

PRESS RELEASE



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Semi-annual financial report: first six months of 2010

Increase in sales thanks to strong business in Germany, positive operating result

Group sales up 2.6% in first six months of 2010; positive operating result despite pressure on margins; forecast confirmed

Korntal-Münchingen (Germany), 13 August 2010

Against the backdrop of more favourable economic development, Group sales rose by 2.6% to € 345.2 million in the first six months of 2010 (previous year: € 336.3 million). At quarterly level, sales actually increased by € 13.2 million or 7.0% year-on-year. These figures show that the financial year made a very cautious start, for reasons including the long, snowy winter experienced in a number of VBH regions, yet sales have already shown significant year-on-year growth in the second quarter of 2010.

Sales development in Germany in the first six months of 2010 was particularly encouraging, with an increase of 9.2%, whereas there was a 11.4% drop in sales in the Western Europe segment as a result of the weak market situation in a number of countries, but also structural problems in some VBH companies. There was also improvement in the Eastern Europe segment thanks to the support of positive currency effects, achieving a year-on-year increase of 4.8%, and sales in the Other Markets segment even rose by 19.2%, driven by our rapidly growing activities in Turkey and the growth markets in Asia.

Although EBIT fell from € 3.6 million to € 0.7 million in the period under review, this figure is still positive. Group EBT dropped to € -3.3 million (previous year: € +0.4 million) in the first six months of 2010. The gross profit margin fell from 25.4% to 23.2%, with exchange rate shifts in Eastern Europe contributing to the expected negative effect. Despite higher sales, this lower margin led to a € 5.3 million reduction in gross profit. However, earnings were also impacted by problems at the VBH companies in Belgium and Italy, problems which had been tackled but were still having an effect, and which led to a negative segment result in Western Europe on an EBT basis of € -3.1 million (previous year: € -0.7 million). Increased interest expenditure also had a negative impact. In the second quarter of 2010, Group EBT fell from € 5.2 million to € 3.1 million year-on-year.

Fully diluted earnings per share (EPS) fell from € 0.00 to € -0.05 per share in the first half of 2010. As a result of lower earnings and the increase in working capital carried out in comparison to the balance sheet date, operating cash flow fell from € 5.6 million to € -17.4 million. Given the reduction in investments and reduced dividend payments, free cash flow declined from € 0.4 million to € -19.1 million.

VBH HOLDING
AKTIENGESELLSCHAFT
POSTFACH 1449
D-70810 KORNTAL-MÜNCHINGEN
TEL: +49 (0)7150 / 15-200
FAX: +49 (0)7150 / 15-331
INTERNET www.vbh.de
EMAIL i.brimmers@vbh.de

EDITORIAL CONTACT

SYMPRA GMBH (GPRA)
STAFFLENBERGSTRASSE 32
70184 STUTTGART
TEL: +49 (0)711 / 94767-0
FAX: +49 (0)711 / 94767-87
INTERNET: www.sympra.de
E-MAIL: vbh@sympra.de

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In the light of increased sales, working capital rose slightly from € 188.5 million to € 188.8 million year-on-year.

Outlook

In the current financial year, the Executive Board expects an increase in sales of approximately 5% to almost € 800 million in comparison with the previous year. The Germany, Eastern Europe and Other Markets segments will contribute to this positive development. However, in terms of the year as a whole, the Western Europe segment will report a fall in sales – a stabilisation at the very low level is not expected until 2011 at the earliest. Subject to the above assumptions and supported by the developments of the last few months, an operating result at the same level of the previous year is expected at the end of the year at the very least. Working capital is to be optimised further.

The sphere of activity of VBH having been expanded to Argentina in June 2009, a central warehouse is now to be opened in Panama, which is to supply the existing VBH companies in Argentina and Mexico, but also other markets in South and Central America. A new VBH company has also been founded together with a partner in the Caucasus region with headquarters in Tbilisi.

The new own brand greenteQ is still a growth driver and rounds off the VBH product portfolio perfectly with its strong manufacturer brands (“Simply Everything”). More than 1,500 items are being marketed under the greenteQ logo. Just 16 months after their market launch, greenteQ products represent a share of more than 5% of total sales at VBH Deutschland GmbH. The medium-term aim is still to achieve a Group sales share of at least 10% with greenteQ products.

VBH also aims to bring about a further expansion of its service package designed to facilitate its customers’ work (“Everything Simple”). Use of the CE-fix tool as a platform for CE labelling is still intensively used among VBH customers. The VBH knowledge base is also becoming increasingly popular with more than 2,000 visits a month. The latest service tool is the “Find, Don't Search” search engine, which will make product searches considerably easier for customers. However, the LOGOS app for smartphones is also proving to be an innovation that has been well received by our customers.

Note for editors:

The complete semi-annual report for the first six months of 2010 can be found at www.vbh-holding.com.

Contact:

CFO Dr. Ralf Lieb/Investor Relations
Telephone: +49 7150 15-200
E-mail: ir@vbh.de

VBH HOLDING
AKTIENGESELLSCHAFT
POSTFACH 1449
D-70810 KORNTAL-MÜNCHINGEN
TEL: +49 (0)7150 / 15-200
FAX: +49 (0)7150 / 15-331
INTERNET www.vbh.de
EMAIL i.brimmers@vbh.de

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STAFFLENBERGSTRASSE 32
70184 STUTTGART
TEL: +49 (0)711 / 94767-0
FAX: +49 (0)711 / 94767-87
INTERNET: www.sympra.de
E-MAIL: vbh@sympra.de