Annual Report 2008

VBH HOLDING AKTIENGESELLSCHAFT

Everything simple.

Simply everything.

VBH. The Brand.


Leichter als Sie denken.
Mehr drin als Sie hoffen.
VBH
Weltweit s
einfach
alles.
Alles
einfach.
ISTUNGSPAKET: MEHR LEISTUNG
R ALS EIN VERSPRECHEN FÜR SIE
THE BRAND BOOK

The brand for experts.

BRAND VALUE.

When is a brand “valuable”? When does it gain recognition on the market? When satisfied customers return again and again to purchase from VBH? When investors have confidence in the share? Or when it successfully reflects the value of the company on the stock exchange? All of the above. Every day we work to reassert this value and inspire fresh confidence in the brand. In 2008, VBH instituted a long-term branding process to realign the brand: We intend to be the world’s leading brand for window and door fittings. A strong brand presence is our company’s most important and lasting asset. All VBH employees are part of this brand and play a role in its success – and thus the successful future of our company as well.

THE EXPERT BRAND.

Knowing the surest path to success. Focussing on one core competency. Long-time practical experience. Those are the characteristics of experts who deliver what they promise.
VBH is the expert brand for window and door fittings. The largest trading company in the industry, and one to which the world’s strongest brands entrust their products. Around the world, businesses in industry, skilled trades and suppliers trust our experts. The declared goal of VBH is to offer them more value in return. Three thousand VBH experts across the globe work together to make this goal a reality, drawing on the best product range and the broadest service portfolio in the industry to do so.

FUNDAMENTAL VALUES.

A company needs answers and an orientation. Every action involving the VBH brand exemplifies the fundamental corporate values: versatile, forward-looking and reliable. They are our guiding principles and an absolute requirement. Versatile: Our product range combines perfectly with proven and innovative services for businesses of any size and any national or regional market. Forward-looking: We enter markets early and develop them at an advanced level. Performance leadership is our aim. Reliable: We use the best people and processes in the industry.

SHOWING PERFORMANCE AND STRENGTH.

VBH is growing quickly and expanding into many different markets. But no matter where it is, VBH is bound by the same pledge of performance. To express this in a way that everyone can see, the VBH brand is unveiling its new face and a fresh brand presence. After all, the brand is not the product – it is the values associated with it. With its new branding, clear positioning and comprehensive strategies, VBH shows its strength and performance capabilities. Now and in the future, wherever the company is represented, our customers and partners will find the image of a strong, successful brand.

A clear promise.

SIMPLY EVERYTHING. EVERYTHING SIMPLE.

Our brand makes a clear promise: Simply everything that industry and skilled trades need to manufacture and install windows, doors and furniture. Everything simple, from initial contact to daily cooperation. The experts of VBH are there to provide uncomplicated, fast help, setting the pace with innovative services and simplifying the lives of our customers.

ADDED VALUE FOR OUR CUSTOMERS.

The business model is clear. The focus is on customers and their day-to-day work. Wherever possible, VBH wants to make life easier for them – offer them added value with our products and services. VBH is the brand that adds value. An ambitious claim and one that we consistently put into action.

THE VBH ENHANCED SERVICE PACKAGE.

The green VBH multiservice package stands for all of the additional services that VBH offers its customers. It shows up in brochures, at trade fairs, on the Internet and in advertisements and shapes our brand presence.

ALWAYS ONE IDEA AHEAD.

Service leadership means thinking ahead, whether with products, services or processes. We never stop. Our range is constantly expanding, whether that means our greenteQ own brand or our innovative service tool CE-fix, the online platform for CE labelling. Growth with clear goals.

Growth with clear goals.

STRONG BRANDS WORLDWIDE.

Creating ideal conditions for customers means choosing the best partners. VBH partners expertly with the world's major brands in the industry for window and door fittings. Together we develop markets and give our customers worldwide access to brand quality. This symbiosis sets high standards for product layout and availability.

THE greenteQ HOUSE BRAND.

With the greenteQ own brand, VBH offers a new product range distinguished by high quality and an excellent price/performance ratio. The greenteQ programme is an ideal supplement to the current range and taps new customer groups. The new brand will be launched in steps, expanding consistently.

FOCUS ON GROWTH MARKETS.

We are developing the global presence of the VBH brand in a targeted, consistent manner, training our focus on the growth markets of Europe and Asia. Our investments in new companies and markets secure our successful development for the future.

NO. 1 IN MULTIPLE MARKETS.

We intend to put our brand promise into action in every market. Every day, VBH employees in 40 countries work to make this happen – with success. In many markets, we are already No. 1, or at least No. 2. And wherever we are not, we are doing everything possible to achieve that goal.

VBH. The Company.

Key Figures

Sales and Earnings		2004	2005	2006	2007	2008
Revenues	in € m	648.5	693.4	783.2	808.4	862.8
EBITDA	in € m	20.6	34.3	48.0	54.8	47.8
EBITDA margin		3.2 %	5.0 %	6.1 %	6.8 %	5.5 %
EBIT	in € m	16.0	24.4	40.3	49.4	41.8
EBIT margin		2.5 %	3.5 %	5.1 %	6.1 %	4.8 %
EBT	in € m	57.2	16.4	30.2	38.2	33.8
Net result after minorities	in € m	51.3	9.2	19.8	27.6	20.1

Key Figures		2004	2005	2006	2007	2008
Cash flow from operating activity	in € m	11.5	22.8	11.0	31.5	33.8
Cash flow from investing activity	in € m	-1.8	-6.9	-6.0	-8.7	-17.5
Free Cash Flow	in € m	9.7	15.9	5.0	22.8	16.3
Cash flow from financing activity	in € m	-9.5	-15.0	-6.3	-18.9	-5.2
Total investments	in € m	6.5	15.2	11.5	18.6	27.6
Working Capital	in € m	126.1	145.1	164.6	179.1	186.0
Capital employed	in € m	183.5	208.1	228.7	252.7	267.1
ROCE		8.7 %	11.7 %	17.6 %	19.5 %	15.6 %
Net debt	in € m	147.7	134.9	138.3	118.2	107.6
Gearing		550.8 %	270.9 %	192.8 %	106.6 %	76.4 %
Return on equity (ROE)		191.4 %	18.5 %	27.6 %	24.9 %	14.3 %
Number of employees		2.057	2.150	2.175	2.686	2.880

Stock Exchange Data		2004	2005	2006	2007	2008
Earnings per share	in €	2.41	0.27	0.54	0.72	0.46
Earnings per share diluted	in €	2.40	0.26	0.50	0.67	0.46
Dividend per share	in €	0.00	0.00	0.12	0.15	0.19
Equity per share	in €	0.81	1.36	1.97	2.78	3.07
Book value per share	in €	0.68	1.14	1.71	2.55	2.89
Share price at year-end	in €	3.48	2.72	6.10	6.00	3.68
Shares outstanding	in T	33,178	36,495	36,495	39,865	45,790
Market capitalization at year-end	in € m	115.5	99.3	222.6	239.2	168.5

Balance Sheet		2004	2005	2006	2007	2008
Long-term assets	in € m	64.1	72.1	72.7	86.8	96.2
Short-term assets	in € m	215.6	233.2	262.0	271.1	280.4
Equity	in € m	26.8	49.8	71.7	110.8	140.8
Book value	in € m	22.5	41.5	62.3	101.7	132.3
Long-term liabilities	in € m	74.0	79.9	78.5	121.5	91.0
Short-term liabilities	in € m	178.9	175.5	184.4	125.6	144.8
Balance sheet total	in € m	279.7	305.2	334.6	357.9	376.6

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FURTHER INFORMATION

Letter to the shareholders

Dear Shareholders,

VBH concluded the 2008 fiscal year with respectable earnings despite the onset of the global economic crisis in the second half of the year. Although the record figures from the 2007 fiscal year were not repeated, revenues were up and a high level of earnings was maintained. The past fiscal year can be divided into two phases: until late summer 2008, undiminished optimism was still evident on many sales markets, with the exception of the markets already affected by the real estate crisis in Spain, Great Britain and the Baltic region, with the result that VBH also achieved strong growth in sales up until this point. However, from mid-October 2008 onwards, dramatic declines in economic activity were felt in virtually all regions. VBH was not able to escape the effects of this development. In addition, at the end of the year there were significant distortions in currency exchange rates with many Eastern European countries, which negatively impacted VBH’s activities in these markets.

Despite this difficult environment, VBH achieved growth of over 6 % in the Germany region, while sales in the Asia region doubled. Although the growth in sales recorded in the Western Europe region was due only to the acquisition of Hody SA in Belgium, further market share was won in the individual markets. The Eastern Europe region also emerged as a driving force behind the growth of the VBH Group in 2008, although the growth curve was weaker than in previous years.

Increasing internationalisation

Besides the acquisition in Belgium, VBH improved its presence on the Bulgarian market considerably through the acquisition of Siecom Ltd. A very important strategic move was the acquisition of the majority interest in Winkhaus S.A. of Turkey signed at the end of 2008, as VBH sees high growth potential for the future in this market and intends to develop the neighbouring markets in a targeted manner using Turkey as a base. The aim for 2009 is to integrate the acquisitions into the VBH Group.

Corporate strategy and brand communication

VBH saw 2008 as a year of upheaval. Corporate strategy was refined and strategic objectives for the next few years were clearly formulated. The catchy new brand communications claim “Simply everything. Everything simple.” was modelled and implemented and the launch of the VBH brand was prepared for March 2009. The new VBH own brand greenteQ was designed and the first steps towards selling greenteQ products were taken.

Overall, in future we will build on a clear three-pillar strategy under the VBH umbrella brand:

Broad international footing with uniform brand presence

VBH already operates in 40 countries globally. Around 55 % of Group sales are generated outside of Germany. In difficult economic times this broad international positioning makes it possible to offset declines in individual regions with additional growth in other regions.

In future, VBH will standardise its brand presence in all countries – we plan to make the green logo, the "Simply everything. Everything simple." claim and the VBH multiservice package known around the globe, thus achieving a higher level of awareness and also of course improved customer loyalty.

Successful product range and own brand policy

VBH offers its customers all over the world a needs-based product range tailored to their requirements – simply everything that VBH customers need for their day-to-day work in manufacturing and installing windows and doors. VBH meets this requirement with strong brands and strong partners. In future, product groups beyond classic window and door fittings are also to be pushed outside of Germany in order to increase sales with existing customers and to win new customers.

In addition, VBH will meaningfully add to and round off its comprehensive selection of branded products with its new own brand, greenteQ. greenteQ focuses on basic products which are everyday essentials. VBH plans to generate up to 10% of total sales with the new greenteQ products within five years.

Unique selling point through a comprehensive service offering

As an expert brand, VBH does not regard itself purely as a trading house for high-quality products, but also as a provider of competent advice and innovative services in line with the motto “Everything simple” to facilitate customers’ day-to-day work and thus offer them added value. A central element is the newly created Internet portal VBH24 – the service platform for all VBH customers.

The Executive Board is confident that the new strategic course of VBH will help to maintain its position in the market, even in difficult times; VBH will emerge from the current economic crisis strengthened.

Share price suffers under the general market environment

The VBH share was not immune to general market trends and lost significant value in the fiscal year under review. Although the shares performed better than the reference index, SDAX, the absolute performance of the VBH share price was not satisfactory.

Despite various investor relations activities, the change to the Prime Standard and the subsequent quarterly report as well as the extraordinary termination of convertible bonds, it was not possible to stabilise the share price. Conditions in the building sector and the low market capitalisation of the VBH share were additional contributory factors forcing the share price down to a significantly reduced level.

In 2009, the Executive Board will continue to do its utmost to make VBH’s shares more attractive to investors and thus to achieve a higher price level in the medium term. Its objectives are to distribute an attractive dividend and to address potential investors directly at roadshows and one-to-one meetings. However, the share price will ultimately depend on the development of VBH’s business, liquidity and earnings and our attention must focus on this in 2009.

Outlook for 2009

At the start of 2009, the economic crisis that set in at the end of 2008 has fully fed through to the real economy. By now, the crisis and the resulting stagnation have even hit countries that were still recording stable development at the end of last year. In addition to this there was an extremely cold winter, which further hindered construction activities in various regions.

Overall, VBH started the new year 2009 weaker than in the previous year. For the rest of the year, the Executive Board anticipates largely stable sales in the Germany segment compared with the 2008 fiscal year and mid-range, single-digit declines in sales in the Western Europe segment – with the exception of the markets in

Spain and Great Britain, which will continue to fall sharply. There is heightened uncertainty in Eastern Europe at present owing to the economic turbulence, which is also resulting in significant distortions in the respective currency relations. From today's perspective, a drop in sales can be expected in the Eastern Europe region, which in the worst case could amount to a significant double-digit decline. The Other Markets segment will grow significantly as in the 2008 fiscal year.

Thus it can be expected overall that the VBH Group will experience a fall in sales in the high single-digit percentage range – subject to further prospects and exchange rate developments in the Eastern Europe segment. Therefore, management's main task will be to adjust cost structures accordingly and to maintain cash flow at the level of the previous fiscal year as far as possible by reducing working capital.

2009 will present great challenges for us all. VBH is ready to face these challenges and has set its course in such a way as to emerge from the present economic crisis stronger than before. We would like to thank you for your confidence in our work.

Korntal-Münchingen, March 2009

On behalf of the Executive Board:

Rainer Hribar	Dr. Ralf Lieb
Chairman of the board	Member of the board

Report of the Supervisory Board

Dear Shareholders,

In the 2008 fiscal year, the Supervisory Board of VBH Holding AG performed the tasks for which it is responsible according to law and the articles of association of the company with great care and concerned itself extensively with the business transactions of the company and the Group. In this process it received regular, prompt and comprehensive verbal and written information from the Executive Board on the state of the business of VBH Holding AG and of the Group. The Supervisory Board obtained reports from the Executive Board on the business policy, fundamental financial and investment policy issues, profitability and risk situation of VBH Holding AG and the Group. It supported the Executive Board in an advisory capacity and monitored the management of the company.

In addition, the Supervisory Board received monthly reports on the course of the business, including analyses of differences to the budget and to the previous year. The reports also documented the liquidity and financial position of the company, including current credit lines, utilisation of credit lines and availability of liquidity compared with actual and forecast figures. All business transactions requiring approval were discussed in depth with the Supervisory Board, which granted its authorisation where required.

In addition to the joint discussions in the Supervisory Board meetings, the Chairman of the Supervisory Board also maintained constant close contact to the company and ensured that he was kept informed of current developments, the state of the business and important individual transactions on a continuous basis.
Based on the reports and information provided by the Executive Board, the Supervisory Board has satisfied itself that the company was managed in a proper manner. The Supervisory Board also assured itself that all risk management system requirements were met in the company and the Group. The Executive Board informed the Supervisory Board in detail regarding projects and plans that were urgent or of particular importance for the company, including between meetings, and sought its approval where necessary.

Main focus of the Supervisory Board meetings

Five Supervisory Board meetings took place in the 2008 fiscal year. At the meetings the Supervisory Board regularly addressed the current course of the VBH Group's business and the Executive Board's planning. It dealt extensively with performance in terms of sales, costs and earnings as well as the financial position of the company. The Executive Board provided comprehensive answers to the detailed questions of the Supervisory Board members that arose from the regularly submitted written reports and verbal comments made during meetings. The consultations and examinations conducted by the Supervisory Board at the Supervisory Board meetings chiefly related to the following items:

Following appropriate preparations by the Audit Committee, the Supervisory Board audit meeting on March 31, 2008 focused on the audit of the annual financial statements, consolidated annual statements and management reports for VBH Holding AG and the Group for the 2007 fiscal year. In addition to its own – original – auditing activities in preparation for the Supervisory Board audit meeting, the Supervisory Board asked the auditor present at the meeting a number of questions and discussed them at length with the auditor and also approved the agenda for the Annual General Meeting.

At the first meeting on June 9, 2008, the Supervisory Board initially concerned itself with sales and earnings performance in the fiscal year under review, as well as the topics of convertible bonds from the recapitalisation concept, including preparation of an amendment to the articles of association, the change of listing to the Prime Standard and planned acquisitions in Bulgaria and Turkey. An amendment to the rules of procedure for the Executive Board was also resolved.

At the constituent Supervisory Board meeting on June 9, 2008, which took place on the same day subsequent to the Annual General Meeting, the Supervisory Board dealt in particular with the composition of the HR and Strategy, Marketing and Sales committees, as well as with the composition of the Audit Committee.

At its meeting of September 17, 2008, which was part of a strategy conference attended by the Executive Board and Supervisory Board of VBH over several days, the Supervisory Board again addressed sales and earnings performance in the reporting year in depth, with particular reference to the overseas markets as well as the effects of changing the VBH share to the Prime Standard segment and current acquisition plans, risk management and amendment of the articles of association due to the exercise of stock options.

At and prior to the meeting on December 11, 2008, the Supervisory Board concentrated its auditing activities on the corporate plan submitted for the 2009 fiscal year. The Supervisory Board examined the plan and discussed the opportunities and risks presented with the Executive Board. It resolved the budget for 2009 and dealt with the topics of acquisitions, investor relations and implementation of current amendments to the Corporate Governance Code.

Committees

The Audit Committee, which is formed within the Supervisory Board, convened once during the reporting year and prepared the resolution of the Supervisory Board on adoption of the annual financial statements and approval of the consolidated financial statements for the period ended December 31, 2007. The HR committee convened twice during the reporting year. The committee for Strategy, Marketing and Sales convened three times in 2008.

Declaration of compliance

The Supervisory Board addressed the continued development of corporate governance at VBH Holding AG, made suitable adjustments and approved the declaration of compliance with the German Corporate Governance Code, which can also

be found on page 25 of this annual report. No conflicts of interest subject to the supervisory board or executive board were noticed.

Risk management

All areas of risk identifiable from the perspective of the Executive Board and Supervisory Board were discussed. The risk management system underwent an extensive examination by the auditor, which confirmed that the Executive Board had implemented the measures required under section 91 (2) of the German Stock Corporation Act (Aktiengesetz – AktG) and established a monitoring system capable of identifying at an early stage developments that could jeopardise the continued existence of the company.

Annual and consolidated financial statements for 2008

At the Annual General Meeting on June 9, 2008, Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft of Nuremberg was selected as auditor for the 2008 fiscal year. Following a resolution of the Supervisory Board to this effect, the Chairman of the Supervisory Board commissioned the auditor with the audit of the accounts in writing. Prior to the Supervisory Board's proposal to the Annual General Meeting, the Chairman of the Supervisory Board received written confirmation from the auditor that no circumstances existed that could impair the independence of the auditor.

Rödl & Partner audited the annual financial statements of VBH Holding AG and the consolidated financial statements for the period ended December 31, 2008, as well as the management reports of VBH Holding AG and the Group, together with the bookkeeping system, and issued them with an unqualified audit opinion.

The auditor provided each member of the Supervisory Board with a copy of the audit report. The Supervisory Board held its meeting for the adoption of the financial statements – following appropriate preparations by the Audit Committee – on March 27, 2009 together with the company's auditor. At the meeting, the annual financial statements of VBH Holding AG, the consolidated financial statements for the period ended December 31, 2008 and the management reports of VBH Holding AG and the Group as well as the audit reports were discussed with the auditor in detail. The Supervisory Board conducted its own audit of the audit reports, the annual financial statements, the consolidated financial statements and the management reports of VBH Holding AG and the Group, including the disclosures in accordance with sections 289 (4) and 315 (4) of the German Commercial Code (Handelsgesetzbuch – HGB) and the proposal of the Executive Board on the use of unappropriated profit. The drafts and official copies were submitted to the Supervisory Board in good time, enabling it to examine all the documents thoroughly. In line with the final results of its own audit, the Supervisory Board did not raise any objections to and agreed with the result of the auditor's examination of the annual financial statements, consolidated financial statements and management reports for the VBH Holding AG and the Group, including the disclosures in accordance with sections 289 (4) and 315 (4) of the German Commercial Code. The Supervisory Board approved the annual financial statements of VBH Holding AG and the consolidated financial statements prepared by the Executive Board for the 2008 fiscal year. The annual financial statements have thus been adopted. The Supervisory Board examined the proposal submitted by the Executive Board on the use of unappropriated profit and approved it.

Executive bodies of the company

The following changes occurred in respect of the executive bodies of the company: effective as of March 15, 2008, Dr. Ralf Lieb was appointed as a member of the Executive Board. Mr. Rainer Hribar was appointed Chairman of the Executive Board of VBH pursuant to the resolution of March 31, 2008. Mr. Jochen Fussner stepped down from the Supervisory Board on grounds of age with effect from the Annual General Meeting on June 9, 2008. We would like to thank Mr. Fussner for his many years of reliable and responsible work on the company's Supervisory Board. Effective as of the Annual General Meeting, Mr. Martin Morlok was elected as the new employee representative on the Supervisory Board. Mr. Stephan Heck, who had been appointed as a member of the Supervisory Board on January 8, 2008 by order of the Local Court of Stuttgart (Amtgericht Stuttgart), was elected as a full member of the Supervisory Board at the Annual General Meeting on June 9, 2008. Prof. Dr. Brun-Hagen Hennerkes, Mr. Jürgen Bockstette and Dr. Ralph Mühleck were reelected at this Annual General Meeting.

The management and all the employees of VBH Holding AG and its subsidiaries made a significant personal contribution to the positive further development of the company in the year under review. The Supervisory Board would like to thank all the company's employees and Executive Board members for their dedication and commitment as well as their many extraordinary and everyday achievements.

Korntal-Münchingen, March 2009

Prof. Dr. Brun-Hagen Hennerkes
Chairman of the Supervisory Board

Executive Board

Rainer Hribar

Rainer Hribar (chairman), born on 25.03.1957, is a member of the executive board of VBH Holding AG, Korntal-Münchingen and the person in charge for sales and distribution (domestic market and abroad), marketing, logistics and category management.

After successful studies of electrical engineering at the ETH Zürich, he firstly worked for the Gebrüder Sulzer PLC (Winterthur), in 1986 he got full power of attorney there. In 1991 he started his career as the managing director of the NEEF business ventures (Karlsruhe) and in 1994 he was appointed as the managing director for sales and distribution as well as for marketing at GEZE (Leonberg).

In February 2002 he was appointed to the executive board of VBH Holding PLC and became responsible for the pending reorganisation. In March 2008 he became chairman of the board.

Besides his work, Rainer Hribar had been head of the faculty for electrical engineering for 10 years and college lecturer at the Polytechnic of Zurich for 18 years, presently he is the president of the examination board of the academy in Zurich (faculty for engineering).

Dr. Ralf Lieb

Dr. Ralf Lieb, born on 16.03.1963, is a member of the executive board of VBH Holding AG, Korntal-Münchingen, and responsible for controlling, finances, investor relations, IT, accounting, auditing, taxes and manpower.

After his business studies followed by his conferral of a doctorate at the Bayreuth University he started his career at Sandoz PLC in Nuremburg as assistant for finance and accountancy, in 1994 he became director of the finance and accountancy department with full power of attorney.

In the course of outsourcing the chemical activities from the Sandoz group in 1995 Dr. Lieb changed to Clariant (Germany) GmbH in Leinfelden-Echterdingen, working as commercial director and since 1996 as commercial business manager as well as business manager of the German holding company of the Clariant group.

Since the middle of 1998 Dr. Lieb had been working as finance executive at Lindner PLC (Arnstorf, Niederbayern). Beside the classical job definition of financial management, he was also responsible for a broad variety of services (purchasing, materials management/logistics, quality management, legislation, construction management).

Beside his occupational activities Dr. Lieb fills numerous honorary offices in clubs and is member of examining board at the CCI Niederbayern/Oberpfalz.

Corporate Governance compliance statement

Executive Board and Supervisory Board declaration of compliance with the German Corporate Governance Code pursuant to section 161 of the German Stock Corporation Act (Aktiengesetz – AktG)

Since its last declaration of compliance in March 2008, which referred to the version of the German Corporate Governance Code dated June 14, 2007, VBH Holding AG (VBH) has complied with all the recommendations of the German Corporate Governance Code Government Commission with the following differences in the 2008 fiscal year and in the future will also comply with the recommendations of the German Corporate Governance Code Government Commission contained in the current version dated June 6, 2008 with the following differences:

3.8.

The D&O insurance policy concluded by VBH for the Executive Board and Supervisory Board members does not contain a deductible, as it relates to group insurance that also covers a number of employees within and outside Germany.

4.2.3.

Due to the ambitious achievement target, which is geared towards a relative performance target (better performance of VBH shares compared with the SDAX), there is currently no cap on extraordinary, unforeseeable changes in variable remuneration components with long-term incentive effect that incorporate a degree of risk.

The Executive Board contracts do not contain any provisions relating to a lump sum settlement or its basis of calculation in the event of premature termination of Executive Board activities, nor do they contain any provisions relating to termination of Executive Board activities following a change in control. This provides the necessary degree of flexibility in the event of premature termination of Executive Board activities with the aim of achieving a reasonable outcome of negotiations according to the specific situation at hand.

5.1.2.

To date, no age limit has been set for Executive Board members owing to the age structure of the Executive Board. However, the matter is under consideration.

5.3.3.

There is no nomination committee constituted exclusively of shareholder representatives within the Supervisory Board. This does not appear appropriate at present, as the Supervisory Board currently consists only of four shareholder representatives.

5.4.3.

For reasons of practicality, VBH reserves the right to conduct elections to the Supervisory Board on a block basis during the Annual General Meeting if necessary.

5.4.6.

Information on the remuneration of Supervisory Board members can be found in the company's Articles of Association and is explained in detail in the remuneration report which is part of the management report, as well as in the notes to the financial statements. For this reason, further disclosures and breakdowns by individual are not provided.

7.1.2.

Prior to publication, the half-yearly and quarterly financial reports are discussed only with the Chairman of the Audit Committee and not with the entire Audit Committee, as the Executive Board views this as the only means of maintaining the necessary flexibility and preventing demarcation problems, particularly with regard to materials relevant to ad hoc publication.

VBH made the audited consolidated financial statements for 2006, 2007 and 2008 publicly accessible within 90 days of the end of the respective fiscal year and made the half-yearly reports publicly accessible within 45 days of the end of the respective half-year. In view of the international structure of the VBH Group and its potential further expansion, we are not able to guarantee the degree to which it will be possible to comply with these time limits in the future.

Korntal-Münchingen, March 2009

VBH Holding AG

On behalf of the Executive Board:
Rainer Hribar
Dr. Ralf Lieb

On behalf of the Supervisory Board:
Prof. Dr. Brun-Hagen Hennerkes

Corporate Governance Report

OF VBH HOLDING AG
FOR THE 2008 FISCAL YEAR

Corporate Governance

The concept of "Corporate Governance" can be described using the terms "corporate management and control" and denotes the general legal and institutional conditions that indirectly or directly influence the management decisions in a company and thus its performance. Efficient cooperation between the company management and supervisory committees, regard for shareholders' interests and openness and transparency in corporate communications are all essential aspects of good corporate governance. At VBH Holding AG, corporate governance is firmly anchored in the corporate culture. Both the Executive Board and the Supervisory Board regularly concern themselves with German and international developments in the area of corporate governance.

General management structure information

VBH Holding AG is subject to the provisions of the German Stock Corporation Act (Aktiengesetz – AktG) and the German One-Third Employee Participation Act (Drittelbeteiligungsgesetz – DrittelbG), as well as to capital market regulations, the provisions of its Articles of Association and the rules of procedure for the Executive Board and Supervisory Board. Through its executive bodies, the Executive Board and the Supervisory Board, VBH Holding AG maintains a dual management and supervisory structure. The Executive Board and Supervisory Board are and consider themselves to be obligated to the interests of the shareholders and the welfare of the company. The Annual General Meeting is the third executive body of the company.

Supervisory Board

The Supervisory Board has six members. In accordance with German DrittelbG, it comprises two-thirds shareholders and one-third employee representatives. The shareholder representatives are elected by the Annual General Meeting, while the employee representatives are elected pursuant to the provisions of DrittelbG. The Supervisory Board advises and monitors the Executive Board with regard to its management of the company.

The composition of the Supervisory Board, with its independent, professionally qualified members, ensures an efficient supervisory function. The Chairman of the Audit Committee, Dr. Ralph Mühleck, has many years' extensive experience as managing director of a medium-sized company and thus has specific knowledge and experience with regard to the application of accounting standards and internal monitoring procedures.

The Executive Board and Supervisory Board maintain a close working relationship based on trust with the aim of sustainably enhancing the value of VBH Holding AG. The main focal points of the joint work of the Executive Board and Supervisory Board can be found in the Supervisory Board report, which is part of this annual report.

The rules of procedure for the Supervisory Board provide for clear and transparent procedures and structures as part of the monitoring and control process. The Supervisory Board has defined in greater detail the Executive Board's reporting duties and duties to furnish information. The revised version of the rules of procedure for the Supervisory Board dated March 30, 2007 reflects the recommendations of the German Corporate Governance Code with respect to the Supervisory Board.

There were no conflicts of interest – which must be reported to the Supervisory Board immediately – involving Executive Board or Supervisory Board members.

Executive Board

The Executive Board of VBH Holding AG (currently consisting of two members) manages the company and oversees its businesses.

The Executive Board is bound by the interests of the company. The objective of its activities is to enhance the value of the company on a sustainable basis. It develops the strategic orientation of the company, coordinates it with the Supervisory Board and ensures that it is implemented. It is also responsible for the company's annual and multi-year planning and for preparing legally required reports, such as the annual and consolidated financial statements and interim reports. In addition, it provides for appropriate risk management and risk control, as well as regular, prompt and comprehensive reporting to the Supervisory Board on all strategic, corporate planning, business development, risk position and risk management issues of relevance to the Group.

The allocation of duties and cooperation within the Executive Board are governed by rules of procedure. Shareholders and the capital market are notified of measures and transactions of fundamental importance in good time to ensure that decision-making processes also remain transparent during the fiscal year and that capital market participants are properly informed. Significant transactions are subject to the approval of the Supervisory Board.

Annual General Meeting

The shareholders safeguard their rights and exercise their voting rights at the Annual General Meeting. VBH Holding AG only has full voting shares. Each share grants entitlement to one vote. The Annual General Meeting takes place during the first eight months of each fiscal year. The agenda of the Annual General Meeting, including the required reports and documents, are published on the company's website.

To enable shareholders to exercise their personal rights most easily, VBH Holding AG provides a proxy representative who is bound by instructions for the Annual General Meeting. At the time of convening the Annual General Meeting, information is provided on how instructions for exercising voting rights can be issued leading up to the Annual General Meeting. In addition, shareholders are at liberty to select a proxy of their choice to represent them. The registration and proof of identity procedures comply with the internationally recognised record date procedure required by law. In this process, the 21st day prior to the Annual General Meeting is the authoritative date for verification of a shareholder's identity for participation in the Annual General Meeting.

Transparency

VBH Holding AG uses its website, "http://www.vbh-holding.de", for the purpose of communicating information to its shareholders and investors promptly. In addition to the consolidated and annual financial statements and interim reports, shareholders and third parties are informed about current developments by way of ad hoc disclosures and press releases. VBH Holding AG publishes a financial calendar in good time ahead of all important dates and publications of the company.

Accounting, auditing and risk management

The consolidated financial statements of VBH Holding AG and the Group management reports are prepared in accordance with the principles of the International Financial Reporting Standards (IFRSs); the annual financial statements and management report of VBH Holding AG are prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – HGB).

Prior to submitting a selection proposal at the Annual General Meeting, the Supervisory Board obtained confirmation of independence from the proposed auditor. The Chairman of the Supervisory Board requested that the auditor immediately report any and all matters arising during performance of the audit that in the broadest sense could affect the tasks of the Supervisory Board with respect to material judgements or occurrences in the event that such matters cannot be directly rectified.

The current risk management system at VBH Holding AG is designed to identify, record, assess and manage the business and financial risks to which the company is exposed in the course of its activities. The individual elements of the monitoring system provide reliable information on the current risk situation and support documentation, risk examination and the elimination of weak points, thus helping to minimise any costs that could potentially be incurred due to the risks. Detailed information on the risk management system of VBH Holding AG can be found in the management report (risk report) in the consolidated financial statements in this annual report.

Declaration of compliance – German Corporate Governance Code

The German Corporate Governance Code contains recommendations and essential provisions on managing and monitoring German listed companies and incorporates standards recognised internationally and within Germany for good and responsible corporate management. The aim of the German Corporate Governance Code is to render the German corporate governance system transparent and verifiable and thus to strengthen the confidence of international and domestic investors, customers, employees and the general public in the management and monitoring of German listed companies. The German Corporate Governance Code was last updated by the Government Commission on June 6, 2008.

The Executive Board and Supervisory Board of VBH Holding AG took this opportunity to analyse the new recommendations in detail and last updated the declaration of compliance on March 27, 2009. Any differences to the recommendations of the German Corporate Governance Code in the version dated June 6, 2008 have been presented and reasons provided. The declaration of compliance, including the reasons for any differences, can be found in this annual report.

The current version and previous versions of the declaration of compliance dating from 2004 onwards are permanently available to shareholders on the website (“http://www.vbh-holding.de”).

Reportable security transactions, significant shares of voting rights and shareholdings of the executive bodies
In accordance with the provisions of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG), VBH Holding AG publishes directors’ dealings disclosures pursuant to section 15a of the German Securities Trading Act immediately after they have been received, i.e. disclosures by members of the Executive Board and Supervisory Board and other persons who perform management functions at VBH Holding AG within the meaning of section 15a of the German Securities Trading Act, as well as natural and legal persons with close relationships with these persons, concerning securities transactions involving VBH Holding AG shares. These disclosures are published on the company’s website (“http://www.vbh-holding.de”).

The company also publishes disclosures on the acquisition or disposal of significant shares of voting rights pursuant to section 21 of the German Securities Trading Act and disclosures on holding financial instruments pursuant to section 25 of the German Securities Trading Act immediately after they have been received.

The shareholdings of the executive bodies of VBH Holding AG are broken down by individual in the notes to the consolidated financial statements.

“Annual document” pursuant to section 10 of the German Securities Prospectus Act

The “annual document” pursuant to section 10 (1) of the German Securities Prospectus Act (Wertpapierprospektgesetz – WpPG) has been published and can be inspected under the “Corporate Governance” section of the website (“http://www.vbh-holding.de”).

Remuneration report

The following remuneration report forms part of both the Group management report and this corporate governance report. The Supervisory Board has included it in its approval of the Group management report and has used it for its reporting on corporate governance and remuneration.

Korntal-Münchingen, March 2009

VBH Holding AG

On behalf of the Executive Board:	On behalf of the Supervisory Board:
Rainer Hribar	Prof. Dr. Brun-Hagen Hennerkes
Dr. Ralf Lieb	

Remuneration Report

The remuneration report forms part of both the corporate governance report and the Group management report. This remuneration report presents the details of the remuneration of the Executive Board and of the Supervisory Board.

Main features of the Executive Board remuneration system

The VBH Holding AG remuneration system is performance- and results-oriented and comprised four performance components in 2008: a fixed basic annual salary, a variable performance component, share-based remuneration and pension commitments.

In addition to the basic salary, the Executive Board members receive fringe benefits in the form of payments in kind based on the value of allowances for the use of company cars to be recognised in line with tax guidelines. The amount of the variable performance component is dependent on the development of earnings before tax (EBT). A share option programme and pension commitments also form part of the Executive Board's remuneration. The Executive Board contracts do not contain any explicit commitment to a lump sum settlement in the event of premature termination of employment. Members of the Executive Board do not receive loans from the company.

Executive Board remuneration

	2008			
in € T	**Fixed**	**Variable**	**Fringe benefits**	**Total**
Rainer Hribar	250.0	510.0	56.0	816.0
Dr. Ralf Lieb	189.0	223.5	8.0	420.5
Total	**439.0**	**733.5**	**64.0**	**1,236.5**

Share option programmes and similar securities-based incentive systems

In accordance with the Annual General Meeting resolution of May 24, 2004, up to 1,200,000 subscription rights to up to 1,200,000 VBH Holding AG no par value bearer shares with voting rights may be issued.
Options may only be issued to members of the Executive Board of VBH Holding AG, managing directors of affiliated German and non-German companies and managers of the company and affiliated German and non-German companies. Members of the Executive Board of VBH Holding AG receive a maximum total of up to 50 % of the options; members of management of affiliated companies receive a maximum total of up to 10 % of the options. Managers of VBH Holding and the affiliated companies receive a maximum total of 40 % of the options.

The requirement for exercising options is that the relative increase in the value of the company's shares between the option issue date and the respective option exercise date is greater than the increase in value of the SDAX or another index functioning in lieu of the SDAX. One third of the options granted may be exercised no earlier than two years ("two-year waiting period") after the issue date; a further third may be exercised no earlier than three years after this date and the remaining third may be exercised no earlier than four years after the respective issue date. In order to implement the share option plan, the capital stock of the company was contingently increased by € 1,200,000 by issuing up to 1,200,000 no par value bearer shares with voting rights. The contingent capital was entered in the commercial register on June 3, 2004.

A total of 1,200,000 share options were issued to December 31, 2008, of which 600,000 were issued to the Executive Board, 120,000 were issued to managing directors of affiliated companies and 480,000 were issued to managers and former managers. In 2008, a total of 579,999 share options were exercised; 270,000 share options are still outstanding.

The condition of an increase in value relative to the SDAX that would give entitlement to exercise the options was also met in 2008; 579,999 options were exercised. The fair value of the options issued in 2004 amounted to a notional value of € 0.84. The total value of the options issued for the Executive Board amounted to € 274,000.

Stock options Executive Board in 2008

	Previous Executive Board		Rainer Hribar	
in €	Number of average options	Weighted average price in €/share	Number of average options	Weighted average price in €/share
Balance at January, 01	200,000	2.74	200,000	2.75
Options granted	0	0.00	0	0.00
Exercised	200,000	5.75	100,000	5.75
Expired	0	0.00	0	0.00
Balance at December, 31	**0**	**0.00**	**100,000**	**2.74**

As of December 31, 2008, Mr. Hribar possessed 420,684 shares and 100,000 options. Dr. Lieb possessed 70,000 shares and members of the Supervisory Board possessed 10,000 shares.

Remuneration of the Supervisory Board members

The remuneration of the Supervisory Board members is determined by the Annual General Meeting and is governed by Article 12 of the Articles of Association. In line with the governing provisions, the Supervisory Board members receive fixed

and variable remuneration components. In addition to reimbursement of their expenses, the members of the Supervisory Board each receive fixed annual remuneration of € 12,000. For each full cent of dividend per no par value share distributed to the shareholders exceeding 5 cents per no par value share, each member of the Supervisory Board also receives a remuneration of € 1,100 up to a maximum of the fixed remuneration amount. The Chairman receives double this amount of remuneration and the deputy Chairman receives 1.5 times the amount.
The remuneration also increases by € 5,000 for each membership of a Supervisory Board committee, by an additional € 2,500 for each deputy chairmanship of a Supervisory Board committee and by an additional € 5,000 for each chairmanship of a Supervisory Board committee.

The remuneration of the Supervisory Board members amounted to € 305,000 in the 2008 fiscal year.

The law firm of the Supervisory Board Chairman acted for the company in an advisory capacity. The remuneration for these services is in line with prevailing market rates, was approved by the Supervisory Board and totalled € 94,700 in the 2008 fiscal year.

Members of the Supervisory Board do not receive loans from the company.

Pension commitments

All the Executive Board members have received pension commitments in line with their individual contracts, which provide for the pension to be drawn no earlier than the age of 61.

Former members of the Executive Board and their surviving dependants received total benefits in the amount of € 588,000 in the fiscal year. The defined benefit obligation (DBO) of all pension commitments to former Executive Board members and the management and their surviving dependants totalled € 5.376 million in the 2008 fiscal year. The defined benefit obligation of all pension commitments in accordance with IFRSs amounted to € 448,000 for Mr. Hribar and € 31,000 for Dr. Lieb. Total allocations in the year under review amounted to € 54,000.

Korntal-Münchingen, March 2009

On behalf of the Executive Board:
Rainer Hribar
Dr. Ralf Lieb

On behalf of the Supervisory Board:
Prof. Dr. Brun-Hagen Hennerkes

The VBH share

The 2008 trading year was characterised by considerable turbulence on the international financial markets and VBH's shares were not spared the effects of the negative capital market environment either. Nevertheless, the fall in price was lower than on the reference index, SDAX.

The change from the General Standard to the Prime Standard was implemented with effect from August 27, 2008. Thanks to the listing in the Prime Standard of Deutsche Börse AG, the VBH share is increasingly moving into the focus of international investors, thus raising its visibility on the capital market. VBH's shares are listed on Xetra and on the official markets of the Frankfurt and Stuttgart stock exchanges.

Performance of the VBH share

The share themselve experienced price highs and lows in the 2008 trading year. The shares started the 2008 trading year priced at € 5.94. They reached their annual peak of € 6.10 on May 30, 2008, only to fall to a yearly low of € 2.88 on October 10, 2008 due to the financial crisis and the resulting increased pressure on building stocks and smaller share securities. The VBH share closed at € 3.68 on the reporting date.
The price currently stands at around € 3.00. VBH's holding of treasury stock was sold off in full in 2007. The volume of trade in our shares climbed again in 2008. As at the balance sheet date, market capitalisation had decreased from € 239.2 million prior year to € 168.5 million.

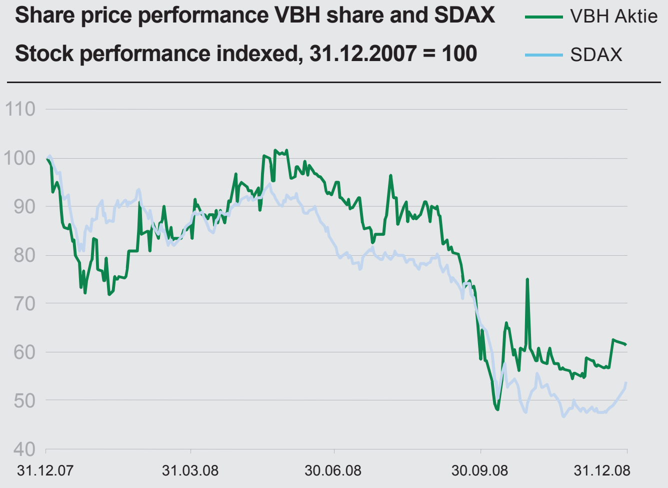
Shareholder structure in 2008

As at the balance sheet date, ownership of VBH's shares was broadly based with a free float value of 54.6 %. The German Transparency Directive Implementation Act (Transparenzrichtlinien-Umsetzungsgesetz – TUG) came into effect on January 20, 2007. In accordance with section 21 (1) point 1 of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG), shareholders are required to notify the company and the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin) if their shares of voting rights exceed or fall below certain thresholds. The following reporting thresholds apply: 3 %, 5 %, 10 %, 15 %, 20 %, 25 %, 30 %, 50 % and 75 %. The following changes in shareholder structure had occurred as at December 31, 2008: Landesbank Baden-Württemberg, Stuttgart, Germany, notified us on May 28, 2008 that based on shares its share of voting rights in VBH Holding AG exceeded the thresholds of 5 %, 10 % and 15 % of voting rights on May 26, 2008 and now amounted to 16.02 %.

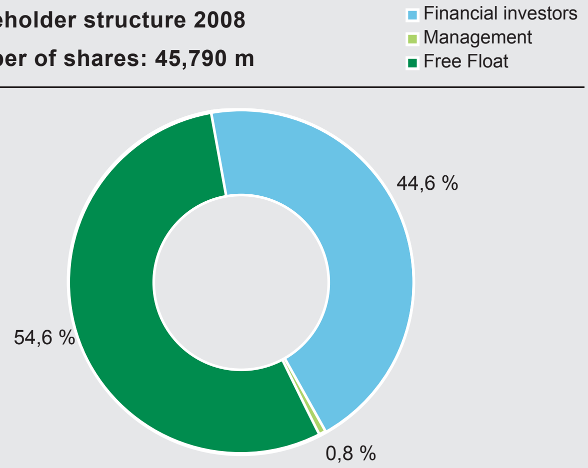
Investor relations activities

VBH attaches great importance to continuous and transparent dialogue with analysts and institutional and private investors. Its aim is to clarify the strategy and development potential at the VBH Group through a powerful presence on the capital market and thus to achieve a fair rating for VBH's shares. Investor relations activities were further strengthened in the 2008

Share price performance VBH share and SDAX
Stock performance indexed, 31.12.2007 = 100



Shareholder structure 2008
Number of shares: 45,790 m



fiscal year. Through intensive dialogue, we intend not only to support existing shareholders profitably, but also to attract new domestic and foreign investors for VBH's shares.

Many private investors used the Annual General Meeting of June 9, 2008 as an opportunity to obtain extensive information on the performance of the business from the VBH Holding AG Executive Board.

In addition to face-to-face meetings, VBH Holding AG's website is a useful tool for shareholders wishing to gather information on the company. Financial reports, analysts' ratings, presentations and further publications can be retrieved at "http:\\www.vbh-holding.de".

Equinet AG, Frankfurt, also supported VBH as a designated sponsor in 2008. Equinet provides professional support for our investor relations activities through a number of coordinated measures aimed at presenting the shares to a broad investor audience. As in previous years, numerous corporate presentations and roadshows were organised for investors.

The company was analysed by various banks. SES-Research resumed coverage in the 2008 fiscal year. The most recent ratings are "Buy" (LBBW, February 23, 2009), "Hold" (Equinet, February 18, 2009) and "Buy" (SES-Research, February 16, 2009).

Dividend policy

Our shareholders should share in the sound earnings of the company. 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 € 0.19 per no par value share for the 2008 fiscal year. The dividend will thus increase by 26.7 % in comparison with the previous year. The primary objective of the Executive Board is to further reduce net indebtedness and to attain a future distribution ratio of at least 35 % of earnings per share.

Group Management Report

OF VBH HOLDING AG

Overall economic environment and sector performance

1. ECONOMIC ENVIRONMENT

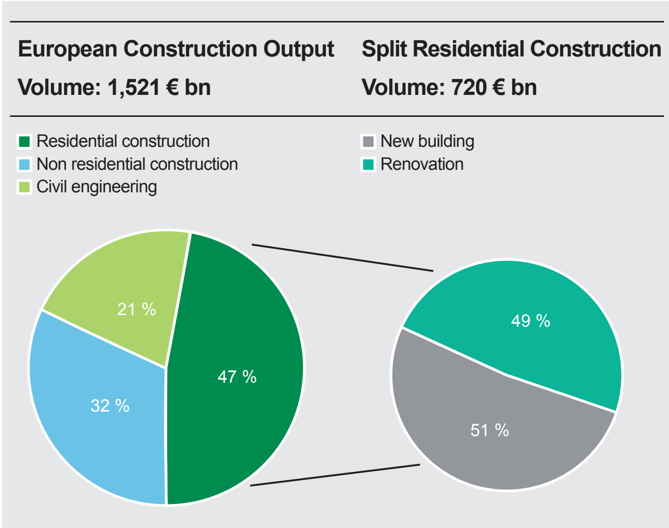
The world economy is currently in the grip of a serious crisis. Following the collapse of the US financial institute in Autumn 2008, the financial and economic crisis has now hit all large economic regions, including the European Union, the CIS states and Eastern Europe. After three years of strong growth, the German economy is now also experiencing a downturn. As a result, much weaker growth overall is expected for the most important industrial and newly industrialising countries in both 2008 and 2009. According to estimates by the International Monetary Fund (IMF) in January 2009, growth of global GDP was only 3.4 % in 2008 and, according to preliminary forecasts, will reach only 0.5 % in 2009. This considerable slow-down in worldwide expansion is particularly due to the predicted 2 % decline in overall economic production in the industrial countries. According to the IMF, the economic upturn in the Eurozone has now come to an end and is likely to result in a decrease of approximately 2 % in GDP in 2009. The expansion rate of the newly industrialising and developing countries will also halve to approximately 3.3 % within the same period. The IMF does not expect significant growth of the global economy until 2010, when it is likely to grow by over 3 %.

According to IMF estimates, Germany's gross domestic product has grown by 1.3 % in 2008, with a forecast of -2.5 % likely for 2009. For countries in Western Europe, a decline of between 2 % and 5 % is expected for the same time period. In Eastern Europe, GDP development will vary by region. For the Russian Federation, GDP growth of – 0.7 % is expected for 2009.

2. CONSTRUCTION INDUSTRY

European construction volume, which amounted to € 1,521 billion in 2007 – of which 47 % related to residential construction, followed by 32 % for non-residential construction and 21 % for civil engineering – shrunk by approximately 2.5 % in the past year according to preliminary calculations by Euroconstruct from December 2008. This represents the first slump following years of impressive growth.

The boom in residential construction in recent years was stimulated in Europe by the following factors: low interest rates (which decreased from approximately 12 % in 2000 to 3.5 % in 2007); and the explosion of house prices (between 2000 and 2007, property prices in Spain, the UK, Ireland, Belgium, France, Sweden and Denmark increased by more than 100 %). The above factors, combined with an increased demand among the population, resulted in overproduction of completed residential properties.



The current weakness of the European construction industry and falling demand for residential property is caused by the spread of the financial crisis to the economy as a whole. Increased mortgage interest rates, stricter lending conditions and falling house prices have led to a slump in demand for residential construction in a few countries. At the beginning of 2008, the construction industry in Western Europe still appeared stable, and growth continued to be generated in Eastern Europe. During the course of 2008, the spread of the financial crisis led to a decline in local residential construction initially in the UK, which subsequently spread to the majority of Western European countries. This particularly affected countries such as Denmark, Ireland, Norway or Spain, which had enjoyed the ongoing residential boom until 2007. The Eastern European construction industry was also affected by the spread of the credit crisis. In this respect, the individual Eastern European states developed in different ways. Whilst Russia, Poland and the Balkans posted restricted single and double-digit growth rates in 2008, the construction industry suffered a noticeable downturn in Kazakhstan, Hungary and the Baltic States.

The German construction industry, the home market for VBH Holding AG, proved very stable in the past year, despite weakness in residential construction, and the upturn in commercial building continued. According to the latest calculations by the Zentralverband des Deutschen Baugewerbes (Central Association of the German Building Trade, ZDB) dated February 2009, capital expenditure for construction in Europe's second largest construction market generated a nominal volume of € 251.1 billion. This represents growth of 6.2 %. The performance of the construction industry therefore helped to support the German economy. Commercial construction posted growth of 11.0 % to € 79.3 billion, and public sector construction increased by 5.8 % to € 31.0 billion. Residential construction was comparably reserved, with capital expenditure for construction increasing only slightly by a positive value of 3.7 % to € 140.8 billion.

In structural engineering, the ZDB expects the 2009 construction year to remain comparatively strong, particularly in the first half of the year, as a result of order backlogs in commercial and public sector structural engineering. In civil engineering, the order situation indicates a less strong start. During the course of the year, an improvement is expected in civil engineering when the government measures to promote growth and employment are implemented. For the construction year 2009, the ZDB expects a 0.8 % nominal increase in capital expenditure for construction to € 253.1 billion. For capital expenditure in residential construction, a slight increase of 0.7 % to € 141.8 billion is forecast, while a slight decline of 3.2 % to € 76.8 billion is anticipated for capital expenditure in commercial construction. As a result of capital expenditure measures introduced by the federal government, the German federal states and municipalities, public-sector construction is expected to increase by 11.3 % to € 34.5 billion.

According to Euroconstruct forecasts from December 2008, European construction volume will decline by 4.5 % in 2009. After stagnating in 2010, demand is not expected to pick up until 2011. Civil engineering is considered the biggest provider of stimulus. In residential construction, following a decline of 7.0 % in 2008, a downward trend of 7 % is also expected in 2009. This downward trend is largely due to the negative impact of the financial crisis.

During the course of 2008, almost all European countries announced government programmes to stimulate economic performance and growth. In addition to tax cuts, almost all include funds to support building measures, and frequently also capital expenditure in infrastructure. The most extensive programmes are planned, as expected, in the largest countries. Nevertheless, it is difficult to calculate the share that relates to construction – or even to assign the amounts to individual years.

Of a planned € 50 billion in Germany, € 18 billion is intended for infrastructure building and construction projects for public sector buildings in 2009 and 2010, particularly schools and universities. The economic stimulus package in the UK has allocated approximately € 3.5 billion to capital expenditure in construction. The priority will be investment in streets, schools and residential construction. Italy has announced that it will make approximately € 80 billion available to stimulate the economy in 2009 and 2010. However, approximately € 40 billion of this will come from EU subsidy programmes. € 16 billion will go to expanding infrastructure, including motorway construction. Spain is attempting to combat the economic downturn with several economic stimulus programmes worth billions of euros. The total planned € 40 billion includes capital expenditure intended for infrastructure and residential construction. In the Netherlands, the government is planning a € 6 billion economic stimulus programme. Construction will only participate indirectly in this. Write-down options for capital expenditure will be improved; construction projects and infrastructure projects will be brought forward and implemented more quickly. A similar situation applies to Belgium, which intends to present an economic stimulus package of € 2 billion. In addition to accelerating capital expenditure in infrastructure, VAT for new construction will be cut from 21 % to 6 %. Portugal's economic stimulus programme is worth € 2.2 billion. It focuses on capital expenditure in schools and alternative energy sources. In Ireland, the government does not see adequate financial scope for its own economic stimulus package. Priority has been given to consolidating the budget.

In Poland, an extensive capital expenditure programme already exists, driven by EU entry and the European Cup football tournament in 2012. Between 2007 and 2013, Poland benefited from EU subsidies totalling € 67 billion, which have largely been invested in infrastructure. The Czech Republic does not currently consider economic support measures necessary. This could change if economic growth falls below 2 % in 2009. The Slovak government intends to reduce state expenditure as a priority – and is currently not considering any programmes. Hungary has only just been saved from the threat of state bankruptcy by the International Monetary Fund and the EU. In return, the government must now cut expenditure and does not therefore have scope for economic stimulus programmes. In Russia, in addition to tax cuts and state investments, a number of residential renovation programmes have been planned that are expected to contribute to support for residential construction in 2009.

As a result of the deep level of uncertainty among the population caused by the global financial crisis, it has become more difficult to forecast development in residential construction. For example, it is very likely that large sections of the various economic stimulus programmes will fizzle out because the population will save rather than consume their additional income e.g. from tax cuts. Furthermore, the situation varies considerably from country to country, and governments are not all reacting in the same way. Most experts expect house prices to reach their low in 2010.

3. WINDOW AND DOOR MARKET

According to information by the German association, the German window market posted a slight increase in sales of window units in 2008 after a declining figure in the previous year, increasing from 11.5 million to 11.8 million. Of this figure, 60 % related to renovation stock and the remaining approximately 40 % to new construction. As in 2007, non-residential construction continued its growth course, whilst residential construction experienced a slump. In non-residential construction, a total of 4.9 million window units were sold, which represents an increase of 11.4 % compared to the previous year, whilst residential construction posted a decline of 2.8 % with only 6.9 million window units. According to forecasts by Heinze GmbH, Celle, this trend will continue in 2009 and result in a decline of approximately 4.1 % in new construction and growth of 1.4 % in renovations. At the same time, a moderate decline of 2.9 % is expected in residential construction in 2009, whilst non-residential construction will experience a slight increase of 2.0 %. For 2009, the market research institute does not expect demand to pick up but a decline to 11.7 million window units.

The German doors market did not perform as well year-on-year as the windows market. After a decline of 5.2 % to 1.13 million external doors in 2007, this figure declined by 0.9 % to 1.12 million in 2008. The external doors market is dominated by renovation stock at approximately 68 %, followed by 32 % for new construction activities. In the last year, past trends again continued. Whilst residential construction posted another decline of 3.6 % to 835 thousand units, non-residential construction grew by 8.0 % to 286 thousand units. According to forecasts by the market research institute Heinze GmbH, an increase of 1.3 % is expected for the renovation sector and a decline of 4.9 % for new construction. Non-residential construction is expected to increase by 2.5 % in the same time period, whilst a slight decline of 1.7 % is forecast for residential construction. A decline of 0.7 % to 1.11 million external doors is expected for 2009.

Earnings, financial position and assets

1. SALES AND EARNINGS

In 2008, the VBH Group increased group sales by 6.7 % to € 862.8 million. Organic growth for the past fiscal year was 3.6 %. Exchange rate fluctuation reduced sales overall by about € 2.1 million. Development varied from segment to segment.

Profit and Loss

in € m	2007	2008	yoy
Sales	**808.4**	**862.8**	**6.7**
Changes in finished goods, work in progress / capitalized payments	0.0	0.0	-
Total Operating Performance (TOP)	**808.4**	**862.8**	**6.7**
Costs of raw materials, supplies and purchased merchandise	611.0	651.7	6.7
Gross Operating Profit (GOP)	**197.4**	**211.1**	**6.9**
Personnel expenses	84.8	95.2	12.3
Other operating income	14.3	15.6	9.1
Other operating expenses	72.0	83.7	16.3
EBITDA	**54.8**	**47.8**	**-12.8**
Depreciation / Amortization	5.5	5.9	7.3
EBIT	**49.4**	**41.8**	**-15.4**
Income from investments	0.0	0.0	-
Other interest and similar income	0.8	0.9	12.5
Interest and similar expenses	12.0	9.0	-25.0
Depreciation on financial assets and securities	0.0	0.0	-
Financial result	**-11.2**	**-8.1**	**27.7**
EBT	**38.2**	**33.8**	**-11.5**
Current taxes	11.7	10.4	-11.1
Deferred taxes	-3.8	1.1	-128.9
EAT	**30.3**	**22.3**	**-26.4**
Minorities	2.7	2.2	-18.5
Net result after Monorities	**27.6**	**20.1**	**-27.2**
EPS in €	**0.72**	**0.46**	**-36.1**
EPS diluted in €	**0.67**	**0.46**	**-31.3**

Sales in the home market of **Germany** saw very satisfactory development over the past fiscal year. With € 388.2 million, the Germany segment is not only the region with the highest sales in the VBH Holding Group, it also continues to be the largest sales market. In 2008 this area achieved a 6.3 % increase in sales.

Although the **Western Europe segment** showed an absolute sales increase of € 182.9 million or 8.1 %, its organic growth showed a 6.8 % decrease in sales. This is attributable to declining sales in the United Kingdom and Spain and to the depreciation of the British pound.

In the **Eastern Europe segment,** sales increased by 6.9 % to € 305.0 million. In Russia, Belarus and Ukraine, sales in the national currencies saw further increases in the double digits. However, negative currency effects had a weakening influence at the end of the year. The well-established markets of Central Eastern Europe (Poland, the Czech Republic and Hungary), lost some momentum in sales.

In the **Other Markets segment,** sales doubled to € 12.3 million and targets were met.

In the past fiscal year, material costs increased proportionate to sales by 6.7 % to € 651.7 million. The gross profit margin rose slightly from 24.4 % to 24.5 %. The first-time consolidation of Hody SA in particular and above-average increases in labour costs at our Eastern European companies caused HR expenses to increase at a disproportionately high rate to € 95.2 million from € 84.8 million the previous year. This rise also included € 3.4 million in additions to the group of consolidated companies. Other operating expenses rose by 16.3 % from € 72.0 million to € 83.7 million and suffered a negative impact mainly from budgeted cost increases and other organisational expenses.
EBITDA came to € 47.8 million, following € 54.8 million the previous year.
Depreciation increased by € 0.4 million to € 5.9 million (previous year: € 5.5 million). EBIT, which was adversely affected by restructuring measures in Western Europe, cost increases in several growth markets and negative currency effects, decreased by 15.4 %, yielding € 41.8 million.
The conversion of € 26.7 million in profit sharing capital and the resulting lower interest expense caused interest income and the financial result to increase by € 3.1 million to € 8.1 million.
EBT decreased from € 38.2 million to € 33.8 million. Total tax expense increased by € 3.6 million to € 11.5 million. At 31 %, the tax ratio was equal to the previous year, while the drop in deferred tax income from the previous year caused a € 4.9 million rise in deferred tax. Net profit for the year after minority interests saw an above-average decline of € 7.5 million (-27.2 %) in deferred tax expense to € 20.1 million, due to one-off effects not having an effect on payment.

2. FINANCIAL POSITION AND ASSETS

Financial position

Capital expenditure totalled € 27.6 million, following € 18.6 million the previous year. € 5.2 million of this was attributable to additions to goodwill (previous year: € 7.5 million); € 4.9 million to other intangible assets (previous year: € 1.3 million), € 5.2 million to plants, property and equipment following € 6.9 million the previous year and € 12.3 million to additional financial assets (previous year: € 2.9 million).

Capex and depreciation

in € m	2007	2008
Capex	8.2	10.1
Depreciation on assets	5.5	5.9
Capex vs. depreciation ratio	1.5	1.7

Capital expenditure (capex) (investments in plants, property and equipment and in intangible assets, not including goodwill) was € 10.1 million and thus above the level of the previous year (€ 8.2 million). The ratio of capital expenditure to depreciation rose from 1.5 to 1.7.

Investments in property, plant and equipment were offset by depreciation and amortisation of property, not including goodwill, in the amount of € 5.9 million (previous year: € 5.5 million).

Consolidated Cash Flow Statement

in € m	2007	2008
Cash flow from operating activity	31.5	33.8
Cash flow from investing activity	-8.7	-17.5
Free Cash flow	22.8	16.3
Cash flow from financing adtivity	-18.9	-5.2
Changes in cash and cash equivalents and changes owing to exchange gains/losses	-0.3	-10.9
Cash and cash equivalents at the beginning of the perios	9.6	13.2
Cash and cash equivalents at the end of the period	13.2	13.4

The cash flow of the Group continued to follow a positive trend during the year under review.

Operating cash flow rose during the fiscal year by € 2.3 million to € 33.8 million. This was positively impacted by a less growth in working capital. Cash flow from investment activities increased by € 8.8 million to € -17.5 million. The increased cash flow can be attributed mainly to the acquisition of the Belgian company Hody SA. Free cash flow (the total of cash inflows and outflows from operating activities and investment activities) declined by € 6.5 million to € 16.3 million during the fiscal year. Cash flow from financing activities increased by € 11.0 million due to higher borrowing requests. Therof dividend payments of € 6.8 million were included. Cash and cash equivalents remained almost the same.

Assets

The net income of the Group rose by € 18.7 million to € 376.6 million. This is due to the sharp increase in the business activities of all companies and the additions to the group of consolidated companies.

in € m	2007	2008
Long-term assets		
Intangibles assets	39.7	48.8
Property, plant and equipment	33.9	32.3
Financial assets	0.7	3.9
Other long-term assets	4.7	4.0
Deffered tax assets	7.8	7.2
Total	**86.8**	**96.2**
Short-term assets		
Inventories	128.3	124.1
Trade receivables	100.4	106.7
Receivables and other assets	27.3	34.2
Cash and cash equivalents	13.2	13.4
Other short-term assets	1.5	1.1
Tax receivables	0.4	0.9
Total	**271.1**	**280.4**
Total assets	**357.9**	**376.6**

On the assets side of the balance sheet, fixed assets increased by € 9.4 million to € 96.2 million. Property, plant and equipment decreased by € 1.6 million to € 32.3 million, and intangible assets increased by € 9.1 million to € 48.8 million. This was due to investments in software and the purchase of the Belgian company Hody.
Short-term assets rose by € 9.3 million to € 280.4 million. Accounting for this change were a decline in inventories in the amount of € 4.2 million and an increase in receivables and other assets of € 13.2 million. At € 13.4 million, cash and cash equivalents are almost on a level with the previous year (€ 13.2 million). The share of long-term fixed capital in the structure of the assets increased by 1.3 percentage points to 25.5 % (previous year: 24.3 %).

Equity and Liabilities

in € m	2007	2008
Equity		
Subscribed capital	39.9	45.8
Capital provisions	19.1	41.6
Revenue provisions	41.9	35.2
Profit retained	0.8	9.6
Equity attributable to shareholders of VBH AG	101.7	132.2
Minority interests	9.1	8.6
Treasury stock	0.0	0.0
Total	**110.8**	140.8
Long-term liabilities		
Pension provisions	12.3	12.1
Other long-term provisions	3.3	3.3
Long-term financial liabilities	100.0	70.0
Other long-term liabilities	5.0	2.3
Other long-term debt	0.0	0.2
Deffered tax liabilities	0.9	3.1
Total	**121.5**	**91.0**
Short-term liabilities		
Short-term provisions	10.4	7.2
Short term financial liabilities	31.4	51.0
Trade payables	49.6	44.8
Other short-term liabilities	33.0	40.8
Other short-term debt	0.0	0.2
Tax liabilities	1.2	0.8
Total	**125.6**	**144.8**
Total equity and liabilities	**357.9**	**376.6**

On the liabilities side of the balance sheet, equity increased by € 30.0 million to € 140.8 million. Accounting for this rise is the increase in ordinary shares amounting to € 5.9 million as a result of the conversion of profit sharing rights totalling € 5.3 million, as well as another € 0.6 million from payments resulting from the issue of shares as part of the option programme. Foreign currency losses had a negative effect, particularly those in the United Kingdom and in Eastern Europe, which

amounted to € -10.9 million. Overall, the equity ratio increased significantly from 31.0 % the previous year to 37.4 %.
Non-current borrowings decreased by € 30.5 million to € 91.0 million. At the same time, the extraordinary termination of profit sharing rights with a term of up to 2014, resulting from changes in the law under corporate tax reform, had a positive effect. This resulted in a € 30.0 million decrease in long-term debt to € 70.0 million from the previous year.
Short-term financial liabilities increased by € 19.6 million to € 51.0 million. Trade accounts payable in the Group fell by € 4.8 million to € 44.8 million despite the expansion of operating activities and sales. On the other hand, other liabilities increased by € 7.8 million to € 40.8 million.

Working capital (inventories + trade receivables – trade payables) increased by € 6.9 million to € 186.0 million. The ratio of working capital to sales increased from 22.2 % to 21.6 %. Our objective is to shift this ratio toward a target of 20 %.

Selected indicators for net assets

		2007	2008
Equity ratio		31.0 %	37.4 %
Ratio of equity to non-current assets		149.2 %	165.6 %
Net debt	Mio. €	118.2	107.6
Gearing		106.6 %	76.4 %
Dynamic gearing ratio	years	3.8	3.2

Net debt (financial liabilities less cash and cash equivalents) was reduced by € 10.6 million from the previous year to € 107.6 million.
Gearing – calculated as the ratio of net debt to equity – decreased from 106.6 % to 76.4 %. The dynamic gearing ratio (ratio of net debt to operating cash flow) is an indicator of internal financing capacity that expresses the average number of years required to pay outstanding debt using the whole of the cash flow generated in the year under review. Because net debt decreased and operating cash flow increased, this ratio continued to improve from 3.8 years on average to 3.2 years.

Cash position

The lines of credit in the Group extended by the commercial banks and the syndicated loan due December 31, 2011 provided VBH with adequate credit during the fiscal year to continue developing its operating activities and making investments. The liquidity plan was observed and dividends were paid to our shareholders.
The positive cash flow in the Group caused a further reversal of borrowings, although loans were granted by VBH Holding AG primarily to parent companies in Asia for start-up financing.

3. SEGMENT REPORT

The organisational structure of VBH is divided into five segments, which likewise reflect the management structure of the Group. The segments are Germany, Western Europe, Eastern Europe, Other Markets and Corporate Services. Germany accounts for 45.0 % of the Group‘s overall sales, while Western Europe accounts for 21.2 %, Eastern Europe 35.4 %, Other Markets 1.4 % and Corporates/Consolidation -3.0 %. Performance varied greatly among the specific markets.

Segments by region

	Germany		Western Europe		Eastern Europe		Other markets		Corporate Services / Consolidation		Group	
in € m	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**
Total revenue	365.2	388.2	169.2	182.9	285.2	305.0	6.1	12.3	-17.4	-25.6	808.4	862.8
EBITDA	12.8	15.1	15.4	8.7	29.2	25.7	-0.7	0.9	-1.8	-2.7	54.8	47.8
EBIT	11.3	13.7	14.1	7.3	27.1	23.7	-0.8	0.8	-2.4	-3.7	49.4	41.8
EBT	11.1	13.4	12.5	4.7	26.3	23.3	-1.2	0.1	-10.5	-7.8	38.2	33.8
EAT	9.3	10.7	8.4	3.0	19.2	16.3	-1.3	0.0	-5.0	-7.7	30.6	22.3

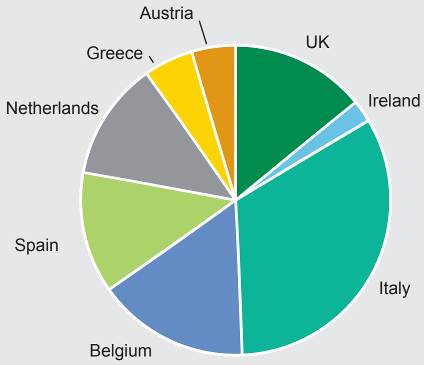
Germany

As the headquarters of the VBH Group, Germany is the region with the greatest share of sales. The Germany segment includes VBH Deutschland GmbH and the esco Metallbaussyteme GmbH. The Germany segment accounts for 45.0 % of sales and 32.5 % of EBIT.

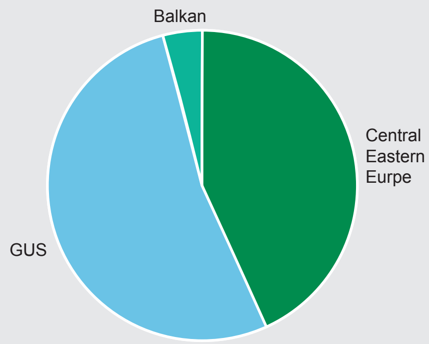
Performance in sales and results was very encouraging in the Germany segment. Here the high rate of growth was maintained with an upturn of 6.3 % through end of year. This resulted in sales for the segment of € 388.2 million. Business activities in Germany were positively affected by increased renovation activities of private home- and leaseholders and by the increased focus on product groups with a higher level of consulting competence. As in previous years, the new construction sector did not have any positive effect. Earnings before interest, and taxes (EBIT) increased from 21.2 % to € 13.7 million. The EBIT margin increased by 40 basis points to 3.5 %.

In 2008, VBH Deutschland GmbH had total sales of € 302.6 million. Sales increased € 16.4 million from the previous year‘s volume. VBH Deutschland GmbH thus again outperformed the market. International sales dropped from € 28.8 million to € 28.1 million. Despite a competitive market, VBH increased its sales margin. Targeted measures for utilising customer potential and additional promotion of products with high margins were factors that facilitated the increase in the gross sales

Western Europe segment



Eastern Europe segment



margin. Over the 2008 financial year, esco Metallbausysteme GmbH increased sales by 8.9 % to € 88.3 million. However there was a drop in operating profits on account of unplanned cost increases.

Western Europe

The markets Great Britain, Ireland, Italy, Belgium, Spain, the Netherlands, Greece and Austria, which together make up the Western Europe segment, saw a drop in sales and profits in the previous financial year. 21.2 % of sales and 17.5 % of EBIT are accounted for by the Western Europe segment.
Overall the Western European companies saw an increase in sales from 8.1 % to € 182.9 million despite difficult market conditions. VBH Hody in Belgium and Fercom Srl in Italy were consolidated in this segment for the first time and with € 25.1 million played a role in the increase in sales. On an organic basis, there was a drop in sales of 6.8 %. This is attributable to the depreciation of the British pound along with sales declines in Great Britain and Spain. Overall, the remaining companies in the region had sales remain at the level of the previous year. At € 7.3 million, operating profits fell by nearly half, which is due primarily to the longer than expected restructuring in Italy as well as the market turbulence in the real estate markets in Great Britain and Spain. EBT in the segment was € 4.7 million, a 62.6 % drop from € 12.5 million the previous year. The EBT margin was 2.6 %, after 7.4 % in the previous year. Although market conditions in Western Europe are not expected to improve in 2009, it is anticipated that at the very least the critical British and Spanish markets will stabilise. The result should stabilise after the discontinuation of non-recurring charges in Italy.

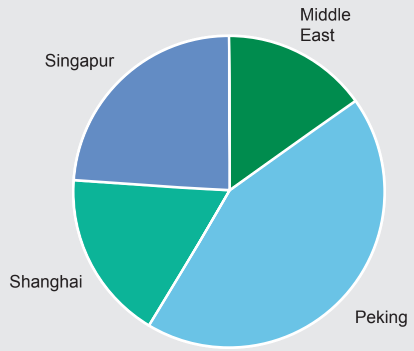
Eastern Europe

The Eastern Europe segment encompasses our activities in Central Eastern Europe, the CIS states and the Balkans. The Eastern Europe segment accounts for 35.4 % of sales and 56.7 % of EBIT.
The Eastern Europe segment achieved sales growth of approximately 6.9 % to € 305.0 million. In Russia, Belarus and the Ukraine sales again posted double-digit growth, though by the end of the year‘ negative exchange rates had a strongly curbing effect. Sales momentum slowed in the established markets of Central Eastern Europe (Poland, Czech Republic, Hungary). Operating profits decreased by 12.5 % to € 23.7 million due to increased pressure at the margins and unfavourable shifts in the exchange rate. The EBT margin declined from 9.5 % to 7.8 %, but is still at an acceptable level.

Other markets

This segment includes the Asian companies in Beijing, Shanghai and Singapore, as well as our company in Dubai. These companies are run from our Asian head office in Singapore and receive standardised product lines. Administrative functions are also bundled in Singapore, thus relieving the distribution companies of the task. The Other Markets segment accounts for 1.4 % of sales and 1.9 % of EBIT. At € 12.3 million, the segment‘s 2008 sales were double that of the previous year, while the EBIT remained in positive territory at € 0.8 million. Even at EBT level a positive result was achieved for the first time.

Other markets segment



Segment Corporate Services and Consolidation

Non-operational companies are grouped together in the Corporate Services segment. This is together with VBH Holding AG also a sale-and-lease-back company which must be fully consolidated according to IFRS regulations.
EBT in the segment totalled € 4.5 million (previous year: € 2.5 million). The expenses incurred by VBH Holding AG are more than compensated by dividends and earnings within the Group. A determining factor for overall profits in the segment is the financial result of VBH Holding AG, which since 2004 has reflected a continued waiver of interest to VBH Deutschland, which was also the case in 2008. As part of the work on the financial statements, VBH Holding AG was subject to an annual impairment test. No value adjustments were required in the Group and thus none were undertaken.

The Corporates and Consolidation segment accounts for -3.0 % of sales and -8.9 % of EBIT.

4. RISK REPORT

Risk reporting is incorporated in a regular monthly reporting system for the Group companies and an ad hoc system within the Group. This covers all significant management and reporting processes for the Group, including corporate planning. Direct access to information on the equity holdings is ensured by well developed international Group companies controlling in VBH Holding AG. The aim is to ensure a highly effective, intensive and prompt early warning system in all international markets. This allows VBH to gather information quickly on changes to the performance of each individual company unit and to convert this information immediately into measures to secure sales and earnings. The Supervisory Board is kept regularly informed by a monthly report. In the context of the annual audit, the auditor also assesses whether the Supervisory Board has adopted the measures incumbent on it and, in particular, whether it has established a monitoring system to ensure that any developments that threaten the continued existence of the company can be recognised promptly.

Sales and procurement risks

Material risks can arise as a result of negative developments in the economy and construction industry in the regions in which we operate. The VBH Group responds to the risk of a sales downturn by regularly analysing and adjusting the structure of its sales mix and orienting its product programme to the requirements of the customer structure. This is supported by the Group's service range, such as the VBH24 service platform, CE-fix marking and the introduction of own brand products with a strong margin and yield. The VBH Group attempts to minimise potential supply risks through strategic partnerships and continuous monitoring of the market. At the same time, the strong national and international market position allows the VBH Group to obtain better purchasing conditions.

Legal risks

The international orientation of the VBH Group requires a range of different national laws and guidelines to be observed. The Group responds to the risk of changes to these laws by rigorously monitoring the legal environment and involving internal and external legal advisers at an early stage. All contracts of material significance are subject to a legal examination.

Information technology risks

Reliance on the availability and reliability of IT systems and the network of individual company units represents an increasing risk. To minimise this risk, extensive provisions have been introduced such as firewall systems and virus protection, setting up a back-up computer system and data protection training sessions for employees. In addition, implementation of largely standardised IT structures within the Group should enable future work to be carried out more effectively and efficiently.

Risks from acquisitions

Acquisition of or participation in new companies, and integration of these companies into the consolidated Group, is always associated with risks. To ensure the sustained success of the company, both a business and a legal due diligence examination are carried out.

Financial risks

Financial risks for the VBH Group primarily include currency, interest rate and loan default risks.

Currency risk

As a globally operating company, the currency risk of the VBH Group includes exposure to both transaction and translation-related risks.

The transaction risk arises from changes in the value of foreign currency payments due to exchange rate fluctuations in the single-entity financial statements. Transaction risks are partly prevented by purchasing our products in the countries in which they are also sold. Remaining transaction risks are managed actively by our Treasury system. The translation risk relates to the risk of a change to the balance sheet and profit and loss items of a subsidiary due to currency changes that occur when the separate local financial statements are translated into the Group currency. The risks that arise as a result are hedged using sensitivity analyses and by deploying derivatives in the context of the Treasury system.

Interest rate risk

The interest rate risks includes any positive or negative impact arising from changes to interest rates for income or equity in the current and future reporting periods. An element of financial policy is deploying interest-bearing financial instruments with the aim of optimising the interest income of the VBH Group. For this purpose, the Group deploys interest rate derivatives. Sensitivity analyses are carried out to quantify the risks from changes to interest rates.

Default risk

We confront the ever-present default risk with detailed local monitoring, a comprehensive credit management system and credit insurance that offers us partial protection against defaults.

5. FORECAST

The outlook for the 2009 fiscal year is considerably impacted by the persisting turbulence on the global markets which has arisen as a result of the financial and property crisis. Forecasts for economic development in many sales markets have been adjusted downwards on an almost weekly basis, with the result that these forecasts cannot be used as the basis for sound corporate planning. The optimism that was still in evidence a year ago has now completely vanished and yielded to a seemingly boundless pessimism that is further exacerbating the difficult economic situation.

The existing uncertainties also apply to the assessment of the global construction industry. Whilst in the short term, economic slumps in many economic regions are having a negative impact, in the medium term, additional momentum is likely to come from the implementation of state economic stimulus packages. Nevertheless, overall, the construction volume of the last fiscal year will not be achieved in many countries in the current year. In this regard, the Executive Board’s assessment of the trend in Germany remains positive, since construction volume has been at a very low level for several years, and as a result further significant declines in construction volume are not expected. The construction sector will continue to receive support from the field of renovations, whilst new construction will remain at its low level. In Western Europe, a single-digit decline in construction output is expected in most markets, and the strong decline in construction activities is likely to continue in the large markets in Spain and the UK. The situation in Eastern Europe remains characterised by a high degree of uncertainty and even a state of shock. The deciding factor affecting further economic development in this region will be the extent to which the current paralysis in economic activities can be remedied. The Asian market is also experiencing a considerable negative impact from the financial crisis and must prepare for a clear downturn in construction volume.

VBH will be unable to escape the current market situation. Although the Group is well positioned, its leading market position in many sales markets is inevitably leading to a decline in sales with the current downward trends in the economy. Although it is gaining a further market share, in many cases this is insufficient to offset the decline in market volume. For the remainder of the year, the Executive Board expects largely stable sales in the Germany segment compared to the 2008 fiscal year, and medium single-digit sales declines in the Western Europe segment, with the exception of the markets in Spain and the UK, which will continue to post strong declines. In the Eastern Europe region, we currently expect sales declines, which at worst could be a two-digit figure. As in the 2008 fiscal year, the Other Markets segment will grow significantly despite the downward trend in the environment; this is primarily due to occupying growing niches in this region.

Overall, for the VBH Group, a high single-digit sales downturn is to be expected – subject to the further development of the Eastern Europe segment and possible changes in exchange rates associated with this. Cost structures are being adjusted accordingly and, by reducing working capital, we are aiming to maintain cash flow at a reasonable level.
In the first two months of the current year, the business performance of the VBH Group remained in line with the overall economic situation and, primarily as a result of an unusually cold and long winter, below original forecasts. All segments did not reach the strong figures of the previous year, and as a result earnings decreased. To the end of February 2009, a sales downturn of approximately 20 % was posted for the Group as a whole.

In the next two years, despite economic turbulence and possible decreases in earnings as a result of the downturn in the environment, the Executive Board does not expect any significant changes to the current financial situation of the VBH Group. In addition, we will continue to push forward with implementing our strategic re-positioning, focusing on extending the product range, strengthening our own brand greenteQ and developing existing new services. The guidelines of VBH do not require any changes for this purpose and retain their validity. Current information on this and other strategic information can be accessed at any time on our website, „http://www.vbh-holding.de".

6. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

With effect from January 1, 2009, VBH Holding AG acquired a 65 % stake in Winkhaus A.S., a leading dealer in building hardware in Turkey. Winkhaus A.S., with its headquarters in Istanbul, also has branches in Izmir and Ankara. Further sales operations are also planned in Bursa and Eastern Anatolia. Other markets in the region, such as Iran or Azerbaijan, will also be actively cultivated from Istanbul. Winkhaus A.S. plans to achieve sales of approximately € 15 million for the 2009 fiscal year. In successive periods, sales are to increase with two-digit growth rates. Ahmet Abat, current the main shareholder in Winkhaus A.S., will continue to be associated with the company as a minority shareholder and managing director. The purchase price in euro is a medium single-digit figure in the millions.

On February 19, 2009, VBH Holding AG published preliminary business figures for the 2008 fiscal year with an ad hoc disclosure. As a result of the considerable turbulence on the global markets, the targets published in October 2008 were not achieved.

On February 27, 2009, Deutsche Börse AG informed VBH Holding AG and the public that the shares of the company will be listed in the SDAX selection index with effect from March 3, 2009.

7. EXPLANATORY REPORT BY THE EXECUTIVE BOARD

According to section 315 (4) of the German Commercial Code (Handelsgesetzbuch – HGB), a publicly listed parent entity is required to make disclosures on the capital structure, shareholder rights and restrictions, affiliated companies and the governing bodies of the company, which represents information relevant for acquisitions. These disclosures are also found in the company's management report in accordance with section 289 (4) of the German Commercial Code. According to section 120 (3) point 2 of the German Stock Corporation Act (Aktiengesetz – AktG), the Executive Board is also required to present an explanatory report on these disclosures to the Annual General Meeting. A summary of the disclosures according to section 315 (4) of the German Commercial Code and corresponding explanations according to section 120 point 2 of the German Stock Corporation Act is presented below.

Structure of subscribed capital

The subscribed capital of VBH Holding AG with a total figure of € 45,790,408 is divided into 45,790,408 no-par bearer shares (ordinary shares), which each bestow the same rights, including the same voting rights. There are no different classes of share. An individual no-par share corresponds to a notional share of the subscribed capital of € 1.00. In 2004, a total of € 50 million convertible bonds were also issued with a duration of up to 2014, of which a total amount of € 26,726,710 convertible bonds were converted into 5,345,342 shares in the 2008 fiscal year. Convertible bonds in an amount of € 8,175,195 remain issued. On December 31, 2008, Contingent Capital I amounted to € 1,635,039. If the holders of the convertible bonds have not used their conversion rights, the convertible bonds will be paid back to the value of € 8,175,195 once the termination period expires on December 31, 2009. Termination of the convertible bonds was carried out due to a change in taxes on interest expenditure, and was announced by extraordinary ad hoc disclosure on April 28, 2008. Conversion was possible for the last time in 2008. In addition, the subscribed capital was increased by 579,999 shares from contingent capital as a result of exercising options from the employee option plan.

The shares are listed in the Prime Standard in Xetra and the Official Market on the stock exchanges in Frankfurt and Stuttgart.

Security	WKN	ISIN	Symbol
Share	760070	DE0007600702	VBH
Convertible bonds	A0CASN	DE000A0CASN9	VBH9

Restrictions on voting rights and transfer

The Executive Board is not aware of any restrictions affecting voting rights or the transfer of shares.

Equity interests of over 10 %

On December 31, 2008, the following direct or indirect interests in the equity of VBH Holding AG in excess of 10 % of voting rights were known to the Executive Board and formed the basis of disclosures under securities law received by the company:

Mr. Wieland Frank, Germany, informed us on June 29, 2007 in accordance with Section 21 (1) of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) that his share of voting rights in VBH Holding AG, Korntal-Münchingen, Germany, had fallen short of the reporting threshold of 25 % on May 31, 2007 and on that day amounted to 23.43 % (9,258,553 voting rights). Of those, 18.62 % (7,358,242 voting rights) are to be allocated to him in accordance with Section 22 (1) point 1 (1) WpHG. The allocated voting rights are held by the following company, which he controls and whose share of voting rights in VBH Holding AG equals 3 % or more: ADWIAN oHG, Kampen, Germany.

Ms. Annette Wagener, Germany, informed us in accordance with Section 21 (1) WPhG on June 29, 2007 that her share of voting rights in VBH Holding AG, Korntal-Münchingen, Germany, had fallen short of the reporting threshold of 20 % on May 31, 2007 and on that day amounted to 18.62 % (7,358,242 voting rights). Of those, 18.62 % (7,358,242 voting rights) are to be allocated to her in accordance with Section 22 (1) point 1 (1) WpHG. The allocated voting rights are held by the following company, which she controls and whose share of voting rights in VBH Holding AG equals 3 % or more: ADWIAN oHG, Kampen, Germany.

ADWIAN oHG, Kampen, Germany, informed us in accordance with Section 21 (1) WPhG on June 29, 2007 that its share of voting rights in VBH Holding AG, Korntal-Münchingen, Germany, had fallen short of the reporting threshold of 20 % on May 31, 2007 and on that day amounted to 18.62 % (7,358,242 voting rights).

On May 28, 2008, in accordance with section 21 (1) of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG), Landesbank Baden-Württemberg, Stuttgart, Germany informed us that their share of the voting rights in VBH Holding AG, Korntal-Münchingen, Germany exceeded the threshold of 5 %, 10 % and 15 % of voting rights due to shares, and has reached on May 26, 2008 16.02 % (corresponding to 7.244.033 votes).

No other direct or indirect investments in capital exceeding 10 % of the voting rights were recognised on the balance sheet date.

Shares with special rights

There are no shares with special rights that grant powers of control.

Voting control in the case of employee participation

The Executive Board is not aware of any employees that have an equity interest in the company and do not exercise their control rights directly.

Appointment and dismissal of Executive Board members and amendments to the Articles of Association
The Executive Board of VBH Holding AG is made up of at least two people. Beyond this requirement, the number of Executive Board members is determined by the Supervisory Board. Appointment and dismissal of members of the Executive Board is carried out in accordance with the legal provisions of sections 84 and 85 of the German Stock Corporation Act. With the exception of a judicial substitute appointment, the Supervisory Board has sole responsibility for appointing and dismissing Executive Board members. It appoints Executive Board members for a maximum of 5 years. A member can be re-appointed or their term of office extended for a maximum of 5 years. The Supervisory Board may appoint a Chairman and a Deputy Chairman of the Executive Board.

In accordance with the regulations of the German Corporate Governance Code, it is not the rule to make initial appointments for the 5-year maximum term of appointment.

According to section 17 (2), which deviates from section 179 (2) of the German Stock Corporation Act, an amendment to the Articles of Association of VBH Holding AG requires a resolution of the Annual General Meeting with a simple majority provided that this amendment does not contain provisions that go beyond legislation or the Articles of Association. The Supervisory Board is authorised to make amendments to the Articles of Association that affect only the written form. For all other cases, the legal provisions of sections 179 and133 of the German Stock Corporation Act apply.

Executive Board powers to issue and repurchase shares

Until May 24, 2009, the Executive Board, with the approval of the Supervisory Board, is authorised to increase the subscribed capital of the company once or more than once by up to € 7.5 million by issuing new no-par bearer ordinary voting shares (no-par shares) (Authorised Capital I). Capital increases can be made against cash or non-cash contributions.

Until May 24, 2009, the Executive Board is also authorised, with the approval of the Supervisory Board, to increase the subscribed capital of the company once or more than once by up to € 7.5 million by issuing new no-par bearer ordinary voting shares (no-par shares) (authorised capital II). Capital increases can be made against cash or non-cash contributions.

The Executive Board, with the approval of the Supervisory Board, is also authorised to exclude the legal subscription right of shareholders for the following cases:

- For fractional amounts arising on the basis of the subscription ratio;
- For a capital increase against non-cash contributions for the acquisition of companies or equity interests in companies if the acquisition of the company or equity interests is understood to be in the interests of the company.
- For a capital increase against cash contributions of up to 10% of the subscribed capital existing both on the date of this authorisation becoming effective and on the date of the authorisation being exercised, provided that the initial carrying amount of the new shares does not substantially exceed the market price of shares of the same class and terms that are already listed. Shares that are acquired on the basis of an appropriate authorisation by the Annual General Meeting in accordance with section 71 (1) No. 8 of the German Stock Corporation Act during the period in which this authorisation was effective and sold according to section 71 (1) No. 8 and section 186 (3) point 4 of the German Stock Corporation Act also count towards this restriction of 10% of the subscribed capital.

With respect to Authorised Capital I and II, the Executive Board is also authorised, with the approval of the Supervisory Board, to set a start date for profit-sharing rights that deviates from legislation, as well as further details of a capital increase and its implementation, particularly the issue amount and the compensation to be paid for the new shares.

The subscribed capital of the company is to be increased contingently by € 1,635,039 by issuing up to 1,635,039 new no-par bearer ordinary voting shares (no-par shares) (Contingent Capital I). This contingent capital increase is only carried out to the extent that holders of profit-sharing rights with conversion rights (convertible bonds) issued by the company on the basis of the Annual General Meeting resolution dated May 24, 2004 use their conversion rights and to the extent that third party shares must be made available to service these rights.
The subscribed capital of the company is to be further increased contingently by € 270,000 by issuing up to 270,000 new no-par bearer ordinary voting shares (individual shares) (Contingent Capital II). This contingent capital increase is exclusively for the purpose of fulfilling option rights that were granted on the basis of authorisation by the Annual General Meeting from May 24, 2004 until May 24, 2009 (share options). This contingent capital increase will only be implemented to the extent that holders of the issued option rights use their right to purchase shares and the company does not issue any own shares to fulfil these option rights.

The Executive Board powers presented here to issue new shares from Authorised Capital I and II are designed to allow the Executive Board to cover any capital requirements that arise in a quick, flexible and cost-effective way, and to use financing options that are attractive according to the state of the market. The possibility of financing the acquisition of companies or shares in companies by issuing company shares to the sellers in individual cases allows the company to carry out expansion without negatively impacting its liquidity.

The authorised and contingent capital described here are subject to regulations that are standard for listed companies comparable to the company and do not serve the purpose of impeding any acquisition attempts.

Corporate Governance

VBH Holding AG complies with the Corporate Governance Code in the version dated June 6, 2008 with few exceptions. The joint declaration of compliance is reproduced in the Annual Report and published on the website of VBH Holding AG under "http://www.vbh-holding.de". Amendments to the Articles of Association of the company result from provisions of the Stock Corporation Act and are decided by the Annual General Meeting.

Material agreements of the company with change-of-control clauses

There are no material agreements by the company that are subject to a change of control as a result of an acquisition offer.

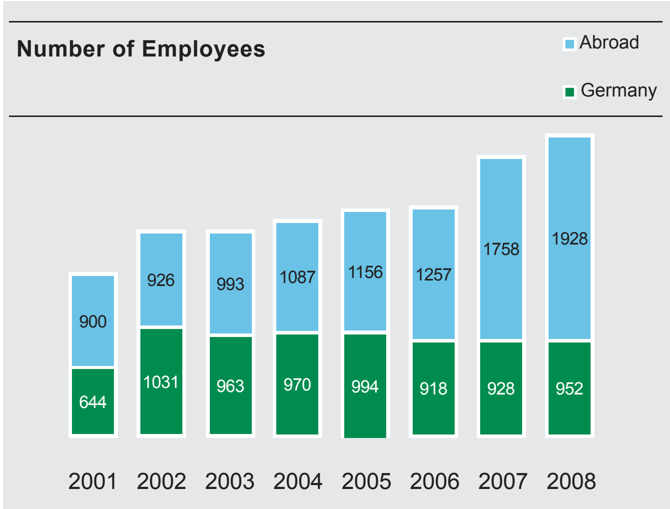
Compensation agreements of the company

No compensation agreements for the company have been made with members of the Executive Board or employees for the case of an acquisition offer.

In the reporting period, there was no cause for the Executive Board to consider matters concerning an acquisition or special conditions to the disclosures required according to the Takeover Directive Implementation Act. As a result, the Executive Board does not consider further explanations in addition to the present information and the information contained in the management report and the Group management report necessary.

Remuneration report

The following remuneration report forms part of both the Group management report and the corporate governance report. The Remuneration Report can be found on page 31 after the Corporate Governance Report.



8. NUMBER OF EMPLOYEES

In the last fiscal year, VBH Holding Group employed a total of 2,880 staff, compared to 2,686 in the previous year. The company therefore employed 194 more people than in the previous year.
Whilst the number of employees in Germany increased only slightly from 928 to 952, the number of employees abroad increased by 9.7 % to 1,928. This substantial increase is largely due to the integration of previously non-consolidated companies of VBH Hody in Belgium and Fercom Srl in Italy and to a further increase in personnel staff in Eastern Europe and in other markets.

In VBH Holding AG, an international management training programme for university graduates was initiated. This will meet the needs of the increasing internationalisation in the Group, which results in a particularly high value being placed on intercultural cooperation.

The Executive Board and the Supervisory Board would like to take this opportunity to thank all employees of the VBH Group for their consistently high level of commitment both in and outside Germany, and the substantial contribution they have made to the positive future development of the Group.

Consolidated Statements

OF VBH HOLDING AG

CONSOLIDATED BALANCE SHEET

Assets

in € T	Notes	31.12.2007	31.12.2008
Long-term assets			
Intangibles assets	5.1	39,739	48,780
Property, plant and equipment	5.2	33,943	32,343
Financial assets	5.3	689	3,922
Other long-term assets	5.5	4,694	3,946
Deffered tax assets	6.9	7,782	7,240
Total		**86,847**	**96,231**
Short-term assets			
Inventories	5.4	128,344	124,062
Trade receivables	5.5	100,418	106,770
Receivables and other assets	5.5	27,288	34,195
Cash and cash equivalents	5.6	13,182	13,366
Other short-term assets	5.8	1,484	1,121
Tax receivables	5.7	380	897
Total		**271,096**	**280,411**
Total Assets		**357,943**	**376,642**

Equity and Liabilities

in € T	Notes	31.12.2007	31.12.2008
Equity	5.9		
Subscribed capital		39,865	45,790
Capital reserve		19,149	41,630
Revenue reserve		41,905	35,189
Profit retained		777	9,611
Equity attributable to shareholders of VBH AG		101,696	132,221
Minority interests		9,142	8,548
Treasury stock		0	0
Equity		**110,838**	**140,769**
Long-term liabilities			
Pension provisions	5.12/5.13	12,305	12,129
Other long-term provisions	5.13	3,263	3,350
Long-term financial liabilties	5.11	100,000	70,019
Other long-term liabilities	5.11	5,029	2,307
Other long-term debt	5.14	0	113
Deffered tax liabilities	6.9	934	3,110
Total		**121,531**	**91,027**
Short-term liabilities			
Short-term provisions	5.13	10,450	7,238
Short term financial liabilties	5.11	31,366	50,965
Short term financial liabilties	5.11	49,552	44,859
Trade payables	5.11	32,976	40,797
Other short-term liabilities	5.14	34	152
Tax liabilities	5.11	1,196	835
Total		**125,575**	**144,846**
Total equity and liabilites		**357,943**	**376,642**

CONSOLIDATED INCOME STATEMENT

in € T	Notes	2007	2008
Sales	6.1	**808,381**	**862,790**
Changes in finished goods, work in progress / capitalized payments		0	0
Total Operating Performance (TOP)		**808,381**	**862,790**
Costs of raw materials, supplies and purchased merchandise	6.2	611,000	651,668
Gross Operating Profit (GOP)		**197,381**	**211,122**
Personnel expenses	6.3	84,815	95,227
Other operating income	6.4	14,303	15,591
Other operating expenses	6.5	72,034	83,712
EBITDA		**54,835**	**47,774**
Depreciation / Amortization	6.6	5,465	5,934
EBIT		**49,370**	**41,840**
Income from investments		1	0
Other interest and similar income		784	887
Interest and similar expenses		11,950	8,969
Depreciation on financial assets and securities		0	0
Financial result	6.7	**-11,165**	**-8,082**
EBT		**38,205**	**33,758**
Current taxes	6.8	11,690	10,360
Deferred taxes	6.9	-3,816	1,070
EAT		**30,331**	**22,328**
Minorities	6.10	2,731	2,229
Net result after Minorities		**27,600**	**20,099**
EPS in €	6.11	**0.72**	**0.46**
EPS diluted in €	6.11	**0.67**	**0.46**

CONSOLIDATED CASH FLOW STATEMENT

in € T		Notes	2007	2008
	EBT		**38,205**	**33,758**
+	Depreciation on tangible assets		5,465	5,934
+/-	Increase/decrease in long-term provisions		923	1,141
+/-	Other non-cash income/expense		244	1,199
-	Taxes paid		7,875	11,430
+/-	Interest paid / received		11,166	8,188
=	**Cash Earnings**		**48,128**	**38,790**
-/+	Increase/decrease in inventories		-13,696	9,917
-/+	Increase/decrease in trade receivables		4,186	-8,112
+/-	Increase/decrease in short-term provisions		-8	-1,196
+/-	Increase/decrease in liabilities		-6,628	-5,297
=	**Total changes in working capital**	7	**-16,146**	**-4,688**
-/+	Profit/loss from the disposal of non-current assets		-500	-352
=	**Cash flow from operating activity**		**31,482**	**33,750**
-	Cash outflows for investments in intangible assets		2,212	2,256
-	Cash outflows for investments in tangible assets		6,699	5,186
-	Cash outflows for investments in financial assets		506	2,643
-	Cash outflows for other financial assets			
+	Cash inflows from disposal of intangible assets			
+	Cash inflows from disposal of tangible assets		1,816	1,495
+	Cash inflows from disposal of financial assets			
-/+	Payments for acquisition and disposal of consolidated companies		-1,855	-9,647
+	Interest received		785	781
=	**Cash flow from investing activity**	7	**-8,671**	**-17,456**
=	**Free Cash Flow**		**22,811**	**16,294**
+	Cash inflows from equity contributions		958	1,680
+	Cash inflows from loans raised			11,003
-	Cash outflows for repayment of loans		1,354	
-	Interest paid		13,158	11,107
-	Dividends paid		5,297	6,770
=	**Cash flow from financing activity**	7	**-18,851**	**-5,194**
=	**Changes in cash and cash equivalents**	7	**3,960**	**11,100**
+	Changes in cash and cash equivalents owing to exchange gains/losses		-344	-10,916
+	Cash and cash equivalents at the beginning of the period		9,566	13,182
=	**Cash and cash equivalents at the end of the period**		**13,182**	**13,366**

STATEMENT OF CHANGES IN GROUP EQUITY

Statement of changes in group equity

in € T	Capital stock	Capital reserve	Revenue reserve	Profit retained	Equity attributable to shareholders of VBH AG	Minority interests	Treasury shares	Shareholders‘ equity
Balance at January 1, 2007	**36,495**	**6,463**	**36,060**	**-15,891**	**63,127**	**9,371**	**-784**	**71,714**
Changes to the consolidated Group								0
Minority Interests						-1,667		-1,667
Net income for the year				27,600	27,600	2,731		30,331
Capital increase convertible issue rights	3,020	12,078			15,098			15,098
Stock options	350	608			958			958
Share based compensation								0
Currency differences dividends								0
IAS 39 Hedge Accounting			605		605			605
Currency changes			-1,224		-1,223	-163		-1,386
Payout				-4,379	-4,379			-4,379
Changes in retained reserves and other changes			6,464	-6,553	-90	-1,130	784	-436
Balance at December 31, 2007/Balance at January 1, 2008	**39,865**	**19,149**	**41,905**	**777**	**101,696**	**9,142**	**0**	**110,838**
Changes to the consolidated Group			4		4			4
Minority Interests						-322		-322
Net income for the year				20,099	20,099	2,229		22,328
Capital increase convertible issue rights	5,345	21,381			26,727			26,727
Stock options	580	1,011			1,591			1,591
Share based compensation		89			89			89
Currency differences dividends			-731		-731			-731
IAS 39 Hedge Accounting			-2,228		-2,228			-2,228
Currency changes			-8,649		-8,652	-1,078		-9,730
Payout				-5,979	-5,979			-5,979
Changes in retained reserves and other changes			4,888	-5,286	-395	-1,423		-1,818
Balance at December 31, 2008	**45,790**	**41,630**	**35,189**	**9,611**	**132,221**	**8,548**	**0**	**140,769**

For reasons of transparency, in the statement of changes in equity debt consolidation amounting to € T 1 (previous year: € T -1), elimination of intragroup results in the amount of € T -499 (previous year: € T -445) and capital consolidation amounting to € T -31,963 (previous year: € T -31,971) was reclassified from consolidated reserves to the net income/loss for the year item. In the 2008 fiscal year a dividend of € 0.15 per share was distributed to the shareholders of VBH.

Segments by region

	Germany		Western Europe		Eastern Europe		Other markets		Corporate Services		Consolidation		Group	
in € T	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**
External sales	353,787	367,439	163,215	176,653	284,232	304,898	4,307	9,671	0	0	0	0	805,541	858,661
Internal sales	11,371	20,829	6,021	6,240	999	78	1,833	2,561	0	0	-17,384	-25,579	2,840	4,129
Total sales	**365,158**	**388,268**	**169,236**	**182,893**	**285,231**	**304,976**	**6,140**	**12,232**	**0**	**0**	**-17,384**	**-25,579**	**808,381**	**862,790**
EBITDA	**12,810**	15,128	**15,367**	8,716	**29,174**	**25,743**	**-669**	**890**	**-1,841**	**-2,816**	**-5**	**113**	54,836	**47,774**
Depreciation, amortisation and write-downs	1,501	1,460	1,256	1,367	2,074	2,069	84	103	549	671	0	264	5,464	5,934
Profit or loss from operating activities (EBIT)	**11,309**	**13,668**	**14,111**	**7,349**	**27,100**	**23,674**	**-753**	**787**	**-2,390**	**-3,487**	**-5**	**-150**	**49,372**	**41,840**
Result from participations	129	270	0	0	0	0	0	0	12,868	11,860	-12,997	-12,129	0	1
Interest income	353	253	131	104	162	220	13	13	1,310	1,649	-1,185	-1,352	784	887
Interest expense	654	750	1,766	2,787	951	546	486	685	9,280	5,547	-1,187	-1,346	11,950	8,969
Financial result	-172	-228	-1,635	-2,682	-789	-325	-473	-672	4,898	7,961	-12,995	-12,136	-11,166	-8,082
Earnings before taxes (EBT)	**11,137**	**13,440**	**12,476**	**4,667**	**26,311**	**23,349**	**-1,226**	**115**	**2,508**	**4,474**	**-13,000**	**-12,286**	**38,206**	**33,758**
Earnings after taxes (EAT)	**9,301**	**10,667**	**8,403**	**2,996**	**19,224**	**16,276**	**-1,278**	**21**	**3,588**	**5,848**	**-8,627**	**-13,480**	30,611	**22,328**
Segment assets	**103,058**	**111,217**	**106,716**	**112,563**	**105,223**	**104,085**	**7,625**	**9,538**	**212,630**	**219,944**	**-177,306**	**-180,705**	**357,946**	**376,642**
Segment liabilities	**124,021**	**125,929**	**77,420**	**85,293**	**39,545**	**41,081**	**13,906**	**13,640**	**114,302**	**92,945**	**-122,087**	**-123,016**	**247,107**	**235,872**
Number of Employees	**906**	**925**	**430**	**545**	**1,249**	**1,290**	**79**	**93**	**22**	**27**	**0**	**0**	**2,686**	**2,880**

Notes to the consolidated financial statements

1. Disclosures and presentation of the consolidated financial statements

VBH HOLDING AKTIENGESELLSCHAFT (short forms: “VBH” or “the company”) is registered with the Stuttgart Regional Court as HRB 203096. The registered office of the company is Korntal-Münchingen, Germany. The shares of the company are listed on the Prime Standard of the Deutsche Börse and are traded in official trading on Xetra on the floor of the Frankfurt and Stuttgart stock exchanges.

Purpose of the company is the wholesale distribution of metal fittings. VBH distributes products in eight groups: window, door and furniture fittings, fastener systems, profile sections, sealing, construction chemistry and elements, and tools.

VBH is Europe’s top-selling wholesaler for construction fittings. VBH acts as agent between hardware suppliers and customers who finish these products for industrial and technical purposes.

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the EU and the provisions of German commercial law applicable under Section 315a (1) of the German Commercial Code (Handelsgesetzbuch – HGB). All standards which have entered into force as of the balance sheet date have been complied with.

The consolidated financial statements were prepared in euro and rounded to thousands of euro (€ thousand). Unless otherwise indicated, all information is given in thousands of euro. Minor differences in the individual amounts in the consolidated balance sheet and income statement as well as in the tables showing the breakdown of items are the result of rounding differences.

The income statement is classified in accordance with the nature of expense method. In order to improve the clarity of presentation, items are summarised in the consolidated balance sheet and income statement and explained separately below.

The provisions of IAS 1 require presentation of balance sheet items by maturity. For this reason, the balance sheet of VBH Holding AG reflects the assets and liabilities according to their maturities.

The consolidated financial statements were itemised in line with the going concern principle based on historical cost and fair value.

2. IASB accounting standards

2.1 INITIAL APPLICATION OF STANDARDS, INTERPRETATIONS AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS IN THE FISCAL YEAR.

IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures

In October 2008, the IASB issued amendments to IAS 39 and IFRS 7 whose aim was to take into account the current development of financial markets by permitting the reclassification of certain financial assets out of the “fair value through profit or loss” category to another category. The amendments were adopted by the EU in October 2008 and may be applied retroactivelyly to July 1, 2008. These amendments have no effect on the Group because no reclassification was effected.

IFRIC 11 IFRS 2 – “Group and Treasury Share Transactions”

According to this interpretation, agreements under which employees are granted rights to equity instruments must be accounted for as equity-settled share-based payments if the company acquires the instruments from a third party or if the shareholders make the necessary equity instruments available. The Group did not issue any instruments that fall within the scope of this interpretation.

IFRIC 12 Service concession arrangements

The International Financial Reporting Interpretations Committee (IFRIC) issued IFRIC 12 in November 2006. The interpretation regulates how service concession operators should account for the obligations they undertake and rights they receive in service concession arrangements. As no company in the Group holds any concessions, this interpretation has no impact on the Group.

IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IFRIC Interpretation 14 provides guidelines for determining the maximum amount of the surplus from a performance-based plan, which under IAS 19 “Employee Benefits” may be accounted for as an asset. The Group has adjusted its accounting and measurement methods accordingly. Because all performance-based pension plans of the Group are in deficit, the application of this interpretation did not have any further impact on the assets, financial position and earnings of the Group.

Moreover, the Group opted voluntarily for early application of IFRS 8, “Operating Segments”, in the previous year. IFRS 8 determines which financial information regarding its operating segments a company must report in its reporting. IFRS 8 replaces IAS 14, “Segment Reporting”, and follows what is known as the management approach in segment reporting. Under this approach, information is published on the basis of internal reporting.

2.2 STANDARDS OR INTERPRETATIONS ADOPTED BY THE EU AND NOT YET APPLIED

IFRS 2 Share-based payment

In January 2008, IASB published an amendment to IFRS 2 which defines more precisely vesting conditions and addresses the accounting treatment of cancellations. Application of the standard became mandatory as from January 1, 2009. The impact of this standard on the Group is still being investigated.

IAS 23 Borrowing costs entered into effect on January 1, 2009

In April 2007, the IASB published an amendment to IAS 23. The revised IAS 23 requires the capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.
In May 2008, the IASB published a standard, “Improvements to IFRSs”. These amendments do not have any material impact on assets, financial position or earnings. The improvements included in the standards – if applicable – will be implemented at the relevant effective date. This change does not affect the Group, as VBH does not hold any qualifying assets.

IFRIC 13 Customer loyalty programmes enters into effect July 1, 2009

The International Financial Reporting Interpretations Committee (IFRIC) issued IFRIC 13 in June 2007. According to this interpretation, loyalty credit awards granted to customers as a separate component of sales activities must be accounted for within the framework in which they were granted. The Group does not have any customer loyalty programmes.

In May 2008, the IASB published an overall standard to amend various IFRS standards, with the primary aim of eliminating inconsistencies and clarify wording. These improvements are not expected to have any material impact on the assets, financial situation or earnings of the company. The standards will be implemented at the relevant effective date.

2.3 IFRSs ISSUED BUT NOT YET ADOPTED BY THE EU AND NOT YET APPLIED

IFRS 3R “Business combinations” and IAS 27R “Consolidated and Separate Financial Statements in Line with IFRS”:

In January 2008, the IASB published the revision of IFRS 3 “Business Combinations” and IAS 27, “Consolidated and Separate Financial Statements”. The following changes are significant: (a) Requirements that the acquired assets and liabilities and the equity be measured at fair value at the date of acquisition (b) Recognition in profit or loss of costs incurred in connection with the acquisition (c) Option of measuring any non-controlling interest in the entity acquired at fair value (d) Reporting of all other increases and decreases in ownership interest in equity once control is gained.
The provisions will enter into force prospectively for fiscal years that begin on or after July 1, 2009. The Group does not currently intend to apply the standards at an earlier date.

The other approved but not yet mandatory standards are not expected to have any material impact on the assets, financial position or earning or on the cash flows of the Group.

3. Principles of consolidation

The consolidated financial statements contain the financial statements of the parent company and the companies it controls, including the special-purpose vehicles (its subsidiaries). Control is gained once the company has the option of governing the financial and operating policies of a company so as to derive benefit from its activities. The results of the subsidiaries acquired or sold over the course of the year are recognised accordingly in the consolidated income statement from the actual date of acquisition or up to the date of disposal. If necessary, the annual financial statements of the subsidiaries are adjusted so that the accounting and measurement methods are aligned with those applied on the Group level. All intragroup transactions, balances and results are completely eliminated in consolidation.

Subsidiaries are all companies (including special-purpose vehicles) in which the Group exercises control over financial and operating policy, usually in combination with a share of voting rights that exceeds 50 %. In an assessment of whether such control is present, the existence and effect of potential voting rights currently exercisable or convertible are considered as necessary. Subsidiaries are generally included in the consolidated financial statements (fully consolidated) as of the date on which control has been transferred to the Group, unless control is material to the consolidated financial statements. They are deconsolidated on the date on which this control ends.

The shareholdings of VBH AG are itemised under point 3.1.

Capital consolidation occurs in accordance with IFRS 3, “Business Combinations” on the basis of purchase accounting. In this method the acquisition costs of the participation are charged against the pro rata share of the parent company in the revalued equity of the subsidiary as of the acquisition date. Intangible assets acquired in business combinations and identified within the framework of purchase price allocation are recognised at fair value.

Any difference arising on the assets side after this charging and purchase price allocation is reported under non-current assets as goodwill.

If further interests are acquired in already fully consolidated companies, the purchase price of the additional acquisition is offset against the additional equity acquired. The asset-side difference resulting from the offsetting is charged against retained earnings.

Shares in the equity of subsidiaries attributable to external minority interests are reported separately under equity. Shares in the subsidiaries‘ results attributable to external minority interests are shown as a separate item in the income statement.

3.1 SCOPE OF CONSOLIDATION AND BUSINESS COMBINATIONS

Overview participations December 31, 2008 according to 313 (2) HGB (German Commercial Code)

	Location of head office	Coun-try	Capital shares in %
Fully consolidated companies			
Germany			
esco Metallbausysteme GmbH	Ditzingen	D	100.0%
Gedalia Grundstücksverwaltungsges. mbh & Co	Mainz	D	100.0%
VBH Deutschland GmbH	Korntal-Münchingen	D	100.0%
Abroad			
EVG Bauprofil-System Entwicklungs- u.Vermarktungs GmbH (indirect over esco Metallbausysteme GmbH)	Eugendorf	A	100.0%
VBH Belgium NV	Beringen	B	100.0%
VBH Hody	Marche en Famenne	B	100.0%
VBH Dems d.o.o.	Sarajevo	BIH	100.0%
IP VBH BEL	Minsk	BY	100.0%
VBH ZP (indirect over VBH Polska Sp.z.o.o.)	Minsk	BY	100.0%
VBH, Vereinigter Baubeschlag-Handel, s.r.o.	Prag	CZ	95.0%
VBH - Malum S.L.	Gava	E	68.4%
VBH Estonia AS	Tallinn	EST	100.0%
LG Fasteners Ltd. (indirect over Wagner GB Ltd.)	Swansea	GB	100.0%
Wagner GB Ltd.	Gillingham	GB	100.0%
VBH Hellas S.A.	Thessaloniki	GR	100.0%
VBH Budapest Kft	Budapest	H	100.0%
VBH Okovi d.o.o.	Sveta Nedjelja	HR	100.0%
C.D.A. Arrezzo S.r.l. (indirect over VBH Italia Holding S.p.A.)	Arrezzo	I	100,0%
C.D.A. S.r.l. (indirect over VBH Italia Holding S.p.A.)	Bologna	I	100,0%
Fercom S.r.l. (indirect over VBH Italia Holding S.p.A.)	Torino	I	100,0%
Ferramenta Lombarda S.r.l.(indirect over VBH Italia Holding S.p.A.)	Brescia	I	100,0%

	Location of head office	Coun-try	Capital shares in %
Fully consolidated companies			
Abroad			
VBH Italia Holding S.p.A.	Bozen	I	100,0%
VBH Italia S.r.l.	Bozen	I	50,0%
VBH Service S.r.l.(indirect over VBH Italia Holding S.p.A.)	Fogliano Redipuglia	I	100,0%
Galro Ltd.	Dunshaughlin	IE	60,0%
TOO VBH	Almaty	KZ	60,0%
VBH West (Aktobe) (indirect over TOO VBH)	Aktobe	KZ	100,0%
VBH-Pavlodar (indirect over TOO VBH)	Pavlodar	KZ	100,0%
VBH-Ust-Kamenogorsk (indirect over TOO VBH)	Ust-Kamenogorsk	KZ	100,0%
UAB VBH Vilnius	Vilnius	LT	100,0%
SIA VBH Latvia Ltd.	Riga	LV	90,0%
VBH-OFIR S.R.L. (Kischinau (indirect over Ofir Ltd.))	Kischinau	MOL	80,0%
H. van Nelfen Bouwbeslag B.V.	Oosterhout	NL	100,0%
ESCO Polska Sp.z.o.o. (indirect over esco Metallbausysteme GmbH)	Warschau	PL	89,8%
VBH Polska Sp.z.o.o.	Warschau	PL	93,3%
S.C. VBH Romcom SRL	Tirgu Mures	RO	100,0%
Rodkomplektservice OOO (indirect over VBH Rekta AO))	Moskau (Odintsovo)	RUS	100,0%
VBH Murmansk OOO (indirect over VBH OOO (St.Petersburg)	Murmansk	RUS	100,0%
VBH Nizhnij Novgorod OOO (indirect over VBH OOO (St.Petersburg)	Nizhnij Novgorod	RUS	100,0%
VBH OOO (Novosibirsk)	Novosibirsk	RUS	95,0%
VBH OOO (St. Petersburg)	St. Petersburg	RUS	95,0%
VBH Perm OOO (indirect over VBH OOO (St.Petersburg)	Perm	RUS	100,0%
VBH Pskov OOO (indirect over VBH OOO (St.Petersburg)	Pskov	RUS	100,0%
VBH Rekta AO (indirect over VBH OOO (St.Petersburg))	Moskau (Odintsovo)	RUS	100,0%
VBH Rostov OOO (indirect over VBH OOO (St.Petersburg))	Rostov	RUS	100,0%
VBH RTF OOO (indirect over VBH OOO (St.Petersburg))	Kazan	RUS	100,0%
VBH Samara OOO (indirect over VBH OOO (St.Petersburg))	Samara	RUS	100,0%
VBH SIB OOO	Omsk	RUS	95,0%
VBH Ufa OOO (indirect over VBH OOO (St.Petersburg))	Ufa	RUS	100,0%
VBH Voronezh OOO (indirect over VBH OOO (St.Petersburg))	Voronezh	RUS	100,0%

	Location of head office	Coun-try	Capital shares in %
Fully consolidated companies			
Abroad			
VBH Wolgograd OOO (indirect over VBH OOO (St.Petersburg))	Wolgograd	RUS	100,0%
VBH Wologda OOO (indirect over VBH OOO (St.Petersburg))	Wologda	RUS	100,0%
VBH Singapore Pte.Ltd.	Singapur	SGP	100,0%
VBH Trgovina d.o.o.	Skofia Loka	SL	100,0%
VBH Naisus Nis d.o.o.	Nis	SRB	95,0%
Ofir Ltd.	Browary	UA	51,0%
VBH Ofir DP (Dnepropetrowsk (indirect over Ofir Ltd.))	Dnepropetrowsk	UA	100,0%
VBH Ofir DP (Kharkow (indirect over Ofir Ltd.))	Kharkow	UA	100,0%
VBH Ofir DP (Lwow (indirect over Ofir Ltd.))	Lwow	UA	100,0%
VBH Ofir DP (Makeewka(indirect over Ofir Ltd.))	Makeewka	UA	100,0%
VBH Ofir DP (Odessa (indirect over Ofir Ltd.))	Odessa	UA	100,0%
VBH Ofir DP (Simferopol (indirect over Ofir Ltd.))	Simferopol	UA	100,0%
VBH-OFIR DP (Vinnitsa (indirect over Ofir Ltd.))	Vinnitsa	UA	100,0%
V.B.H. Trading (L.L.C.) (indirect over VBH Middle East FZCO)	Dubai	UAE	100,0%
VBH Middle East FZCO	Dubai	UAE	100,0%
Beijing VBH Construction Hardware Co.Ltd	Peking	VC	70,0%
Shanghai VBH Construction Hardware Co., Ltd.	Shanghai	VC	65,0%

	Location of head office	Coun- try	Capital shares in %
Not consolidated companies			
Germany			
VKH Betriebs GmbH i.K.	Braunsbedra	D	50,0%
VKH GmbH & Co.KG i.K.	Braunsbedra	D	23,8%
VKH Verwaltungs GmbH i.K.	Braunsbedra	D	49,0%
Abroad			
VBH Australia PTY. Ltd.	Seaford	AUS	100,0%
VBH Bulgarien Ltd. (indirect over VBH Polska Sp.z.o.o.)	Varna	BG	100,0%
VBH Siecom OOD	Plovdiv	BG	85,0%
VBH (Cypern) LTD	Limassol	CY	100,0%
Lokman OÜ (indirect over VBH Estonia AS)	Tallinn	EST	100,0%
C.D.A.Cagliari S.r.l.(indirect over VBH Italia Holding S.p.A.)	Cagliari	I	10,0%
Logic S.r.l (indirect over VBH Italia Holding S.p.A.) i.L.	Ancona	I	24,0%
VBH S.r.l. (indirect over VBH Italia Holding S.p.A.)	Fogliano Redipuglia	I	100,0%
VBH Torino S.r.l. (indirect over VBH Italia s.r.l.)	Tofarello	I	60,0%
VBH HOLDING INDIA PRIVAT LIMITED	Delhi	IND	100,0%
VBH Kuwait for General Trading Co. (W.L.L)	Safat	KW	80,0%
VBH Malayasia SDN. BDH.	Petaling Jaya	MAL	100,0%
VBH MEXICO S.A. de C.V. (indirect over VBH - Malum S.L.)	Heróica Puebla de Zaragoza	MEX	70,0%
VBH Montenegro d.o.o. (indirect over VBH Naisus d.o.o.)	Podgorica	MNE	100,0%
ESCO RUS OOO (indirect over VBH Holding AG und esco Metallbausystem GmbH)	Moskau	RUS	100,0%
VBH Irkutsk OOO (indirect over VBH OOO (Novosibirsk))	Irkutsk	RUS	100,0%
VBH Jekaterinburg OOO (indirect over VBH OOO (SIB))	Jekaterinburg	RUS	100,0%
VBH Omsk OOO (indirect over VBH OOO (SIB))	Omsk	RUS	100,0%
VBH Tomsk OOO (indirect over VBH OOO (Novosibirsk))	Tomsk	RUS	100,0%
VBH Tscheljabinsk OOO (indirect over VBH OOO(SIB))	Tscheljabinsk	RUS	100,0%
VBH Kosovo L.L.C.	Fushe Kosove	SCG	80,0%
VBH Slovakia s.r.o. (indirect over VBH Polska Sp.z.o.o.)	Bratislava	SK	100,0%
CENTAR DISTRIBUCIJE OKOVA CDO d.o.o.	Belgrad	SRB	100,0%
VBH (Thailand) Co., Ltd.	Bangkok	THB	100,0%

	Location of head office	Coun-try	Capital shares in %
Not consolidated companies			
Abroad			
VBH Ofir DP (Odessa (indirect over Ofir Ltd.))	Odessa	UA	100,0%
Guangzhou VBH Construction Hardware Trading Co.,Ltd.	Guangzhou	VC	100,0%

29 companies whose individual or collective impact on assets, financial position and earnings is minor are not consolidated. These subsidiaries are recognised at depreciated cost.

Fully consolidated companies

As of December 31, 2008, the scope of consolidation under IFRS includes 3 German and 64 foreign subsidiaries in addition to the parent company. Changes in the area of fully consolidated subsidiaries between January 1, 2008 and December 31, 2008 are shown in the table below.

VBH consolidated companies	January 1, 2008	Additions	Disposals	December 31, 2008
Germany	3	0	0	3
Abroad	62	2	0	64
Total	**65**	**2**	**0**	**67**

Additions to the scope of consolidation

Acquisition costs VBH Hody Belgium SA

in € T	2008
Acquisition cost	8,110
Transaction cost	200
Total acquisition cost	**8,310**
Less net assets acquired at fair value	3,650
Goodwill	**4,660**

Assets and liabilities VBH Hody Belgium SA

in € T	Carrying amount	Adjustments	Fair value
Intangible assets	58	2,959	3,017
Property, plant and equipment	259	0	259
Other assets	11,687	0	11,687
Total assets	**12,004**	**2,959**	**14,963**
Short-term liabilities	8,584	0	8,584
Long-term liabilities	1,469	947	2,416
Total equity and liabilities	**10,053**	**947**	**11,000**

Acquisition costs Fercom SRL

in € T	2008
Acquisition cost	582
Transaction cost	14
Total acquisition cost	**596**
Less net assets acquired at fair value	244
Goodwill	**352**

Assets and Liabilities Fercom SRL

in € T	Carrying amount	Adjustments	Fair value
Intangible assets	2	0	2
Property, plant, equipment	6	0	6
Other short-term assets	2,553	0	2,553
Other long-term assets	287	0	287
Total assets	**2,848**	**0**	**2,848**
Short-term liabilities	2,594	0	2,594
Long-term liabilities	0	0	0
Total equity and liabilities	**2,594**	**0**	**2,594**

Goodwill from the full consolidation was calculated as follows:

Goodwill from fully consolidated companies

	Acquisition costs			Depreciation			
in € T	**Balance at January 1, 2008**	**Additions**	**Disposals**	**Cumulated figures previous years**	**2008**	**Disposals**	**Balance at December 1, 2008**
LG Fasteners Ltd.	1,404	0	0	749	0	0	655
esco Metallbau-systeme GmbH	8,700	0	0	3,974	0	0	4,726
VBH Deutschland GmbH	19,583	0	0	14,898	0	0	4,685
VBH Belgium NV	1,550	0	0	1,550	0	0	0
H. van Nelfen Bouwbeslag B.V.	3,935	0	0	1,309	0	0	2,626
VBH Italia Holding S.p.A.	14,964	352	0	1,235	0	0	14,081
EVG Bauprofil-System Entwicklungs-u.Vermarktungs GmbH	3,790	0	0	3,790	0	0	0
VBH Singapore Pte. Ltd.	3,569	0	0	2,500	0	0	1,069
Galro Ltd.	1,926	0	0	0	0	0	1,926
VBH Hody	0	4,660	0	0	0	0	4,660
Beijing VBH Construction Hardware Co. Ltd	1,250	0	0	500	0	0	750
Other	5,144	0	0	1,458	0	0	3,686
Total	**65,814**	**5,012**	**0**	**31,963**	**0**	**0**	**38,864**

The cash-generating unit's receivable amount is calculated based on its fair value less costs to sell. An impairment test must be carried out annually and as required if there are indications that the cash-generating unit may be impaired. The fair value is generally calculated by applying the discounted cash flow method (DCF). These DCF calculations are based on forecasts that are in turn based on financial budgets for five years that are approved by the Executive Board and also used for internal purposes. The budget timeframe selected reflects assumptions for short and medium term-market developments. Cash flows exceeding the five-year period are adjusted on a straight-line basis. The significant assumptions of the DCF model include estimates relating to future sales, earnings, growth rates and discount rates. The impairment tests carried out in the current fiscal year did not lead to any changes in measurements.

Other changes in the Group not relating to the scope of consolidation are reported with financial assets. Changes to the scope of consolidation are of only minor importance for the consolidated financial statements and do not materially affect comparisons with the previous year.

Significant events after the balance sheet date

With economic effect from January 1, 2009, VBH Holding AG acquired a majority share of 65 % in Winkhaus A.S. of Istanbul, a leading dealer in building hardware in Turkey, thus attaining a strong competitive position in this rapidly growing sales market. The purchase price of the shares is linked to the future earnings value of the company and is therefore subject to change. The preliminary purchase price amounts to Turkish Lira 8.3 million. The balance sheet and income statement for 2008 have not yet be submitted to VBH.

4. Accounting policies

The main accounting policies used in the preparation of the present consolidated financial statements are listed below. The methods described are applied consistently to the reporting periods presented unless otherwise indicated.
During the current fiscal year for the first time, the income statement was translated on the basis of the weighted average price (previous year: arithmetic average price).

Previous year wasn't adjusted.

Borrowing costs are recognised as an expense at the time they are incurred.

4.1 CURRENCY TRANSLATION

In the single-entity financial statements of VBH and included subsidiaries, foreign-currency transactions are translated with the exchange rates in effect at the dates of the transactions. On the balance sheet we estimate monetary items in foreign currencies using the mid-market rate as at the balance sheet date, with exchange rate gains and losses recognised in income. The financial statements of foreign companies are translated into euro in line with the concept of a functional currency. Assets and liabilities are translated at the rate on the balance sheet date. Equity is stated at historical rates, with the exception of income and expenses directly recognised in equity. The resulting translation differences are recognised in equity until the disposal of the subsidiary and reported as a separate item in equity.

We translate items in the income statement into Euro at weighted average rates according to the modified closing rate method. The rates used for translation can be found in the following table:

Currency translation

Country	Currency		Mid-market rate in € at the balance sheet date		Wheighted average rate in € in the business year	
			31.12.2007	31.12.2008	2007	2008
Belarus	100	BYR	0.0316	0.0322	0.0316	0.0320
Bosnia	100	BAM	51.1292	51.1292	51.1292	51.1292
People‘s Republic of China	100	CNY	9.3110	10.4069	9.5763	9.7409
Estonia	100	EEK	6.4020	6.4061	6.4031	6.4025
United Kingdom	100	GBP	136.1285	104.1667	146.1134	126.9036
Kazakhstan	100	KZT	0.5637	0.5874	0.5637	0.5600
Croatia	100	HRK	13.6388	13.6017	13.6379	13.8773

Country	Currency		Mid-market rate in € at the balance sheet date		Wheighted average rate in € in the business year	
			31.12.2007	31.12.2008	2007	2008
Latvia	100	LVL	143.4926	141.3228	142.8980	142.2475
Lithunia	100	LTL	28.9645	28.9729	28.9578	28.9687
Moldova	100	MDL	5.9934	6.8241	6.0475	6.5588
Poland	100	PLN	27.8334	23.9103	26.3887	28.6615
Romania	100	RON	27.8474	25.0038	27.8474	27.2480
Russia	100	RUB	2.7782	2.3660	2.7782	2.7405
Serbia	100	RSD	1.2690	1.1120	1.2690	1.2327
Singapore	100	SGD	47.2791	49.5638	48.4684	48.1232
Czech Republic	100	CZK	3.7629	3.7615	3.6089	4.0165
Ukraine	100	UAH	13.4409	9.2593	13.4409	13.3032
Hungaria	100	HUF	0.3963	0.3781	0.3978	0.4027
United Arab Emirates	100	AED	18.5014	19.4780	19.8736	18.2116

In the case of the countries of the Russian Federation, Belarus, Kazakhstan, Ukraine, Romania and Serbia, the basis for the currency translation of income statement items changed from the rate at the balance sheet date and the weighted average.

The capitalisation of translation differences (foreign currency translation adjustments) in equity at historical rates results in the following:

Currency translation differences

in € T	2007	2008
Positive attribution from currency translation	0	0
Negative attribution from currency translation	826	10,206

4.2 INTANGIBLE ASSETS AND GOODWILL

Patents, licences and trademarks acquired are recognised at their historical costs. They have certain useful lives and are measured at cost less any accumulated amortisation. The depreciation charge is recognised as an expense using the straight-line method over the expected useful life normally within 3 years.
If impairment is indicated, the intangible assets depreciable as planned are subjected to an impairment test and, if necessary, written down to the recoverable amount as defined in IAS 36.

The goodwill resulting from consolidation represents the positive difference of the acquisition cost of a company acquisition above the Group's share in the fair value of the identifiable assets and liabilities of a subsidiary or jointly controlled company as of the date of acquisition. The goodwill is recognized at cost at the date of acquisition and measured in subsequent periods at cost less accumulated impairment losses.
In accordance with IAS 36, goodwill and intangible assets are subjected to an impairment test annually and, if there is cause to do so, during the year, and if necessary written down to its recoverable amount ("impairment-only approach"). At the time of acquisition, goodwill is allocated to the cash generating units, i.e. to every individual legal entity. Every impairment is directly recognised in profit or loss. No subsequent reversal takes place.

4.3 PROPERTY, PLANT AND EQUIPMENT

All tangible assets are measured at their historical costs less any depreciation. The cost includes expenses directly attributable to the purchase. Subsequent costs are only recognised as part of the cost of the asset or – if relevant – as a separate asset if it is likely that the Group will derive future economic benefit from it and if the cost of the asset can be reliably calculated. All other repairs and maintenance are recognised as an expense in the fiscal year in which they occurred.
Land is not depreciated. Depreciation is calculated on a straight-line basis to allocate the cost amounts of the assets to their residual values over their estimated useful economic lives as follows:

Assets	Economic life in years
Machinery and equipment	4 to 11
Operating facilities	13 to 15
Storage bulidings	3 to 13
Business equipment	25 to 50
Machines	11 to 15
Administrative buildings	33
Residental buildings	50

The assets' residual values and useful lives are reviewed at each balance sheet date and adjusted if appropriate. If the carrying amount of an asset is greater than its estimated recoverable amount, its carrying amount is written down immediately to the latter amount. Gains and losses on disposals are calculated as the difference between the proceeds of disposal and the carrying amount and are recognised in profit or loss.

4.4 FINANCIAL INSTRUMENTS

A financial instrument is a contract that simultaneously results in a financial asset for one company and in a financial liability or equity instrument for another company. Financial instruments recognised as financial assets or financial liabilities are generally presented separately. Financial instruments are recognised whenever VBH becomes party to the financial instrument.
Initial recognition of financial instruments is at fair value. For subsequent measurement, the financial instruments are allocated to one of the measurement categories listed in IAS 39, “Financial Instruments: Recognition and Measurement”. Transaction costs directly attributable to the purchase or issue are included in calculations of the carrying amount if the financial instruments are not measured at fair value in profit or loss. If trading date and fulfilment date (i.e. date of delivery) are different, VBH chooses the trading date for initial recognition or disposal.

Financial assets

Financial assets include trade receivables, receivables from banks, cash in hand, derivative financial assets and marketable securities and financial investments.

Financial assets that are measured at fair value in profit or loss

Financial assets measured at fair value in profit or loss include financial assets held for trading purposes.
Financial assets such as shares or interest-bearing securities are classified as held for trading purposes if they are acquired with the intent to dispose of them over the short term. Derivatives, including embedded derivatives that were separated from the host contract, are also classified as held for trading purposes unless they are included in hedge accounting as hedging instruments and are effective as such. Gains and losses from financial assets held for trading purposes are recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments not listed on an active market such as receivables arising from financial services or trade receivables. After initial recognition, loans and receivables are measured applying the effective interest method at amortised cost less impairment. Gains and losses are recognised in consolidated earnings if the loans and receivables are derecognised or impaired. Interest rate effects arising from the application of the effective interest rate method are also recognised in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are categorised as available for sale rather than under one of the categories mentioned above. This category includes equity instruments and debt instruments such as government issues, corporate bonds and commercial papers. After initial measurement, available-for-sale financial assets are measured at fair value. Unrealised gains or losses are recognised in equity as provisions for available-for-sale assets. If there are objective indications of an impairment, or if changes in the fair value of a debt instrument result in exchange rate fluctuation, they are included in profit or loss. On the disposal of financial assets, the accumulated gains and losses arising from the fair-value measurement and recognised in equity are recognised in profit or loss. If the fair value of non-listed equity instruments cannot be determined to an adequate degree of reliability, the shares are measured at amortised cost (in any given case less impairments). Interest received from these financial assets is generally recognised in profit or loss as interest income, applying the effective interest rate method. Dividends are recognised in profit or loss once the legal claim to payment arises.

Financial liabilities

Financial liabilities include trade accounts payable, amounts owed to banks, bonds, derivative financial liabilities and other liabilities.

Financial liabilities measured at cost

After initial recognition, financial liabilities are measured applying the effective interest method at amortised cost. Financial liabilities that are measured at fair value in profit or loss. Financial liabilities measured at fair value in profit or loss include financial liabilities held for trading purposes. Derivatives, including embedded derivatives that were separated from the host contract are classified as held for trading purposes unless they are included in hedge accounting as hedging instruments and are effective as such. Gains and losses from financial liabilities held for trading purposes are recognised in profit or loss.

Derivative financial instruments and hedge accounting

VBH uses derivative financial instruments such as forward contracts, swaps, options, futures, swaptions, forward rate agreements, caps and floors mainly for the purposes of hedging interest rate and currency risks that arise from its operating, financing and investing activities.

Embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract.

On initial recognition, derivative financial instruments are measured at fair value and on each subsequent reporting date. The fair value of quoted derivatives is equal to their positive or negative market value. If a market value is not available, fair value is calculated using standard financial valuation models such as discounted cash flow or option pricing models. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

If the requirements for hedge accounting set out in IAS 39 are met, VBH designates and documents the hedge relationship from the date a derivative contract is entered into either as a fair value hedge or a cash flow hedge. In a fair value hedge, the fair value of a recognised asset or liability or an unrecognised firm commitment is hedged. In a cash flow hedge, fluctuating cash flows to be received or paid related to a recognised asset or liability or highly probable future cash flows are hedged. The documentation of the hedging relationship includes the objectives and strategy of risk management, the type of hedging relationship, the nature of risk being hedged, the identification of the hedging instrument and the hedged item as well as a description of the method to assess hedge effectiveness. With regard to the hedged risk, the hedging relationships are expected to be highly effective in offsetting risks arising from changes in fair value or cash flows and are regularly assessed to determine whether they actually have been highly effective throughout the financial reporting periods for which they were designated.

Changes in the fair value of derivative instruments are recognised periodically either in earnings or equity, as a component of other reserves, depending on whether the hedging relationship is designated as a hedge of changes in fair value or cash flows. For fair value hedges, changes in the market value of the derivative instruments and the associated hedged items are recognised in profit or loss. For cash flow hedges, fair value changes of the effective portion of the hedging instrument are recognised in other reserves, net of applicable taxes. Amounts taken to equity are reclassified to the income statement when the hedged transaction affects the income statement. The ineffective portion of the fair value changes is recognised in profit or loss.

If derivative financial instruments are not or no longer included in hedge accounting because the requirements for hedge accounting are not or no longer met, the derivative financial instruments are classified as held for trading purposes.

4.5 IMPAIRMENT/REVERSAL OF IMPAIRMENT

At each balance sheet date, VBH assesses whether there is an indication that an asset may be impaired. If such indication exists, or when annual impairment testing for an asset is required (e.g. goodwill, intangible assets with indefinite useful lives as well as intangible assets not yet in use), VBH estimates the recoverable amount of the asset. The recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets (cash-generating units). The recoverable amount is the higher of fair value less selling costs and value in use. VBH determines the recoverable amount as fair value less selling costs and compares it with the carrying amount (including goodwill). Fair value is measured by discounting future cash flows using a risk-adjusted interest rate. If fair value less selling costs cannot be determined or is lower than the carrying amount, value in use is calculated. If the carrying amount is higher than the recoverable amount, an impairment charge is recognized amounting to the difference. An assessment is made at each reporting date as to whether any previously recognised impairment not related to goodwill may no longer exist or may have decreased. In this case VBH records a partial or full reversal of the impairment and increases the carrying amount to the recoverable amount. However, the increased carrying amount may not exceed the carrying amount that would have been calculated (less amortisation or depreciation) if no impairment losses would have been recognised in previous years.

4.6 RECEIVABLES AND OTHER ASSETS

Upon initial recognition, receivables and other assets are recognised at cost and less impairment. Impairment on trade receivables is recognised if there is objective evidence that the amounts due are not fully recoverable. The amount of the impairment is measured as the difference between the carrying amount of the receivable and the cash value of the estimated future cash flows from this receivable. Impairment is recognised in profit or loss. If the reasons for impairments taken in previous periods no longer exist, they are reversed accordingly. Impairments are determined by the age of the receivables and their recoverability.

Receivables and other assets comprise mainly bonuses from suppliers, creditors with debit balances, other loans and receivables, and payments in transit. Deferred tax assets are also recognised.

Receivables denominated in a currency, if they exist, are measured at the rate of the reporting date.

4.7 INVENTORIES

Inventories are measured at the lower of cost and net realisable value. Inventories are measured in accordance with Group guidelines in line with purchase prices, the FIFO method or the weighted average method less impairment for uncommon products or stock.

4.8 LEASES

Leases are classified as “Finance Leasing“ if according to the terms of the lease all opportunities and risks associated with the property are transferred to the lessee.
All other leases are classified as “Operating Leases”.
Non-current assets which were rented or leased and whose beneficial ownership resides with the respective Group company (“finance lease”) are recognised as assets of the Group at fair value or with the cash value of the minimum lease

payment, if this is lower. The corresponding amounts owed to the lessor are recognised in the balance sheet as finance lease obligations under amounts owed to banks. Lease payments are allocated to interest expenditure and reduction of the lease in such a way that interest is continuously charged on the remaining commitment. Lease payments within an operating lease are recognised as expenditure in the income statement on a straight-line basis over the term of the lease.

4.9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, cheques, bank balances and securities, have a term of no more than three months and are measured at their nominal value.

4.10 EQUITY

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or options are shown as a deduction, net of tax, if any, from the proceeds costs directly attributable to the issue of new shares or options or those directly related to an acquisition are included in the cost of the respective acquisition as part of consideration for the acquisition.

4.11 LONG-TERM PROVISIONS

Provisions are formed where the Group has a current legal or constructive obligation resulting from a past event and where it is probable („more likely than not“) that the payment of the obligation will negatively impact assets and where it was possible to determine reliably the level of the provision. Provisions are measured at the most likely value of their utilisation. Interest is charged at risk-adequate market rates on long-term provisions if their effect is material.

4.12 PENSION PROVISIONS

The VBH Group only has defined benefit plans. The actuarial valuation of pension provisions for retirement benefits is carried out in line with the projected unit credit method prescribed in IAS 19 (“Employee Benefits”), in which an actuarial valuation is carried out at every balance sheet date. This method accounts not only for the present value of pension obligations known at the balance sheet date, but also for future salary and benefit increases. Differences resulting at the end of the year (known as actuarial gains and losses) between planned pension obligations and the defined benefit obligation are included in profit or loss in the relevant reporting period.

The basis for the pension entitlements is a pension commitment dated 18 February 1981 for a group of pre-retirees employed by VBH Deutschland GmbH or its legal predecessor, VBH Holding AG and esco GmbH, until 1 March 1996. In accordance with the supplement dated 22 February 1996, this company pension plan was entered into for employees hired after 29 February 1996. Individual commitments also exist.

4.13 CONTINGENT LIABILITIES

Contingent liabilities are not recognised. A contingent liability exists if the existence of a present, legal or constructive obligation is possible and if the outflow of resources is merely possible but not likely. An event is considered probable if the occurrence of the event is more likely than not. However, a contingent liability is disclosed in the Notes if the possibility of an outflow of resources embodying economic benefit is not unlikely.

Contingent assets are likewise not recognised. However, they are disclosed where the inflow of economic benefit is probable.

4.14 REVENUE RECOGNITION

Sales revenue is measured at the fair value of the consideration received or to be received and represents the amounts recoverable for goods and services in the normal course of business. Rebates, VAT and other sales reductions associated with the sale should be deducted from these amounts. The sale of goods is recognised on delivery and transfer of ownership.

4.15 INCOME TAXES

Current income taxes are determined based on respective local taxable income of the period and tax rules. In addition, current income taxes include adjustments for uncertain tax payments or tax refunds for periods not yet assessed as well as interest expense and penalties on the underpayment of taxes. Deferred tax is included in income tax expense and reflects the changes in deferred tax assets and liabilities except for changes recognised directly in equity.

Deferred tax assets or liabilities are determined based on temporary differences between financial reporting and the tax basis of assets and liabilities, including differences from consolidation, loss carryforwards and tax credits. Measurement takes place on the basis of the tax rates whose effectiveness is expected for the period in which an asset is realized or a liability is settled. For this purpose those tax rates and tax rules in effect at the balance sheet date or those announced are used. Deferred tax assets are recognised to the extent that taxable profit at the level of the relevant tax authority will be available for the utilisation of the deductible temporary differences. VBH recognises a valuation allowance for deferred tax assets when it is not probable that a respective amount of future taxable profit will be available or when VBH has no control over the tax advantage.

Tax benefits resulting from uncertain income tax positions are recognised at the best estimate of the tax amount for which payment is expected.

4.16 ESTIMATES MADE IN PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Presentation of the assets, financial position and earnings in the consolidated financial statements relies upon recognition and measurement methods and on assumptions and estimates. Actual results may differ from the estimates. The significant estimates and related assumptions listed below and those uncertainties associated with the accounting policies chosen are key to an understanding of the underlying risks of financial reporting and the effects that these estimates, assumptions and uncertainties may have on the consolidated financial statements.

The measurement of the asset value of property, plant and equipment and of intangible assets necessitates estimates for the calculation of fair value at the date of acquisition, if they were acquired as part of a business combination. Moreover, the expected useful economic life of the assets must be estimated. The calculation of the fair value of assets and liabilities and of the useful lives of the assets is based on judgements by Management. The calculation of impairment on tangible and intangible assets also involves making estimates relating among other things to the cause, date and amount of the impairment. Impairment is based on many factors. including changes in current competitive conditions, expectations of growth in the construction, window and door industry, increased cost of capital, changes in the future availability of financing, technological obsolescence, discontinuance of services, current replacement costs, prices paid in comparable transactions, share-based compensation models, the amount of deferred taxes, warranty obligations, the recoverability of receivables and other changes in circumstances that indicate an impairment exists.

5. Consolidated balance sheet disclosures

5.1 INTANGIBLE ASSETS

in € T	Industrial property and similar rights	Goodwill	Payments on account	Total
Acquisition costs				
Balance at January 1, 2007	**6,851**	**65,853**	**40**	**72,744**
Currency translation differences	21	0	0	21
Change in scope of consolidation	5	0	0	5
Additions	904	7,445	353	8,702
Reclassifications	0	0	0	0
Disposals	157	74	0	231
Balance at December 31, 2007/January 1, 2008	**7,624**	**73,224**	**393**	**81,241**
Currency translation differences	-87	0	-4	-91
Change in scope of consolidation	402	124	0	526
Additions	4,681	5,224	206	10,111
Reclassifications	184	0	-212	-28
Disposals	16	0	33	49
Balance at December 31, 2008	**12,788**	**78,572**	**350**	**91,710**
Amortisation and impairment losses/reversals				
Balance at January 1, 2007	**6,070**	**35,042**	**0**	**41,112**
Currency translation differences	24	0	0	24
Change in scope of consolidation	3	0	0	3
Amortisation	545	0	0	545
Impairment losses	0	0	0	0
Reclassifications	0	0	0	0
Disposals	156	25	0	181
Balance at December 31, 2007/January 1, 2008	**6,485**	**35,017**	**0**	**41,502**
Currency translation differences	-84	0	0	-84
Change in scope of consolidation	359	124	0	483
Amortisation	1,083	0	0	1,083
Impairment losses	0	0	0	0
Reclassifications	-47	0	0	-47
Disposals	7	0	0	7
Balance at December 31, 2008	**7,789**	**35,141**	**0**	**42,930**
Carrying amount at December 31, 2008	**4,999**	**43,431**	**350**	**48,780**
Carrying amount at December 31, 2007	**1,139**	**38,207**	**393**	**39,739**

5.2 PROPERTY, PLANT AND EQUIPMENT

in € T	Land and buildings	Other equipment, operating and office equipment	Advance payments, assets under development	Total
Aquisition costs				
Balance at January 1, 2007	**39,975**	**32,281**	**1,717**	**73,974**
Currency translation differences	-183	-110	-78	-371
Change in scope of consolidation	-57	1,091	0	1,034
Additions	416	5,701	790	6,907
Reclassifications	0	87	-87	0
Disposals	1,174	2,805	75	4,055
Balance at December 31, 2007/January 1, 2008	**38,977**	**36,245**	**2,267**	**77,489**
Currency translation differences	-852	-1,606	-237	-2,695
Change in scope of consolidation	0	1,960	0	1,960
Additions	742	4,224	255	5,221
Reclassifications	995	-175	-792	28
Disposals	1,651	2,485	178	4,314
Balance at December 31, 2008	**38,211**	**38,163**	**1,315**	**77,689**
Depreciation and impairment losses/reversals				
Balance at January 1, 2007	**17,441**	**24,057**	**0**	**41,499**
Currency translation differences	-69	-62	0	-131
Change in scope of consolidation	-24	200	0	176
Amortisation	1,275	3,645	0	4,920
Impairment losses	0	0	0	0
Reclassifications	0	0	0	0
Disposals	725	2,193	0	2,918
Balance at December 31, 2007/January 1, 2008	**17,898**	**25,647**	**0**	**43,546**
Currency translation differences	-335	-1,172	0	-1,507
Change in scope of consolidation	0	1,725	0	1,725
Amortisation	1,307	3,544	0	4,851
Impairment losses	0	0	0	0
Reclassifications	328	-281	0	47
Disposals	1,331	1,985	0	3,316
Balance at December 31, 2008	**17,867**	**27,478**	**0**	**45,346**
Carrying amount at December 31, 2008	**20,344**	**10,685**	**1,315**	**32,343**
Carrying amount at Dezember 31, 2007	**21,079**	**10,598**	**2,266**	**33,943**

5.3 FINANCIAL ASSETS

in € T	Goodwill	Participations	Payments on account	Total
Aquisition costs				
Balance at January 1, 2007	**505**	**221**	**0**	**726**
Currency translation differences	1	0	0	1
Change in scope of consolidation	-2,439	0	0	-2,439
Additions	2,946	0	0	2,946
Reclassifications	80	-80	0	0
Disposals	242	0	0	242
Balance at December 31, 2007/January 1, 2008	**851**	**141**	**0**	**992**
Currency translation differences	-7	0	0	-7
Change in scope of consolidation	-8,906	0	0	-8,906
Additions	12,153	0	93	12,246
Reclassifications	0	0	0	0
Disposals	1	135	0	136
Balance at December 31, 2008	**4,090**	**6**	**93**	**4,189**
Depreciation and impairment losses/reversals				
Balance at January 1, 2007	**375**	**39**	**0**	**414**
Currency translation differences	1	0	0	1
Change in scope of consolidation	0	0	0	0
Additions	0	0	0	0
Reclassifications	0	0	0	0
Disposals	112	0	0	112
Balance at December 31, 2007/January 1, 2008	**264**	**39**	**0**	**303**
Currency translation differences	-3	-1	0	-4
Change in scope of consolidation	0	0	0	0
Amortisation	0	0	0	0
Reclassifications	0	0	0	0
Disposals	0	32	0	32
Balance at December 31, 2008	**261**	**6**	**0**	**267**
Carrying amount at December 31, 2008	**3,829**	**0**	**93**	**3,922**
Carrying amount at December 31, 2007	**586**	**103**	**0**	**689**

5.4 INVENTORIES

in € T	2007	2008
Raw materials and supplies	50	77
Work in progress	0	0
Finished goods and goods for resale	121,990	115,367
Prepayments	6,304	8,618
Inventories	**128,344**	**124,062**

€ T 115,444 of the inventories recognised at December 31, 2008 were recognised at their net realisable value. At balance sheet date € T 9,351 in impairment was recognised.

5.5 RECEIVABLES AND OTHER ASSETS

	2007			2008		
in € T	short-term	long-term	Total	short-term	long-term	Total
Financial receivables from affiliated companies	**100,418**	**0**	**100,418**	**106,770**	**0**	**106,770**
Financial receivables from associated companies	4,480	0	4,480	8,885	0	8,885
Other operating receivables	22,808	4,694	27,502	25,310	3,946	29,256
Receivables and other assets	**27,288**	**4,694**	**31,982**	**34,195**	**3,946**	**38,141**
Total	**127,706**	**4,694**	**132,400**	**140,965**	**3,946**	**144,911**

Of other operating assets € T 17,579 are attributable to receivables to suppliers (previous year: € T 13,695) and € T 4,072 to receivables to tax authorities (previous year: € T 4,955).

Aging Schedule of Trade Receivables

in € T	2007	2008
Total trade receivables	100,418	106,770
Not impaired and not yet due	42,454	56,542
Not impaired and past-due	9,990	15,697
30 to 60 days	5,419	6,778
60 to 120 days	1,555	3,349
> 120 days	3,016	5,570

Valuation Allowances for Trade Receivables

in € T	2008
Balance as of January 1	**11,234**
Allocations (impairment losses)	5,176
Utilization	2,035
Withdrawals (gains on impairment reversals)	2,748
Balance as of December 31	**11,628**

With respect to receivables that are neither impaired nor past due, there were no indications that they could not be recovered from debtors as at the balance sheet date.
Figures for 2007 are not available.

5.6 CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents is presented in the following table. At the balance sheet date the maximum default risk was equal to the carrying amount. Securities with the amount of € T **6** (previous year: € T 7) are contained within short-term cash and cash equivalents.

in € T	2007	2008
Credit with banks	12,211	12,417
Short-term cash equivalents and fixed-term deposits	7	6
Cash in hand and checks	963	944
Cash and cash equivalents	**13,182**	**13,366**

5.7 TAX RECEIVABLES

Income taxes on asset side

	2007			2008		
in € T	short-term	long-term	Total	short-term	long-term	Total
Income taxes on asset side	380	7,782	8,162	897	7,240	8,137
Total	**380**	**7,782**	**8,162**	**897**	**7,240**	**8,137**

5.8 OTHER SHORT-TERM ASSETS

in € T	2007	2008
Other short-term assets	1,484	1,121
Total	**1,484**	**1,121**

Other short-term assets including marked off receivables.

5.9 EQUITY

Subscribed capital

Subscribed capital of € 45,790,408 is divided into 45,790,408.00 (no-par) bearer shares.

The exercise of profit sharing rights and options in 2008 caused the following changes in equity:

in Numbers	2007	2008
Balance at January 1	**36,495,447**	**39,865,067**
Shares from convertible bonds	3,019,619	5,345,342
Shares from options	350,001	579,999
Balance at December 31	**39,865,067**	**45,790,408**

Authorised Capital I

Until May 24, 2009, the Executive Board, with the approval of the Supervisory Board, is authorised to increase the subscribed capital of the company once or more than once by up to € 7.5 million by issuing new no-par bearer ordinary voting shares (no-par shares). Capital increases can be made against cash or non-cash contributions.

Authorised Capital II

Until May 24, 2009, the Executive Board, with the approval of the Supervisory Board, is further authorised to increase the subscribed capital of the company once or more than once by up to € 7.5 million by issuing new no-par bearer ordinary voting shares (no-par shares) with facility of exclusion of subscription rights. Capital increases can be made against cash or non-cash contributions.

Contingent Capital I

The Executive Board, with the approval of the Supervisory Board, is further authorised to exclude the legal subscription right of shareholders in three cases:

The subscribed capital of the company is to be increased contingently by € 10,000,000 by issuing up to 10,000,000 new no-par bearer ordinary voting shares (no-par shares). The contingent capital increase is only carried out if holders of profit-sharing rights with conversion rights (convertible bonds) issued by the company on the basis of the Annual General Meeting resolution dated May 24, 2004 exercise their conversion rights and if third-party shares are made available to service these rights. The new shares participate in profit from the beginning of the fiscal year in which they arise due to the exercise of conversion rights. The Executive Board is authorised, with the approval of the Supervisory Board, to determine the further details of the contingent capital increase.

In fiscal year 2008, a total of 26,726,710 profit sharing rights were converted into 5,345,342 shares. 8,175,195.00 profit sharing rights remain issued. On December 31, 2008, Contingent Capital I amounted to € 1,635,039. If the holders of the convertible bonds do not use their conversion rights, the convertible bonds will be paid back to the value of € 8,175,195 once the termination period expires on December 31, 2009.

Contingent Capital II

The subscribed capital of the company is to be increased contingently by € 1,200,000 through the issue of up to 1,200,000 new no-par bearer ordinary voting shares (no-par shares). The contingent capital increase is exclusively for the purpose of fulfilling option rights that were granted on the basis of authorisation by the Annual General Meeting from May 24, 2004 until May 24, 2009. The contingent capital increase will only be implemented to the extent that holders of the issued option rights exercise their right to purchase company shares and the company does not issue any own shares to fulfil these option rights. The new no-par shares participate in profit from the beginning of the fiscal year in which the shares are issued. A total of 1,200,000 share options were issued to December 31, 2008, of which 600,000 were issued to the Executive Board, 120,000 were issued to managing directors of affiliated companies and 480,000 were issued to managers and former managers of the Group. Of these issued options, 579,999 were converted to shares in 2008. As at the end of the year, the outstanding Contingent Capital II amounted to € 270,000.

Capital reserve

The capital reserve increased in 2008 due to the exercise of options in the amount of € T 1,011 and of profit sharing rights amounting to € T 21,381 and share based compensation in the amount of € T 89 to € T 41,360.

Retained earnings

In 2008, capital, interim profit/loss and debt consolidation adjustments were reclassified as net income/loss for the year. We refer to the statement of changes in equity.

in € T	2007	2008
Legal reserve	2,095	2,124
Other reserves	40,244	45,174
Reserve for IFRS adjustments	-213	-280
Reserve for currency translation differences in dividends	0	-730
Cash Flow Hedge	605	-1,623
Currency translation adjustments	-826	-9,476
Total other reserves	**41,905**	**35,189**

5.10 STOCK OPTION PLAN

The Executive Board, with the approval of the Supervisory Board, was authorised to issue up to 600,000 subscription rights on up to 600,000 VBH Holding AG no-par bearer shares with voting rights (hereafter also designated as „options“ or „optionrights“) subject to the following regulations up to May 24, 2009. The Supervisory Board is authorised to issue up to 600,000 subscription rights on up to 600,000 VBH Holding AG no-par common shares with voting rights, through May 24, 2009 subject to the following conditions.

Persons entitled to subscribe

Options may only be issued to members of the Executive Board of VBH Holding AG, managing directors of affiliated German and non-German companies, and executives of the company and affiliated German and non-German companies. Which exact persons are entitled to subscribe, and the scope of the options to be granted to them, is determined by the Executive Board of the company. To the extent that members of the Executive Board receive options, the Supervisory Board of the company alone has the obligation to specify and issue options. The total volume of options is divided among the entitled groups of persons as follows:

Members of the Executive Board of VBH Holding AG receive up to 50 % of the options. Members of the management of affiliated companies receive a maximum total of 10 % of the options. Managers of VBH Holding AG and its affiliated companies receive a maximum total of 40 % maximum of the options. In all cases, entitled members are granted options only by being a member of one group of persons. Double subscription is not allowed. At the time the options are granted, the entitled persons must have an active working relationship or service contract with the company or an affiliated German or foreign company.

Granting of options (periods of acquisition), issue date and contents of the option

Options are granted in yearly tranches which are issued within four weeks beginning the day after the company‘s Annual General Meeting, the first time within a period of four weeks from the date the contingent capital increase to be resolved is registered.

The options are issued when a written contract for purchase of options (option agreement) is entered into between the relevant authorised person and the company. The company shall present an option agreement to the entitled persons for this purpose. The issue date is the date on which the option agreement that is signed by the company is delivered to the entitled persons.

Each option authorises the holder to the subscription to a common voting share of VBH Holding AG in return for payment of the exercise price.

Exercise price and profit target

The price to be paid upon exercise of the relevant option (exercise price) corresponds to the average value of the closing prices of the company‘s common stock as determined in floor trading on the Frankfurt Stock Exchange over the ten trading days before the day on which the options are issued, i.e. the issue date.

However, the minimum exercise price is the proportional amount that is allocated to the individual common share (section 9 (1) German Stock Corporation Act). The requirement for exercising options is that the relative increase in the value of the company’s shares between the option issue date and the respective exercise date is greater than the performance of the SDAX or another index functioning in the place of the SDAX. The value of the share at the time of the option is issued is determined by the exercise price, which is obtained from the mean value of the closing prices of the company‘s share in floor trading at the Frankfurt Stock Exchange over the ten trading days prior to the issue date. The value of the company‘s stock on the exercise date is determined by the mean value of the company share‘s closing prices in floor trading on the Frankfurt Stock Exchange over the ten trading days before the relevant exercise period.

The value of the SDAX, or an index which is functionally equivalent to the SDAX, at the time of issue of the options is determined by the mean value of the closing prices of this index over the last ten days of trading before the issue date. The SDAX, or an index which is functionally equivalent to the SDAX, on the issue date is determined by the mean value of the closing prices of this index over the last ten days of trading before the relevant exercise period.

Waiting period for first exercise and exercise periods

One third of the options granted may be exercised no earlier than two years (“two-year waiting period”) after the issue date; an additional third may be exercised no earlier than three years after this date and the remaining third may be exercised no earlier than four years after the relevant issue date. The options can only be exercised within a period not exceeding four weeks from the third bank working day after the Annual General Meeting. In addition, all restrictions associated with the general legal regulations must be observed, particularly the German Securities Trading Act.

The performance of the shares issued from options and convertible profit certificates is shown in the following table:

Shares issued by options exercised

Fiscal year / Tranches	Remaining term in years	Total options outstanding	Exercise price in €	Options exercised	Shares issued
2004	1	120,000	2,74	559,999	559,999
2005	2	10,000	2,59	10,000	10,000
2006	3	20,000	3,03	10,000	10,000
2008	5	120,000	5,82	0	0
		270,000		**579,999**	**579,999**

The options issued developed as follows:

	2007		2008	
in € T	**Number of average options**	**Weighted average price in €/share**	**Number of average options**	**Weighted average price in €/share**
Balance as of January 1	1,080,000	2.74	729,999	2.75
Options granted	0	0.00	120,000	5.82
Exercised	350,001	2.74	579,999	2.74
Balance as of December 31	**729,999**	**2.75**	**270,000**	**4.12**

In fiscal year 2008 personnel expenses in the amount of € T 89 (previous year: € T 0) have been caused by stock option plan.

The parameters used for determining the fair value are shown in the table below:

Tranches	2004	2005	2006	2008
Expected volatility share	44.00	44.00	44.00	38.00
Expected volatility index	15.00	15.00	15.00	20.00
Risk free investmet interest	3.40	3.40	3.40	4.60
Residual term in years	1	2	3	5
Fair value per option in €	0.84	0.84	0.84	1.30

The expected volatilities are based on the historical volatility of the VBH share and the SDAX. The period on which the estimate of the volatility of the VBH share is based is viewed retroactively for the two years prior to the point at which the fair value of the option is calculated. The measurement is based on a binomial model.

In 2008, 5,345,342 shares were issued from convertible bonds (previous year: 3,019,619).

5.11 LIABILITIES

	2007			2008		
in € T	**short-term**	**long-term**	**Total**	**short-term**	**long-term**	**Total**
Liabilities against banks and third party	31,366	65,098	96,464	42,790	70,019	112,808
Loans/Convertible profit-sharing rights	0	34,902	34,902	8,175	0	8,175
Financial Liabilities	**31,366**	**100,000**	**131,366**	**50,965**	**70,019**	**120,984**
Trade payables	**49,552**	**0**	**49,552**	**44,859**	**0**	**44,859**
Advances received	2,001	0	2,001	2,194	0	2,194
Liabilities from affiliated companies	0	0	0	0	0	0
Liabilities from associated companies	38	0	38	0	0	0
Other operating liabilities	30,937	5,029	35,938	38,603	2,307	40,910
Income taxes on asset side	1,196	0	1,196	835	0	835
Receivables and other operating liabiliies	**34,172**	**5,029**	**39,173**	**41,632**	**2,307**	**43,939**
Total	**115,090**	**105,029**	**220,091**	**137,456**	**72,325**	**209,781**

Significant items in other current operating liabilities are deferred liabilities in the amount of € T 7,213 (previous year: € T 6,433), tax liabilities of € T 9,451 (previous year: € T 6,593) and liabilities against customers of € T 7,991 (previous year: € T 6,146).

In connection with the capital model of 2004, € 50 million in amounts payable to banks were transferred to floating-rate profit sharing rights. The terms of the convertible bonds and their interest rates may be retrieved at any time at www.vbh-holding.de. Of the original € 50 million in profit sharing rights, € 8.175 million have not been exercised and currently carry an interest rate of 8 %.

Other long-term liabilities in the amount of € T 2,307 (€ T 5,001) result primarily from amounts owed on purchase prices in connection with acquisitions of companies and interests and from syndicated loans of domestic banks. The bulk of the financing of VBH Holding AG and the German subsidiaries has been arranged with the following banks: BW-Bank Stuttgart, Volksbank in Stuttgart AG, Deutsche Bank AG, Stuttgart, the Kreissparkassen [local savings banks] of Böblingen and Ludwigsburg and IKB, Deutsche Industriebank AG. A syndicated loan agreement with an overall line of credit of € 100 million and a five-year term was signed on March 19, 2007 and recognised as non-current.

Trade payables comprise outstanding obligations to suppliers and current expenses. The Executive Board assumes that the carrying amount of the trade payables approaches their fair value.

The table below presents the liabilities from financial leases contained within financial liabilities.

in € T	**2007**	**2008**
Maturity within 1 year	136	145
Maturity in 1-5 years	516	478
Maturity after 5 years	2,237	2,131
Nominal value	**2,889**	**2,754**

Significant finance lease agreements exist in the Group for warehouse and office buildings used by VBH in Cologne, Germany and Savona, Italy. The leased assets are recognised in property, plant and equipment at a carrying amount of € T 2,774 (previous year: € T 2,881). The fair value of lease payment obligations of the Group almost corresponds with their carrying amount. The carrying amounts total € T 925 for land (previous year: € T 925) and € T 1,730 for buildings (previous year: € T 1,808). Lease instalments totalled € T 331 (previous year: € T 229) including interest payments in the amount of € T 154 compared with € T 143 in the previous year. The conversion date for the Cologne financial lease contract is February 1, 2017. The lease liabilities will be redetermined on this date.

5.12 PENSION PROVISIONS

The actuarial report of Rauser AG, Reutlingen, Germany, of February 2009 was prepared in accordance with IAS 19 with focus on essential pension provisions in Germany. The measurement is based on the following parameters of calculation in line with the “projected unit credit method“:

Actuarial assumptions

	2006	2007	2008
Discount rate	4.5 %	5.5 %	5.8 %
Expected return on plan assets	0.0 %	4.0 %	3.0 %
Expected salary increase rate	2.0 %	2.0 %	2.0 %
Expected income from reimbursements	0.0 %	0.0 %	0.0 %
Expected pension increase rate	1.0 %	1.0 %	1.0 %
Contribution assessment in statutory pension insurance	2.0 %	2.0 %	2.0 %

The actuarial assumptions reflect the fair value of cash and cash equivalents (calculatory interest rate) and the probability that payments will come due (assumptions on mortality, fluctuation and early retirement, etc.). The information is based on mortality table 2005 G of Heubeck Richttafeln GmbH.

The service cost and any past service cost calculated using the projected unit credit method are recognised in the costs for the provision of benefits of the defined benefit plans.

Effects in profit and loss from defined benefit plans

in € T	**2006**	**2007**	**2008**
Service cost	350	281	164
Interest cost	517	557	610
Expected return on plan assets	0	0	-22
Actuarial gains and losses	56	0	-15
Total	**923**	**838**	**737**

Present Value of liabilities from defined benefits plans

in € T	2006	2007	2008
Balance as of January 1	**11,184**	**11,788**	**12,294**
Service cost	350	281	164
Interest cost	517	557	610
Fair value liability insurance			-540
Expected return on plan assets			-22
Actuarial gains and losses	56		-15
Contributions			-29
Benefits paid	-319	-332	-342
Balance as of December 31	**11,788**	**12,294**	**12,119**

Plan assets and expected return

in € T			2008
Fair value liability insurance			**540**
Expected return			**3.0 %**
Balance as of January 1			**540**
Contributions of employers and employees			29
Expected return plan assets			22
Actuarial gains / losses			19
Balance as of December 31			**572**

As this was not a requirement in previous years, the plan assets are presented for the first time in the 2008 fiscal year.

Present value of pension provisions

in € T	2006	2007	2008
Present value of liabilities financed by means of plan assets			-1,454
Plan assets			572
Financial status			-882
Present value of liabilities not financed by means of plan assets	-12,578	-11,282	-9,836
Non amortised actuarial gains and losses	790	-1,012	-1,402
Portion of maximum amount not recognized	-11,788	-12,294	-12,119

5.13 PROVISIONS

in € T	Pensions and similar	Taxes	Product liability	Other	Total
Balance as of January 1, 2007	**11,797**	**3,751**	**1,479**	**10,219**	**27,246**
Change in scope of consolidation	0	91	0	-61	30
Currency changes	1	-155	0	1	-153
Currency changes	839	4,593	512	5,061	11,005
Allocations (impairment losses)	0	0	0	0	0
Reclassifications	332	2,821	58	6,816	10,026
Utilization	0	199	90	861	1,150
Balance as of December 31, 2007	**12,305**	**5,260**	**1,844**	**7,543**	**26,952**
thereof short-term	0	4,326	441	5,683	10,450
thereof long-term	12,305	934	1,403	1,860	16,502
Balance as of January 1, 2008	**12,305**	**5,260**	**1,844**	**7,543**	**26,952**
Change in scope of consolidation	0	5	0	256	261
Currency changes	-2	-493	0	-95	-590
Allocations (impairment losses)	745	3,553	251	2,134	6,683
Reclassifications	-540	0	0	0	-540
Utilization	379	369	37	4,551	5,336
Withdrawals (gains on impairment reversals)	0	642	373	589	1,604
Balance as of December 31, 2008	**12,129**	**7,314**	**1,685**	**4,698**	**25,827**
thereof short-term	0	4,204	267	2,767	7,238
thereof long-term	12,130	3,110	1,418	1,932	18,589

Significant items in other provisions are bonus provisions amounting to € T 743 (previous year: € T 670) and provisions for personnel amounting to € T 1,706 (previous year: € T 1,426). Deferred taxes totalling € T 3,110 (previous year: € T 934) are contained in provisions for taxes. Product warranty provisions contain already realised property orders and warranties recognised for a period of five years.

5.14 OTHER LIABILITIES

	2007			2008		
in € T	**short-term**	**long-term**	**Total**	**short-term**	**long-term**	**Total**
Other liabilites	34	0	34	152	113	265
Total	**34**	**0**	**34**	**152**	**113**	**265**

6. Notes to the income statement

6.1 SALES REVENUE/SEGMENT REPORTING

In accordance with IFRS guidelines, the organisational structure of VBH is broken down into four primary operating segments and one non-operating segment. These segments form the basis for the primary format of segment reporting while also reflecting the internal control structure of the Group. Because the Group does not operate any different business segments, a breakdown according to business segments is not necessary.

Germany, Western Europe, Eastern Europe and Other Markets are the operating segments, while Corporate Services represents the non-operating segment.

Sales revenue is broken down by segment as follows:

in € T	2007	2008
Germany	365,158	388,268
Western Europe	169,236	182,893
Eastern Europe	285,231	304,976
Other markets	6,140	12,232
Corporate Services	0	0
Consolidation	-17,384	-25,579
Group	**808,381**	**862,790**

Business segments are distinguished by their geographical designation in segment reporting. At the same time, they reflect the operating responsibilities of the Group's management structure and are monitored regularly by management in order to assess the financial position of the Group as a whole and the subgroup. The segments represent the segments which are primarily subject to reporting duties according to IAS 14 ("Segment Reporting"). A business segment constitutes a group of assets and operating activities which differ from other segments in respect of its risks and opportunities.

Segment reporting is carried out in line with the balance sheet recognition and measurement methods of the IFRS consolidated financial statements on which it is based. Inter-segment consolidation was carried out. The segments were prepared based on the single-entity financial statements prepared in accordance with IFRSs and present a true and fair view of the assets and liabilities of the segments. For details of the segment we refer to the status report.

As a trading group that defines and specifies its products or services individually within a specific economic environment in the respective markets, elaborating upon the special market-specific attributes and the flexibility of the range of products represents a major criterion for success. The core product ranges in the individual markets and segments are generally similar in type. Their difference lies in their market readiness and is further dependent upon political and economic framework conditions in the regions in which the VBH Group is active. These also represent the significant risk criteria for the Group. For several years, the VBH Group has taken this development into account and continues to report these geographical regions as segments with almost no changes.

6.2 COST OF MATERIALS

The cost of materials breaks down as follows:

in € T	2007	2008
Costs of raw materials, supplies and purchased merchandise	608,969	649,734
Costs of purchased services	2,031	1,934
Total	**611,000**	**651,668**

6.3 PERSONNEL EXPENSES

Personnel expenses developed as follows:

in € T	2007	2008
Wages and salaries	70,898	79,275
Social security constributions and pension costs	13,917	15,952
Total	**84,815**	**95,227**

The structure of personnel expenses primarily comprises the expanded business activities, particularly those in Eastern Europe, and the integration of non-consolidated companies and activities into the scope of consolidation.

Employees

in € T	2007	2008
Germany	928	952
Abroad	1,758	1,928
Total	**2,686**	**2,880**

On average, the company employed a workforce of 2,880 during the reporting year (2007: 2,686). There were 32 trainees in the Group, compared to 28 the previous year.

6.4 OTHER OPERATING INCOME

in € T	2007	2008
Income from reversal of provisions	652	1,220
Income from reversal of impairments	2,507	2,391
Income from disposal	499	618
Other operating income	10,645	11,362
Total	**14,303**	**15,591**

Significant items under other operating income are exchange rate gains of € T 4,444 (previous year: € T 2,389), rebates on purchased goods from previous years of € T 1,035 (previous year: € T 2,562) and fringe benefits of € T 1,081 (previous year: € T 760).

6.5 OTHER OPERATING EXPENSES

in € T	2007	2008
Administrative expenses	14,435	15,720
Selling expenses	24,522	28,748
Other operating expenses	27,342	33,272
Expenses relating to other periods	5,735	5,972
Total	**72,034**	**83,712**

Other operating expenses continued to increase due to the expansion of business activities and trade volume. Significant items in other operating expenses are exchange rate losses totalling € T 5,197 (previous year: € T 2,668), rent and incidental rent costs of € T 11,144 (previous year: € T 9,479) and leasing costs of € T 2,746 (previous year: € T 2,237).

6.6 AMORTISATION AND DEPRECIATION

in € T	2007	2008
Depreciation on intangible assets	545	1,083
Depreciation on property, plant and equipment	4,920	4,851
Total	**5,465**	**5,934**

6.7 FINANCIAL RESULT

Interest income is accounted for on an accrual basis, including outstanding loan amounts and the applicable interest rate. The applicable interest rate is precisely that interest rate discounted by estimated future cash inflows over the life of the financial asset to the net carrying amount of the asset. Dividend income from financial investments is recognised when the shareholder's legal claim to payment arises.

The financial result comprises the following:

in € T	2007	2008
Income from investments	1	0
Other interest and similar income	784	887
Interest and similar expenses	11,950	8,969
Interest result	**-11,166**	**-8,082**
Depreciation on financial assets and securities	0	0
Total	**-11,165**	**-8,082**

The financial result increased from € T -11,165 the previous year to € T -8,082. The lower interest expenditure due to the partial conversion of the profit sharing certificates into shares, as well as an improved rating for VBH Holding AG, contributed significantly to this positive development.

6.8 INCOME TAX

in € T	2007	2008
Current taxes	**11,690**	**10,360**
Germany	574	905
Abroad	11,116	9,455
Deferred taxes	**-3,816**	**1,070**
Germany	-3,365	595
Abroad	-451	475
Total	**7,874**	**11,430**

As in the previous year, income tax continues to be calculated on the basis of the expected tax-able income for the fiscal year.

In accordance with IAS 12.81, the actual tax expense should be compared with that tax expense that would theoretically have resulted had the applicable tax rates been used on the reported earnings before taxes for the year. The total tax rate used, currently 25.3 % (29.5 %) reflects the theoretical group tax rate of VBH.

The tax reconciliation of the computed and actual tax expense for the year under review is as follows:

Tax reconciliation

in € T	2007	2008
Earnings before taxes (EBT)	38,205	33,758
Calculated income tax rate	29.5%	25.3%
Expected tax expense	11,263	8,526
Tax-exempt income/losses	-24	119
Tax additions and deductions	373	1,703
Tax payments and refunds in prvious years and epenses for external audits	79	12
Income taxes	11,690	10,360
Tax rate	30.6%	30.7%

Owing to reduced income tax rates in some countries, the imputed income tax rate of 29.5 % in 2007 decreased to 25.3 % in 2008, resulting in lower than expected tax expense of approximately € 1.4 million.

6.9 DEFERRED TAXES

Deferred taxes are calculated on the basis of the expected tax rates that are applicable at the date on which the debt is settled or the assets are realised respectively recognized in equity.

Deferred tax assets and expense on temporary differences in value result with the following amounts from differing bases for valuation of the individual balance sheet items:

Deferred taxes for temporary differences and tax loss carryforwards

	2007		2008	
in € T	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Deferred taxes for temporaty differences				
Assets	7	928	1	1,747
Long-term current assets	0	0	172	0
Short-term current assets	1,987	4	795	458
Equity	41	0	241	219
Long-term provisions	0	0	5	189
Short-term provisions	462	0	127	3
Short-term liabilities	53	2	101	494
Total	**2,550**	**934**	**1,442**	**3,110**
Tax loss carryforwards	5,232	0	5,798	0
Carrying amount	**7,782**	**934**	**7,240**	**3,110**

During the current fiscal year, in line with the 2008 corporate tax reform, a loss adjustment volume of € T 18,780 (previous year: € T 22,844) for german trade tax and € T 14,247 (previous year: € T 10,889) for corporation tax was recognised as an asset with an average tax rate of 30 % of allocated to corporation tax and trade tax. In line with corporate planning of the specific Group companies, the loss adjustment volume will be consumed within five years.The remaining tax losses carried forward, which are eligible to be carried forward without restriction, result from corporation tax in the amount of € T 18,487, and from trade tax in the amount of € T 30,003. A loss adjustment volume in the amount of € T 1,628 for an Austrian company was recognised at a tax rate of 18.75 %. It is anticipated that the loss adjustment volume of € T 5,438 can only be utilised successively over a period of more than five years.

6.10 MINORITY INTERESTS IN THE INCOME STATEMENT OF THE GROUP

Minority interests in the income statement of the Group equal € T 2,229, following € T 2,731 the previous year. They comprise primarily the minority interests of the companies in Spain, Poland, the Czech Republic, Russia, Ukraine, China and Kazakhstan, which also earned significant profits for the Group over the course of the fiscal year.

6.11 EARNINGS PER SHARE

in € T	2007	2008
Net result after minorities	27,600	20,099
Total Number of shares	39,865,067	45,790,408
Weighted average of own shares	50,345	0
Weighted average of own shares diluted	1,932,804	3,398,949
Weighted average of shares from convertible bond and options	7,830,380	332,679
Weighted average of shares from convertible bond and options diluted	38,377,935	43,264,016
Weighted average of shares outstanding	46,208,315	43,596,695
Earnings per share in €	**0.72**	**0.46**
Earnings per share (diluted) in €	**0.67**	**0.46**

The calculation of diluted earnings included stock options granted and available in their full scope. The following instruments may have a significant diluting effect in future: Exercise of option rights in a volume of up to 270,000 shares (Contingent Capital II), of which 270,000 shares are still outstanding or available. Moreover, two instances of authorised capital (Authorised Capital I and II) exist with a volume of up to 7.5 million shares each.

7. Cash flow disclosures

The cash and cash equivalents of the cash flow statement comprise exclusively the cash and cash equivalents recognised in the balance sheet. The cash flow statement details the Group's cash flows, broken down into cash inflows and outflows into and from ongoing operating, investing and financing activities. The expansion of the scope of consolidation did not have any material impact on the presentation of the figures.

The opening balances of the 2008 Group balance sheet were adjusted to take account of the expansion of the scope of consolidation to include VBH Hody in Belgium. This was the only possible way to calculate a realistic cash flow. The following adjustments were made to individual balance sheet items:
€ T 947 to long-term provisions, € T 5,635 to inventories, € T 4,634 to trade receivables, € T 120 to other provisions, € T 3,640 to trade payables and € T 5,341 to liabilities against banks and third party.
An amount of € T 8,394 for the acquisition of affiliated companies (primarily Hody SA, Belgium) was reclassified from investments in intangible assets to the acquisition of affiliated companies item. Liquid funds of VBH Hody and Fercom SRL were € T 94 in the opening balance.
The payment of interest from convertible bonds totalling € T 2,138 was reclassified from provisions to paid interest. In addition, disbursements for the acquisition of shares in affiliated companies with a total value of € T 365 were attributed to liabilities. The investments item was reduced by an amount of € T 698 for the acquisition of affiliated companies, as this could not yet be treated as a cash item. In contrast to the presentation of the previous year, in 2007 the "Cash and cash equivalents" item contained the securities reported in the Group balance sheet at the beginning and the end of the period.

8. Other disclosures

8.1 ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

Carrying amounts and fair values of financial instruments are classified by their measurement category.

Financial instruments according to IAS 39

2007				Fair value		
in € T	Category in accordance with IAS 39	Carrying amount 31.12.2007	Amortised costs	recog-nized in equity	recog-nized in the income state-ment	Carrying amount 31.12.2007
Assets						
Financial receivables from affiliated companies	AfS	586	586			586
Participations	AfS	103	103			103
Payments on account financial assets	AfS	0	0			0
Derivatives with a hedging relationship	n.a.	605	0	605		605
Trade receivables	LaR	100,418	100,418			100,418
Financial receivables from affiliated companies	LaR	4,480	4,480			4,480
Other assets	LaR	36,543	36,543			36,543
Cash and cash equivalents	LaR / FAHfT	13,182	13,175		7	13,182
Liabilities						
Liabilities against banks and third party	FLAC	96,464	96,464			96,464
thereof finance leases	FLAC	2,889	2,889			2,889
Loans /Convertible profit-sharing rights	FLAC	34,902	34,902			34,902
Trade payables	FLAC	49,552	49,552			49,552
Liabilities from associated companies	FLAC	38	38			38
Other operating liabilities	FLAC	39,135	39,135			39,135

AfS: Available for Sale; LaR: Loans and Receivables; FaHfT: Financial for Assets Held for Trading; FLAC: Financial Liabilities measured at Amortised Costs

Financial instruments according to IAS 39

2008				Fair Value		
in € T	Category in accordance with IAS 39	Carrying amount 31.12.2008	Amortised costs	recognized in equity	recognized in the income statement	Carrying amount 31.12.2008
Assets						
Financial receivables from affiliated companies	AfS	3,829	3,829			3,829
Participations	AfS	0	0			0
Payments on account financial assets	AfS	93	93			93
Trade receivables	LaR	106,770	106,770			106,770
Financial receivables from affiliated companies	LaR	8,885	8,885			8,885
Other assets	LaR	38,514	38,514			38,514
Cash and cash equivalents	LaR / FAHfT	13,366	13,366		6	13,366
Liabilities						
Derivatives Hedging	n.a.	1,136	0	1,136		1,136
Liabilities against banks and third party	FLAC	112,808	112,808			112,808
thereof finance leases	FLAC	2,754	2,754			2,754
Loans /Convertible profit-sharing rights	FLAC	8,175	8,175			8,175
Trade payables	FLAC	44,859	44,859			44,859
Liabilities from associated companies	FLAC	0	0			0
Other operating liabilities	FLAC	43,068	43,068			43,068

AfS: Available for Sale; LaR: Loans and Receivables; FaHfT: Financial for Assets Held for Trading; FLAC: Financial Liabilities measured at Amortised Costs

The fair value of cash and cash equivalents, current receivables, trade payables and other payables approximately corresponds to the carrying amount. This is attributable to the short term of these financial instruments. Shares in private companies limited by shares are carried at cost, as a reliable measurement of fair value would only be possible based on specific sales negotiations.
Cash and cash equivalents, trade receivables and other receivables mostly have short remaining terms. For this reason, their carrying amounts as at the closing date approximate fair value.
The fair values of other non-current receivables and held-to-maturity investments with remaining terms of over one year correspond to the present values of the payments relating to the assets, taking into account the respective applicable interest rate parameters, which reflect market and partner-related changes in conditions and expectations.
Trade payables and other payables usually have short remaining terms; the recognised values thus approximate fair value.
The fair value of liabilities to banks, liabilities to convertible bond holders and other financial liabilities are reported at nominal value.
The interest from financial instruments are reported under net interest income/expense and dividends in other net financial income/net finance costs (results of participations). VBH recognises the remaining components of the net result in other net financial income/net finance costs. Excluded from this are valuation adjustments to trade receivables attributable to the loans and receivables measurement category, which are recognised under other operating expenses. Exchange losses and gains from financial assets attributable to the loans and receivables measurement category chiefly result from intragroup forwarding of loans and deliveries and are reported under other operating income/expenses.
Interest income/expense from financial liabilities in the financial liabilities measured at amortised cost measurement category (totalling a net amount of € 0.6 million) contains interest expense from loans. In addition, interest expense and interest income from interest rate derivative cash flow hedges are presented as an interest rate hedging instrument for hedging the interest rate risk from financial liabilities. Interest income/expense also contains expenses for bank loan commitments.

8.2 RISK MANAGEMENT

The Group is exposed to various financial risks resulting from its operating and financing activities. The most significant financial risks for the Group result from interest rate changes and from the creditworthiness and solvency of the contracting parties of the Group.
Financial risks are managed within the Group in accordance with the policies established by management. They comprise interest rate, market, lending and liquidity risks. Policies and guidelines also exist for other areas, such as liquidity management, and for obtaining short- and long-term loans.

8.2.1 Capital management

The aim of financial risk management is to hedge the risks mentioned above, if necessary, and thus to curtail any negative effects on the income statement and balance sheet of the Group. In compliance with the principle of functional separation, financial risks to which the Group is exposed are assessed, monitored and dealt with actively. Among the measures to achieve the objectives of risk management are optimisation of the capital structure, changing the amounts of dividends, acquisitions and divestments, and reducing debt.

8.2.2 Market risk

Market risk from financial instruments consists primarily of currency and interest rate risk. It is monitored by means of sensitivity analyses.

8.2.3 Liquidity risk

Central liquidity planning is based on the Group financing. In order to ensure the liquidity and financial flexibility of VBH Group, the Group has fixed credit lines in the amount of € 165 million. Moreover, the timing and content of distributions of dividends are coordinated on the basis of liquidity planning with the subsidiaries. The option of issuing up to 15,000,000 new shares from authorised capital also exists, subject to the approval of the Supervisory Board. The maturity dates of financial liabilities are listed under point 5.11

8.2.4 Foreign exchange risk

As a globally operating company, the foreign exchange risk of the VBH Group includes exposure to both transaction and translation-related risks.

Transaction risk arises both in the Group financing and from the sale and purchase of goods and services that are not invoiced in the base currency of the respective VBH company. The resulting currency risks are analysed by the Group treasury system and, if necessary, hedged with derivatives. The mutually compensatory effects of the hedged item and currency hedging are recognised as a profit or loss and thus can be found in the income statement.

The translation risk results from the fact that many VBH companies are outside the eurozone, while the accounting of VBH Holding AG is denominated in euro. In the consolidated financial statements, therefore, balance sheets and income statements of the companies outside the eurozone must be translated into euro. The translation-related effects of changes in foreign exchange rates are recognised under equity in the VBH consolidated financial statements. Because the interests are of long duration, VBH Holding AG dispenses with the direct hedging of net asset items.

In accordance with the specifications of IFRS 7, a sensitivity analysis was conducted for the foreign exchange risks. The table below shows what effect a 10 % fluctuation in the respective foreign currency would have on the equity or earnings for the year. The analysis is based on the respective volume as at the balance sheet date.

Sensitivity analysis exchange rate risks

	2007 Exchange rate		2008 Exchange rate	
in € T	**10 % increase**	**10 % decrease**	**10 % increase**	**10 % decrease**
Change in net profit				
EUR / CNY	187	-170	333	-302
EUR / CZK	323	-294	302	-275
EUR / GBP	181	-165	121	-110
EUR / PLN	157	-143	288	-261
EUR / RUB	547	-497	690	-627
EUR / SGD	246	-224	355	-323
Overall impact	**1.641**	**-1,493**	**2,089**	**-1,898**

8.2.5 Financial debts

in € T	2007	2008
Fixed income financial debts	11,526	13,278
Variable financial debts	84,938	99,531
Total	**96,464**	**112,810**

Interest rate risk at VBH is incurred by financial items on the liabilities side of the balance sheet, primarily financial liabilities on the balance sheet.

Hedge Accounting

During the 2008 fiscal year, interest rate risks resulted from floating-rate financing debts and from the market values of two financial derivatives (interest rate swaps). The syndicated loan caused two conventional interest rate swaps to be used for the first time as part of hedge accounting in 2007. The nominal value of these swaps is € 40 million. In an interest rate swap, the Group swaps fixed and variable interest payments calculated on the basis of agreed nominal amounts. Such agreements allow the Group to mitigate the risk of changing interest rates on the fair value of issued fixed-interest debt instruments and risks to cash flow posed by issued floating-rate debt instruments. The fair value of interest rate swaps at the reporting date is determined by discounting future cash flows using yield curves at the reporting date and the lending risk associated with the contracts.

The following sensitivity analysis shows what effect a fluctuation by one percentage point at the respective market level would have had on equity or earnings for the year. The analysis is based on the respective volume as at the balance sheet date.

Sensitivity analysis interest rates risks

	2007 Market interest rate		2008 Market interest rate	
in € T	1 percent increase	1 percent decrease	1 percent increase	1 percent decrease
Variable rate instruments				
Change in net profit	-449	449	-595	595
Interest rate swaps				
Change in net profit	1,654	-1,654	1,242	-1,242
Overall impact	**1,205**	**-1,205**	**647**	**-647**

The residual term of the interest rate derivatives, as of December 31, 2008, is 42 months. During to 2008 fiscal year, the market changes due to the interest rate derivatives of € T -1,623 (previous year: € T 605) were recognised in the consolidated reserves.

8.2.6 Default risk

Because of its business dealings with third parties in various sectors, VBH Group is generally exposed to default risk globally. This risk results from the possibility of non-performance by a contracting party. The maximum default risk is stated on the basis of the carrying amounts of the financial assets recognised in the balance sheet.

In order to keep default risk to a minimum, a comprehensive credit control system has been established in several companies. Credit information has been collected and historical data has been used from the business relationship to date, particularly that regarding payment practices, in order to prevent any default on payments. If default risk can be detected early, it is covered by impairments.

For the carrying amount of receivables that are overdue or amortised, and whose maturity are renegotiated, see also point 5.5 receivables and other assets.

9. Other financial liabilities and contingencies

As at the balance sheet date, other financial liabilities existed, particularly arising from leases and lease agreements for buildings, land, machines, tools, office and other equipment and subject to classification as operating leases under IAS 17. In the fiscal year ended December 31, 2008, no other financial obligations or contingencies existed in connection with affiliates. Total future payments arising from non-cancellable contracts are classified as follows by maturity date:

Obligations from rental constracts

in € T	2007	2008
Maturity within 1 year	7,889	9,367
Maturity in 2-5 years	15,637	16,940
Maturity after 5 years	1,682	2,072
Total	**25,208**	**28,379**

Obligations from leasing constracts

in € T	2007	2008
Maturity within 1 year	2,344	2,511
Maturity in 2-5 years	2,495	2,549
Maturity after 5 years	83	0
Total	**4,922**	**5,060**

Contingencies are presented with the amount drawn or correspond to the nominal value of the liabilities.

Obligations from contingent liabilities

in € T	2007	2008
Liabilities from the issue and tansfer of bills of exchange	418	430
Liabilities from guarantees, bills of exchange and check guarantees	1,125	1,348
Liabilities from warranties	0	57
Contingency from the placement of colleteral for external payables	0	0
Total	**1,543**	**1,835**

Obligations from real estate

in € T	2007	2008
Real estate	30,255	29,192
Total	**30,255**	**29,192**

VBH Holding AG, VBH Deutschland GmbH and esco Metallbausysteme GmbH have entered into a syndicated loan agreement with domestic lending banks governing the pledging of shares in major Group companies to the participating banks and the assignment of all outstanding debts and claims arising from shareholder loans, as well as the assignment of all inventory as security and the creation of land charges. No unrelated parties have placed collateral with VBH.

10. Litigations and claims for damages

In the event that individual legal disputes or claims for damages give rise to circumstances within the Group that are subject to recognition, they are covered adequately by provisions formed in the individual financial statements of the Group companies. Moreover, the Group is not aware of any material risks.

11. Related party disclosures

Generally members of the Executive Board and the Supervisory Board whose immediate family members, as well as subsidiaries that are not fully consolidated, are considered related parties as defined by IAS 24, “Related Party Disclosures“. No related parties were involved in any significant transactions or those that were unusual in either their type or nature with companies of the VBH Holding Group. Sales between the VBH Holding Group and the non-consolidated companies are of minor importance.
Further relationships with participations outside the scope of consolidation are accounted for using the cost-plus method. Business transactions between consolidated companies and related parties relate to ongoing consulting services from the law firm of the Supervisory Board Chairman, which acted for the company in an advisory category. The remuneration for these services is in line with prevailing market rates, was approved by the Supervisory Board and totalled € T 95 (previous year: € T 117) for the 2008 fiscal year. The Executive Board did not conclude any business transactions.

Receivables from related parties amounted to € T 8,885 (previous year: € T 4,480); the corresponding liabilities amount to € T 0 (previous year: € T 38).

12. Significant events after the balance sheet date

With effect from January 1, 2009, VBH Holding AG acquired a 65 % stake in Winkhaus A.S., a leading dealer in building hardware in Turkey. Winkhaus A.S., with its headquarters in Istanbul, also has branches in Izmir and Ankara. Further sales operations are also planned in Bursa and Eastern Anatolia. Other markets in the region, such as Iran or Azerbaijan, will also be actively cultivated from Istanbul. Winkhaus A.S. plans to achieve sales of approximately € 15 million for fiscal year 2009. In successive periods, sales are to increase with two-digit growth rates. Ahmet Abat, previous main shareholder in Winkhaus A.S., will continue to be associated with the company as a minority shareholder and managing director. The purchase price in euro is a medium single-digit figure in the millions.

As a further measure to hedge risks from changes to interest rates, VBH Holding AG concluded an additional interest rate swap at the start of the fiscal year 2009 with a nominal amount of € 30 million and with an end date of December 30, 2011.

On February 19, 2009, VBH Holding AG published preliminary business figures for the fiscal year 2008 with an ad hoc disclosure. As a result of the considerable turbulence on the global markets, the targets published in October 2008 were not achieved.

On February 27, 2009, Deutsche Börse AG informed VBH Holding AG and the public that the shares of the company will be listed in the SDAX selection index with effect from March 3, 2009.

13. Remuneration of auditors

The following remuneration was granted to auditors as defined by Section 318 of the German Commercial Code (including affiliates as defined by Section 271 (2) of the German Commercial Code) during the fiscal year:

in € T	**2007**	**2008**
Audit of financial statement	173.0	171.5
Other attestation and valutaion services	0.0	71.0
Tax consultancy	34.0	15.0
Other services	47.0	0.0
Total	**254.0**	**257.5**

14. Remuneration of Executive Bodies

Remuneration of executives according § 314 HGB (German Commercial Code), we refer to the corporate governance report including the remuneration report.

Executive bodies

	2008			
in € T	**Fixed**	**Variable**	**Non-cash benefits**	**Total**
Executive Board	439.0	733.5	64.0	1,236.5
Supervisory Board	215.0	90.0	0.0	305.0
Total	**654.0**	**823.5**	**64.0**	**1,541.5**

Options and share of executive bodies

	31.12.2007		31.12.2008	
Quantity	**Option rights**	**Shares**	**Option rights**	**Shares**
Executive Board	400,000	345,187	100,000	490,684
Supervisory Board	0	79	0	10,000
Total	**400,000**	**345,266**	**100,000**	**500,684**

Pension commitments

All the Executive Board members have received pension commitments in line with their individual contracts, which provide for the pension to be drawn no earlier than the age of 60.

Former members of the Executive Board and their surviving dependants received total benefits in the amount of € 588,000 in the fiscal year. The defined benefit obligation (DBO) of all pension commitments to former Executive Board members and the management and their surviving dependants totalled € T 5.376 in the fiscal year 2008. The defined benefit obligation of all pension commitments in accordance with IFRSs amounted to € 448,000 for Mr. Hribar and € 31,000 for Dr. Lieb. Total allocations in the year under review amounted to € 54,000.

15. Declaration of conformity with the Corporate Governance Code

The Executive Board and Supervisory Board of the company will submit the declaration of conformity required by Section 161 of the Stock Corporation Act on March 27, 2009 and further make it available to the shareholders. Any deviation from the German Corporate Governance Code have been documented accordingly.

16. Shareholding of VBH Holding AG, Stuttgart as at December 31, 2008

Disclosures of shareholdings are made in a separate document, which is filed with the Stuttgart Commercial Register under HRB 203096.

The companies included in the consolidated financial statements, esco Metallbau GmbH, domiciled in Ditzingen, Germany, and VBH Deutschland GmbH, are exercising their right of exemption as provided by Section 264 (3) of the German Commercial Code.

17. Executive bodies of the company

Executive board

Mr. Dipl.-Ing. ETH Rainer Hribar, Tägerwilen/Switzerland.
Other Supervisory Board mandates:
GU Bodensee AG, Tägerwilen, Switzerland, - Chairman -
Leicom AG, Winterthur, Switzerland,- Member -
Internal:
VBH Estonia (previous AS Lokman), Tallin, Estonia, - Member -
VBH Middle East FZCO, Dubai, U.A.E (board of directors)
Beijing VBH Construction Hardware Co. Ld., Beijing China (board of directors)
Shanghai VBH Construction Hardware Co.Ltd., Shanghai/China (board of directors)
VBH Hellas S.A., Thessaloniki, Greece (board of directors)

Mr. Dr. rer. pol. Ralf Lieb, Arnstorf, Germany (from March 15, 2008)
Internal:
VBH Estonia AS, Tallinn/Estland, - Member - (from June 2008)
Beijing VBH Construction Hardware Co.Ltd., Beijing/China (board of directors) (from March 2008)
Shanghai VBH Construction Hardware Co.Ltd., Shanghai/China (board of directors) (from August 2008)

Supervisory Board

Mr. Prof. Dr. Brun-Hagen Hennerkes, Attorney at Law,
Stuttgart, Germany, - Chaiman -
Other Supervisory Board mandates:
Bauerfeind AG, Zeulenroda, Germany, - Chairman - (until April 2008)
Berentzen AG, Haselünne, Germany, - Member - (until September 2008)
Grünenthal GmbH, Stolberg, Germany, - Germany -
Hager S.E., Blieskastel, Germany, - Member - (from June 2008)
UZIN Utz AG, Ulm, Germany, - Chairman -

Mr. Dipl.-Ing. Jürgen Bockstette, Business Consultant,
Cologne, Germany, - Deputy Chairman -
no further mandates

Mr. Jochen-Michael Fussner, Clerk, (until June 9, 2008)
Gernsbach, Germany, - Employee Representative -
no further mandates

Mr. Stephan M. Heck, independant businessmen,
Mannheim, Germany, - Member - (from January 2008)
no further mandates

Mr. Klaus Meichner, Manager,
Donaustauf, Germany, - Employee Representative -
no further mandates

Mr. Martin Morlok, Clerk, (from June 9, 2008)
Trochtelfingen, Germany, - Employee Representative -
no further mandates

Mr. Dr. rer. pol. Dipl.-Kfm. Ralph Mühleck, Managing Director,
Rheinau, Germany, - Member -
no further mandates

Five Supervisory Board meetings took place in the year under review.

18. Approval of the consolidated financial statements in accordance with IAS 10.17

The Executive Board shall recommend to the Supervisory Board that it presents the following proposal for the appropriation of profits for approval on June 10, 2009:
Of the net result recognised in the annual financial statements of VBH Holding AG totalling € 10,140,457.85, the distribution of a dividend amounting to € 0.19 per no-par share (ISIN: 760070) upon the eligible subscribed capital of € 45,790,408.00 is proposed.

Korntal-Münchingen, March 2009

VBH HOLDING AKTIENGESELLSCHAFT

– The Executive Board –

Rainer Hribar Dr. Ralf Lieb

Statement of the Executive Board

We assure to the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and that the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Korntal-Münchingen, March 2009

VBH HOLDING AKTIENGESELLSCHAFT

– The Executive Board –

19. Auditor's report

We have audited the consolidated financial statements prepared by VBH Holding Aktiengesellschaft, Korntal-Münchingen, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2008. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to article 315a paragraph 1 HGB (German Commercial Code) are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with article 317 HGB (German Commercial Code) and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.
In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to article 315a paragraph 1 HGB (German Commercial Code) and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Signed in Nürnberg on march 26, 2009

Rödl & Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr. Bömelburg	Leupold
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

VBH Holding AG

Balance Sheet
Income Statement

Notes on VBH Holding AG

While the consolidated financial statements are drawn up in accordance with IFRS, the annual financial statements of VBH Holding AG are presented in accordance with the German Commercial Code. In some areas, the accounting and valuation rules in the individual financial statements of VBH Holding AG differ from the consolidated financial statements. VBH Holding AG is a management holding and manages the vast majority of the domestic and foreign businesses directly. It is responsible for corporate planning, strategy and financing and controls the subsidiaries and sub-subsidiaries centrally. The annual financial statements of December 31, 2008 and the management report of VBH Holding AG were audited by Roedl & Partner GmbH Wirtschaftspruefungsgesellschaft, Steuerberatungsgesellschaft, Nuremberg and were given an unqualified opinion.

BALANCE SHEET OF VBH HOLDING AG

Assets

in € T	31.12.2007	31.12.2008
A. FIXED ASSETS		
Intangible Assets	**449**	**703**
EDP Software	204	701
Advances paid	245	2
Tangible Assets	**857**	867
Real estate, leasehold rights and buildings including construction on non-owned real estate	817	700
Other fixed assets, operational and business equipment	40	167
Financial Assets	**66,606**	**81,514**
Interests in affiliated companies	66,606	81,420
Participations		93
Total fixed assets	**67,912**	**83,083**
B. CURRENT ASSETS		
Accounts receivables and other asssets	**137,004**	**130,665**
Account receivables (trade debtors)	133,112	126,363
Other assets	3,892	4,302
Cheques, cash on hand, credit balances at banks	**1,307**	**1,188**
Total current assets	**138,311**	**131,854**
C. ACCRUALS AND DEFERRALS	**182**	**86**
Total assets	**206,405**	**215,023**

Equity and Liabilities

in € T	31.12.2007	31.12.2008
A. EQUITY		
Subscribed capital	**39,865**	**45,790**
Capital reserves	**19,149**	**41,630**
Revenue reserves	**32,214**	**33,213**
Legal reserves	1,407	1,407
Other group reserves	30,807	31,807
Profit retained	**8,441**	**10,140**
Total equity	**99,669**	**130,775**
B. SPECIAL ITEMS WITH RESERVES PROPORTION AS PER §6b EStG	**3,122**	**3,006**
C. ACCRUED LIABILITIES		
Provisions for pensions and similar obligations	4,285	4,509
Provisions for taxation	653	1,107
Other provisions	4,370	2,163
Total accrued liabilities	**9,308**	**7,779**
D. LIABILITIES		
Convertible loan issued	34,902	8,175
Financial liabilities	53,384	57,405
Liabilities from supplies and services	157	413
Other liabilities	5,863	7,470
thereof from taxes	2.958	1,610
thereof for social security	0	0
Total liabilities	**94,306**	**73,463**
Total equity and liabilities	**206,405**	**215,023**

INCOME STATEMENT OF VBH HOLDING AG

Income Statement

in € T	2007	2008
Sales revenue	**6,302**	**6,156**
Other operating income	1,221	1,717
Total operating profit	**7,523**	**7,874**
Personnel Expenditure	-5,367	-4,800
of which for pensions	-247	-385
Depreciation of intangible and tangible assets	-300	-371
Other operational expenditure	-4,262	-7,397
Dividends from associated companies	12,868	11,860
of which from affiliated companies	12,868	11,860
Income from profit transfer agreement	4,348	3,355
Other interest and similar income	1,308	1,648
of which from affiliated companies	1,085	1,260
Interest and similar expenditure	-8,696	-5,008
EBT of ordinary activities	7,422	**7,161**
Extraordinary results	-378	0
Taxes on income and earnings and other taxes	1,261	1,519
EAT earning after taxes	**8,305**	**8,679**
Profit carried forward from previous year	609	2,461
Withdrawal from reserve for treasury stock	527	0
Transfer to other earnings reserves	-1,000	-1,000
Net income for the year	**8,441**	**10,140**

Further information

Glossary

Actuarial gains/losses
Impact of changes in actuarial parameters when calculating pension obligations.

Borrowings
Total assets less equity.

Cash Flow statement
Presentation of an organization's liquidity during the course of a fiscal year, reflecting the origins of funds and the effects of allocating resources.

Cash Flow Hedge
Used to hedge against risks from cash flow fluctuations as a result of changes in interest rates.

Deferred taxes
Tax assets or liabilities reported in the balance sheet to equalize the difference between the tax debt actually assessed and the commercial tax burden based on the financial reporting in accordance with IFRS for the commercial balance sheet. The basis for determining deferred taxes is the difference between the value of the assets and liabilities reported in the balance sheet in accordance with IFRS and the local tax balance sheet.

Derivative financial instruments
Financial products for which valuation is based on the performance of the underlying instrument.

Dynamic gearing ratio
Net debt in relation to Free Cash Flow.

EBIT
Abbreviation for „Earnings before Interest and Taxes". Operating income before interest and taxes.

EBITDA
Abbreviation for „Earnings before Interest, Taxes, Depreciation and Amortization". Operating income before interest and taxes and depreciation / amortization.

Equity
Equity comprises funds from the equity holders available to the company as capital contributions and/or deposits and retained profits as well as equity attributable to minority interests.

Equity ratio
Equity in relation to total assets. The higher the indicator, the lower the level of indebtedness.

Return on Equity (ROE)
Net income in relation to equity.

Fair Value
Amount at which an asset would be transferred in an arm's-length transaction.

Free Cash Flow
Operating cash flow minus cash flow from investment activities. The free cash flow is available for dividend payments to shareholders, and to pay interest.

Goodwill
Positive differential between a company's purchase price and its net assets (assets minus debts).

Hedge accounting
Accounting treatment of hedge transactions.

IFRIC (International Financial Reporting Interpretations Committee – formerly SIC)
Concrete interpretations of individual IFRS.

IFRS/IAS (International Financial Reporting Standards – formerly IAS)
Accounting standards issued by an international committee (International Accounting Standards Committee) with the aim of creating transparent accounting that is comparable worldwide.

Impairment
Reduction in value that is performed as soon as the carrying amount of an asset is greater than its recoverable amount, i.e., the higher value which would result from either its sale or its continued use.

Margin
A margin represents the relationship of an indicator to sales

Net debt
Financial liabilities less cash and cash equivalents.

Plan assets
Assets which are held in long-term funds or qualified insurance policies to fulfill payments to employees.

Temporary differences
Differences between the carrying amount of an asset and its tax base.

Financial calendar

Interim Report Q1 2009
May 14, 2009

Annual Shareholder‘s Meeting
June 10, 2009

Interim Report Q2 2009
August 13, 2009

Interim Report Q3 2009
November 12, 2009

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ISIN Code:	DE0007600702

Disclaimer

This report contains statements that are based on the future. Such kinds of forecast-related statements are based on certain assumptions and expectations that were made at the time that this report was published. They are therefore linked to risks and uncertainties, and actual results may deviate considerably from the results described in statements that are based on the future. A large number of such risks and uncertainties will be determined by factors that are not subject to the influence of VBH Holding AG and that cannot be assessed with certainty today. These include future market conditions and economic developments, the conduct of other market participants, achievement of any anticipated synergy effects and legal and political decisions. VBH Holding AG does not perceive itself as obligated to publish corrections of such kinds of statements that are based on the future in order to reflect events or conditions that occur after publication of this report.