

VBH Holding AG posts a profit with operating cash flow in line with last year

Korntal-Münchingen, 31 March 2010 – VBH Holding AG, listed on the SDAX of Deutsche Börse AG, posted a profit for financial year 2009 despite the difficult market environment. Consolidated sales declined 12.6% year-on-year to € 754.1 million for Europe's leading trading enterprise for building hardware. On a currency-adjusted basis sales were down 7.4%. The company recorded an operating profit (EBIT) of € 17.8 million (previous year: € 39.6 million), with operating cash flow nearly unchanged from the previous year at € 33.6 million (previous year: € 33.7 million). EBIT margin came to 2.4% (previous year: 4.6%). At € 10.5 million, EBT came in lower year-on-year by € 21.0 million.

Despite declining sales, VBH Holding AG reduced net indebtedness by € 3.9 million from a previous € 107.6 million down to € 103.7 million. The equity ratio came to 37.3% (previous year: 36.6%). Working capital declined 12.4%, closely following sales, to € 167.6 million. Operating cash flow was only € 0.1 million less than in the previous year at € 33.6 million despite lower earnings due to the decrease in working capital, while free cash flow increased significantly by € 8.2 million to € 24.4 million associated with sharply lower capital expenditure.

Despite the continuing uncertainties as to the strength of the economy in 2010, the Executive Board has resolved to submit to the Supervisory Board a proposal on the appropriation of profits that provides for distribution of a dividend of € 0.05 per no par share for the 2009 financial year (distribution ratio: 35.7%). The Executive Board's primary objective remains to further reduce net indebtedness. Nonetheless, the Executive Board intends to maintain a distribution ratio of a minimum 35 - 40% of earnings per no par share as long as the financial stability of the VBH Group does not change negatively. This is to ensure that shareholders participate appropriately in Group profits.

Markets up and down around the world – Germany as anchor

Business was highly variable across the regions in which VBH operates, with VBH Deutschland GmbH recording a 4.0% increase in German sales and gaining further market share there. Sales for the Germany segment declined slightly by 1.5%, due to fewer shipments abroad to subsidiaries in countries like Russia. The

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number of employees in Germany remained largely unchanged at 938 thanks to the strength of business (previous year: 952).

Sales in Other Markets (Asia, Middle East, Turkey) more than doubled year-on-year, boosted by initial consolidations and new acquisitions. In contrast, sales in Western Europe fell 21.3%, and in Eastern Europe 28.6% (currency adjusted: 15.5%). VBH Holding Executive Board Chairman Rainer Hribar commented: "Eastern Europe appeared to be stabilising towards the end of the year, while we do not see a floor having been reached yet in certain Western European countries.

The Group moved into new markets in 2009, primarily in Asia, the Near East and South America. VBH Turkey, acquired at the end of last year, was integrated into the VBH Group, which over the next few years is to support and anchor business in the Near East region. VBH has stepped up activities in South America to execute medium-range growth plans. In Argentina a majority stake was acquired in Steelpro Ltd. "Plans are to establish an Americas holding company in Panama in which all VBH activities on the continent are to be bundled, modelled after the procedure followed in Singapore," said Hribar.

Three-pillar strategy proving effective – Leader in good ideas and execution

Though in some countries demand will not be picking up within the short term, Mr. Hribar believes the company is well positioned. "In markets that remain weak such as the CIS countries we are responding with appropriate cost-cutting measures. At the same time we are continuing to build up our international business, benefiting from the experience we have gained entering markets in 42 different countries."

In addition to international diversification, VBH Holding AG is benefiting from launch of the proprietary greenteQ brand. Introduced at the start of 2009, the proprietary greenteQ brand now encompasses some 700 products. VBH's medium-term goal is for greenteQ to contribute roughly 10% of sales.

VBH Holding AG has been pursuing the third pillar of its strategy for years – steadily evolving from a merchant into a service provider. "We intend to be an industry leader for good service ideas and their implementation," said Hribar. At the major industry trade show fensterbau/frontale 2010 held in March in Nuremberg the company presented a host of new services of practical, day-to-day utility. This includes craftsmen receiving access to the VBH

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catalogue at the work site via mobile phone and being able to order electronically. "Provided free of charge, this unique solution saves craftsmen a lot of valuable time," Hribar explained. VBH has also developed an excellent solution supporting craftsmen with the CE designation of windows and doors, which became mandatory throughout Europe on 1 February 2010. VBH's CE-fix makes CE designation fast and simple for anyone in the industry via online window and door testing. This is made possible by a centralised database storing hundreds of individual tests conducted by ift Rosenheim for VBH. "For example, many users utilise CE-fix on a notebook computer in meetings with customers to be able to provide complete documentation at any time on the particular construction desired," said Hribar. In contrast to simplistic industry software, the CE-fix master data on file for every construction cannot be manipulated, so customers receive reliable documentation stating all relevant construction characteristics. VBH's CE-fix solution is the only one in the industry offering this capability, which is now available in ten countries and is continually being upgraded via the expert mode.

Outlook for 2010

Persistent doubts about the economy and the very long, hard winter in Europe have meant that VBH's start in 2010 was weaker than in the previous year. The Executive Board projects full-year sales in Germany to come in fairly even with financial year 2009, and sales in Western and Eastern Europe to further decline. The Other Markets segment will again grow significantly, as in financial year 2009. "The VBH Group thus estimates full-year sales will come in largely in line with the previous year, barring further economic and exchange rate developments in Eastern Europe. Though the Group is well positioned as the leader in many markets, we will inevitably see declining sales given the recessionary trends now affecting the economy. While we are gaining market share, in many cases this is not enough to offset declining market volume. Cost structures are being monitored and will be trimmed further if sales continue to decline. Working capital is being kept low in order to further stabilise cash flow," commented Hribar.

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