not leading to a change of status is recognized as an equity transaction.

Intercompany sales, income and expenses, and receivables and liabilities between the consolidated companies have been offset against each other. Where material, intercompany profits have been eliminated. Within equity, minority interests in subsidiaries have been recognized separately from group equity.

Scope of consolidation

The assessment as to whether a subsidiary is fully consolidated in the consolidated financial statements of HORNBACH Holding AG & Co. KGaA is based on an assessment of control-related factors. Control over a subsidiary exists when HORNBACH can directly or indirectly influence the relevant activities of the subsidiary and when it is exposed to variable returns from the subsidiary or is entitled to such. Furthermore, control enables the level of returns to be influenced. HORNBACH generally acquires this right when it holds a majority of the voting rights. Where this is not the case, other contractual arrangements may lead to HORNBACH gaining control. Subsidiaries are fully consolidated in the consolidated financial statements of HORNBACH Holding AG & Co. KGaA on the date on which control is gained. Should any circumstances or facts indicate a change in the control relationship, then a reassessment is performed. Interests in companies not included in the scope of consolidation have been recognized at fair value or, where this cannot be reliably determined, at amortized cost. There were no interests in companies requiring recognition at equity at the balance sheet date.

In addition to HORNBACH Holding AG & Co. KGaA, the consolidated financial statements include 15 domestic and 47 foreign subsidiaries by way of full consolidation.

HORNBACH Holding AG & Co. KGaA is the sole shareholder in HORNBACH Immobilien AG and HORNBACH Baustoff Union GmbH and the majority shareholder with a 90.9 % stake in HORNBACH Baumarkt AG (2020/21: 76.4 %). Further information about direct and indirect voting rights has been presented in the "Consolidated shareholdings" overview. The following subsidiaries made full use of the exemption provided for in § 264 (3) of the German Commercial Code (HGB) in the 2021/22 financial year:

- HORNBACH Baustoff Union GmbH, Neustadt/Weinstrasse
- Union Bauzentrum HORNBACH GmbH, Neustadt/Weinstrasse
- Ruhland-Kallenborn & Co. GmbH, Neustadt/Weinstrasse
- Robert Röhlinger GmbH, Neustadt/Weinstrasse

The HORNBACH Baumarkt AG subsidiary compiles its own consolidated financial statements together with its subsidiary companies. The companies consolidated at that subsidiary are included in the consolidated financial statements of HORNBACH Holding AG & Co. KGaA.

Changes in the scope of consolidation

There were no changes in the scope of consolidation in the 2021/22 financial year. In the current financial year, the shareholding in HORNBACH Baumarkt AG was increased from 76.4 % to 90.9 %.

The development in the scope of consolidation was as follows:

	2021/22	2020/21
March 1	**63**	**61**
Companies consolidated for the first time	0	2
February 28	**63**	**63**

Consolidated shareholdings

Company name and domicile	Shareholding in %	Equity[1] in thousands, local currency	Local currency
HORNBACH Baumarkt Luxemburg SARL, Bertrange, Luxembourg	90.9	20,010	EUR
HORNBACH Holding B.V., Amsterdam, Netherlands	90.9	227,718	EUR
HORNBACH Bouwmarkt (Nederland) B.V., Driebergen-Rijsenburg, Netherlands	90.9	30,055	EUR
HORNBACH Real Estate Apeldoorn B.V., Apeldoorn, Netherlands	90.9	90	EUR
HORNBACH Real Estate Enschede B.V., Enschede, Netherlands	90.9	(110)	EUR
HORNBACH Real Estate Tilburg B.V., Tilburg, Netherlands	90.9	1,277	EUR
HORNBACH Real Estate Groningen B.V., Groningen, Netherlands	90.9	1,188	EUR
HORNBACH Real Estate Wateringen B.V., Wateringen, Netherlands	90.9	1,659	EUR
HORNBACH Real Estate Alblasserdam B.V., Alblasserdam, Netherlands	90.9	896	EUR
HORNBACH Real Estate Nieuwegein B.V., Nieuwegein, Netherlands	90.9	1,942	EUR
HORNBACH Real Estate Nieuwerkerk B.V., Nieuwerkerk, Netherlands	90.9	1,415	EUR
HORNBACH Real Estate Geleen B.V., Geleen, Netherlands	90.9	763	EUR
HORNBACH Reclame Activiteiten B.V., Nieuwegein, Netherlands	90.9	(104)	EUR
HORNBACH Real Estate Breda B.V., Breda, Netherlands	90.9	1,922	EUR
HORNBACH Real Estate Amsterdam-Sloterdijk, Amsterdam, Netherlands	90.9	1,178	EUR
HORNBACH Real Estate Nederland B.V., Amsterdam, Netherlands	100	86	EUR
HORNBACH Real Estate Best B.V., Nieuwegein, Netherlands	90.9	1,366	EUR
HORNBACH Real Estate Den Haag B.V., The Hague, Netherlands	90.9	1,810	EUR
HORNBACH Real Estate Zwolle B.V., Zwolle, Netherlands	90.9	1,067	EUR
HORNBACH Real Estate Almelo B.V., Almelo, Netherlands	90.9	11	EUR
HORNBACH Real Estate Duiven B.V., Duiven, Netherlands	90.9	(440)	EUR
HORNBACH Real Estate Rotterdam B.V., Rotterdam, Netherlands	90.9	18	EUR
HORNBACH Real Estate Nijmegen B.V., Nijmegen, Netherlands	100	18	EUR
HORNBACH Baumarkt CS spol s.r.o., Prague, Czech Republic	90.9	3,489,096	CZK
HORNBACH Immobilien H.K. s.r.o., Prague, Czech Republic	97.6	827,920	CZK
HORNBACH Baumarkt (Schweiz) AG, Oberkirch, Switzerland	90.9	152,432	CHF
HORNBACH Byggmarknad AB, Gothenburg, Sweden	90.9	220,421	SEK
HIAG Fastigheter i Göteborg AB, Gothenburg, Sweden	100	93,870	SEK
HIAG Fastigheter i Helsingborg AB, Gothenburg, Sweden	100	54,046	SEK
HIAG Fastigheter i Göteborg Syd AB, Gothenburg, Sweden	100	729	SEK
HIAG Fastigheter i Stockholm AB, Gothenburg, Sweden	100	208,121	SEK
HIAG Fastigheter i Botkyrka AB, Gothenburg, Sweden	100	107,243	SEK
HORNBACH Immobilien SK-BW s.r.o., Bratislava, Slovakia	100	10,971	EUR
HORNBACH-Baumarkt SK spol. s.r.o., Bratislava, Slovakia	90.9	34,414	EUR
HORNBACH Centrala SRL, Domnesti, Romania	90.9	241,290	RON
HORNBACH Imobiliare SRL, Domnesti, Romania	100	254,273	RON
Etablissement Camille Holtz et Cie S.A., Phalsbourg, France	99.92	1,353	EUR
Saar-Lor Immobilière S.C.L., Phalsbourg, France	99.97	148	EUR
HORNBACH Asia Ltd., Kowloon, Hong Kong	90.9	15,864	HKD

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

[2] Direct shareholding

[3] Of which: 1 % direct shareholding

Company name and domicile	Shareholding in %	Equity[1] in thousands, local currency	Local currency
HORNBACH Baumarkt Luxemburg SARL, Bertrange, Luxembourg	90.9	20,010	EUR
HORNBACH Holding B.V., Amsterdam, Netherlands	90.9	227,718	EUR
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Saar-Lor Immobilière S.C.L., Phalsbourg, France	99.97	148	EUR
HORNBACH Asia Ltd., Kowloon, Hong Kong	90.9	15,864	HKD

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

Control and profit and loss transfer agreements have been concluded between HORNBACH Holding AG & Co. KGaA and HORNBACH Immobilien AG and between HORNBACH Baustoff Union GmbH and Robert Röhlinger GmbH, Union Bauzentrum HORNBACH GmbH, and Ruhland-Kallenborn & Co. GmbH.

Furthermore, control and profit and loss transfer agreements are in place between HORNBACH Baumarkt AG and HORNBACH International GmbH and between HORNBACH Baumarkt AG and Hornbach Beteiligungen GmbH. Moreover, control and profit and loss transfer agreements are in place between HORNBACH Beteiligungen GmbH and AWV-Agentur für Werbung und Verkaufsförderung GmbH, HB Reisedienst GmbH, BODENHAUS GmbH, and HORNBACH Forst GmbH.

Foreign currency translation

In the separate financial statements of HORNBACH Holding AG & Co. KGaA 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. Embedded 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	
	2.28.2022	2.28.2021	**2021/22**	2020/21
RON Romania	4.9484	4.8750	4.93261	4.85331
SEK Sweden	10.6055	10.1388	10.20196	10.41061
CHF Switzerland	1.0336	1.0986	1.07489	1.07235
CZK Czech Republic	24.9970	26.1950	25.39589	26.60207
USD USA	1.1199	1.2121	1.17009	1.16020
HKD Hong Kong	8.7514	9.4010	9.10269	8.99454

Accounting policies

General principles

The following table presents the most important measurement principles applied by the Group when preparing the consolidated financial statements.

Balance sheet item	Valuation principle
Assets	
Goodwill	Impairment only approach
Intangible assets	
with indefinite useful lives	Impairment only approach
with finite useful lives	At amortized cost
Property, plant, and equipment	At amortized cost
Right-of-use assets	At amortized cost
Investment property	At amortized cost
Financial assets (current/non-current)	
Equity instruments	At fair value
Debt instruments	At amortized cost or fair value depending on business model
Assets from derivatives	At fair value
Inventories	Lower of cost and fair value less costs to sell
Trade receivables	At amortized cost or fair value depending on business model
Contract assets	At amortized cost
Other current assets	
Other receivables (financial instruments)	At amortized cost
Assets from derivatives	At fair value
Non-financial items	At amortized cost
Cash and cash equivalents	At amortized cost
Non-current assets held for sale and disposal groups	Lower of carrying amount and fair value less costs to sell
Equity and liabilities	
Financial debt (current/non-current)	
Liabilities to banks	At amortized cost
Liabilities from derivatives	At fair value
Lease liabilities	At amortized cost
Provisions	
Provisions for pensions	Present value of future obligations (projected unit credit method)
Other provisions	At expected settlement amount
Trade payables	At amortized cost
Contract liabilities	At amortized cost
Other liabilities	At amortized cost
Refund liabilities	At expected amount of refund
Accrued liabilities	At amortized cost

The company has not drawn on the option of remeasuring intangible assets, property, plant and equipment and investment property. Income and expenses have been deferred in line with their respective periods.

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. The goodwill impairment test is performed on the basis of the cash generating units, which represent the lowest level within the company for which goodwill is monitored for internal management purposes. Pursuant to IAS 36, the carrying amounts of the cash generating units, including the share of goodwill allocated to such units, are compared with the higher of the fair value less costs to sell and the value in use (so-called recoverable amount) of such units.

If a write-down is required, then 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 in proportion to their respective carrying amounts. However, assets may only be written down at maximum to the recoverable amount of the individual identifiable asset. Goodwill is not written up.

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 20

Impairment losses are recognized when there are indications of impairment and the recoverable amount falls short of the carrying amount. Corresponding write-ups to a maximum of amortized cost are recognized when the reasons for impairment losses recognized in previous years no longer apply. Further details can be found under “Impairment of non-current non-financial assets”.

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 or investment property. Corresponding write-ups to a maximum of amortized cost are recognized when the reasons for impairment losses recognized in previous years no longer apply. Further details can be found under “Impairment of non-current non-financial assets”.

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

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".

Leases

Leases are recognized in accordance with IFRS 16 requirements. As a result, lessees recognize essentially all leases for which no practical expedient or exemption is applied in the balance sheet with a right-of-use asset for the leased item and a lease liability for the (discounted) payment obligation assumed. The previous year's figures have been recognized using the accounting policy previously applied pursuant to IAS 17.

The application of practical expedients permits expenses for leases identified as short-term according to the definition provided in IFRS 16 and low-value leases to continue to be recognized in the functional expenses in the income statement in the period in which they are incurred. One exception involves the advertising space asset class, for which no application has been made of the aforementioned practical expedients. Furthermore, the Group has not applied the standard to leases involving intangible assets. Apart from the advertising space asset class, in leases which contain non-lease components, the non-lease components have been separated from the lease components.

The calculation of lease liabilities accounts for the following lease payments, which have been discounted using the interest rate implicit in the lease, where this can be determined:

- Fixed payments, less any lease incentives to be paid by the lessor
- Variable payments that depend on an index or interest rate
- Expected residual value payments for residual value guarantees
- The exercise price of a purchase option if such option is assessed as being reasonably certain to be exercised
- Payments of penalties for terminating the lease, if the lease term reflects the exercising of such option.

If the interest rate implicit in the lease cannot be determined, application is made of the lessee's incremental borrowing rate.

The lease liability develops on an annuity basis in accordance with the contractually agreed conditions. Interest expenses resulting from compounding are recognized under net financial expenses.

The volume of right-of-use assets is determined on the basis of the following components:

- Lease liabilities
- Lease payments made upon or prior to provision of the asset, less any lease incentives received
- Initial direct costs
- Dismantling obligations not involving regular maintenance.

In subsequent periods, right-of-use assets are measured at amortized cost. Depreciation is recognized on right-of-use assets on a straight-line basis over the term of the contract. Depreciation is recognized in the functional areas to which the assets refer. If there are indications of impairment and if the recoverable amount falls short of amortized cost, then impairment losses are recognized for the right-of-use asset pursuant to IAS 36.

Real estate leases in particular contain extension or termination options which influence the determination of the contractual term and thus the level of right-of-use asset and lease liability. Changes to the term resulting from the exercising or non-exercising of such options are only accounted for when they are reasonably certain. A reassessment is only made if a significant event or significant change in circumstances arises which is within the Group's control or an extension or termination option is actually exercised or not exercised. The reassessment of extension and termination options is performed in accordance with the company's strategic planning. In this respect, the actual values stated also include terms offering extension/termination options for which such options have not yet been legally exercised. From a legal perspective, the company therefore still has the possibility to avoid the respective obligations. The amounts recognized therefore entail opportunity.

For leases in which the Group acts as lessor, it first reviews pursuant to IFRS 16 whether the leases are operating or finance leases. If substantially all of the risks and rewards incidental to ownership are assigned, the lease is a finance lease and the Group recognizes the assets relating to this lease in the amount of the net investment under other assets in its balance sheet.

Assets relating to leases classified as operating leases are recognized at amortized cost under property, plant and equipment. The respective lease instalments are recognized in the relevant functional area in the period in which they are incurred.

Intragroup leases between subgroups and/or segments are presented as right-of-use assets within the respective segments and eliminated accordingly in consolidation.

Impairment of non-current non-financial assets

For non-current non-financial assets (property, plant and equipment and right-of-use assets), a review is performed as of each balance sheet date to assess whether there are any indications of impairment (“triggering events”). If there are any such indications, then the asset is tested for impairment. Intangible assets with indefinite useful lives and goodwill acquired in a business combination are tested for impairment each year irrespective of whether there are any indications of impairment.

The amount of impairment is measured on the basis of the amount by which the recoverable amount of an asset falls short of its amortized cost. The recoverable amount is the higher of the fair value less costs to sell and the value in use.

Where no recoverable amount can be determined for an individual asset, the recoverable amount is determined for the cash generating unit in which the asset is included. A cash generating unit is defined as the smallest identifiable group of assets independently generating cash flows. Within the Group, individual locations are basically viewed as cash generating units.

The value in use of a cash generating unit is calculated by reference to the discounted future cash flows expected at the cash generating unit. The assessment period is limited to the rental term of the let property or the expected remaining useful life of a proprietary property. The basis for this is provided by the detailed financial budget compiled within the strategic five-year plan. Periods reaching further into the future have been extrapolated on the basis of a long-term growth rate of 1.5% (2020/21: 1.5%). 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 and on current developments and future expectations as to those procurement terms which significantly determine the expected gross profit (key assumptions).

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 plus a company-specific risk premium. The costs of debt capital are based on the aforementioned base rate and include a risk premium. This risk premium accounts for a risk premium appropriate to 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. The interest rates used for discounting are based on market data. Depending on the countries and activities involved, the discount rates thereby applied ranged from 5.0 % to 12.1 % after taxes (2020/21: 5.1 % to 13.2 %) and from 5.6 % to 14.1 % before taxes (2020/21: 3.2 % to 13.6 %). If the impairment loss is derived from the value in use, then the discount rate referred to for the specific item is reported in the respective section of the notes.

The fair value less costs to sell (net realizable value) of an individual asset is determined by reference to external surveys, if available, and assessments based on past experience.

For real estate at individual locations that is owned by the Group and investment property, the net realizable value is determined by external independent surveyors. These determine the fair value (net realizable value) by reference to Level 3 input data using internationally acknowledged methods. These include the comparative value method, capitalized earnings value, and asset value methods. The net realizable value of real estate at individual locations and investment property has been derived used the capitalized earnings value method.

The capitalized earnings value method is based on the achievable rent per annum, adjusted to eliminate property management expenses and other items (administration and rent default risk, return on land value). The earnings derived on this basis are capitalized using the applicable multiplier. Adding the capitalized earnings value to the land value produces the net realizable value. Alongside the input data already mentioned, the surveyors also apply additional premiums and discounts to account for the individual property-specific features (e.g. size, situation, conversion, or demolition costs still required).

In the comparative value method, the land value is determined by comparing the prices of properties suitable for comparison or by committees of surveyors referring to corresponding sales of land. The land value determined in this way is also accounted for in the aforementioned capitalized earnings value method.

The net realizable values of other assets included in the cash generating unit are also determined on the basis of Level 3 input data. Based on past experience and on an assessment of current market conditions, the cash flows that could be generated by disposing of the assets currently in the cash generating unit are determined.

Inventories

Inventories are carried at cost or at their net realizable value, if lower. The net realizable 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. Supplier compensation requiring measurement as a reduction to cost is recognized within inventories.

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 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. This is assessed by reference to the strategic five-year planning. Recognized and unrecognized deferred tax assets are reviewed at each balance sheet date to ascertain whether any adjustment in their current values is required.

For recognized leases, the tax deduction potential is allocated to the respective right-of-use assets. Should net consideration of the right-of-use asset and lease liability give rise to temporary differences upon subsequent measurement, then deferred taxes are recognized to the extent that IAS 12 requirements are met.

Deferred tax assets and liabilities referring to items recognized in other comprehensive income or directly in equity are also recognized in equity rather than in the income statement.

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 and there is an enforceable right for such items to be offset.

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 costs to sell, 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 Holding AG & Co. KGaA 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 (revised 2011) “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.

Current service cost and any retrospective service cost are recognized in operating earnings. The net interest result is recognized under net financial expenses. Actuarial gains and losses relating to the pension obligation or the plan assets are recognized in other comprehensive income in equity, taking account of any deferred taxes. The implications are presented separately in the statement of comprehensive income.

For defined contribution plans, the contributions are recognized in operating earnings upon becoming due for payment. Multiemployer pension plans are recognized by analogy with defined contribution plans.

Provisions and accrued liabilities

Provisions are recognized for uncertain obligations to third parties where these result from past events and are likely to lead to 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. This item also includes provisions for severance payments, for which actuarial surveys are obtained. 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 are higher than the expected economic benefits.

Risks in connection with legal disputes and court cases are recognized under provisions if the requirements of IAS 37 are met. The amount of provision is measured on the basis of an assessment of the circumstances relevant to the case and represents the likely scope of obligation, including estimated legal expenses. To determine the obligation, the management regularly analyzes the information available on the legal disputes and court cases. Both in-company and external attorneys are involved in this assessment. In deciding whether it is necessary to recognize a provision, the management accounts for the likelihood of an unfavorable outcome and the possibility of estimating the amount of obligation with sufficient reliability.

Provisions are recognized for structural maintenance obligations when the company was contractually obliged to do so. To determine the amount of provision, the company refers to historic information about comparable properties and draws on the expertise of real estate specialists. Additions to the provision are generally recognized on a straight-line basis over the term of the contract in order to account for the pattern of consumption of the underlying rental property.

In the case of accrued liabilities, the date or level of the respective obligation 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. Derivative financial instruments are recognized at fair value as of the transaction date. Primary financial instruments are basically recognized at the time at which the company becomes a contractual party. Upon initial recognition, these are measured at fair value. This generally corresponds to the transaction price. Where there are indications that the fair value deviates from the transaction price, the fair value is determined in accordance with the logic outlined in "Fair Value Measurement" and then used as the basis for initial recognition.

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 assets include financial investments in equity instruments and debt instruments.

Classification

Pursuant to IFRS 9, the classification and measurement of financial assets are determined by reference to the company's business model and the characteristics of the cash flows from the respective financial assets. Upon initial recognition, HORNBACH therefore classifies financial assets either as "measured at amortized cost", "measured at fair value through other comprehensive income", or "measured at fair value through profit or loss".

Financial assets are recognized as of the settlement date. The Group only reclassifies debt instruments when the business model for managing such assets also changes.

Measurement

Upon initial recognition, HORNBACH measures a financial asset at fair value plus – for financial assets not subsequently measured at fair value through profit or loss – the transaction costs directly attributable to the acquisition of the asset. One exception relates to trade receivables not including significant financing components, which are measured at their transaction prices. Transaction costs of assets measured at fair value through profit or loss are directly expensed in the consolidated income statement.

Debt instruments

Depending on the business model and cash flow characteristics of the asset involved, the subsequent measurement of debt instruments is as follows:

Subsequent measurement at amortized cost: Assets held to collect contractual cash flows for which such cash flows exclusively comprise interest and principal payments are measured at amortized cost. Interest income on these financial assets is recognized under financial income with due application of the effective interest method. Gains or losses upon derecognition are recognized directly in the income statement.

Subsequent measurement at fair value through other comprehensive income: Assets held to collect contractual cash flows and for sale of the financial assets for which the cash flows exclusively comprise interest and principal payments are recognized at fair value through other comprehensive income. Changes in the carrying amount are recognized through other comprehensive income with the exception of impairment gains or losses, interest income, and exchange rate gains or losses, which are recognized through profit or loss. Upon derecognition of the financial asset, the gain or loss previously recognized through other comprehensive income is reclassified to profit or loss (recycling). Interest income on these financial assets is recognized under financial income with due application of the effective interest method. The Group currently makes no application of this category.

Subsequent measurement at fair value through profit or loss: Assets which do not meet the criteria for the "measured at amortized cost" or "measured at fair value through other comprehensive income" categories are classified to the "measured at fair value through profit or loss" category. Gains or losses in this category are netted and recognized through profit or loss in the period in which they arise.

Impairments of financial assets are determined using the expected credit loss model. The principle underlying this model is the portrayal of any deterioration or improvement in the credit quality of financial instruments, with expected losses already being accounted for. Apart from for debt instruments with subsequent measurement through profit or loss, the IFRS 9 impairment model is applied to all debt instruments.

The IFRS 9 model draws on a three-level approach to allocate impairments:
- Level 1: 12-month credit losses: applicable to all items (since initial recognition) for which the credit quality has not deteriorated significantly. This involves the recognition of that share of lifetime expected credit losses for the instrument attributable to any default within the next twelve months.
- Level 2: lifetime credit losses – creditworthiness not impaired: applicable when a financial instrument or group of financial instruments has witnessed a significant increase in credit risk but whose creditworthiness is not impaired. This involves the recognition of the lifetime expected credit losses for the financial instrument as an impairment.
- Level 3: lifetime credit losses – creditworthiness impaired: should there be objective indications of any impairment requirement for assets (based on individual consideration), the consideration must be based on the lifetime of the financial instrument.

For Levels 1 and 2, effective interest is calculated on the basis of the gross carrying amount. In Level 3, by contrast, effective interest is calculated by reference to the net carrying amount, i.e. the carrying amount less the risk allowance.

For trade receivables and contract assets, application is made of the simplified approach. This model does not require changes in the credit risk to be tracked. Instead, HORNBACH is required to recognize a risk allowance in the amount of the lifetime expected credit losses both upon initial recognition and at each subsequent balance sheet date. To measure the expected credit risk, the assets are grouped on the basis of their existing credit risk characteristics and respective maturity structures.

The Group has excluded those financial instruments that have only low default risk upon addition (investment grade) from application of the three-stage impairment model. Instead, these assets are always allocated to Level 1 of the impairment model and risk allowances are recognized in the amount of 12-month expected credit losses. These instruments particularly include credit balances at banks, as these funds are exclusively held on a short-term basis at highly creditworthy banks.

Equity instruments

The Group subsequently measures all of the equity instruments it holds at fair value.

For equity instruments not held for trading, HORNBACH has uniformly exercised the option of recognizing changes in fair value through other comprehensive income in the consolidated statement of comprehensive income. Upon derecognition of these equity instruments, the gains and losses unrecognized for these instruments through to the time of derecognition are reclassified to revenue reserves and not shown in the income statement (no recycling). Dividends on these instruments continue to be recognized through profit or loss under other income if the Group's claim to receipt of such payments is substantiated.

In a small number of cases, cost may represent an appropriate estimate of fair value. Investments and prepayments for financial assets (equity instruments) are recognized at cost when insufficient new information is available to measure fair value or when a wide range of possible fair value measurements is available and cost represents the best estimate within this range.

Derecognition

HORNBACH derecognizes a financial asset when there is no substantiated expectation that the other party to the contract will meet its contractual obligation or if the other party has already met such obligation in full. Here, HORNBACH takes discretionary decisions based on the individual case to assess the extent to which the respective contract can be expected to be fulfilled.

Primary financial instruments

The HORNBACH Holding AG & Co. KGaA 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.

Trade receivables and other assets (except derivatives) are initially recognized at fair value or – if they do not include any significant financing component – at their transaction price and subsequently measured at amortized cost using the effective interest method and less any impairments. Impairments are recognized for all identifiable risks. These are determined on the basis of probability-weighted estimates of credit losses and individual risk assessments. The calculation takes account of the best available information and the time value of money. Specific cases of default lead to the receivable in question being derecognized. Write-ups are recognized when the reasons for impairments previously recognized no longer apply.

Claims relating to the retrieval of assets (returns) have been recognized under other assets. The amount of the asset corresponds to the cost of the goods supplied and which are expected to be returned, taking due account of the costs incurred to handle the return and the losses resulting from sale of these goods.

Impairment accounts are maintained for trade receivables and the financial assets recognized under other 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.

Contract assets result from tradesman service orders not yet completed for customers. Given that the services are partly unperformed, HORNBACH does not yet have any unconditional claim. In general, contract assets have the same risk characteristics as trade receivables for the same types of contract. The Group has therefore concluded that the expected loss rates for trade receivables represent an appropriate approximation of the loss rates for contract assets.

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 (nominal value).

The cash equivalents included in cash and cash equivalents are short-term highly liquid financial investments that can at any time be turned into fixed cash amounts and are only subject to immaterial fluctuations in value. Cash equivalents in some cases include investments in money market funds. Their classification and measurement pursuant to IFRS 9 is based on the business model used by the company to manage these financial assets and contractual cash flows. Alongside payments of principal and interest on the outstanding amount, investments also include other cash flows. As a result, these investments are measured at fair value through profit or loss.

Financial debt (except derivatives) is 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 or the respective financial liability using the effective interest method. All other debt items are also recognized at amortized cost. This mostly corresponds to the respective repayment amount.

Trade payables and other liabilities are recognized at amortized cost. Other liabilities include those refund liabilities which may arise due to expected returns and retrospective price discounts. They are recognized in the amount of the consideration to which the Group is expected not to be entitled and which is thus not included in the transaction price. Trade payables are mostly classified as current. The same applies for other liabilities. In this respect, their carrying amounts basically correspond to their fair values.

Contract liabilities comprise prepayments received for customer orders and liabilities for customer vouchers and are basically measured at amortized cost. Furthermore, the measurement of customer vouchers also accounts for the IFRS 15 requirements concerning expected non-utilization (breakage).

Derivative financial instruments

Derivative financial instruments, such as forward exchange transactions and interest swaps, are used to hedge exchange rate and interest rate 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 directly expensed.

Derivatives which are not integrated into an effective hedging relationship as defined in IAS 39 or IFRS 9 are 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 and interest-currency swaps is determined by the financial institutions with which they were concluded. The financial institutions use customary market valuation models (e.g. discounted cash flow method) that refer to the interest and currency information available on the market. This corresponds to Level 2 input factors in the fair value hierarchy.

In applying IFRS 9 for the first time, HORNBACH exercised the option of continuing to apply IAS 39 hedge accounting requirements rather than IFRS 9 requirements.

Upon entering into a hedging transaction, the HORNBACH Holding AG & Co. KGaA 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.

Fair value measurement

Fair value represents the price on a given valuation date which a company would receive to sell an asset or to transfer a liability (exit price). Fair value is determined in line with the three-level measurement hierarchy set out in IFRS 13. Based on the availability of information, fair value is determined by reference to the following hierarchy.

Level 1 information – current market prices on an active market for identical financial instruments
Level 2 information – current market prices on an active market for comparable financial instruments or using valuation methods whose key input factors are based on observable market data
Level 3 information – input factors not based on observable market prices.

The level of information and/or valuation methods used to determine the fair value of assets and liabilities is explained in the respective chapter of the notes to the consolidated financial statements.

Sales

As a DIY retail company, the Group generates the vast share of its sales in simple merchandise and service agreements at its stationary and online retail outlets. These contracts generally do not have any long-term fulfillment characteristics. Control of the goods and services generally passes to the customer at a specific time. That regularly involves the time at which the merchandise is transferred or delivered to the customer or at which the service is performed.

Sales are recognized on a net basis, i.e. net of sales tax, on the basis of the consideration stipulated in the contract and taking due account of expected returns and variable consideration. These include discounts and price reductions due to volume and competition-related factors.

The predominant share of the Group's sales is settled by way of cash and carry or comparable payment forms executed at specific points in time. For transactions in which a period of time separates the transfer of the promised goods or services and payment by the customer, this period of time does not amount to more than 12 months at the start of the contract. The Group therefore foregoes adjusting the promised consideration to account for the time value of money.

As well selling goods and services that are fulfilled at a specific point in time, the Group also offers services that are fulfilled over time. These services involve tradesmen services which HORNBACH sells to end consumers alongside goods to enable projects to be implemented. The period of time over which the service is performed generally only amounts to a few days. The percentage of completion is not continually reviewed. Through to completion, sales are recognized in the amount of the expenses incurred without accounting for any margins. In the balance sheet, the respective items are recognized as contract assets and netted with contract liabilities if a prepayment was made.

Service obligations still to be performed mainly relate to customer orders not yet completed as of the balance sheet date and outstanding customer credits in the form of vouchers. The Group generally expects these service obligations to be fulfilled within the next 12 months. Settlement of outstanding customer credit, by contrast, is at the discretion of the customer and may thus involve a longer period.

The Group sells its products with a **right of return** amounting to 30 days for end consumers and to 3 months for holders of the ProjektWelt loyalty card. It recognizes a refund liability (other current liabilities) and a right of recourse for the merchandise (other current assets) for expected returns, with a corresponding reduction to gross profit. Potential returns are estimated using the expected value method on a country-specific basis. To this end, experience values are aggregated in a portfolio for each country and used to determine likely rates of return. The measurement includes daily sales which are deemed highly likely to be reversed. These are multiplied with the probable rates of return to determine the reduction in sales. Application is also made of the current country-specific gross margin to determine the reduction in merchandise input. The assumptions thereby made are validated on an ongoing basis, with adjustments being made where necessary to account for future measurements.

With its **permanent low price guarantee**, HORNBACH offers its customers the possibility of participating in price reductions up to 30 days after purchasing the respective good or service. To account for expected utilization, it recognizes a refund liability (other current liabilities), with a corresponding reduction to sales. The amounts recognized are quantified by reference to experience values on portfolio level for each country. The cost ratios for the permanent low price guarantee are based on historic information and are multiplied by the daily sales generated in the aforementioned period. The assumptions thereby made are validated on an ongoing basis, with adjustments being made where necessary to account for future measurements.

For **customer credits from vouchers** (contract liability), the share of sales for which non-utilization is deemed possible is recognized through profit or loss. This item is recognized within sales and in parallel with the utilized share of the customer credit. The amounts recognized are quantified by reference to experience values on portfolio level for each country. The non-utilization quotas are based on historic information. The assumptions thereby made are validated at regular intervals, with adjustments being made where necessary to account for future measurements.

Other income
Other income is recognized at the time at which control over the promised good or service is transferred to a business partner. The amount of income recognized is based on the fair value of the consideration received, taking due account of variable consideration.

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

Expenses
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.

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. 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".

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

Discretionary decisions
Discretionary decisions made when applying the accounting policies and which materially influence the amounts recognized in the consolidated financial statements chiefly relate to determining the term of leases and calculating the incremental borrowing rate. In determining the term of leases, all facts and circumstances that could provide HORNBACH with an economic incentive to exercise an extension option or not exercise a termination option are duly accounted for and assessed. In calculating the incremental borrowing rate, both the calculation of the risk-free interest rate and the determination of the risk premium are subject to discretionary decisions. More detailed information can be found in Notes 13 and 23.

Assumptions and estimates
Assumptions and estimates are made when preparing the consolidated financial statements which have an effect on the recognition and/or measurement of the assets, liabilities, income and expenses as presented. Assumptions and estimates are made on the basis of the information available at the reporting date. Should the development in the relevant conditions deviate from the assumptions and estimates, then the amounts actually arising in future may differ from the amounts recognized in the accounts.

The assumptions and estimates mainly relate to uniform procedures applied across the Group for economic useful lives (Notes 10, 11, & 12), the recognition and measurement of provisions (Notes 24, 25 & 28), the calculation of the recoverable amount to determine the amount of any impairments of non-current non-financial assets (Notes 10, 11, 12 & 13), the determination of the net realizable price for inventories (Note 17), and the ability to obtain future tax relief (Notes 8, 16 & 27). Further information can be found in the accounting policies relating to the respective topic and in the aforementioned notes.

The assumptions and estimates relevant to the preparation of the consolidated financial statements are continually reviewed. Changes in estimates are accounted for in the period of such changes and in future periods when they relate both to the reporting period and future periods.

Estimates and discretionary decisions due to the COVID-19 pandemic

In its discretionary decisions and estimates, the management referred to all available information on expected economic developments and country-specific state countermeasures. Given that the global consequences of the COVID-19 pandemic are still unforeseeable, however, these discretionary decisions and estimates by the management are subject to increased uncertainty. Actual amounts may deviate from the management's assessments and estimates. Any changes in these amounts may have material implications for the consolidated financial statements. This information has mainly been accounted for in the following material groups of topics:

- Impairment tests on non-financial assets (including right-of-use assets); Notes 10 and 12
- Recoverability of financial assets; Notes 10, 18, and 33

Segment Reporting

Segment reporting is consistent with the accounting policies 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 segments corresponds to the internal reporting system used by the management of the HORNBACH Holding AG & Co. KGaA Group for managing the company ("management approach"). Based on the management approach, the Group has the following segments: "HORNBACH Baumarkt AG subgroup", "HORNBACH Immobilien AG subgroup", and "HORNBACH Baustoff Union GmbH subgroup". The cornerstone of the HORNBACH Holding AG & Co. KGaA Group is the HORNBACH Baumarkt AG subgroup, which operates DIY megastores with garden centers and online shops in the nine countries in our European network. The retail activities of the HORNBACH Holding AG & Co. KGaA Group are rounded off by the HORNBACH Baustoff Union GmbH subgroup, which operates in the construction materials and builders' merchant business and mainly has business customers. The HORNBACH Immobilien AG subgroup develops retail real estate and lets this out, mostly to operating companies within the HORNBACH Holding AG & Co. KGaA Group. Administration items not allocable to the two aforementioned segments and consolidation items are further subdivided into the "Central Functions" and "Consolidation" categories.

Segment earnings

As the Group's key earnings figure, adjusted 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 allocated to the individual segments in line with their causation. Items allocable to central administration are presented in the "Central Functions" column. Items eliminated between segments are presented in the "Consolidation" column. Investments relate to the non-current assets allocable to the respective segment.

2021/22 in € million 2020/21 in € million	HORNBACH Baumarkt AG subgroup	HORNBACH Baustoff Union GmbH subgroup	HORNBACH Immobilien AG subgroup	Central Functions	Consolidation adjustments	HORNBACH Holding AG & Co. KGaA Group
Segment sales	**5,496.1**	**377.5**	**79.7**	**0.0**	**(78.3)**	**5,875.0**
	5,116.9	337.7	80.4	0.0	(78.8)	5,456.2
Sales to third parties	5,494.6	377.2	0.0	0.0	0.0	5,871.8
	5,114.5	337.4	0.0	0.0	0.0	5,451.9
Sales to affiliated companies	0.0	0.2	0.0	0.0	(0.2)	0.0
	0.0	0.2	0.0	0.0	(0.2)	0.0
Rental income from third parties	1.5	0.1	1.6	0.0	0.0	3.1
	2.5	0.1	1.7	0.0	0.0	4.3
Rental income from affiliated companies	0.0	0.0	78.1	0.0	(78.1)	0.0
	0.0	0.0	78.6	0.0	(78.6)	0.0
EBIT	**289.3**	**13.0**	**57.8**	**(6.2)**	**1.1**	**355.0**
	258.6	9.3	58.4	(5.2)	(9.3)	311.9
of which: depreciation and amortization/write-ups	262.2	9.2	14.9	0.0	(76.4)	209.9
	246.0	8.7	16.5	0.0	(66.9)	204.4
Segment earnings (adjusted EBIT)	**314.7**	**13.0**	**53.7**	**(6.2)**	**(12.6)**	**362.6**
	278.8	9.0	55.8	(5.2)	(12.0)	326.4
Segment assets	**4,053.9**	**214.4**	**438.8**	**28.8**	**(464.8)**	**4,271.0**
	3,747.4	202.5	490.1	42.1	(497.8)	3,984.4
of which: credit balances at banks	248.8	3.1	10.9	27.5	0.0	290.4
	298.8	9.1	49.2	41.6	0.0	398.8
Investments [1]	**385.5**	**10.2**	**3.7**	**0.0**	**(42.9)**	**356.6**
	274.8	15.7	1.7	0.1	(50.9)	241.4
Segment liabilities	**2,601.6**	**121.9**	**158.7**	**218.6**	**(631.9)**	**2,469.0**
	2,474.6	120.5	209.6	2.0	(638.5)	2,168.2
of which financial debt and lease liabilities	1,885.6	25.2	82.9	190.6	(496.0)	1,688.3
	1,859.8	6.5	166.1	0.0	(512.7)	1,519.8

[1] Investments also include non-cash additions to right-of-use assets

Reconciliation EBIT <> adjusted EBIT in € million	2021/22	2020/21
EBIT	**355.0**	**311.9**
Impairments due to IAS 36 impairment test [1]	13.0	16.8
Write-ups due to IAS 36 impairment test [1]	0.0	(1.0)
Result of real estate sales/measurement of properties not required for operations	(5.4)	(1.9)
Other	0.0	0.6
Segment earnings (adjusted EBIT)	**362.6**	**326.4**

[1] This line item exclusively includes impairments and write-ups recognized for operating locations (cash-generating units).

Reconciliation in € million	2021/22	2020/21
Segment earnings (adjusted EBIT)	**362.6**	**326.4**
Non-operating items	(7.6)	(14.5)
Net financial expenses	(40.7)	(45.8)
Consolidated earnings before taxes	**314.3**	**266.1**
Segment assets	**4,271.0**	**3,984.4**
Deferred tax assets	21.7	12.2
Income tax receivables	13.0	11.3
Total assets	**4,305.7**	**4,007.9**
Segment liabilities	**2,469.0**	**2,168.2**
Deferred tax liabilities	31.3	31.7
Income tax liabilities	44.0	35.9
Total liabilities	**2,544.4**	**2,235.9**

Geographical information

To enhance comprehension of the financial statements, the mandatory geographical disclosures for sales to third parties and non-current assets have been supplemented with voluntary 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, Romania, and France (exclusively builders' merchants).

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.

2021/22 in € million 2020/21 in € million	Germany	Other European countries	Reconciliation	HORNBACH HOLDING AG & Co. KGaA Group
Sales	**3,554.9**	**2,726.3**	**(406.3)**	**5,875.0**
	3,352.0	2,471.3	(367.1)	5,456.2
Sales to third parties	3,147.5	2,724.3	0.0	5,871.8
	2,983.5	2,468.4	0.0	5,451.9
Rental income from third parties	1.7	1.4	0.0	3.1
	1.9	2.4	0.0	4.3
Sales to affiliated companies	405.8	0.5	(406.3)	0.0
	366.6	0.5	(367.1)	0.0
EBIT	**122.2**	**233.0**	**(0.3)**	**355.0**
	106.2	205.7	0.0	311.9
Depreciation and amortization/write-ups	**118.4**	**91.5**	**0.0**	**209.9**
	116.9	87.5	0.0	204.4
Segment earnings (adjusted EBIT)	**123.2**	**239.6**	**(0.3)**	**362.6**
	114.6	211.8	0.0	326.4
EBITDA	**240.6**	**324.5**	**(0.3)**	**564.9**
	223.1	293.2	0.0	516.3
Assets	**2,783.1**	**2,004.4**	**(516.5)**	**4,271.0**
	2,622.4	1,817.3	(455.3)	3,984.4
of which: non-current assets	1,389.8	1,344.2	(177.1)	2,556.9
	1,382.5	1,211.2	(193.5)	2,400.2
Investments[2)]	**148.2**	**208.4**	**(0.1)**	**356.6**
	139.3	102.2	0.0	241.4

[1)] These involve property, plant and equipment, investment property, right-of-use assets, intangible assets, non-current lease receivables, and non-current deferrals and accruals.

[2)] Investments also include non-cash additions to right-of-use assets.

Notes to Consolidated Income Statement

(1) Sales

Sales mainly involve revenues from contracts with customers in the "HORNBACH Baumarkt AG subgroup" and "HORNBACH Baustoff Union GmbH subgroup" segments. Furthermore, income of € 3,134k (2020/21: € 4,262k) from the letting of real estate has also been reported under sales.

Sales include revenues of € 38,003k which were recognized at the beginning of the period as contract liabilities (2020/21: € 28,615k). Furthermore, these also include retrospective sales of € 8,037k for performance obligations pursuant to IFRS 15 that were satisfied in previous years (2020/21: € 3,117k).

The following table presents the breakdown of sales by segment:

External sales 2021/22 in € million	HORNBACH Baumarkt AG subgroup	HORNBACH Baustoff Union GmbH subgroup	HORNBACH Immobilien AG subgroup	HORNBACH HOLDING AG & Co. KGaA Group
of which: Germany	2,780.9	366.8	1.6	3,149.2
of which: Other European Countries	2,715.2	10.5	0.0	2,725.8
	5,496.1	**377.3**	**1.6**	**5,875.0**

External sales 2020/21 in € million	HORNBACH Baumarkt AG subgroup	HORNBACH Baustoff Union GmbH subgroup	HORNBACH Immobilien AG subgroup	HORNBACH HOLDING AG & Co. KGaA Group
of which: Germany	2,654.5	329.4	1.6	2,985.4
of which: Other European Countries	2,462.5	8.2	0.1	2,470.8
	5,116.9	**337.7**	**1.7**	**5,456.2**

(2) Cost of goods sold

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

	2021/22 € 000s	2020/21 € 000s
Expenses for auxiliary materials and purchased goods	3,669,975	3,395,141
Expenses for services rendered	147,083	138,291
	3,817,058	**3,533,432**

(3) Selling and store expenses

Selling and store expenses include those costs incurred in connection with the operation of DIY stores with garden centers and builders' merchant 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 transport costs, administration expenses, and maintenance and upkeep expenses.

(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 stores with garden centers. Pre-opening expenses mainly consist of personnel expenses, costs of premises, and administration expenses.

(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 IT, travel and vehicle expenses.

(6) Other income and expenses

Other income and expenses are structured as follows:

	2021/22 € 000s	2020/21 € 000s
Other income from operating activities		
Income from damages	2,682	2,669
Income from advertising allowances and other reimbursements of suppliers	1,309	1,236
Income from payment differences	1,668	1,180
Income from disposal of non-current assets	1,846	1,389
Miscellaneous other income	19,765	17,566
	27,270	**24,040**
Other income from non-operating activities		
Income from disposal of real estate	2,280	908
Income from write-ups to property, plant, and equipment and investment property	3,141	1,036
Other non-operating income	0	1,005
	5,422	**2,950**
Other income	**32,692**	**26,989**

Miscellaneous other income principally relates to ancillary revenues at the DIY stores with garden centers, income from disposal activities, income from retirements of liabilities, income from the reversal of impairments of receivables, and income from personnel grants.

	2021/22 € 000s	2020/21 € 000s
Other expenses from operating activities		
Losses due to damages	2,872	2,928
Impairments and defaults on receivables	4,261	3,330
Losses on disposal of non-current assets	555	545
Expenses from payment differences	58	187
Miscellaneous other expenses	4,038	3,570
Other expenses	**11,784**	**10,560**
Net income from other income and expenses	**20,907**	**16,429**

(7) Net financial expenses

	2021/22 € 000s	2020/21 € 000s
Other interest and similar income		
Interest income on financial instruments measured at amortized cost	506	474
Interest income from compounding of provisions	533	185
Other	0	150
	1,039	**809**
Other interest and similar expenses		
Interest expenses on financial instruments measured at amortized cost	14,889	16,318
Interest expenses from lease liabilities, measured at amortized cost	27,289	26,018
Interest expenses on financial instruments used as hedging instruments	327	353
Interest expenses from compounding of provisions	52	33
Other	1,379	1,392
	43,936	**44,114**
Net interest expenses	**(42,897)**	**(43,305)**
Other financial result		
Gains/losses on derivative financial instruments	2,517	(2,957)
Gains and losses from foreign currency exchange	(285)	492
	2,232	**(2,465)**
Net financial expenses	**(40,665)**	**(45,770)**

The other interest income stated for the previous year mainly included interest income of € 150k on tax refund claims.

In line with IFRS 16 “Leases”, the interest component of the lease instalments, amounting to € 27,289k (2020/21: € 26,018k) is 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 € 2,070k in the year under report (2020/21: € 1,956k) and has been capitalized as a component of the costs of the property, plant and equipment concerned. The average financing cost rate used to determine the volume of borrowing costs eligible for capitalization amounted to 2.5 % (2020/21: 2.4 %).

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

Gains/losses on derivative financial instruments include gains and losses of € 2,517k on derivative currency instruments (2020/21: € -2,957k).

The gains and losses from foreign currency exchange for the 2021/22 financial year chiefly result from the measurement of foreign currency receivables and liabilities. This resulted in net income of € 183k (2020/21: net income of € 2,421k). Furthermore, this item also includes realized exchange rate gains of € 7,398k (2020/21: € 6,236k) and realized exchange rate losses of € 7,866k (2020/21: € 8,166k). Gains and losses from foreign currency exchange include income of € 243k (2020/21: expenses of € 1,026k) from the reclassification of currency items relating to an interest-currency swap within a hedging relationship (cash flow hedge). This reclassification compensates for the currency items relating to the hedged loan.

(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.

The German companies included in the HORNBACH Holding AG & Co. KGaA Group are subject to an average trade tax rate of approximately 13.6 % of their trading income (2020/21: approx. 13.7 %). 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. The income tax rates applied to foreign companies range from 8.5 % to 27.2 % (2020/21: 8.5 % to 28 %).

The actual income tax charge of € 69,798k (2020/21: € 64,674k) is € 24,494k lower (2020/21: € 15,162k) than the expected tax charge of € 94,292k (2020/21: € 79,836k) which would have been payable by applying the average tax rate of 30 % at HORNBACH Holding AG & Co. KGaA (2020/21: 30 %) to the Group's pre-tax earnings of € 314,305k (2020/21: € 266,118k).

Deferred tax assets have been stated for losses carried forward amounting to € 22,662k (2020/21: € 78k). HORNBACH Holding AG & Co. KGaA expects it to be possible to offset the tax losses arising and carried forward in the respective country against future earnings in full.

No deferred tax assets have been reported in the case of losses carried forward amounting to € 15,457k (2020/21: € 47,294k), as future realization of the resultant benefit is not expected. There are no time limits on the utilization of any losses carried forward. Losses carried forward amounting to € 7,614k for which no deferred taxes had been recognized were utilized (2020/21: € 7,013k).

Taxes on income due in future in connection with planned profit distributions at subsidiaries have been recognized as deferred tax liabilities. A budgeting horizon of one year has been assumed. The distributions for which deferred tax liabilities have been recognized at the HORNBACH Holding AG & Co. KGaA Group are subject to German taxation at 5 %. No deferred tax liabilities have been recognized for retained profits of € 1,517,138k at subsidiaries (2020/21: € 1,338,579k), as these are either not subject to taxation or currently intended for reinvestment over an indefinite period.

Breakdown of tax charge:

	2021/22 € 000s	2020/21 € 000s
Current taxes on income		
Germany	38,291	28,251
Other countries	42,618	39,095
	80,909	**67,346**
Deferred tax expenses/income		
due to changes in temporary differences	(4,913)	(5,240)
due to changes in tax rates	0	(433)
due to losses carried forward	(6,197)	3,002
	(11,110)	**(2,671)**
Taxes on income	**69,798**	**64,674**

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

	2021/22		2020/21	
	€ 000s	%	€ 000s	%
Expected income tax charge	94,292	100.0	79,836	100.0
Difference between local tax rate and group tax rate	(20,386)	(21.6)	(18,595)	(23.3)
Tax-free income	(880)	(0.9)	(1,470)	(1.8)
Tax reductions/increases due to changes in tax rates	0	0.0	(433)	(0.5)
Tax increases attributable to expenses not deductible for tax purposes	6,977	7.4	5,485	6.9
Tax effects on losses carried forward	(1,586)	(1.7)	(1,501)	(1.9)
Non-period current and deferred taxes	(8,619)	(9.1)	1,352	1.7
Taxes on income	**69,798**	**74.0**	**64,674**	**81.0**
Effective tax rate in %	22.2		24.3	

The non-period current tax income of € 2,753k (2020/21: tax expenses of € 2,049k) chiefly results from the reversal of income tax provisions (2020/21: € 1,900k).

The non-period deferred tax income of € 5,866k (2020/21: tax income of € 697k) chiefly results from the recognition of deferred tax assets for loss carryovers in Sweden that were previously not deemed utilizable.

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

	2021/22 € 000s	2020/21 € 000s
Actuarial gains and losses on defined benefit plans		
Actuarial gains and losses on defined benefit plans before taxes	5,450	6,577
Change in deferred taxes	(989)	(1,122)
	4,461	**5,455**
Measurement of derivative financial instruments (cash flow hedge)		
Changes in fair value of derivative financial instruments before taxes	182	225
Change in deferred taxes	(56)	(46)
	126	**178**
Taxes recognized directly in equity due to the increase in the shareholding in HORNBACH Baumarkt AG	**6,000**	**0**
Exchange differences arising on the translation of foreign subsidiaries	**15,460**	**(9,987)**
Other comprehensive income, net after taxes	**26,047**	**(4,353)**
of which: other comprehensive income before taxes	27,092	(3,185)
of which: change in deferred taxes	(1,045)	(1,168)

(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 Holding AG & Co. KGaA by the weighted average number of shares in circulation during the financial year. As in the previous year, there were no dilutive effects.

	2021/22	2020/21
Consolidated net income in € attributable to shareholders in HORNBACH Holding AG & Co. KGaA	199,660,327	165,236,467
Number of ordinary shares issued	16,000,000	16,000,000
Earnings per share in €	**12.48**	**10.33**

(10) Other disclosures on the income statement

Non-operating items

The overview below outlines the allocation of those reconciliation items arising between EBIT and the Group's key earnings figure of adjusted EBIT to the individual functional areas:

2021/22 financial year € 000s	Impairments due to IAS 36 impairment tests[1)]	Impairments due to IAS 36 impairment tests[1)]	Result from sale or valuation of non-operating real-estate	Result from cancellation of projects	Other	Total
Selling and store expenses	(13,020)	0	0	0	0	(13,020)
Other income and expenses	0	0	5,422	0	0	5,422
	(13,020)	**0**	**5,422**	**0**	**0**	**(7,598)**

2020/21 financial year € 000s	Impairments due to IAS 36 impairment tests[1)]	Impairments due to IAS 36 impairment tests[1)]	Result from sale or valuation of non-operating real-estate	Result from cancellation of projects	Other	Total
Selling and store expenses	(16,786)	1,014	0	0	0	(15,772)
Pre-opening expenses	0	0	0	(574)	(1,068)	(1,642)
Other income and expenses	0	0	1,944	0	1,005	2,950
	(16,786)	**1,014**	**1,944**	**(574)**	**(63)**	**(14,464)**

1) This line item exclusively includes impairments and write-ups recognized for operating locations (cash-generating units).

Personnel expenses

The individual functional expense items include the following personnel expenses:

	2021/22 € 000s	2020/21 € 000s
Wages and salaries	795,158	761,482
Social security contributions and pension expenses	174,528	164,730
	969,686	**926,212**

Special items (due among other factors to COVID-19, Russia-Ukraine conflict)

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

The routine update in the company's strategic planning in the 4th quarter of the period under report accounted for all available information concerning expected economic developments and country-specific state countermeasures relating to the COVID-19 pandemic.

The annual impairment tests required irrespective of specific events were conducted in the 4th quarter. Due to the existence of a triggering event, these were supplemented by an event-specific impairment test. The increase in the cost of capital (WACCs) in connection with the Russia-Ukraine conflict was classified as a triggering event pursuant to IAS 36.

The amended parameters newly referred to in the impairment test resulted in the identification of an impairment requirement of € 13,020k (2020/21: € 16,786k). Further information about the impairment test can be found in Note 12.

Trade receivables and other current assets

Due to the cash and carry principle, the company's risk position is mainly limited to debit and credit card companies with corresponding creditworthiness. Moreover, factoring arrangements mean that a major share of the default risk on trade receivables is outsourced. A corresponding risk allowance based on historic experience values has been stated for the assumption of any liability quotients.

Traditional trade receivables are mainly due from customers with corresponding creditworthiness. No material increase in the expected default rate due to COVID-19 is discernible in the period under report. No recoverability risks over and above the customary level are discernible for other current assets.

Sales

The Group's sales are influenced by seasonal factors and weather conditions. Furthermore, the sales performance in some of the regions in which the company operates were also affected by pandemic-related restrictions on sales activities, particularly in the first and fourth quarters. However, the effects of these restrictions were largely offset by online retail and click & collect sales. Further information can be found in the Group Management Report.

Government grants

HORNBACH received government grants in those countries affected by lockdown measures in the financial year under report. Grants totaling € 1,754k were recognized across the Group in the period under report (2020/21: € 4,393k). These grants were passed on to employees or offset against social security contributions. In the income statement, the portion of grants meeting IAS 20 requirements was deducted from the corresponding expenses (net statement).

Personnel expenses

The management decided to pay bonuses to acknowledge the commitment shown by company employees during the pandemic in the year under report. The expenses recognized in the period under report amount to € 5,045k (2020/21: € 13,495k). These outlays were allocated to the respective functional expenses.

Other COVID-19-related income and expenses

The measures required to protect our customers and employees and to uphold stationary sales include commissioning security firms and additional temporary employees, as well as extensive disinfection and hygiene measures. The resultant expenses amounted to € 6,196k at the reporting date (2020/21: € 17,798k). These outlays were allocated to the respective functional expenses.

Depreciation and amortization

	2021/22 € 000s	2020/21 € 000s
Scheduled amortization of intangible assets and depreciation of property, plant, and equipment, and of investment property	200,035	188,572
Impairment of intangible assets, property, plant, and equipment, investment property and right of use assets	13,020	17,854
	213,055	**206,426**

The impairment losses recognized in the 2021/22 financial year relate to plant and office equipment and to right-of-use assets. In the previous year, impairment losses related to intangible assets, land, buildings, plant and office equipment, and right-of-use assets. Reference is also made to the disclosures on intangible assets, property, plant and equipment, and right-of-use assets in Notes 11, 12, and 13 respectively.

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

2021/22 financial year	Intangible assets	Property, plant, and equipment and investment property	Depreciation of right-of-use assets	Total
Selling and store expenses	158	89,882	108,852	198,892
Pre-opening expenses	0	27	11	39
General and administration expenses	4,072	7,963	2,089	14,124
	4,231	**97,872**	**110,952**	**213,055**

2020/21 financial year € 000s	Intangible assets	Property, plant, and equipment and investment property	Depreciation of right-of-use assets	Total
Selling and store expenses	970	86,078	104,060	191,108
Pre-opening expenses	0	1,084	5	1,089
General and administration expenses	3,916	8,297	2,016	14,229
	4,886	**95,458**	**106,081**	**206,426**

Notes to Consolidated Balance Sheet

(11) Intangible assets

The development in intangible assets in the 2020/21 and 2021/22 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, 2020	**109,129**	**4,415**	**2,484**	**116,028**
Additions	4,936	816	349	6,101
Disposals	18,381	0	0	18,381
Reclassifications	2,331	0	(2,327)	4
Foreign currency translation	(1)	0	0	(1)
Balance at February 28/March 1, 2021	**98,014**	**5,231**	**506**	**103,751**
Additions	5,761	0	1,186	6,947
Disposals	134	0	0	134
Reclassifications	294	0	(289)	4
Foreign currency translation	6	0	0	6
Balance at February 28, 2022	**103,941**	**5,231**	**1,403**	**110,575**
Depreciation and amortization				
Balance at March 1, 2020	**98,796**	**1,143**	**0**	**99,939**
Additions	4,070	816	0	4,886
Disposals	18,376	0	0	18,376
Foreign currency translation	(7)	0	0	(7)
Balance at February 28/March 1, 2021	**84,483**	**1,959**	**0**	**86,442**
Additions	4,231	0	0	4,231
Disposals	134	0	0	134
Foreign currency translation	11	0	0	11
Balance at February 28, 2022	**88,591**	**1,959**	**0**	**90,550**
Carrying amount at February 28, 2022	**15,350**	**3,272**	**1,403**	**20,025**
Carrying amount at February 28, 2021	13,531	3,272	506	17,309

Additions to franchises, industrial property rights and similar rights and values and licenses to such rights and values and to assets under construction mainly relate to the acquisition of software licenses and expenses incurred to prepare the software for its intended use. As in the previous year, there are no major restrictions on ownership and disposition rights.

The goodwill relates to two garden centers in the Netherlands, with around 50 % of the respective figure being allocable to each of these. As in the previous year, the mandatory annual impairment test performed on goodwill in the 2021/22 financial year did not identify any impairment requirement. The recoverable amounts of the two cash generating units are based in each case on their value in use.

The pre-tax discount rates used to determine the value in use each amounted to 9.5 % and 9.7 % (2020/21: 8.9 %).

As in the previous year, the changes deemed possible in key assumptions (increase in discount rate or reduction in gross profit) would not result in any impairments at the two locations.

In the previous year, impairment requirements were identified for intangible assets in the "HORNBACH Baustoff Union GmbH Subgroup" segment. These were written down by € 816k. Furthermore, reference is made to the information on property, plant and equipment in Note 12.

(12) Property, plant and equipment and investment property

Property, plant and equipment developed as follows in the 2020/21 and 2021/22 financial years:

€ 000s	Land, leasehold rights, and buildings, including buildings on third-party land	Right-of-use assets	Investment property (IAS 40)	Other equipment, plant, and office equipment	Assets under construction	Total
Cost						
Balance at March 1, 2020	**1,995,495**	**877,082**	**44,494**	**740,106**	**38,629**	**3,695,806**
Reclassifications to/from non-current assets held for sale	0	0	(2,359)	0	0	(2,359)
Additions	60,147	87,034	2,050	56,520	29,558	235,309
Disposals	3,904	16,326	490	21,744	580	43,044
Reclassifications pursuant to IAS 40	121	0	(121)	0	0	0
Reclassifications	7,788	0	0	2,283	(10,075)	(4)
Foreign currency translation	(9,362)	(1,541)	(109)	(1,879)	(588)	(13,479)
Balance at February 28/March 1, 2021	**2,050,285**	**946,249**	**43,465**	**775,286**	**56,944**	**3,872,229**
Reclassifications to/from non-current assets held for sale	0	0	(1,414)	0	0	(1,414)
Additions	63,127	177,961	88	68,785	39,645	349,606
Disposals	5,726	8,691	4,690	30,986	(204)	49,889
Reclassifications pursuant to IAS 40	(5,544)	0	5,544	0	0	0
Reclassifications	21,190	2,225	0	5,821	(29,240)	(4)
Foreign currency translation	15,763	4,068	57	3,360	905	24,153
Balance at February 28, 2022	**2,139,095**	**1,121,812**	**43,050**	**822,266**	**68,458**	**4,194,681**
Amortization						
Balance at March 1, 2020	**608,444**	**135,781**	**18,124**	**570,442**	**3**	**1,332,794**
Additions	42,484	106,081	50	52,924	0	201,539
Write-ups	(2,050)	0	0	0	0	(2,050)
Disposals	3,484	12,060	426	20,233	0	36,203
Reclassifications pursuant to IAS 40	87	0	(87)	0	0	0
Foreign currency translation	(1,597)	(243)	(39)	(1,449)	1	(3,327)
Balance at February 28/March 1, 2021	**643,884**	**229,559**	**17,622**	**601,684**	**4**	**1,492,753**
Additions	40,968	110,952	1,223	55,681	0	208,824
Write-ups	0	0	(3,141)	0	0	(3,141)
Disposals	2,480	8,547	1,912	29,079	4	42,022
Reclassifications pursuant to IAS 40	(2,275)	0	2,275	0	0	0
Reclassifications	105	0	0	(105)	0	0
Foreign currency translation	3,093	1,047	35	2,640	0	6,815
Balance at February 28, 2021	**683,295**	**333,011**	**16,102**	**630,821**	**0**	**1,663,229**
Carrying amount at February 28, 2022	**1,455,799**	**788,801**	**26,948**	**191,445**	**68,458**	**2,531,452**
Carrying amount at February 28, 2021	1,406,401	716,690	25,843	173,602	56,940	2,379,476

The impairment losses included in depreciation relate to assets whose carrying amounts exceed their recoverable amounts. This depreciation is allocated to the relevant functional cost item (see Note 10).

Where the carrying amount of the cash generating unit exceeds its value in use, the net realizable values of any real estate allocable to the CGUs was determined by reference to external property valuations. Values were determined using the capitalized earnings method pursuant to the German Real Estate Valuation Ordinance (ImmoWertV). The surveyors based their calculations on the following parameters:

Valuation parameter	min.	max.
Gross profit		
Inside area (€/m²)	3.75 €	8.50 €
Outside area (€/m²)	0.50 €	1.97 €
Maintenance costs (€/m²)	1.25 €	4.24 €
Real estate interest rate	4.40 %	7.30 %

Due to the lack of third-party utilization options, a net realizable value of zero was stated for marketing-oriented and sales promotional plant and office equipment. Given the useful lives selected, the net realizable value of the other plant and office equipment included in the calculation did not fall short of its carrying amount, as a result of which the net realizable value basically corresponds to the current carrying amount.

Due to changes in the planning scenarios on the level of individual cash generating units, the impairment tests performed at the "HORNBACH Baumarkt AG Subgroup" in the 2021/22 financial year resulted in the identification of impairment requirements for marketing-oriented and sales promotional plant and office equipment and for right-of-use assets at 8 stores, which each constitute cash generating units. These items were written down by € 13,020k to their value in use or net realizable value. The recoverable amount for these locations amounts to € 162,732k. The pre-tax discount rates used to determine the values in use ranged between 7.0 % and 10.8 %.

In the previous year, impairment requirements were identified for intangible assets, marketing-oriented and sales promotional plant and office equipment, and right-of-use assets at the "HORNBACH Baumarkt AG Subgroup" and the "HORNBACH Baustoff Union GmbH Subgroup". These items were written down by € 16,786k to the value in use or net realizable value. The recoverable amount for these locations amounted to € 269,388k.

In the previous year, write-ups of € 1,014k to net realizable value were recognized in the "HORNBACH Baustoff Union GmbH Subgroup" segment. These related to the write-back of impairments recognized in previous years for land (€ 430k), buildings (€ 436k), and outdoor facilities (€ 148k). The recoverable amount came to € 5,140k. The net realizable value was determined by reference to external property valuations. The values of the respective properties were determined using the capitalized earnings method pursuant to the German Real Estate Valuation Ordinance (ImmoWertV).

Moreover, in the previous year a write-down of € 1,068k to net realizable value was recognized in the "HORNBACH Baumarkt AG Subgroup" segment for a location still in development.

Impairment losses are included under non-current asset items in the corresponding segments as follows:

	2021/22	2020/21
HORNBACH Baumarkt AG subgroup		
Land	0	1,068
Right-of-use assets	11,350	14,516
Other equipment, plant, and office equipment	1,670	1,269
	13,020	**16,853**
	0	**0**
HORNBACH Baustoff Union GmbH subgroup		
Intangible assets	0	816
Other equipment, plant, and office equipment	0	185
	0	**1,001**
Total	**13,020**	**17,854**

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

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

Other equipment and plant and office equipment mainly relate to HORNBACH Baumarkt AG, Union Bauzentrum HORNBACH GmbH, Ruhland Kallenborn & Co. GmbH, and Robert Röhlinger GmbH in the case of German consolidated companies and to HORNBACH Baumarkt GmbH, HORNBACH Baumarkt Luxemburg SARL, HORNBACH Baumarkt CS spol s.r.o., HORNBACH Baumarkt SK spol s.r.o., HORNBACH Bouwmarkt (Nederland) B.V., HORNBACH Baumarkt (Schweiz) AG, HORNBACH Byggmarknad AB, HORNBACH Centrala SRL, HORNBACH Asia Ltd., and Etablissement Camille Holtz et Cie. SA in the case of foreign consolidated companies.

Investment property mainly relates to retail properties at various locations in Germany and abroad. The respective rental contracts have basic rental periods of 1 to 15 years and in some cases provide extension options for the lessees. 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 around € 41.2 million (2020/21: € 39.0 million). The fair values have been determined by independent external surveyors, who generally calculate the capitalized earnings value pursuant to the German Real Estate Valuation Ordinance (ImmoWertV). The calculation is based on Level 3 input data. Key input factors include future rental income, the property rate, and operating costs. Application is also made of the comparative value method. This involves determining the fair value on the basis of transactions with comparable properties (Level 2 input data).

In the year under report, write-ups of € 2,607k and € 535k were recognized on land not required for operations in the "HORNBACH Immobilien AG Subgroup" and the "HORNBACH Baumarkt AG Subgroup" segments respectively. These related to write-backs of impairment losses recognized in previous years.

In the previous year, a write-up of € 1,036k to net realizable value was recognized on a piece of reserve land not yet designated for any specific use in the "HORNBACH Immobilien AG Subgroup" segment. This involved the write-back of impairment losses recognized on land in previous year. The net realizable price was determined on the basis of external property surveys.

Rental income of € 2,621k was generated on properties let to third parties in the year under report (2020/21: € 2,205k). Expenses of € 1,644k were incurred for the maintenance of the properties let to third parties (2020/21: € 1,439k). Expenses of € 96k were incurred for all other items of investment property (2020/21: € 148k). The real estate acts as security for bank loans in the form of registered land charges amounting to € 182.3 million (2020/21: € 176.0 million).

(13) Leases

Leases developed as follows in the 2021/22 financial year:

2021/22 financial year € 000s	Land, leasehold rights, and buildings, including buildings on third-party land	Other equipment, plant, and office equipment	Total
Carrying amount at March 1, 2020	735,517	5,784	741,301
Additions	79,212	7,822	87,034
Depreciation and amortization	98,965	7,116	106,081
Disposals	3,868	398	4,266
Foreign currency translation	(1,300)	2	(1,298)
Carrying amount at February 28, 2021	**710,596**	**6,094**	**716,690**
Carrying amount at March 1, 2021	**710,596**	**6,094**	**716,690**
Additions	170,763	9,423	180,186
Depreciation and amortization	101,910	9,042	110,952
Disposals	42	102	144
Foreign currency translation	3,033	(12)	3,021
Carrying amount at February 28, 2022	**782,441**	**6,360**	**788,801**

In terms of land and buildings, the Group predominantly leases retail properties, including land and parking spaces, office buildings, and logistics centers. In the field of other equipment, plant and office equipment, the Group mainly leases physical advertising space, vehicles, and logistics-related plant and office equipment.

The contracts for land and buildings generally have fixed terms of up to 20 years (except for leasehold agreements) and include arrangements for extension and termination options. The provisions governing options and other conditions are individually negotiated for each contract. Alongside conditions which influence the respective term, the contracts also include rental price adjustment clauses linked to the development in consumer price indices. These increase the right-of-use asset and the lease liability as soon as the rate of increase for the consumer price index agreed in the contract is reached.

As of February 28, 2022, the contract portfolio comprises 174 property lease agreements (2020/21: 158). The weighted remaining term of this portfolio amounts to 10.2 years (2020/21: 9.9 years). The weighted remaining term of leases for plant and office equipment amounts to 2.0 years (2020/21: 2.0 years).

As of the reporting date, the Group has entered into several lease arrangements as a lessee in which the assets will only be assigned for use in the future or the respective contracts are still subject to conditions precedent. The resultant (undiscounted) payments for the non-terminable basis lease term amount to € 87,185k. (2020/21: € 112,372k).

The following amounts were recognized in the income statement and the cash flow statement in the 2021/22 financial year:

	2021/22 € 000s	2020/21 € 000s
Sales / other operating income		
Income from operating lease contracts	5,463	6,144
Income from sublease contracts	2,084	1,935
Other income from real estate lease contracts (service charge)	1,153	1,463
Selling and store expenses / pre-opening expenses / general and administration expenses		
Expenses for short-term lease contracts	4,542	4,230
Expenses for leases involving low-value assets	1,504	1,379
Other expenses for real estate lease contracts (service charge)	5,957	5,300
Depreciation and amortization		
Depreciation of right-of-use assets	99,602	91,565
Impairment of right-of-use assets	11,350	14,516
Net financial expenses		
Interest expenses from lease liabilities	27,289	26,018
Financing income on net investment in lease	242	30
Outflow of cash in connection with leases	**142,682**	**130,439**

The “Other expenses for real estate lease contracts (service charge)” line item includes variable lease payments and ancillary expenses.

Lease liabilities have the following maturities:

€ 000s	2021/22		2020/21	
	Nominal value	Present value	Nominal value	Present value
Maturity < 1 year	123,144	96,368	112,486	86,198
Maturity 2 - 5 years	458,911	383,297	419,361	346,858
Maturity > 5 years	456,856	395,147	411,926	357,018
	1,038,911	**874,811**	**943,773**	**790,074**

The receivables of € 18,728k from operating lease contracts (2020/21: € 18,491k) mainly relate to retail properties let to third parties, open space, and office space. The contracts generally have terms of up to 15 years. There are no purchase options on the part of the lessees. In individual cases, the contracts include provisions governing extension options.

The receivables from operating lease contracts have the following maturities. For rental contracts with indefinite useful lives, rental income has only been recognized for up to one year.

Rental income from third parties € 000s	Maturities 1 year	2 years	3 years	4 years	5 years	> 5 years	Total
February 28, 2022	5,975	3,104	1,842	1,529	1,325	4,953	18,728
February 28, 2021	5,211	3,162	2,457	1,488	1,173	5,000	18,491

The receivables from finance lease contracts result from a subletting arrangement for a retail property for which the term is consistent with that of the head lease.

	2021/22 € 000s	2020/21 € 000s
Maturity < 1 year	876	480
Maturity 1 - 2 years	796	480
Maturity 2 - 3 years	396	400
Maturity 3 - 4 years	396	0
Maturity 4 - 5 years	396	0
Maturity > 5 years	6,596	0
Nominal value of lease payments	**9,456**	**1,360**
Gross investment	**9,456**	**1,360**
Financial income not yet realized	4,515	36
Net investment	**4,942**	**1,324**

(14) Financial assets

The development in financial assets in the 2020/21 and 2021/22 financial years was as follows:

€ 000s	Investments	Total
Cost		
Balance at February 28/March 1, 2021	**112**	**112**
Balance at February 28, 2022	**112**	**112**
Carrying amount at February 28, 2022	**112**	**112**
Carrying amount at February 28, 2021	112	112

There were no changes in financial assets in the 2021/22 financial year. Dividends of € 4k were paid in the 2021/22 financial year (2020/21: € 3k).

The Group currently has no intention to sell the financial assets.

(15) Other non-current receivables and assets

Other non-current receivables and assets mainly consist of accruals of € 991k (2020/21: accruals and swaps of € 2,601k) with a remaining term of more than one year and non-current lease receivables of € 4,403k (2020/21: € 865k).

(16) Deferred taxes

Deferred taxes relate to the following items:

	2.28.2022 Assets € 000s	2.28.2022 Liabilities € 000s	2.28.2021 Assets € 000s	2.28.2021 Liabilities € 000s
Intangible assets and property, plant, and equipment	7,323	48,911	7,435	49,869
Leases	22,214	1,616	17,274	570
Inventories	1,310	5,078	677	4,884
Other assets and liabilities	1,389	2,964	1,916	2,835
Liabilities	919	928	1,268	946
Other provisions	12,604	547	11,520	506
Tax-free reserves	0	67	0	0
Losses carried forward	4,704	0	19	0
	50,463	**60,111**	**40,109**	**59,610**
Set-off	(28,784)	(28,784)	(27,894)	(27,894)
Total	**21,679**	**31,327**	**12,215**	**31,716**

(17) Inventories

	2.28.2022 € 000s	2.28.2021 € 000s
Raw materials and supplies	2,716	2,479
Finished products and merchandise	1,253,675	1,008,333
Inventories (gross)	**1,256,391**	**1,010,812**
less valuation allowances	25,962	17,903
Inventories (net)	**1,230,429**	**992,909**
Carrying amount of inventories measured at net realizable value	49,687	48,701

Expenses of € 3,643,683k were recognized as merchandise input expenses for merchandise and auxiliary materials and supplies in the 2021/22 financial year (2020/21: € 3,377,546k).

(18) Trade receivables and other current assets

These comprise the following items:

	2.28.2022 € 000s	2.28.2021 € 000s
Trade receivables	47,261	40,982
Receivables from affiliated companies	9	10
Contract assets	1,576	1,231
Positive fair values of derivative financial instruments	2,346	666
Other receivables and assets	95,935	110,391
	147,127	**153,280**

Trade receivables are initially recognized at fair value or – if they do not include any significant financing component – at their transaction price. The Group holds trade receivables to collect the contractual cash flows and subsequently measures them at amortized cost using the effective interest method and less any impairments. Details of the impairment methods used by the Group can be found in the information provided on the accounting policies applied in the consolidated financial statements and in Note 33.

Trade receivables include receivables of € 2,699k (2020/21: € 2,390k) assigned within factoring agreements that have not been derecognized as all of the credit risk remains at the HORNBACH Holding AG & Co. KGaA Group. A corresponding liability has been recognized in the same amount. For these receivables, the business model involves selling these assets; in view of this, these receivables are measured at fair value. Given the short-term nature of the relevant receivables and the corresponding liability, their fair values are basically equivalent to their carrying amounts.

Furthermore, the Group has factoring agreements that result in the full derecognition of the respective trade receivables, but that nevertheless entail continuing involvement pursuant to IFRS 7. This continuing involvement arises due to fact that new obligations arise for HORNBACH upon the assignment of the respective receivable. Should the receivables thereby assigned default, then HORNBACH is liable for a contractually defined quota. The receivables assigned and fully derecognized are countered by a provision of € 48k (2020/21: € 41k) that represents the likely liability risk. Any liability-related issues are generally addressed shortly after the assignment of the receivable. The maximum risk of loss amounted to € 3,177k as of February 28, 2022 (2020/21: € 2,373k) and was based on the total loss of all relevant receivables. This amount was derived by multiplying the balance of receivables thereby assigned with the respective liability quota. The company does not generate any gain or loss at the time at which the receivable is assigned. The expenses recognized in the 2021/22 financial year for receivables that were assigned and fully derecognized and that subsequently defaulted amount to € 481k (2020/21: € 409k).

Contract assets represent the contingent claims from customers for tradesman orders not yet completed.

Other receivables and assets mainly consist of receivables in connection with credit notes for goods and bonus agreements, receivables from credit card companies, pledged funds, and deferred charges and prepaid expenses. This item also includes recourse claims of € 4,925k for expected returns. In the previous year, recourse claims for expected returns amounted to € 11,642k, with this being due to the lockdown measures in the 4th quarter. Furthermore, this item also includes tax refund claims of € 9,094k (2020/21: € 20,398k). Further information about these can be found in Note 27.

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

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

€ 000s	Trade receivables		Other receivables and assets	
	2021/22	2020/21	2021/22	2020/21
Allowances at March 1	**4,499**	**4,581**	**349**	**589**
Utilization	489	1,197	65	248
Reversals	1,434	1,078	90	142
Additions	3,054	2,198	275	149
Foreign currency translation	4	(5)	1	1
Allowances at February 28	**5,634**	**4,499**	**470**	**349**

Within the allowances recognized for trade receivables, the risk provision is basically accounted for using the simplified allowance model as follows: A risk provision of € 4,443k depending on the term and in the range 0.57 %-2.67 % (2020/21: € 3,772k in the range: 0.56 %-3.15 %) and individual allowances of € 1,191k recognized due to objective indications or payment difficulties (2020/21: € 727k).

Within the allowances recognized for other receivables and assets, the risk provision is basically accounted for using the general allowance model as follows: individual allowances of € 246k due to objective indications (2020/21: € 217k) and further individual allowances of € 130k depending on the extent to which the receivables are overdue (2020/21: € 60k). The risk provision for contract assets is based on the simplified allowance model and, at the end of the financial year, amounted to € 72k (2020/21: € 71k).

The complete derecognition of receivables resulted in expenses of € 889k (2020/21: € 977k). The receipt of receivables already derecognized resulted in income of € 80k (2020/21: € 153k).

In the 2021/22 financial year, there were no material balances of derecognized receivables subject to execution proceedings.

(19) Cash and cash equivalents

	2.28.2022 € 000s	2.28.2021 € 000s
Cash balances at banks	290,414	398,840
Checks and cash on hand	41,848	36,118
	332,262	**434,958**

(20) 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 2021/22 financial year, one property with a carrying amount of € 1,414k in the "HORNBACH Baumarkt AG Subgroup" segment was reclassified out of the "investment property" balance sheet line item.

The property with a carrying amount of € 2,359k already reclassified out of the "investment property" balance sheet line item in the "HORNBACH Immobilien AG Subgroup" segment in the previous year is still being held for sale. The disposal process was completed at the beginning of the 2022/23 financial year. In the past financial year, currency translation effects of € 35k were attributable to this asset.

In the previous year, the piece of land included in the "HORNBACH Immobilien AG Subgroup" segment at the beginning of the 2020/21 financial year was sold. A profit of € 598k was realized. The disposal gains thereby generated were recognized under other operating income from non-operating activities.

As in the previous year, no impairment losses or write-ups were recognized on non-current assets held for sale in the 2021/22 financial year.

(21) Shareholders' equity
The development in the shareholders' equity of the HORNBACH Holding AG & Co. KGaA Group is shown in the statement of changes in group equity for the 2020/21 and 2021/22 financial years.

Share capital
At the balance sheet date on February 28, 2022, the share capital of HORNBACH Holding AG & Co. KGaA amounted to € 48,000,000.00 and was divided into 16,000,000 ordinary shares with a prorated nominal amount in the share capital of € 3.00 per share.

By resolution of the Annual General Meeting on July 8, 2021, the general partner is authorized until July 7, 2026, subject to approval by the Supervisory Board, to increase the company's share capital in full or in part by a total of up to € 9,600,000.00 by issuing up to 3,200,000 new no-par bearer shares on one or more occasions in return for cash and/or non-cash contributions.

The total amount of shares issued by drawing on Authorized Capital 2021 and the shares that may or are to be issued during the term of this authorization to service conversion or option rights or to satisfy conversion or option obligations for convertible bonds with option and/or conversion rights or obligations (or a combination of these instruments) may not exceed an amount of share capital totaling € 9,600,000.00 (corresponding to 20 % of share capital).

Publication of WpHG voting right notifications
§ 33 (1) of the German Securities Trading Act (WpHG) requires shareholders to disclose the fact that their share of voting rights has reached, exceeded, or fallen short of specific disclosure thresholds within four trading days. The disclosure thresholds amount to 3 %, 5 %, 10 %, 15 %, 20 %, 25 %, 30 %, 50 %, and 75 %. Similar disclosure obligations are set out in § 38 and § 39 WpHG for the bearers of financial instruments once they reach, exceed, or fall short of the aforementioned disclosure thresholds except for the 3 % threshold.

Pursuant to § 40 WpHG, HORNBACH Holding AG & Co. KGaA is obliged to publish such notifications immediately, and no later than three trading days after receipt. We received and published a number of such notifications in the reporting period from March 1, 2021 to February 28, 2022. These notifications can be found in the "NEWS" section of the company website at www.hornbach-group.com (filtered by catchword "voting right notification").

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 and “other revenue reserves”, as well as accumulated earnings and equity components recognized in equity that are attributable to shareholders.

Minority interests
Shares held by third parties in the equity of consolidated subsidiaries (non-controlling interests) are reported under minority interests.

Within the HORNBACH Holding AG & Co. KGaA Group, material non-controlling interests relate solely to HORNBACH Baumarkt AG. The share of capital and voting rights for the non-controlling interests in HORNBACH Baumarkt AG amounts to 9.14 % (2020/21: 23.65 %). Based in Bornheim (Germany), HORNBACH Baumarkt AG is the parent company of the HORNBACH Baumarkt AG Group. This subgroup constitutes a proprietary segment within the HORNBACH Holding AG & Co. KGaA Group. As the non-controlling interests in HORNBACH Baumarkt AG impact on the inclusion of the entire subgroup in the consolidated financial statements of HORNBACH Holding AG & Co. KGaA, the information below is presented in aggregated form for the HORNBACH Baumarkt AG subgroup. The information is presented prior to the elimination of intercompany transactions with other subsidiaries included in the consolidated financial statements of HORNBACH Holding AG & Co. KGaA.

€ 000s	February 28, 2022	February 28, 2021
Sales	5,496,086	5,116,944
Consolidated net income	188,944	153,138
of which: attributable to non-controlling interests	44,713	36,111
Other comprehensive income	21,402	(8,431)
Total comprehensive income	**210,346**	**144,706**
of which: attributable to non-controlling interests	49,966	34,988
Assets	4,084,355	3,765,187
Liabilities	2,647,325	2,510,242
Net assets	**1,437,030**	**1,254,945**
of which: attributable to non-controlling interests	131,386	294,219
Cash flow from operating activities	344,719	333,526
Cash flow from investing activities	(164,519)	(136,925)
Cash flow from financing activities	(227,213)	(162,687)
Cash-effective change in cash and cash equivalents	**(47,013)**	**33,914**
Dividends paid to non-controlling interests	6,770	5,118

[1] The dividend payments are included in the outflow of cash for financing activities.

Disclosures about capital management

The capital management practiced by HORNBACH Holding AG & Co. KGaA 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 2021/22 financial year. The equity ratio amounted to 40.9 % as of February 28, 2022 (2020/21: 44.2 %).

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

Delisting purchase offer

On December 20, 2021, HORNBACH Holding AG & Co. KGaA announced its intention to submit a public delisting purchase offer to acquire all the shares it did not already hold in HORNBACH Baumarkt AG. Following approval by the German Federal Financial Supervisory Authority (BaFin), the offer documentation was published by HORNBACH Holding AG & Co. KGaA on January 14, 2022. The acceptance period for shareholders in HORNBACH Baumarkt expired on February 22, 2022. Within this offer, a total of 4,011,904 HORNBACH Baumarkt shares were tendered at a price of € 47.50. The transfer of ownership of the shares under civil law was only executed after February 28, 2022 as the shares were only transferred to the account of HORNBACH Holding AG & Co. KG at this point in time. Due to the structure of the transaction, however, the respective shares were already attributable to the parent company in economic terms prior to the balance sheet date as of February 28, 2022. The transaction has been presented accordingly in the balance sheet as of February 28, 2022. In accordance with the principles set out in IFRS 10.23, the transaction has been presented as a shareholder transaction within equity. Pursuant to IAS 32.37, transaction costs directly relating to the acquisition of shares (mainly advisory expenses and real estate transfer tax) of € 23.6 million and allocable taxes have been recognized directly in equity. The company has also recognized a corresponding financial liability for the purchase price payment.

Employee shares at the HORNBACH Baumarkt AG Group

On the basis of a resolution adopted by the Board of Management on September 6, 2021, the employees of HORNBACH Baumarkt AG and its foreign subsidiaries were offered employee shares. A total of 52,770 shares in HORNBACH Baumarkt AG were acquired via the stock exchange. Of these, 5,240 shares were already acquired in the 2020/21 financial year. Employees were assigned 52,580 shares. The company held the remaining 190 shares as treasury stock as of the balance sheet date. The 52,580 shares ceded to employees were acquired at an average price of € 35.73 and subsequently assigned at a price of € 18.00. An amount of € -167k was recognized in equity to account for the difference between the acquisition price and the stock market price upon the date on which the shares were assigned to employees. The difference between the stock market price upon assignment and the price at which the shares were ceded to employees was recognized through profit or loss. A total of 40,410 shares were assigned to employees of HORNBACH Baumarkt AG, while 12,170 shares were assigned to employees of subsidiaries.

(22) Distributable earnings and dividends

The distributable amounts involve the unappropriated net profit reported in the balance sheet of HORNBACH Holding AG & Co. KGaA prepared in accordance with German commercial law.

HORNBACH Holding AG & Co. KGaA concluded the 2021/22 financial year with an annual net surplus of € 46,741,964.24.

The Board of Management of the general partner HORNBACH Management AG and the Supervisory Board of HORNBACH Holding AG & Co. KGaA will propose to the Annual General Meeting that the unappropriated net profit of € 46,741,964.24 be appropriated as follows:

	€
Dividend of € 2.40 for 16,000,000 shares	38,400,000.00
Balance to be carried forward	6,741,964.24
	45,141,964.24

In the 2021/22 financial year, the Annual General Meeting held on July 8, 2021 approved a dividend of € 2.00. The total amount distributed thus amounted to € 32,000k (2020/21: € 24,000k).

(23) Financial debt

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

€ 000s	Maturities			**Carrying amount**
	Current < 1 year	Non-current 1 to 5 years	Non-current > 5 years	**2.28.2022 Total**
Bonds		247,663		247,663
Liabilities to banks	28,080	333,462	11,382	372,923
Liabilities from delisting purchase offer	190,565			190,565
Lease liabilities	96,368	383,297	395,147	874,811
Negative fair values of derivative financial instruments	2,293			2,293
Total	**317,307**	**964,421**	**406,528**	**1,688,256**

€ 000s	Maturities			Carrying amount
	Current < 1 year	Non-current 1 to 5 years	Non-current > 5 years	2.28.2021 Total
Bonds			247,154	247,154
Liabilities to banks	134,388	342,010	5,677	482,075
Lease liabilities	86,198	346,858	357,018	790,074
Negative fair values of derivative financial instruments	495			495
Total	**221,081**	**688,868**	**609,849**	**1,519,797**

The HORNBACH Holding AG & Co. KGaA Group had current financial debt amounting to € 317.3 million at the balance sheet date on February 28, 2022 (2020/21: € 221.1 million). This consists of the portion of loans maturing in the short term, amounting to € 21.9 million (2020/21: € 127.3 million), lease liabilities of € 96.4 million (2020/21: € 86.2 million), short-term time loans of € 2.5 million (2020/21: € 2.5 million), interest deferrals of € 3.7 million (2020/21: € 4.5 million), liabilities of € 2.3 million relating to the measurement of derivative financial instruments (2020/21: € 0.5 million), and liabilities of € 190.6 million resulting from offers accepted in connection with the delisting purchase offer made by HORNBACH Holding AG & Co. KGaA (2020/21: € 0.0 million). As of February 28, 2022, the obligations resulting from the shares thus acquired in HORNBACH Baumarkt AG were recognized as a liability of € 190.6 million to shareholders and increased current financial debt accordingly. To cover the aforementioned liability, the bridge financing facility concluded for this purpose was drawn down at the beginning of the new financial year.

The interest of € 2.8 million accrued since the previous bond interest payment date has been recognized in the carrying amount of liabilities to banks (2020/21: € 2.8 million). The Group has the following material financing facilities:

Borrower	Instrument	Amount		Start of term	Start of term	Interest
HORNBACH Holding B.V.	Promissory note bond	52 million	EUR	9.13.2018	9.13.2023	Fixed*
HORNBACH Holding B.V.	Promissory note bond	43 million	EUR	9.13.2018	9.15.2025	Fixed*
HORNBACH Baumarkt AG	Promissory note bond	126 million	EUR	2.22.2019	2.22.2024	Fixed*
HORNBACH Baumarkt AG	Promissory note bond	74 million	EUR	2.22.2019	2.23.2026	Fixed*
HORNBACH Baumarkt AG	Corporate bond	250 million	EUR	10.25.2019	10.26.2026	Fixed**

* The costs relating to the issue have been spread over the term.
** Based on an issue price of 99.232 % the effective yield amounts to 3.48 %. The costs of € 1,627k and disagio of € 1,902k have been spread over the term using the effective interest method.

Alongside the aforementioned unsecured financing facilities, the Group has further non-current liabilities, generally secured by mortgages, to banks. Liabilities to banks, originally of a non-current nature, are structured as follows:

2021/22 financial year	Currency	Interest agreement in % (including swap)	Maturity	**Amount 2.28.2022 € 000s**
Loans	EUR	0.85 to 2.00	2023 to 2026	294,699
Mortgage loans	EUR	0.55 to 4.97	2022 to 2031	37,665
	CZK	2.19 to 5.22	2023 to 2026	20,790
	SEK	1.50 to 4.97	2024 to 2028	13,586
				366,740

2020/21 financial year	Currency	Interest agreement in % (including swap)	Maturity	Amount 2.28.2021 € 000s
Loans	EUR	0.85 to 2.00	2021 to 2026	364,613
Mortgage loans	EUR	3.71 to 4.97	2022 to 2023	23,644
	CZK	2.19 to 5.22	2023 to 2026	24,053
	SEK	1.50 to 4.97	2024 to 2028	17,212
				429,522

The overwhelming share of non-current liabilities to banks have fixed interest rates. The only long-term loan with a floating rate at the end of the financial year has an interest rate based on a short-term Euribor plus a bank margin of 1.60 percentage points (2020/21: 1.60). Interest swaps are generally concluded to secure the interest rate on long-term loans 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.

As of February 28, 2022, the HORNBACH Holding AG & Co. KGaA Group had total credit lines of € 829.7 million (2020/21: € 424.3 million) on customary market terms. Unutilized credit lines amounted to € 813.2 million (2020/21: € 414.0 million). Furthermore, HORNBACH Baumarkt AG has a credit line for import credits.

The credit lines at the HORNBACH Holding AG & Co. KGaA Group include a syndicated credit line of € 350 million at HORNBACH Baumarkt AG that was agreed on December 22, 2017 and has a term until December 22, 2024. The credit line may also be drawn down in foreign currencies, particularly SEK and CZK, up to an amount of € 25 million. Furthermore, supplementary bilateral loan agreements of up to € 70 million may also be concluded within the credit framework (also in foreign currencies). Upon utilization of the credit line, 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. A provision fee dependent on the respective interest margin is charged for the unutilized portion of the credit line.

Furthermore, credit lines at the HORNBACH Holding AG & Co. KGaA Group include a bridge financing facility of € 400 million at HORNBACH Holding AG & KGaA, which has a term running until July 3, 2022. This bridge financing facility serves to secure liquidity requirements resulting from the delisting purchase offer addressed by HORNBACH Holding AG & Co. KGaA to shareholders in HORNBACH Baumarkt AG. The borrower has the option of extending the facility by a further 6 months.

No assets have been provided as security for the credit lines, the promissory note bonds, or the corporate 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, as well as change of control, cross default, and cross acceleration arrangements for major financing facilities. In the case of the syndicated credit line at HORNBACH Baumarkt AG, they also require compliance with specific financial ratios. These key financial ratios are based on consolidated figures at the HORNBACH Baumarkt AG subgroup and require interest cover of at least 2.25 times and an equity ratio of at least 25 %. Maximum limits for financing facilities secured by land charges and financing facilities taken up by subsidiaries were also agreed. Comparable maximum limits were also agreed for the promissory note bonds at the HORNBACH Baumarkt AG subgroup and for the bridge financing facility at HORNBACH Holding AG & Co. KGaA. The corporate bond at HORNBACH Baumarkt AG is also subject to a comparable limit on financing facilities secured by land charges. The interest cover, 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. 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.

Land charges of € 182.3 million have been provided as security for liabilities to banks (2020/21: € 176.0 million).

The HORNBACH Holding AG & Co. KGaA Group is subject to a relevant restriction that limits the possibilities of using subsidiaries' assets to settle subsidiaries' liabilities. This relates to liquid funds of € 290.3 million at HORNBACH Baumarkt AG and its subsidiaries (2020/21: € 334.6 million). Apart from an allowance of € 50.0 million, these funds must remain within the HORNBACH Baumarkt AG subgroup and may not be used to settle liabilities at companies outside the subgroup.

The transition of future lease payments for leases has been presented in Note 13 “Leases”.

The following reconciliation presents the changes in financial liabilities and derivative financial instruments relating to the Group's financing activities:

Reconciliation pursuant to IAS 7 in € 000s	3.1.2021	Cash-effective changes	of which: interest included in cash flow from operating activities	Non-cash changes			2.28.2022
				Foreign currency translation	Changes in fair values	Other changes	
Bonds	247,154	(8,125)	8,125	0	0	509	247,663
Liabilities to banks	482,075	(121,542)	10,306	(1,599)	0	3,683	372,923
Liabilities in connection with delisting purchase offer	0	0	0	0	0	190,565	190,565
Liabilities in connection with finance leases	790,074	(124,363)	27,394	3,869	0	177,838	874,811
Financial and similar liabilities	**1,519,303**	**(254,030)**	**45,825**	**2,269**	**0**	**372,595**	**1,685,962**
Positive fair values of derivative financial instruments from financing activities	1,297	327	(327)	(57)	491	11	1,742
Derivative financial assets	**1,297**	**327**	**(327)**	**(57)**	**491**	**11**	**1,742**

Reconciliation pursuant to IAS 7 in € 000s	3.1.2020	Cash-effective changes	of which: interest included in cash flow from operating activities	Non-cash changes			2.28.2021
				Foreign currency translation	Changes in fair values	Other changes	
Bonds	246,647	(8,125)	8,125	0	0	507	247,154
Liabilities to banks	496,544	(22,201)	8,245	(1,530)	0	1,018	482,075
Liabilities in connection with finance leases	795,321	(111,923)	25,980	(2,021)	0	82,717	790,074
Financial and similar liabilities	**1,538,512**	**(142,249)**	**42,350**	**(3,551)**	**0**	**84,242**	**1,519,303**
Positive fair values of derivative financial instruments from financing activities	2,010	353	(353)	106	(821)	3	1,297
Derivative financial assets	**2,010**	**353**	**(353)**	**106**	**(821)**	**3**	**1,297**

(24) Pensions and similar obligations

As a result of legal requirements in individual countries and individual commitments made to its directors and officers, the HORNBACH Holding AG & Co. KGaA Group has obligations relating to defined benefit and defined contribution pension plans.

Defined contribution plans

Apart from payment of contributions, the defined contribution plans do not involve any further obligations on the part of the HORNBACH Holding AG & Co. KGaA Group. The total of all defined contribution pension expenses amounted to € 72,543k in the 2021/22 financial year (2020/21: € 67,134k). Of this total, an amount of € 40,459k involved the employer's share of contributions to the state pension scheme in Germany (2020/21: € 37,260k).

Multiemployer defined benefit plans

Joint pension plans are in place for staff employed in the Netherlands. As the pension providers for these plans do not provide the necessary information in the form required for recognition as defined benefit plans, these plans are recognized as defined contribution plans. Consistent with the requirements of this plan, HORNBACH Holding AG & Co. KGaA has no obligation to assume liability for the contributions of other employers participating in the plan. No probable material risks have been identified in connection with the multiemployer defined benefit pension plan. The company expects to pay contributions of € 6,686k in the 2022/23 financial year.

Defined benefit plans

- **Switzerland**

  The HORNBACH Holding AG & Co. KGaA Group has one fund-financed pension plan which is financed via an external pension provider. This pension plan exists due to legal requirements in Switzerland (Swiss Occupational Pensions Act - BVG) and grants old-age, invalidity and fatality pensions and payments for 1,090 beneficiaries.

  The pension plan offers benefits that exceed the statutory minimum requirements under the BVG legislation. The employee covers around 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. Retirement pension contributions are age-dependent and rise with increasing age. Risk and cost premiums are calculated by the insurance company on an individual basis and reassessed each year. The actuarial risk in connection with this plan is borne by HORNBACH Holding AG & Co. KGaA. The pension plan must be fully covered on the basis of a statistical evaluation performed in accordance with BVG provisions. In the event of a shortfall, the pension authority is required to take measures such as setting additional employer and employee contributions or payments.

  The pension provider constitutes a separate legal entity. This is responsible for managing the pension plan and has issued investment regulations defining the respective investment strategy. The highest decision-making body for the pension provider is the Board of Trustees. This consists of an equal number of employer and employee representatives from the companies participating in the plan.

- **Germany**

  HORNBACH Baumarkt AG, HORNBACH Immobilien AG and HORNBACH Baustoff Union GmbH have undertaken to provide members of their Boards of Management or their managing directors with a securities-financed pension plan. This model offers the opportunity to increase pension claims, while the companies simultaneously guarantee a minimum return of 2 % p.a. for members of their Boards of Management. Pension assets and voluntary additional contributions by members of the Boards of Management or managing directors are held in a fiduciary capacity and invested in diversified funds by Allianz Treuhand GmbH, Frankfurt am Main. The funds are invested in line with a capital investment concept jointly defined by the companies and Allianz Treuhand GmbH. Where amendments to the capital investment concept do not contravene the fiduciary objective, the companies themselves may have such amendments made. The risk that the trust assets do not generate the minimum return of 2 % p.a. is borne by the companies.

The scope of obligation towards plan beneficiaries has been set in each case at a maximum of the fund assets and the present value of contributions paid, including the guaranteed return. To this end, the contributions paid by the employer and by the Board of Management are compared with the associated fund assets.

Furthermore, company employees also have the possibility of participating in a “working time account model”. Salary claims can be converted into so-called value credits in line with individual employee's requirements. Directly before the termination of the employment relationship for age-related reasons, these credits can then be used to enable the employee to retire early. Non-disbursed salary claims can be invested in various investment funds in line with the individual employee's risk preference. HORNBACH Holding AG & Co. KGaA guarantees the value retention of amounts contributed to value credits and thus bears the investment risk. Salary components contributed by the company or employees are managed within a so-called double fiduciary model 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 fund shares. Due to their pension-like character, these “other long-term benefits” have been recognized under pensions and similar obligations.

Pensions and similar obligations are structured as follows:

	2021/22 € 000s	2020/21 € 000s
Present value of pension obligation	100,399	93,555
less fair value of plan assets	(88,096)	(74,207)
Asset ceiling	584	0
Pension commitments as reported in balance sheet	**12,887**	**19,349**
of which pensions and similar obligations	12,856	19,349
of which other non-current liabilities	31	0

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

	2.28.2022 %	2.28.2021 %
Debt securities	64.4	58.4
Shares	6.5	9.3
Real estate	15.3	14.3
Other	13.8	17.9
	100.0	**100.0**

Change in pension obligation

	2021/22 € 000s	2020/21 € 000s
Present value of pension obligation at the beginning of the period	93,555	96,763
Current service cost of employer	6,176	6,019
Past service cost	(1,836)	(269)
Employee contributions	4,573	3,623
Interest cost	(64)	(69)
Payments from the plan	850	(1,934)
Actuarial gains/losses due to:		
Changes in demographic assumptions	0	(5,280)
Changes in financial assumptions	(11,350)	(2,625)
Experience adjustments	6,315	1,672
Insurance premiums	(2,419)	(1,664)
Foreign currency translation	4,599	(2,681)
Present value of pension obligation at the end of the period	**100,399**	**93,555**

Change in plan assets

	2021/22 € 000s	2020/21 € 000s
Plan assets at beginning of period	74,207	71,897
Employer contributions	6,533	4,631
Employee contributions	4,573	3,623
Payments from the plan	860	(1,923)
Interest income	(81)	(55)
Return on plan assets (excluding income recognized in net interest expenses)	1,130	(505)
Insurance premiums	(2,419)	(1,664)
Foreign currency translation	3,293	(1,797)
Plan assets at the end of the period	**88,096**	**74,207**

Responsibility for the plan asset investment strategy has been assigned to Allianz Treuhand GmbH for the German plans and to the top management body (Board of Trustees) at the BVG-Sammelstiftung Swiss Life for the Swiss plans. These external asset managers perform portfolio risk management and synchronize the development in plan assets and pension obligations in line with the conceptual and legal structure of the defined benefit plans.

HORNBACH Holding AG & Co. KGaA analyses the portfolio structure and performance at regular intervals in order to identify any need for action.

The expenses for defined benefit plans are presented below. As well as expenses and income recognized through profit or loss under personnel expenses and net financial expenses, these also include plan-related amounts recognized in other comprehensive income within equity.

	2021/22 € 000s	2020/21 € 000s
Current service cost of employer	6,176	6,019
Past service cost	(1,836)	(269)
Interest cost	(64)	(69)
Interest income	81	55
Effects recognized in P&L	**4,357**	**5,736**
Actuarial gains/losses due to:		
Changes in demographic assumptions	0	5,280
Changes in financial assumptions	11,350	2,625
Experience adjustments	(6,315)	(1,672)
Return on plan assets (excluding income recognized in net interest expenses)	1,130	(505)
Asset ceiling	(584)	0
Effects recognized in OCI	**5,582**	**5,729**
Costs for defined benefit plans	**(1,224)**	**7**

The amounts recognized through profit or loss are included in the income statement in the personnel expenses for the following functional areas and in net financial expenses:

	2021/22 € 000s	2020/21 € 000s
Selling and store expenses	2,742	4,105
Pre-opening expenses	154	14
General and administration expenses	1,445	1,632
Net interest expenses	17	(14)
	4,357	**5,736**

Actuarial assumptions

The calculation has been based on the following actuarial assumptions. These vary depending on the country in which the plan is based.

	2.28.2022		2.28.2021	
	Weighted average	Range	Weighted average	Range
Discount interest rate	0.9 %	0.8 % to 1.7 %	0.1 %	(0.1)% to 0.8 %
Future salary increases	1.8 %	1.5 % to 3.0 %	1.8 %	1.5 % to 3.0 %
Future pension increases	0.4 %	0.0 % to 2.0 %	0.4 %	0.0 % to 2.0 %

The discount rate used has been determined on the basis of the return on blue-chip fixed-income industrial bonds. The assumptions concerning future mortality rates are based on published statistics and mortality tables. For plans in Germany, reference has been made to the “Heubeck Richttafeln 2018 G”. Swiss plans are governed by the “BVG 2020 Generationentafel (CMI)”.

Sensitivity analysis

The influence of those actuarial assumptions which, if changed, would materially impact on the measurement of the present value of the pension obligation, has been presented in the following sensitivity analysis. This presents that change in the present value of the pension obligation that would have arisen if different actuarial assumptions had been used as of the balance sheet date. The other parameters influencing the respective values have remained constant.

Change in present value of pension obligation

€ 000s	2.28.2022		2.28.2021	
	Increase	Decrease	Increase	Decrease
Discount rate (0.25 basis points change)	(2,684)	2,888	(2,825)	3,054
Future rate of pension increase (0.10 basis points change)	645	n/a	671	n/a
Mortality (+ 1 year)	1,204	n/a	1,347	n/a

Future cash flows

Payments of contributions amounting to € 5,804k are expected for the 2022/23 financial year.

Expected payments	2.28.2022 € 000s
2022/2023	7,966
2023/2024	3,793
2024/2025	3,632
2025/2026	3,533
2026/2027	5,782
2027 to 2031	19,329

Expected payments	2.28.2021 € 000s
2021/2022	10,400
2022/2023	6,423
2023/2024	2,569
2024/2025	2,441
2025/2026	2,541
2026 to 2030	17,148

(25) Other non-current liabilities

Other non-current liabilities mainly involve non-current provisions of € 46,812k (2020/21: € 38,264k). These mainly include provisions of € 19,513k (2020/21: € 16,097k) for contractually assumed structural maintenance obligations and personnel provisions of € 25,352k (2020/21: € 19,545k). The rental agreements underlying the maintenance obligations have remaining terms of between 1 and 15 years. The personnel provisions mainly relate to provisions recognized due to statutory requirements in Austria for employees in the event of their leaving the company (severance payments) and to anniversary bonus claims, part-time early retirement obligations, and long-term remuneration claims for the Board of Management. Further information about the severance payment obligation can be found at the end of this chapter.

The development in provisions is presented in Note 28.

Severance payments

Upon reaching retirement age (or if their employment is terminated), employees at Austrian subsidiaries are entitled to severance payments provided that they joined the company by December 31, 2002. The level of severance payment entitlement is based on the number of years of service and the most recent level of remuneration from the employment relationship. The volume of obligation is reviewed annually and adjusted accordingly on the basis of an external survey. The actuarial risks associated with this plan are borne by the HORNBACH Holding AG & Co. KGaA Group.

Severance payments represent other defined benefit post-employment benefits and are therefore recognized under other non-current liabilities. The provision for severance payments is measured at the present value of the pension obligation.

Change in pension obligation and costs of plan

	2021/22 € 000s	2020/21 € 000s
Present value of pension obligation at the beginning of the period	5,880	6,733
Current service cost of employer	264	320
Payments from the plan	(446)	(354)
Interest cost	16	30
Actuarial gains/losses due to:		
Changes in demographic assumptions	0	0
Changes in financial assumptions	(167)	(838)
Experience adjustments	299	(11)
Present value of pension obligation at the end of the period	**5,845**	**5,880**

	2021/22 € 000s	2020/21 € 000s
Current service cost of employer	264	320
Interest cost	16	30
Effects recognized in P&L	**280**	**350**
Actuarial gains/losses due to:		
Changes in financial assumptions	167	838
Experience adjustments	(299)	11
Effects recognized in OCI	**(132)**	**849**
Total costs for the plan	**412**	**(499)**

The average remaining term of the obligation amounts to 13.4 years (2020/21: 13.0 years).

Actuarial assumptions and sensitivity analysis

	2.28.2022	2.28.2021
Discount interest rate	1.0 %	0.3 %
Future salary increases	2.3 %	1.8 %

The discount rate used has been determined on the basis of the return on blue-chip fixed-income industrial bonds. The biometric calculation has been based on “AVÖ 2018 P – Rechnungsgrundlage für die Pensionsversicherungen”. The influence of those actuarial assumptions which, if changed, would materially impact on the measurement of the present value of the pension obligation, has been presented in the following sensitivity analysis. This presents that change in the present value of the pension obligation that would have arisen if different actuarial assumptions had been used as of the balance sheet date. The other parameters influencing the respective values have remained constant.

Change in the present value of the pension obligation

€ 000s	2.28.2022		2.28.2021	
	Increase	Decrease	Increase	Decrease
Discount rate (0.5 basis points change)	(358)	392	(366)	402
Future rate of salary increase (0.25 basis points change)	188	(181)	558	(184)

(26) Trade payables and other current liabilities

	2.28.2022 € 000s	2.28.2021 € 000s
Trade payables	407,723	311,529
Liabilities to affiliated companies	1,446	438
of which: to shareholders	1,446	438
Contract liabilities	52,920	44,164
Other liabilities	106,798	98,238
of which: other taxation	32,502	26,633
of which: social security contributions	7,094	6,434
	568,887	**454,369**

Trade payables, contract liabilities, liabilities to affiliated companies, and other liabilities have remaining terms of less than one year. Trade payables are secured by reservations of title to the customary extent. Contract liabilities include prepayments received for customer orders and customer credit balances for vouchers.

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, and amounts due for outstanding invoices. Other liabilities include refund liabilities of € 8,571k (2020/21: € 18,705k), which mainly relate to expected returns.

(27) Income tax receivables and liabilities

The receivables and liabilities relating to taxes on income involve current tax liabilities / receivables and taxes for previous financial years. 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. Of the tax liabilities of € 43,416k for current income taxes, an amount of € 18,471k relates to Germany and € 24,945k to other countries.

The income tax receivables of € 13.0 million (2020/21: € 11.3 million) mainly result from deductions for capital gains tax on the dividend from HORNBACH Baumarkt AG, as well as from prepayments of corporate income tax.

Reference is made to the information about deferred taxes included in Note 16 with regard to the deferred tax assets and liabilities recognized under non-current assets and non-current liabilities.

(28) Other provisions and accrued liabilities

Other provisions and accrued liabilities developed as follows in the 2021/22 financial year:

€ 000s	Opening balance at 3.1.2021	Utilization	Reversals	Additions	Interest compounding	Foreign currency translation	Closing balance at 2.28.2022	of which: non-current
Other provisions								
Personnel	19,545	1,874	0	8,193	(532)	20	25,352	25,352
Miscellaneous	20,178	1,754	1,143	5,109	18	168	22,576	21,460
	39,722	**3,628**	**1,143**	**13,303**	**(513)**	**188**	**47,927**	**46,812**
Accrued liabilities								
Other taxes	1,604	594	74	21,291	0	(31)	22,196	0
Personnel	99,122	81,913	2,674	79,902	0	305	94,741	0
Miscellaneous	32,561	29,121	2,396	30,120	0	123	31,287	0
	133,286	**111,628**	**5,144**	**131,313**	**0**	**396**	**148,224**	**0**
	173,008	**115,256**	**6,287**	**144,616**	**(513)**	**584**	**196,152**	**46,812**

Reference is made to Note 25 with regard to details of non-current provisions.

The accrued liabilities for personnel obligations primarily relate to outstanding vacation entitlements, vacation pay, Christmas bonuses, contributions to employer's liability insurance associations, and employee bonuses. Miscellaneous accrued liabilities relate in particular to utility expenses (gas, water, electricity), property duties, advertising expenses, as well as to year-end expenses and legal advisory expenses.

Other Disclosures

(29) Guarantees and other commitments

As in the previous year, there were no guarantees or other commitments as of February 28, 2022.

(30) Other financial obligations

€ million	Maturities			2.28.2022
	Current < 1 year	Non-current 1 to 5 years	Non-current > 5 years	Total
Purchase obligations for investments	167.9	0.0	0.0	167.9
Software rental / licenses	12.2	17.3	2.4	31.9
Miscellaneous financial obligations	2.8	0.1	0.0	2.9
	182.9	**17.4**	**2.4**	**202.7**

€ million	Maturities			2.28.2021
	Current < 1 year	Non-current 1 to 5 years	Non-current > 5 years	Total
Purchase obligations for investments	121.0	0.0	0.0	121.0
Software rental / licenses	13.7	11.3	0.0	25.0
Miscellaneous financial obligations	2.7	0.3	0.0	3.0
	137.4	**11.6**	**0.0**	**149.0**

The miscellaneous financial obligations mainly comprise maintenance and service charges.

(31) Legal disputes

HORNBACH Holding AG & Co. KGaA 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 and the fair values of individual financial assets and liabilities pursuant to IFRS 9 as of February 28, 2022:

€ 000s	Category	Carrying amount 2.28.2022	Fair value 2.28.2022	Carrying amount 2.28.2021	Fair value 2.28.2021
Assets					
Financial assets	FVtOCI	112	112	112	112
Trade receivables	AC	44,361	44,361	38,602	38,602
Trade receivables due to non-recourse factoring that are not derecognized	FVtPL	2,909	2,909	2,390	2,390
Contract assets	AC	1,576	1,576	1,231	1,231
Other current and non-current assets					
Derivatives with hedge relationship	n/a	1,743	1,743	1,297	1,297
Derivatives without hedge relationship	FVtPL	603	603	666	666
Other assets	AC	71,554	71,554	79,929	79,929
Cash and cash equivalents	AC	332,262	332,262	434,958	434,958
Equity and liabilities					
Financial debt					
Bonds	AC	247,663	258,938	247,154	268,038
Liabilities to banks	AC	372,923	379,597	482,075	497,898
Liabilities in connection with delisting purchase offer	AC	190,565	190,565	0	0
Lease liabilities	n/a	874,811	n/a	790,074	n/a
Derivatives without hedge relationship	FVtPL	2,293	2,293	495	495
Trade payables	AC	409,169	409,169	311,968	311,968
Other current and non-current liabilities	AC	46,821	46,821	22,715	22,715
Accrued liabilities	AC	31,287	31,287	32,561	32,561

The interest of € 2,827k accrued since the previous bond interest payment date has been recognized in the carrying amount of liabilities to banks (2020/21: € 2,846k).

The following items are outside the scope of IFRS 7: other current and non-current assets of € 30,256k (2020/21: € 33,119k), other current and non-current liabilities of € 144,224k (2020/21: € 120,138k), and accrued liabilities of € 116,938k (2020/21: € 100,725k).

Aggregate totals by measurement category € 000s	Carrying amount 2.28.2022	Carrying amount 2.28.2021
Amortized cost (AC) financial assets	449,752	554,720
FVtOCI	112	112
FVtPL	3,513	3,056
Amortized cost (AC) financial liabilities	1,298,429	1,096,474
FVtPL	2,293	495

Cash and cash equivalents, trade receivables, other assets, accrued liabilities, trade payables, and other liabilities mature in the short term in the majority of cases. Their carrying amounts therefore basically correspond to their fair values as of the balance sheet date. Available for sale financial assets include shareholdings recognized at cost due to the lack of an available fair value.

The derivative financial instruments within hedges recognized in the balance sheet mainly involve interest hedges (interest swaps). Derivative financial instruments outside of hedges include foreign currency items for outstanding orders and measurement items for outstanding forward exchange transactions. Their fair value measurement has been based on customary valuation models (e.g. discounted cash flow method) by reference to interest and foreign exchange curves available on the market and with congruent terms, and thus corresponding to Level 2 input factors in the fair value hierarchy. The fair values of fixed-interest liabilities to banks and of lease contracts have been measured by analogy. The credit risk for the aforementioned financial instruments has been accounted for by reference to risk premiums available on the market. The fair value of the publicly listed corporate bond corresponds to the nominal value multiplied by the market value at the balance sheet date. The fair value has thus been determined by reference to Level 1 data in the fair value hierarchy.

The assessment as to whether a transfer between different levels of the fair value hierarchy has arisen for financial assets and liabilities measured at fair value is performed at the end of the reporting period. No reclassifications were made in the period under report.

The following financial instruments whose measurement has been based on fair value hierarchy input data have been recognized at fair value in the balance sheet or the notes:

€ 000s	Category	2.28.2022	2.28.2021
Assets			
Valuation based on Level 2 input data			
Derivatives with hedge relationship	n.a.	1,743	1,297
Derivatives without hedge relationship	FVtPL	603	666
Liabilities			
Valuation based on Level 1 input data			
Bonds	AC	258,938	268,038
Valuation based on Level 2 input data			
Liabilities to banks	AC	379,597	497,898
Derivatives without hedge relationship	FVtPL	2,293	495

Net result by measurement category	2021/22 € 000s	2020/21 € 000s
Amortized cost (AC) financial assets	(1,733)	(3,141)
Amortized cost (AC) financial liabilities	1,522	3,568
FVtPL	2,751	(2,957)

The net results of the "FVtPL" measurement category are attributable to derivative financial instruments. The net results of the "Amortized cost (AC)" measurement categories for financial assets and financial liabilities involve foreign currency translation items, the results of disposals, and write-downs.

No financial instruments are reported on a net basis in the balance sheet. Supplementary arrangements permitting the economic netting of recognized financial instruments exist for swap and forward exchange transactions concluded by the Group. These are governed by the German Master Agreement for Financial Derivative Transactions. In the following table, the economic netting volume is presented for derivatives with hedge relationships (swap) and without hedge relationships (forward exchange).

2.28.2022 € 000s	Gross amount	Set-off	Net amount	Potential netting volume		Potential net amount
				Netting arrangements	Financial collateral	
Assets						
Derivatives without hedge relationship	603	0	603	(10)	0	593
Derivatives with hedge relationship	1,743	0	1,743	0	0	1,743
Equity and liabilities						
Derivatives without hedge relationship	2,293	0	2,293	10	0	2,283
Derivatives with hedge relationship	0	0	0	0	0	0

2.28.2021 € 000s	Gross amount	Set-off	Net amount	Potential netting volume		Potential net amount
				Netting arrangements	Financial collateral	
Assets						
Derivatives without hedge relationship	666	0	666	(85)	0	581
Derivatives with hedge relationship	1,297	0	1,297	0	0	1,297
Equity and liabilities						
Derivatives without hedge relationship	495	0	495	85	0	409
Derivatives with hedge relationship	0	0	0	0	0	0

(33) Risk management and financial derivatives

Risk management principles

The assets, liabilities and planned financial transactions of the HORNBACH Holding AG & Co. KGaA 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 Holding AG & Co. KGaA Group consist of foreign currency risks and interest rate risks. The company does not face any other price risks.

Foreign currency risks

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 Holding AG & Co. KGaA 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.

In cases where long-term financing requirements are involved, 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 intra-group 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.

Foreign currency loans whose foreign currency risk is hedged by cash flow hedges do not result in any foreign currency risk. These items have therefore not been accounted for in the sensitivity analysis.

The foreign currency risks faced by the HORNBACH Holding AG & Co. KGaA 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 with fixed deposits denominated in US dollars and forward exchange transactions.

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

000s	2.28.2022	2.28.2021
EUR	(156,046)	(89,362)
USD	(17,547)	(19,113)
CZK	(2,157)	(969)
SEK	(129)	(5)
CNY/CNH	2,455	0

The above EUR currency position results from the following currency pairs: CHF/EUR € -69,041k (2020/21: € -905k), RON/EUR € -50,598k (2020/21: € -52,426k), SEK/EUR € -30,220k (2020/21: € -31,109k), and CZK/EUR € -6,187k (2020/21: € -4,922k).

The most important exchange rates have been presented under "Foreign currency translation".

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 € 11,057k lower (2020/21 € 6,248k). 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 € 11,057k higher (2020/21: € 6,248k). The hypothetical impact on earnings of € 11,057k (2020/21: € 6,248k) is the result of the following sensitivities: EUR/CHF € 6,641k (2020/21: € 94k), EUR/RON € 5,069k (2020/21: € 5,124k), EUR/SEK € 899k (2020/21: € 3,029k), EUR/CNY(CNH) € 245k (2020/21: € 0k), EUR/CZK € -16k (2020/21: € -50k), and EUR/USD € -1,781k (2020/21: € -1,948k).

Interest rate risks

At the end of the year, the Group was principally financed by a euro bond with a nominal total of € 250,000k (2020/21: € 250,000k), two promissory note bonds amounting to € 95,000k at HORNBACH Holding B.V. (2020/21: € 95,000k), and two promissory note bonds amounting to € 200,000k at HORNBACH Baumarkt AG (2020/21: € 200,000k). Moreover, the Group also has short-term and long-term EUR loans amounting to € 37,803k (2020/21: € 23,915k), long-term CZK loans amounting to € 20,790k (2020/21: € 24,053k), and long-term SEK loans amounting to € 13,760k (2020/21: € 17,421k). The principal long-term financial liabilities with floating interest rates have been converted into fixed-interest financial liabilities using derivative financial instruments. Moreover, the Group had current liabilities to banks of € 2,500k as of the balance sheet date (2020/21: € 2,500k). The unsecured promissory note bond of € 70,000k (2020/21: € 70,000k) and the short-term CHF loan of € 45,512k (2020/21: € 45,512k) were repaid during the financial year under report.

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 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 € 2,879k higher (2020/21: € 3,214k) and equity before deferred taxes would have been € 54k higher (2020/21: € 215k). Due to the low level of interest rates currently, a parallel shift in the interest rate curve by 100 basis points downwards in some cases produces negative interest rates. This severely limits the meaningfulness of any such simulation. For the current financial year, the company has therefore rather simulated the hypothetical impact on earnings of a shift in the interest rate curve by 10 basis points downwards. If the market interest rate had been **10 basis points lower** at the balance sheet date, and all other variables had remained unchanged, then consolidated earnings before taxes would have been € 288k lower (2020/21: € 321k) and equity before deferred taxes would have been € 5k lower (2020/21: € 5k).

Credit risk

Credit risk or default 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 as far as possible only concluded 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, which do not include any material risk clusters.

Impairment of financial assets

The Group has the following types of financial assets that are subject to the expected credit loss model:

- Trade receivables and contract assets
- Other financial assets measured at amortized cost

Trade receivables and contract assets

For trade receivables and contract assets, HORNBACH has applied the simplified model based on a provision matrix. In this model, a risk allowance in the amount of the lifetime expected credit losses has to be recognized both upon initial recognition and at each subsequent balance sheet date. To measure the expected credit risk, trade receivables have been grouped on the basis of existing credit risks and their respective maturity structures. This grouping is based on their geographical location, as the customer segments have similar credit risk characteristics for each country.

The expected loss rates are derived on the basis of an average distribution of receivables over a 36-month period prior to February 28, 2021 and March 1, 2021 respectively and of historic default rates in this period. Gross receivables that are more than 360 days overdue are deemed to have defaulted. Due account is taken of current macroeconomic expectations by including country-specific ratings. Historic default rates basically provide the best approximation of the defaults expected in future, provided that the respective country rating has not changed. Changes in country ratings are accounted for by adjusting the historic default rates.

To account for the implications of the coronavirus pandemic, the expected default rates applicable in the simplified allowance model for trade receivables are regularly analyzed and adjusted.

The development in the allowances recognized for trade receivables and contract assets can be found in Note 18.

Contract assets relate to tradesman services not yet invoiced and basically have the same risk characteristics as trade receivables. The expected loss rates for trade receivables in the respective countries are therefore viewed as providing an appropriate approximation of the loss rates for contract assets and for determining expected credit losses.

Trade receivables and contract assets are derecognized when, based on appropriate assessment, there is no prospect of recoverability. Indicators that, based on appropriate assessment, there is no prospect of recoverability particularly include filing for or opening insolvency proceedings. Impairment losses on trade receivables and contract assets are recognized on a net basis as impairment losses within operating earnings. Amounts received in subsequent periods for items previously written down are recognized in the same line item.

Other financial assets measured at amortized cost

The general allowance model is used to determine risk allowances. In determining the probability of default, reference is made to internal and external credit assessments that include both qualitative and quantitative information. An assessment is performed as of each balance sheet date to determine whether the credit risk has significantly increased. If the credit risk has not significantly increased since initial recognition, the probability of default is determined on the basis of a 12-month period. Reference is otherwise made to the entire remaining lifetime.

To assess whether the credit risk has significantly increased, the default risk for the financial assets as of the balance sheet date is compared with the default risk upon initial recognition. Alongside country-specific factors, the assessment also accounts in particular for the following indicators:

- Credit rating of the debtor based on internal assessments and, if applicable, external rating agencies
- Actual or expected material negative change in the business, financial, or economic position of the debtor that could materially affect its ability to settle its obligations.

Furthermore, unless refuted by information to the contrary, it is assumed that the credit risk has significantly increased if a debtor is more than 30 days overdue with a contractually agreed payment.

In determining a default event, a financial asset is classified as being of impaired creditworthiness if an objective event, such as one of the following, occurs:

- The contractually agreed payment is more than 90 days overdue and no information supporting an alternative default criterion is available
- Significant financial difficulties at the debtor
- Breach of contract
- The debtor is likely to enter insolvency or other restructuring proceedings.

All debt instruments measured at amortized cost are assessed as "involving low default risk" if an investment grade rating is available from at least one of the major rating agencies. The Group excludes these financial instruments from application of the three-level risk allowance model. Instead, these assets are always allocated to Level 1 of the risk allowance model and an allowance corresponding to the 12-month expected credit losses is recognized. Other instruments for which no external rating is available are assessed as "involving low default risk" when the risk of non-fulfillment is low and the issuer is at all times in a position to meet its contractual payment obligations at short notice.

The development in allowances recognized for other financial assets is presented in Note 18.

Liquidity risk

The following tables show the contractually agreed (undiscounted) outflows of cash for primary and derivative financial liabilities:

€ 000s	Carrying amount	Cash outflows		
	2.28.2022	< 1 year	1 to 5 years	> 5 years
Primary financial liabilities				
Bonds	247,663	8,125	282,500	0
Liabilities to banks	372,923	30,571	345,355	11,702
Liabilities in connection with delisting purchase offer	190,565	190,565	0	0
Lease liabilities	874,811	123,144	458,911	456,856
Trade payables	409,169	409,169	0	0
Other current and non-current liabilities	46,821	44,169	2,652	0
Accrued liabilities	31,287	31,287	0	0
	2,173,240	**837,030**	**1,089,418**	**468,558**
Derivative financial liabilities				
Foreign currency derivatives without hedge relationship	2,293	6,742	0	0
	2,293	**6,742**	**0**	**0**
Derivative financial assets				
Foreign currency derivatives without hedge relationship	603	38,540	0	0
Interest derivatives in connection with cash flow hedges	1,743	0	0	0
	2,346	**38,540**	**0**	**0**
		882,312	**1,089,418**	**468,558**

€ 000s	Carrying amount 2.28.2021	Cash outflows < 1 year	1 to 5 years	> 5 years
Primary financial liabilities				
Bonds	247,154	8,125	32,500	258,125
Liabilities to banks	482,075	137,594	359,755	6,164
Lease liabilities	790,074	112,486	419,361	411,926
Trade payables	311,968	311,968	0	0
Other current and non-current liabilities	22,715	21,264	1,452	0
Accrued liabilities	32,561	32,561	0	0
	1,886,548	623,998	813,067	676,215
Derivative financial liabilities				
Foreign currency derivatives without hedge relationship	495	25,912	0	0
	495	**25,912**	**0**	**0**
Derivative financial assets				
Foreign currency derivatives without hedge relationship	666	12,281	0	0
Interest derivatives in connection with cash flow hedges	1,297	0	0	0
	1,964	**12,281**	**0**	**0**
		662,191	813,067	676,215

All financial liabilities held at the balance sheet date have been included. No account has been taken of budget figures for future new liabilities. Furthermore, the presentation includes financial assets that will lead to an outflow of cash. Floating-rate interest payments are calculated on the basis of interest rates valid at the balance sheet date. Liabilities denominated in foreign currencies are translated at the relevant reporting date rate.

The interest of € 2,827k accrued since the previous bond interest payment date has been recognized in the carrying amount of liabilities to banks (2020/21: € 2,846k). The corresponding outflows of cash have been recognized in the bond line item.

With regard to the management of liquidity risk, reference is made to Note 23 and to the disclosures on the financial situation in the management report.

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 to secure the interest rates on 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. In individual cases where long-term loans are concluded in currencies other than the functional currency of the respective group company, the foreign currency risk is hedged with currency or interest-currency swaps. Creditworthiness risks are not hedged.

The HORNBACH Holding AG & Co. KGaA Group meets IAS 39 hedge accounting requirements in that it already documents the relationship between the derivative financial instrument used as a hedge and the underlying transaction, as well as the hedging objective and strategy, at the beginning of any hedging measure. This also involves assessing the effectiveness of the hedging instruments 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.

A Swedish subsidiary took up a long-term EUR mortgage loan in the 2012/13 financial year. This loan of € 30 million has a term running until June 30, 2022. The interest rate is based on the 3-month Euribor, plus a fixed bank margin. To secure the interest and exchange rates, an interest-currency swap consistent with the loan structure was concluded (loan interest rate, including EUR-SEK interest currency swap of 4.42 %). This swap enables the floating-rate EUR payment installments to be secured as fixed-interest SEK payment installments.

As of February 28, 2022 the Group also had an interest-currency swap with a nominal value of € 11,000k (2020/21: € 13,000k) enabling a euro loan with a floating interest rate to be converted into a fixed-interest SEK loan. At the end of the 2021/22 financial year, the fair value of this interest-currency swap amounted to € 1,743k (2020/21: € 1,297k). This item has been reported under other assets.

The interest-currency swap met hedge accounting requirements as of February 28, 2022. A hedge ratio of 1:1 has been determined for this hedge, as the characteristics of the hedging instrument are congruent with those of the hedged item. Ineffectivenesses may nevertheless arise in the calculation of value changes in the hedging instrument and the hedged item, as the currency basis and forward points were not excluded upon designation of the hedging instrument.

HORNBACH expects a prospective economic relationship between the hedged item and the hedging instrument, as the risk of the hedging instrument corresponds to the hedged risk. Fair value changes are recognized in the hedging reserve in equity up to recognition of the results of the hedged transaction.

As of the balance sheet date and based on historic experience values the HORNBACH Group expects the underlying transaction currently designated as a cash flow hedge to materialize. 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 2.28.2022 in € 000s**	Nominal value at 2.28.2021 in € 000s	Reference rate
6.29.2012	6.30.2022	11,000	13,000	3-month Euribor

The hedging instruments which the Group has designated in hedging relationships had the following implications for the balance sheet as of February 28, 2022:

€ 000s	**2.28.2022**	2.28.2021
Balance sheet item	Derivatives with hedge relationship	Derivatives with hedge relationship
Carrying amount of assets	1,743	1,297
Carrying amount of liabilities	0	0
Change in fair value of hedges held as of the reporting date	445	(713)
Nominal amount	11,000	13,000

The aforementioned hedging relationships had the following implications for the income statement or other comprehensive income (OCI):

€ 000s	2021/22	2020/21
Change in fair value of the underlying transaction	(126)	(178)
Cash flow hedge reserve for existing hedges	(312)	(438)
Amount reclassified from OCI due to maturity of underlying transaction	327	353

Other hedging measures – foreign currency risk

The HORNBACH Holding AG & Co. KGaA Group also deploys hedging measures which do not meet IAS 39 hedge accounting requirements, but which nevertheless make an effective contribution towards hedging the Group's financial risks in line its risk management principles. For example, the HORNBACH Holding AG & Co. KGaA 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 concluding forward exchange transactions or making fixed deposit investments denominated in foreign currencies in the form of macro hedges.

The fair value of forward exchange transactions, including embedded forward exchange transactions, amounts to € 1,690k (2020/21: € 172k). Of this total, € 603k has been recognized under other assets (2020/21: € 666k) and € -2,293k under financial debt (2020/21: € -495k).

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.

2.28.2022	Forward exchange transactions	Embedded forward exchange transactions	Interest rate and currency swap	Total
Nominal value in € 000s	53,000	58,514	11,000	122,514
Fair value in € 000s (before deferred taxes)	594	(2,283)	1,743	53

2.28.2021	Forward exchange transactions	Embedded forward exchange transactions	Interest rate and currency swap	Total
Nominal value in € 000s	45,000	46,547	13,000	104,547
Fair value in € 000s (before deferred taxes)	(262)	434	1,297	1,469

(34) Other disclosures

Employees

The average number of employees was as follows:

	2021/22	2020/21
Salaried employees	21,923	20,595
Trainees	1,045	1,041
	22,968	**21,636**
of which: part-time employees	6,967	6,625

In terms of geographical regions, 12,529 of the average workforce were employed in Germany during the 2021/22 financial year (2020/21: 11,885) and 10,439 abroad (2020/21: 9,751).

Auditor's fee

The fees charged by the auditor of the annual and consolidated financial statements of HORNBACH Holding AG & Co. KGaA, Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Mannheim, for the year under report were as follows:

	2021/22 € 000s	2020/21 € 000s
Audit services [1]	1,090	1,077
Other confirmation services [2]	76	19
	1,166	**1,096**

The fees comprise the following elements:

[1] Half-year, annual, and consolidated financial statements, dependent company report, remuneration report, annual financial statements of subsidiaries

[2] Agreed investigation activities in respect of sales, Management AG settlements, Board of Management bonuses, and limited assurance audit for non-financial group reporting

The annual and consolidated financial statements of HORNBACH Holding AG & Co. KGaA have been audited by Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Mannheim, since the 2019/20 financial year, with Steffen Schmidt (Partner) as the auditor responsible for the audit.

Information on the German Corporate Governance Code

The annual Declaration of Compliance with the German Corporate Governance Code required by § 161 of the German Stock Corporation Act (AktG) was submitted by the Board of Management of HORNBACH Management AG and the Supervisory Board of HORNBACH Holding AG & Co. KGaA in December 2021 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 Holding AG & Co. KGaA has direct or indirect relationships with associated companies in the course of its customary business activities.

The associated companies are:

HORNBACH Familien-Treuhandgesellschaft mbH, Annweiler am Trifels (ultimate controlling party)
Administrative support was provided to HORNBACH Familien-Treuhandgesellschaft mbH in the past financial year. The services thereby performed in the 2021/22 financial year were valued at customary market prices of € 3k (2020/21: € 4k).

HORNBACH Management AG, Annweiler am Trifels (General Partner)
Pursuant to the Articles of Association of HORNBACH Holding AG & Co. KGaA, HORNBACH Management AG is reimbursed for all expenses directly attributable to its management activities. Furthermore, the company receives a return of 5 % of the share capital (general partner compensation).

The expenses incurred at HORNBACH Holding AG & Co. KGaA for the management activities performed by HORNBACH Management AG amounted to € 2,299k.

Income	€ 000s
Other services	
Other services to HORNBACH Management AG	1
	1

Expenses	€ 000s
General partner compensation to HORNBACH Management AG	13
Management allocation to HORNBACH Management AG	2,299
	2,312

Liabilities	€ 000s
Liabilities to HORNBACH Management AG	
Trade payables	2,907
	2,907

Some of the companies included in the consolidated financial statements of HORNBACH Holding AG & Co. KGaA make use of Jugendstilhotel Trifels GmbH & Co. KG, Annweiler am Trifels, for seminars and conferences. This company is represented by its managing director, Bettina Hornbach, wife of Albrecht Hornbach, and Angelika Hornbach, daughter of Albrecht Hornbach. Services of € 5k were performed by the Jugendstilhotel in the 2021/22 financial year (2020/21: € 0k). These services are invoiced at customary rates. As in the previous year, no liabilities were outstanding at the balance sheet date on February 28, 2022.

Related parties also include members of the management in key positions (Board of Management and Supervisory Board). The members of the Board of Management and the Supervisory Board and disclosures on their remuneration are presented in Note 37.

(36) Events after the balance sheet date
No events of material significance for assessing the earnings, financial, and asset position of the HORNBACH Holding AG & Co. KGaA Group occurred between the balance sheet date on February 28, 2022 and the date on which these financial statements were prepared.

The shortages and disruptions caused in international supply chains by the coronavirus pandemic and the ongoing war in Ukraine continued. Prices remained high for commodities, procurement, transport, and energy and this also impacted on retail prices. None of HORNBACH's stores in any of the regions in which it operates are subject to restrictions in terms of their opening.

The consolidated financial statements of HORNBACH Holding AG & Co. KGaA for the 2021/22 financial year were approved for publication by the Board of Management of the general partner HORNBACH Management AG on May 11, 2022.

(37) Supervisory Board and Board of Management

The management of HORNBACH Holding AG & Co. KGaA is performed by the general partner HORNBACH Management AG, represented by its Board of Management Albrecht Hornbach, Karin Dohm, and (until March 31, 2021) Roland Pelka. The remuneration paid to the board members is borne by HORNBACH Management AG and is reported as expenses in that company's income statement. Pursuant to § 8 (3) of its Articles of Association, HORNBACH Holding AG & Co. KGaA reimburses all expenses incurred in connection with the remuneration of board members at the general partner. The following persons were members of the Board of Management of HORNBACH Management AG in the period from March 1, 2021 to May 11, 2022:

Albrecht Hornbach DIY Stores and Garden Centers (HORNBACH Baumarkt AG) Builders' Merchants (HORNBACH Baustoff Union GmbH) Real Estate (HORNBACH Immobilien AG)	**Chairman (CEO)** First appointed: October 9, 2015 Appointed until: October 31, 2026
Karin Dohm since April 1 2021: responsible for Finance, Accounting, Tax, Controlling, Risk Management, Internal Audit, Legal, Investor Relations	First appointed: January 1, 2021 Appointed until: December 31, 2023
Roland Pelka Finance, Accounting, Tax, Controlling, Risk Management, Internal Audit, Legal, Investor Relations	until March 31, 2021

The total remuneration of the Board of Management of HORNBACH Management AG for performing its duties for the Group in the 2021/22 financial year amounts to € 3,548k (2020/21: € 4,363k). Of short-term benefits, € 1,159k (2020/21: € 1,317k) relates to fixed remuneration and € 1,150k (2020/21: € 1,502k) to performance-related components. Payments of € 1,239k (2020/21: € 1,544k) relate to compensation of a long-term incentive nature.

Post-employment benefits of € 352k were incurred for active members of the Board of Management in the 2021/22 financial year (2020/21: € 296k). These involve expenses incurred to endow pension provisions (Note 24).

Remuneration of former members of the Board of Management for performing their duties for the Group in the 2021/22 financial year totaled € 520k (2020/21: € 0k). Pension provisions for former members of the Board of Management totaled € 7,858k at the Group in the 2021/22 financial year (2020/21: € 0k).

Members of the Supervisory Board:

Dr. John Feldmann Former Executive Board member at BASF SE	**Chairman** Member since: January 17, 2014 Appointed until: end of 2023 AGM
Martin Hornbach Managing Partner Corivus Gruppe GmbH	**Deputy Chairman** Member since: July 10, 2015 Appointed until: end of 2023 AGM
Simone Krah (Managing) President of MMM-Club e.V.	Member since: July 6, 2018 Appointed until: end of 2023 AGM
Simona Scarpaleggia Former Global CEO of EDGE Strategy AG (active until December 31, 2021)	Member since: March 24, 2020 Appointed until: end of 2023 AGM
Melanie Thomann-Bopp Chief Financial Officer (CFO) at Sonova Retail Deutschland GmbH (until April 14, 2021) Commercial Director at Nolte Küchen GmbH & Co. KG and Express Küchen GmbH & Co. KG (since April 15, 2021)	Member since: July 6, 2018 Appointed until: end of 2023 AGM
Prof. Dr.- Ing. Jens P. Wulfsberg Professor of Production Technology Helmut-Schmidt-Universität/Universität der Bundeswehr Hamburg	Member since: January 1, 2022 Appointed until: end of 2023 AGM
Dr. Susanne Wulfsberg (until December 31, 2021) Director of Floggensee Stud, Veterinary Surgeon	Member since: July 5, 2013 Appointed until: end of 2023 AGM

The total remuneration of the Supervisory Board (pursuant to § 314 (1) No. 6a HGB) for the 2021/22 financial year amounted to € 356k (2020/21: € 363k). Of short-term benefits, € 239k (2020/21: € 234k) related to basic remuneration and € 117k (2020/21: € 129k) to committee activities.

The total remuneration of the Board of Management (including former members) and Supervisory Board amounted to € 4,424k (2020/21: € 4,726k).

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

Dr. John Feldmann
a) HORNBACH Baumarkt AG (Deputy Chairman)
HORNBACH Management AG (Chairman)

Martin Hornbach
a) Corivus AG (Chairman)
HORNBACH Baumarkt AG
b) Corivus Swiss AG (Chairman of Administrative Board)

Simone Krah (since July 8, 2021)
a) HORNBACH Management AG
b) Food Campus Berlin (Advisory Board member)

Simona Scarpaleggia
a) EDGE Certified Foundation (until November 23, 2021)
HORNBACH Baumarkt AG
EDGE Strategy AG
Autogrill SpA
Brainforest AG (since February 4, 2022)
b) ZHdK - Zurich University of the Arts (Advisory Board member)
Economics Faculty of Zurich University (Advisory Board member)
Faculty of International Management at St. Gallen University (Advisory Board member)
Digital Switzerland (Advisory Board member)

Melanie Thomann-Bopp
a) HORNBACH Baumarkt AG
HORNBACH Management AG (since July 8, 2021)
b) Peek & Cloppenburg KG Hamburg (Deputy Chairwoman of Advisory Board)

Dr. Susanne Wulfsberg (until December 31, 2021)
a) HORNBACH Management AG

Prof. Dr.-Ing. Jens P. Wulfsberg (since January 1, 2022)
a) Hornbach Baumarkt AG (until December 31, 2021)
HORNBACH Management AG

Members of the Board of Management

a) Membership of statutory supervisory boards
b) Membership of comparable control bodies

Albrecht Hornbach

a) HORNBACH Baumarkt AG (Chairman)
HORNBACH Immobilien AG (Chairman)
b) Deutsche Bundesbank in Rhineland-Palatinate and Saarland
(Member of Advisory Board at Head Office)

Karin Dohm

a) CECONOMY AG
Deutsche EuroShop AG (Deputy Chairwoman)
HORNBACH Immobilien AG (since April 1, 2021)

Roland Pelka (until March 31, 2021)

a) HORNBACH Immobilien AG (Deputy Chairman, until March 31, 2021)
WASGAU Produktions & Handels AG
b) Commerzbank AG (Member of Regional Advisory Board, Central Region)

Neustadt an der Weinstrasse, May 11, 2022

HORNBACH Holding AG & Co. KGaA
represented by its general partner HORNBACH Management AG,
represented by its Board of Management

Albrecht Hornbach Karin Dohm

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.

Neustadt an der Weinstrasse, May 11, 2022

HORNBACH Holding AG & Co. KGaA
represented by HORNBACH Management AG

Albrecht Hornbach

Karin Dohm

INDEPENDENT AUDITOR'S REPORT

To HORNBACH Holding AG & Co. KGaA, Neustadt an der Weinstrasse/Germany

Report on the audit of the Consolidated Financial Statements and of the Combined Management Report

Audit Opinions

We have audited the consolidated financial statements of HORNBACH Holding AG & Co. KGaA, Neustadt an der Weinstraße/Germany, and its subsidiaries (the Group) which comprise the consolidated balance sheet as at 28 February 2022, and the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 March 2021 to 28 February 2022, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report for the parent and the group of HORNBACH Holding AG & Co. KGaA, Neustadt an der Weinstraße/Germany, for the financial year from 1 March 2021 to 28 February 2022. In accordance with the German legal requirements, we have not audited the content of the consolidated corporate governance statement pursuant to Section 315d German Commercial Code (HGB) combined with the corporate governance statement pursuant to Section 289f HGB nor the content of the consolidated non-financial report pursuant to Sections 315b and 315c HGB, each referred to in the combined management report. In addition, we have not audited the content of the disclosures in the section "2.3 Hidden reserves in real estate assets" in the combined management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 28 February 2022 and of its financial performance for the financial year from 1 March 2021 to 28 February 2022, and

- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of the consolidated corporate governance statement pursuant to Section 315d HGB combined with the corporate governance statement pursuant to Section 289f HGB referred to above nor the content of the consolidated non-financial report pursuant to Sections 315b and 315c HGB referred to above nor the content of the disclosures in section "2.3 Hidden reserves in real estate assets".

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Audit Opinions
We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014; referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 March 2021 to 28 February 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following we present the key audit matters we have determined in the course of our audit:
1. Recoverability of real estate at individual locations and rights of use of real estate at individual locations
2. Measurement of inventories
3. Application of IFRS 16

Our presentation of these key audit matters has been structured as follows:
a) description (including reference to corresponding information in the consolidated financial statements)
b) auditor's response

1. Recoverability of real estate at individual locations and rights of use of real estate at individual locations
a) The consolidated financial statements of HORNBACH Holding AG & Co. KGaA as at 28 February 2022 state "land, land rights and buildings including buildings on third-party land" (so-called real estate at individual locations) of mEUR 1,455.8 and rights of use of "land, land rights and buildings including buildings on third-party land" (so-called "rights of use of real estate at individual locations") of mEUR 782.4. This makes up 52.0% of the total assets. As at 28 February 2022, total impairments of mEUR 11.4 on these assets were recognised as an expense.

   The recoverability of the real estate at individual locations and of the rights of use of real estate at individual locations is determined at the level of the individual DIY stores, each of which constitute a cash-generating unit. If there are events that indicate an impairment and any related requirement for a write-down of the real estate at individual locations and/or the rights of use of these assets, the Group determines the value in use of the individual cash-generating unit as part of an impairment test according to IAS 36. If the value in use is below the carrying value of the cash-generating unit, the fair value less costs to sell (net realisable value) is determined for the real estate attributable to this cash-generating unit. The higher of both values is used to determine the impairment.

The outcome of the measurement is largely dependent on the executive directors' judgement and estimate of the future cash inflows and on the used discount rate. In addition, the recoverability of the real estate at individual locations and of the rights of use of the real estate at individual locations depends on the individual location and the related alternative utilisabilities. Therefore, measurement involves a high degree of uncertainty. In order to determine the net realisable value of real estate at individual locations, the Group consulted external experts. Therefore, this matter was of particular significance in the scope of our audit.

The information provided by the executive directors on the real estate at individual locations, rights of use of individual locations and impairments made is stated in the section "Accounting and measurement", and in the notes "(10) Other notes to the statement of profit or loss", "(12) Property, plant and equipment, rights of use and investment property" note "(13) Leases" in the notes to the consolidated financial statements.

b) During our audit, we obtained an understanding of the corporate planning process and the process applied to design the impairment tests. In addition, we obtained, in particular, an understanding of and assessed the method applied in the impairment test. For the purpose of our risk assessment, we gathered information on and considered the adherence to the budget process over the past years.

We compared the expected future cash flows to be considered in the measurement with the corresponding detailed planning and group planning adopted by the supervisory board. In view of the assessment of the appropriateness of the assumptions and propositions, processes and measurement methods, we consulted internal experts of our Valuation Services function, who also helped us to assess the method applied in the impairment tests and the parameters used to determine the discount factors including the weighted average cost of capital and calculation schemes. For evaluating the appropriateness of the budgeting, we compared general and industry-specific market expectations and considered comprehensive explanations of the executive directors regarding the impairment tests. As only slight changes in the discount rate may have significant effects on the value in use, we evaluated the underlying parameters for plausibility based on information provided by the executive directors and own market research and checked the calculation of the value in use for accuracy.

In addition, we evaluated the competence, capabilities and objectivity of the independent experts consulted by the Group to determine the net realisable values of the real estate at individual locations and assessed their results with the help of our own real estate valuation experts.

2. Measurement of inventories

a) The inventories recognised in the consolidated financial statements of HORNBACH Holding AG & Co. KGaA as at 28 February 2022 amount to mEUR 1,230.4. This makes up 28.6% of the balance sheet total. As at 28 February 2022, write-downs of the inventories amounted to mEUR 26.0.

The inventories are measured at the lower of cost, including ancillary cost and cost deductions, or the net realisable value. Inventories are written down based on estimates made by the executive directors of the efficiency and usability of the inventories.

Any required write-downs are determined on the basis of an approach that considers the various risks of usability.

As the measurement of the inventories is based on judgement due to the defined approach including its underlying estimates and as the inventories are of major significance for the Group's assets, liabilities, financial position and financial performance, we identified the measurement of inventories as a key audit matter.

The information on the inventories is provided by the executive directors in the section "Accounting policies" as well as note "(17) Inventories" in the notes to the consolidated financial statements.

b) During our audit, we assessed internal controls designed to measure inventories and tested the implemented controls relevant to the audit concerning initial and subsequent measurement for their operating effectiveness.

In this context, we evaluated and assessed, in particular, the Group's applied approach to determine write-downs of inventories. We took a sample and, based on this sample, verified the appropriateness of the estimates made by the executive directors of the usability of the inventories on the basis of historic information and the current costs to sell and examined the estimates based on evidence. In this context, we also checked the corresponding calculations for accuracy. Moreover, we were satisfied with the exact accounting of the determined write-downs.

3. Application of IFRS 16

a) The rights of use of leased objects in the balance sheet as at 28 February 2022 amount to mEUR 788.8 and are recognised among assets in the consolidated balance sheet. They account for 30.6% of the non-current assets and 18.3% of the total assets. In addition, lease liabilities recognised among equity and liabilities in the balance sheet amount to mEUR 874.8.

For computing the recognised values of the rights of use and the leasing liabilities, the Company uses the existing ERP system.

IFRS 16 requires the executive directors to make estimates and to exercise judgement. This particularly relates to the estimate of exercising extension options defined in the lease agreements, which affect the term of the lease, of the amount of the interest rate, the amount of the lease liability and the related effects on the consolidated balance sheet, consolidated statement of comprehensive income and consolidated statement of cash flows. For these reasons and due to the complexity of the requirements of the standard, we identified the presentation of leases according to IFRS 16 as a key audit matter in the scope of our audit.

The information on the accounting of leases is provided by the executive directors in the section "Accounting policies" as well as note "(13) Leases" in the notes to the consolidated financial statements.

b) During our audit, we assessed, among other things, the appropriateness and implementation of the group-wide processes and audit-relevant controls, which were designed by the executive directors to ensure the complete and exact identification and record of leases, and checked these processes and controls for structural and operating effectiveness.

In a first step, we checked the complete recognition of the relevant rental agreements and leases. Furthermore, by applying sampling methods, we compared the rental/lease payments, agreed terms and further measurement-relevant parameters, which are recorded in the system as data sets, with the underlying agreements. By applying sampling methods, we obtained an understanding of the IT system's logic of calculation using IT audit tools. In this context, we compared the results of the calculations of the ERP system with the results of the audit tools and analysed variances. To this end, we evaluated, in particular, the appropriateness of the estimates of exercising extension options under the lease agreements, which affect the term of the lease, of the amount of the interest rate, of the amount of the lease liability and the related effects on the consolidated balance sheet, consolidated statement of comprehensive income and consolidated statement of cash flows by inspecting selected agreements, providing other appropriate evidence and on the basis of enquiries of employees of the Group.

In addition, we evaluated whether the inclusion of the data sets, which were generated by the system, in the consolidated financial statements of HORNBACH Holding AG & Co. KGaA was correct and whether the disclosures in the consolidated notes were complete and accurate.

Other Information

The executive directors and/or the supervisory board are responsible for the other information. The other information comprises the following documents obtained up to the date of this auditor's report:

- the report of the supervisory board,
- the consolidated corporate governance statement pursuant to Section 315d HGB combined with the corporate governance statement pursuant to Section 289f referred to in the combined management report,
- the disclosures in the section "2.3 Hidden reserves in real estate assets" in the combined management report,
- the executive directors' confirmation regarding the consolidated financial statements and the combined management report pursuant to Section 297 (2) sentence 4 and Section 315 (1) sentence 5 HGB, and
- all other parts of the annual report,
- but not the consolidated financial statements, not the audited content of the combined management report and not our auditor's report thereon.

In addition, the other information comprises the separate consolidated non-financial report pursuant to Sections 315b and 315c HGB, which is expected to be published subsequently on the website of HORNBACH Holding AG & Co. KGaA by 30 June 2022.

The supervisory board is responsible for the report of the supervisory board. The executive directors and the supervisory board are responsible for the statement according to Section 161 German Stock Corporation Act (AktG) concerning the German Corporate Governance Code, which is part of the corporate governance statement referred to in the combined management report. Otherwise, the executive directors are responsible for the other information.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information identified above and, in doing so, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the audited content of the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the combined management report that as a whole provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRS as adopted by the EU and with the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and regulatory requirements

Report on the Audit of the Electronic Reproductions of the Consolidated Financial Statements and of the Combined Management Report Prepared for Publication Pursuant to Section 317 (3a) HGB

Audit Opinion
We have performed an audit in accordance with Section 317 (3a) HGB to obtain reasonable assurance whether the electronic reproductions of the consolidated financial statements and of the combined management report (hereinafter referred to as "ESEF documents") prepared for publication, contained in the provided file, which has the SHA-256 value
A872BFBE61BB642EFABD65ABA2F1F1B3495EC86A31908C00B73636A947EC546B, meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328 (1) HGB ("ESEF format"). In accordance with the German legal requirements, this audit only covers the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format, and therefore covers neither the information contained in these electronic reproductions nor any other information contained in the file identified above.

In our opinion, the electronic reproductions of the consolidated financial statements and of the combined management report prepared for publication contained in the provided file identified above meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328 (1) HGB. Beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and on the accompanying combined management report for the financial year from 1 March 2021 to 28 February 2022 contained in the "Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report" above, we do not express any assurance opinion on the information contained within these electronic reproductions or on any other information contained in the file identified above.

Basis for the Audit Opinion
We conducted our audit of the electronic reproductions of the consolidated financial statements and of the combined management report contained in the provided file identified above in accordance with Section 317 (3a) HGB and on the basis of the IDW Auditing Standard: Audit of the Electronic Reproductions of Financial Statements and Management Reports Prepared for Publication Purposes Pursuant to Section 317 (3a) HGB (IDW AuS 410 (10.2021)). Our responsibilities in this context are further described in the "Group Auditor's Responsibilities for the Audit of the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents
The executive directors of the parent are responsible for the preparation of the ESEF documents based on the electronic files of the consolidated financial statements and of the combined management report according to Section 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements according to Section 328 (1) sentence 4 no. 2 HGB.

In addition, the executive directors of the parent are responsible for such internal controls that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements for the electronic reporting format pursuant to Section 328 (1) HGB.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Audit of the ESEF Documents
Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.
- obtain an understanding of internal control relevant to the audit on the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- evaluate the technical validity of the ESEF documents, i.e. whether the provided file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, in the version in force at the balance sheet date, on the technical specification for this electronic file.
- evaluate whether the ESEF documents enable a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited combined management report.
- evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the balance sheet date, enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation
We were elected as group auditor by the general meeting on 8 July 2021. We were engaged by the supervisory board on 8 July 2021. We have been the group auditor of HORNBACH Holding AG & Co. KGaA, Neustadt an der Weinstraße/Germany, since the financial year 2019/2020.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report). Further Information pursuant to Article 10 of the EU Audit Regulation.

German Public Autitor responsible for the engagement

The German Public Auditor responsible for the engagement is Steffen Schmidt.

Mannheim/Germany, 11 May 2022

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

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

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HORNBACH Holding

As a contribution towards protecting the environment, HORNBACH has dispensed with printing and mailing annual reports. This annual report is available at any time on the HORNBACH website at www.hornbach-group.com/FinancialReports.

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