

“Dreams? Put them into action! Our dream house floats. And we built it ourselves. And because it’s nice and big, we even let out guest rooms.”

Marco Romano, Amsterdam, Netherlands



We spent long enough planning it all. Now we're putting our plans into action.



And we're off! The floating foundation for the new houseboat has arrived.



The first window's in place. It'll be followed by more than 20 others, so that it's nice and bright inside.



The houseboat should have absolutely everything. We discuss the sanitary system with Rob Kniesmeyer from HORNBACH.

CONSOLIDATED FINANCIAL STATEMENTS



Even though there's still loads to be done, our boat already looks really cozy from outside. It'll be worth all the effort and we can't wait to move in.



The roof is on and all windows and doors are in place. Now we need have no worries about the bad weather.



It's only outside that the water's dangerous now. I use a wrist strap to make sure the power screwdriver doesn't follow my cell phone - better to be on the safe side.

CONSOLIDATED FINANCIAL STATEMENTS

Income Statement

for the period from March 1, 2008 to February 28, 2009

	Notes	2008/2009 € 000s	2007/2008 € 000s	Change %
Sales	1	2,752,016	2,617,296	5.1
Cost of goods sold	2	1,762,190	1,683,037	4.7
Gross profit		989,826	934,259	5.9
Selling and store expenses	3	752,254	726,258	3.6
Pre-opening expenses	4	8,841	7,230	22.3
General and administration expenses	5	114,592	109,677	4.5
Other income and expenses	6	64,972	14,393	351.4
Earnings before interest and taxes (EBIT)		179,111	105,487	69.8
Other interest and similar income		13,482	10,535	28.0
Other interest and similar expenses		46,544	44,616	4.3
Other financial result		(1,740)	(3,787)	(54.1)
Net financial expenses	7	(34,802)	(37,868)	(8.1)
Consolidated earnings before taxes		144,309	67,619	113.4
Taxes on income	8	31,458	9,347	236.6
Consolidated net income		112,851	58,272	93.7
of which: income attributable to shareholders		91,298	47,968	90.3
of which: minority interests		21,553	10,304	109.2
Basic earnings per share (in €)	9	11.38	5.97	90.6
Earnings per preference share (€)	9	11.44	6.03	89.7

Balance Sheet

as of February 28, 2009

	Notes	2.28.2009 € 000s	29.2.2008 € 000s
Non-current assets			
Intangible assets	11	20,320	22,353
Property, plant, and equipment	12	936,070	944,715
Investment property	12	48,904	30,278
Financial assets	13	5,125	2,677
Non-current trade receivables and other assets	14/23	23,787	7,009
Non-current income tax receivables	26	16,864	17,936
Deferred tax assets	15	21,051	21,845
		1,072,121	1,046,813
Current assets			
Inventories	16	516,205	498,103
Other receivables and assets	17	72,661	66,661
Income tax receivables	26	8,654	15,685
Cash and cash equivalents	18	275,181	196,009
Non-current assets held for sale and disposal groups	19	51,014	78,701
		923,715	855,159
		1,995,836	1,901,972

	Notes	2.28.2009 € 000s	29.2.2008 € 000s
Shareholders' equity	20		
Share capital		24,000	24,000
Capital reserve		130,373	130,373
Revenue reserves		490,973	416,530
Minority interests		135,120	116,656
		780,466	687,559
Non-current liabilities			
Long-term financial debt	22	621,229	648,929
Deferred tax liabilities	15	71,660	71,059
Other non-current liabilities	24	20,043	15,628
		712,932	735,616
Current liabilities			
Short-term financial debt	22	153,330	130,694
Trade payables and other liabilities	25	248,160	245,246
Income tax liabilities	26	32,477	28,970
Other provisions and accrued liabilities	27	68,471	59,374
Disposal group liabilities	19	0	14,513
		502,438	478,797
		1,995,836	1,901,972

Cash Flow Statement

	2008/2009 € 000s	2007/2008 € 000s
Consolidated net income	112,851	58,272
Depreciation and amortization of non-current assets	73,399	75,495
Change in provisions	2,637	3,215
Profits/losses on disposals of non-current assets	(49,150)	1,045
Change in inventories, trade receivables, and other assets	(18,236)	(40,356)
Change in trade payables and other liabilities	23,530	10,306
Other non-cash income/expenses	(716)	(17,846)
Cash flow from operating activities	144,315	90,131
Proceeds from disposal of non-current assets and of non-current assets held for sale	82,867	46,414
Payments for investments in property, plant, and equipment	(112,653)	(191,344)
Payments for investments in intangible assets	(2,282)	(2,412)
Payments for investments in financial assets	(3,668)	(154)
Payments for acquisitions of shareholdings and other business units	(11,171)	(6,915)
Cash flow from investing activities	(46,907)	(154,411)
Proceeds from capital increases	1,337	4,564
Dividends paid	(11,964)	(11,786)
Proceeds from taking up long-term debt	25,237	51,534
Repayment of long-term debt	(59,890)	(47,427)
Change in short-term debt	28,153	246
Cash flow from financing activities	(17,127)	(2,869)
Cash-effective change in cash and cash equivalents	80,281	(67,149)
Changes in cash and cash equivalents due to changes in exchange rates	(1,109)	(1,403)
Cash and cash equivalents at March 1	196,009	264,561
Cash and cash equivalents at February 28/29	275,181	196,009

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

The remaining purchase price still outstanding for the sale and leaseback transaction executed at HORNBAACH-Baumarkt-AG as of 06.30.2008 (DIY store in Betrange/Luxembourg), amounting to € 6,739k, has not been included under proceeds from disposal of non-current assets or under changes in other assets in the current 2008/2009 financial year. These items also do not include the purchase price not yet received for the sale of land not required for operations executed on 05.31.2008 by way of the disposal of three Austrian real estate companies (€ 15,769k).

The cash flow from operating activities was reduced by income tax payments of € 19,523k (2007/2008: € 21,974k) and interest payments of € 53,274k (2007/2008: € 51,318k) and increased by interest received amounting to € 13,482k (2007/2008: € 10,535k).

The non-cash income/expenses item for the current year mainly relates to deferred taxes, unrecognized exchange gains/losses, impairment losses on non-current assets held for sale, and personnel expenses in connection with the valuation of share options.

Statement of Recognized Income and Expenses

	2008/2009 € 000s	2007/2008 € 000s
Actuarial gains and losses on defined benefit plans	(1,809)	1,366
Measurement of derivative financial instruments (cash flow hedge)		
Measurement of derivative hedging instruments directly in equity	(5,893)	(697)
Gains and losses from measurement of derivative financial instruments transferred to profit or loss	1,217	613
Exchange differences arising on the translation of foreign subsidiaries	(4,509)	5,305
Deferred taxes on gains and losses recognized directly in equity	1,713	(395)
Income and expenses recognized directly in equity	(9,281)	6,192
Consolidated net income	112,851	58,272
Total income and expenses recognized in the financial statements	103,570	64,464
of which: attributable to shareholders	83,664	52,567
of which: attributable to minority interests	19,906	11,897

Statement of Changes in Equity

2007/2008 financial year € 000s	Share capital	Capital reserve	Hedging reserve	Cumulative currency translation	Other revenue reserves	Equity attributable to share- holders	Minority interests	Total group equity
Balance at March 1, 2007	24,000	130,373	(1,140)	3,224	371,208	527,665	102,020	629,685
Consolidated net income					47,968	47,968	10,304	58,272
Actuarial gains and losses on defined benefit plans					830	830	242	1,072
Measurement of derivative financial instruments (cash flow hedge), net after tax			(80)			(80)	(105)	(185)
Currency translation				3,849		3,849	1,456	5,305
Total income and expenses recognized in the financial statements	0	0	(80)	3,849	48,798	52,567	11,897	64,464
Dividend distribution					(8,880)	(8,880)	(2,906)	(11,786)
Treasury stock transactions					(137)	(137)	30	(107)
Capital increase from share option plans					(312)	(312)	5,234	4,922
Changes in scope of consolidation							381	381
Balance at February 29, 2008	24,000	130,373	(1,220)	7,073	410,677	570,903	116,656	687,559

2008/2009 financial year € 000s	Share capital	Capital reserve	Hedging reserve	Cumulative currency translation	Other revenue reserves	Equity attributable to share- holders	Minority interests	Total group equity
Balance at March 1, 2008	24,000	130,373	(1,220)	7,073	410,677	570,903	116,656	687,559
Consolidated net income					91,298	91,298	21,553	112,851
Actuarial gains and losses on defined benefit plans					(1,098)	(1,098)	(322)	(1,420)
Measurement of derivative financial instruments (cash flow hedge), net after tax			(2,742)			(2,742)	(610)	(3,352)
Currency translation				(3,794)		(3,794)	(715)	(4,509)
Total income and expenses recognized in the financial statements	0	0	(2,742)	(3,794)	90,200	83,664	19,906	103,570
Dividend distribution					(8,880)	(8,880)	(3,084)	(11,964)
Treasury stock transactions						0	(190)	(190)
Capital increase from share option plans						0	1,491	1,491
Changes in scope of consolidation					(341)	(341)	341	0
Balance at February 28, 2009	24,000	130,373	(3,962)	3,279	491,656	645,346	135,120	780,466

Component of notes to financial statements, c.f. Note 20

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Explanatory notes on the principles and methods applied in the consolidated financial statements

Accounting principles

In line with Section 315a of the German Commercial Code (HGB), HORNBAACH HOLDING AG compiles consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The consolidated financial statements of HORNBAACH HOLDING AG are published in the electronic Federal Official Gazette (Bundesanzeiger).

HORNBAACH HOLDING AG is a publicly listed stock corporation whose legal domicile is in Neustadt an der Weinstrasse, Germany. HORNBAACH HOLDING AG and its subsidiaries develop and operate DIY megastores with garden centers on an international basis. In addition, HORNBAACH HOLDING AG and its subsidiaries are active on a regional level in the professional construction materials and builders' merchant business.

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

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

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

Amendments to accounting and valuation methods as a result of new standards

Account has been taken of all International Financial Reporting Standards and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) valid at the reporting date, to the extent that such are of relevance for the HORNBAACH HOLDING AG Group.

The following new standards, revised standards and interpretations required application for the first time in the 2008/2009 financial year:

- IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" was published on July 4, 2007. The interpretation provides guidance in particular as to how the limit pursuant to IAS 19 "Employee Benefits" is to be determined for a surplus eligible for recognition as a defined benefit asset, as well as concerning the implications of any legal minimum funding requirements on the measurement of assets and liabilities in connection with defined benefit plans. The interpretation must be applied in financial years beginning on or after January 1, 2008. Its initial application has not impacted on the Group's net asset, financial or earnings position.

Standards and interpretations not applied prematurely

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

- The IASB issued a revised version of IAS 1 "Presentation of Financial Statements" on September 6, 2007. The new version of this standard introduces amended designations for components of the financial statements. One material amendment is that all income and expenses, including income and expenses recognized directly in equity, must now be presented in a statement of comprehensive income. It is no longer possible solely to present such items together with owner-related changes in equity within a statement of changes in equity. Moreover, extended disclosures will be required for income and expenses recognized directly in equity (other comprehensive income). In future, the statement of changes in equity will therefore focus on the presentation of all owner changes in equity. The new version of IAS 1 must be applied in financial years beginning on or after January 1, 2009. Earlier application is permitted. HORNBAACH HOLDING AG has made no use of this possibility.
- The revised standard IAS 23 "Borrowing Costs (revised)" was published on March 29, 2007. The previous option of not capitalizing borrowing costs has been abolished. As of January 1, 2009, borrowing costs directly or indirectly attributable to the acquisition, construction or production of qualifying assets must be capitalized as a cost component. The revised version of IAS 23 requires mandatory application from January 1, 2009 for those qualifying assets whose production began after January 1, 2009. Premature application is permitted (IAS 23.29). It is possible to select an earlier production date (IAS 23.28). The initial application of this standard will not have any implications for the consolidated financial statements, as use was already made in the past of the option of capitalizing borrowing costs ("allowed alternative treatment").
- On February 14, 2008, the IASB published amendments to IAS 32 and IAS 1 in the document "Puttable Financial Instruments and Obligations Arising on Liquidation". The amendments mainly relate to the regulations governing the delineation of equity and debt capital. The revised version of the standard allows puttable instruments to be classified as equity in specified circumstances. The amendments must be applied in financial years beginning on or after January 1, 2009. The application in future of the amendments to IAS 32 and IAS 1 will not have any impact on the Group's net asset, financial or earnings position.
- On May 22, 2008, the IASB published amendments to IFRS 1 and IAS 27 in the document "Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate". Among other areas, the amendments relate to the accounting treatment of the costs of an investment in a subsidiary upon initial application of IFRS as well as to the distribution of earnings prior to the date of acquisition of a group company. The amendments must be applied prospectively in financial years beginning on or after January 1, 2009. The

application of these amendments in future will not impact on the Group's net asset, financial or earnings position.

- On October 13, 2008, the IASB adopted amendments to IAS 39 and IFRS 7. These amendments were introduced in reaction to the financial market crisis and allow companies to reclassify financial instruments in specified circumstances. The amendments affecting reclassification may be applied retrospectively as of July 1, 2008. HORNBAACH HOLDING AG has not undertaken any reclassifications.
- On January 17, 2008, the IASB published amendments to IFRS 2 "Share-based Payment". The amendments mainly involve the definition of vesting conditions and the regulations governing the cancellation of a commitment by parties other than the company. The amendments must be applied retrospectively in financial years beginning on or after January 1, 2009. The future application of the amendments to IFRS 2 will not have any material impact on the Group's net asset, financial or earnings position.
- On November 30, 2006, the IASB published IFRS 8 "Operating Segments". IFRS 8 replaces IAS 14 and adapts the relevant regulations to those contained in SFAS 131. IFRS 8 is based on application of the management approach to segment reporting. The standard must be applied for the first time in financial years beginning on or after January 1, 2009. The future application of the standard is not expected to have any implications for the Group's net asset, financial or earnings position.
- IFRIC 13 "Customer Loyalty Programmes" was published on June 28, 2007. This interpretation addresses the recognition and measurement of customer loyalty programs. IFRIC 13 must be applied for the first time in financial years beginning on or after July 1, 2008. Initial application will not have any material implications for the consolidated financial statements.

Standards, interpretations and amendments published as of the reporting date, but not yet accepted into European law by the EU Commission

- The IASB published the revised version of IFRS 3 "Business Combinations" and IAS 27 "Consolidated and Separate Financial Statements" on January 11, 2008. The extensive amendments to these standards include granting an option for the measurement of non-controlling interests (minority interests) in the case of step acquisitions (either at fair value, including allocable goodwill, or at the prorated share of net assets identified), the recognition through profit or loss of differences between the carrying amount and fair value of shares previously held and the expensing of ancillary costs of acquisition. IFRS 3 must be applied prospectively to business combinations with acquisition dates on or after the beginning of financial years beginning on or after July 1, 2009. Earlier application is permitted for financial years beginning on or after June 30, 2007. The amendments to IAS 27 are applicable to financial years beginning on or after July 1, 2009. Earlier application is allowed, provided that the new version of IFRS 3 is applied simultaneously. Depending on the scope of any business combination, the application of the revised standards in future will have a corresponding impact on the net asset, financial and earnings position of the HORNBAACH HOLDING AG Group.
- IFRIC 12 "Service Concession Arrangements", an interpretation published by the IFRIC on November 30, 2006, addresses the question as to how companies offering public services, such as the construction of roads, airports, prisons or energy supply infrastructure on behalf of public sector authorities are required to recognize the rights and obligations resulting from the contractual arrangements. IFRIC 12 basically requires application in financial years beginning on or after January 1, 2008. IFRIC 12 was accepted into European law by the EU Commission on March 25, 2009. IFRIC 12 is not expected to have any impact on future consolidated financial statements of HORNBAACH HOLDING AG.
- The interpretations IFRIC 15 "Agreement for the Construction of Real Estate" and IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" were published on July 3, 2008. IFRIC 15 addresses accounting practice at companies which develop land and which sell units in this capacity, such as residential units or houses, prior to completion. IFRIC 15 sets out criteria determining whether the items involved should be

recognized under IAS 11 “Construction Contracts” or under IAS 18 “Revenue”. This interpretation must be applied in financial years beginning on or after January 1, 2009. IFRIC 15 is not expected to have any impact on future consolidated financial statements of HORNBAACH HOLDING AG.

IFRIC 16 addresses the hedging of net investments in foreign operations. The interpretation clarifies that hedges may only be recognized between the functional currency of the foreign operation and the functional currency of the parent company. It is permitted to hedge the amount of net assets of the foreign operation recognized in the consolidated financial statements. The hedging instrument may be held by any group company (apart from those whose currency risks have been hedged). Should the foreign operation be removed from the scope of consolidation, then the changes in the value of the hedging instrument recognized directly in equity and the exchange gains and losses of the foreign operation recognized in the foreign currency reserves must be reclassified to the income statement. The volume of accumulated exchange gains or losses resulting from the removal of the foreign operation from the scope of consolidation may be calculated using either the step-by-step or the direct consolidation method. IFRIC 16 must be applied in financial years beginning on or after October 1, 2008. IFRIC 16 is not expected to have any material impact on future consolidated financial statements of HORNBAACH HOLDING AG.

- IFRIC 17 “Distributions of Non-cash Assets to Owners” was published on November 27, 2008. This interpretation governs the measurement of assets used rather than cash to distribute profit to shareholders. IFRIC 17 enters effect in financial years beginning on or after July 1, 2009. The future application of the interpretation will not have any material implications for the Group’s net asset, financial and earnings position.
- On January 29, 2009, the IASB published the interpretation IFRIC 18 “Transfers of Assets from Customers”. This interpretation provides additional guidance concerning the recognition of the transfer of an asset from a customer. IFRIC 18 enters effect in financial years beginning on or after July 1, 2009. The future application of the interpretation will not have any implications for the Group’s net asset, financial or earnings position.

Consolidation principles

The annual financial statements of the companies included in the consolidated financial statements are based on uniform accounting and valuation principles. With the exception of three Romanian subsidiaries and of three companies to be viewed as special purpose entities pursuant to SIC 12, the separate financial statements of the companies included in the consolidated financial statements have been prepared as of the reporting date for the consolidated financial statements. Account has been taken of all major transactions up to and including the reporting date for the financial statements.

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

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

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

Scope of consolidation

In addition to HORNBAACH HOLDING AG, the consolidated financial statements include 23 (2007/2008: 23) domestic and 43 (2007/2008: 45) foreign subsidiaries by way of full consolidation.

Two subsidiaries (2007/2008: two subsidiaries) not included in the consolidated financial statements are of immaterial significance for the presentation of the Group's net asset, financial and earnings position. The shares in these companies have been recognized in the consolidated balance sheet at amortized cost, as their fair value cannot be reliably determined.

In respect of the consolidated subsidiaries, HORNBAACH HOLDING AG has, either directly or indirectly, 100% of the voting rights as the sole shareholder in HORNBAACH Immobilien AG and HORNBAACH Baustoff Union GmbH, and has, either directly or indirectly, 77.2% (2007/2008: 77.4%) of the voting rights as the majority shareholder in HORNBAACH-Baumarkt-AG.

The scope of consolidation also includes investments held by HORNBAACH Immobilien AG as one of three limited partners in three special purpose companies which are to be regarded as special purpose entities (SPEs) in line with Interpretation 12 of the International Financial Reporting Interpretations Committee (SIC). HORNBAACH Immobilien AG holds 90% of the share capital in these three companies and has 19% of the voting rights. The financial year of these companies corresponds to the calendar year.

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.

The scope of consolidation changed compared with the 2007/2008 financial year due to the initial consolidation of two newly founded real estate companies, HORNBACH Real Estate Breda B.V., Driebergen-Rijsenburg / Netherlands, and the Swedish real estate company HIAG Fastigheter i Karlstad AB, Hisings Backa. Moreover, the 100% shareholding acquired in the Czech real estate company InterCora – invest a.s., Plzen, as of 12.23.2008 was also included for the first time in the current financial year. The companies included for the first time contributed an amount of € -10k to consolidated earnings in the 2008/2009 financial year. Furthermore, two Dutch real estate companies, HORNBACH Real Estate Kerkrade B.V. and HORNBACH Real Estate Zaandam B.V., and three Austrian real estate companies were sold. The five companies thereby deconsolidated contributed € 709k to consolidated earnings.

The composition and development of the scope of consolidation was as follows:

	2008/2009	2007/2008
March 1	69	68
Companies consolidated for the first time	3	2
Companies sold	(5)	0
Companies merged	0	(1)
February 28/29	67	69

The changes in the scope of consolidation in the 2008/2009 financial year resulted in the following aggregate changes in individual asset and liability items:

€ 000s	Additions 2008/2009	Disposals 2008/2009	Additions 2007/2008
Property, plant, and equipment	7,313	0	13,411
Other assets	0	(37,014)	48
Non-current liabilities	992	0	5,483
Current liabilities	0	(22,788)	1,987

There were no material implications for the income statement.

Consolidated subsidiaries

Company Name and Domicile	Equity ¹⁾ € 000s	Shareholding in %
Germany		
HORNBACH-Baumarkt-AG, Bornheim	386,539	77.2 ²⁾
HORNBACH Immobilien AG, Neustadt/Weinstrasse	67,130	100
HORNBACH International GmbH, Bornheim	25,584	77.2 ²⁾
AWV-Agentur für Werbung und Verkaufsförderung GmbH, Bornheim	214	77.2 ²⁾
HORNBACH Baustoff Union GmbH, Neustadt/Weinstrasse	10,156	100
Union Bauzentrum Hornbach GmbH, Neustadt/Weinstrasse	4,801	100
Ruhland-Kallenborn & Co. GmbH, Neustadt/Weinstrasse	5,321	100
Ruhland-Kallenborn Grundstücksverwaltungsgesellschaft mbH, Neustadt/Weinstrasse	(242)	100
Robert Röhlinger GmbH, Neustadt/Weinstrasse	1,449	100
Ollesch & Fitzner GmbH, Bornheim	554	77.2 ²⁾
BM Immobilien Gamma GmbH, Bornheim	-3	77.2 ²⁾
HB Reisedienst GmbH, Bornheim	6,900	77.2 ²⁾
BM Immobilien Lambda GmbH, Bornheim	21	77.2 ²⁾
HB Services GmbH, Bornheim	21	77.2 ²⁾
HORNBACH Versicherungs-Service GmbH, Bornheim	343	77.2 ²⁾
HORNBACH Solar-, Licht- und Energiemanagement GmbH, Bornheim	(33)	77.2 ²⁾
HIAG Immobilien Jota GmbH, Bornheim	6,842	100
HIAG Immobilien Beta GmbH, Bornheim	(63)	100
HIAG Immobilien Gamma GmbH, Bornheim	21	100
HIAG Immobilien Delta GmbH, Bornheim	22	100
SULFAT GmbH & Co. Objekt Bamberg KG, Pöcking	(895)	90
SULFAT GmbH & Co. Objekt Düren KG, Pöcking	(981)	90
SULFAT GmbH & Co. Objekt Saarbrücken KG, Pöcking	(891)	90
Other European countries		
HORNBACH Baumarkt GmbH, Wiener Neudorf, Austria	33,701	77.2 ²⁾
EZ Immobilien Beta GmbH, Wiener Neudorf, Austria	2,618	77.2 ²⁾
SM Immobilien Delta GmbH, Wiener Neudorf, Austria	(508)	77.2 ²⁾
SZ Immobilien Zeta GmbH, Wiener Neudorf, Austria	(43)	77.2 ²⁾
HK Immobilien Kappa GmbH, Wiener Neudorf, Austria	(197)	77.2 ²⁾
HL Immobilien Lambda GmbH, Wiener Neudorf, Austria	(594)	77.2 ²⁾
HO Immobilien Omega GmbH, Wiener Neudorf, Austria	(263)	99.8
HO Immobilien Omikron GmbH, Wiener Neudorf, Austria	2,503	77.2 ²⁾
HS Immobilien Sigma GmbH, Wiener Neudorf, Austria	(254)	77.2 ²⁾
HR Immobilien Rho GmbH, Wiener Neudorf, Austria	(149)	99.8
HD Immobilien Dora GmbH, Wiener Neudorf, Austria	(10)	77.2 ²⁾
HC Immobilien Chi GmbH, Wiener Neudorf, Austria	(32)	99.8

¹⁾ the shareholders' equity is equivalent to the local equity

²⁾ of which: 0.037% under current assets

Company Name and Domicile	Equity ¹⁾ € 000s	Shareholding in %
HM Immobilien My GmbH, Wiener Neudorf, Austria	(35)	100
HB Immobilien Bad Fischau GmbH, Wiener Neudorf, Austria	35	100
HORNBACH Baumarkt Luxemburg SARL, Bertrange, Luxembourg	9,043	77.2 ²⁾
HORNBACH Holding B.V., Amsterdam, Netherlands	63,651	77.2 ²⁾
HORNBACH Bouwmarkt (Nederland) B.V., Driebergen-Rijsenburg, Netherlands	11,637	77.2 ²⁾
HORNBACH Real Estate Tilburg B.V., Tilburg, Netherlands	284	77.2 ²⁾
HORNBACH Real Estate Groningen B.V., Groningen, Netherlands	338	77.2 ²⁾
HORNBACH Real Estate Wieringen B.V., Wieringen, Netherlands	566	77.2 ²⁾
HORNBACH Real Estate Alblisserdam B.V., Alblisserdam, Netherlands	(2,927)	77.2 ²⁾
HORNBACH Real Estate Nieuwegein B.V., Nieuwegein, Netherlands	507	77.2 ²⁾
HORNBACH Real Estate Nieuwerkerk B.V., Nieuwerkerk, Netherlands	296	77.2 ²⁾
HORNBACH Real Estate Geleen B.V., Geleen, Netherlands	133	77.2 ²⁾
HORNBACH Reclame Activiteiten B.V., Nieuwegein, Netherlands	14	77.2 ²⁾
Hornbach Real Estate Breda B.V., Driebergen-Rijsenburg, Netherlands	10	77.2 ²⁾
HORNBACH Real Estate Nederland B.V., Amsterdam, Netherlands	8,349	100
HORNBACH Baumarkt CS spol s.r.o., Prague, Czech Republic	49,628	77.2 ²⁾
HORNBACH Immobilien HK s.r.o., Prague, Czech Republic	3,596	100
InterCora - invest a.s., Plzen, Czech Republic	(97)	77.2 ²⁾
HORNBACH Baumarkt (Schweiz) AG, Oberkirch, Switzerland	20,663	77.2 ²⁾
HORNBACH Byggmärnad AB, Gothenburg, Sweden	(8,453)	77.2 ²⁾
HIAG Fastigheter i Göteborg AB, Gothenburg, Sweden	(96)	100
HIAG Fastigheter i Helsingborg AB, Gothenburg, Sweden	48	100
HIAG Fastigheter i Göteborg Syd AB, Gothenburg, Sweden	(172)	100
HIAG Fastigheter i Stockholm AB, Gothenburg Sweden	(79)	100
HIAG Fastigheter i Botkyrka AB, Botkyrka, Sweden	(551)	100
HIAG Fastigheter i Karlstad AB, Hisings Backa, Sweden	52	77.2 ²⁾
HORNBACH Immobilien SK-BW s.r.o., Bratislava, Slovakia	5,847	100
HORNBACH-Baumarkt SK spol. s.r.o., Bratislava, Slovakia	11,749	77.2 ²⁾
HORNBACH Centrala SRL, Bucharest, Romania	1,800	77.2 ²⁾
HORNBACH Imobiliare SRL, Bucharest, Romania	(11,273)	100
HMC Development SRL, Bucharest Romania	5,612	100

¹⁾ the shareholders' equity is equivalent to the local equity; in the case of HORNBACH Centrala SRL and HORNBACH Imobiliare SRL, however, equity corresponds to IFRS

²⁾ of which: 0.037% under current assets

A complete list of shareholdings pursuant to Section 285 Sentence 1 No. 11 and Section 313 (2) and (3) of the German Commercial Code (HGB) has been disclosed in the electronic Federal Official Gazette (Bundesanzeiger).

Subordination and profit and loss transfer agreements have been concluded between HORNBACH HOLDING AG and HORNBACH Immobilien AG and between HORNBACH HOLDING AG and HORNBACH Baustoff Union GmbH. These took effect in the 2000/2001 financial year. HORNBACH Baustoff Union GmbH has itself concluded a subordination and profit and loss transfer agreement with Union Bauzentrum HORNBACH GmbH which also came into effect in the 2000/2001 financial year. Moreover, a subordination agreement and a profit and loss transfer agreement have been in place between Ruhland-Kallenborn Grundstücksverwaltungs-gesellschaft mbH and Ruhland-Kallenborn & Co. GmbH since March 1, 2004.

Furthermore, subordination and profit and loss transfer agreements have been concluded between HORNBACH-Baumarkt-AG on the one hand and HORNBACH International GmbH and Ollesch & Fitzner GmbH on the other.

Foreign currency translation

Transactions executed in foreign currencies have been translated at the respective transaction rate. All receivables and liabilities denominated in foreign currencies have been valued using the closing rates on the reporting date regardless of whether they have been hedged or not. The resultant exchange gains and losses have generally been included in the income statement. Forward exchange transactions have been recognized at fair value.

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

The most important foreign exchange rates applied are as follows:

Country	Rate on reporting date		Average rate	
	2.28.2009	2.29.2008	2008/2009	2007/2008
CZK Czech Republic	28.0900	25.2280	25.30182	27.35612
SEK Sweden	11.4524	9.3948	9.85069	9.29607
CHF Switzerland	1.4841	1.5885	1.56678	1.64197
SKK Slovakia	n.a.	32.3750	30.12600 ¹⁾	33.53355
USD USA	1.2644	1.5167	1.55386	1.39846
RON Romania	4.3025	3.7435	3.78071	3.38464

¹⁾ official conversion rate upon conversion to the euro as of January 1, 2009

Accounting Policies

Assets have generally been measured at amortized cost. Derivative financial instruments, assets measured at fair value through profit and loss, and cash-settled liabilities in connection with share option plans have been recognized at fair value.

Goodwill

Since March 1, 2005, goodwill has no longer been subject to scheduled amortization, but rather undergoes an annual impairment test. Should any events or changes in circumstances indicate any impairment in value, then such impairment test must be performed more frequently. Pursuant to IAS 36, the carrying amounts of the smallest cash generating units, including the goodwill proportionately allocated to such units, are compared with the higher of the net sale price and the value in use (so-called recoverable amount) of such units.

If the carrying amount of the cash generating unit exceeds its recoverable amount, then a write-down is required. The impairment loss for a cash generating unit is initially allocated to goodwill. Any remaining impairment loss is subsequently recognized for the other assets in the cash generating unit. However, assets may only be written down at maximum to the recoverable amount of the individual asset identified. No write-ups of goodwill are undertaken.

In line with internal management reporting structures, the cash generating units are equivalent to the smallest strategic reporting levels within the HORNBAACH HOLDING AG Group. The value in use is calculated on the basis of the discounted future cash flows of a cash generating unit expected on the basis of the detailed financial budget for the coming financial year and in the strategic five-year plan. As in the previous year, periods reaching further into the future have been based on a growth factor of 0.5%. The strategic five-year plan is largely based on the developments expected in consumer spending as stated in economic forecasts published by economic research institutes. A detailed financial budget for the coming financial year is then compiled on this basis.

The discounting is based on average equity and debt capital costs (WACC= Weighted Average Cost of Capital). The calculation of the costs of equity is based on the yield expected on long-term risk-free federal bonds. The costs of debt capital are based on the financing costs of the ten-year bond issued by HORNBAACH-Baumarkt-AG during the 2004/2005 financial year. Discount rates ranging from 8.8% to 9.2% were applied in the 2008/2009 financial year (2007/2008: 8.3% to 9.8%).

Intangible assets

Intangible assets with finite useful lives are recognized at cost less accumulated straight-line amortization, taking due account of any impairment. Pursuant to IAS 23 "Borrowing Costs", financing costs which can be directly allocated to an asset ("qualifying asset") over the period of the establishment of the utility of such asset are capitalized as a component of the costs of acquisition or manufacture.

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 13

There are no intangible assets with indefinite useful lives.

Property, plant and equipment

Property, plant and equipment, including real estate held to generate rental income, is recognized at cost less accumulated depreciation.

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

Scheduled 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 21

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

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

Leasing contracts

Leased items of property, plant and equipment which in economic terms constitute asset purchases with long-term financing (finance leases) are recognized pursuant to IAS 17 "Leases" at fair value at the beginning of the leasing relationship, unless the present value of the leasing payments is lower. The relevant assets are depreciated over their economic useful lives or over the term of the contract if shorter. Application is made of the same method of depreciation applicable to comparable assets acquired or manufactured. Moreover, an equivalent financial liability is capitalized at the amount of the fair value of the asset or the present value of the minimum leasing payments, if lower.

Inventories

Inventories are carried at cost or at net sale value. The net sale value is taken to be the expected realizable sales proceeds less the costs incurred up to disposal. The acquisition costs of inventory holdings are determined using weighted average prices. Account is taken of the principle of loss-free valuation. In addition to direct costs, the costs of manufacture for unfinished services in the builders' merchant business also include an appropriate share of production and materials overheads.

Non-current assets held for sale and disposal groups

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

Pensions and similar obligations

Consistent with legal requirements in the respective countries, the group companies of HORNBAACH HOLDING AG have obligations relating to defined contribution and defined benefit pension plans. In the case of defined benefit plans, provisions have been calculated using the projected unit credit method in accordance with

IAS 19 “Employee Benefits”. When determining the pension obligation in accordance with actuarial principles, this method accounts for the pensions known of and claims vested as of the reporting date, as well as for the increases in salaries and pensions to be expected in future. The plan assets are deducted at fair value from the obligations. Should this result in a net asset, then this is recognized, provided that it does not exceed the present value of future reductions in contributions or repayments or any retrospective service costs. Actuarial gains or losses are recognized directly in equity, having accounted for any deferred taxes. In the case of defined contribution plans, the contributions are recognized as expenses upon becoming due for payment.

Provisions and accrued liabilities

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

Financial instruments

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

Financial assets are derecognized once the contractual rights to payment have lapsed or been assigned. There are no cases of financial assets having been sold and continuing to be recognized either in full or in part at the HORNBACH HOLDING AG Group (continuing involvement). Financial liabilities are derecognized once they have been settled, i.e. once the liability has been repaid, cancelled or has expired.

Primary financial instruments

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

Financial assets are classified as available for sale pursuant to IAS 39. They are measured at fair value, where this can be reliably determined, and otherwise at cost. Interests in non-consolidated subsidiaries and investments are also deemed to represent financial assets as available for sale; however, these are basically measured at cost, as there is no active market for these companies and their respective fair values cannot be reliably determined at reasonable expense.

Trade receivables and other assets are carried at amortized cost or at present value, if lower. Value reductions are stated to account for all identifiable individual risks and general credit risk based on empirical

figures. Specific cases of default lead to the receivable in question being derecognized. Non-current assets recognized at present value are not exposed to any significant interest rate risk.

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

Financial debt (bank loans, bonds) are recognized at the respective loan amount, less transaction costs, and subsequently measured at amortized cost. The difference to the repayment amount is recognized as an expense over the term of the bond using the effective interest method. Other debt is recognized at its respective repayment amount.

Derivative financial instruments

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

Derivatives which are not integrated into an effective hedging relationship as defined in IAS 39 are subject to mandatory classification as held for trading (financial assets/liabilities held for trading) and are thus measured at fair value through profit or loss. The fair values of forward exchange transactions (including the embedded forward exchange transactions) are determined on the basis of market conditions at the reporting date. The fair value of interest swaps is determined by the financial institutions with which they were concluded. In the case of interest-bearing derivative financial instruments, a distinction is made between the "clean price" and the "dirty price". Unlike the "clean price", the "dirty price" also includes accrued interest. The fair values recognized for interest-bearing financial instruments correspond to the "dirty price".

Upon entering into a hedging transaction, the HORNBACH HOLDING AG Group classifies certain derivatives as hedging future cash flows or planned transactions (cash flow hedge). Changes in the fair value of those cash flow hedges viewed as effective are recognized directly in equity under retained earnings, 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.

Impairment of assets

With the exception of inventories, deferred tax assets and assets measured at fair value, all assets are reviewed on each reporting date to ascertain whether there are any indications of impairment. An impairment loss is recognized in the income statement if the recoverable amount is lower than the carrying amount. Should the reasons for the impairment no longer apply, then the asset is written back to amortized cost, except in the case of unlisted equity instruments measured at cost and of goodwill.

Sales

Income from the sale of goods is recognized upon transfer of ownership.

Cost of goods sold

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

Rental income

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

Government grants

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

Expenses

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

Advertising expenses for commercials are produced for image advertising purposes and are generally broadcast directly following their production. The broadcasting costs are recognized as expenses upon receipt of the service (broadcasting by the broadcaster).

Expenses relating to advertising leaflets are deferred until distribution and then reported under raw materials and supplies.

Interest expenses and interest income are recognized in accordance with the period for which the loan was granted or the bond issued.

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

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

With regard to options issued prior to November 7, 2002 in connection with existing share option plans, no expenses have been recognized for the difference between the exercise price and the market value of shares or the intrinsic value of the share options granted as long as the options have not been exercised.

The 1999 share option plan of HORNBACH-Baumarkt-AG involves equity-settled share-based payments. With regard to the fourth tranche of the share option plan, which was issued subsequent to November 7, 2002, the current market value of the options expected to be convertible was calculated for the time of their issue. This amount is distributed as an expense over the period up to the non-forfeitability of such options and is recognized as a corresponding increase in shareholders' equity.

The HORNBACH phantom stock plan at HORNBACH-Baumarkt-AG and the stock option plan at HORNBACH HOLDING AG involve cash-settled share-based payments. The expenses for the phantom stock plan and for the 4th tranche of the stock option plan at HORNBACH HOLDING AG, which was issued after November 7, 2002, are distributed over the qualifying period on a prorated basis. The resultant obligation as of the reporting date has been recognized under other liabilities.

Segment Report

Segment reporting is undertaken in compliance with the accounting and valuation methods used in the consolidated financial statements. The sales to external third parties represent net sales. Transfer prices between the segments are equivalent to those applied to external third parties.

Segment delineation

The allocation of business fields (segments) corresponds to the internal reporting system used by the Board of Management of the HORNBACH HOLDING AG Group for managing the company. The primary reporting system is based on business fields, whereas the secondary reporting system makes a distinction between the regions of Germany and of Other European Countries. The “DIY Stores” segment includes the DIY megastores and garden centers, as well as the specialist garden centers, grouped together in the HORNBACH HOLDING AG Group. The activities of the HORNBACH Baustoff Union GmbH subgroup are reported in the “Builders’ Merchants” segment. The “Real Estate” segment includes the retail properties owned by companies in the HORNBACH-Baumarkt-AG Group and of HORNBACH Immobilien AG, which let and charge the properties to the “DIY Stores” segment (operating DIY megastores with garden centers) within the Group at normal market conditions. The “Miscellaneous and Consolidation” segment includes administration and consolidation items which are not attributable to the individual segments.

Segment earnings

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

Segment assets and liabilities

Assets and liabilities in the consolidated balance sheet have been directly allocated to the individual segments as far as possible. Remaining assets and liabilities have been allocated as appropriate. Liabilities in the consolidated balance sheet have been increased by liabilities to group companies in the individual segments and have been allocated to the individual segments. The resultant adjustments have been eliminated under the “Miscellaneous and Consolidation” item.

2008/2009 in € million 2007/2008 in € million	DIY stores	Builders' merchants	Real estate	Miscellaneous and consolidation	HORNBACH HOLDING AG Group
Segment sales	2,598.0	152.8	171.4	(170.2)	2,752.0
	2,468.2	148.6	162.7	(162.2)	2,617.3
Sales to third parties	2,597.9	150.5	0.0	0.0	2,748.4
	2,468.1	146.0	0.0	0.0	2,614.1
Sales to affiliated companies	0.1	2.3	0.0	(2.4)	0.0
	0.1	2.6	0.0	(2.7)	0.0
Internal rental income	0.0	0.0	167.8	(167.8)	0.0
	0.0	0.0	159.5	(159.5)	0.0
Rental income from external third parties	0.0	0.0	3.6	0.0	3.6
	0.0	0.0	3.2	0.0	3.2
Segment earnings (EBIT)	84.1	1.2	114.6	(20.8)	179.1
	66.7	0.2	56.2	(17.6)	105.5
of which: depreciation and amortization/write-ups	36.7	2.6	24.6	8.2	72.1
	38.9	2.9	24.6	9.1	75.5
Segment assets	741.9	84.5	887.1	235.8	1,949.3
	731.7	76.9	881.1	156.8	1,846.5
of which: credit balances at banks	40.6	0.6	8.7	196.8	246.7
	51.3	0.5	11.5	113.3	176.6
Investments	31.9	9.9	84.6	5.0	131.4
	33.9	14.7	147.6	5.9	202.1
Segment liabilities	257.6	65.1	429.3	359.2	1,111.2
	278.4	68.5	462.8	304.7	1,114.4
of which: financial debt	5.2	46.7	398.9	323.8	774.6
	2.0	42.2	411.5	323.9	779.6

Delineation by geographical region

The Other European Countries segment includes the Czech Republic, Austria, the Netherlands, Luxembourg, Switzerland, Sweden, Slovakia, and Romania.

Segment sales are allocated to the geographical regions in which the sales were generated. The sales for Other European Countries include segment sales of € 254.1 million requiring report pursuant to IAS 14.69 for our subsidiaries in Austria (2007/2008: € 255.0 million). The EBIT for Other European Countries include segment earnings of € 41.6 million (2007/2008: € 21.0 million) and of € 26.8 million (2007/2008: € 22.6 million) requiring report pursuant to IAS 14.69 for our subsidiaries in the Netherlands and our subsidiary in the Czech Republic respectively. Segment assets are allocated to the region in which they are located. Investments relate to non-current assets allocated to the respective segments.

2008/2009 in € million 2007/2008 in € million	Germany	Other European countries	Miscellaneous and consolidation	HORNBACH HOLDING AG Group
Segment sales	1,844.2	1,064.9	(157.1)	2,752.0
	1,793.5	962.5	(138.7)	2,617.3
Sales to third parties	1,684.8	1,063.6	0.0	2,748.4
	1,652.9	961.2	0.0	2,614.1
Sales to affiliated companies	156.9	0.2	(157.1)	0.0
	138.6	0.1	(138.7)	0.0
Rental income from external third parties	2.5	1.1	0.0	3.6
	2.0	1.2	0.0	3.2
Segment assets	1,581.1	809.4	(441.2)	1,949.3
	1,500.2	676.6	(330.3)	1,846.5
Investments	48.3	83.5	(0.4)	131.4
	82.6	121.8	(2.3)	202.1
EBIT	48.7	129.6	0.8	179.1
	37.5	68.0	0.0	105.5
Depreciation and amortization/write-ups	49.5	22.6	0.0	72.1
	52.5	23.0	0.0	75.5
EBITDA	98.2	152.2	0.8	251.2
	90.0	91.0	0.0	181.0

Notes on the Consolidated Income Statement

(1) Sales

Sales mainly involve revenues in the DIY store and builders' merchant segments. Revenues amounting to € 3,639k (2007/2008: € 3,208k) from the letting of real estate have also been reported under sales.

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

(2) Cost of goods sold

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

	2008/2009 € 000s	2007/2008 € 000s
Expenses for auxiliary material and purchased goods	1,749,115	1,670,101
Expenses for services rendered	13,075	12,936
	1,762,190	1,683,037

(3) Selling and store expenses

Selling and store expenses include those costs incurred in connection with the operation of DIY megastores with garden centers and of 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 administration expenses, transport costs, maintenance and upkeep and rental expenses for plant and equipment.

(4) Pre-opening expenses

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

(5) General and administration expenses

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

(6) Other income and expenses

Other income and expenses are structured as follows:

	2008/2009	2007/2008
	€ 000s	€ 000s
Other income from operating activities		
Income from advertising allowances	10,490	11,362
Income from reversal of provisions	3,478	1,580
Income from disposal of other non-current assets	794	1,954
Income from payment differences	419	852
Miscellaneous other income	13,002	14,826
	28,183	30,574
Other income from non-operating activities		
Income from disposal of shareholdings and disposal of real estate	50,372	165
Income from write-ups to property, plant, and equipment and non-current assets held for sale	1,294	120
Income from reversal of provisions for onerous contracts	780	1,269
Miscellaneous other income	0	450
	52,446	2,004
Other income	80,629	32,578

Until the 2007/2008 financial year, foreign currency gains and losses and the income and expenses from the measurement of primary receivables and liabilities in foreign currencies were reported under other income and expenses, while the measurement of derivative foreign currency hedging instruments was included in net financial expenses. As these earnings items are linked in economic terms, starting in the 2008/2009 financial year all gains and losses from foreign currency exchange have been reported under net financial expenses (please see Note 7). The previous year's figures have been adjusted accordingly. Other income of € 38,372k and other expenses of € 27,600k were reported in the 2007/2008 annual report. These figures included income of € 5,794k and expenses of € 9,415k from exchange differences, which have now been reported in the other financial result.

Miscellaneous other income from operating activities principally relates to income from damages payments, other income from personnel grants, and income from the writing back of receivables.

The non-operating income reported for the 2008/2009 financial year chiefly results from the disposal of three DIY store properties and of land and buildings not required for operations. These were executed in some cases as disposals of real estate companies and in some cases as disposals of assets. The DIY store properties have been leased back on a long-term basis within the framework of operating leases. There are rental extension options following the non-terminable basic rental period. The previous year's figure related to the disposal of unused reserve land.

	2008/2009 € 000s	2007/2008 € 000s
Other expenses from operating activities		
Impairments and defaults on receivables	2,082	2,858
Losses incurred on disposal of non-current assets	501	1,023
Expenses from payment differences	375	148
Miscellaneous other expenses	5,750	3,422
	8,708	7,451
Other expenses from non-operating activities		
Impairment of property, plant, and equipment and investment property	4,199	3,602
Impairments on non-current assets held for sale	479	0
Losses incurred on disposal of non-current assets	1,515	3,590
Additions to provisions for onerous contracts	337	3,542
Other non-operating expenses	419	0
	6,949	10,734
Other expenses	15,657	18,185
Net income from other income and expenses	64,972	14,393

Miscellaneous other operating expenses include losses incurred on damages, write-downs of receivables, defaults on receivables, and expenses for services charged on. The corresponding income is reported under miscellaneous other income.

(7) Net financial expenses

	2008/2009 € 000s	2007/2008 € 000s
Other interest and similar income		
Interest income on financial instruments measured at amortized cost	12,089	9,550
Interest income on financial instruments used as hedging instruments	1,393	947
Other	0	38
	13,482	10,535
Other interest and similar expenses		
Interest expenses on financial instruments measured at amortized cost	45,700	43,592
Interest expenses on financial instruments used as hedging instruments	176	334
Other	668	690
	46,544	44,616
Net interest expenses	(33,062)	(34,081)
Other financial result		
Gains and losses from fair value measurement of derivative financial instruments	(951)	(166)
Gains and losses from foreign currency exchange	(805)	(3,621)
Income from shareholdings in unconsolidated affiliated companies	16	0
	(1,740)	(3,787)
Net financial expenses	(34,802)	(37,868)

Gains and losses from foreign currency exchange have been reported under net financial expenses for the first time in the 2008/2009 financial year. Previously, income and expenses from exchange differences were presented under other income and expenses (please see Note 6). In this respect, the presentation of net financial expenses has been adjusted. This has resulted in net interest expenses and the other financial result being presented as subtotals within net financial expenses. Gains and losses from the fair value measurement of derivative financial instruments and gains and losses from foreign currency exchange have been reported on a net basis for reasons of materiality. The previous year's figures have been adjusted accordingly.

In line with IAS 17 "Leases", financial leasing contracts are reported under property, plant and equipment and the interest component of the leasing installment amounting to € 143k (2007/2008: € 153k) 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 € 5,752k (2007/2008: € 5,471k) in the year under report and has been capitalized as an integral component of the costs of the property, plant and equipment concerned. As in the previous year, the average financing cost rate used to determine the level of debt costs to be capitalized amounted to 5.9%.

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

Gains and losses from the fair value measurement of derivative financial instruments include an amount of € -303k (2007/2008: € 482k) in connection with the fair value measurement of derivative foreign currency instruments, and an amount of € -648k (2007/2008: € -648k) for the ineffective portion of the change in value of an interest swap used as a hedge within a hedging relationship pursuant to IAS 39.

Gains and losses from foreign currency exchange chiefly consist of realized exchange rate gains of € 10,348k (2007/2008: € 8,202k) and realized exchange rate losses of € 10,251k (2007/2008: € 9,239k). Furthermore, gains and losses from foreign currency exchange also include net expenses of € 902k (2007/2008: € 2,584k) from the measurement of foreign currency receivables and liabilities.

(8) Taxes on income

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

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

All domestic deferred tax items have been valued at an unchanged 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 16% to 31% (2007/2008: 16% to 30%).

The actual income tax charge of € 31,458k (2007/2008: € 9,347k) is € 11,835k lower (2007/2008: € 10,939k) than the expected tax charge of € 43,293k (2007/2008: € 20,286k), which would have been payable by applying the average tax rate of 30% (2007/2008: 30%) to the pre-tax earnings of the Group.

Deferred tax assets have been stated for as yet unutilized losses carried forward amounting to € 34,187k (2007/2008: € 42,574k). HORNBAACH HOLDING AG expects it to be possible to offset the tax losses carried forward, which in some cases are attributable to start-up losses in individual countries, against future earnings in full. No deferred tax assets have been reported in the case of losses carried forward amounting to € 20,625k (2007/2008: € 10,930k) in view of the fact that a future realization of the resultant benefit is not to be expected.

At its meeting on July 6, 2007, the German Federal Council adopted the 2008 Corporate Taxation Reform Act. This has resulted in the tax rate in Germany being amended from its previous level of around 38% to around 30%. The adjustment of deferred tax assets and liabilities previously stated to the lower tax rate resulted in deferred tax income amounting to € 13.3 million in the previous year.

Breakdown of the tax charge:

	2008/2009	2007/2008
	€ 000s	€ 000s
Current taxes on income		
Germany	12,122	11,506
Other countries	19,011	15,302
	31,133	26,808
Deferred tax expenses/income		
due to changes in temporary differences	1,334	(3,210)
due to changes in tax rates	399	(13,494)
due to losses carried forward	(1,408)	(757)
	325	(17,461)
Taxes on income	31,458	9,347

Deferred taxes amounting to € 1,713k (2007/2008: € -395k) have been recognized directly in equity.

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

	2008/2009		2007/2008	
	€ 000s	%	€ 000s	%
Expected income tax charge	43,293	100.0	20,286	100.0
Difference between local tax rate and group tax rate	(6,445)	(14.9)	(3,282)	(16.2)
Tax-free income	(9,223)	(21.3)	(1,090)	(5.4)
Tax reductions/increases due to changes in tax rates	399	0.9	(13,494)	(66.5)
Tax increases attributable to expenses not deductible for tax purposes and to unstated losses carried forward	5,467	12.6	6,775	33.4
Non-period current and deferred taxes	(2,033)	(4.7)	152	0.7
Taxes on income	31,458	72.6	9,347	46.0
Effective tax rate in %	21.8		13.8	

(9) Earnings per share

The 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 HORNBAACH HOLDING AG by the weighted average number of shares in circulation during the financial year.

	2008/2009	2007/2008
Consolidated net income in €	91,298,360.64	47,967,495.06
Additional dividend on preference shares in €	240,000.00	240,000.00
Consolidated net income adjusted by additional dividend claims in €	91,058,360.64	47,727,495.06
Number of ordinary shares issued	4,000,000	4,000,000
Number of preference shares issued	4,000,000	4,000,000
	8,000,000	8,000,000
Earnings per share in €	11.38	5.97
Additional dividend claim per preference share (€)	0.06	0.06
Earnings per preference share (€)	11.44	6.03

(10) Other disclosures on the income statement**Personnel expenses**

	2008/2009 € 000s	2007/2008 € 000s
Wages and salaries	370,097	348,519
Social security contributions and pension expenses	76,186	72,607
	446,283	421,126

Wages and salaries also include expenses relating to temporary personnel. The social security contributions include pension expenses amounting to € 2,608k (2007/2008: € 3,387k). Personnel expenses include expenses of € 23,260k (2007/2008: € 22,801k) in connection with the employer's share of the statutory pension scheme.

Depreciation and amortization

Amortization of intangible assets, depreciation of property, plant and equipment and investment property:

	2008/2009 € 000s	2007/2008 € 000s
Scheduled amortization of intangible assets and depreciation of property, plant, and equipment and investment property	69,200	71,893
Impairment of property, plant, and equipment and investment property	4,199	3,602
	73,399	75,495

As in the previous year, the impairment losses recognized in the 2008/2009 financial year relate to land and to advance payments made on land and buildings. They mainly result from a write-down to expected net sale value. Reference is also made to Note 12 in this respect.

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

2008/2009 financial year € 000s	Intangible assets	Property, plant, and equipment and investment property	Total
Selling and store expenses	476	58,400	58,876
Pre-opening expenses	0	11	11
General and administration expenses	4,190	6,123	10,313
Other income and expenses	0	4,199	4,199
	4,666	68,733	73,399

2007/2008 financial year € 000s	Intangible assets	Property, plant, and equipment and investment property	Total
Selling and store expenses	460	60,104	60,564
Pre-opening expenses	0	4	4
General and administration expenses	4,568	6,757	11,325
Other income and expenses	0	3,602	3,602
	5,028	70,467	75,495

Notes on the Consolidated Balance Sheet

(11) Intangible assets

The development of intangible assets during the 2007/2008 and 2008/2009 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, 2007	65,839	4,441	1,191	71,471
Additions	2,346	0	66	2,412
Disposals	7,177	0	0	7,177
Reclassifications	1,106	0	(1,098)	8
Foreign currency translation	45	0	0	45
Balance at February 29/March 1, 2008	62,159	4,441	159	66,759
Additions	2,552	0	80	2,632
Disposals	34	0	0	34
Reclassifications	161	0	(159)	2
Foreign currency translation	(23)	0	0	(23)
Balance at February 28, 2009	64,815	4,441	80	69,336
Amortization				
Balance at March 1, 2007	43,971	1,169	0	45,140
Additions	5,028	0	0	5,028
Disposals	5,807	0	0	5,807
Foreign currency translation	45	0	0	45
Balance at February 29/March 1, 2008	43,237	1,169	0	44,406
Additions	4,666	0	0	4,666
Disposals	34	0	0	34
Foreign currency translation	(22)	0	0	(22)
Balance at February 28, 2009	47,847	1,169	0	49,016
Carrying amount at February 28, 2009	16,968	3,272	80	20,320
Carrying amount at February 29, 2008	18,922	3,272	159	22,353

Additions to franchises, industrial property rights and similar rights and values and licenses to such rights and values mainly relate to the acquisition of software licenses for various IT projects and to the customer base of a builders' merchant business acquired in the year under report.

In the previous year, additions mainly involved license fees for SAP software in order to extend the existing SAP systems, as well as expenses incurred to adapt the software for its intended utilization.

The disposals of € 1,370k in the previous year mainly related to the disposal of software and of the utilization rights for a piece of land acquired in the 2007/2008 financial year.

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

(12) Property, plant and equipment, as well as investment property

The development of property, plant and equipment during the 2007/2008 and 2008/2009 financial years was as follows:

€ 000s	Land, leasehold rights, and buildings on third-party land	Investment property (IAS 40)	Other equipment, plant, and office equipment	Assets under construction	Total
Cost					
Balance at March 1, 2007	935,083	74,143	447,228	56,678	1,513,132
Reclassifications to non-current assets held for sale	(101,406)	(29,795)	0	0	(131,201)
Changes in scope of consolidation	13,351	0	0	55	13,406
Additions	108,106	1,006	42,489	34,121	185,722
Disposals	2,239	72	22,828	1,633	26,772
Reclassifications pursuant to IAS 40	(486)	486	0	0	0
Reclassifications	45,410	0	3,777	(49,195)	-8
Foreign currency translation	8,161	0	3,005	(697)	10,469
Balance at February 29/March 1, 2008	1,005,980	45,768	473,671	39,329	1,564,748
Reclassifications to non-current assets held for sale	(31,475)	9,536	(3,478)	0	(25,417)
Changes in scope of consolidation	7,313	0	0	0	7,313
Additions	58,098	1,419	33,535	24,705	117,757
Disposals	111	11	15,085	495	15,702
Reclassifications pursuant to IAS 40	(14,896)	14,896	0	0	0
Reclassifications	26,386	0	1,230	(27,618)	-2
Foreign currency translation	(16,826)	0	(3,133)	(2,263)	(22,222)
Balance at February 28, 2009	1,034,469	71,608	486,740	33,658	1,626,475
Depreciation					
Balance at March 1, 2007	213,376	20,251	321,738	3,353	558,718
Reclassifications to non-current assets held for sale	(14,558)	(5,312)	0	0	(19,870)
Additions	22,672	558	43,785	3,452	70,467
Disposals	1,631	7	21,247	2	22,887
Reclassifications	4,449	0	(22)	(4,427)	0
Foreign currency translation	1,292	0	1,951	84	3,327
Balance at February 29/March 1, 2008	225,600	15,490	346,205	2,460	589,755
Reclassifications to non-current assets held for sale	48	4,360	(2,170)	0	2,238
Additions	23,092	3,497	40,848	1,296	68,733
Write-ups	(651)	(643)	0	0	(1,294)
Disposals	11	0	14,371	29	14,411
Foreign currency translation	(1,734)	0	(1,953)	167	(3,520)
Balance at February 28, 2009	246,344	22,704	368,559	3,894	641,501
Carrying amount at February 28, 2009	788,125	48,904	118,181	29,764	984,974
Carrying amount at February 29, 2008	780,380	30,278	127,466	36,869	974,993

The additions resulting from changes in the scope of consolidation in the 2008/2009 financial year, amounting to € 7,313k, relate to the acquisition of the real estate company InterCora – invest a.s. Plzen.

Impairment losses of € 4,199k were recognized in the financial year under report (2007/2008: € 3,602k). Of this total, € 1,275k related to land (2007/2008: € 0k), € 1,296k to advance payments for land (2007/2008: € 0k), € 1,628k to buildings (2007/2008: € 150k), € 0k to buildings under construction (2007/2008: € 1,124k) in the real estate segment, and € 0k to other property, plant and equipment (2007/2008: € 2,328k). Of the impairment losses, an amount of € 2,902k relates to investment property (2007/2008: € 150k).

Impairment losses relate to assets not used for operations and to advance payments made for planned DIY store locations. They result from the valuation of assets whose carrying amounts are in excess of their respective net sale values. The net sale values of the assets were in most cases determined on the basis of fair value surveys and purchase offers.

The write-ups of € 1,294k in the 2008/2009 financial year relate to the appreciation in value of land for which impairment losses were recognized in previous years. Of this total, € 643k relates to properties let to third parties and € 651k to land used for operations. The write-ups have been based on current fair value surveys and have been recognized under other non-operating income and expenses for the real estate segment.

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

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

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

Investment property 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 lessee. The properties leased to third parties are stated at cost less scheduled straight-line depreciation. A useful life of 33 years has been assumed. The fair value of investment property amounts to approximately € 54,290k (2007/2008: € 34,229k). The fair values have been determined by independent experts in the overwhelming majority of cases. The valuations are based on the capitalized earnings power of the individual pieces of real estate on the open market. In some cases, the fair values have been based on purchase offers received.

The real estate acts as security for bank loans in the form of registered land charges amounting to € 517,641k (2007/2008: € 517,261k).

Non-current assets available to the Group within the framework of a financial leasing contract have been reported in the balance sheet as property, plant and equipment amounting to € 1,496k (2007/2008: € 1,662k). They relate to one rented building. The financial leasing contract has been concluded for a basic

rental period of 20 years. At the end of the basic rental period, there is an option to extend the contract at least once for a period of 5 years. The leased asset acts as security for the leasing obligation.

In addition to the financial leasing contract, the HORNBAACH HOLDING AG Group has rental and leasing contracts for DIY store real estate which qualify as operating leasing contracts, as the assets leased are attributable in economic terms to the lessor. The leasing contracts have non-terminable basic rental periods of 15 to 20 years and generally have rental extension or purchase options.

The rental expenses, excluding ancillary expenses, resulting from operating lease contracts were reported at € 79,712k in the 2008/2009 financial year and at € 77,980k in the 2007/2008 financial year.

In the previous year, investment subsidies amounting to € 43k were claimed at HORNBAACH HOLDING AG. These investment subsidies were granted for the Vilshofen location. Of this sum, € 1k related to outdoor facilities and € 42k to plant and office equipment.

(13) Financial assets

The development of financial assets during the 2007/2008 and 2008/2009 financial years was as follows:

€ 000s	Shares in affiliated companies	Investments	Loans to companies linked by virtue of investment	Investment securities	Advance payments for financial assets	Total
Cost						
Balance at March 1, 2007	1,040	12,375	1,794	0	1,228	16,437
Additions	386	6	0	0	148	540
Disposals	0	12,350	1,794	0	0	14,144
Changes in scope of consolidation	156	0	0	0	0	156
Reclassifications	156	0	0	0	(156)	0
Balance at February 29/March 1, 2008	1,426	31	0	0	1,220	2,677
Additions	0	0	0	0	3,668	3,668
Disposals	0	0	0	0	1,220	1,220
Balance at February 28, 2009	1,426	31	0	0	3,668	5,125
Amortization						
Balance at March 1, 2007	0	12,350	1,794	0	0	14,144
Disposals	0	12,350	1,794	0	0	14,144
Balance at February 29, 2008	0	0	0	0	0	0
Balance at February 28, 2009	0	0	0	0	0	0
Carrying amount at February 28, 2009	1,426	31	0	0	3,668	5,125
Carrying amount at February 29, 2008	1,426	31	0	0	1,220	2,677

The non-consolidated associated companies have been stated in Note 36. The additions of € 3,668k to advance payments for financial assets in the 2008/2009 financial year are due to an advance payment for shares in the real estate company Development OVA South a.s., Opava/Czech Republic. The additions in the previous year (€ 540k) related to the share in associated companies held in Saar-Lor-Immobilierie S.C.L. (60% share) (€ 386k), the investment held in the limited partner's capital of Interbaustoff GmbH & Co. KG (€ 6k), and advance payments for the share in Vasakronan Lagerbolag 21AB Sundbyberg (€ 148k).

The disposals from financial assets in the 2008/2009 financial year relate to the derecognition of the advance payment made in previous years for the share in the Swedish real estate company Vasakronan Lagerbolag 21AB Sundbyberg. The disposal of investments (€ 12,350k) and other loans (€ 1,794k) in the previous year related to the liquidation of Decor Inc. USA.

There were no disposals due to changes in the scope of consolidation in the 2008/2009 financial year. The disposals of € 156k in the previous year resulted from the initial consolidation of the shares held in HIAG Botkyrka AB.

All financial assets have been stated at cost, as their fair values cannot be reliably determined.

(14) Other non-current receivables and assets

Other non-current receivables and assets chiefly consist of remaining purchase price receivables totaling € 15,626k in connection with a sale and leaseback transaction and the sale of land not used for operations by disposing of three real estate companies. Furthermore, this item also includes deposits of € 3,627k (2007/2008: € 3,340k) paid as security for possible subsequent claims to purchase price reductions on the part of buyers. The deposits have maximum terms of 14 years. Moreover, the item also includes guarantees of € 2,621k (2007/2008: € 337k) for part-time early retirement time account reinsurance in the event of insolvency and the net balance of the fair value of plan assets and the present value of the pension obligation for the statutory pension obligation in Switzerland, which amounts to € 836k (2007/2008: € 2,009k). Further details about this item and its development can be found in Note 23.

(15) Deferred taxes

Deferred taxes relate to the following items:

	2.28.2009		2.29.2008	
	Assets € 000s	Liabilities € 000s	Assets € 000s	Liabilities € 000s
Intangible assets and property, plant, and equipment	6,204	62,768	6,958	60,109
Inventories	222	4,383	165	3,939
Other assets and liabilities	811	2,029	433	211
Other provisions	3,334	433	3,376	646
Liabilities	1,462	2,047	691	2,974
Tax-free reserves	0	0	0	3,180
Losses carried forward	9,018	0	10,222	0
Consolidated balance sheet	21,051	71,660	21,845	71,059

(16) Inventories

	2.28.2009 € 000s	2.29.2008 € 000s
Raw materials and supplies	1,805	2,925
Unfinished products, unfinished services	491	389
Finished products and merchandise	520,326	498,635
Inventories (gross)	522,622	501,949
less valuation allowances	6,417	3,846
Inventories (net)	516,205	498,103
Carrying amount of inventories measured at net realizable value	34,674	18,173

(17) Receivables and other assets

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

	2.28.2009	2.29.2008
	€ 000s	€ 000s
Trade receivables	17,692	18,589
Positive fair values of derivative financial instruments	254	2,487
Other receivables and assets	54,715	45,585
	72,661	66,661

Other receivables and assets include the short-term portion of the remaining purchase price receivable of € 6,731k due in connection with the sale of land not required for operations by disposing of three Austrian real estate companies. The long-term portion, amounting to € 9,038k, has been reported under other non-current assets. Furthermore, other receivables and assets also include receivables in connection with product reimbursements, receivables from credit card companies and deferred charges and prepaid expenses.

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

The following tables provide an analysis of the financial assets included under receivables and other assets. Only those receivables for which specific allowances have been taken have been portrayed as having been written down. The HORNBAACH HOLDING AG Group also accounts for credit risk by stating portfolio-based allowances calculated on the basis of historic default rates and empirical values.

2.28.2009 € 000s	Carrying amount	of which: neither impaired nor overdue	of which: not written down, but overdue within the following time bands (days)				
			< 60	61-90	91-180	181-360	> 360
Trade receivables	17,692	7,990	3,988	1,642	2,094		
Positive fair values of derivative financial instruments	254	254					
Other receivables and assets	40,491	36,889	1,946	135	376		
	58,437	45,133	5,934	1,777	2,470	0	0

2.29.2008 € 000s	Carrying amount	of which: neither impaired nor overdue	of which: not written down, but overdue within the following time bands (days)				
			< 60	61-90	91-180	181-360	> 360
Trade receivables	18,589	9,291	3,845	1,184	1,494	339	245
Positive fair values of derivative financial instruments	2,487	2,487					
Other receivables and assets	33,700	29,243	2,481	858		156	
	54,776	41,021	6,326	2,042	1,494	495	245

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

€ 000s	Trade receivables		Other receivables and assets	
	2008/2009	2007/2008	2008/2009	2007/2008
Allowances at March 1	2,279	3,142	937	589
Utilization	1,025	2,052	497	150
Reversals	354	287	235	28
Additions	1,219	1,466	758	508
Foreign currency translation	1	10	-3	18
Allowances at end of financial year	2,120	2,279	960	937
of which: specific allowances	1,832	1,941	960	937
of which: portfolio-based allowances	288	338		

The complete cancellation of receivables resulted in expenses of € 512k (2007/2008: € 294k). The receipt of receivables already cancelled from the books resulted in income of € 149k (2007/2008: € 167k).

(18) Cash and cash equivalents

	2.28.2009	2.29.2008
	€ 000s	€ 000s
Cash balances at banks	246,743	176,584
Checks and cash on hand	28,438	19,425
	275,181	196,009

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

This item includes assets and liabilities which are highly likely to be sold in the coming financial year. The item includes two DIY store properties and the company aircraft. Of these assets, € 49,707k have been allocated to the real estate segment and € 1,307k to the consolidation/other segment (head office). Write-ups of € 0k were undertaken on the assets in the 2008/2009 financial year (2007/2008: € 120k). Due to an adjustment in the sale price in the current financial year, impairment losses of € 479k have been recognized for one property not used for operations which was sold in the 2008/2009 financial year. In the previous year, eight pieces of land and properties not used for operations, one DIY store property and the assets and liabilities of six real estate companies were reported, all of which in the real estate segment.

	2.28.2009	2.29.2008
	€ 000s	€ 000s
Non-current assets	51,014	77,637
Deferred tax assets	0	1,010
Other assets	0	53
Cash and cash equivalents	0	1
Non-current assets held for sale and disposal groups	51,014	78,701
Deferred tax liabilities	0	1,154
Liabilities to banks	0	13,169
Other liabilities	0	190
Disposal group liabilities	0	14,513

(20) Shareholders' equity

The development in the shareholders' equity of the HORNBAACH HOLDING AG Group is shown in the statement of changes in group equity for the 2008/2009 and 2007/2008 financial years.

Share capital

The share capital continues to amount to € 24,000,000.00. Each share has a nominal value of € 3.00. The shares are divided as follows:

	€
4,000,000 ordinary shares	12,000,000
4,000,000 non-voting preference shares	12,000,000
	24,000,000

Each ordinary share entitles its holder to one vote. Non-voting preference shares receive a preferential dividend amounting to 4% of their portion of the share capital from the net profit for the year. If the net profit is not sufficient in one or several financial years to distribute a preferential dividend of at least 4% on the preference shares, the arrears are payable without interest from the net profit of the following years in such a way that the older arrears are settled before the more recent arrears and that the preferential payments to be made from the profit of a given financial year are only to be made once all arrears have been settled. This right to subsequent payment constitutes an integral part of the dividend for the financial year in which the subsequent payment on the preference shares is made from the net profit of the year.

Following the subsequent payment of any arrears of dividends on preference shares in connection with previous years and the distribution of a preferential dividend, a dividend is then paid on the ordinary shares from the remaining net profit up to 4% of their proportion of the share capital. After the distribution of a dividend

of 4% on the ordinary shares, the preference and ordinary shares participate in a further dividend distribution in the ratio of their respective proportions of the share capital in such a way that the preference shares receive a further dividend of 2% in addition to the dividend payable on ordinary shares.

If the preferential amount is not paid or is not paid in full in a year and if the arrears are not paid in the following year in addition to the full preferential amount for that year, preference shareholders shall be granted voting rights until the arrears have been settled.

HORNBACH HOLDING AG published the following notification in the Stock Exchange Gazette (Börsenzeitung) on April 20, 2002 pursuant to Section 41 (3) of the German Securities Trading Act (WpHG): Kingfisher plc, London/UK, has notified us pursuant to Section 41 (2) Sentence 1 WpHG that it held 25% plus one share of the voting rights (1,000,001 ordinary shares) in HORNBACH HOLDING AG on April 1, 2002. These relate exclusively to its own voting rights.

HORNBACH Familien-Treuhandgesellschaft mbH, Annweiler am Trifels, has notified us pursuant to Sections 21 (1) and 22 (1) No. 6 WpHG that its share of the voting rights in HORNBACH HOLDING AG, Neustadt an der Weinstrasse, exceeded the 5% threshold on August 6, 2002 and now amounts to 75% less one share (2,999,999 ordinary shares). Approximately 22.62% of the voting rights (904,763 ordinary shares) are now attributable to it pursuant to Section 22 (1) No. 6 WpHG.

HORNBACH HOLDING AG published the following notification in the Stock Exchange Gazette (Börsenzeitung) on September 7, 2004 pursuant to Section 25 (1) WpHG: Albert Hornbach, Bornheim/Pfalz, has notified us pursuant to Section 21 (1) WpHG that his share of the voting rights in HORNBACH HOLDING AG, Neustadt an der Weinstrasse, fell below the 10% threshold on August 18, 2004 and now amounts to 5.494% of the voting capital in the company (219,763 ordinary shares). These relate exclusively to his own voting rights. Gertraud Hornbach, Bornheim/Pfalz, has notified us pursuant to Section 21 (1) WpHG that her share of the voting rights in HORNBACH HOLDING AG, Neustadt an der Weinstrasse, exceeded the 5% threshold on August 18, 2004 and now amounts to 5.25% of the voting rights (210,000 ordinary shares). These relate exclusively to her own voting rights.

HORNBACH HOLDING AG published the following voting rights notification electronically with the aim of circulation across Europe on June 15, 2007 pursuant to Section 26 (1) WpHG:

Kingfisher Holdings BV, Amsterdam/Netherlands notified us on June 15, 2007 pursuant to Section 21 (1) WpHG that the share of voting rights in HORNBACH HOLDING AG (ISIN DE0006083405) held by Kingfisher Holdings BV exceeded the 3%, 5%, 10%, 15%, 20% and 25% thresholds on June 12, 2007 and on that date amounted to 25% plus one vote (1,000,001 voting rights) in terms of all voting rights and in terms of all ordinary shares in HORNBACH HOLDING AG with voting entitlement.

Kingfisher SAS, Lille/France, notified us on June 15, 2007 pursuant to Section 21 (1) WpHG that its share of voting rights in HORNBACH HOLDING AG (ISIN DE0006083405) exceeded the 3%, 5%, 10%, 15%, 20% and 25% thresholds on June 12, 2007 and on that date amounted to 25% plus one vote (1,000,001 voting rights) in terms of all voting rights and in terms of all ordinary shares in HORNBACH HOLDING AG with voting entitlement.

These voting rights are attributable to Kingfisher SAS pursuant to Section 22 (1) Sentence 1 No. 1 WpHG.

The voting rights attributable to Kingfisher SAS are held via the following company controlled by Kingfisher SAS whose share of voting rights in HORNBACK HOLDING AG amounts to 3% or more:

– Kingfisher Holdings BV

Castorama Dubois Investissements SCA, Lille/France, notified us on June 15, 2007 pursuant to Section 21 (1) WpHG that its share of voting rights in HORNBACK HOLDING AG (ISIN DE0006083405) exceeded the 3%, 5%, 10%, 15%, 20% and 25% thresholds on June 12, 2007 and on that date amounted to 25% plus one vote (1,000,001 voting rights) in terms of all voting rights and in terms of all ordinary shares in HORNBACK HOLDING AG with voting entitlement.

These voting rights are attributable to Castorama Dubois Investissements SCA pursuant to Section 22 (1) Sentence 1 No. 1 WpHG.

The voting rights attributable to Castorama Dubois Investissements SCA are held via the following companies controlled by Castorama Dubois Investissements SCA whose share of voting rights in HORNBACK HOLDING AG amounts to 3% or more:

– Kingfisher Holdings BV

– Kingfisher SAS

Kingfisher France Limited, London/UK, notified us on June 15, 2007 pursuant to Section 21 (1) WpHG that its share of voting rights in HORNBACK HOLDING AG (ISIN DE0006083405) exceeded the 3%, 5%, 10%, 15%, 20% and 25% thresholds on June 12, 2007 and on that date amounted to 25% plus one vote (1,000,001 voting rights) in terms of all voting rights and in terms of all ordinary shares in HORNBACK HOLDING AG with voting entitlement.

These voting rights are attributable to Kingfisher France Limited pursuant to Section 22 (1) Sentence 1 No 1 WpHG.

The voting rights attributable to Kingfisher France Limited are held via the following companies controlled by Kingfisher France Limited whose share of voting rights in HORNBACK HOLDING AG amounts to 3% or more:

– Kingfisher Holdings BV

– Kingfisher SAS

– Castorama Dubois Investissements SCA

Sheldon Holdings Limited, London/UK, notified us on June 15, 2007 pursuant to Section 21 (1) WpHG that its share of voting rights in HORNBACK HOLDING AG (ISIN DE0006083405) exceeded the 3%, 5%, 10%, 15%, 20% and 25% thresholds on June 12, 2007 and on that date amounted to 25% plus one vote (1,000,001 voting rights) in terms of all voting rights and in terms of all ordinary shares in HORNBACK HOLDING AG with voting entitlement.

These voting rights are attributable to Sheldon Holdings Limited pursuant to Section 22 (1) Sentence 1 No. 1 WpHG.

The voting rights attributable to Sheldon Holdings Limited are held via the following companies controlled by Sheldon Holdings Limited whose share of voting rights in HORNBAACH HOLDING AG amounts to 3% or more:

- Kingfisher Holdings BV
- Kingfisher SAS
- Castorama Dubois Investissements SCA
- Kingfisher France Limited

Revenue reserves

Revenue reserves include “other revenue reserves”, as well as accumulated earnings attributable to shareholders.

Revenue reserves also include foreign currency translation differences amounting to € 3,279k (2007/2008: € 7,073k).

Disclosures concerning capital management

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

The company has entered into covenants towards some providers of debt capital which 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 on a monthly basis as part of the company's risk management. Further key figures are calculated on a quarterly basis. In the event of the values falling short of certain target levels, then suitable countermeasures are initiated at an early stage. The covenants were complied with at all times during the 2008/2009 financial year. The equity ratio amounted to 39.1% as of February 28, 2009 (2007/2008: 36.1%).

There were no changes in the company's equity management approach during the financial year under report.

(21) Distributable earnings and dividends

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

Following the withdrawal of € 3,267,253.95 from other revenue reserves, net profit amounts to € 8,880,000.00. The profit carried forward from the previous year thereby included in this net profit amounts to € 6,942.00. The Board of Management and Supervisory Board propose that the net profit be appropriated as follows:

	€
Dividend of € 1.08 (2007/2008: € 1.08) on 4,000,000 ordinary shares	4,320,000.00
Dividend of € 1.14 (2007/2008: € 1.14) on 4,000,000 ordinary shares	4,560,000.00
	8,880,000.00

(22) Financial debt

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

2008/2009 financial year € 000s	Maturities			Carrying amount 2.28.2009 Total
	Current < 1 year	Non- current 1 to 5 years	Non-current > 5 years	
Bonds	0	0	243,836	243,836
Liabilities to banks	147,182	237,723	137,827	522,732
Liabilities in connection with finance leases	171	809	1,034	2,014
Liabilities in connection with bills of exchange	610	0	0	610
Negative fair values of derivative financial instruments	5,367	0	0	5,367
Total	153,330	238,532	382,697	774,559

2007/2008 financial year € 000s	Maturities			Carrying amount 2.29.2008 Total
	Current < 1 year	Non- current 1 to 5 years	Non-current > 5 years	
Bonds	0	0	242,764	242,764
Liabilities to banks	128,188	240,237	163,889	532,314
Liabilities in connection with finance leases	160	757	1,282	2,199
Liabilities in connection with bills of exchange	613	0	0	613
Negative fair values of derivative financial instruments	1,733	0	0	1,733
Total	130,694	240,994	407,935	779,623

HORNBACH-Baumarkt-AG placed a paper with a volume of € 250.0 million, a term of ten years and an interest coupon of 6.125 % on the European capital market for corporate bonds in November 2004. The expenses arising in connection with the corporate bond, amounting to € 10,714k in total, have been distributed over

the term of ten years using the effective interest method. The bond is linked to compliance with covenants customary to banks, such as the ratio of EBITDA to interest expenses. Non-compliance with the respective ratios or other obligations set out in the bond agreement may result in a premature repayment obligation. Compliance with the covenants is monitored on a monthly basis as part of the company's internal risk management. In the event of the values falling short of certain target levels, then countermeasures are initiated at an early stage. The company has so far complied with all such covenants.

The Group had current financial debt (< 1 year) of € 153.3 million at the reporting date on February 28, 2009. This relates to short-term financing facilities at the subgroups HORNBAACH-Baumarkt-AG (€ 7.0 million), HORNBAACH Immobilien AG (€ 46.0 million) and HORNBAACH Baustoff Union GmbH (€ 40.2 million), liabilities in connection with bills of exchange (€ 0.6 million), interest provisions (€ 8.3 million), the portion of long-term financing facilities maturing in the short term (€ 45.8 million), and the measurement of derivative financial instruments (€ 5.4 million).

Land charges amounting to € 517,641k had been provided as security for existing mortgage loans as of the reporting date (2007/2008: € 517,261k). No contractual obligations were breached during the period under report.

Various bilateral credit lines at the HORNBAACH-Baumarkt-AG Group were pooled into a syndicated credit line of € 200.0 million at HORNBAACH-Baumarkt-AG in the 2006/2007 financial year. This has a term of 5 years and can be extended on two occasions, in each case by a further year. Following the unanimous approval already provided for the first extension option in the 2007/2008 financial year, the second extension possibility was also exercised by all banks involved in the 2008/2009 financial year. The current final maturity date for the credit line is 6.26.2013. The covenants to be complied with, such as EBITDA to interest expenses, are basically equivalent to the obligations governing the bond issued in 2004 and have been complied with at all times.

The HORNBAACH HOLDING AG Group had credit lines amounting to € 523.0 million on February 28, 2009 (2007/2008: € 533.3 million). Unutilized credit lines amounted to € 429.1 million (2007/2008: € 466.0 million). Furthermore, HORNBAACH-Baumarkt-AG has credit lines for import credits amounting to USD 20.0 million (2007/2008: USD 15.0 million). These had been drawn down in full at the reporting date (2007/2008: USD 4.4 million).

In addition to existing current account liabilities at normal market conditions and the bond issued in the 2004/2005 financial year, the Group also has medium and long-term liabilities to banks. These are mostly fixed-interest loans and consist of the following items:

2008/2009 financial year	Currency	Interest agreement in % (including swap)	Maturity	Amount 2.28.2009 € 000s
Loans	EUR	2.45 to 4.63	2009 to 2011	80,565
Mortgage loans	EUR	3.17 to 6.47	2009 to 2022	249,927
	CZK	4.38 to 7.98	2010 to 2023	48,984
	RON	7.80	2022	12,694
	SEK	5.89 to 6.6	2018 to 2023	29,072
				421,241

2007/2008 financial year	Currency	Interest agreement in % (including swap)	Maturity	Amount 2.29.2008 € 000s
Loans	EUR	2.45 to 4.63	2008 to 2011	82,160
Mortgage loans	EUR	3.17 to 6.47	2008 to 2022	286,853
	CZK	4.38 to 7.98	2010 to 2023	61,932
	RON	7.80	2022	14,994
	SEK	6.60	2018	11,709
				457,648

The variable interest rates of swapped mortgage loans charge interest at the 3 month Eurolibor, the 3 month Euribor and the 6 month Euribor. The swap margins range from 0.45 to 1.5 basis points (2007/2008: 0.45 to 1.5 basis points).

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

2008/2009 financial year € 000s	Maturities			2.28.2009 Total
	Current < 1 year	Non-current 1 to 5 years	Non-current > 5 years	
Liabilities in connection with finance leases	171	809	1,034	2,014
Interest component	131	399	151	681
Total lease payments to be made in future	302	1,208	1,185	2,695

2007/2008 financial year € 000s	Maturities			2.29.2008 Total
	Current < 1 year	Non-current 1 to 5 years	Non-current > 5 years	
Liabilities in connection with finance leases	160	757	1,282	2,199
Interest component	141	451	230	822
Total lease payments to be made in future	301	1,208	1,512	3,021

(23) Pensions and similar obligations

As a result of legal requirements in individual countries, the HORNBAACH HOLDING AG Group has obligations relating to defined benefit and defined contribution pension plans.

Pension commitments in the Netherlands have been accounted for as defined contribution plans, given that the information required to account for these plans as defined benefit plans was not available.

Apart from the contributions, the defined contribution plans do not involve any further obligations on the part of the HORNBAACH HOLDING AG Group. The total of all defined contribution pension expenses amounted to € 33,002k in the 2008/2009 financial year (2007/2008: € 32,114k).

In the case of defined benefit plans, a distinction is made between pension plans financed by provisions and those financed by funds. The HORNBAACH HOLDING AG Group only has one fund-financed pension plan which is financed via an external pension provider. This pension plan is due to legal requirements in Switzerland, and grants old-age, invalidity and fatality pensions and payments. The employee covers 35% of the premiums to be paid for the savings balances, as well as further clearly defined costs. The remaining expenses are covered by the employer. Risk and cost premiums are calculated by the insurance company on an individual basis and reassessed each year.

	2008/2009 € 000s	2007/2008 € 000s
Present value of pension obligation	14,410	11,335
less fair value of plan assets	(15,246)	(13,344)
Pension commitments as reported in balance sheet	(836)	(2,009)
of which: pension provisions	0	0
of which: plan assets	836	2,009

The plan assets were structured as follows at the reporting date:

	2.28.2009 %	2.29.2008 %
Debt securities	66.2	60.7
Shares	1.8	14.0
Real estate	9.7	10.7
Other	22.3	14.6
	100.0	100.0

Change in pension obligation

	2008/2009 € 000s	2007/2008 € 000s
Present value of pension obligation at beginning of period	11,335	12,851
Current service cost of employer	905	944
Interest cost	431	380
Employee contributions	679	474
Net balance of payments contributed and paid out	(851)	(1,680)
Insurance premiums	(500)	(355)
Actuarial gains/losses recognized directly in equity	1,614	(1,564)
Foreign currency translation	797	285
	14,410	11,335

Change in plan assets

	2008/2009 € 000s	2007/2008 € 000s
Plan assets at beginning of period	13,344	13,454
Expected return on plan assets	569	462
Employer contributions	1,261	881
Employee contributions	679	474
Net balance of payments contributed and paid out	(851)	(1,680)
Insurance premiums	(500)	(355)
Actuarial losses recognized directly in equity	(195)	(120)
Foreign currency translation	939	228
	15,246	13,344

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

	2008/2009 € 000s	2007/2008 € 000s
Selling and store expenses	610	739
Pre-opening expenses	36	1
General and administration expenses	80	95
	726	835

Payments of contributions amounting to € 1.0 million are expected for the 2009/2010 financial year.

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

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

	2008/2009 € 000s	2007/2008 € 000s
Gains and losses at beginning of period	1,366	(65)
Gains and losses arising during period	(1,809)	1,444
Foreign currency translation	39	(13)
Gains and losses at end of period	(404)	1,366

The calculation has been based on the following actuarial assumptions:

	2.28.2009 %	2.29.2008 %
Discount interest rate	3.6	3.6
Expected long-term credit interest rate	3.0	3.6
Expected return on plan assets	2.9	3.8
Future salary increase	1.5	1.5
Future pension increase	0.5	0.5

The historic development is as follows:

	2008/2009 € 000s	2007/2008 € 000s	2006/2007 € 000s	2005/2006 € 000s
Present value of pension obligation	14,410	11,335	12,851	11,404
Fair value of plan assets	15,246	13,344	13,454	7,934
Yield on plan assets	355	327	201	0
Experience adjustments arising on plan assets	184	115	56	0
Experience adjustments arising on plan liabilities	1,713	(166)	203	0

(24) Other non-current liabilities

Other non-current liabilities mainly involve non-current provisions. These include personnel provisions, provisions for contractually assumed structural maintenance obligations, and a provision required by law for the storage of business documents.

Other non-current personnel provisions mainly relate to part-time early retirement and to the statutory reserve required in Austria to cover potential claims on the part of employees in the event of their leaving the company. The provisions for part-time early retirement mainly involve the part-time early retirement agreements concluded by HORNBAACH-Baumarkt-AG in the 2005/2006 and 2006/2007 financial years. The work undertaken by part-time early retirees is performed within the framework of the so-called block model. Provisions amounting to € 8,106k (2007/2008: € 7,789k) have been taken to cover the performance backlog up to the reporting date and for top-up payments. The provisions have been calculated by an independent expert on the basis of the 2005 G mortality tables published by Heubeck-Richttafeln-GmbH and using a discount rate of 5.6% p.a. (2007/2008: 5.5% p.a.). Moreover, provisions of € 67k (2007/2008: € 52k) were taken to cover part-time early retirement obligations in Austria.

(25) Trade payables and other liabilities

	2.28.2009	2.29.2008
	€ 000s	€ 000s
Trade payables and advance payments received for orders	205,836	200,932
Other liabilities	42,324	44,314
of which: other taxation	12,316	13,713
of which: social security contributions	2,324	2,113
	248,160	245,246

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

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

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

(26) Income tax receivables and liabilities

The receivables and provisions relating to taxes on income involve current tax liabilities / receivables, taxes resulting from an external tax audit performed in the 2007/2008 financial year, and taxes relating to previous financial years. Current income tax provisions are offset against corresponding income tax refund receivables, provided that they relate to the same tax authority and are identical as far as their type and their due date are concerned. Tax provisions for current income taxes mainly relate to corporate income tax (including the solidarity surcharge) and to trade tax.

No provisions have been stated for potential back payments of tax amounting to € 1,801k (2007/2008: € 1,931k) in connection with the completed tax audit, as the company will initiate legal proceedings if necessary.

The “German act on fiscal measures accompanying the introduction of the European Company and amending further tax legislation (SEStEG)” came into force on December 12, 2006. Among other aspects, this act provides for allowing the refunds of corporate income tax credits resulting from the retention of profit in accordance with previous corporation tax law requirements no longer to be linked to the distribution of profits. This corporate income tax credit was calculated for the last time as of December 31, 2006 and is subsequently being paid out in 10 equal annual amounts on September 30 of each year starting in 2008. At the final calculation date, the HORNBAACH HOLDING AG Group had corporate income tax refund receivables pursuant to Section 37 of the German Corporate Income Tax Act (KStG) originally totaling € 24.8 million, of which € 19.8 million still pertain. These have been capitalized as current and non-current tax receivables at their present value of € 16.9 million (2007/2008: € 20.4 million).

Reference is made to Note 15 with regard to the deferred taxes capitalized under a separate item.

(27) Other provisions and accrued liabilities

Development in provisions and accrued liabilities in the 2008/2009 financial year:

€ 000s	Opening balance on 3.1.2008	Utilization	Reversals	Additions	Foreign currency translation	Closing balance on 2.28.2009	of which: non-current
Other provisions							
Personnel	10,993	1,228	116	1,632	0	11,281	11,281
Miscellaneous	10,386	1,702	1,892	4,388	57	11,237	5,724
	21,379	2,930	2,008	6,020	57	22,518	17,005
Accrued liabilities							
Other taxes	988	476	42	600	0	1,070	0
Personnel	34,438	33,050	879	41,519	(508)	41,520	0
Miscellaneous	14,722	14,151	491	20,388	(100)	20,368	0
	50,148	47,677	1,412	62,507	(608)	62,958	0
Total	71,527	50,607	3,420	68,527	(551)	85,476	17,005

Miscellaneous other current provisions mainly relate to provisions for onerous contracts and litigation risks. Reference is made to Note 24 with regard to details of non-current provisions.

Other taxes largely involve the deferral of land and payroll taxes.

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

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

Other Disclosures

(28) Contingent liabilities

As in the previous year, there were no contingent liabilities as of February 28, 2009.

(29) Other financial obligations

2008/2009 financial year € million	Maturities			2.28.2009 Total
	Current < 1 year	Non- current 1 to 5 years	Non-current > 5 years	
Purchase obligations for investments	59.4	0.0	0.0	59.4
Obligations under rental and leasing contracts	85.1	337.2	488.9	911.2
Other financial obligations	6.2	0.0	0.0	6.2
	150.7	337.2	488.9	976.8

2007/2008 financial year € million	Maturities			2.29.2008 Total
	Current < 1 year	Non- current 1 to 5 years	Non-current > 5 years	
Purchase obligations for investments	74.2	0.3	0.0	74.5
Obligations under rental and leasing contracts	78.3	318.9	493.8	891.0
Other financial obligations	3.4	0.0	0.0	3.4
	155.9	319.2	493.8	968.9

The obligations resulting from rental, hiring, leasehold and leasing contracts relate exclusively to those rental contracts in which the companies of the HORNBAACH HOLDING AG Group do not constitute the economic owners of the rented assets pursuant to IFRS regulations (Operating Lease). Rental agreements mainly relate to DIY stores in Germany and at foreign locations. The terms of the rental agreements range from 15 to 20 years, and there are subsequent rental prolongation options. The respective agreements include rent adjustment clauses.

The Group has a refund claim of around € 5.6 million, including interest, in connection with impairment losses and receivables defaults at a foreign shareholding which have not yet been recognized for tax purposes. HORNBAACH HOLDING AG assumes that it will be possible to realize this claim.

Furthermore, the Group also has recourse claims of approximately € 3.0 million in connection with renovation obligations for a DIY megastore with a garden center let in the context of a sale and leaseback transaction. These claims are likely to prove enforceable.

(30) Future income from rental and leasing contracts

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

Rental income from external third parties € 000s	Maturities			Total
	Current < 1 year	Non- current 1 to 5 years	Non-current > 5 years	
2008/2009 financial year	3,331	9,566	1,237	14,134
2007/2008 financial year	2,533	3,680	2,080	8,293

The rental income mainly results from the letting of retail real estate and office space. In most cases, the rental contracts have terms of between 5 and 15 years.

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

Expenses of € 2,160k (2007/2008: € 1,944k) were incurred in connection with the letting of properties to third parties during the year under report.

(31) Legal disputes

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

A lawsuit filed on March 25, 2009 has led to additional risks resulting from the assertion for the first time of claims in connection with a DIY megastore with a garden center built in the 2004/2005 financial year and since sold. The level of potential claim amounted to € 2.0 million at the reporting date. The possibility of the HORNBACH HOLDING AG Group being held liable is not deemed probable, but cannot be excluded entirely.

(32) Supplementary disclosures on financial instruments

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

€ 000s	Category	Carrying amount 28.2.2009	Fair value 28.2.2009	Carrying amount 2.29.2008	Fair value 29.2.2008
Assets					
Financial assets	AfS	5,125	5,125	2,677	2,677
Other receivables and assets					
Derivatives with hedge relationship	n.a.	0	0	1,998	1,998
Derivatives without hedge relationship	FAHfT	254	254	489	489
Other financial assets	LaR	80,057	80,057	55,968	55,968
Cash and cash equivalents	LaR	275,181	275,181	196,009	196,009
Non-current assets held for sale and disposal groups	LaR	0	0	6	6
Equity and liabilities					
Financial debt					
Bonds	FLAC	243,836	237,500	242,764	221,250
Liabilities to banks	FLAC	522,732	525,840	532,314	534,217
Liabilities in connection with finance leases	n.a.	2,014	2,583	2,199	2,843
Liabilities in connection with bills of exchange	FLAC	610	610	613	613
Derivatives with hedge relationship	n.a.	5,170	5,170	1,605	1,605
Derivatives without hedge relationship	FLHfT	197	197	128	128
Trade payables and other liabilities	FLAC	225,387	225,387	220,520	220,520
Accrued liabilities	FLAC	20,368	20,368	14,722	14,722
Disposal group liabilities	FLAC	0	0	13,359	13,359

Aggregate totals by measurement category:	Category	Carrying amount 2.28.2009	Carrying amount 2.29.2008
€ 000s			
Loans and receivables	LaR	355,238	251,983
Available for sale financial assets	AfS	5,125	2,677
Financial assets held for trading	FAHfT	254	489
Financial liabilities measured at amortized cost	FLAC	1,012,933	1,024,292
Financial liabilities held for trading	FLHfT	197	128

Cash and cash equivalents, assets, disposal groups and liabilities held for sale, other financial assets, accrued liabilities, accounts payable and other liabilities mature in the short term in the majority of cases. Their carrying amounts therefore approximate to their fair values as of the reporting date.

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

The fair values of the liabilities to banks and the liabilities in connection with finance leases have been calculated as present values.

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

Net result by measurement category	2008/2009 € 000s	2007/2008 € 000s
Loans and receivables (LaR)	(61)	(2,586)
Available for sale financial assets	16	0
Financial instruments held for trading (FAHfT and FLHfT)	(303)	482
Financial liabilities measured at amortized cost (FLAC)	(1,929)	(2,605)

The net results of the measurement category “financial instruments held for trading” involve the measurement of derivative financial instruments at fair value through profit or loss. The net results of the measurement categories “loans and receivables” and “financial liabilities measured at amortized cost” result from foreign currency translation items, the results of disposals and write-downs. The net results of the measurement category “available for sale financial assets” relate to dividend income on the shareholding held in a non-consolidated associated company.

(33) Risk management and financial derivatives

Risk management principles

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

The aim of the company’s risk management is therefore to minimize these 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 the 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, financial transactions undertaken for speculative trading purposes are prohibited. Over and above that, certain transactions 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 reporting date had actually materialized to be presented on the basis of sensitivity analyses. The market risks faced by the HORNBAACH HOLDING AG Group consist of foreign currency risks and interest rate risks. The company does not face any other price risks.

Foreign currency risk

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

The group companies are largely financed by means of external financing measures denominated in the functional currency of the corresponding group company (natural hedging). Moreover, there are also 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.

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

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

€ 000s	2.28.2009	2.29.2008
EUR	(79,831)	(42,351)
USD	5,166	5,896

In the sensitivity analysis provided below for foreign currency risks, it has been assumed that the foreign currency holdings as of the reporting 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 reporting date, consolidated earnings before taxes would have been € 7,656k lower (2007/2008: € 4,757k). Conversely, if the euro had **depreciated by 10%** compared with the Group's other main currencies at the reporting date, then consolidated earnings before taxes would have been € 7,656k higher (2007/2008: € 4,757k). The hypothetical impact on earnings of € +7,656k (2007/2008: € +4,757k) is the result of the following sensitivities: EUR/CHF € -4,135k (2007/2008: € 2,675k), EUR/SEK € -3,017k (2007/2008: € 1,876k), EUR/RON € -2,169k (2007/2008: € 1,024k), EUR/CZK € 1,022k (2007/2008: € -692k), EUR/USD € 643k (2007/2008: € 269k) and EUR/SKK € 0k (2007/2008: € -395k).

Interest rate risk

At the end of the year, the Group was principally financed by a euro bond with a nominal total of € 250,000k and by an unsecured borrowers' note loan amounting to € 80,000k. Furthermore, the Group also has long-term fixed-interest euro loans amounting to € 250,564k (2007/2008: € 289,013k), long-term CZK loans amounting to € 48,984k (2007/2008: € 61,932k), long-term RON loans amounting to € 12,694k (2007/2008: € 14,994k) and long-term SEK loans amounting to € 29,072k (2007/2008: € 11,709k). The principal long-term financial liabilities with floating interest rates have been converted into fixed-interest financial liabilities using derivative financial instruments.

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

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

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

Changes in the market interest rates of primary financial instruments with floating interest rates impact on profit and loss 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 reporting date are representative of the financial year as a whole. A parallel shift in the interest rate structure curve has been assumed.

If the market interest rate had been **100 basis points higher** at the reporting date, then consolidated earnings before taxes would have been € 1,528k higher (2007/2008: € 1,107k) and equity would have been € 3,140k higher (2007/2008: € 4,020k). Conversely, if the market interest rate had been **100 basis points lower** at the reporting date, then consolidated earnings before taxes would have been € 1,528k lower (2007/2008: € 1,107k) and equity would have been € 3,273k lower (2007/2008: € 4,253k).

Credit risk

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

Liquidity risk

The following tables show the contractually agreed (undiscounted) cash flows of the primary financial liabilities and derivative financial instruments.

2008/2009 financial year € 000s	Carrying amount	Cash flows		
		< 1 year	1 to 5 years	> 5 years
Primary financial liabilities:				
Bonds	243,836	15,313	61,250	265,313
Liabilities to banks	522,732	183,862	352,577	181,766
Liabilities in connection with finance leases	2,014	302	1,208	1,185
Liabilities in connection with bills of exchange	610	610	0	0
Trade payables and other liabilities	225,387	224,504	883	0
Accrued liabilities	20,368	20,368	0	0
	1,014,947	444,959	415,918	448,264
Derivative financial liabilities:				
Foreign currency derivatives without hedge relationship	197	197	0	0
Interest derivatives in connection with cash flow hedges	5,170	853	3,347	2,875
	5,367	1,050	3,347	2,875
Derivative financial assets:				
Foreign currency derivatives without hedge relationship	254	(254)	0	0
	254	(254)	0	0
		445,755	419,265	451,139

2007/2008 financial year € 000s	Carrying amount	Cash flows		
		< 1 year	1 to 5 years	> 5 years
Primary financial liabilities:				
Bonds	242,764	15,313	61,250	280,625
Liabilities to banks	532,314	163,703	300,870	225,772
Liabilities in connection with finance leases	2,199	301	1,208	1,512
Liabilities in connection with bills of exchange	613	613	0	0
Trade payables and other liabilities	220,520	220,024	477	19
Accrued liabilities	14,722	14,722	0	0
Disposal group liabilities	13,359	13,359	0	0
	1,026,491	428,035	363,805	507,928
Derivative financial liabilities:				
Foreign currency derivatives without hedge relationship	128	128	0	0
Interest derivatives in connection with cash flow hedges	1,605	658	2,632	1,086
	1,733	786	2,632	1,086
Derivative financial assets:				
Foreign currency derivatives without hedge relationship	489	(489)	0	0
Interest derivatives in connection with cash flow hedges	1,998	(1,354)	(3,385)	0
	2,487	(1,843)	(3,385)	0
		426,978	363,052	509,014

All financial liabilities existing at the reporting date have been included. No account has been taken of budget figures for future new liabilities. Variable interest payments were calculated on the basis of interest rates valid at the reporting date. Liabilities denominated in foreign currencies were translated at the relevant reporting date rate.

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

Hedging measures

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

Cash flow hedge – interest rate risk

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

At the end of the 2008/2009 financial year, the Group had interest swaps amounting to € 124,082k (2007/2008: € 131,896k), with which a transformation from floating interest commitments to fixed interest commitments was achieved. The fair value of the interest swaps amounted to € -5,170k as of February 28, 2009 (2007/2008: € 393k). Of this total, € 0k (2007/2008: € 1,998k) has been recognized under other assets

and € 5,170k (2007/2008: € 1,605k) under other liabilities. The terms of the interest rate swaps are congruent with the terms of the loans. All interest rate swaps fulfilled the requirements of hedge accounting at February 28, 2009. Changes in the fair values are recognized in the hedging reserve within equity.

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

Start	End	Nominal value at 2.28.2009 in € 000s	Nominal value at 2.29.2008 in € 000s	Reference rate
6.30.2006	6.30.2011	80,000	80,000	6-month Euribor
9.30.2002	9.30.2017	12,950	14,430	3-month Euribor
9.30.2002	9.30.2017	8,800	9,806	3-month Euribor
12.30.1999	12.30.2014	7,363	8,590	6-month Euribor
12.30.1999	12.30.2014	3,681	4,295	6-month Euribor
12.30.1998	12.13.2013	2,556	3,068	3-month Eurolibor

Start	End	Nominal value at 2.28.2009 in SEK 000s	Nominal value at 2.29.2008 in SEK 000s	Reference rate
11.28.2003	12.31.2018	100,000	110,000	3-month Euribor

The HORNBAACH HOLDING AG Group meets the hedge accounting requirement set out in IAS 39 in that it documents the relationship between the derivative financial instrument deployed as a hedging instrument and the hedged item, as well as the hedging objective and strategy, at the beginning of any hedging measure. This also includes an assessment of the effectiveness of the hedging instruments thereby deployed. The effectiveness of the hedging relationship is assessed prospectively using the critical terms match method. Retrospective effectiveness is calculated at each reporting date using the dollar offset method. A hypothetical derivative is taken as the hedged item. A hedging relationship is termed effective when the changes in the value of the hedging instrument and the hypothetical derivative are compensated by between 80 % and 125 %. Hedging relationships are cancelled without delay upon becoming ineffective.

Other hedging measures – foreign currency risk

The HORNBAACH HOLDING AG Group also deploys hedging measures which do not meet the hedge accounting requirements set out in IAS 39, but which nevertheless make an effective contribution towards hedging the Group's financial risks in line its risk management principles. For example, the HORNBAACH HOLDING AG Group hedges the foreign currency risks involved in select (planned) transactions, including the embedded foreign currency derivatives potentially resulting from the transactions, such as those involved in the purchase of merchandise in the Far East using US dollars, by working with macro hedges, such as forward exchange transactions or fixed deposit investments denominated in foreign currencies.

The fair value of forward exchange transactions, including the embedded forward exchange transactions, amounted to € 57k at February 28, 2009 (2007/2008: € 361k). Of this sum, € 254k (2007/2008: € 489k) has been recognized under other assets and € 197k (2007/2008: € 128k) under other liabilities.

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 reporting 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 the offsetting of any opposing transactions.

2008/2009 financial year	Forward exchange transactions	Interest swaps	Total
Nominal value in € 000s	25,123	124,082	149,205
Fair value in € 000s (before deferred taxes)	57	(5,170)	(5,113)

2007/2008 financial year	Forward exchange transactions	Interest swaps	Total
Nominal value in € 000s	23,096	131,896	154,992
Fair value in € 000s (before deferred taxes)	361	393	754

(34) Share option plans

1999 share option plan

The annual general meeting of HORNBAACH-Baumarkt-AG held on August 26, 1999 established a share option plan with the following principal features:

Subscription beneficiaries

A maximum of 1,500,000 subscription rights may be issued during the four-year term of the share option plan. Within this total, the following **maximum** allocations apply to the following groups:

	Number
Group 1: Members of the Board of Management of HORNBAACH-Baumarkt-AG	128,000
Group 2: Members of management tiers below the Board of Management	1,100,000
Group 3: Managing directors of domestic and foreign subsidiaries	52,000
Group 4: Members of management tiers below the managing directors at domestic and foreign subsidiaries	220,000
	1,500,000

Tranches and acquisition periods

Four annual tranches are issued during the respective term. These are issued within two months of the announcement of the company's earnings for the third quarter of the financial year. The issue date for the tranches is thus the date of the corresponding resolution on the issue by the Board of Management and Supervisory Board.

Qualifying period and exercise period

The qualifying period amounts to two years following the issue of each tranche. After two years, a maximum of 20 % and an additional maximum of 20 % each year thereafter up to the end of the sixth year may be exercised. The exercise period ends seven years after the issue of the final tranche. These options may be exercised for the last time following the announcement of the earnings for third quarter of 2009/2010.

Subscription price

The subscription price is based on the average closing price of the share in floor trading on the Frankfurt Stock Exchange during the ten trading days prior to the issue date of the subscription right.

Exercise hurdle and exercise window

For the subscription rights to be exercised, the exercise hurdle has to be achieved within a period of six weeks prior to the exercise date. The exercise hurdle is achieved when the share price of HORNBAACH-Baumarkt-AG exceeds the subscription price, which ranges from € 22.25 to € 29.86 depending on the tranche in question, by at least 30 % in floor trading.

Furthermore, subscription rights may only be exercised within one month following publication of the quarterly results or the preliminary sales and earnings figures for the previous financial year ("Exercise Window"), whereby restrictions based on legal regulations have to be observed, particularly those set out in the German Securities Trading Act (WpHG).

Non-transferability and employment relationship

The subscription rights are not transferable and may not be exercised by third parties, but may be inherited by the wife, husband or children of the subscription beneficiary. A non-terminated contract of employment is basically required in the exercise period in order to be able to exercise subscription rights. Permission may be granted to exercise subscription rights in the year after the termination or rescission of the employment relationship.

As in the previous year, no more subscription rights were issued during the 2008/2009 financial year on account of the acquisition period having expired.

The **total number of subscription rights issued**, including those converted during the 2008/2009 financial year and the subscriptions of employees who have left the company or which have changed hands, was as follows:

2008/2009 (number)	2.29.2008	Exercised	Lapsed	2.28.2009
To members of Group 1:	28,800	1,800	900	26,100
To members of Group 2:	288,410	42,790	4,880	240,740
To members of Group 3:	7,200	1,600	0	5,600
To members of Group 4:	43,770	8,850	4,240	30,680
	368,180	55,040	10,020	303,120

2007/2008 (number)	2.28.2007	Exercised	Lapsed	2.29.2008
To members of Group 1:	39,600	10,800	0	28,800
To members of Group 2:	434,950	134,260	12,280	288,410
To members of Group 3:	15,200	8,000	0	7,200
To members of Group 4:	70,250	25,840	640	43,770
	560,000	178,900	12,920	368,180

The share options were converted at a weighted average price of € 24.25 during the year under report (2007/2008: € 25.51).

The fourth tranche of the 1999 share option plan has been valued and accounted for in accordance with IFRS 2 "Share-based Payment". The arithmetical value per share option for the fourth tranche of options issued during the 2002/2003 financial year amounts to € 3.89 per share option. This calculation is based on computing models for determining option prices for freely tradable European options (OTC options). The option price calculation includes an appropriate discount for the exercise hurdle and the exercise window. The exercise price of the share options amounts to € 22.25. Expenses of € 154k were accounted for in connection with the measurement of the share option plan in the 2008/2009 financial year (2007/2008: € 295k) and correspondingly recognized in equity. The volumes within this tranche developed as follows in the 2008/2009 financial year:

2008/2009 (number)	2.29.2008	Exercised	Lapsed	2.28.2009
To members of Group 1:	11,700	900	900	9,900
To members of Group 2:	134,905	20,910	1,520	112,475
To members of Group 3:	5,200	1,200	0	4,000
	151,805	23,010	2,420	126,375

2007/2008 (number)	2.28.2007	Exercised	Lapsed	2.29.2008
To members of Group 1:	16,200	4,500	0	11,700
To members of Group 2:	177,115	36,770	5,440	134,905
To members of Group 3:	6,800	1,600	0	5,200
	200,115	42,870	5,440	151,805

2003 phantom stock plan

On the basis of a resolution dated July 7, 2003, the Board of Management of HORNBAACH-Baumarkt-AG adopted a phantom stock plan to avoid any disadvantaging of members of management tiers below the managing directors at domestic and foreign subsidiaries (Group 4 of the 1999 share option plan). The introduction of the 2003 phantom stock plan is intended to provide such employees with the opportunity of also participating in the final tranche of the 1999 share option plan in a comparable manner in terms of the economic outcome.

The value of the option rights is directly dependent on the performance of the share of HORNBAACH-Baumarkt-AG, but is exclusively based on payment of a cash amount. The direct acquisition of shares, as provided for in the 1999 share option plan, is not possible (cash-settled share-based payment).

Subscription beneficiaries and issue date

A total of 108,400 option rights were issued in a single tranche on July 7, 2003 for members of management tiers below the managing directors at domestic and foreign subsidiaries.

Qualifying period and exercise period

The option rights may be exercised for the first time following the conclusion of a qualifying period beginning on the issue date and expiring on February 3, 2005. Following the conclusion of the qualifying period, a maximum of 20% and an additional maximum of 20% each year thereafter up to the end of the sixth year may be exercised. The exercise period ends on February 3, 2010.

Subscription price

The subscription price is based on the average closing price of the share in floor trading on the Frankfurt Stock Exchange during the ten trading days prior to the issue date of the subscription right and amounts to € 22.25.

Exercise hurdle and exercise window

For the subscription rights to be exercised, the exercise hurdle has to be achieved within a period of six weeks prior to the exercise date. The exercise hurdle is achieved when the share price of HORNBAACH-Baumarkt-AG exceeds the subscription price by at least 30% in floor trading.

Furthermore, subscription rights may only be exercised within one month following publication of the quarterly results or the preliminary sales and earnings figures for the previous financial year ("Exercise Window"), whereby restrictions based on legal regulations have to be observed, particularly those set out in the German Securities Trading Act (WpHG).

Non-transferability and employment relationship

The subscription rights are not transferable and may not be exercised by third parties, but may be inherited by the wife, husband or children of the subscription beneficiary. A non-terminated contract of employment is basically required in the exercise period in order to be able to exercise subscription rights. Permission may be granted to exercise subscription rights in the year after the termination or rescission of the employment relationship.

As in the previous year, no more subscription rights were issued during the 2008/2009 financial year on account of the acquisition period having expired.

The options showed the following developments:

	2008/2009 Number	2007/2008 Number
Total at beginning of financial year	48,535	63,576
Options lapsed	3,360	1,680
Options exercised	8,120	13,361
Total at reporting date	37,055	48,535

At the reporting date on February 28, 2009, the option was valued at an amount of € 1.30 (2007/2008: € 18.55). This calculation is based on computing models for determining option prices for freely tradable European options (OTC options). The option price calculation includes an appropriate discount for the exercise

hurdle and the exercise window. Income of € 689k was recognized in connection with the measurement of the share option plan in the 2008/2009 financial year (2007/2008: expenses of € 157k).

The average share price of HORNBACH-Baumarkt-AG amounted to € 32.95 in the 2008/2009 financial year (2007/2008: € 49.78).

Share option plan at HORNBACH HOLDING AG

The Board of Management of HORNBACH HOLDING AG decided on June 8, 2001 to establish a share option plan for the company in order to prevent any disadvantaging of former executives of HORNBACH-Baumarkt-AG who for overriding strategic reasons have now assumed duties and responsibilities at HORNBACH HOLDING AG or one of its subsidiaries. This share option plan is based on that introduced at HORNBACH-Baumarkt-AG in 1999. In particular, options are granted on the shares of that company. If appropriate, this will also be replaced by a share option plan for the acquisition of shares in HORNBACH HOLDING AG at a later date. The plan currently has the following principal features:

Subscription beneficiaries

During the term of the option plan, subscription rights may be issued to members of Board of Management of the company (Group 1), members of the boards of management of associate companies of HORNBACH-Baumarkt-AG and to further management staff of the company and of such associate companies, as well as of their respective subsidiaries, if appropriate (Group 2).

The total number of subscription rights issued, including those converted during the 2008/2009 financial year and the subscription rights of employees who have left the company or which have changed hands, was as follows:

2008/2009 (number)	2.29.2008	Exercised	Lapsed	2.28.2009
To members of Group 1:	20,800	0	0	20,800
To members of Group 2:	21,470	2,240	1,120	18,110
	42,270	2,240	1,120	38,910

2007/2008 (number)	2.28.2007	Exercised	Lapsed	2.29.2008
To members of Group 1:	27,800	7,000	0	20,800
To members of Group 2:	27,510	6,040	0	21,470
	55,310	13,040	0	42,270

Tranches and acquisition periods

Four annual tranches are issued during the respective term. The option rights for the first two tranches were issued retrospectively as of January 21, 2000 and January 15, 2001, with the issue of the third taking place in January 2002 and the fourth in February 2003.

Qualifying period and exercise period

The qualifying period amounts to two years following the issue of each tranche. After two years, a maximum of 20% and an additional maximum of 20% each year thereafter up to the end of the sixth year may be exercised. The exercise period ends seven years after the issue of the final tranche. These options may be exercised for the last time following the announcement of the earnings for third quarter of 2009/2010.

Subscription price

The subscription price is based on the average closing rate of the HORNBAACH-Baumarkt-AG share in floor trading on the Frankfurt Stock Exchange during the ten trading days prior to the issue date of the subscription right.

Exercise hurdle and exercise window

For the subscription rights to be exercised, the exercise hurdle has to be achieved within a period of six weeks prior to the exercise date. The exercise hurdle is achieved when the share price of HORNBAACH-Baumarkt-AG exceeds the subscription price, which ranges from € 22.25 to € 29.86 depending on the tranche in question, by at least 30% in floor trading.

Furthermore, subscription rights may only be exercised within the month following publication of the quarterly results or the preliminary sales and earnings figures for the previous financial year at HORNBAACH-Baumarkt-AG ("Exercise Window"), whereby restrictions based on legal regulations have to be observed, particularly those set out in the German Securities Trading Act (WpHG).

Non-transferability and employment relationship

The subscription rights are not transferable and may not be exercised by third parties, but may be inherited by the wife, husband or children of the subscription beneficiary. A non-terminated contract of employment is basically required in the exercise period in order to be able to exercise subscription rights. Permission may be granted to exercise subscription rights in the year after the termination or rescission of the employment relationship.

The shares in HORNBAACH-Baumarkt-AG required to cover the option rights granted are, if necessary, to be acquired on the Stock Exchange by BHF-Bank AG and kept in safe custody in a share deposit account of HORNBAACH HOLDING AG at the bank.

The terms and conditions of the share option as they relate to members of the Board of Management of HORNBAACH HOLDING AG were specified in a separate resolution adopted by the Personnel Committee of the Supervisory Board on June 18, 2001.

As in the previous year, no more subscription rights were issued during the 2008/2009 financial year as a result of the acquisition period having expired.

Income of € 172k was recognized in connection with the measurement of the 4th tranche of the share option plan in the 2008/2009 financial year (2007/2008: expenses of € 28k).

(35) Sundry disclosures**Employees**

The average number of employees was as follows:

	2008/2009	2007/2008
Salaried employees	12,313	11,918
Wage earners	297	310
Trainees	787	775
	13,397	13,003
of which: part-time employees	2,603	2,838

In terms of geographical regions, 8,691 of the average workforce were employed in Germany during the 2008/2009 financial year (2007/2008: 8,782) and 4,706 in other European countries (2007/2008: 4,221).

Auditor's fee

Following the merger of KPMG Europe LLP, since October 1, 2007 KPMG LLP (UK) and KPMG Schweiz have been associate companies of KPMG AG Wirtschaftsprüfungsgesellschaft pursuant to Section 271 (2) of the German Commercial Code, as have KPMG Spain and KPMG Belgium since October 1, 2008. The fees recognized as expenses in the 2008/2009 financial year for the auditor of the annual and consolidated financial statements of HORNBACH HOLDING AG, KPMG AG Wirtschaftsprüfungsgesellschaft, were structured as follows:

	2008/2009	2007/2008
	€ 000s	€ 000s
Auditing of financial statements	770	710
Other certification and valuation services	191	182
Tax advisory services	133	90
Other services	26	16
	1,120	998

Information on the German Corporate Governance Code

The annual Declaration of Conformity with the German Corporate Governance Code required by Section 161 of the German Stock Corporation Act (AktG) was submitted by HORNBACH HOLDING AG on December 17, 2008 and by HORNBACH-Baumarkt-AG on December 16, 2008 and made available to shareholders on the respective company homepages.

Exemption option pursuant to Section 264 (3) HGB

The subsidiaries HORNBACH Baustoff Union GmbH and Union Bauzentrum HORNBACH GmbH have drawn on the exemption provisions set out in Section 264 (3) of the German Commercial Code (HGB), which allow companies to forego the disclosure of the annual financial statements, notes to the financial statements and management report.

(36) Related party disclosures

In addition to the subsidiaries included in the consolidated financial statements, HORNBACH HOLDING AG 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

Subsidiaries and second-tier subsidiaries (non-consolidated)

Etablissements Camille Holtz et Cie S.a., Phalsbourg

Saar-Lor Immobilière S.C.I., Phalsbourg

Otmar Hornbach, a member of the Supervisory Board, is additionally placing his extensive experience at the disposal of HORNBACH HOLDING AG within the framework of a consulting agreement. These advisory services are remunerated by means of symbolic amount of one euro each month.

The consulting agreement in place since March 1, 2006 with Albrecht Hornbach, a member of the Supervisory Board, in the field of information technology and technical procurement was terminated as of February 28, 2009. The services performed in connection with this advisory agreement were remunerated with an amount of one euro per month.

(37) Events after the balance sheet date

The Supervisory Board will pass resolution on the approval of the consolidated financial statements on May 20, 2009.

(38) Supervisory Board and Board of Management

The following persons were **members of the Board of Management** in the 2008/2009 financial year:

Albrecht Hornbach , Graduate in Civil Engineering	Chairman
Eduard Zimmerle , Businessman, until October 31, 2008	Deputy Chairman
Roland Pelka , Graduate in Business Administration	

Eduard Zimmerle, Deputy Chairman of HORNBAACH HOLDING AG, retired from the company's Board of Management as of October 31, 2008. His responsibilities on the Board of Management of HORNBAACH HOLDING AG have been assumed by Albrecht Hornbach.

The total compensation paid to the Board of Management of HORNBAACH HOLDING AG for the performance of its duties for the Group in the 2008/2009 financial year amounted to € 2,353k (2007/2008: € 2,029k). Of this total, € 658k (2007/2008: € 728k) constituted fixed compensation and € 1,695k (2007/2008: € 1,301k) involved performance-related components. As of the reporting date on February 28, 2009, the members of the Board of Management held a combined total of 158,334 ordinary shares (2007/2008: 158,334) and 3,405 publicly listed preference shares (2007/2008: 3,405) in HORNBAACH HOLDING AG. Former members of the Board of Management were granted compensation of € 2,090k in connection with the termination of their activities for the company in the 2008/2009 financial year (2007/2008: € 0k).

The following persons were **members of the Supervisory Board** in the 2008/2009 financial year:

Gerhard Wolf Graduate in Business Administration	until July 11, 2008 Chairman until July 11, 2008
Dr. Wolfgang Rupf Managing Director AKV Altkönig Verwaltungs GmbH	Deputy Chairman until July 11, 2008 Chairman since July 11, 2008
Otmar Hornbach Managing Director of WASGAU Food GmbH	Deputy Chairman since July 11, 2008
George Adams Businessman Managing Director European Development and Chief Executive Officer UK Trade Kingfisher plc. (until March 31, 2008)	until July 11, 2008
Richard Boyd Operations Director, Kingfisher International Kingfisher plc.	since July 11, 2008
Ian Cheshire Chief Executive Officer Kingfisher plc.	since July 11, 2008

Christoph Hornbach

School Director

Wolfgang Ketzler

Attorney and Tax Advisor

Beiten Burkhardt Rechtsanwaltsgesellschaft mbH

since July 11, 2008

Dr. Gerry Murphy

Group Chief Executive Officer

Kingfisher plc. (until February 2, 2008)

Senior Managing Director

Blackstone Group International (since March 3, 2008)

until July 11, 2008

The compensation of the Supervisory Board for the 2008/2009 financial year amounted to € 213k (2007/2008: € 182k). Of this total, € 134k (2007/2008: € 114k) constituted fixed compensation and € 79k (2007/2008: € 68k) involved performance-related components. As in the previous year, the members of the Supervisory Board did not hold any ordinary or preference shares at the reporting date. Former members of the Supervisory Board who retired from their positions during the 2008/2009 financial year did not hold any ordinary shares (2007/2008: 158,333) or any publicly listed preference shares (2007/2008: 0) in HORNBAACH HOLDING AG at the reporting date.

As the term in office of the Supervisory Board expired upon the conclusion of the Annual General Meeting for 2007/2008, the members of the Supervisory Board had to be newly elected. The current term in office of all Supervisory Board members will expire upon the conclusion of the Annual General Meeting releasing them from responsibility for the 2012/2013 financial year.

Mandates in Supervisory Boards and other control bodies

(Disclosures pursuant to § 285 Sentence 1 No. 10 HGB)

Members of the Supervisory Board

- a) Membership of statutory supervisory bodies
- b) Membership of comparable control bodies

Gerhard Wolf until July 11, 2008

- a) HORNBACH-Baumarkt-AG (until July 10, 2008) Chairman
- Kali und Salz GmbH (until May 14, 2008) Chairman
- K+S Aktiengesellschaft (until May 14, 2008) Chairman

Dr. Wolfgang Rupf

- a) HORNBACH-Baumarkt-AG Deputy Chairman,
Chairman from July 10, 2008 to February 28, 2009
- GC Corporate Finance AG Deputy Chairman
- b) Transmeridian Exploration Inc. (until May 2008)
- Redcliffe Exploration Inc.

George Adams until July 11, 2008

- b) DS Smith plc
- Frontier Economics Ltd.
- Kingfisher TMB Ltd. (until March 31, 2008)
- Koctas Yapi Maketleri Tic A.S. (until March 31, 2008)
- Screwfix Direct Ltd. (until March 31, 2008)

Richard Boyd since July 11, 2008

- b) B&Q (China) Investment Co. Ltd.
- Koctas Yapi Marketleri A.S.

Ian Cheshire since July 11, 2008

- b) B&Q plc
- Kingfisher France Ltd.
- Kingfisher Information Technology Services (UK) Ltd.
- Kingfisher plc
- Medicinema Enterprises Ltd.
- ProLand Corporation LLC

Christoph Hornbach

- a) Corivus AG (since July 2, 2008) Chairman
- b) Corivus Swiss AG (since June 7, 2008)

Otmar Hornbach

- a) Hornbach Immobilien AG (until November 30, 2008) Chairman
- Wasgau Produktions & Handels AG Deputy Chairman

Dr. Gerry Murphy until July 11, 2008

- b) Ellerton House Management Company Ltd.
 Kleopatra Acquisition Corporation (since April 22, 2008) Chairman
 Reckitt Benckiser Group plc

Members of the Board of Management

- a) Membership of statutory supervisory bodies
 b) Membership of comparable control bodies

Albrecht Hornbach

- a) HORNBACH-Baumarkt-AG Chairman since March 1, 2009
 Hornbach Immobilien AG (since December 1, 2008) Chairman
 Wasgau Produktions & Handels AG

Roland Pelka

- a) Hornbach Immobilien AG (since December 1, 2008) Deputy Chairman
 Wasgau Produktions & Handels AG

Neustadt an der Weinstrasse, May 20, 2009

HORNBACH HOLDING AG
 The Board of Management

Albrecht Hornbach

Roland Pelka