

**“A new lease of life for the apartment! After four years, our apartment needs a new coat. With HORNBAACH, that’s a piece of cake for me.”**

Terezie Holcmanová, Prague, Czech Republic



*Great, that dreary old wallpaper has gone at last and we can finally get some color into the place. After all, it’s our own flat.*



*With such a big selection, it’s not easy to choose. Virtually any color can be mixed extra for us at HORNBAACH.*



*We like it a bit outlandish, so one room will be getting a translucent golden coating. With a little help, we’ve found the right color in no time.*



# TO OUR SHAREHOLDERS



*Next morning, it's completely dry and the bare walls can finally be used. There's still loads to be done.*



*... the first coat is soon finished. On to the next room!*



*The new wallpaper and part of the undercoat are already in place, so we can get started right away.*



*To make sure it's well-structured, the gold paint has to be applied using the paintbrush. A good bit of work.*

## TO OUR SHAREHOLDERS



Albrecht Hornbach

### Dear Shareholders,

The HORNBACH Group can report a successful financial year. We can be extremely proud of the results of our efforts, especially in the light of the financial and economic crisis which has cast an ever greater shadow over the global economy since the fall of 2008. Here are the key facts:

- The overall HORNBACH HOLDING AG Group increased its sales to € 2,752 billion in the 2008/2009 financial year (February 28), equivalent to growth of 5.1 %.
- We maintained our growth course, opening four new DIY megastores with gardens in Sweden, Romania, Switzerland and Hamburg.
- We improved like-for-like sales at our DIY megastores with garden centers (excluding new store openings and store extensions) by 1.4 %.
- We are especially pleased by the comparable store sales growth of 1.2% we achieved in Germany – and that in a very challenging climate. HORNBACH thus yet again clearly outperformed the DIY and home improvement sector, which

reported a 2.0% downturn in comparable store sales in the 2008 calendar year.

- With sales growth of 2.8 %, the HORNBACH Baustoff Union GmbH subgroup also contributed to the Group's growth.
- As expected, earnings at the overall Group grew disproportionately compared with sales, following a weaker performance in the previous year. Operating earnings (EBIT) reached € 179.1 million (2007/2008: € 105.5 million). This was due on the one hand to increased operating earnings power at the HORNBACH Group. This was true not only for the DIY store segment, but also for the builders' merchant segment. On the other hand, the past year's earnings also benefited from substantial disposal gains in the real estate segment.
- HORNBACH has created further jobs. The number of employees at the overall Group rose by 459 to 13,169, corresponding to an increase of 3.6 %.
- We once again invested considerable resources of more than € 130 million in our future growth.
- And finally – we have a firm financial foundation. Our equity ratio improved from 36 % to 39 %.

We feel vindicated by these figures. We have not departed from our long-term growth course, notwithstanding the difficult previous 2007/2008 financial year, which was burdened by one-off factors. On the contrary, we have worked hard to enhance our inherent strengths and position ourselves even better to confront the challenges presented by the future, challenges which have certainly not lessened of late. I see seven points of decisive importance for the success of the HORNBACH Group.

**We are unmistakable.** HORNBACH has never followed the mainstream but has consistently pursued its own course. The decisive factor for us has never been and is still not what our competitors are up to, but rather what our customers need. Today, we are the top address for customers aiming to implement large-scale construction, renovation or garden projects either under their own steam or with assistance from professional tradespeople.

**We are quality leaders.** Building clients have high standards. Those who renovate apartments, modernize houses or establish gardens are rarely satisfied with second-best products. HORNBACH therefore offers a wide selection of tools and construction materials, all of which at top quality. What's more, we apply the same quality standards to our extensive range of services. Our specialist departments are comparable with specialist retailers in terms of their scope, product range and quality. You will find evidence of the variety and quality of advice provided at HORNBACH in the illustrations accompanying this annual report.

**Our prices are always low.** For many years now, HORNBACH has consistently rejected all kinds of discount battles and loss-leading offers for individual products. Instead, we have relied with great success on our permanently low prices. Renowned studies, such as the Kundenmonitor Deutschland customer survey, confirm that HORNBACH is the sector leader in terms of value for money.

**We are pioneers.** Europe's first combined DIY and garden store, sales areas of 10,000 square meters upwards, Europe's first stores with drive-in builders' merchants centers – HORNBACH played and continues to play a leading role in introducing innovations. We have developed and gradually perfected the concept of project-driven DIY stores.

**We are growth-driven.** Our company has always grown prudently and under its own steam, i.e. organically. Mergers and acquisitions have never been an option for us.

**We have substance.** The HORNBACH Group's successful growth is based not only on our retail concept, but also on our real estate strategy, which distinguishes us from most of our competitors. We develop our locations ourselves and own more than half of our DIY store properties. This is a strategic and financial reserve of the utmost importance, and one which will offer considerable help in cushioning the risks harbored by the global economic crisis.

**We are aware of our responsibilities.** HORNBACH plays an active role in shaping trends in society, such as climate protection, offering customized energy-saving solutions for homeowners. What's more, we have undertaken not to sell any products resulting from the depletion of rain forests. Our range of timber products from sustainable forestry makes us the European pioneer in this area. With our own Foundation, we support people who find themselves in need through no fault of their own. Not only that, we are also providing one million euros to support a promising research project at the DKFZ cancer research center in Heidelberg.

Trusting in our strengths and power of innovation, we can afford to look optimistically to the future. It is nevertheless not so easy to issue a forecast for the current 2009/2010 financial year. Even the experts are as yet unable to predict how severely the crisis will really affect Germany and Europe in future.

The HORNBACH Group will therefore "drive by sight" in the current financial year, permanently adapting its operating activities to the prevailing circumstances. We have reduced the number of new store openings to two so as to safeguard sufficient liquidity reserves for our day-to-day business. Having said this, the key message is that HORNBACH will continue to grow, even in periods when others are shrinking or even faced with the prospect of insolvency. And we will step up the pace of growth as soon as external circumstances permit.

On behalf of the entire Board of Management, I would like to thank our customers, shareholders and business partners for their support and trust. I would also like to thank our employees, who now number more than 13,000, for the personal commitment they have shown and the extraordinary contribution they have made to the success of the HORNBACH Group.

Albrecht Hornbach  
Chairman of the Board of Management  
HORNBACH HOLDING AG