



## **Statement on the Corporate Governance Codex**

### **pursuant to Section 161 of the German Stock Corporation Act**

The Board of Management and the Supervisory Board of HORNBAACH-Baumarkt-Aktiengesellschaft hereby declare in accordance with Section 161 of the German Stock Corporation Act (AktG) that the recommendations of the “German Corporate Governance Codex” government commission, as outlined in the version dated November 07, 2002 and published in the Federal Gazette on November 26, 2002, were in principle fulfilled since the initial statement of compliance made on [27.11.2002] up to the new version of the German Corporate Governance Codex dated July 04, 2003. Application was not made of the recommendations included in Points 5.4.1 clause 2, 5.4.2 and 7.1.2 clause 2 of the German Corporate Governance Codex.

Since July 04, 2003, the recommendations of the government commission, as outlined in the version dated May 21, 2003 and published in the Federal Gazette on July 04, 2003, have been and are in principle fulfilled. Application has not been made and is not made of the recommendations included in Points 4.2.3 clause 5 and clause 7, 4.2.4 clause 2, 5.4.1 clause 2, 5.4.2, 5.4.5 clause 6 and clause 7 and 7.1.2 clause 2.

The deviations mentioned have arisen on account of the following considerations:

a) Point 4.2.3:

In Point 4.2.3 clause 5, the Codex recommends that share options and similar arrangements be based on sophisticated parameters of comparison. The share option plan established in 1999 for HORNBAACH-Baumarkt-AG does not include any parameters of comparison. It merely lays down a hurdle to exercising such options. Any future share option plans will take account of appropriate parameters of comparison. In Point 4.2.3 clause 7, the Codex further recommends that the Supervisory Board should agree a cap for any extraordinary unforeseen developments. Such a cap is not included in the share option plan dating from 1999 at HORNBAACH-Baumarkt-AG, which in any case only provides a relatively small allocation of options to members of the Board of Management.

b) Point 4.2.4:

Point 4.2.4 clause 1 recommends that the remuneration of the members of the Board of Management be reported in the notes to the consolidated financial statements, broken down into fixed salary, performance-related components and components of a long-term incentive nature. Point 4.2.4 clause 2 further recommends that such disclosures be made on an individual basis. On account of the overall level of remuneration for the Board of Management, which in our opinion is appropriate, we do not consider the disclosure of individual remuneration packages to be necessary.

c) Point 5.4.1:

In Point 5.4.1 clause 2, the Codex recommends that an age limit be set for members of the Supervisory Board. This recommendation has not been and is not followed. With the election of the longstanding former members of the Board of Management, Albert Wilhelm and Otmar Hornbach, to the Supervisory Board, we have secured a great pool of experience and competence for the benefit of the company. Their re-election demonstrates that our shareholders are of the same opinion.

d) Point 5.4.2:

In Point 5.4.2, the Codex recommends that no more than two former members of the Board of Management should be members of the Supervisory Board. This recommendation has not been and is not followed, since the members of the Supervisory Board include Albert Wilhelm, Albrecht and Otmar Hornbach, three former members of the Board of Management of HORNBAACH-Baumarkt-Aktiengesellschaft. It should be acknowledged, however, that Albrecht Hornbach is simultaneously Chairman of the Board of Management of HORNBAACH HOLDING Aktiengesellschaft and therefore represents the interests of the parent company.

e) Point 5.4.5:

In Point 5.4.5 clause 6, the Codex recommends that the remuneration of members of the Supervisory Board be reported in the notes to the annual financial statements on an individual basis and broken down into its constituent components. On account of the overall level of remuneration for the Supervisory Board, which in our opinion is appropriate, we do not consi-

der the disclosure of individual remuneration packages to be necessary. In Point 5.4.5 clause 7, the Codex further recommends that any remuneration paid or benefits granted by the company to members of the Supervisory Board for any services rendered personally, especially advisory and mediation services, are to be reported in the notes to the annual financial statements on an individual basis. HORNBAACH HOLDING AG makes use of the opportunity of drawing on the expertise of members of the Supervisory Board in specific areas. Such cooperation is undertaken on the basis of insubstantial (symbolic) remuneration. We see no need to provide individual disclosures in this respect.

f) Point 7.1.2:

In Point 7.1.2 clause 2, the Codex recommends that the consolidated financial statements be made available to the general public within 90 days of the end of the financial year. We have deviated and continue to deviate from this recommendation. Following the successful introduction of SAP and the implementation of the resultant organizational changes we nevertheless intend to publish our consolidated financial statements within 90 days. This is expected to be possible for the first time for the consolidated financial statements for the 2005/2006 financial year. In Point 7.1.2 clause 2, the Codex further recommends that interim reports be made available to the general public within 45 days of the period under report. We already meet the requirements of this recommendation.

Bornheim bei Landau, December 9, 2004