

ARTICLES OF ASSOCIATION

of

HORNBACH Holding AG & Co. KGaA

I.

General Provisions

§ 1

Company Name, Domicile, Duration

- (1) The name of the company is:

HORNBACH Holding AG & Co. KGaA

- (2) The company domicile is in 67433 Neustadt an der Weinstrasse.
(3) The company is not limited to any specified period in respect of its duration.

§ 2

Company Object

- (1) The company has as its object the management of a retail, service and real estate group, which pursues and/or is entitled to pursue activities in the following specific areas:
- (a) construction, acquisition and/or operation of large-scale retail stores, especially DIY and home improvement stores, with or without garden centers, garden stores, specialist stores, and other specialist retail stores;
 - (b) similar and other retail and wholesale activities;
 - (c) manufacturing and processing of products to be sold in the retail stores;
 - (d) administration of assets and acquisition, management and disposal of investments in companies in Germany and abroad;

- (e) performance of management and other services for subsidiaries and other companies in which the company holds a participating interest;
- (f) acquisition, development, planning, construction, utilization, management, disposal and/or other use of pieces of land either built or not, and leasehold rights

Said activities may be pursued both by the company itself, as well as by its subsidiaries and participating interests; such activities may also be assigned to such companies.

- (2) The company is entitled to acquire participating interests in other companies in Germany and abroad, as well as to assign participating interests to other companies, to acquire and/or found, as well as to dispose of or discontinue, such companies, to found branch establishments in Germany and abroad, to conclude fiscal unity and profit transfer agreements, as well as company agreements of all kinds, and to transact all business and take all measures deemed suitable to promote the company's object whether directly or indirectly, or which are otherwise deemed relevant in this respect.

§ 3

Announcements and Information

- (1) In the absence of any mandatory legal requirements to the contrary, announcements made by the company are published solely in the Federal Gazette.
- (2) The company is authorized to the extent permitted by law to communicate information to its shareholders by way of data telecommunications.

II.

Share Capital and Shares

§ 4

Share capital, Profit participation in the event of a capital increase

- (1) The company's share capital amounts to €48,000,000.00. It is divided into 16,000,000 no-par ordinary shares.
- (2) In the event of any capital increase, the determination of profit participation may deviate from the requirements of section 60 of the German Stock Corporate Act (*Aktiengesetz – AktG*).

§ 5

Shares

- (1) The shares are no-par bearer shares.
- (2) Should the resolution adopted for any capital increase not stipulate whether the new shares are bearer shares or registered shares, such shares will also be bearer shares.
- (3) The general partner determines the form and contents of the share certificates and profit participation and renewal coupons, with the consent of the Supervisory Board. The same applies to bonds and interest and option coupons, profit participation certificates and similar

instruments issued by the company. A certificate (global certificate) may be issued for holdings of several shares. Shareholders have no right to demand securitization of their shareholdings, unless the rules applicable to a market to which the shares are admitted render securitization necessary.

III. Company Organization

§ 6 Governing bodies

The governing bodies of the company are:

- (a) the general partner;
- (b) the Supervisory Board;
- (c) the Annual General Meeting.

A. General partner

§ 7 General partner, special contribution, legal relationships, withdrawal

- (1) The general partner is HORNBACH Management AG, which is domiciled in 76855 Annweiler am Trifels.
- (2) The general partner has not made any special contribution. It does not hold any interest in the profits, losses or assets of the company.
- (3) The general partner must withdraw from the company if
 - (a) the general partner is no longer held directly or indirectly by (a minimum of) 50% plus one share by a legal or natural person directly or indirectly holding more than 10% of the share capital in HORNBACH Holding AG & Co. KGaA pursuant to section 17 (1) of the AktG.
 - (b) more than 50% of the shares in the general partner are acquired directly or indirectly by a legal or natural person which does not submit a takeover bid or mandatory offer pursuant to the provisions of the German Securities Acquisition and Takeover Act (*Wertpapierübernahmegesetz – WpÜG*) to the limited shareholders of HORNBACH Holding AG & Co. KGaA within six months of such acquisition entering into effect. The consideration to be offered to the limited shareholders must at a minimum correspond to the minimum consideration to be offered pursuant to section 31 (1) of the WpÜG in conjunction with section 5 of the Ordinance relating to the contents of the offer document, the consideration payable in the case of takeover bids and mandatory offers

and exemption from the obligation to publish and to make an offer (*WpÜG-Angebotsverordnung* – *WpÜG-AV*), taking into account prior acquisitions pursuant to section 4 of the *WpÜG-AV*. This shall not affect any statutory obligation to submit a takeover bid or mandatory offer.

This shall not affect any statutory grounds for withdrawal from the partnership.

- (4) If the general partner withdraws from the company or is likely to do so in the foreseeable future, the Supervisory Board has the right and the obligation to appoint as a new general partner without undue delay, or at the date on which the general partner withdraws from the company, a corporation whose shares are held in their entirety by the company. If the general partner withdraws from the company and no such new general partner is appointed at the same time, the company will continue to be operated solely by the limited shareholders on a transitional basis. In such cases, the Supervisory Board must request without undue delay the appointment of an interim representative to represent the company until such time as a new general partner is appointed pursuant to sentence 1 above. The Supervisory Board is authorized to correct the wording of the Articles of Association to reflect the change in general partners.
- (5) In the event the company is directed pursuant to article 7 (4) of the Articles of Association or in instances where almost all shares in the general partner are held directly or indirectly by the company, an extraordinary general meeting or the next Annual General Meeting shall resolve on changing the company's legal form to that of a German stock corporation (*Aktiengesellschaft* – *AG*). A simple majority of the votes cast is sufficient for the resolution on this change of legal form. The general partner is obligated to consent to any such resolution on a change of legal form by the Annual General Meeting.

§ 8

Management and representation of the company, reimbursement of expenses and remuneration

- (1) The company shall be represented by the general partner. The Supervisory Board shall represent the company vis-à-vis the general partner.
- (2) The general partner is responsible for managing the company. The general partner's managerial powers also extend to extraordinary business measures. The shareholders' right to object to extraordinary business measures pursuant to section 164 sentence 1 of the German Commercial Code (*Handelsgesetzbuch* – *HGB*) at the Annual General Meeting is excluded.
- (3) In return for managing the company and assuming liability for the company, the general partner shall receive annual compensation (regardless of the partnership's profits/losses) amounting to 5% of the general partner's share capital. Any and all outlays in connection with managing the business of the company, including the remuneration paid to members of its governing bodies, shall be reimbursed to the general partner. The general partner will generally invoice its expenses each month and may require advances. All payments received by the general partner pursuant to this subsection shall be deemed as an expense incurred by the company in relation to the shareholders, notwithstanding any tax regulations to the contrary. To protect its interests, the company maintains a financial loss liability insurance policy for its directors, officers, and senior management. This policy also covers the general partner and its directors, officers, and senior management, who are co-insured.

B. Supervisory Board

§ 9

**Composition of the Supervisory Board,
election of Supervisory Board members
and substitute members, term of office**

- (1) The Supervisory Board consists of six members. To the extent any applicable statutory provisions require any other number of members, the Supervisory Board shall have that number of members.
- (2) Supervisory Board members are elected for the period through to the conclusion of the Annual General Meeting formally approving their actions for the fourth financial year after the beginning of their term in office. The financial year in which the term in office begins is not counted in this calculation. Re-election is permitted.
- (3) Where substitute members are elected as shareholder representatives to the Supervisory Board, they replace any shareholder representative Supervisory Board members prematurely retiring from office in the order in which they are appointed, unless otherwise stipulated upon their election. Where a Supervisory Board member is elected to replace a retiring member, his or her term in office is equivalent to the remainder of the term in office of the retiring member. Where a substitute member replaces a retiring member, his or her term in office expires upon the conclusion of the next Annual General Meeting following such substitution, or the next but one, should such Annual General Meeting hold a by-election to replace the retiring member; otherwise, the term in office ends upon the expiry of the remaining term in office of the retiring member.
- (4) Each Supervisory Board member and each substitute member may step down from his or her position with one month's notice by notifying the general partner and the Chairman of the Supervisory Board accordingly in writing. This notice period does not apply for members and substitute members elected by employees. The Chairman of the Supervisory Board shall submit his notice to the general partner and to his deputy.

§ 10

Chairman, Deputy Chairman

- (1) At a meeting held directly after the Annual General Meeting at the end of which its term in office begins, with no separate invitation being required for such meeting, the Supervisory Board elects a Chairman and a Deputy Chairman from among its number for the term in office of the member thereby elected. Where the Chairman or the Deputy Chairman retires from the Supervisory Board prior to the conclusion of his or her term in office, the Supervisory Board must immediately hold a new election for the remaining term in office of the retiring member.
- (2) Declarations of intent on the part of the Supervisory Board and its Committees may be submitted on behalf of the Supervisory Board by the Supervisory Board Chairman or his or her Deputy Chairman.

§ 11

Supervisory Board Meetings and Adoption of Resolutions

- (1) Supervisory Board resolutions are generally adopted at meetings. Supervisory Board meetings are generally held in person. Meetings are convened by the Chairman, stating the agenda items, by way of written notification issued three weeks in advance. When convening the meeting, the Chairman may stipulate that it be held by way of a teleconference or video conference. Furthermore, in urgent cases he may curtail the three-week notice period and, where appropriate, convene the meeting verbally, by telephone, facsimile, or by other electronic means of communication (e.g., e-mail). The three-week notice period does not apply for meetings convened pursuant to section 110 (1) and (2) of the AktG.
- (2) The Supervisory Board has quorum when at least half of the total number of members of which it consists, and a minimum of three members, including the Chairman or Deputy Chairman, attend and participate in the meeting. Members submitting written voting instructions via another Supervisory Board member or other person entitled to participate in the meeting are also counted as present. The Supervisory Board adopts resolutions on the basis of simple majorities, unless otherwise required by law or the Articles of Association. In the event of a parity of votes, the vote of the Chairman of the meeting is decisive. The Chairman of the meeting determines the voting procedure.
- (3) Outside of meetings, resolutions may be adopted in writing, by telephone, by facsimile, or by another electronic means of communication (e.g., e-mail) or a combination of these channels. The Chairman determines the details of the procedure to be adopted.
- (4) For each meeting of the Supervisory Board, a set of written minutes must be prepared, signed by the Chairman of the meeting, and filed in the company's records. The minutes should include the place and date of the meeting, the names of the participants, the agenda items, the main contents of the discussions, and the resolutions adopted by the Supervisory Board. The same requirements apply by analogy to resolutions adopted outside of meetings.

§ 12

Rights and obligations of the Supervisory Board

- (1) The Supervisory Board has rights and obligations arising from applicable legal provisions and the Articles of Association.
- (2) The Supervisory Board must monitor the management of the general partner. The Supervisory Board may inspect and review the books and records of the company, as well as its assets.
- (3) The general partner is required to report to the Supervisory Board on a regular basis. Moreover, the Supervisory Board may request reports on significant matters, including commercial transactions known to the general partner involving an affiliated company, if such transactions might materially affect the company's position.
- (4) If the company holds an interest in the general partner, all rights of the company arising from and in connection with that interest (e.g., voting rights, rights to receive information, etc.) shall be exercised by the Supervisory Board.

§ 13

**Duty of Confidentiality and Responsibility
of Supervisory Board Members**

Supervisory Board members and substitute members must maintain confidentiality in respect of confidential information and company secrets, and specifically as to operating or business secrets of which they gain awareness on account of their activity on the Supervisory Board. Should a Supervisory Board member wish to pass on to third parties items of information for which it cannot be excluded with certainty that they are confidential or involve company secrets, such member must inform the Supervisory Board Chairman in advance, and give him opportunity to state his position. Supervisory Board members who breach this duty bear joint and several liability to reimburse the company for any damages arising as a result.

§ 14

Supervisory Board Committees

To the extent permitted by law and the Articles of Association, the Supervisory Board may assign duties and rights incumbent on it to its Chairman, individual members, or committees formed from among its number. Where the Supervisory Board Chairman is a member of a committee, his vote shall be decisive in the event of any parity of votes. The same applies by analogy to the Deputy Chairman of the Supervisory Board. The Supervisory Board may otherwise also lay down the procedures to be adopted in any committees, or assign responsibility for the adoption of such to the specific committee itself.

§ 15

Participation in the Annual General Meeting

- (1) Supervisory Board members are entitled and obliged to participate in shareholders' Annual General Meetings. The general partner is obliged to forward the agenda of the Annual General Meeting and any related submissions to the Supervisory Board in good time ahead of the meeting.
- (2) The general partner is obliged to notify the Supervisory Board in writing of the resolutions adopted by the Annual General Meeting.

§ 16

Code of Procedure

The Supervisory Board has a self-imposed Code of Procedure within the framework permitted by law and consistent with the requirements of these Articles of Association.

§ 17

Compensation of the Supervisory Board

- (1) As well as the reimbursement of his or her reasonable expenses, each Supervisory Board member receives fixed compensation of €20,000.00 retrospectively payable on the day after the Annual General Meeting adopting the annual financial statements for the respective financial year. The Chairman receives two-and-a-half times and the Deputy Chairman twice the fixed

compensation. Supervisory Board members also sitting on a Supervisory Board committee receive additional fixed committee compensation, amounting to €9,000.00 for the Audit Committee, and €4,000.00 for any other committee, retrospectively payable together with the fixed compensation pursuant to sentence 1. Supervisory Board members chairing a Supervisory Board committee receive two-and-a-half times the respective committee membership compensation.

- (2) Supervisory Board members only sitting on the Supervisory Board for part of a financial year receive proportionately lower compensation on a pro rata temporis basis. Corresponding provisions apply for compensation pursuant to paragraph 1, sentence 2 and fixed committee membership compensation pursuant to paragraph 1, sentences 3 and 4 should the respective member retire from the Supervisory Board, or from the respective function while remaining in the Supervisory Board.
- (3) Sales tax is refunded by the company to the extent that Supervisory Board members are entitled to charge the company separately for sales tax and exercise this right.
- (4) To protect its interests, the company maintains a financial loss liability insurance policy for its directors, officers, and senior management. This policy also covers Supervisory Board members, who are co-insured at the company's expense.
- (5) If a member of the Supervisory Board is at the same time a member of the supervisory board of the general partner and receives remuneration from the general partner for his or her activities, the remuneration pursuant to article 17 (1) sentences 1, 3 and 4 shall be reduced by half. The same applies with respect to the additional portion of remuneration paid to the chairman and deputy chairman pursuant to article 17 (1) sentence 2 if the relevant person is at the same time the chairman or deputy chairman of the supervisory board of the general partner.

C. Annual General Meeting

§ 18

Location of Annual General Meeting

The Annual General Meeting is held at the company's domicile, at the domicile of a German stock exchange, within a radius of 50 km of the company's domicile, or within a radius of 15 km of the domicile of a German stock exchange.

§ 19

Convening of Annual General Meeting

The Annual General Meeting shall be convened by the general partner; this shall not affect the statutory rights of the Supervisory Board and a minority of limited shareholders to convene the Annual General Meeting.

§ 20

Participation Entitlement

- (1) Only those shareholders that register and submit documentary proof of their shareholding are entitled to participate in the Annual General Meeting and exercise their voting rights. The registration and documentary proof must be received by the company at the address stated for this purpose in the invitation no later than six days prior to the Annual General Meeting. This registration period does not include the day on which the registration is received.
- (2) A certification of the shareholder's shareholding issued in text form in German or English by the account-holding financial institution is deemed to represent adequate proof of entitlement pursuant to paragraph 1. The proof provided must be valid as of the beginning of the 21st day prior to the meeting.
- (3) The company is entitled to request further appropriate proof should it have any doubts as to the correctness or authenticity of the proof. Should such proof not be provided, or not in suitable form, then the company is entitled to reject the shareholder in question.

§ 21

Chairman of Annual General Meeting

- (1) The Annual General Meeting is chaired by the Supervisory Board Chairman or, should he be unavailable, by another member of the Supervisory Board selected by him. Should none of these persons assume the chairmanship, the Chairman of the Meeting is elected by the Annual General Meeting, with such election being overseen by the oldest Supervisory Board member present.
- (2) The Chairman of the Meeting chairs the meeting, determines the order in which the agenda items are addressed and the voting procedures to be adopted.
- (3) The Chairman of the Meeting may impose a suitable limit on the time allocated for shareholders to pose questions and make statements. In particular, either at the beginning of or in the course of the Annual General Meeting he is also entitled to set a suitable timeframe for the duration of the entire Annual General Meeting, for individual agenda items, or for individual statements and questions.

§ 22

Voting Rights, Voting Procedures

- (1) Each individual ordinary share entitles its bearer to one vote at the Annual General Meeting.
- (2) The Annual General Meeting adopts resolutions on the basis of a simple majority of the votes cast and, where a majority of capital is required, on the basis of a simple majority of the share capital represented upon the adoption of such resolution, unless mandatory requirements of the relevant laws or the Articles of Association stipulate otherwise.
- (3) When the first round of voting in elections does not produce a simple majority, a second round of voting is held for those two individuals achieving the highest number of votes. In the event of the same numbers of votes being cast in the second round of voting, the Chairman of the Annual

General Meeting, provided that he or she is an ordinary shareholder, otherwise the oldest ordinary shareholder in terms of age among the Supervisory Board members elected by the Annual General Meeting, failing that the oldest ordinary shareholder in terms of age participating in the election, shall determine the outcome of the election.

- (4) The resolutions of the Annual General Meeting require the consent of the general partner if they relate to matters which require the consent of the general partner and the limited partners in a limited partnership.

If the resolutions of the Annual General Meeting require the consent of the general partner, the general partner shall declare at the Annual General Meeting whether it consents to or rejects the resolutions. Such declarations must be recorded in the minutes to the Annual General Meeting.

§ 23

Annual General Meeting

The Annual General Meeting is held within the first eight months of each financial year. It resolves in particular on the adoption of the annual financial statements and the utilization of unappropriated net profit (in accordance with article 25 of the Articles of Association), the election of the auditor, the approval of the general partner and the Supervisory Board and the election of Supervisory Board members. Proposals of candidates for election as Supervisory Board members to represent shareholders are submitted to the Annual General Meeting not by the Supervisory Board as a whole, but rather only by those members of the Supervisory Board elected by shareholders.

IV. Annual Financial Statements and Appropriation of Profit

§ 24

Financial year

The financial year begins on March 1 and ends on the final day of February in each calendar year.

§ 25

Annual Financial Statements and Appropriation of Profit

- (1) The general partner must prepare the annual financial statements and management report for the previous financial year within the first three months of the financial year and, where appropriate, the consolidated financial statements and group management report for the previous financial year within the first five months of the financial year – to the extent the relevant statutory provisions do not stipulate shorter preparation deadlines – and forward these documents to the Supervisory Board together with the proposed utilization of unappropriated net profit. When drawing up the annual financial statements, the general partner may transfer a portion not to exceed half of the net profit for the year to other revenue reserves. This requirement does not affect the statutory duties of submission to the auditors.
- (2) The Supervisory Board engages the auditor to conduct the audit. The general partner shall be given the opportunity to comment on the report of the auditor before it is submitted to the Supervisory Board.

- (3) The annual financial statements shall be adopted by resolution of the Annual General Meeting, with the consent of the general partner.
- (4) The Annual General Meeting shall also resolve on the utilization of unappropriated net profit.

V. Concluding Provisions

§ 26

Amendments to Articles of Association by Supervisory Board

The Supervisory Board is authorized to amend the Articles of Association to the extent that such amendments only affect the respective wording. This shall not affect any further authorization arising from other provisions of these Articles of Association or special resolutions by the Annual General Meeting.

§ 27

Severability, omissions

Should any current or future provision of these Articles of Association be or subsequently become legally invalid or unenforceable, either in full or in part, this will not otherwise affect the validity of the Articles of Association. The same applies should any omission be identified in the Articles of Association. The next Annual General Meeting shall resolve to amend the Articles of Association in order to render them effective and enforceable or to remedy any omissions.

VI. Continuance of provisions from the Articles of Association of Hornbach Holding Aktiengesellschaft

§ 28

Contribution in Kind

- (1) *The founders are the sole shareholders in Hornbach OHG, based in Bornheim. They contribute the company operated by this commercial partnership, together with all of its assets and liabilities, all other rights, and in particular the right to maintain the company name, to the stock corporation by way of a transformation pursuant to section 41 (1) sentence 2 no. 2 of the German Transformation Act (Umwandlungsgesetz – UmwG). The contribution is subject to the requirement that from March 1, 1987 onwards the company's transactions are deemed to be executed on the account of the stock corporation.*
- (2) *The volume of assets contributed is apparent from the balance sheet of the commercial partnership as of February 28, 1987.*
- (3) *All rights and obligations on the part of the commercial partnership in connection with employment contracts are also transferred to the newly founded stock corporation, unless any employee draws on any rights of objection to which he or she is entitled.*

- (4) *In return for this contribution in kind, the stock corporation grants the shareholders in Hornbach OHG, as its founders, the following shares in respect of the balance sheet as of February 28, 1987 underlying the transformation:*

Otmar Hornbach, Bornheim 210,000 ordinary shares

with a par value each of DM 50.00, total nominal value

DM 10,500,000.00

and

120,000 non-voting preference shares with a par value each of DM 50.00

total nominal value

DM 6,000,000.00

Total

DM 16,500,000.00

Albert Wilhelm Hornbach, Bornheim,

190,000 ordinary shares

with a par value each of DM 50.00

total nominal value

DM 9,500,000.00

and

80,000 non-voting preference shares

with a par value each of DM 50.00

total nominal value

DM 4,000,000.00

Total

DM 13,500,000.00

total amount of share capital

DM 30,000,000.00

- (5) *The total par value of the shares granted in return for the assets contributed is equivalent to a partial sum of the same amount in the credit balances reported on the capital accounts of the shareholders in the commercial partnership in the balance sheet underlying the transformation. The transformation is therefore based on carrying amounts. The partial amounts on the capital accounts in the aforementioned transformation balance sheet in excess of the total nominal value of the shares granted to each individual founder remain as loan receivables on the part of the respective shareholder due from the transformed Hornbach Aktiengesellschaft. The loans bear interest at 6% per annum starting on March 1, 1987. They may be called in or repaid by either party at any time without notice.*

§ 29

Costs of Foundation / Transformation

- (1) *The total expenses incurred for the foundation and transformation, especially transaction taxes (namely company taxes, stock exchange turnover tax, land acquisition tax), notary public expenses, formation audit and advisory expenses, court expenses, publication expenses, and all other transaction taxes, expenses, and costs, arising upon execution of article 28 of the Articles of Association (Contribution in Kind) are borne by Hornbach Aktiengesellschaft.*
- (2) *These total expenses are estimated at DM 3,000,000.00, plus any sales tax (VAT) incurred in accordance with legal requirements.*

VII. Declaration of Change of Legal Form, contribution of share capital, costs of formation

§ 30

Declaration of Change of Legal Form, contribution of share capital

The share capital existing upon the transformation of the company into a German partnership limited by shares was contributed by the entity of previous legal form, Hornbach Holding Aktiengesellschaft, which is domiciled in Neustadt an der Weinstrasse, by virtue of the change of the legal form.

§ 31

Costs of forming the company

The formation costs relating to the transformation of Hornbach Holding Aktiengesellschaft into HORNBACH Holding AG & Co. KGaA, totaling up to €2,960,000, shall be borne by the company.