

REPORT OF THE SUPERVISORY BOARD



Dr. Wolfgang Rupf

Dear Ladies and Gentlemen,

During the past 2008/2009 financial year, we addressed the situation, perspectives and strategic alignment of the company in great detail. We advised the Board of Management in its management of the company and monitored its conduct in accordance with the requirements of the law, the articles of association and the code of procedure. At our meetings, the Board of Management provided us with regular, prompt and extensive written and oral reports on the business performance and the economic situation of the company and its subsidiaries. The Supervisory Board was involved in decisions of major significance for the company. Moreover, the Chairman of the Supervisory Board was in regular contact with the Board of Management, and especially with the Chairman of the Board of Management, outside the framework of meetings to discuss significant issues and also to hold a number of consultations.

Meetings of the Supervisory Board

The Supervisory Board met on a total of five occasions during the 2008/2009 financial year. No member of the Supervisory Board attended fewer than half of the meetings. No conflicts of interest arose during the year under report.

At our meetings, we held extensive discussions with the Board of Management and advised it on the economic situation of the company, its business performance, business policy, investment and financial policy, as well as on the company's risk and opportunity situation and its risk management on the basis of written and oral reports provided by the Board of Management. In addition, the Board of Management provided regular written and oral reports on the situation of the company and the development in its earnings and financial situation. Intensive discussions were held concerning those actions of the Board of Management requiring our consent. Following thorough examination and discussion of the proposals submitted by the Board of Management, the Supervisory Board then at its meetings consented to all of the respective measures.

At the meeting of the Supervisory Board held on May 21, 2008 to approve the annual financial statements, we examined the annual and consolidated financial statements in great detail in the presence of the auditor, as was also the case on May 20, 2009. The report of the Audit Committee on its work and the findings of its audit were also addressed. All of the questions posed by members of the Supervisory Board were answered in detail by the auditors. The report of the Supervisory Board, the joint corporate governance report of the Board of Management and the Supervisory Board, and the risk and compliance report of the Board of Management were also discussed at this meeting. The agenda for the Annual General Meeting, including the proposed resolutions, was approved.

At the meeting held directly before the Annual General Meeting on July 11, 2008, the Board of Management reported on the current situation of the Group.

At the inaugural meeting of the newly elected Supervisory Board required to be held directly after the Annual General Meeting due to the election of new members, the Supervisory Board elected a Chairman and a Deputy Chairman. Moreover, the composition of the committees was newly determined. Furthermore, the Board set dates for its regular meetings up to and including the 2009/2010 financial year. The retirement

from office of Eduard Zimmerle, Deputy Chairman of the Board of Management, as of October 31, 2008, was acknowledged with a resolution adopted by telephone on October 16, 2008. The Chairman of the Personnel Committee was commissioned and authorized to make the necessary contractual arrangements to terminate the employment relationship on an amicable basis.

The meeting held on December 17, 2008 focused on the discussion of the strategic 5-year plan compiled and presented by the Board of Management for the overall HORNBAACH HOLDING AG Group, including the HORNBAACH-Baumarkt-AG, HORNBAACH Immobilien AG and HORNBAACH Baustoff Union GmbH subgroups. This was subsequently approved. Following discussion and the forming of an opinion as to expected macroeconomic developments, and in particular as to the development of the DIY sector in Germany and the expected developments in the competitive situation, the Board affirmed the strategic foundations underlying the 5-year plan, including the financial and investment budgets. In coming years, the company's expansion with DIY stores will continue to focus on other countries. Targeted cost management is expected to lead to further reductions in costs. We believe that the store performance expectations are realistic.

The focal point of the strategic 5-year plan is the budget for the most important subgroup, HORNBAACH-Baumarkt-AG. The construction and letting of DIY megastores with garden centers forms the key component of the budget for the HORNBAACH Immobilien AG subgroup, while the budget for the HORNBAACH Baustoff Union GmbH subgroup focuses on the ongoing development of the builders' merchant business for mainly professional customers. Furthermore, the meeting held on December 17, 2008 also addressed the structure and organization of real estate activities at the Group. Moreover, the risk report was discussed. Due to the changes in the composition of the Board of Management, the allocation of responsibilities within the Board of Management was redefined. It was decided to assign responsibility for the expansion and for the construction of new stores to HORNBAACH-Baumarkt-AG. The relevant departments were integrated into

HORNBAACH-Baumarkt-AG as of March 1, 2009. The respective employees have been taken over, with their employment relationships being maintained. At the same meeting, the updated Declaration of Conformity with the German Corporate Governance Code was submitted pursuant to Section 161 of the German Stock Corporation Act (AktG) and then made available to shareholders on a permanent basis on the company's homepage. Apart from a few exceptions, HORNBAACH HOLDING AG has complied with and continues to comply with most of the recommendations of the German Corporate Governance Code. Only the following recommendations have not been complied with for the reasons outlined in the Declaration of Conformity: the disclosure of the compensation of members of the Supervisory Board on an individual basis, the setting of an upper age limit for members of the Supervisory Board, and the new recommendation that a nomination committee be formed. Further information about corporate governance at HORNBAACH HOLDING AG can be found in the joint report of the Board of Management and the Supervisory Board from Page 17 onwards.

The final meeting of the Supervisory Board in the past 2008/2009 financial year, which was held on February 26, 2009, dealt with the company's operating budget for the coming 2009/2010 financial year, including the financial and investment budgets, as well as with the decision-making process for new locations. The budgets thereby presented were subject to an in-depth review and subsequently approved. At the meeting on February 26, 2009 the Supervisory Board also discussed and approved a change in the chairmanship of the Audit Committee. Wolfger Ketzler outlined the reasons for his decision to step down as Chairman of the Audit Committee as of February 28, 2009. Dr. Wolfgang Rupp was subsequently elected as Chairman of the Audit Committee as of March 1, 2009.

Committees and Committee Meetings

The Supervisory Board has established three committees. The current composition of the committees can be found on Page 89 of this Annual Report.

The Audit Committee met on four occasions during the year under report. It discussed the annual financial statements of HORN BACH HOLDING AG and the consolidated financial statements, the management reports, the proposed appropriation of profits and the audit reports, including the dependent company report, in the presence of the auditor and of the Chairman of the Board of Management and the Chief Financial Officer. Its deliberations also focused on the company's strategic and operating planning, the risk and compliance reports of the Board of Management, the reports compiled by the Board of Management on the financial situation of the company, internal audit reports, and the candidate to be proposed for election as auditor. The key focuses for the audit of annual financial statements as of February 28, 2009 were determined in the presence of and in liaison with the auditors. Moreover, the Committee discussed the quarterly reports as of August 31, 2008 and November 30, 2008.

The Personnel Committee did not hold any meetings. It was not necessary to convene the Mediation Committee established pursuant to Section 27 (3) of the German Code-termination Act (MitBestimmG).

The Committee Chairman provided extensive reports on the work of the respective committee to the meetings of the over-all Supervisory Board.

Composition of the Board of Management

The previous Deputy Chairman of the Board of Management, Eduard Zimmerle, retired from the Board of Management as of October 31, 2008. His employment contract was rescinded on an amicable basis. The duties of Eduard Zimmerle were assumed by the remaining members of the Board of Management, Albrecht Hornbach and Roland Pelka.

Composition of the Supervisory Board

The regular term in office of all members of the Supervisory Board expired upon the conclusion of the Annual General Meeting on July 11, 2008. George Adams, Dr. Gerry Murphy and the previous Chairman of the Supervisory Board no longer stood for election. Richard Marshall Boyd, Ian Cheshire and

Wolfgang Ketzler were newly elected to the Supervisory Board as their successors. Christoph Hornbach, Otmar Hornbach and Dr. Wolfgang Rupf were re-elected.

At the subsequent inaugural meeting of the newly elected Supervisory Board, Dr. Wolfgang Rupf was elected as Chairman and Otmar Hornbach as Deputy Chairman.

Annual and Consolidated Financial Statements

KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (KPMG), Berlin and Frankfurt am Main, audited the annual financial statements of HORN BACH HOLDING AG and the consolidated financial statements as of February 28, 2009, as well as the management reports of HORN BACH HOLDING AG and of the Group, and provided them in each case with an unqualified audit opinion. The consolidated financial statements were compiled in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Moreover, KPMG confirmed that the risk management system fulfilled the relevant requirements and that no risks to the company's ongoing existence had been identified.

The audit for the 2008/2009 financial year focused on the delineation of the scope of consolidation, the correctness of the annual financial statements included in the consolidated financial statements, the consolidation of capital, the impairment review for non-current assets (IAS 36), the audit of the existence and measurement of inventories, the audit of the recognition and measurement of non-current assets held for sale (IFRS 5), the audit of the recognition and measurement of deferred taxes and liabilities, compliance with credit terms in connection with group financing, the correctness of the consolidated cash flow statement, the correctness of group segment reporting, the completeness and accuracy of the disclosures made in the notes to the financial statements, and the completeness and consistency of the statements made in the group management report.

The financial statements and audit reports were provided to all members of the Supervisory Board in good time. They were subject to detailed examination at the meeting of the Audit Committee on May 20, 2009 and at the subsequent meeting of the Supervisory Board held on the same day to approve the financial statements. The auditor took part in these discussions. He reported on the principal findings of the audit and was available to provide further information and to answer questions. Based on the findings of the preliminary audit undertaken by the Audit Committee and on the basis of our own examination of the documents provided by the Board of Management and the auditor, we did not raise any objections and endorse the findings of the audit undertaken by KPMG. We approve the annual financial statements compiled by the Board of Management for HORNBAACH HOLDING AG and the Group as of February 28, 2009; the annual financial statements of HORNBAACH HOLDING AG are thus adopted. We endorse the proposal made by the Board of Management concerning the appropriation of profits.

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

“On the basis of the audit and assessment we have undertaken in accordance with professional standards, we confirm that

1. the facts presented in the report are correct
2. the performance of the company in respect of the transactions set out in the report was not incommensurably high.”

On the basis of its conclusive review, the Supervisory Board has no objections to the statement provided by the Board of Management at the end of its report pursuant to Section 312 of the German Stock Corporation Act (AktG).

HORNBAACH HOLDING AG has achieved superb results in an especially highly contested market, particularly in Germany, and has asserted its position once again within its competitive environment. The Supervisory Board would like to extend its thanks and appreciation to the Board of Management and to all of the company's employees, both in Germany and abroad, for their commitment and extremely successful work in the past financial year.

Neustadt an der Weinstrasse, May 2009

The Supervisory Board
Dr. Wolfgang Rupf
Chairman