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Annual Report
VBH Holding Aktiengesellschaft

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Simply everything.
Everything simple.

Key Figures

Sales and Earnings		2008	2009	2010	2011	2012
Sales	in € m	863.3	755.1	767.8	780.1	746.6
EBITDA	in € m	45.5	23.2	32.4	17.3	3.7
EBITDA margin	in %	5.3%	3.1%	4.2%	2.2%	0.5%
EBITDA adjusted	in € m			30.9	25.8	23.1
EBITDA margin adjusted	in %			4.0%	3.3%	3.1%
EBIT	in € m	39.6	17.2	22.5	2.4	-4.6
EBIT margin	in %	4.6%	2.3%	2.9%	0.3%	-0.6%
EBIT adjusted	in € m			25.2	20.2	18.4
EBIT margin adjusted	in %			3.3%	2.6%	2.5%
EBT	in € m	31.5	9.9	14.9	-7.5	-14.5
EBT adjusted	in € m			17.6	11.7	10.6
Net result after minorities	in € m	17.8	5.6	-1.7	-24.5	-17.3

Key Figures		2008	2009	2010	2011	2012
Cash flow from operating activity	in € m	33.7	33.6	4.8	28.6	18.4
Cash flow from investing activity	in € m	-17.5	-9.3	-3.7	-6.0	-8.4
Free Cash Flow	in € m	16.2	24.4	1.2	22.7	10.0
Cash flow from financing activity	in € m	-5.2	-23.5	-3.2	-19.1	-12.5
Total investments	in € m	27.6	11.8	4.6	7.5	7.1
Working Capital	in € m	191.4	166.9	183.8	152.3	126.1
Capital employed	in € m	264.7	257.9	239.5	183.5	159.7
ROCE	in %	15.0%	6.7%	9.4%	1.3%	-2.9%
ROCE adjusted	in %			10.5%	11.0%	11.5%
Net debt	in € m	107.6	103.6	112.4	89.1	84.4
Gearing	in %	78.3%	79.7%	88.4%	94.2%	112.2%
Return on equity (ROE)	in %	13.8%	4.6%	-1.4%	-27.7%	-24.6%
Number of employees		2,886	2,968	2,798	2,825	2,763

Share data		2008	2009	2010	2011	2012
Earnings per share	in €	0.41	0.12	-0.04	-0.53	-0.38
Dividend per share	in €	0.19	0.05	0.06	0.00	0.00
Equity per share	in €	3.00	2.83	2.77	2.06	1.64
Book value per share	in €	2.81	2.65	2.59	1.92	1.54
Share price at year-end	in €	3.68	4.00	4.26	3.79	2.35
Shares outstanding	in th	45,790	45,869	45,879	45,879	45,879
Market capitalization at year-end	in € m	168.5	183.5	195.4	173.9	107.8

Balance Sheet		2008	2009	2010	2011	2012
Long-term assets	in € m	96.6	99.0	89.1	64.4	63.4
Short-term assets	in € m	279.1	251.0	265.0	228.0	191.0
Equity	in € m	137.4	130.0	127.1	94.5	75.3
Book value	in € m	128.9	121.4	118.8	88.3	70.4
Long-term liabilities	in € m	91.3	89.0	33.6	97.6	110.6
Short-term liabilities	in € m	147.0	131.0	193.4	100.3	68.5
Balance sheet total	in € m	375.7	350.0	354.1	292.4	254.4

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Letter to the shareholders

Dear Shareholders,

For VBH, 2012 was marked by strategic consolidation. Across all segments, we disposed of companies which did not contribute to the strategic or operating value of the VBH Group on an ongoing basis. As a result, we made VBH “weatherproof”. In view of the lack of momentum on the market and the ongoing crisis in Western and Southern Europe, this was an appropriate reaction to the gloomy business environment in Europe. At the same time, the important core companies continued to perform well in this challenging situation in 2012.

As it is not currently possible to rely on positive growth trends in our most important market, Germany, we implemented a substantial efficiency enhancement programme starting in 2012. With this programme, we are focusing on increasing gross profit, reducing staff costs, significantly reducing other operating expenses and modernising logistics. By the end of 2012, the workforce of VBH Deutschland GmbH had been reduced by almost 10 % as a result of implementing this programme. The aim of these measures is to increase profitability continually and sustainably from 2013.

Both strategic consolidation of the country portfolio and the efficiency enhancement programme resulted in initial costs in 2012. As a result, a loss of €17.6 million was generated in the 2012 financial year. For the last financial year, as previously announced the Executive Board will recommend to the Supervisory Board that a proposal be made to the Annual General Meeting not to pay a dividend. We are aware that this is a difficult test to the confidence of our shareholders. It is even more crucial for us to emphasise that the measures adopted in 2012 were more than just an important step in the right direction. Following the implementation of the strategic consolidation, we can focus on our core markets in Europe. The efficiency enhancement programme ensures that, in future, we will be able to generate suitable profitability from a strong strategic position.

With a healthy portfolio of profitable companies, combined with growth options in South America, we are gaining the necessary capacity to generate enthusiasm among our customers and to be a valuable investment for you, our shareholders, even in permanently saturated markets, thanks to our innovative services, our strong own brands greenteQ and systeQ, and excellent operating performance.

Strategic consolidation

After carrying out balance sheet adjustments in 2011, the subsidiaries were subjected to a systematic portfolio analysis in the first quarter of 2012. The analysis focused on the future profitability with regard to strategic aspects. Based on the analysis results, it was necessary to implement consolidation measures in the Group, as announced in our ad-hoc disclosure on 15 June 2012. In the Asian submarkets on which consolidation has focussed, there is no prospect of the VBH business model functioning in the medium term as an independent trading stage in business-to-business sector.

We achieved our goal of completing most measures by the end of 2012. At the end of 2012, the VBH companies Middle East, Beijing, India, Greece, Slovakia and esco Russia discontinued operations. The VBH companies Singapore, Kuwait and Serbia were sold. In the first quarter of 2013, agreements were also concluded with interested buyers for the company in Shanghai and the activities of esco Metallbausysteme in Austria. The substantial restructuring in southern Belgium (Wallonia) and in Turkey is progressing as planned.

The changes in the assets, earnings and financial position expected due to the strategic consolidation also made it necessary to change the parameters of syndicated financing. At the end of 2012, an appropriate agreement was also signed with the banks so that the financing of the VBH Group is secured as planned until 30 June 2016. Although the implemented measures primarily affected liquidity, the financing framework was also sufficient thanks to improved operating working capital management.

Overall the efficiency enhancement programme resulted in additional costs of approximately €25 million. As at 31 December 2012, despite these measures, the equity ratio in the Group was 29.6 % after 32.3 % in the previous year.

Economic performance

The implementation of the portfolio shakeout is reflected in the VBH Group’s figures. In 2012, VBH generated consolidated sales of € 746.6 million, 4.3 % below the previous year's figure of € 780.1 million. Adjusted operating earnings (EBIT) (excluding the discontinued submarkets and non-recurring effects) fell during the same period but remained positive, at € 10.6 million.

Like the global economy, the course of business differed in the individual VBH regions. Overall, business performance was modest in all segments:

- In Germany, the VBH Group's most important segment, sales remained at the previous year's high level (down 0.1 % on the previous year) in a generally positive overall economic environment with stable growth in the window market.
- In the Eastern Europe segment, sales in 2012 were slightly below the previous year's level. The positive development in the Baltic states in the first half of the year continued throughout the year, and the Balkans posted an ongoing growth trend. However, VBH's most important international market, Russia, suffered a decline, as did the Polish market. In 2012, this segment posted a 3.2 % decrease in sales compared to the previous year.
- The repeated sales decline in the Western Europe segment of 13.3 % in the 2012 financial year shows that the European debt crisis has not yet come to an end. Economic conditions were particularly strained in Southern Europe. Since conditions were not expected to improve, the Greek subsidiary was closed at the end of the year. In North Western Europe, the situation was somewhat better. In the UK, a sales increase was generated.
- The result in the Other Markets segment has been affected primarily by the closures resulting from strategic consolidation. The majority of countries in which closures took place in this segment. The substantial restructuring of the Turkish subsidiary also had a negative impact on sales and earnings. As expected, sales in this segment declined year on year by 28.9 %. Restructuring of VBH Turkey has made good progress. The purchasing company in Guangzhou (China) and the Mexican growth company also performed well in 2012. The controlled expansion in Latin America is also proceeding according to optimistic expectations.

Strategic positioning

We continued to work systematically on our **strategic goal** of developing VBH away from being a dealer and towards becoming a service provider. Here we are standing by the strategy elements shown in the following diagram that are based on our motto of "Simply everything. Everything simple."

The VBH strategy is based on the following three pillars:

- Selective expansion of our international presence in a way that will protect our profits and which can also include giving up national markets that do not fit VBH's business model or are persistently unprofitable. Thanks to our **international positioning**, we offer our suppliers a global sales platform and our customers a comprehensive and internationally coordinated range of products and services. This means that it is clear that VBH also takes due account of its partners' interests when deciding to enter and withdraw from markets.
- Expansion of our proprietary brand greenteQ to a share of consolidated sales of 10 %; **greenteQ** is now a profitable growth driver. With more than 3,000 items, greenteQ products now account for 7.9 % of total sales at VBH Deutschland GmbH. The share is considerably higher in some of the international subsidiaries, most notably in the Balkans, and exceeds the 10 % marker.
- Systematic expansion of our **service portfolio**, both at home and abroad. Our customers will continue to benefit quickly and expediently from the latest innovations in the IT and communications sector, with a particular focus on the international rollout of our service products, which have already been successful in Germany.

Dividend policy

The aim of good corporate governance is to maximise the long-term enterprise value. Particularly in economically challenging times it is important to bundle resources for this purpose and to survive on the market from one's own position of strength. In 2012, we focused everything on making VBH weatherproof by adopting a course of consolidation. This is course that we shall also continue in 2013. As a result of the net loss for the year of € 17.6 million resulting from these activities, the Executive Board shall suggest to the Supervisory Board that a proposal be made to the Annual General Meeting for no dividend to be paid. However, this does not affect our intention to make future dividend payments.

Outlook for 2013

In 2013, experts expect the global economy to expand by approximately 3 %. In addition, there are signs of recovery in the Chinese and American economies. However, it is uncertain whether high growth momentum is likely to return, particularly in Eastern Europe.

In Germany, thanks to sound domestic demand, strong development is still expected despite limited muted growth momentum. At the end of 2012, politicians made the surprise announcement to grant subsidies of € 5,000 per household for energy modernisation. This decision is expected to have positive effects on business in Germany. For this reason, VBH business is likely to perform at the level of the previous year.

2013 will not be a boom year, also in Eastern Europe. In recent months, research institutes have downgraded their forecasts particularly for Poland and Russia. As a result, slight sales declines are realistic for 2013.

In Western Europe, overall economic forecasts are for a slight turnaround, buoyed by increased competitiveness in Spain, Portugal and Ireland. However, there are other uncertainties resulting from the economic crisis. For this reason, it is not possible to forecast whether VBH will in fact return to a path of growth. Following the completed adjustment of Western European subsidiaries to the low sales level, business volume is expected to equal that of the previous year.

In 2013 in Turkey, according to local forecasts, GDP is expected to increase by approximately 4 %. Following substantial restructuring in 2013, VBH sales are therefore expected to stabilise in Turkey in 2013. For 2013, IMF experts expect a slight year-on-year increase in growth for Latin America to approximately 3.9 %. The small subsidiaries, primarily Mexico, are also expected to generate significant growth potential in 2013.

Overall, in comparison with the previous year, the Executive Board does not expect any significant growth in sales in 2013. However, 2013 is a promising year for VBH, as the balance sheet adjustment (2011) and the strategic consolidation (2012) are now largely complete. In addition, the positive effects of our international efficiency enhancement programme will set in. In 2013, we will also complete restructuring in Belgium, which has lasted for several years. VBH should therefore become a weather-proof bastion and all members of the company can concentrate on being a partner generating benefits for our customers whose expertise is a prerequisite of business success. Together with its strong suppliers, VBH is competitive on the global markets and, in combination with our diverse service products, this gives a clear outline to our promise “Simply everything. Everything simple”. Having been tested by the crisis, we are facing these new challenges energetically to shape a successful future with our employees, without whose extraordinary dedication we could not have mastered the difficulties now behind us.

We would like to thank you for your confidence in our work.

Korntal-Münchingen, March 2013

Rainer Hribar
Chairman of the Board

Frieder Bangerter
Executive Board

Jürgen Kassel
Executive Board

Ulrich Lindner
Executive Board

Report of the Supervisory Board

Dear Shareholders,

General information

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, extensively reviewing the business transactions of the company and the Group. In accordance with corporation law requirements, the Supervisory Board monitored the management of VBH Holding AG and acted in an advisory capacity to the Executive Board.

Prof. Rainer Kirchdörfer

2012, as in the previous year, was a particularly challenging financial year. Further strategic consolidation measures were necessary, particularly in Asia and Southern Europe, which were extremely complex and produced a high workload. As a result, the Executive Board and the Supervisory Board cooperated very intensively and rigorously implemented the consolidation plan introduced in 2011.

The Supervisory Board's monitoring and advisory activities were based on detailed verbal and written reporting by the Executive Board on the business position of VBH Holding AG and the Group. The reports by the Executive Board chiefly concerned business policy, fundamental financial and investment policy issues, and the profitability and risk situation of VBH Holding AG and the Group.

Reports were also submitted regularly to the Supervisory Board about the business, including a comparison with the previous year and with planned figures, as well as the liquidity and financial position of the company, including current credit lines, their utilisation and the available liquidity, providing both actual and forecast figures.

Based on the reports and information provided by the Executive Board, the Supervisory Board satisfied itself that the company was managed in a proper manner. The Supervisory Board also assured itself that the risk management system requirements were met within the company and the Group by questioning the Executive Board and the auditor. The Executive Board informed the Supervisory Board regarding projects and plans that were urgent or of particular importance for the company, including between meetings, and sought its approval where necessary.

The Chairman of the Supervisory Board maintained constant, close contact with the company outside Supervisory Board meetings as well, receiving regular information from the Executive Board concerning current developments, the state of business and important individual transactions.

Main issues addressed at Supervisory Board meetings

Eight Supervisory Board meetings were held in the 2012 financial year. The object of each meeting was the discussion of the VBH Group's current business performance in comparison with planning, during which particular attention was paid to sales, costs and earnings development and the financial position. The Executive Board responded in full to the questions posed by Supervisory Board members concerning the regularly submitted written reports and presentations as well as verbal comments made during meetings. There were also numerous conference calls between the meetings in which current issues were discussed. The discussions and reviews conducted by the Supervisory Board at the Supervisory Board meetings primarily related to the following:

Following corresponding preparations by the Audit Committee, the Supervisory Board's accounts meeting on 29 March 2012 focused on the discussion, audit and adoption of the annual financial statements, consolidated financial statements and management reports for VBH Holding AG and the Group for the 2011 financial year. In addition to its own examination in preparation for the Supervisory Board accounts meeting, the Supervisory Board asked the auditors present a number of questions and discussed these at length with them. The agenda for the Annual General Meeting on 21 June 2012 was discussed and approved; the Supervisory Board also discussed and approved its report for the 2011 financial year and the declaration of compliance with the German Corporate Governance Code by the Executive Board and the Supervisory Board as well as the corporate governance report. The economic situation in Turkey, Belgium and Thailand was also discussed.

In its meeting on 30 April 2012, in view of the developments in Asia and the ongoing financial and economic crisis in Southern Europe, the Supervisory Board focussed particularly on the economic performance of various subsidiaries and possible strategic consolidation measures in the above regions, including various alternative scenarios.

In its meeting on 23 May 2012, the consultations of the Executive Board and Supervisory Board focussed on the economic performance of the subsidiaries and strategic consolidation measures, with various scenarios being considered, as well as the liquidity situation.

The meeting on 12 June 2012 also focussed primarily on possible measures for strategic consolidation of the country portfolio and the effect on existing financing agreements. Other issues at this meeting included country reports about Thailand and Turkey and a status report on introduction of SAP software in VBH Germany.

In its meeting on 21 June 2012, the Executive Board reported on current business performance. The course of the company's next General Meeting was also discussed.

On 13 September 2012, the focus of discussions and consultations between the Executive Board and the Supervisory Board was the ongoing strategic consolidation measures and the adjustment of financing agreements as a result of implementing these measures, as well as country reports on Belgium and Turkey and the IT strategy.

The meeting on 23 October 2012 focussed on the report about the implementation of the strategic consolidation measures and the resulting adjustment of the financing agreements, as well as discussing an efficiency enhancement programme.

The meeting on 4 December 2012 concentrated on the corporate planning for the 2013 financial year submitted by the Executive Board as well as the medium-term planning and their impact on Group financing. The Supervisory Board examined the plans and discussed the opportunities and risks contained therein in detail with the Executive Board and approved them. The country reports on VBH Turkey and VBH St. Petersburg were also discussed. The progress of talks with the banks on the adjustment of financing contracts was presented and the Supervisory Board approved a change agreement for the financing contracts. In addition, the progress of the efficiency enhancement programme was also discussed.

Committees

The Audit Committee, which is formed within the Supervisory Board, met five times in the reporting year (1 March, 29 March, 13 September, 24 October and 4 December 2012). On 13 September 2012, for the first time a comprehensive workshop was organised with the auditors and representatives from finance and accounting, treasury, controlling and auditing. Issues were discussed such as the accounting process, the status of the controlling and risk management systems, auditing plans and the findings of internal auditing, as well as the further development of early warning systems. The interim reports were discussed by telephone before their publication with the Chairman of the Audit Committee, in accordance with the recommendations of the German Corporate Governance Code. The HR Committee met twice in the reporting year (on 30 April 2012 and on 27 November 2012). The Strategy, Marketing and Sales Committee did not meet in 2012.

Declaration of compliance

The Supervisory Board addressed the continued development of corporate governance at VBH Holding AG undertook appropriate amendments and approved the declaration of compliance with the German Corporate Governance Code, which can also be found on page 43 of this annual report. It is part of the corporate governance declaration. There were no indications of conflicts of interest on the part of Executive Board or Supervisory Board members in the financial year.

Risk management

The Supervisory Board received reports and information from the Executive Board indicating that the requirements pertaining to the risk management system at VBH Holding AG and the Group are being met. The areas of risk identifiable from the perspective of the Executive Board and the Supervisory Board were discussed. The risk management system underwent examination by the auditor, in which it was confirmed that the Executive Board had implemented the measures required in accordance with section 91(2) of the Aktiengesetz (AktG, German Stock Corporation Act) 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 2012

The Annual General Meeting on 21 June 2012 appointed Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Nuremberg, as the auditor for the 2012 financial year. Following preparation by the Audit Committee and a corresponding resolution of the Supervisory Board, the auditor was notified in writing of its engagement to audit the accounts. Prior to the Supervisory Board's proposal to shareholders at 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 31 December 2012, as well as the management reports of VBH Holding AG and the Group, together with the bookkeeping system, and issued an unqualified audit opinion in each case.

The auditor provided each member of the Supervisory Board a copy of the audit report. The Supervisory Board met to adopt the financial statements, following corresponding preparations by the Audit Committee, on 22 March 2013, together with the company's auditor. At the meeting, the VBH Holding AG annual financial statements, the consolidated financial statements for the period ended 31 December 2012 and the management reports of VBH Holding AG and the Group plus the audit reports were discussed in detail with the auditor. The Supervisory Board reviewed the audit reports and annual financial statements, consolidated financial statements and management reports of VBH Holding AG and of the Group, including disclosures in accordance with section 289(4-5) and section 315(2) no. 5 and (4) of the Handelsgesetzbuch (HGB - German Commercial Code). The Supervisory Board had the audited financial statements. Thus it was possible to review all the documents. On conclusion of its audit, the Supervisory Board raised no objections, concurring with the auditor's findings regarding the annual financial statements, the consolidated financial statements and the management reports for VBH Holding AG and the Group, including the disclosures under section 289(4-5) and section 315(2) no. 5 and (4) HGB. The Supervisory Board approved the annual financial statements of VBH Holding AG and the consolidated financial statements for the 2012 financial year produced by the Executive Board. The annual financial statements were thus adopted. The Supervisory Board also approved the corporate governance declaration.

Executive bodies of the company

In November 2012, the Chief Finance Office, Frieder Bangerter and member of the Executive Board for International Marketing and Sales, Ulrich Lindner, announced to the Company's Supervisory Board that they did not wish to extend their service contracts when they expire on 31 December 2012 (Mr Bangerter) and 31 January 2015 (Mr Lindner). In December 2012, the Supervisory Board thus appointed Mr Jürgen Kassel as an additional member of the Supervisory Board with effect from 1 February 2013. Mr Kassel will succeed Mr Bangerter as Chief Financial Officer (CFO) with effect from 1 April 2013. On 26 September 2012, the Deputy Chairman of the Supervisory Board, Andreas Schill, resigned his position on the Supervisory Board. The Supervisory Board member Stephan M. Heck also resigned his position on 30 September 2012. With effect from 1 October 2013, Mr Stefan Huber and Gerhard Sommerer were appointed by the Stuttgart Regional Court as members of the Supervisory Board. Mr Huber and Mr Sommerer will be proposed for election at this year’s Annual General Meeting.

The Supervisory Board would like to thank all the staff and the members of the VBH Holding AG and its subsidiaries as well as the members of the Supervisory Board for their dedication and their commitment in the past financial year.

Korntal-Münchingen, March 2013

Professor Rainer Kirchdörfer
Chairman of the Supervisory Board

The Executive Board

Rainer Hribar

Rainer Hribar, born in 1957, is the Chairman of the Executive Board of VBH Holding AG, Korntal-Münchingen, in charge of Strategy, Sales and Distribution in Germany, Eastern Europe and the CIS countries as well as Logistics and Category Management.

After studying electrical engineering at ETH Zurich, he first worked for Gebrüder Sulzer AG (Winterthur), where in 1986 he became an authorised signatory of the company. He became the managing director of NEEF Unternehmensgruppe (Karlsruhe) in 1991 and in 1994 he became the managing director for sales and marketing at GEZE (Leonberg).

In February 1996, Mr. Hribar was appointed as the Director of Exports at VBH Holding AG, Korntal-Münchingen, and took on responsibility for the management of the international subsidiaries. In February 2002, he was appointed to VBH Holding AG's Executive Board and put in charge of the pending reorganisation. He was appointed Chairman of the Board in March 2008.

For ten years, Mr. Hribar was also head of the electrical engineering department and taught at Fachhochschule Zürich polytechnic for 18 years. He is currently president of the Hochschule Zürich college examination board (engineering department).

Frieder Bangerter

Frieder Bangerter, born in 1965, is a member of the VBH Holding AG Executive Board, Korntal-Münchingen, responsible for Controlling and Accounting, Finance, Investor Relations, IT, HR, Legal, Auditing and Taxes until the end of March 2013. Mr Bangerter will then take on other duties in the Executive Board until leaving the company.

After completing a banking apprenticeship and studying business, he completed an internship in the US. His professional career began in 1993 as a controller at GE HE AG, Europe's largest pharmaceutical wholesaler and retailer. Mr. Bangerter became head of corporate accounting in 1994. After joining GEHE Pharma Handel GmbH (pharmaceutical wholesaler in Germany and the Czech Republic) in 1998, he was responsible for the area of controlling and accounting and, after becoming financial managing director in 2000, for IT in addition to the commercial areas.

Jürgen Kassel

Jürgen Kassel, born in 1954, was again a member of the VBH Holding AG Executive Board, Korntal-Münchingen, as of 1 February 2013. Mr Kassel will succeed Mr Bangerter as Chief Financial Officer (CFO) from 1 April 2013.

After completing his A Levels in 1974, he completed an apprenticeship as an industrial clerk with Siemens AG Munich. He then studied Business at Munich University.

After further employment at Siemens in Munich and Singapore, he has worked for family businesses since 1981:
From 1981 to 2001, he worked for UZIN UTZ AG in Ulm, most recently as CFO. He took this company onto the stock exchange in 1997.
From 2001 to 2007, Mr Herr Kassel was Chief Financial Officer for VBH Holding AG and managed the successful restructuring of VBH as executive together with Mr Hribar.

In 2008, he became CFO of the Singen/Berlin-based Zehnacker Group, and was significantly involved in the sale of this company to the international Paris-based Sodexo Group.
From 2009 to the end of 2012, he was CFO of the Vitanas Group, Berlin. Mr Kassel also held an equity interest in this company in accordance with company law.

Ulrich Lindner

Ulrich Lindner, born in 1963, has been a member of the VBH Holding AG Executive Board, Korntal-Münchingen, since 1 February 2012, in charge of International Marketing and Sales.

A native of Hamburg, Mr. Lindner trained as specialist in foreign trade and studied business administration in St. Gallen and Chicago (MBA). Having completed his studies, Mr. Lindner worked for Booz & Co. (management consultants) in Düsseldorf and for Hilti in Liechtenstein and in the USA.

From 2005, Mr. Lindner was responsible for Sales, Marketing and Procurement as Chief Operations Officer (COO) at Berner SA in Künzelsau.

In 2009, Mr. Lindner was appointed to the Advisory Board of seca gmbh & co. kg (medical scales and measuring systems) in Hamburg.

VBH shares

Stock market environment

Overall, the stock market performed well in the last year. The DAX had its strongest year since 2003, with an increase of 29 % to 7,612 points. Over the year, the SDAX posted an upturn of 20 % whilst the MDAX increased even more strongly, by 34 %. Internationally, German shares therefore outperformed the Dow Jones which posted a plus of 7 % or the EuroStoxx 50 which gained 13 %.

Continued low interest rates, which have made savings accounts and fixed-interest deposits unattractive, the opening of the central bank floodgates and the rescue mechanisms of the euro debt crisis, which were received a positive response from the markets, resulted in investors turning to shares again in 2012. The DAX also reflected the strength of the German economy, which proved to be robust despite strong headwinds. Whilst the index decreased to 6,000 mid-year, it recovered during the remainder of the year, improving considerably. The main reasons for this were the ECB's affirmation of the European currency area and the agreement of the ESM bailout fund, which increased confidence of international investors in the German stock market.
A continuation of the low interest rate structure, and comparably good market conditions in Germany, as well as optimistic economic forecasts, lead on to anticipate that the German stock market will increase in 2013.

Stock exchange listing

VBH shares are listed on Xetra and on the regulated markets of the Frankfurt and Stuttgart stock exchanges in the Prime Standard. SDAX is the relevant benchmark index for VBH.

Performance of VBH shares

In the last financial year, the performance of the VBH Holding AG share was restrained. The share started at €3.70 on low trading volume. Announcements about the VBH restructuring programme resulted in large sell orders during the year and put pressure on the share price. The year low of €2.25 was recorded on 21 December 2012. The share last traded at this level in 2005. 2012 ended with a share price of €2.35. This represents a downturn of 38.0 % over the course of the year. Market capitalisation was approximately € 107.8 million as at reporting date of 31 December 2012, after € 173.9 million in the previous year.

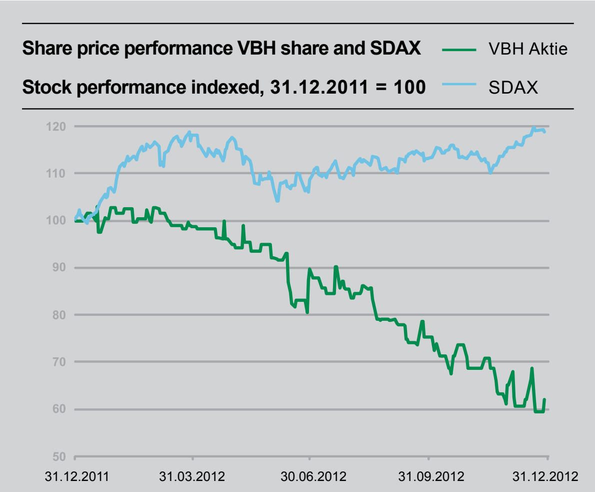
Shareholder structure in 2012

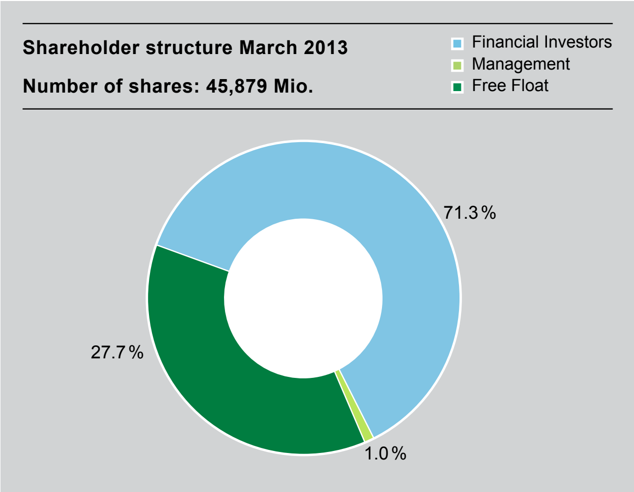
The free float of VBH shares decreased as against 2011 from 31.9 % to 28.6 % as at the end of the reporting period.

In accordance with section 21(1) sentence 1 of the Wertpapierhandelsgesetz (WpHG - German Securities Trading Act), shareholders are required to notify the company and the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin - German Federal Financial Supervisory Authority) if their voting rights exceed or fall below certain percentage thresholds. The following reporting thresholds apply: 3 %, 5 %, 10 %, 15 %, 20 %, 25 %, 30 %, 50 % and 75 %. The following changes in shareholder structure of greater than 10 % had occurred as at 31 December 2012:

Mr. Viktor Trenev, Russia, notified the company on 8 October 2012 in accordance with section 21(1) WpHG that his share in the voting rights of VBH Holding Aktiengesellschaft, Korntal-Münchingen, Germany, had exceeded the 25 % threshold on 4 October 2012 and amounted to 25.50 % (11,700,445 voting rights) on this date. 25.50 % of the voting rights (11,700,445 voting rights) are attributable to Mr. Trenev through Ascalon Holding GmbH, Vienna, Austria, in accordance with section 22(1) sentence 1 no. 1 WpHG.

Ascalon Holding GmbH, Vienna, Austria, notified the company on 8 October 2012 in accordance with section 21(1) WpHG that its share in the voting rights of VBH Holding Aktiengesellschaft, Korntal-Münchingen, Germany, had exceeded the 25 % threshold on 4 October 2012 and amounted to 25.50 % (11,700,445 voting rights) on this date.





Notifications after the end of the reporting period

None

Investor relations activities

VBH attaches great importance to a continuous, transparent dialogue with the capital market, analysts and institutional and private investors. The aim is to communicate the VBH Group's strategy and growth potential through a transparent presence on the capital market, thus achieving a fair valuation for VBH shares.

Investor relations activities continued throughout the 2012 financial year in addition to regular quarterly, six-month and annual reporting. In November 2012, VBH held an analysts' conference at the Equity Forum in Frankfurt. The Executive Board held talks with various investors and attended conferences in addition to giving the annual accounts press conference. Through intensive dialogue, we intend to serve existing shareholders while attracting new German and international investors for VBH shares. However, parallel to the decreasing free float, VBH shares have also attracted less attention on the capital market.

The Annual General Meeting on 21 June 2012 was again utilised by our shareholders to hear extensive information directly from the VBH Holding AG Executive Board on the performance of business. 73.29 % of voting share capital was registered and represented at the Annual General Meeting.

The Internet site of VBH offers current information for shareholders and investors, enabling all interested parties to form a comprehensive view of VBH. In addition to personal meetings, the legally relevant information provided is also a good way of staying informed about the company. Financial reports, analysts' ratings, presentations and other publications are available at http:\\www.vbh-holding.com.

As in previous years, Equinet Bank AG, Frankfurt was VBH's designated sponsor in the past financial year. The company is currently monitored on an ongoing basis by three analysts at major banks.

Dividend policy

In 2012, the consolidation of the investment portfolio was carried out in order to focus on the core markets and make VBH weather-proof for the future. The implementation of the consolidation measures, as well as weak business performance, resulted in an annual loss of € 17.6 million. This means that the Executive Board will recommend to the Supervisory Board to put forward to the Annual General Meeting a profit appropriation proposal which does not include a dividend. However, this repeated waiver of a dividend payment does not signify a fundamental departure from our ongoing dividend policy, which allows shareholders to participate in VBH's success. The primary goal of the Executive Board is still to continue to scale back the net debt and to retain a long-term distribution rate of at least 35 % - 40 % of earnings per share. A fundamental requirement for this is the financial stability of the VBH Group, which is to be guaranteed by the active management of working capital in particular.

esco Schloss Montabaur events centre – exterior

Group management report

OF VBH HOLDING AKTIENGESELLSCHAFT

1. The VBH business model

In its core business, VBH operates as an international production connection dealer between component manufacturers and processors in the door and window industry. It creates a well-rounded range from the complex product offerings of suppliers and thereby plays a key role in range design, distribution logistics and sales for a highly fragmented market that comprises around 500 suppliers and more than 25,000 customers in Germany alone. The customer base extends from craftsmen to industrial operations and essentially comprises door and window manufacturers, metalworkers, fitters, joiners and interior decorators. Efficient processes, high inventory turnover and short payment periods make VBH the sector's cost leader.

The extensive product range for PVC, wood and metal window and door manufacturing includes window, door and furniture mountings in addition to mouldings, seals, construction chemistry and components, fastening technology and tools. Thus, VBH supplies a majority of the components and materials that its customers need to manufacture and install windows and doors. Since 2009, VBH has extended its product range as a manufacturer with the proprietary brand greenteQ, which is now a fixed component of its range policy with over 3,000 items, and with which VBH is setting more and more innovative standards. By covering key cross-product areas, such as "threshold systems" and professional window fitting advice VBH is increasingly becoming the sector's system provider. Examples of VBH's innovation are the multi-function "senso" window catch available from 2013, which has an integrated air conditioning and alarm function, or the hidden automatic "GO!TA12" door system, which was developed with the automotive sector.

In addition to the VBH core business model, the subsidiary esco Metallbausysteme GmbH ("esco") offers system solutions for metal working and steel construction in the field of doors, windows and façades. The company develops and sells a broad range of products from renowned suppliers and its proprietary brand systeQ. Nearly 4,000 different items are now also available under the systeQ label. Thanks to the development of special mounting constructions for façades for large properties, esco offers its customers bespoke individual system solutions. In the field of mechatronics, end-to-end solutions and individual custom work are designed, delivered, fitted and serviced for automatic doors and windows, security technology and smoke and heat exhaust ventilation.

esco-Schloss Montabaur events centre – interior

Organisation and regional coverage

Within its core business model, VBH operates in more than 30 national markets worldwide and enjoys a leading position particularly in Germany and Eastern Europe. Operational management is broken down by the four regional segments Germany, Western Europe, Eastern Europe and Other Markets. The table below shows the individual countries in which these segments operate.

Overall, VBH is therefore comprehensively represented in Western and Eastern Europe. The Asian companies which previously belonged to the Other Markets segment were mostly sold or discontinued as part of the strategic consolidation. However, the Latin America region is being developed further. Some of the companies there have already assumed leading positions in the regional markets.

Germany	Western Europe	Eastern Europe		Other Markets
Germany	Belgium	Bosnia	Poland	Argentina
	United Kingdom	Bulgaria	Romania	Chile
	Ireland	Estonia	Russia	China
	Italy	Kazakhstan	Slovenia	Mexico
	Netherlands	Kosovo	Czech Republic	Turkey
	Spain	Croatia	Ukraine	
	Austria	Latvia	Hungary	
		Lithuania	Belarus	
		Montenegro		
		Moldavia		

Strategy

VBH's operations around the world are all geared to our vision:

„Simply everything. Everything simple."

A motto intended to mirror our standard for an extensive, demand-oriented product range and the development of innovative services for our customers. This motto will continue to shape VBH's direction moving forward.

VBH is also pursuing a long-term, strategic plan built on three pillars:

- selective expansion of our international presence in a way that will protect our profits and which can also include giving up national markets that do not fit VBH's business model or are persistently unprofitable;
- expansion of our proprietary brands greenteQ and systeQ to a share of consolidated sales of 10 %;
- systematic expansion of our service portfolio, both at home and abroad.

Thanks to its **international positioning**, VBH can offer its suppliers a global sales platform and its customers a comprehensive and internationally coordinated range of products and services. In 2012, the strategic consolidation of the country portfolio introduced in 2011 was largely completed. This resulted primarily in an exit from the Asian submarkets. We achieved our aim of strengthening VBH as a Group and focusing on the core competences of VBH in its traditional product and service areas even more strongly in the remaining markets. Expansion took place solely in South America, where VBH's area of operations was extended to Argentina in 2009 and business was developed profitably in Mexico in 2012. In 2012, a subsidiary was established in Chile.

The proprietary brands **greenteQ** (VBH) and **systeQ** (esco) are now an anchor point of the **product range policy** and excellently round off the VBH product portfolio with its strong manufacturer brands (“Simply everything”). greenteQ is opening up new options to raise VBH's profile among existing customers and to attract new customer groups and is also still proving a growth driver. With more than 3,000 items, greenteQ products now account for 7.9 % of total sales at VBH Deutschland GmbH. In Germany, almost 50 % of customers order greenteQ products. The “greendoor” brand also performs well with more than 258 articles, chosen by 5 % of VBH customers. The international success of greenteQ is apparent from the fact that significant sales are being achieved in international markets. In some countries, sales are already over 10 %. The ability of greenteQ to spearhead the opening up and profitable development of new markets is also apparent here. Considerable successes are also being generated at product level and VBH has established itself as a centre of excellence. In addition to the established threshold system, the senso window handle available from 2013 is generating new impulses, thanks to its integrated air conditioning and alarm functions. VBH intends to continue pushing its proprietary brand systematically in 2013 and to accelerate the market penetration of greenteQ products on international markets. Both in Germany and internationally, VBH is establishing itself here as a partner whose advice is much appreciated by our customers.

The innovative **service range**, which VBH is gradually rolling out in its subsidiaries, is allowing the Group to stand out clearly in the competitive environment. Where additional products and services are needed, we develop tailored solutions to create value added for our customers and make their lives easier every day.

One example of this is the CE-fix tool developed together with IFT Rosenheim with which window and door manufacturers and suppliers can obtain all necessary CE documentation from product passes to component sheets with extensive processing information online instantly. VBH is gradually expanding CE-fix to create a technology platform with a view to becoming a strategic system provider in the wood area in particular. With regard to higher production evidence requirements in line with the Construction Products Regulation, new attractive offers are expected from VBH in the near future. Even tool manufacturers now use the CE platform. The increased perception of VBH as a “think tank” is also catching on among our customers. More and more customers turn to VBH when faced with complicated problems (such as better-fitting windows). Those who impress their customers with their expertise do not need to worry about customer loyalty.

The mobile LOGOS app for smart phones, which customers can use to order online from the construction site, is proving to be an innovation that VBH customers are more than happy to use. VBH now covers every possible method of ordering. From a direct EDI connection for major customers, through orders via scanner, iPhone or the traditional approach by phone or in consultation with a member of our local sales team.

In summary, at VBH, we have repeatedly shown that we are successfully positioned in our core markets. There is no dealer in our sector that compares with us in size or in international reach. In 2013, we shall continue to work systematically within the framework of our strategic policies and we will not fail to live up to the confidence of our partners.

2. Overall economic environment and sector performance

OVERALL ECONOMIC ENVIRONMENT

Overall, the global economy grew somewhat more slowly in 2012 than in 2011. According to the latest forecasts by the International Monetary Fund (IMF), global GDP increased by 3.2 % in 2012. There was, however, significant regional variation. The euro zone performed badly as a result of the euro crisis and the debt crisis, posting a decline of 0.4 %. The up-and-coming markets in the emerging and developing countries posted growth of 5.1 %. However this still is lower than the previous year and below the long-term trend.

As in previous years, 2012 was impacted by the euro and debt crises, which unsettled the markets and consumers due to repeated discussions about bail-out funds. In particular, the uncertain future of Greece was one of the most significant issues to have a negative impact on the consumer and investment climate.

For 2013, the IMF expects another slight increase in global growth to 3.5 %. For the euro zone, the IMF expects further difficulties in 2013, even if the European Union does not shrink as much as in 2012. For 2012, on the basis of provisional figures, the IMF forecasts an economic decline of 0.4 %. This region is not expected to return to growth until 2013. In the emerging markets, growth is expected to be 5.5 %.

GERMANY

In 2012, as in the previous year, the growth trend in the German economy declined further each quarter. After growth of +0.5 % in the first quarter compared to the previous year, this declined to +0.3 % in the second quarter and 0.2 % in the third. For the year as a whole, most forecasts are for growth below 1 %. We expect the position to improve slightly in 2013.

1. German construction industry

The performance of the residential construction sector, which is significant for VBH, posted a positive growth trend but declined compared to the previous year. The number of new apartments increased by approximately 10 % compared to the previous year, whilst in the previous year there had been an increase of approximately 16 %. In 2013, growth is expected to decline further and reach approximately only 7 %. However, non-residential construction posted growth in new developments of approximately 3 %, which remained stable compared to the previous year. New developments represent only 20 % of VBH business. The renovation market is the most significant business.

The number of modernisations increased by 2.6 % year on year, double the growth rate of the previous year.

From 2013, the increased subsidies are also likely to have a positive impact on the German business. According to a decision by the German Cabinet at the end of 2012, subsidies of up to € 5,000 per household (a total of € 1.8 billion) are to be provided for energy modernisation.

2. German window and door market

According to the consensus estimates of the specialist conference "Statistics and Market" of the German Window and Façade Association (VFF), the German window market grew by 3.4 % in 2012 to reach a volume of 13.3 million window units (WU). Growth at similar levels (2.8 %) to 13.7 million window units is forecast for 2013. However, window production in German has largely remained stable. Additional sales are generated through increased imports, particularly from Poland.

In 2012, sales in renovation activities reached 8.2 million window units and continued to exceed the level of new constructions at 5.1 million window units. As a result of the further increase in new construction activities, growth in the new construction segment in 2012, up 6.3 % year on year, was considerably stronger than the renovation sector, which posted growth of only 1.7 % for 2012. The differences in growth and sales are expected to continue in 2013. However, the growth in new construction activities is expected to reach only 4.5 %. With mix of residential and non-residential construction, sales in residential construction, at 8.5 million window units in 2012, continued to exceed non-residential sales, at 4.8 million units. The gap between these two segments is likely to widen further as the residential construction segment is to grow by 4.7 % in 2012 and an expected 3.9 % in 2013, whilst the corresponding figures for non-residential construction are expected to be approximately 1 %.

With regard to the breakdown in materials, the picture is essentially unchanged compared with the previous year: the market continues to be dominated by PVC windows, which continued to account for 57 % of the total market in 2012. The proportion of metal/wood windows has increased slightly. Nevertheless, the share of this type of material was only 8 % in 2012, while metal windows came to 19 % and wooden windows to 16 %. In 2012, developments in the exterior door market were largely similar to the window market. In 2012, sales of external doors increased by 3.6 % to 1.33 million units. Similar but slightly lower growth (+3.1 %) is expected in 2013. In the external door market, the new construction sector grew more rapidly in 2012 (+7.6 %) than the renovation sector (+2.0 %), but remained at a lower level overall (0.4 million units in new construction compared to 0.9 million in renovations). With regard to external doors, sales in the different materials remained largely stable compared to the previous year. PVC and metal each represent approximately 33 %, whilst wooden doors make up 25 % of the market.

WESTERN EUROPE

In 2012, the euro zone entered into recession. The crisis of several years' duration resulted in record unemployment particularly in Southern Europe, which increased throughout the year. Continued high levels of government debt and the lack of growth momentum, despite low interest rates resulted in declining economic performance in 2012. The British economy was also unable to generate growth in 2012. Increasing unemployment and increasing debts inhibited positive growth trends. In this regard, experts expect the situation to improve in the medium term at the earliest.

1. Western European construction industry

The euro crisis has continued to restrict the European construction industry. This sector continued to shrink in 2012.
In 2012, European construction activities are expected to decline by at least 4.5 %. Another slight decline is also expected for 2013. According to experts from the European research and consultancy network Euroconstruct, recovery is not expected until the end of the forecasting horizon in 2015. In the last year, significant declines in construction investments were posted in the UK (-6.6 %) and Italy (-5.8 %). In 2013, these countries are expecting declines of -2.1 % and -1.4 % respectively. In Spain, construction work is likely to decline further, and non-residential construction is expected to post declines until 2015. Following severe losses, sales in the Irish construction segment are likely to increase significantly in 2014 and 2015. In particular, the announcement of the government's economic programme for the construction industry is likely to have its biggest impact in this period.

2. Western European window and door market

Low levels of construction activity continued to have a serious impact on the window and door market in 2012, particularly in Southern Europe. The weak window market is therefore a direct consequence of the havoc the crisis has wrought on construction activity. According to a recent VFF study, all Western and Southern European window markets which are significant for VBH shrunk in 2012. As a result, market volume in Spain and the Netherlands declined by approximately 12 %. Market volume in Belgium, the UK and Italy shrunk by approximately 2 %, whilst Ireland posted a decline of 1.5 %.

EASTERN EUROPE

Although Eastern Europe is a large, non-unified economic area, a general statement can be made. Despite slightly special economic circumstances due to the preparations for and staging of the European Football Championships in Poland and the Ukraine, 2012 was an economically weak year. The years of constant annual growth of more than 5 % in the Eastern European economic area appear to be over. In 2012, on the basis of provisional forecasts, experts expect growth of approximately 1 %. One important cause for this poor performance despite the accumulated demand is its dependency on exports to Western Europe. Financing of innovative projects is largely provided by Western European banks. Some of these banks have drastically reduced their lending as a result of the restructuring of the international banking sector. The situation in the Balkans was aggravated by the many Greek banks involved in project financing, which must now limit their involvement due to the tensions in their domestic market. In 2012, performance in Russia was also mixed. With economic growth of approximately 3.5 %, there remains a high dependency on the price of oil and low diversification, coupled with gas prices, which have been under pressure. At the same time, national politics have been subjected to various different developments which have restricted successful market participation for private investors and the risk propensity of businesses. This is aggravated by the fact that profits generated in the commodities sector tend to be generated abroad and not invested productively in the domestic market.

1. Eastern European construction industry

Since the main trends in the construction industry different only slightly in Western and Eastern Europe, the performance of the construction industry in Eastern Europe was also only slightly positive in 2012. In Poland, the construction industry grew only by approximately 1.6 %. This represents a significant decline compared with the growth of 11.8 % generated in 2011.

In the Czech Republic, the construction industry shrank for the third consecutive time in 2012. One cause for this was the government austerity measures. The significant market decline of approximately 13.3 % in Slovakia was due to the restricted government construction investments as a result of a tighter fiscal policy. However, the Hungarian construction sector declined by another 9 % in 2012, following a decline of 10.2 % in 2011. Here, Euroconstruct experts are expecting a return to slight growth of approximately 1 % in 2013.

Whilst the Russian construction industry grew by 5.4 % year on year in the first half of 2012, cumulative growth amounted to only 2.3 % as of October 2012. This shows that performance has weakened. Increasing growth trends are not expected in 2013.

2. Eastern European window and door market

The performance of significant market segments for VBH varied in 2012. According to current figures by the German Window and Façade Association (VFF), the window market volume shrunk in Bulgaria, Romania, Hungary and the Ukraine. However, there was a slight growth of approximately 2 % in the Baltic states.

OTHER MARKETS

In the Other Markets segment, following implementation of the strategic consolidation, the Turkish and certain Latin American markets (Argentina, Chile and Mexico) are now relevant for VBH.

2012 was not a good year for Turkey, with economic growth expected to be approximately 3.5 %. In 2011, the economy grew by 8.5 %. A significant cause for the slower growth was the ongoing crisis in demand in the Western European customer countries for Turkish export goods. According to experts, this decline is only expected to have been temporary. Growth of more than 5 % is expected again in 2013.

Following growth of 4.2 % in Latin America in 2011, growth of 3.1 % is expected in 2012. This region also suffered a decline in growth in 2012. We expect the position to improve slightly in 2013 with approximately 3.8 % growth.

1. Other Markets construction industry

In 2012, there were clear signals of weakness in the Turkish construction industry, which had posted strong expansion for the past two years. According to the TÜIK statistical office, real growth in the sector declined in the first half of 2012 from 14.2 % in 2011 to 1.5 %. In the second quarter of 2012, growth was even weaker at 0.4 %. Despite the poor economic conditions, analysts are confident with regard to the medium-term performance. The ambitious government programmes to improve the housing situation and develop public infrastructure will result in increasing demand for construction work.

In Mexico, the construction sector association CMIC expects gross value added in the construction industry to grow by 4 % in 2012, compared to 4.8 % in the previous year.

2012 was also not a positive year for the Argentinean construction industry. Construction activity slumped across Argentina in 2012. In the first half of 2012, the construction activity indicator (ISAC) published by the INDEC statistical office was 0.8 % above the previous year's value, following an increase in 2011 of 8.7 %. The housing market has suffered particularly from the severely increased restrictions in the currency market since the end of 2011, which has made it almost impossible to acquire US dollars for property purchases. Since property transactions in Argentina are usually carried out in US dollars, the market collapsed. This also impacted the start of new construction activities. According to the Construya index, which is calculated by the twelve leading construction suppliers and primarily reflects private construction activity, construction activity in the first eight months of 2012 declined by 0.2 %.

2. Other Markets window and door market

According to figures from the VFF, market volume in the Turkish window market increased by approximately 6 % in 2012. This shows that there is still potential in this dynamic growth region.

3. Earnings, financial position and assets

3.1 SALES AND EARNINGS

In market conditions marked by significant uncertainty, and as a result of the exit of VBH from various markets particularly in Asia and Western Europe, consolidated sales declined by 4.3 % from € 780.1 million to € 746.6 million. Significant sales declines in the international markets were not compensated for in a German market with stagnating sales. The varying developments in the segments are clear from the table:

Regions of VBH

In m €	2011	2012	in %
Germany	421,433	421,054	-0.1
Western Europe	95,082	82,475	-13.3
Eastern Europe	262,026	253,511	-3.2
Other markets	32,018	22,824	-28.9
Consolidation	-30,424	-33,285	9.2
Group	**780,135**	**746,579**	**-4.3**

As a result of the exit from international markets as part of the strategic consolidation, the significance of the Germany segment has increased further within the Group. As a result, over 50 % of consolidated sales are generated in Germany. Although both companies included in the Germany segment outperformed the market as a whole, weak sales performance in the second and third quarters caused sales to remain at € 421 million. The positive effects of energy modernisation and a good performance in residential construction were not outweighed by economic uncertainty. Historically low interest rates continued to have a positive impact.

In the Western Europe segment, contraction continued in 2012. With weak market conditions particularly in Southern Europe, comparative sales declined by 13 % from € 95.1 million to € 82.5 million. This is the fourth year of declining sales in this segment. Economic conditions in Greece, Belgium, Ireland, Italy, the Netherlands and Spain still have not shown sustained improvements.

In Eastern Europe, sales and earnings performance was dominated by the large markets in Poland, Russia and the Czech Republic. Since performance in these markets declined slightly in 2012, sales in this segment also declined. Sales in this segment moved down by 3.2 % from € 262.0 million to € 253.5 million.

Performance in the Other Markets segment, comprising subsidiaries in Turkey, Latin America and Asia, was impacted by a range of different influences. As part of the strategic consolidation, with the exception of one purchasing company in China (Guangzhou), the exit from Asia, together with the discontinuation or sale of local subsidiaries, was largely completed in operating terms by the end of the year. Whilst positive sales performance was posted in Latin America, significant sales declines were posted in Turkey as a result of restructuring.

As a result, total sales in this segment were significantly below the previous year's figure of € 32.0 million, at only € 22.8 million.

In 2012, as part of the adjustment of the VBH country portfolio in line with the current changes in market circumstances, following a long period of expansion, the Executive Board decided to continue actively with the consolidation VBH country portfolio which had begun the previous year.

The exit from the markets in Asia, Greece and Serbia generated significant closure expenses which resulted in non-recurring charges reported in earnings. In addition, companies in Kuwait, Serbia and Singapore were sold. With the implementation of these overall measures, VBH removed from the portfolio those companies that were responsible for significant losses in recent years. This is expected to prevent further outflows of liquidity and avoid a negative impact on future earnings.

In addition to the withdrawal from these countries, write-downs were required on current assets in companies in other countries within the restructuring, and on goodwill and purchase price allocations. The earnings are therefore impacted by significant non-recurring, final charges as a result of these measures.

The income statement is as follows:

Profit and Loss

In T €	2011	2012
Sales	**780,135**	**746,579**
Gross operating profit	**184,935**	**172,222**
Personnel expenses	91,434	94,504
Other operating income	15,737	16,674
Other operating expenses	91,965	90,674
EBITDA	**17,273**	**3,718**
Depreciation / Amortization	14,873	8,365
EBIT	**2,400**	**-4,647**
Financial result	**-9,854**	**-9,825**
EBT	**-7,454**	**-14,472**
Current taxes	4,194	3,533
Deferred taxes	-373	-413
EBT continuing operations	**-11,275**	**-17,592**
EBT discontinued operations	-14,409	0
EAT	**-25,684**	**-17,592**

Overall gross operating profit for the Group declined by € 12.7 million as a result of the sale of remaining stocks due to the closure of companies and other cautious write-downs as a result of the economic performance in uncertain markets. The gross profit margin declined from 23.7 % in the previous year to 23.1 % in the current financial year. Staff costs increased significantly as a result of the restructuring allowances in a few VBH companies, with an increase of € 3.1 million or 3.4 % from € 91.4 million to € 94.5 million. Other operating expenses and income were € 2.2 million lower than in the previous year. Other operating income increased by € 1.0 million from € 15.7 million to € 16.7 million. Other operating expenses fell by € 1.3 million from € 92.0 million to € 90.7 million. Considerable non-recurring effects are at play here, which are shown in the presentation of adjusted income. Depreciation decreased from € 14.9 million to € 8.4 million. Impairment on goodwill and customer relationships of € 3.4 million also had a significant impact (previous year: € 9.3 million).

Net finance costs were stable, at the previous-year level of € -9.8 million. Non-current liabilities have risen from € -7.5 million to € -14.5 million. Group's taxes decreased from € 4.2 million to € 3.5 million. Deferred taxes amounted to € 0.4 million (previous year: € 0.4 million).

Last year, the loss in the Group incurred due to discontinuing the Italian aluminium business was reported as a separate item amounting to € 14.4 million. The Group's net loss decreased from € 25.7 million to € 17.6 million.

Calculation of adjusted EBIT and EBITDA

The key control parameter for VBH is the Group's operating performance, which is measured as EBITDA and EBIT. As these figures are also affected by extraordinary effects, we have chosen a form of presentation, as we did last year, that permits a more objective assessment of operating Group performance and are reporting "adjusted" results. Extraordinary effects are factors that occur only once or do not recur regularly. "EBITDA", "adjusted EBITDA" and "adjusted EBIT" are internal figures. They are not defined by IFRS regulations and are intended as additional information for readers of the financial statements. In particular, the effects of impairment in the form of amortisation of intangible assets, non-recurring adjustments in current assets and adjustments based on the withdrawal from Asian and European submarkets were processed in the figures.

To improve understanding of these figures, we have prepared a statement of reconciliation.

Reconciliation of adjusted income statement VBH Holding AG

In T €	2011 recon-ciliation EBT	2012 recon-ciliation EBT	2011 recon-ciliation EBIT	2012 recon-ciliation EBIT	2011 recon-ciliation EBITDA	2012 recon-ciliation EBITDA
Result as reported	**-7.454**	-14.472	**2.400**	**-4.647**	**17.273**	**3.718**
Special items inventories	1.142	2.472	1.142	2.472	1.142	2.472
Special items trade receivables	7.581	4.389	7.581	4.389	7.581	4.389
Special items provisions for restructuring and liquidation costs as well as deconsolidiation		6.462		6.462		6.462
Special items personnel		2.417		2.417		2.417
Special items other operating income	-170	-1.524	-170	-1.524	-170	-1.524
Extraordinary depreciation	9.274	3.642	9.274	3.642		
Depreciation on financial assets	1.316	1.808				
Special items interest result		219				
Effect in operating result of closed subsidiaries (changes in share portfolio)*		5.179		5.179		5.179
result adjusted	**11.689**	**10.592**	**20.227**	**18.390**	**25.826**	**23.113**

* allocated in EBITDA

The non-recurring effects incurred in the current financial year are primarily due to the effects of portfolio adjustment for subsidiaries and the exit from the Asian markets, as well as other necessary write-downs on companies in Belgium and Turkey, in which large-scale restructuring is taking place. Overall, this impacted earnings before taxes by € 24.5 million (previous year: € 19.1 million), at the level forecast in the ad-hoc notification in June 2012.

The key operating figures resulting from the adjustment were impacted primarily by one-off write-downs on inventories and receivables. They were thus impacted by a further adjustment to current market conditions amounting to € 6.9 million (previous year: € 8.7 million). Staff provisions amounting to € 2.4 million were also incurred for further restructuring (previous year: € 0 million). In addition, other provisions and deconsolidation of disposed companies impacted earnings by € 4.7 million. Impairment primarily of goodwill and client bases amounted to € 3.6 million. In addition, depreciation on financial assets amounted to € 1.8 million, primarily affecting our subsidiaries in India. Another € 4.6 million resulted from operating losses from sold and discontinued companies, as well as from the settlement of these transactions.

Adjusted EBITDA fell € 2.7 million from € 25.8 million to € 23.1 million, primarily due to operating losses incurred in the companies undergoing restructuring in Turkey and Belgium. The margin of adjusted EBITDA to sales decreased from 3.3 % to 3.1 %.

Adjusted EBIT decreased in line with EBITDA by € 1.8 million, from € 20.2 million to € 18.4 million. Adjusted EBT fell by € 1.1 million from € 11.7 million to € 10.6 million.

Despite these significant losses, the VBH Group still has a large number of stable core companies which secure the future performance of the Group as a whole and which generated an adjusted EBT of over € 10 million in 2012. We therefore expected a return to positive and stable consolidated earnings in the short term.

3.2 FINANCIAL POSITION AND NET ASSETS

Financial position

Investments in the VBH Group amounted to € 9.5 million after € 7.6 million in the previous year. € 5.2 million (previous year: € 3.4 million) was attributable to intangible assets and € 2.5 million to property, plant and equipment (previous year: € 4.2 million). Intangible assets are mainly payments on account and upfront costs for the introduction of a new IT system in Germany. There were additions to financial assets of € 1.8 million (previous year: € 0 million) due to the capital increase of a subsidiary in India.

Investments in property, plant and equipment and intangible assets not including goodwill (capex) amounted to € 7.7 million and were therefore up on the previous year's level (€ 7.1 million). The ratio of capital expenditure to depreciation and amortisation climbed from 0.9 to 1.1.

Capex and depreciation

In € m	**2011**	**2012**
Capex	7.1	7.7
Depreciation on assets	6.5	7.1
Capex vs. depreciation ratio	0.9	1.1

Consolidated cash flow statement

The Group's cash flow continued to develop positively as a result of the sharp reduction in inventories and receivables and thereby working capital of € 17.9 million. Working capital declined by € 32.0 million year on year. Operating cash flow amounted to € 18.5 million in the financial year, down from € 28.6 million in the previous year. Cash flow from investing activities increased from € -5.9 million to € -8.5 million mainly because of investment in software products. Free cash flow (total net cash inflows and outflows from operating and investing activities) decreased from € 22.6 million in the previous year to € 10.0 million. Cash flow from financing activities increased from € -19.1 million in the previous year to € -12.5 million. As at the end of the reporting period, cash and cash equivalents were € 3.0 million lower than at the start of the year at € 14.3 million.

Consolidated cash flow statement

In € m	**2011**	**2012**
Cash flow from operating activity	28.6	18.5
Cash flow from investing activity	-5.9	-8.5
Free Cash Flow	22.6	10.0
Cash flow from financing activity	-19.1	-12.5
Changes in cash and cash equivalents due to exchange rates and scope of consolidation	1.1	-0.5
Cash and cash equivalents at the beginning of the period	12.7	17.3
Cash and cash equivalents at the end of the period	17.3	14.3

Net assets

The Group's total assets were impacted by a significant improvement in current assets. Total assets amount to € 254.4 million, having fallen by € 38 million from € 292.4 million.

Assets

In T €	31.12.2011	31.12.2012
Long-term assets		
Intangibles assets	24,416	25,111
Property, plant and equipment	27,375	25,693
Financial assets	456	447
Other long-term assets	3,333	2,991
Deferred tax assets	8,772	9,133
Total	**64,352**	**63,375**
Short-term assets		
Inventories	109,523	91,360
Trade receivables	76,369	59,702
Trade receivables affiliated companies	2,838	1,686
Other assets	21,072	18,518
Cash and cash equivalents	17,328	14,329
Tax receivables	893	620
Total	**228,023**	**186,215**
Asset held for sale	0	4,792
Total assets	**292,375**	**254,382**

Within assets, non-current assets decreased from € 64.3 million to € 63.4 million in 2012. Impairment on goodwill and customer relations in intangible was compensated for by investments for introducing new software in Germany. Property, plant and equipment fell by € 1.6 million from € 27.4 million to € 25.7 million. Deferred taxes increased by € 0.4 million from € 8.8 million to € 9.1 million.

Overall, current assets fell from € 228.0 million to € 186.2 million and highlight a clear improvement in working capital management for current assets. Valuation allowances on receivables and write-downs on inventories were also made in line with current market conditions. This change reflected a € 18.2 million decrease in inventories, a € 16.7 million decline in trade receivables and a € 1.1 million decline in receivables from Group companies. This figure includes effects of € 3.2 million from the deconsolidation of companies and reclassification of inventories in the available-for-sale position amounting to € 4.7 million.

Other assets fell by € 2.6 million from € 21.1 million to € 18.5 million. As at the reporting date, cash and cash equivalents decreased by € 3.0 million from € 17.3 million to € 14.3 million.

Assets available for sale relate primarily to the inventories of esco Metallbausysteme Austria GmbH which are reported here due to the sale of this subsidiary's activities as part of an asset deal in the first quarter of 2013.

Equity and liabilities

In T €	31.12.2011	31.12.2012
Equity		
Subscribed capital	45,879	45,879
Capital reserve	18,812	10,624
Revenue reserve	23,654	13,934
Equity attributable to shareholders of VBH AG	88,345	70,437
Minority interests	6,151	4,818
Total	**94,496**	**75,255**
Non-current liabilities		
Pension provisions	13,201	13,418
Other long-term provisions	3,221	3,641
Long-term financial liabilties	76,037	86,521
Other long-term liabilities	1,915	4,327
Deferred tax liabilities	3,197	2,700
Total	**97,571**	**110,607**
Current liabilities		
Short-term provisions	6,623	8,395
Short-term financial liabilities	30,341	12,239
Advances received	805	1,519
Trade payables	36,443	26,665
Other short-term liabilities	25,472	19,471
Tax liabilities	624	231
Total	**100,308**	**68,520**
Total equity and liabilities	**292,375**	**254,382**

Primarily as a result of the net loss, equity decreased from € 94.5 million to € 75.3 million. The equity ratio in the Group decreased from 32.3 % to 29.6 %.

Non-current liabilities rose from € 97.6 million to € 110.6 million. Financial liabilities had a significant impact and increased by € 10.5 million. The main financing of the VBH Group is generated by a syndicated loan which is classified as medium term based on its duration. As a result of the repayment of credit lines abroad, the syndicated agreement had a higher utilisation. However, current financial liabilities decreased by € 18.1 million. Overall, interest-bearing liabilities decreased by € 7.6 million from € 106.4 million to € 98.8 million. In the current financial year, the Group's credit lines extended by commercial banks provided VBH with adequate credit to continue developing its operating activities and performing investments. The existing syndicated loan agreement, which was extended in August 2011 until 30 June 2016, required a substantial adjustment as a result of the change to the Group's structure, which was agreed with the syndicate banks in December 2012. The Group's net debt decreased from € 89.1 million to € 84.4 million. Gearing (net debt/equity) amounts to 112 % after 94 % in the previous year.

Trade payables declined by € 9.8 million on the previous year, while other short-term liabilities declined by € 6.0 million. Net working capital (defined as inventories plus trade receivables less trade payables) declined significantly to the present figure of € 126.1 million after € 152.3 million in the previous year.

3.3 SEGMENT REPORT

VBH is structurally organised into five segments, reflecting the management structure of the Group. The segments are: Germany, Western Europe, Eastern Europe, Other Markets and Corporate Services.

Germany accounts for 54.0 % (previous year: 52.0 %) of total Group sales, while Western Europe accounts for 10.6 % (previous year: 11.7 %), Eastern Europe for 32.5 % (previous year: 32.3 %) and Other Markets 2.9 % (previous year: 4.0 %).

Germany

The Germany segment comprises the two companies VBH Deutschland GmbH and esco Metallbausysteme GmbH, which handle the markets for wood and PVC window manufacturers and metal workers.

Overall, sales development in the Germany segment matched our expectations. Following a strong start to the year, performance was weaker in the second and third quarters. However, in the fourth quarter, business performance experienced a strong upturn. As a result, sales remained at the high level of € 421 million generated in the previous year. In 2012 therefore, in line with its competitors, VBH developed sideways and did not benefit fully from the performance of the window market. This was also due to increasing imports.

Business development was largely influenced by the continued healthy condition of the German window market within a flourishing construction sector. Modernisation and residential construction were the most stable sectors. Business performance in Germany therefore remained at a constantly high level. However, it was unable to repeat the growth trend of the previous year. Successes in the market penetration of greenteQ and systeQ products together with customers' increasing recognition of our expertise in key areas also had a positive impact on its market position and prevented sales losses in a competitive market environment.

At the same time, cost increases resulted from the expansion phase of previous years. From the middle of the third quarter, these were largely absorbed by a new efficiency enhancement programme. In 2012, the earnings of esco Metallbausysteme GmbH declined as a result of sales. Overall, EBIT deteriorated by € 0.9 million from € 13.9 million in the previous year to € 13.0 million in 2012. The EBIT margin fell slightly to 3.1 % (previous year: 3.3 %).

The average number of employees increased by 19.

Germany

In T €	2011	2012
Total sales	421,433	421,054
EBITDA	15,135	14,189
EBIT	13,901	12,965
Number of employees	1,029	1,048

Abroad

Following the decision by VBH to concentrate on the significant and successful core markets, VBH is now focussing on the strong sales markets in Eastern Europe, which have been robust with high accumulated demand, and which made a significant earnings contribution in 2012.

Activities in Western Europe have been contracting for several years, with turbulence in the local economies. As part of the strategic portfolio adjustment, the Greek subsidiary was discontinued. Other countries such as Spain, Portugal and Italy are struggling with significant declines, and our companies are subsequently being adapted to these altered conditions.

The adjustment of the country portfolio focussed on a strategic exit from many Asian markets, which impacted the Other Markets segment. The losses and a non-recurring negative impact result from the implementation of these closures. The decision to withdraw from markets considered to be unprofitable in the long-term was announced in the ad hoc notification dated 15 June 2012. The effects of this decision were reported from the second quarter of 2012. In the remainder of the year, subsidiaries in Serbia, Kuwait and Singapore were sold to shareholders or managing directors. These subsidiaries were deconsolidated in the 2012 annual financial statements. Subsidiaries in Belgium and Turkey also underwent ongoing restructuring.

The above measures were implemented in order to ensure that the VBH Group continues to have a healthy portfolio of profitable and strong subsidiaries abroad in the future.

Western Europe

In the Western Europe segment, consisting of the markets of the UK, Ireland, Italy, Belgium, Spain, the Netherlands, Greece and Austria, sales declined from € 95.1 million to € 82.5 million. This further 13.3 % decline in sales is the result of the difficult overall conditions in many Western and Southern European countries. The companies in Italy (Bolzano), Spain, Greece and the Netherlands were particularly impacted by this continued decline. In both Spain and Italy, the economy shrunk in 2012. Here it is almost impossible to escape the economic market conditions. As a result of the continued poor market conditions combined with poor medium-term prospects, VBH also withdrew from the Greek market at the end of 2012, as part of strategic consolidation. At the end of 2012, in southern Belgium (Wallonia), the last phase of a substantial, long-term restructuring was put in place. This negatively impacted results in the segment as a result of necessary provisions and the discontinuation of sites.

However, VBH grew against the trend in the market in its northern European submarkets following successful organisational adjustments in previous years and gained additional market share. The moderate sales increases mainly occurred in northern Belgium, the UK and Ireland. EBIT of the Western European companies declined again from € -4.7 million in the previous year to € -9.5 million.

The average number of employees decreased by 24.

Western Europe

In T €	2011	2012
Total sales	95,082	82,475
EBITDA	-1,537	-8,375
EBIT	-4,672	-9,511
Number of employees	294	270

Eastern Europe

The Eastern Europe segment consists of Central Eastern Europe, the CIS countries and Southeast Europe. Sales in this segment, the most important international segment for VBH, performed moderately in 2012. Whilst business performance was marked by slight growth at the start of the year, it was weaker than the previous year from the middle to the end of the year. In Central Eastern Europe, business in Poland and the Czech Republic did not generate the growth posted in previous years. Whilst VBH business in Poland declined by more than 5 %, business in the Czech Republic declined by 12 %. In the medium term, as a result of changing market structures, we are not expecting to generate the positive growth trends seen in previous years.

However, the situation in the Baltic states is positive for VBH. As a result of strong export business in the neighbouring states, profitable two-digit growth figures were generated in this region.

The situation in the CIS countries is mixed. In the Russian subsidiaries, there was a single-digit decline in sales. However, in Kazakhstan and in the Ukraine, there was a huge two-digit growth. In Kazakhstan, the positive performance in this boom country is expected to continue.

The smaller companies in the Balkan states also posted a strong performance with over 5 % growth in 2012. The potential for modernisation can also be expected to continue in the medium term.

Overall, sales in this segment declined by 3.2 % from € 262.0 million to € 253.5 million.
EBIT decreased from € 16.6 million in the previous year to € 15.7 million.
The EBIT margin amounted to 6.2 % (previous year: 6.3 %).
The average number of employees remained constant, with 1,216 compared to 1,219 in the previous year.

Eastern Europe

In T €	2011	2012
Total sales	**262,026**	**253,511**
EBITDA	**18,458**	**17,411**
EBIT	**16,621**	**15,661**
Number of employees	**1,219**	**1,216**

Other Markets

The Other Markets segment comprises VBH activities in Asia, the Middle East, Latin America and Turkey. The portfolio adjustments carried out as part of the strategic consolidation primarily affect this business segment.

Despite intensive involvement and different local restructuring programmes in recent years, it has become clear that VBH's successful European business model cannot be transferred seamlessly to the markets in Asia. Furthermore, the successful product portfolio of German premium manufacturers does not generate the necessary demand in these markets. Hence, remaining in the Asian submarkets in future would not only entail a high level of risk, but would also bring with it only low prospects of success and considerable financing requirements in the medium and long term. At the end of 2012, the discontinuation of operations was substantially completed in VBH Middle East, Beijing and India. The companies Singapore and Kuwait were sold. Talks are also being held regarding the dissolution of the cooperation in Shanghai. Overall, the withdrawal from operations in Asian was carried out more quickly than originally planned.

In the medium term, the companies in Latin America, Turkey and the purchasing company in China will remain in this segment.

In 2012, for this reason, the segment results have been significantly impacted by closure costs. At the same time, sales in the dissolved companies were successively wound down.

As expected, there was a year-on-year decline in sales from € 32.0 million to € 22.8 million (down 28.9 %). EBIT amounted to € -2.3 million. In addition to the closure expenses, this also includes the costs of the restructuring of the Turkish subsidiary. Following substantial staff, organisational and strategic reorientation in 2012, restructuring was completed. Under new management, sales have stabilised and the structural and organisational foundations have been laid for future profitable growth.

A dynamic growth market for the VBH Group is Mexico, where growth of over 30 % was generated. In Chile and Argentina, the first successes are now apparent. However, particularly in Argentina, current import regulations are having a negative impact on successful performance.

The average number of employees decreased by 58 to 184 employees.

Other Markets

In T €	2011	2012
Total sales	**32,018**	**22,824**
EBITDA	**-2,368**	**-2,068**
EBIT	**-2,636**	**-2,327**
Number of employees	**242**	**184**

Corporate Services segment

Non-operational companies are grouped together in the Corporate Services segment. In addition to VBH Holding AG as the parent company, this is a sale-and-lease-back company consolidated in line with IFRS regulations. In VBH Holding AG, in addition to operating costs for the parent company, further costs arose due to the implementation of the strategic consolidation concept as well as expenses for the sale and liquidation of affected companies. Adjusted for the costs for these non-recurring effects, costs were at the level of the previous year.

EBIT decreased from € -14.2 million in the previous year to € -20.9 million. There were also impairment losses on financial assets of € 1.8 million (previous year: € 1.3 million) caused by the discontinuation of companies and adjustments to the carrying amounts of non-consolidated companies. Due to the ongoing positive earnings performance in Eastern Europe and cash flow, dividend income in net finance costs amounted to € 11.5 million (previous year: € 1.7 million). Since 2004, the net finance costs of VBH Holding AG have been shaped by a waiver of interest in favour of VBH Deutschland GmbH.

The average number of employees increased by 4 to 45 employees, who primarily support the management and central functions in VBH Holding AG for the Group subsidiaries.

Corporate Services

In T €	2011	2012
Total sales	**0**	**0**
EBITDA	**-13,559**	**-20,296**
EBIT	**-14,240**	**-20,867**
Number of employees	**41**	**45**

Consolidation

The residual effects from preparation of the consolidated financial statements resulting in consolidation essentially comprise cross-segment elimination of sales and income from equity holdings and extraordinary effects from goodwill impairment, which is not allocated to the segments for internal controlling purposes. Impairment of goodwill and purchase price allocations not allocated to the operating segments amounts to € 3.4 million, compared to € 7.5 million in the previous year.

4. OPPORTUNITIES AND RISK REPORT

The worldwide business activities of VBH naturally entail a number of risks and opportunities. In order to achieve the company goals, opportunities and the resulting risks are assessed on an ongoing basis and responsibly balanced. VBH understands risks as possible internal or external events that could negatively impact our qualitative and quantitative company goals. As a group operating in many countries, VBH is exposed to many different risks that impact the business and, in an extreme case, could affect the existence of the Company. Risks that can be monitored and handled can be accepted as long as they are outweighed by the corresponding opportunities. There is a particular potential for danger with risks that are unrecognised and therefore not controlled or managed.

A risk management system is in place in order to ensure early identification of risks and to analyse their causes as well as evaluate and prevent or at least minimise risks, including a system for early identification of risks threatening the existence of the Company. The risk management system regulates the identification, assessment, analysis, documentation and reporting of risks, and is an integral component of the management system. As such, it makes a material contribution to running the company successfully and profitably in the context of its strategic and operational goals.

The VBH risk management system comprises two key pillars:

- Firstly, it encompasses the original risk management system, which together with the reporting system of the Group companies, an ad-hoc system and the Internal Auditing department forms the heart of the risk detection system.
- Secondly the area of risk and liability avoidance with the optimised compliance management system.

Both pillars make a material contribution to reducing the risk threat potential and its proactive management.

In the short-term, the further multiplication of the competitive advantages we enjoy in Germany to our international companies offer opportunities by rolling out into companies abroad. This relates to the penetration of the market by our proprietary brands greenteQ and systeQ and a further strengthening of the range of services we offer our customers.

As a result of the adjustments to the scope of consolidation carried out in the last few years, and the exit from unprofitable markets, VBH can now concentrate on its core markets. In the German companies, logistical concepts and organisational structures are monitored for efficiency. Within the Group, IT structures and processes are being successively unified. This will allow common hardware and software resources to be established and managed centrally across the Group by VBH Holding AG. Transparency within the subsidiaries and also manageability will be significantly increased. This will support the creation of cost-efficient working procedures. As a result, further optimisation in current assets may be generated by a reciprocal supply of information and goods within the Group companies. This allows established and standardised sales and logistics processes to be multiplied quickly. In addition, centrally accessible data provides further opportunities for bundling the sales mix and procurement.

The expected upturn in the Western and Southern European economies could offer further opportunities. After several crisis years, sales and gross operating profit and risk-bearing capacity could increase.

Risk management system

In essence, the VBH risk management system pursues four objectives:

- Supporting corporate governance,
- Raising risk awareness among all employees long-term,
- Increasing enterprise value through proactive risk management, and
- Compliance with legal requirements.

Risks are identified at all VBH companies every six months and the information is aggregated from country to company level according to a standard, defined process. This approach means that all persons responsible at all levels are involved in the risk management process.

The process tracks external risks such as those relating to suppliers, customers, competition, market and currency factors on the one hand and internal risks such as those relating to receivables, inventories and management factors, risks arising from the financial/liabilities structure and risks of current business operations on the other. These risks are then measured using a risk score and EBT-@-risk. The findings obtained as a result are analysed at country level and subsequently aggregated at Group level. In addition to the material recording and presentation of risks, it is particularly important for VBH that all recorded risks are discussed in an open dialogue with all requisite decision-makers and appropriate countermeasures instigated without delay with the approval of the Supervisory Board. This central role is performed by VBH's Risk Controlling Committee. This consists of the relevant Group controllers and regional managers, the Group Risk Manager and the Chief Financial Officer. They report to the Audit Committee in regular meetings.

Together with controlling and the regional directors and managers responsible, countermeasures are discussed and instigated in this committee. The committee also monitors the progress of the measures instigated. Risks arising at short notice, which occur outside the six-monthly recording process, are reported immediately independently of the normal process and tackled by all those involved without delay. Operational risk controlling falls within the responsibility of the national managing director. If defined thresholds are exceeded, e.g. for monetary risks, the persons responsible at the various levels of hierarchy are involved in the process without delay. This thereby guarantees immediate and central communication up to Group management.

Regular reporting system of the Group companies

This covers all significant management and reporting processes for the Group, including corporate planning. A robust international controlling system for equity holdings in place at VBH Holding AG provides direct access to the information of investment companies on a monthly basis. The aim is to ensure a highly effective, intensive and rapid early warning system for all markets. This allows VBH to gather information on changes in the earnings power of each individual company unit quickly and to convert this information into measures to protect sales and earnings immediately. In addition, the Group companies report data for quarterly consolidated financial reports using standardised templates approved by Controlling.

Internal Auditing

The aim of Internal Auditing is to ensure compliance in VBH-specific day-to-day operations with the processes and guidelines defined in the manuals, to present potential for improvement in processes and control systems and to identify fraud in the susceptible processes. It should also identify potential for economic improvement.

Internal Auditing works according to procedural instructions coordinated between the Executive Board and the Supervisory Board. Several companies undergo an internal audit each year. The companies audited are selected according to various factors.

Compliance management system

At VBH, “compliance” is understood as "the sum of organisational measures that guarantee that the executive bodies and employees of VBH/esco behave lawfully". This also includes behaving in a way that reflects ethical principles. Directives and codes have been stipulated to this end and communicated within the VBH Group. At the same time, compliance must amount to more than listing rules of this kind and passing them onto employees. Rather, the aim of compliance should be to manifest legal and, in particular, ethical principles in the consciousness and actions of employees and their managers through regular information and training sessions.

The Supervisory Board and Executive Board report on the status of the compliance management system in their meetings. At the same time, the compliance management system is constantly refined by the Compliance Officer in consultation with the Executive Board and adjusted to the constantly changing requirements.

The Supervisory Board receives reports on the current status of audit work at regular intervals. In the context of the annual audit, the auditor assesses whether the Executive 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 are recognised in a timely manner.

In addition to the factors described above, the following risks will be explicitly analysed below:

MARKET RISKS

Economic conditions as a significant risk

The individual companies within the VBH Group are dependent on the economic performance of individual regions and sectors. As a result, the VBH business model is subject to a global, general economic risk. VBH mitigates the effects of economic fluctuations through diversification in countries and sectors. The VBH Group counters 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 and cost adjustments in individual companies. This is aided by the Group's service range, such as the VBH24 service platform, CE-fix designation, and the introduction of high-profitability products with substantial margins under the greenteQ and systeQ brand names. In addition, its international structure with a presence in 31 countries diversifies economic risks which may occur in individual countries. Nevertheless, in 2012, VBH generated 54 % of its sales in Germany and 11 % in Western Europe. As a result, an exacerbation of the European debt and financial crisis may have a significant negative impact on the VBH sales and earnings position.

Further diversification is achieved because the Group companies are in different phases of a growth cycle. The portfolio includes newly founded and young companies which experience dynamic growth which is largely unaffected by economic fluctuations, as well as long established companies, which tend to follow the general economic cycle in their development. In recent years, the debt and financial crisis has also exposed the downside of globalisation. As a result of the strongly connected global economy, few regions or sectors are unaffected by the downturn in periods of crisis, as was the case in 2008 and 2009. The crisis was particularly marked for VBH in Southern Europe, where VBH had to withdraw from markets or sectors such as Italy (aluminium market) or Greece in recent years. It is not possible to rule out further negative effects on the remaining companies due to another downturn in these markets.

Dependence on a limited number of important suppliers

Although the individual regional markets differ in terms of their maturity and the available suppliers and manufacturers, the number of suppliers and manufacturers in individual markets is limited. As a result, VBH cannot fall back on a range of alternative suppliers for individual products. Therefore, there is a dependence in individual markets on large suppliers and manufacturers, meaning that discontinuing a business relationship may have a significant impact on the VBH sales and results of operations. VBH has reduced this dependence by introducing and expanding its proprietary brands greenteQ and systeQ. The manufacturers of individual propriety brand products can be substituted so that VBH is able to turn to alternatives within a short space of time. As a result of the VBH market position, many medium-sized suppliers are reliant on the sales and marketing channels of the Group subsidiaries. There is therefore a mutual dependency with many suppliers in regional markets.

Risk of maintaining inventories

For VBH, as a trader, rapid delivery to customers is essential. Maintaining inventories with an appropriate stock level is therefore necessary to meet customer needs within the shortest possible time. This results in risks from technical changes to and price trends for products. VBH meets this risk with continuous monitoring of warehouse stock. Inventories are analysed to ensure the range is adequate and up-to-date, and the Group is pro-active in finding options for utilisation of stock within and outside the Group.

FINANCIAL RISKS

Financing risk

VBH Holding AG and its German subsidiaries receive their major financing under a syndicated loan agreement. On 19 March 2007, a five-year syndicated loan agreement with a total volume of € 100 million was concluded with six German banks. This was extended with five banks to 30 June 2016, by way of an amendment dated 28 August 2011. The regulations of the syndicated loan agreement require VBH to comply with specific financial covenants, as well as other requirements. In particular, minimum levels are set for the ratio of net financial debt to net assets (asset coverage), the ratio of EBITDA to net interest expense (interest cover ratio), and ratio of equity to total assets (equity ratio). In certain circumstances, as a result of the above market and operational risks, it may not be possible for VBH to comply with these key ratios for the duration of the loan. The lenders have the right of termination in the event that VBH breach these conditions. In this case, the syndicated loans would be due for repayment immediately and lending commitments would cease. As this loan agreement constitutes the Group's main financing, it is a substantial factor in the continued existence of the Group. On 15 June 2012, the Executive Board published an ad hoc disclosure announcing its resolution to implement further consolidation measures within the existing country portfolio of Group companies. These measures significantly impacted some of the figures published in the first half of 2012. Prior to the decision to shake out the portfolio, discussions were conducted with the financing banks regarding support for the overall measures. These encouraged the Executive Board to continue its reduction of the investment portfolio. As a result of the effects of the measures introduced, it became apparent in planning that the financial covenants agreed in the syndicated agreement would be breached. As part of a standstill agreement, the banking syndicate agreed to suspend its rights to call in the loan. The intended change to the Group's structure necessitated a far-reaching adjustment of the syndicated loan agreement. The changes to the agreement include adjusted loan conditions on the basis of the new Group structure. On 19 December 2012, an amendment to the loan agreement was signed. The agreement is based on medium-term Group planning which takes into account the measures of the consolidation programme and the future structure of the Group.

As well as other conditions, the syndicated loan agreement contains provisions for a change of control. A change of control takes place if a person or group of person have at least 50 % of voting rights in VBH Holding or VBH Holding AG no longer holds at least 75 % of shares in VBH Deutschland GmbH and esco Metallbausysteme GmbH. In the event of a change of control, the lenders have an extraordinary right of termination.

Currency risk

As a global company, the currency risk to which the VBH Group is exposes includes transaction and translation-related risks. Transaction risk arises both in Group financing and from the sale and purchase of goods and services not invoiced in the base currency of the respective VBH Company. Transaction risks are to some extent avoided by purchasing products in the countries in which VBH sells them. The resulting currency risks are analysed as part of cash management and the Group treasury system, and can be hedged with derivatives as necessary. It is possible that the VBH hedging strategy is not successful. In addition, all hedging transactions taken in the form of derivative financial instructions could result in losses.

Translation risk results from the fact that many VBH Group companies are located outside the euro zone, while VBH Holding AG consolidated financial statements are prepared in euro. The statements of financial position and income statements of subsidiaries outside the euro zone therefore have to be translated into euro in the consolidated financial statements. The translation-related effects of changes in foreign exchange rates are reported under equity in the VBH consolidated financial statements. As the equity interests are essentially to be held on a long-term basis, VBH elects not to hedge net asset items directly.

Interest rate risk

VBH is exposed to risks in connection with changes to variable interest rates, since the main financing of the Group in the form of a syndicated loan is subject to variable interest rates. For this reason, a rise or fall in interest rates would have an impact on current interest expenses and future refinancing costs. Interest-bearing financial instruments are utilised with the aim of reducing negative effects on interest income as an element of financial policy. The Group uses interest rate derivatives for this purpose. Sensitivity analyses are carried out to quantify risks in connection with interest rate changes. During the financial year, € 73 million of the consolidated loan was hedged using interest rate derivatives. In addition, all interest hedging transactions carried out in the form of derivative financial instruments could lead to losses.

The variable interest of the syndicated loan is impacted partly by the VBH Holding AG credit rating. On 10 December 2012, Euler Hermes Rating Deutschland GmbH gave a new rating for VBH Holding AG at BB with stable outlook. As a result of the market and operational risks outlined below, in certain circumstances, a downgrading of the credit rating might occur. For VBH, this would be associated with an increase in interest rates and financing costs.

Default risk

Owing to its business activities with third parties in various sectors, VBH Group is exposed to a default risk. This risk represents the possibility of non-performance on the part of a contract counterparty. To minimise default risk, in companies with a default risk a comprehensive credit control system has been implemented. Credit information has been collected and historical data used pertaining to the business relationship to date, particularly regarding payment practices, in order to avoid default on payments. Furthermore, individual customer credit limits exist to prevent a default risk. In addition, VBH works with credit insurers, which partially protect it from defaults.

OTHER RISKS

Staff risks

The success of VBH is dependent on the members of the Executive Board, qualified managers and employees in key positions. The loss of managers or important employees could result in a significant negative impact on the market position and outlook. It could result in important skills being lost or becoming accessible to competitors. There is no guarantee for VBH of retaining these managers and key employees or to recruit new employees with the appropriate qualifications. VBH therefore takes active steps to obtain the commitment of its qualified managers and important employees through performance-related remuneration systems.

Legal risks

The international focus of the VBH Group requires the observance of many different national laws and regulations. VBH addresses the risk of changes in these laws by systematically monitoring the legal environment and consulting internal and external legal advisers at an early stage. All contracts of material significance are subject to a legal review.

In addition, VBH Holding AG and its subsidiaries are currently defendants in legal cases abroad. The legal action involving VBH Hellas AE brought about in 2010 regarding embezzlement by the local management is still pending. As a result of this, a Greek audit company was also sued and submitted a counter-claim.

In Turkey, enforcement proceedings were initiated against the local company VBH Kapi ve Pencere, against which an appeal has been filed, because VBH believes the proceedings were initiated fraudulently.

In a few cases, VBH Holding AG issued non-binding letters of intent, known as a soft letter of comfort for its subsidiaries. Uncertainties could arise with regard to the legal assessment. In Italy, a local bank is claiming payment entitlements from a soft letter of comfort from VBH Holding AG. As a precaution, VBH Holding AG in Germany has filed an action for a declaratory judgment of non-existence of an obligation to pay.

Compliance risks

Possible compliance risks in the VBH Group are countered by a code of conduct implemented throughout the Group, numerous compliance directives, a compliance organisation and a compliance reporting system. Training sessions are also held at regular intervals. In addition, all subsidiaries are subject to Rules of Procedures. The Rules of Procedure govern the structure of internal relations for the representative bodies of the subsidiaries.

IT risks

A dependence on the availability and reliability of IT systems and the networking of individual company units represents an increasing risk to each company. To minimise this risk, extensive preventive steps have been taken, such as firewall systems and virus protection, setting up a back-up computer system and data protection training sessions for employees. In addition, the implementation of largely standardised IT structures within the Group should enable future work to be carried out more effectively and efficiently. In this regard, it is aimed to centralise IT systems in the subsidiaries in order to benefit from the security of professionally administered IT centres. In the 2013 financial year, the ERP system SAP will be introduced in the Group's German companies. Despite careful preparation for transfer to the new system, the introduction may lead to delays or hold-ups in processes.

Risks from acquisitions, sales, restructuring and closures

The acquisition of or investments in new companies and their integration into the Group always entails risks. To ensure the sustained success of the company, business, legal and tax-based due diligence reviews and are carried out at the time of acquisition and afterwards.

On 15 June 2012, the VBH published an ad hoc disclosure announcing its resolution to implement further consolidation measures within the existing country portfolio of Group companies. The programme of measures includes the sale or closure of nine subsidiaries and the restructuring of two companies. The sale, closure and restructuring of companies are associated with risks for VBH, which are constantly monitored by the corporate development department and external consultants. Successful implementation of this programme of measures is also the basis for achieving the planning underlying the syndicated agreement, which secures the main financing of the Group. In the process of liquidation of individual subsidiaries, it is not possible to rule out the existence of residual risks from a closure.

In 2013, companies in Belgium and Turkey, which have undergone substantial interventions and restructuring, remain in a tense situation. The future profitability of these companies depends directly on successful implementation of these restructuring measures and local management.

Tax risks connected with future utilisation of tax loss carry forwards and interest carry forwards due to changes in the Company's shareholder structure

Section 8c of the German Corporation Tax Act states that non-utilised tax loss carry forwards and interest carry forwards and recurrent losses can no longer be used proportionally if more than 25 % to 50 % of shares in a Company are transferred to one purchaser within five years. If one person acquires more than 50 % of the shares, this availability is generally entirely lost. As a result of a voting rights announcement and the threshold of 25 % of voting rights being exceeded due to an acquisition within the last 5 years, proportionate trade and corporation tax loss carry forwards are essentially lost.

Tax risks associated with earlier assessment periods

Additional tax expenses may arise due to assessment periods which have not yet been audited in the German and international subsidiaries. The last tax audit for the German companies included the tax assessment periods up to and including 2007. Currently, routine tax audits for the assessment periods 2008 to 2010 are being carried out in the German subsidiaries.

Statement on the overall risk situation

In the last financial year, the Executive Board considers that the VBH risk situation has improved significantly, particularly due to the withdrawal from unprofitable and risky markets and to the focus on significant core markets. However, compared with the 2011 financial year, the following individual risks have increased:

- Slow-down in economic growth
- Euro currency zone crisis

Group-wide risk management contributes significantly to ensuring that these overall risks are transparent and managed within the Group. There are currently no risks which individually or collectively jeopardise the continued existence of the company. In the opinion of the Executive Board, there are also no risks jeopardising the continued existence of the company arising within the foreseeable future.

5. FORECAST

Anticipated developments on global markets will not help the VBH Group to achieve its targets in 2013. For VBH this means that it will have to plan conservatively, manage flexibly and penetrate VBH's range of innovative services to increase market share. Detailed analysis has shown that the individual segments are influenced by different factors.

In 2013, experts expect the global economy to grow by approximately 3 %. This is a slight improvement compared with the previous year. As the new year approaches, unlike in previous years, positive signals are becoming more evident in both of the largest economies, China and the USA. At the end of 2012, industrial production and exports in China increased significantly. In the USA, low energy costs resulted in an upturn in the manufacturing sector. Housing markets also appear to be picking up once again. It remains to be seen whether these positive impulses will have a positive impact on the global economy in 2013, despite the continued imbalances and a fundamentally high level of debt. As a result, the overall situation is not expected to improve significantly until 2014.

In **Germany**, experts from the Deutsches Institut für Wirtschaftsforschung (DIW – German Institute for Economic Research) expect the economic outlook to improve in 2013. In 2013, gross domestic product (GDP) is expected to grow by 0.9 %, whilst in 2014, growth of more than 2 % is considered realistic. Stable domestic demand, supported by the favourable employment situation and a stronger upturn in exports due to the improvement of the global economy are the main factors for this positive development. Another positive indicator is the IFO index, which increased significantly for the second time in a row at the end of the year. In 2013, strong business is also expected in the construction sector. According to statements by the sector associations, it is expected that sales in the main construction trades will increase on a nominal basis by approximately 2 %, which in real terms corresponds with the level of the previous year. However, in residential construction, sales are expected to increase by 3.5 %. According to estimates by the Central Association for the German Construction Industry, the number of construction permits in commercial construction is also at a high level. According to the latest VFF forecast, market volume in the window market is expected to increase further in 2013.

Consequently, the Germany segment will also be the segment generating the highest sales for VBH in 2013. For this segment, as a result of reduced inter-company sales, we expect a slight sales decline. At the same time, the improvements generated by the implementation of the efficiency enhancement programme will result in an earnings increase compared with the previous year.

2013 will also not be a boom year for most **Eastern European** countries. As long as there is no significant upturn in economic performance across Western Europe, a new boom is not expected in the export-oriented Eastern European economies. An example is Poland, where the government has adjusted growth forecasts for 2013 downwards for the second time. At only 1.5 %, the weakest growth since 2001 is expected. The IMF has also reduced its growth forecast for Poland. There is a similar negative outlook for Russia. Here, the IMF has reduced its growth forecast for 2013 to under 4 %. Similarly, the latest VFF forecasts for selected markets in Eastern Europe do not indicate broadly positive trends.

Against the backdrop of the mixed development in both of the largest markets in this segment, Poland and Russia, sales in the segment as a whole are expected to decline. It will be a challenge to maintain the 2012 EBT margin.

Debt crisis, banking crisis, currency crisis, growth crisis: the parameters for the **Western European economy** will remain in place in 2013. Given this accumulation of factors generating uncertainty, only one thing is certain: development in 2013 will not be supported by a high investment propensity. However, there are also initial positive signals indicating a turnaround. Figures by Commerzbank indicate that productivity in Ireland, Portugal and Spain has increased considerably. This increases the change of a recovery in these countries. However, no such change is apparent in Italy. As a result, it is essential that the Western European VBH companies that were not profitable in 2012 improve their result through more wide-reaching cost reductions. Restructuring in Belgium will be completed in 2013. The window markets in the Western European segment are not expected to experience any upturn driven by special factors.

Overall, we expect that Western Europe has now reached its lowest point and, in 2013, with constant sales, a slight improvement in the earnings situation can be generated.

Following implementation of the strategic consolidation, the **Other Markets** segment now comprises the purchasing company in China (Guangzhou) and operational companies in Turkey and South America. In 2013 in Turkey, according to local forecasts, GDP is expected to increase by approximately 4 %. This represents an upturn compared to the previous year. Following substantial restructuring in 2012, VBH sales are expected to grow again in Turkey in 2013. For 2013, IMF experts in Latin America expect a slight year-on-year increase in growth to approximately 3.9 %. Countries in South America will also benefit from the increasing momentum compared with 2012. In 2013, Argentina is expected to grow by 3.9 % and Mexico by 3.5 %. The small subsidiaries, primarily our successfully positioned company in Mexico, are also expected to generate significant growth potential in 2013.

Overall, the Executive Board is expecting 2013 to be a year in which the operational strength of VBH is revealed again and positively reflected in its reported earnings – it is firmly aiming for growth in operating profits. Thanks to the successful adjustment measures adopted in 2011 and 2012, VBH is now significantly better equipped to survive in a difficult environment.

On the basis of the subsidiaries' aggregate budgets, the Executive Board is expecting sales of around € 700 million and an EBIT margin of approximately 3 % in 2013. Should the signs of a positive turnaround in the development of the global economy stabilise further, we expect low, single-digit growth in sales and a further increase in the EBIT margin in 2014.

2013 financial year

In the first two months of the current year, VBH's business development was in line with planning and expectations. By the end of February 2013, sales throughout the Group had decreased by around 4 % as against the previous year. Adjusted for the companies affected by the portfolio shake-out in 2012, there was an operating decline of approximately 2 %. VBH will continue to push forward with the implementation of the strategic positioning, focusing on internationalisation, strengthening the greenteQ own brand and expanding existing services and introducing new ones. The policies of VBH do not require any changes in this respect and will remain in effect in the long term.

To be able to close 2013 as a whole successfully, above all it is now a matter of exploiting the strategic success factors to increase profitability sustainably in the major core markets, in particular, Germany, Poland and Russia. VBH has an opportunity here to impress as a dealer and service provider and to generate competitive advantages. In view of the uncertain global economic situation it is still advisable to develop scenarios for dealing with serious setbacks in these and other markets. There is a particular emphasis on increasing efficiency and stringent cost management.
In the smaller growth companies, attention remains focused on healthy growth in both sales and profits.

6. SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

Mr. Jürgen Kassel has supplemented the Executive Board team at VBH Holding AG since 1 February 2013. From 1 April 2013, he will take over the position of Chief Financial Officer from Mr Bangerter. From 2001 to 2007, Mr. Kassel was Chief Financial Officer for VBH Holding AG.

In January 2013, the Ferro-Wic operations of esco Metallbausysteme Austria GmbH, Austria, and esco Metallbausysteme GmbH, Germany, were sold as part of an asset deal effective on 31 March 2013.

7. CORPORATE GOVERNANCE DECLARATION

The principles of responsible and professional corporate governance shape the actions of the management and controlling bodies of VBH Holding AG with the aim of safeguarding the success of the company in the long term. This declaration represents a corporate governance report by the Executive Board in accordance with section 289a (1) HGB. This declaration includes the declaration of compliance, the corporate governance report, disclosures on the corporate governance practices applied, the description of the working methods of the Executive Board and the Supervisory Board and information on compliance at VBH Holding AG.

DECLARATION OF COMPLIANCE

The first version of the German Corporate Governance Code was presented in February 2002. Since then, the Code has been regularly updated and expanded. The Government Commission on the German Corporate Governance Code is responsible for the formulation and ongoing development of the Code (www.corporategovernance-code.de). The Code is based on legal requirements, including in particular the German Stock Corporation Act. It offers comprehensive recommendations for the cooperation of management and supervisory boards, for transparent communications with the capital market and for the protection of shareholder interests.

VBH Holding AG submitted its latest declaration of compliance in accordance with section 161 AktG in March 2013, and posts its most recent declaration on its website. The declaration is required annually and indicates where VBH Holding AG is not in compliance with the Code and the reasons why. The text of the latest declaration of compliance reads as follows:

The Executive Board and the Supervisory Board of VBH Holding AG submitted the latest declaration of compliance in accordance with section 161 AktG on 30 March 2012. The declaration below pertains to the version of the Code dated 15 May 2012, which constitutes the latest version of the code.

The Executive Board and the Supervisory Board of VBH Holding AG declare that the company has complied with and will continue to comply with the recommendations of the German Corporate Governance Code with the following exceptions:

Code 3.8.

The D&O insurance policy concluded by VBH for Supervisory Board members does not feature a deductible, as the group insurance policy also covers a number of employees within and outside Germany.
VBH Holding AG is furthermore of the opinion view that having such a deductible would not enhance motivation and responsibility on the part of Supervisory Board members with regard to their duties.
A deductible for members of the Executive Board has been agreed in their contracts in line with legal requirements.

Code 4.2.3.

At this time, the variable remuneration components for Executive Board members do not feature stock options or similar incentives. As before, the Executive Board is to be primarily incentivised through variable remuneration components based on corporate earnings. Individual Executive Board member remuneration is comprised solely of fixed and performance-based components and a discretionary bonus, as the Supervisory Board believes that stock options are only of limited value under present circumstances for incentivising the Executive Board.
Executive Board contracts do not contain any provisions relating to a lump sum settlement or its basis of calculation in the event of their premature termination, nor do they contain any provisions relating to termination of Executive Board members following a change of control. This provides the necessary degree of flexibility in the event of premature termination of Executive Board members, with the aim of achieving a reasonable outcome to negotiations according to the specific situation at hand.

Code 5.3.3.

There is no nomination committee within the Supervisory Board constituted exclusively of shareholder representatives. This would likely be impractical at present, as the Supervisory Board is currently composed of four shareholder representatives, so that voting on shareholder representative candidates for the Supervisory Board is not a problem in this constellation.

Code 5.4.1.

In addition to the legal requirements, the Supervisory Board bases its proposals for the election of Supervisory Board members solely on the technical and personal aptitude of candidates and on objective matters of expediency that promote the function of the Supervisory Board. For this purpose, the Supervisory Board has devised a special requirement profile for candidates for election to the Supervisory Board. The Supervisory Board has not defined specific diversity targets in terms of male and female Supervisory Board members in this requirement profile as this would not necessarily entail an improvement in the quality of Supervisory Board work.

Code 5.4.3.

Due to practical considerations, VBH reserves the right to hold elections for Supervisory Board candidates at the Annual General Meeting in block form if necessary, as this procedure has proven highly effective in the past, and the efficient conduct of the Annual General Meeting is in the interest of shareholders. Shareholders' right to petition for individual voting remain thereby unaffected.
The company reserves the right to file non-expiring petitions for court appointment of Supervisory Board members. However, the intention is to propose court-appointed Supervisory Board members for election by shareholders to the Supervisory Board at the next Annual General Meeting to follow the court appointment. This ensures the Supervisory Board's ability to act at all times while simultaneously ensuring that shareholders may exercise their participation rights to involvement in the election of Supervisory Board members.

Code 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 overlapping responsibility problems, particularly with regard to matters relevant for ad-hoc release.

CORPORATE GOVERNANCE REPORT

Corporate governance

The concept of “corporate governance” can be described as “corporate management”, referring to the general legal and institutional conditions that indirectly or directly influence the management decisions of 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. The corporate governance report outlined below provides an overview of the principles most relevant to corporate governance at VBH Holding AG.

General information on the management structure

VBH Holding AG is subject to the provisions of the German Stock Corporation Act and the German One-Third Employee Participation Act, as well as to capital market regulations, the provisions of its Articles of Association and the rules of procedure for the Executive and Supervisory Boards. VBH Holding AG maintains a divided management and supervisory structure in its governance bodies, the Executive and Supervisory Boards. The Executive and Supervisory Boards 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.

The Supervisory Board

The Supervisory Board is comprised of six members. In accordance with the German One-Third Employee Participation Act, it is two-thirds comprised of shareholders and one-third of employee representatives. Shareholder representatives are elected at the Annual General Meeting, while employee representatives are elected pursuant to the provisions of the German One-Third Employee Participation Act. The Supervisory Board advises and monitors the Executive Board's management of the company.

The composition of the Supervisory Board, with independent, qualified members, guarantees efficient supervisory work. As an auditor and tax consultant, the Chairman of the Audit Committee in the past financial year, Mr. Matthias Linnenkugel, has experience – including internationally – in the application of accounting policies and internal control procedures.

With the Executive Board, the Supervisory Board regularly discusses business developments, the strategic and operative focus and corporate planning and its implementation. The annual financial statements, including the management report, the consolidated financial statements and the Group management report are audited by the Supervisory Board. It also handles the quarterly financial statements and the results of the committee meetings.

The Executive Board and the Supervisory Board work closely in a spirit of cooperation to sustainably increase the enterprise value of VBH Holding AG. The main areas of the work between the Executive Board and the Supervisory Board can be read in the “Report of the Supervisory Board”, which is a component of this annual report.

The Rules of Procedure of the Supervisory Board stipulate clear and transparent procedures and structures as a component of the monitoring and controlling process. The Supervisory Board further stipulated the information and reporting duties of the Executive Board. The Rules of Procedure of the Supervisory Board, dated 20 January 2010, reflect the recommendations of the German Corporate Governance Code for the Supervisory Board.

There were no conflicts of interest among Executive Board and Supervisory Board members, which would have had to have been disclosed to the Supervisory Board immediately.

The Executive Board

The Executive Board of VBH Holding AG, currently consisting of four members, manages the company and oversees its transactions.

The Executive Board must represent 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 mandatory reports, such as the annual and consolidated financial statements and quarterly 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, risk management and compliance issues of relevance to the Group.

It also ensures compliance with statutory regulations, legal provisions and internal corporate policy by the Group companies.

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

The responsibilities of the Executive Board are as follows:

Rainer Hribar (Chairman of the Board):	Strategy, Sales and Distribution in Germany, Eastern Europe and the CIS countries as well as Logistics and Category Management.
Frieder Bangerter (CFO):	Controlling and Accounting, Finance, Investor Relations, IT, HR, Auditing and Taxes
Ulrich Lindner (member of the Executive Board):	Sales in Western and Southern Europe, South and Central America, Marketing
Jürgen Kassel (member of the Executive Board since 1 February.2013):	CFO from 1 April 2013

The Annual General Meeting

Shareholders exercise their rights and voting rights at the Annual General Meeting. VBH Holding AG has shares with full voting rights only. Each share grants entitlement to one vote. The Annual General Meeting is held within the first eight months of each financial year. The agenda of the Annual General Meeting, including required reports and documents, is published on the company's website.

To facilitate shareholders' exercising of their respective rights, VBH Holding AG provides a proxy representative for the Annual General Meeting who is bound by instructions. The invitations to the Annual General Meeting explain how instructions for exercising voting rights can be issued before the Annual General Meeting. In addition, shareholders are at liberty to select a proxy representative 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.vbhholding.com”, to communicate information to shareholders and investors. In addition to the consolidated and annual financial statements and quarterly reports, shareholders and third parties are informed of 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 company releases and updates this on the company website.

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 German Commercial Code (HGB).

Prior to submitting an election 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 findings and occurrences arising during conduct of the audit that in any way concern the duties of the Supervisory Board in the event such matters cannot be immediately resolved.

The current risk management system in place at VBH Holding AG is designed for the identification, recording, assessment and managing of 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 minimise potential risk-related costs. Detailed information on the risk management system of VBH Holding AG can be found in the management report (opportunities and risk report) to the consolidated financial statements comprising part of this annual report.

Declaration of compliance – German Corporate Governance Code

The German Corporate Governance Code contains recommendations and important provisions on managing and monitoring German listed companies, incorporating standards of professional and responsible corporate management recognised internationally and within Germany. The aim of the German Corporate Governance Code is to render the German corporate governance system transparent and verifiable, in the interest of greater confidence on the part of German and international 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 15 May 2012.

The Executive Board and Supervisory Board of VBH Holding AG have reviewed the new recommendations in detail and last updated the declaration of compliance in March 2013 and published this on the company website. The declaration of compliance was reviewed in the Supervisory Board meeting on 22 March 2013. Any deviations from the recommendations of the German Corporate Governance Code as amended on 15 May 2012 have been presented and reasons provided. The declaration of compliance and the reasons for any non-compliance are provided 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.com).

Reportable securities transactions, material shares of voting rights and shareholdings of the executive bodies

In accordance with the Wertpapierhandelsgesetz (WpHG - German Securities Trading Act), VBH Holding AG publishes directors' dealings disclosures in accordance with section 15a WpHG, i.e. disclosures of securities transactions in VBH Holding AG shares by members of the Executive Board and the Supervisory Board and other persons who perform management functions at VBH Holding AG in accordance with section 15a of the WpHG, as well as by natural and legal persons closely related to these persons, immediately upon their receipt. These disclosures are published on the company's website (http://www.vbh-holding.com).

The company also publishes disclosures on the acquisition or disposal of significant shares of voting rights pursuant to section 21 WpHG, and disclosures on holding financial instruments pursuant to section 25 WpHG, immediately upon their receipt. These “voting rights announcements” are posted on the company's website.

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

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

The “Annual Document” in accordance with section 10(1) of the German Securities Prospectus Act has been published under the “Corporate Governance” section of the website, http://www.vbh-holding.com, and can be viewed there.

Remuneration report

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

DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES APPLIED

The duties of the Executive Board of a stock corporation include the monitoring of external factors and developments affecting operating business and financing, and making decisions in regard to opportunities and risks in connection therewith. In doing so, the Executive Board is bound by the established rules of procedure for the Executive Board.

The Executive Board receives the information necessary for managing the company and decision-making in the form of monthly financial reports from the subsidiaries, through regular contact with the managing directors of the subsidiaries and by visiting company locations in Germany and abroad. Furthermore, geographical regions are assigned to regional heads, who report regularly to the Executive Board.

The company observes all corporate governance practices required by law, and requires all senior employees to comply with a corporation- wide code of internal conduct (compliance code) and also requires all other employees in the Group to be fully informed regarding this and to guarantee implementation of the code of conduct. The code of conduct is published on the company's website. In view of the midmarket size of the subsidiaries, no other corporation-wide standards of an ethics, labour or social-related nature are in place.

The VBH Holding AG Executive Board, Supervisory Board and managers regularly review strategic objectives, revising these as necessary.

Since the middle of 2012, the audit function of the VBH Group has been supplemented with an internal auditor. The auditor is supported by independent auditors and their international networks, in particularly with regard to the audit of international companies. In cooperation with the analysts from the risk management system and the Executive Board, all Group subsidiaries are reviewed systematically in order to highlight weaknesses early and introduce solutions. The risk managers appointed within Group controlling support the work of internal auditing.

The risk management system is developed annually, including in 2012. The risks of individual companies are analysed and presented uniformly to communicate a comprehensive status for the individual company and its impact on the Group. If need for action is identified, measures are defined and specified. Risks are measured using an EBIT-@-risk model.

WORKING METHODS OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD

The Executive Board of VBH Holding AG, consisting of four members, manages the company and oversees its transactions. The Executive Board is bound to representing 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 mandatory reports, such as the annual and consolidated financial statements and quarterly 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, risk management and compliance issues of relevance to the Group.

The Chief Executive Officer directs business operations in Germany and Eastern Europe including the CIS countries as well as sales and logistics and category management. The Chief Financial Officer is responsible for controlling and accounting, finance, investor relations, IT, HR, legal, internal auditing and taxes. The third member of the Executive Board is responsible for operations in Western and Southern Europe and South and Central America. He is also responsible for marketing. The regional directors for Western Europe, Spain and Latin America, Central and Eastern Europe, CIS and the Baltic states, regularly report to the Executive Board on the performance of the business divisions and are responsible for results in their respective regions.

The composition of the Executive Board is outlined in Article 6 of the VBH Holding AG Articles of Association. The Board must consist of a minimum two individuals, appointed by the Supervisory Board. The Supervisory Board is responsible for establishing rules of procedure for the Executive Board outlining actions/transactions conducted by the latter requiring Supervisory Board approval. The Supervisory Board may also establish its own rules of procedure in accordance with Article 11(7) of the Articles of Association.

At meetings of the full Supervisory Board and its committees, the Executive Board provides verbal and written reports on agenda items and resolution proposals in addition to responding to questions posed by individual members. The Executive Board participates in all Supervisory Board meetings unless the Supervisory Board should resolve otherwise in certain cases, particularly concerning specific agenda items.

Resolution petitions and all relevant documentation must be provided to Supervisory Board members in a timely manner ahead of the meetings. The Supervisory Board convenes at least four times a year on a regular basis, and additional meetings may be called as necessary. Resolutions may be voted on by written circulation procedure when necessary.

The Supervisory Board chairman discusses the activity of the Supervisory Board and its committees in the annual Supervisory Board Report to shareholders, and at the Annual General Meeting. The current Supervisory Board report is provided on page 7 of this annual report.

In particular, the Supervisory Board chairman regularly discusses the course of business and current issues with the Executive Board .even outside Board meetings. Outside these meetings, the Executive Board reports verbally and in writing to the Supervisory Board chairmen on current developments. The Supervisory Board met eight times in 2012.

The Supervisory Board of VBH Holding AG has established the following three committees: Human Resources Committee, the Audit Committee and a committee for Strategy, Marketing and Sales.

The Audit Committee met five times in the reporting year and prepared the resolution of the Supervisory Board on the adoption of the annual financial statements and approval of the consolidated financial statements for the period ended 31 December 2012. The Human Resources Committee met twice in the year under review. The Strategy, Marketing and Sales Committee did not meet in 2012, since the areas covered by the committee were discussed in the ordinary Supervisory Board meetings.

The Supervisory Board reviews its own effectiveness annually.

The members comprising the Supervisory Board and their other mandates are outlined in the notes to the consolidated financial statements.

COMPLIANCE – THE FRAMEWORK FOR ENTREPRENEURIAL AND BUSINESS ACTIVITY

Acting with responsibility is an integral part of the corporate culture at VBH Holding AG. This extends to integrity in our dealings with fellow staff members, with business partners, shareholders and the public, demonstrated through impeccable conduct.

For VBH Holding AG, compliance means obeying laws, regulations, the Articles of Association and internal policies. To ensure that our actions and conduct are at all times exemplary, a code of conduct is in place for the entire corporation establishing guidelines and standards for the conduct of the Executive Board, on-site management, managers and all employees of the company.

This code of conduct outlines ways in which all personnel can work together to uphold these standards, providing a guide for resolving ethical and legal concerns that may arise in daily work as well as conflict situations. Violations are investigated in the interest of all employees and the company itself, in order to eliminate the corresponding causes.

8. EXPLANATORY REPORT OF THE EXECUTIVE BOARD IN ACCORDANCE WITH SECTION 315(4) HGB

In accordance with section 315(4) 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 to the extent relevant for acquisitions. These disclosures are required per European Parliament and Council Directive 2004/25 EC dated 21 April 2004 on takeover bids. Companies whose voting shares are listed on an organised market in accordance with section 2(7) of the Securities Acquisition and Takeover Act must make such disclosures irrespective of whether a takeover bid has been advanced or is expected. These disclosures are intended to enable potential bidders to obtain comprehensive information on the company and any obstacles to a takeover. These disclosures are also found in the company's management report in accordance with section 289(4) HGB. According to section 176(1) sentence 1 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) HGB and corresponding explanations according to section 176(1) sentence 1 AktG is presented below.

Structure of subscribed capital

The subscribed capital of VBH Holding AG, totalling € 45,879,408 is divided into 45,879,408 no-par bearer shares (ordinary shares), each bestowing the same rights, including voting rights. There are no different share classes. An individual no-par share corresponds to a notional share of subscribed capital of € 1.00.

The shares are listed in the Prime Standard and are traded on the regulated market.

Security	WKN	ISIN	Symbol
Share	760070	DE0007600702	VBH

Restrictions on voting rights and transfers

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

Equity interests above 10 %

As of 31 December 2012, 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, as per disclosures under securities law received by the company:

Mr Wieland Frank, Germany, informed us on 29 June 2007 in accordance with section 21(1) WpHG that his voting rights in VBH Holding AG, Korntal-Münchingen, Germany, had fallen below the 25 % reporting threshold on 31 May 2007, on that day amounting to 23.43 % (9,258,553 votes). Of that number, 18.62 % (7,358,242 votes) are attributable to him in accordance with section 22(1) sentence 1(1) WpHG. The attributed voting rights are held by the following company, which he controls and whose voting rights in VBH Holding AG amount to 3 % or more: ADWIAN oHG, Kampen, Germany.

Ms Annette Wagener, Germany, informed us on 29 June 2007 in accordance with section 21(1) WpHG that her voting rights in VBH Holding AG, Korntal-Münchingen, Germany, had fallen below the 20 % reporting threshold on 31 May 2007, on that day amounting to 18.62 % (7,358,242 votes). Of that number, 18.62 % (7,358,242 votes) are attributable to her in accordance with section 22(1) sentence 1(1) WpHG. The attributed voting rights are held by the following company, which she controls and whose voting rights in VBH Holding AG amount to 3 % or more: ADWIAN oHG, Kampen, Germany.

ADWIAN oHG, Kampen, Germany, informed us on 29 June 2007 in accordance with section 21(1) WpHG that its voting rights in VBH Holding AG, Korntal-Münchingen, Germany, had fallen below the 20 % reporting threshold on 31 May 2007, on that day amounting to 18.62 % (7,358,242 votes).

Dr Eike Tobias Matthiessen, Germany, informed us on 17 June 2009 in accordance with section 21(1) WpHG that his voting rights in VBH Holding AG, Korntal-Münchingen, Germany, had exceeded the 10 %, 15 %, 20 % and 25 % reporting thresholds on 15 June 2009, on that day amounting to 25.1 % (11,493,689 votes). Of that number, 25.1 % (11,493,689 votes) are attributable to him in accordance with section 22(1) sentence 1(1) WpHG. The attributed voting rights are held by the following company, which he controls and whose voting rights in VBH Holding AG amount to 3 % or more: LISOMA Beteiligungs GmbH, Hamburg, Germany.

Lisoma Beteiligungs GmbH, Hamburg, notified the company on 17 June 2009 in accordance with section 21(1) WpHG that its share in the voting rights of VBH Holding AG, Korntal-Münchingen, Germany, had exceeded the 10 %, 15 %, 20 % and 25 % thresholds on 15 June 2007 and amounted to 25.1 % (11,493,689 voting rights) on this date.

Mr. Viktor Trenev, Russia, notified the company on 8 October 2012 in accordance with section 21(1) WpHG that his share in the voting rights of VBH Holding Aktiengesellschaft, Korntal-Münchingen, Germany, had exceeded the 25 % threshold on 4 October 2012 and amounted to 25.50 % (11,700,445 voting rights) on this date. 25.50 % of the voting rights (11,700,445 voting rights) are attributable to Mr. Trenev through Ascalon Holding GmbH, Vienna, Austria, in accordance with section 22(1) sentence 1 no. 1 WpHG.

Ascalon Holding GmbH, Vienna, Austria, notified the company on 8 October 2012 in accordance with section 21(1) WpHG that its share in the voting rights of VBH Holding Aktiengesellschaft, Korntal-Münchingen, Germany, had exceeded the 25 % threshold on 4 October 2012 and amounted to 25.50 % (11,700,445 voting rights) on this date.

No other direct or indirect shareholdings exceeding 10 % of voting rights were known at the end of the reporting period.

Shares with special rights

The company has no shares with special rights that grant powers of control.

Voting right control for employee participation

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

Appointment and dismissal of Executive Board members and amendments to the Articles of Association

The VBH Holding AG Executive Board must be constituted of a minimum two individuals. Beyond this requirement, the number of Executive Board members is determined by the Supervisory Board. Appointment and dismissal of Executive Board members is carried out in accordance with the legal provisions outlined under sections 84 and 85 AktG. With the exception of a court-appointed replacement, the Supervisory Board has sole responsibility for appointing and dismissing Executive Board members. It appoints Executive Board members for a maximum term of five years. A member may be re-appointed or his or her term of office be extended for a maximum of five years. The Supervisory Board may appoint an Executive Board Chairman and Deputy Chairman.

In accordance with German Corporate Governance Code, initial appointments are generally not made for the 5-year maximum term.

In accordance with Article 17(2) of the Articles of Association and at variance to section 179(2) AktG, amendments to VBH Holding AG's Articles of Association require a shareholder resolution by a simple majority vote, except as provided otherwise by law or in other Articles of Association. The Supervisory Board is authorised to amend the Articles of Association in wording only. Sections 179 and 133 AktG also apply.

Executive Board powers to issue and repurchase shares

On 10 June 2009, the Annual General Meeting approved new authorised capital with the option of increasing capital against cash or noncash contributions under disapplication of shareholders' statutory subscription rights and the corresponding amendment of the Articles of Association. Accordingly, the Executive Board is authorised to increase the share capital of the company (Authorised Capital) one or more times through 9 June 2014 by a maximum € 20,000,000 through the issuance of new no-par value ordinary bearer shares carrying voting rights (no-par value shares), subject to Supervisory Board approval. Thus far the Executive Board has not exercised this power, and has no plans at present to do so.

The Executive Board power outlined here to issue new shares from Authorised Capital is to enable the Executive Board to cover any capital requirements arising in a rapid, flexible and cost-effective way, and to utilise financing options that are attractive relative to the market. The ability to finance the acquisition of companies or stakes in companies by issuing company shares to the sellers in certain cases allows the company to carry out expansion without negatively impacting liquidity.

The share capital of the company has also been contingently increased by € 40,000 by the issue of up to 40,000 no-par ordinary bearer shares with voting rights (Contingent Capital). This contingent capital increase serves exclusively to cover exercised option rights issued by a 24 May 2004 Annual General Meeting authorisation (share option plan) through the date 24 May 2009. This contingent capital increase will only be implemented to the extent that holders of the option rights issued exercise their right to purchase shares, and the company does not provide treasury shares to fulfil these option rights.

In addition, the authorised and contingent capital provisions outlined here are standard for comparable listed companies, and are not designed to impede potential takeover bids.

The Annual General Meeting authorised the Executive Board to acquire treasury shares on 8 June 2010.

The company is therefore authorised to acquire treasury shares until 7 June 2015 in the amount of up to 10 % of the share capital available at the time of the resolution for purposes other than trading in treasury shares, whereby the acquired shares together with other treasury shares owned by or attributable to the company cannot account for more than 10 % of the share capital at any time.

If the shares are purchased on the stock exchange, the purchase price must not be more than 10 % above or below the average market price for the ten trading days prior to purchase. If purchased in a public tender offer to all shareholders, the price paid to shareholders may not be more than 20 % above or below the average market price for the ten trading days prior to announcement of the offer.

The Executive Board is also authorised, with the approval of the Supervisory Board and disapplying the subscription rights of shareholders, to dispose of the treasury shares acquired in a way other than on the stock exchange or by offer to all shareholders if the acquired treasury shares are sold for cash at a price not significantly less than the stock market price at the time of disposal. However, this authorisation only applies on the condition that the shares sold under disapplication of subscription rights in accordance with section 186(3) sentence 4 AktG do not exceed a total of 10 % of the share capital or if the shares are disposed against non-cash contributions for the purpose of acquiring companies or equity interests in companies or if the shares are used to satisfy subscription rights granted to managers of the company and affiliated domestic companies under the stock option plan resolved by the Annual General Meeting of 24 May 2004, item 11 of the agenda, or if the shares are issued in the form of employee shares to employees of the company and/or to managers and employees of affiliated companies as part of an employee participation model.

Finally, the Executive Board is authorised to withdraw treasury shares without this requiring a further resolution by the Annual General Meeting.

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

With the exception of a regulation in the syndicated loan agreement with which the banks financing the VBH Group are granted a cancellation right in the case of a change of control among the shareholders, there are no material agreements in place concerning a change of control over the company in the case of a takeover bid.

Compensation agreements of the company

The company has no compensation agreements in place with Executive Board members or employees in the event of a takeover bid. In the reporting period, there was no cause for the Executive Board to consider takeover-related matters or particularities with regard to disclosures required under the Takeover Directive Implementation Act. Accordingly, the Executive Board does not consider necessary further explanations beyond the information provided here and in the management and Group management reports.

9. EXPLANATORY REPORT OF THE EXECUTIVE BOARD IN ACCORDANCE WITH SECTIONS 289(5) AND 315(2) NO. 5 HGB

Legal background

The Accounting Law Reform Act enacted 29 May 2009 amended sections 289 and 315 HGB and sections 120 and 175 AktG. Pursuant to the Reform Act, the Executive Board must present a written report to shareholders at the Annual General Meeting on matters including the new disclosure requirements in the management report in accordance with section 289(5) HGB and in the Group management report in accordance with section 315(2) no. 5 HGB regarding the internal control and risk management system in place for the accounting and consolidated accounting process.

In the later German Act Implementing the Shareholders' Rights Directive legislators bundled requirements for providing explanatory reports under section 176(1) AktG and eliminated the previous regulations under section 120(3) sentence 2 and section 175(2) sentence 1 AktG. The reference to section 289(5) HGB added by the Accounting Law Reform Act and the management report disclosures on the internal control and risk management system in place for the accounting and consolidated accounting process were not incorporated. As a precaution, the VBH Holding AG Executive Board has elected to provide such a report for the 2012 financial year.

Subject of the report

According to the legal justification of the Accounting Law Reform Act, the internal system of controls extends to principles, methods and measures intended to ensure the effectiveness, efficiency and properness of accounting as well as compliance with applicable laws. This includes the internal auditing system, to the extent it concerns accounting.

As part of the internal system of controls, the risk management system as it pertains to the accounting process similarly involves accounting control and monitoring processes, particularly for financial accounting positions relating to the company's risk management.

Key accounting features of the internal system of controls and risk management system

The salient features of the internal system of controls and risk management system in place at VBH Holding AG concerning the (consolidated) accounting process can be described as follows:

- The VBH Group has clear organisational, corporate and control and monitoring structures.
- There are Group-wide planning, reporting, controlling and early warning systems and processes tailored to the company's size for full analysis and management of earnings-relevant risk factors and going-concern threats.
- Functional responsibilities are clearly outlined for all accounting-related areas (e.g. financial accounting and controlling).
- The IT systems used for accounting are protected against unauthorised access.
- The financial systems used primarily run on standard software.
- Adequate internal policies (including group-wide risk management policies) are in place, which were gradually adapted and extended in recent years.
- The departments involved in the accounting process meet quantitative and qualitative requirements.
- Material accounting processes are regularly audited. The corporation-wide risk management system in place is continuously being adapted as events require and constantly reviewed in terms of its effectiveness. The system has been reviewed by the auditor Rödl & Partner GmbH, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Nuremberg, as part of a Group audit.
- The dual control principle is applied to all accounting-related processes without exception.
- Accounting processes are a component of the audit by Internal Auditing.
- The responsibilities of the Supervisory Board and, in particular, the Audit Committee, include addressing key issues regarding accounting and risk management. A comprehensive, uniform Group accounting guideline governs subsidiaries' accounting in accordance with IFRS. It is revised annually and updated to reflect the latest legal regulations.
- Group Controllers visit the subsidiaries on an ongoing basis to keep abreast of significant events that also include accounting related events. The Group Controllers also monitor the progress of work on the annual financial statements and compliance with the Group accounting guidelines. In addition, they are involved in the process of risk management.
- All material financial statements incorporated in the consolidated financial statements are reviewed by local auditors.
- Group-wide standard consolidation software is used for processing the single-entity financial statements and converting them to IFRS accounting.
- External specialists and auditors as well as lawyers are engaged for opinions on complex accounting and consolidation issues.
- Meetings on the annual financial statements are conducted with the managements of the relevant companies, the local auditor, Group management and the Group auditor.

Notes concerning key accounting features of the internal system of controls and risk management system

The internal control and risk management system for the accounting process, the salient features of which have been discussed previously, ensures that business data are properly accounted for, prepared and approved before flowing into external accounting.

Clear organisational, corporate and control and monitoring structures and adequate accounting personnel and equipment form the foundation for efficient work by the areas involved in accounting. Unambiguous laws and internal Group rules and policies ensure uniform and proper accounting. Clearly outlined review mechanisms within the areas directly involved in accounting and early-warning risk management basically ensure correct and consistent accounting.

The internal control and risk management system in place at VBH Holding AG ensures that accounting is uniformly prepared and conforms to laws, regulations and internal policies for VBH Holding AG and all companies included in the consolidated financial statements. The Group-wide risk management system, which fully conforms to regulatory requirements, is specifically designed for the early identification, evaluation and adequate communication of risks. This allows a providing of accurate, pertinent and dependable information to the relevant parties concerned.

Internal Auditing is checking the extent to which the internal system of controls covering accounting has been implemented. This is analysed with the help of random tests and detailed investigations in the companies. Internal Auditing's investigations are not subject to any restrictions of any kind regarding access to documents or access to IT systems. In addition, a review of compliance with the internal regulations set and the applicable country-specific rules on compliance is carried out in consultation with the compliance guidelines. The aim of these measures is to avoid possible corruption and its influence on accounting as far as possible.

However, absolute security cannot be completely guaranteed even with an appropriate and effective risk management system.

10. REMUNERATION REPORT

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

The remuneration system of VBH Holding AG is based on performance and earnings-based principles. The total remuneration of the Executive Board features fixed and variable components. In addition to basic salary, Executive Board members receive non-cash benefits, the amount of which is determined as the private portion of company car usage recognisable under tax regulations. The overall remuneration structure is geared towards sustainable corporate development and adjusted to the German Act on the Appropriateness of Management Board Compensation. The variable remuneration components consist of performance-related variable bonus and a discretionary variable bonus. The performance-related variable bonus is based on the consolidated operating earnings before taxes (IFRS) if they exceed a defined basic amount. Some of the performance-related variable bonus is carried forward to a bonus bank for a future date rather than being paid immediately. In the event of negative developments, these amounts carried forward can be fully or partially offset and can therefore lapse. The performance-related variable bonus in Executive Board contracts utilises a multi-year calculation basis. It also contains regulations permitting appropriate remuneration reductions if the company's situation deteriorates in such a way that would make continued payment of such amounts inappropriate. The Annual General Meeting of VBH Holding AG approved the remuneration system for the Executive Board on 8 June 2010 in accordance with section 120(4) AktG. This has established additional transparency and control in respect of the remuneration decisions of the Supervisory Board.

Because of the loss-making situation in the Group in the past financial year, as in the previous year the variable remuneration results solely from the discretionary variable bonus geared to long-term strategy and personal performance targets. A performance-related variable bonus was not applied. In addition, Mr Hribar independently waived his discretionary bonus due to the company’s loss-making situation. Mr Lindner will receive a guaranteed bonus in 2012.

Executive Board agreements do not contain any explicit severance commitments in the event of premature termination of employment. Executive Board members do not receive loans from the company.

Remuneration for the 2012 reporting year broke down as follows:

Executive Board remuneration

	2011			
in T €	**Fixed**	**Variable**	**Non-cash benefits**	**Total**
Rainer Hribar	336	80	80	496
Frieder Bangerter	300	50	17	367
Total	**636**	**130**	**97**	**863**

	2012			
in T €	**Fixed**	**Variable**	**Non-cash benefits**	**Total**
Rainer Hribar	336	0	80	416
Frieder Bangerter	300	30	17	347
Ulrich Lindner (from 01.02.2012)	275	55	20	350
Total	**911**	**85**	**117**	**1,113**

Share option programmes and similar securities-based incentive systems

No options were granted to Executive Board members in the past financial year. The Executive Board also no longer has any options outstanding from earlier option programmes. Mr. Hribar held 459,684 shares as at 31 December 2012. Supervisory Board members held a total of 10,000 shares.

Pension commitments

The Executive Board members have received pension commitments in line with their individual contracts, which provide for a pension to be drawn no earlier than the age of 60 or 63.

Former Executive Board members and their surviving dependants received total benefits of € 440 thousand in the past financial year (previous year: € 436 thousand). Defined benefit obligations (DBO) under IFRS for all pension commitments to former Executive Board members, managers and their surviving dependants totalled € 7.0 million in the 2012 financial year (previous year: € 5.7 million). Defined benefit obligations for all pension commitments amounted to € 1,246 thousand for Mr. Hribar (previous year: € 905 thousand), € 182 thousand for Mr. Bangerter (previous year: € 55 thousand) and € 87 thousand for Mr. Lindner (previous year: € 0). Additions in the reporting year totalled € 555 thousand (previous year: € 133 thousand).

Supervisory Board member remuneration

Supervisory Board member remuneration is determined by shareholders at the Annual General Meeting, and governed by Article 12 of the Articles of Association. In line with the provisions of the Articles of Association, Supervisory Board members receive fixed and variable remuneration components. In addition to expense reimbursements, Supervisory Board members receive annual fixed remuneration of € 12,000. Additionally, Supervisory Board members receive remuneration of € 1,100, capped at the amount of fixed remuneration, for every non-fractional cent of dividends per share distributed to shareholders above the level of 5 cents per share. The Chairman receives double this amount of remuneration; the Deputy Chairman receives 1.5 times this amount. 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. Given the earnings situation in the Group, the Executive Board has not recommended a proposal on the appropriation of profits for 2012 to the Supervisory Board. As a result, the Supervisory Board will lose their variable remuneration. Supervisory Board members' remuneration for the 2012 financial year amounts to € 160 thousand (previous year: € 160 thousand).

Supervisory Board remuneration

in T €		Fixed (2011)	Committee remuneration (2011)	Variable (2011)	Total (2011)
Prof. Rainer Kirchdörfer		24	15	0	39
Andreas Schill		18	15	0	33
Matthias Linnenkugel		12	15	0	27
Martin Morlok		12	5	0	17
Klaus Meichner		12	13	0	25
Stephan M. Heck		12	10	0	22
Total		**90**	**73**	**0**	**163**

in T €		Fixed (2012)	Committee remuneration (2012)	Variable (2012)	Total (2012)
Prof. Rainer Kirchdörfer		24	15	0	39
Andreas Schill	until 26.09.2012	14	11	0	25
Matthias Linnenkugel		13	15	0	28
Martin Morlok		12	5	0	17
Klaus Meichner		12	13	0	25
Stephan M. Heck	until 30.09.2012	9	8	0	17
Gerhard Sommerer	from 01.10.2012	3	3	0	6
Stefan Huber	from 01.10.2012	3	1	0	4
Total		**90**	**70**	**0**	**160**

Disclosures in accordance with IAS 24 – related parties

The law firm of the Chairman of the Supervisory Board acted for the company in an advisory capacity. Remuneration for these services is in line with standard market rates and was approved by the Supervisory Board, totalling € 97 thousand for the financial year 2012 (previous year: € 135 thousand). In addition to issues relating to company law, payments to the law firm primarily resulted from the support provided for the adjustment of syndicated financing. Mr Andreas Schill (Vice Chairman of the Supervisory Board until 26 September 2012) advises the two operating German companies in matters of the market and supports them in servicing key accounts. The consultancy agreements were approved by the VBH Holding AG Supervisory Board. Remuneration for his Supervisory Board duties in the past financial year totalled € 87 thousand pro rata (previous year: € 127 thousand). In addition, Mr Schill received an ongoing pro rata pension from the German companies totalling € 70 thousand (previous year: € 91 thousand).

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

11. EMPLOYEES

In the past financial year, the VBH Group employed on average a total of 2,763 people compared to 2,825 in the previous year. As a result, VBH employs 62 fewer people than in the previous year. The staff reductions carried out as a result of the strategic consolidation and the efficiency enhancement programme will not become fully effective until 2013, since they were carried out during the course of the financial year.

The effects of the staff increase in the Germany segment in the second half of 2011 impacted the 2012 staff levels. This therefore increased by 23 to 1,093 employees. In 2012, however, approximately 70 employee positions were cut. The full impact of this will be reported in the 2013 employee figures.

Abroad, the number of people employed decreased by 85 from 1,755 in the previous year to 1,670. This change breaks down across the segments as follows:

Average number of employees abroad

	2011	2012	Change
Western Europe	294	270	-24
Eastern Europe	1,219	1,216	-3
Other Markets	242	184	-58
Abroad	1,755	1,670	-85

VBH places particular emphasis on vocational training. In 2012, there were 81 trainees completing apprenticeships at VBH. In additional to the basic vocational training, VBH offers training opportunities in many areas.

A coaching programme has been continued at management level in VBH Holding AG, which has improved cross-departmental collaboration further.

In 2012, comprehensive measures to promote individual health were implemented for the companies in Germany under the motto “aktiv. vital”. Investments here will pay off by reducing sickness and increasing employee's agility.

The Executive Board and the Supervisory Board would like to take this opportunity to thank all the employees of the VBH Group, both in Germany and abroad, for their personal commitment to implementing the Group's goals and plans, and thereby making the most important contribution to its overall success.

Consolidated financial statements

OF VBH HOLDING AKTIENGESELLSCHAFT

Consolidated balance sheet

Assets

In T €	Notes	31.12.2011	31.12.2012
Long-term assets			
Intangibles assets	5.1	24,416	25,111
Property, plant and equipment	5.2	27,375	25,693
Financial assets	5.3	456	447
Other long-term assets	5.5	3,333	2,991
Deferred tax assets	5.8	8,772	9,133
Total		**64,352**	**63,375**
Short-term assets			
Inventories	5.4	109,523	91,360
Trade receivables	5.5	76,369	59,702
Trade receivables affiliated companies	5.5	2,838	1,686
Other assets	5.5	21,072	18,518
Cash and cash equivalents	5.6	17,328	14,329
Tax receivables	5.7	893	620
Total		**228,023**	**186,215**
Assets held for sale	5.9	0	4,792
Total assets		**292,375**	**254,382**

Equity and Liabilities

In T €	Notes	31.12.2011	31.12.2012
Equity			
Subscribed capital	5.10	45,879	45,879
Capital reserve	5.10	18,812	10,624
Revenue reserve	5.10	23,654	13,934
Equity attributable to shareholders of VBH AG		88,345	70,437
Minority interests	5.10	6,151	4,818
Total		**94,496**	**75,255**
Non-current liabilities			
Pension provisions	5.13	13,201	13,418
Other long-term provisions	5.14	3,221	3,641
Long-term financial liabilties	5.11	76,037	86,521
Other long-term liabilities	5.11	1,915	4,327
Deferred tax liabilities	5.15	3,197	2,700
Total		**97,571**	**110,607**
Current liabilities			
Short-term provisions	5.14	6,623	8,395
Short-term financial liabilities	5.11	30,341	12,239
Advances received	5.11	805	1,519
Trade payables	5.11	36,443	26,665
Other short-term liabilities	5.11	25,472	19,471
Tax liabilities	5.12	624	231
Total		**100,308**	**68,520**
Total equity and liabilities		**292,375**	**254,382**

CONSOLIDATED INCOME STATEMENT

In T €	Notes	2011	2012
Sales	6.1	**780,135**	**746,579**
Total operating profit		**780,135**	**746,579**
Costs of raw materials, supplies and purchased merchandise	6.2	595,200	574,357
Gross operating profit		**184,935**	**172,222**
Personnel expenses	6.3	91,434	94,504
Other operating income	6.4	15,737	16,674
Other operating expenses	6.5	91,965	90,674
EBITDA		**17,273**	**3,718**
Depreciation / Amortization	6.6	14,873	8,365
EBIT		**2,400**	**-4,647**
Other interest and similar income		361	338
Interest and similar expenses		8,899	8,355
Depreciation on financial assets and securities		1,316	1,808
Financial result	6.7	**-9,854**	**-9,825**
EBT		**-7,454**	**-14,472**
Current taxes	6.8	4,194	3,533
Deferred taxes	6.9	-373	-413
EBT continuing operations		**-11,275**	**-17,592**
EBT discontinued operations		-14,409	0
EAT		**-25,684**	**-17,592**
Minorities	6.10	-1,212	-250
Net result after Minorities		**-24,472**	**-17,342**
Net result after Minorities	6.11	**-0.53**	**-0.38**
EPS in € continuing operations		**-0.22**	**-0.38**
EPS in € discontinued operations		**-0.31**	**0.00**

TOTAL COMPREHENSIVE INCOME FOR THE PERIOD OF VBH GROUP

In T €	2011	2012
Earnings after taxes (EAT)	**-25,684**	**-17,592**
thereof attributable to shareholders of VBH AG	-24,472	-17,342
thereof attributable to minorities	-1,212	-250
Changes in IAS 39 Hedge Accounting	**-83**	**-1,292**
Currency differences	**-3,094**	**2,134**
Total changes of value in equity	**-3,177**	**842**
thereof attributable to shareholders of VBH AG	-3,113	791
thereof attributable to minorities	-64	51
Total comprehensive income for the period	**-28,861**	**-16,749**
thereof attributable to shareholders of VBH AG	-27,585	-16,550
thereof attributable to minorities	-1,276	-199

CONSOLIDATED CASH FLOW STATEMENT

In T €		2011	2012
	EBT continuing operations	-7,454	-14,472
	EBT discontinued operations	-12,199	0
	EBT	**-19,653**	**-14,472**
+	Depreciation on tangible assets	25,700	10,173
+/-	Increase/decrease in long-term provisions	564	637
+/-	Other non-cash income/expense	-14,570	242
-	Taxes paid	-4,194	-4,249
+/-	Interest paid / received	9,048	8,161
=	**Cash earnings**	**-3,105**	**493**
	(thereof discontinued operations)	**-9,978**	**0**
-/+	Increase/decrease in inventories	12,862	13,037
-/+	Increase/decrease in trade receivables	15,209	17,718
+/-	Increase/decrease in short-term provisions	4,150	2,594
+/-	Increase/decrease in liabilities	-205	-15,449
=	**Total changes in working capital**	**32,017**	**17,900**
-/+	Profit/loss from the disposal of non-current assets	-286	57
=	**Cash flow from operating activity**	**28,625**	**18,450**
	(thereof discontinued operations)	**-89**	**0**
-	Cash outflows for investments in intangible assets	-3,010	-4,777
-	Cash outflows for investments in tangible assets	-4,009	-2,305
-	Cash outflows for investments in financial assets	0	-1,800
+	Cash inflows from disposal of intangible assets	2	4
+	Cash inflows from disposal of tangible assets	672	441
-/+	Payments for acquisition and disposal of consolidated companies	0	-235
+	Interest received	388	223
=	**Cash flow from investing activity**	**-5,957**	**-8,450**
	(thereof discontinued operations)	**25**	**0**
=	**Free Cash Flow**	**22,667**	**10,000**
-/+	Cash outflow for repayment / inflow for raising of loans	-8,044	-5,038
-	Interest paid	-7,251	-6,968
-	Dividens paid	-3,838	-504
=	**Cash flow from financing activity**	**-19,133**	**-12,510**
	(thereof discontinued operations)	628	0
=	**Changes in cash and cash equivalents**	**3,535**	**-2,510**
+	Changes in cash and cash equivalents due to exchange rates and scope of consolidation	1,131	-489
+	Cash and cash equivalents at the beginning of the period	12,662	17,328
=	**Cash and cash equivalents at the end of the period**	**17,328**	**14,329**

STATEMENT OF CHANGES IN GROUP EQUITY

Statement of changes in group equity

In T €	Capital stock	Capital reserve	Revenue reserve
Balance at 01 January 2011	**45,879**	**41,906**	**37,257**
Changes to the consolidated Group			-67
Acquisition / Disposal of minority interests			
Effects of currency translation according to IAS 29			67
Stock options			
Share based compensation			
Total comprehensive income	**0**	**0**	**-3,113**
Payout			
Changes in retained reserves and other changes		-23,094	-10,799
Other changes			309
Balance at 31 December 2011 / Balance at 01 January 2012	**45,879**	**18,812**	**23,654**
Changes to the consolidated Group			566
Acquisition / Disposal of minority interests			-1,263
Effects of currency translation according to IAS 29			-639
Stock options			
Share based compensation			
Total comprehensive income	**0**	**0**	**791**
Payout			
Changes in retained reserves and other changes		-8,188	-9,153
Other changes			-24
Balance at 31 December 2012	**45,879**	**10,624**	**13,934**

Thereof reserve curreny translation	Thereof cashflow-hedge reserve	Profit / loss retained	Equity attributable to shareholders of VBH AG	Minority interests	Treasury shares	Total equity
-5,151	**-1,516**	**-6,302**	**118,740**	**8,338**	**0**	**127,078**
79			**-67**			**-67**
			0			**0**
			67			**67**
			0			**0**
			0			**0**
-3,030	**-83**	**-24,472**	**-27,585**	**-1,276**	**0**	**-28,861**
		-2,753	**-2,753**	-1,277		**-4,030**
		33,527	**-366**	366		**0**
			309	0		**309**
-8,102	**-1,599**	**0**	**88,345**	**6,151**	**0**	**94,496**
685		0	**566**	-49		**517**
-13			**-1,263**	-414		**-1,677**
			-639			**-639**
						0
						0
2,083	**-1,292**	**-17,341**	**-16,550**	**-199**	**0**	**-16,749**
			0	-675		**-675**
		17,341	**0**			**0**
			-24	4		**-20**
-5,347	**-2,891**	**0**	**70,437**	**4,818**	**0**	**75,255**

Notes to the Consolidated Financial Statements

1. General information and presentation of the consolidated financial statements

VBH HOLDING AKTIENGESELLSCHAFT (also “VBH” or “the company”) is registered with Stuttgart Regional Court under HRB 203096. The registered office of the company is in Korntal-Münchingen. The shares of the company are listed in the Prime Standard of Deutsche Börse and traded on the regulated market on Xetra and on the floor of the Frankfurt and Stuttgart stock exchanges.

The purpose of the company is the wholesale distribution of metal fittings. VBH distributes products in seven primary groups: window, door, furniture and fastener systems, profiles and sealings, construction chemicals, construction elements and tools.

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

The consolidated financial statements of VBH Holding AG and its consolidated subsidiaries as at 31 December 2012 were prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the EU and the applicable regulations of section 315a(1) of the Handelsgesetzbuch (HGB – German Commercial Code).

All standards which are effective as at the end of the reporting period have been complied with.

The consolidated financial statements were prepared in euro and rounded to thousands of euro (€ thousand). Unless stated otherwise, all figures are stated in thousands of euro. In tables showing the breakdown of items in the consolidated statement of financial position and the consolidated income statement, minor deviations are due to rounding differences.

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

The provisions of IAS 1 require presentation of statement of financial position items by maturity. For this reason, the statement of financial position of the consolidated financial statements of VBH Holding AG shows assets and liabilities according to their maturities.

The consolidated financial statements were prepared in accordance with the going concern principle, based on historical cost. Available-for-sale financial assets, derivative financial instruments, plan assets and receivables are measured at fair value on first-time recognition.

In the 2012 financial year, the consolidated financial statements and the Group management report of VBH Holding AG as of 31 December 2011 were subjected to a sampling inspection by the German Financial Reporting Enforcement Panel (DPR e.V.). The DPR found no incorrect accounting for the 2011 financial year.

2. IASB accounting provisions

2.1 NEW AND AMENDED STANDARDS AND INTERPRETATIONS EFFECTIVE FOR THE FIRST TIME IN THE FINANCIAL YEAR

The following new and amended standards and interpretations have already been adopted and are effective for reporting periods starting on or after 1 January 2012:

First-time application in the current financial year

Standard	Amendment / new regulation
Amendment IAS 24	Simplification of the disclosure requirements of companies in which the state has a participation
Amendment IFRS 7	Enhancement of disclosure requirements for the transfer of financial assets
Improvements to IFRS (2010)	Amendments to IFRS 1, IFRS 7, IAS 1, IAS 34 and IFRIC 13
Amendment IFRIC 14	Specification of the limit on a defined benefit asset, minimum funding requirements and their interaction

The new and amended standards and interpretations do not have any effect or any material effect on the consolidated financial statements of VBH Holding AG.

2.2 PUBLISHED STANDARDS NOT YET EFFECTIVE

New or amended standards and interpretations already endorsed by the EU that are applicable to financial years after 31 December 2012 are outlined below.

Amendments to IFRS endorsed in EU law for financial statements that begin on or after 1 January 2013

Standard	Titel	Mandatory application for financial years beginning from
IFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	01.01.2013
IFRS 7 / IAS 32	Offsetting Financial Assets and Financial Liabilities	1 January 2013 (IFRS 7) 1 January 2014 (IFRS 32)
IFRS 10	Consolidated Financial Statements	01.01.2014
IFRS 11	Joint Arrangements	01.01.2014
IFRS 12	Disclosure of Interests in Other Entities	01.01.2014
IFRS 13	Fair Value Measurement	01.01.2013
IAS 1	Presenting Comprehensive Income	01.07.2012
IAS 12	Deferred Tax: Recovery of Underlying Assets	01.01.2013
IAS 19	Employee Benefits	01.01.2013
IAS 27	Separate Financial Statements	01.01.2014
IAS 28	Investments in Associates and Joint Ventures	01.01.2014
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	01.01.2013

All listed standards are not applied by VBH Holding AG until the date of mandatory first-time application. According to the current level of knowledge, significant effects on accounting and measurement for the 2013 financial year are expected only in relation to IFRS 13 and IAS 19. The effects of changes or amendments first effective for financial years beginning on or after 1 January 2014 are still being examined.

IFRS 13 “Fair Value Measurement” defines uniform measurement criteria for measurement at fair value across different standards. In addition, IFRS 13 introduces extensive disclosures in the notes for fair value measurements. IFRS 13 must be applied for the first time for financial years beginning on or after 1 January 2013. The effects of the changes cannot be quantified at this time.

The amendment to IAS 19 “Employee Benefits” eliminates options about how to account for actuarial gains and losses. Previously, VBH Holding AG has used the corridor method. With this method, actuarial gains and losses are only recognised pro rata in profit or loss if the net cumulative actuarial gains and losses exceed 10 % of the present value of the defined benefit obligation and of the fair value of plan assets. In future, it will only be permissible to recognise actuarial gains and losses immediately in equity via other comprehensive income. The nature of accounting for expected return on plan assets and the deferral of specific types of employee benefits are also amended. In addition, disclosure requirements in the notes are expanded. The amendments must be applied for the first time for financial years beginning on or after 1 January 2013. First-time application on 31 December 2012 would cause equity to decrease by € 2.7 million in accordance with the amount of non-recognised actuarial losses existing on that date. In addition, there would be a change in accounting for partial retirement agreements. No other significant effects are expected to result from the first-time application of the amendments to IAS 19.

The following standards becoming effective in the coming year have not yet been endorsed in applicable EU law:

Standards not yet endorsed in applicable EU law

Standard	Titel	Mandatory application for financial years beginning from
IFRS 1	Accounting for Government Loans	01.01.2013
Various	Annual Improvements (2009-2011)	01.01.2013

The first-time application of the changes or amendments to the standards not yet endorsed in EU law is not expected to have any effects/any notable effects on the consolidated financial statements of VBH Holding AG.

3. Principles of consolidation and scope of consolidation

The consolidated financial statements contain the financial statements of the parent company and the companies it controls, including special-purpose vehicles (its subsidiaries). Control is gained when the company has the power to govern the financial and operating policies of a company so as to obtain benefits 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 until the actual date of disposal. If necessary, the annual financial statements of the subsidiaries are adjusted so that the accounting policies are aligned with those applied in the Group. All intragroup transactions, balances and results are completely eliminated in consolidation.

Subsidiaries are all companies in which the Group exercises control over financial and operating policy. This is usually the case when the share of voting rights is more than 50 %. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether an entity has significant influence. Subsidiaries are generally included in the consolidated financial statements (fully consolidated) as at the date on which control is transferred to the Group if they are not of subordinate importance to the consolidated financial statements. They are deconsolidated as at the date on which control ends.

Capital consolidation is performed in accordance with IFRS 3, “Business Combinations” using the purchase accounting method. In this method, the acquisition costs of the investment are offset against the pro rata share of the parent company in the revalued equity of the subsidiary as at the acquisition date. Intangible assets acquired in business combinations and identified in purchase price allocation are recognised at fair value. Any positive difference after this offsetting 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 directly against the additional equity acquired. The asset difference resulting from offsetting is charged against retained earnings.

Shares in the equity of subsidiaries attributable to non-controlling interests are reported separately under equity. Shares in the subsidiaries' results attributable to non-controlling interests are shown separately in the income statement.

SCOPE OF CONSOLIDATION

Overview of equity interests at 31 December 2012 according to Section 313 (2) HGB (German Commercial Code)

Fully consolidated companies	Registered office location	Country	Percentage equity held in %	Status per 31.12.2012*
Germany				
esco Metallbausysteme GmbH	Ditzingen	D	100,0%	a
Gedalia Grundstücksverwaltungsges. mbh & Co	Mainz	D	100,0%	a
VBH Deutschland GmbH	Korntal-Münchingen	D	100,0%	a
Abroad				
esco Metallbausysteme Austria GmbH (indirect via esco Metallbausysteme GmbH)	Eugendorf	A	100,0%	a
VBH Belgium NV	Beringen	B	100,0%	a
VBH Hody Belgium S.A.	Marche en Famenne	B	100,0%	a
VBH Bulgaria OOD	Sofia	BG	93,0%	a
VBH Siecom EOOD, Bulgaria	Plovdiv	BG	100,0%	a
VBH Dems d.o.o., Bosnia and Herzegovina	Sarajevo	BIH	100,0%	a
IP VBH BEL, Belarus	Minsk	BY	100,0%	a
VBH ZP (indirect via VBH Polska Sp.z.o.o.), Belarus	Minsk	BY	100,0%	i
VBH, Vereinigter Baubeschlag-Handel, s.r.o., Czech Republic	Prag	CZ	100,0%	a
VBH Malum S.L., Spain	Gava	E	68,4%	a
VBH Estonia AS	Tallinn	EST	100,0%	a
LG Fasteners Ltd. (indirect via VBH (GB) Ltd.), United Kingdom	Swansea	GB	100,0%	i
VBH (GB) Ltd., United Kingdom	Gillingham	GB	100,0%	a
VBH Hellas S.A., Greece	Thessaloniki	GR	100,0%	i
VBH Budapest Kft, Hungary	Budapest	H	100,0%	a
VBH Okovi d.o.o., Croatia	Sveta Nedjelja	HR	100,0%	a
VBH Italia S.r.l.	Bozen	I	50,0%	a
Galro (Ireland) Ltd.	Dublin	IE	60,0%	a
TOO VBH, Kazakhstan	Almaty	KZ	56,5%	a
UAB VBH Vilnius, Lithuania	Vilnius	LT	100,0%	i
VBH-TBM,UAB, Lithuania	Vilnius	LT	70,0%	a
SIA VBH Latvia Ltd.	Riga	LV	95,0%	a
VBH Malaysia SDN. BDH.	Petaling Jaya	MAL	100,0%	i
VBH MEXICO S.A. de C.V.	Heróica Puebla de Zaragoza	MEX	70,0%	a
VBH Montenegro d.o.o..	Podgorica	MNE	100,0%	a
VBH-OFIR S.R.L. (Kischinau (indirect via Ofir Ltd.)), Moldawia	Kischinau	MOL	80,0%	a
VBH Nederland B.V.	Oosterhout	NL	100,0%	a
esco Polska Sp.z.o.o. (indirect via esco Metallbausysteme GmbH)	Warschau	PL	89,8%	a
VBH Polska Sp.z.o.o.	Warschau	PL	93,3%	a
S.C. VBH Romcom SRL, Romania	Tirgu Mures	RO	100,0%	a
VBH OOO (St. Petersburg)	St. Petersburg	RUS	100,0%	a
VBH Rekta AO (indirect via VBH OOO (St.Petersburg) and VBH SIB OOO), Russia	Moskau (Odintsovo)	RUS	100,0%	a

*) **a** for active company, **i** for inactive company

Fully consolidated companies	Registered office location	Country	Percentage equity held in %	Status per 31.12.2012*
Abroad				
VBH SIB OOO, Russia	Omsk	RUS	100,0%	a
VBH Kosovo L.L.C.	Fushe Kosove	SCG	80,0%	a
VBH Trgovina d.o.o., Slovenia	Skofia Loka	SL	100,0%	a
VBH Kapi ve Pencere Sistemleri San. ve.Tic. A.S., Turkey	Bagcilar/Istanbul	TR	90,7%	a
VBH LLC, Ukraine	Browary	UA	51,0%	a
VBH Ofir DP (Dnepropetrowsk (indirect via VBH LLC)), Ukraine	Dnepropetrowsk	UA	100,0%	a
VBH Ofir DP (Kharkow (indirect via VBH LLC)), Ukraine	Kharkow	UA	100,0%	a
VBH Ofir DP (Lwow (indirect via VBH LLC)), Ukraine	Lwow	UA	100,0%	a
VBH Ofir DP (Makeewka (indirect via VBH LLC)), Ukraine	Makeewka	UA	100,0%	a
VBH Ofir DP (Simferopol (indirect via VBH LLC)), Ukraine	Simferopol	UA	100,0%	a
VBH-OFIR DP (Vinnitsa (indirect via VBH LLC)), Ukraine	Vinnitsa	UA	100,0%	a
V.B.H. Trading (L.L.C.) (indirect via VBH Middle East FZCO), United Arab Emirates	Dubai	UAE	100,0%	i
VBH Middle East FZCO, United Arab Emirates	Dubai	UAE	100,0%	i
Beijing VBH Construction Hardware Co. Ltd, China	Peking	VC	100,0%	i
Guangzhou VBH Construction Hardware Trading Co. Ltd., China	Guangzhou	VC	100,0%	a
Shanghai VBH Construction Hardware Co., Ltd., China	Shanghai	VC	65,0%	a

*) **a** for active company, **i** for inactive company

Unconsolidated companies	Registered office location	Country	Percentage equity held in %	Status per 31.12.2012*
Abroad				
Steelpro S.R.L., Argentinia	Buenos Aires	AR	100,0%	a
VBH Australia PTY. Ltd.	Seaford	AUS	100,0%	i
VBH Chile SpA (indirect via VBH Holding Americas S.L.)	Santiago de Chile	CL	100,0%	a
VBH (Cypern) LTD	Limassol	CY	100,0%	i
VBH Holding Americas S.L., Spain	Barcelona	E	100,0%	i
Lokman OÜ (indirect via VBH Estonia AS), Estonia	Tallinn	EST	100,0%	i
VBH Kaukasus	Tiflis	GE	25,0%	a
C.D.A.Cagliari S.r.l. (indirect via VBH Italia Holding S.p.A.), Italy	Cagliari	I	10,0%	i
C.D.A. S.r.l. (indirect via VBH Italia Holding S.p.A.), Italy	Bologna	I	100,0%	i
VBH Italia Holding S.p.A.	Bologna	I	100,0%	i
VBH Service S.r.l. (indirect via VBH Italia Holding S.p.A.), Italy	Fogliano Redipuglia	I	100,0%	i
VBH S.r.l. (indirect via VBH Italia Holding S.p.A.), Italy	Fogliano Redipuglia	I	100,0%	i
VBH HOLDING INDIA PRIVAT LIMITED	Delhi	IND	100,0%	i
esco RUS OOO (indirect via VBH Holding AG and esco Metallbausysteme GmbH)	Moskau	RUS	99,0%	i
VBH Slovakia s.r.o.(indirect via VBH Polska Sp.z.o.o.)	Bratislava	SK	100,0%	i
VBH Ofir DP (Odessa (indirect via VBH LLC)), Ukraine	Odessa	UA	100,0%	i
VBH VIETNAM CO., LTD	Ho Chi Minh City	VN	100,0%	i

*) **a** for active company, **i** for inactive company

For all companies the share of capitel corresponds to the share of voting rights.

FULLY CONSOLIDATED COMPANIES

As at 31 December 2012, the scope of consolidation under IFRS includes three German and 48 foreign subsidiaries in addition to the parent company. Changes in fully consolidated subsidiaries between 1 January 2012 and 31 December 2012 are shown in the table below.

Number of consolidated companies of VBH group

Vollkonsolidierte Unternehmen	Domestic	Abroad	Total
January 01, 2011	**3**	**60**	**63**
Additions	0	2	2
Disposal	0	-6	-6
Other changes	0	-4	-4
December 31, 2011	**3**	**52**	**55**
Additions	0	0	0
Disposal	0	-3	-3
Other changes	0	-1	-1
December 31, 2012	**3**	**48**	**51**

Other changes relate to companies being merged or liquidated.

Changes in the scope of consolidation

Additions to the scope of consolidation

There were no first-time consolidations in the 2012 financial year.

By way of purchase agreement dated 5 December 2008, VBH Holding AG acquired 65 % of shares in VBH Kapi ve Pencere Sistemleri San. ve Tic. A.S., Istanbul (Turkey). The company has been included in consolidation since 1 January 2009. VBH Holding AG acquired an additional 25.74 % of shares in the company as at 28 March 2012. VBH now holds 90.74 % of VBH Kapi.

In December 2012, VBH Holding AG acquired another 5 % of the shares in its subsidiary VBH OOO (St. Petersburg), Russia. VBH Holding AG now holds 100 % of the shares of the company.

Disposals from the scope of consolidation

Effective from 1 October 2012, VBH Singapore Pte. Ltd., Singapore, was sold for a purchase price of € 553 thousand. The sale resulted in a loss of € 1,839 thousand in the Group, which was reported under other operating expenses.

On 30 November 2012, the 80 % share in VBH Kuwait for General Trading Co. (W.L.L.), Kuwait, was sold to the minority shareholder. The purchase price was € 35 thousand and the loss from the sale was € 22 thousand. This was reported under other operating expenses.

On 4 December 2012, the 95 % share in VBH Naisus Nis d.o.o., Serbia, was sold to the former minority shareholder. The purchase price was € 1. The sale resulted to a loss of € 343 thousand in the Group, which was reported under other operating expenses.

Deconsolidation effects included losses arising from waivers of intra-Group receivables which constituted a precondition for the sale of the companies.

Other changes in the scope of consolidation

Other changes relate to companies being merged or liquidated.

In the fourth quarter, Rodkomplektservice OOO (Russia), a subsidiary of VBH Rekta AO, was dissolved.

Discontinued operations

There were no discontinued operations according to IFRS 5 in the 2012 financial year. In the previous year, VBH Italia Holding S.p.A., which operates in the aluminium sector, and its subsidiaries were reported here.

Effect on earnings of discontinued operations in the previous year

In T €	2011
Sales	27.648
Costs and expenses	-39.029
Profit / loss of discontinued operations before taxes	-11.381
Income tax	-2.209
Profit / loss of discontinued operations after taxes	-13.590
Impairment Goodwill	-8.567
Impact of deconsolidation	7.748
Profit / loss of discontinued operations after deconsolidation	-14.409

Planned discontinuation of companies:

Owing to inadequate prospects for success and limited development opportunities, the Executive Board resolved in the current financial year to discontinue or liquidate the following companies:

	Registered office location	Country	Status
V.B.H. Trading (L.L.C.), United Arab Emirates	Dubai	UAE	Liquidation
VBH Middle East FZCO, United Arab Emirates	Dubai	UAE	Liquidation
Bejing VBH Construction Hardware Trading Co. Ltd., China	Peking	VC	Liquidation
Shanghai VBH Construction Hardware Co., Ltd., China	Shanghai	VC	Verkauf
VBH ZP, Belarus	Minsk	BY	Liquidation

In January 2013, the Ferro-Wic operations of esco Metallbausysteme Austria GmbH, Austria, and esco Metallbausysteme GmbH, Germany, were sold as part of an asset deal effective on 31 March 2013.

UNCONSOLIDATED COMPANIES

17 (previous year: 19) companies whose individual or collective impact on assets, financial position and earnings is minor are not consolidated.

Changes in unconsolidated companies

In July 2012, VBH Chile SpA was founded. It is based in Santiago, Chile. VBH Chile SpA has share capital of € 4 thousand.

Over the financial year, the companies VKH Verwaltungs GmbH i.K. (Germany), CENTAR DISTRIBUCIJE OKOVA CDO d.o.o. (Serbia) and VBH (Thailand) Co. Ltd. (Thailand) were removed.

Planned discontinuation of companies:

Owing to inadequate prospects for success and limited development opportunities, the Executive Board resolved in the current financial year to discontinue or liquidate the following unconsolidated companies:

	Registered office location	Country	Status
VBH HOLDING INDIA PRIVAT LIMITED, India	Delhi	IND	Liquidation
esco RUS OOO	Moskau	RUS	Liquidation
VBH Slovakia s.r.o.	Bratislava	SK	Liquidation
VBH Holding Americas S.L., Spain	Barcelona	E	Liquidation
VBH Kaukasus	Tiflis	GE	Verkauf

4. Accounting policies

The main accounting policies used in the preparation of these consolidated financial statements are presented below. The methods described are applied consistently to the reporting periods presented unless otherwise indicated.

The income statement was translated on the basis of weighted average exchange rates. The statement of financial position was translated using rates as at the end of the reporting period.

Borrowing costs are recognised in the statement of financial position in accordance with IAS 23.

Discontinued operations or non-current assets held for sale are reported when a component of an entity has been clearly separated and classified as held for sale in accordance with IFRS 5 or has already been disposed of. These are separate major lines of business or a geographical area of operations, or a part of major or geographical areas of operations or companies to be sold as part of an overall plan or geographical areas of operations or companies acquired solely to be resold.

4.1 CURRENCY TRANSLATION

In the separate financial statements of VBH Holding AG and the included subsidiaries, foreign currency transactions are translated at the exchange rates in effect at the transaction dates. On the statement of financial position, we recognise monetary items in foreign currency at the mid-market rate at the end of the reporting period with exchange rate gains and losses recognised in profit or loss.

The financial statements of foreign subsidiaries are translated into euro in line with the functional currency concept. Assets and liabilities are translated at the rate as at the end of the reporting period. Except for other comprehensive income, equity is reported at historic rates. The resulting translation differences are recognised outside profit or loss until the disposal of the subsidiary and reported as a separate item in equity.

The financial statements of a hyperinflationary nation are adjusted in the amount of the change in purchasing power resulting from inflation. In 2012, as in the previous year, this affected the subsidiaries in Belarus. All items of the consolidated statement of financial position and the consolidated income statement for these companies are calculated using the mid-spot rate and translated as at the end of the reporting period. Non-monetary items of the consolidated statement of financial position, which are recognised at cost in the Group, and amounted reported in the consolidated income statement are adjusted using a prescribed price index to the date of first-time recognition. The effects of the inflation adjustment resulted by the end of the reporting period are reported in retained earnings and recognised in profit or loss in subsequent periods. The official inflation rate in 2012 measured against the consumer price index was 21.8 % in Belarus (previous year: 208.7 %).

The table below shows the exchange rates used for currency translation:

Currency translation

Country	Currency unit	Mid-market rate per € on balance sheet date		Weighted average rate per € for the year under review	
		31.12.2011	31.12.2012	2011	2012
Belarus	BYR	10.865,24	11.280,02	7.162,83	10.755,92
Bulgaria	BGN	1,9562	1,9559	1,9562	1,9559
China VR	CNY	8,1485	8,2117	9,0324	8,1125
United Kingdom	GBP	0,8372	0,8154	0,8714	0,8122
Kazakhstan	KZT	191,9925	198,2064	206,6793	190,9874
Croatia	HRK	7,5359	7,5616	7,4413	7,5089
Kuwait	KWD	0,3605	0,3708	0,3866	0,3586
Latvia	LVL	0,6999	0,6982	0,7068	0,6976
Lithuania	LTL	3,4535	3,4524	3,4521	3,4525
Mexico	MXN	18,0731	17,1986	17,6275	17,0003
Poland	PLN	4,4553	4,0929	4,1365	4,1825
Romania	RON	4,3326	4,4392	4,2526	4,4793
Russia	RUB	41,7428	40,1982	41,1023	40,1821
Serbia	CSD	106,0746	112,1000	101,5205	114,6468
Singapore	SGD	1,6813	1,6116	1,7543	1,6188
Czech Republic	CZK	25,8129	25,1169	24,5325	25,2322
Turkey	TRL	2,4424	2,3557	2,3343	2,3174
Ukraine	UAH	10,3726	10,6387	11,2184	10,3845
Hungary	HUF	312,7641	292,8406	279,2439	287,7428
United Arab Emirates	AED	4,7518	4,842	5,1670	4,7410

4.2 INTANGIBLE ASSETS, GOODWILL

Purchased patents, licences and trademarks are measured at cost. They have specific useful lives and are measured at cost less cumulative amortisation. The amortisation expense is recognised on a straight-line basis over the expected useful life. For the majority of depreciable assets the useful life is 15 years. This includes capitalised customer relationships in particular. Software licences acquired are capitalised on the basis of the costs incurred at acquisition and for preparing the software for its intended use. These costs are generally amortised over a useful life of three years. If there are indications of impairment, the intangible assets are tested for impairment and, if necessary, written down to the recoverable amount in accordance with IAS 36. The goodwill resulting from consolidation is the positive difference between the cost of an acquisition and the Group's share in the fair value of the identifiable assets and liabilities of a subsidiary or joint venture at the date of acquisition. After first-time recognition, the goodwill acquired in a business combination is measured at cost less cumulative impairment losses.

In line with IAS 36, goodwill and intangible assets with indefinite useful lives are tested for impairment both annually and when there are relevant indications of impairment. They are written down to the recoverable amount as necessary ("impairment only approach"). At the date of the acquisition, the goodwill is distributed among cash generating units. At VBH this means to each individual company (legal entity) or at the level of a subgroup. Any impairment is immediately recognised in profit or loss. There is no subsequent reversal.

Please see section 4.5 of the notes for information on the calculation of recoverable amount. This calculation usually uses five-year financial planning. Planning reflects expected percentage sales growth in the low single digits for the majority of the cash-generating units (or groups of units). Future tax payments were calculated using the tax rates for the individual cash-generating units (or groups of units).

Goodwill was calculated as follows:

Goodwill

	Acquisition costs			
In T €	Balance at 01 January 2011	Currency-adjustments	Additions	Disposals
VBH Deutschland GmbH	22,942	0	0	0
esco Metallbausysteme GmbH, Germany	8,701	0	0	0
VBH Italy Holding S.p.A.	15,793	0	0	-15,793
VBH Hody Belgium S.A.	4,784	0	0	0
VBH Malum S.L., Spain	4,544	0	0	0
VBH Netherlands B.V.	3,935	0	0	0
esco Metallbausysteme Austria GmbH	3,790	0	0	0
Galro (Ireland) Ltd.	1,926	0	0	0
VBH Belgium NV	1,700	0	0	0
VBH (GB) Ltd., Great Britain	1,404	0	0	0
VBH Estonia AS	888	0	0	0
VBH Singapore Pte. Ltd.	4,092	87	0	0
Beijing VBH Constr. Hardware Co. Ltd, China	1,361	104	0	0
VBH Kapi A.S., Turkey	1,283	-200	0	0
Other Goodwill	3,865	40	369	0
Total	**81,008**	**31**	**369**	**-15,793**

	Acquisition costs			
In T €	Balance at 01 January 2012	Currency-adjustments	Additions	Disposals
VBH Deutschland GmbH	22,942	0	0	0
esco Metallbausysteme GmbH, Deutschland	8,701	0	0	0
VBH Hody Belgium S.A.	4,784	0	0	0
VBH Malum S.L., Spanien	4,544	0	0	0
VBH Netherlands B.V.	3,935	0	0	0
esco Metallbausysteme Austria GmbH	3,790	0	0	0
Galro (Ireland) Ltd.	1,926	0	0	0
VBH Belgium NV	1,700	0	0	0
VBH (GB) Ltd., Great Britain	1,404	0	0	0
VBH Estonia AS	888	0	0	0
VBH Singapore Pte. Ltd.	4,179	181	0	-4,360
Beijing VBH Constr. Hardware Co. Ltd, China	1,465	-11	0	0
VBH Kapi A.S., Türkei	1,084	40	0	0
Other Goodwill	4,274	-18	0	0
Total	**65,615**	**192**	**0**	**-4,360**

	Depreciation					Bookvalue	
Balance at 31 December 2011	Balance at 01 January 2011	Currency-adjustments	Additions	Abgänge	Balance at 31 December 2011	Balance at 01 January 2011	Balance at 31 December 2011
22,942	16,905	0	0	0	16,905	6,038	6,038
8,701	3,974	0	0	0	3,974	4,726	4,726
0	7,226	0	8,567	-15,793	0	8,567	0
4,784	1,915	0	2,869	0	4,784	2,869	0
4,544	1,236	0	2,300	0	3,536	3,308	1,008
3,935	1,309	0	0	0	1,309	2,626	2,626
3,790	3,790	0	0	0	3,790	0	0
1,926	1,456	0	470	0	1,926	470	0
1,700	1,550	0	0	0	1,550	150	150
1,404	749	0	0	0	749	655	655
888	237	0	0	0	237	651	651
4,179	2,903	103	1,173	0	4,179	1,188	0
1,465	1,361	104	0	0	1,465	0	0
1,084	0	0	1,084	0	1,084	1,283	0
4,274	1,128	27	1,378	0	2,533	2,737	1,740
65,615	**45,739**	**234**	**17,840**	**-15,793**	**48,020**	**35,269**	**17,595**

	Depreciation					Bookvalue	
Balance at 31 December 2012	Balance at 01 January 2012	Currency-adjustments	Additions	Abgänge	Balance at 31 December 2012	Balance at 01 January 2012	Balance at 31 December 2012
22,942	16,905	0	0	0	16,905	6,038	6,038
8,701	3,974	0	0	0	3,974	4,726	4,726
4,784	4,784	0	0	0	4,784	0	0
4,544	3,536	0	520	0	4,056	1,008	488
3,935	1,309	0	0	0	1,309	2,626	2,626
3,790	3,790	0	0	0	3,790	0	0
1,926	1,926	0	0	0	1,926	0	0
1,700	1,550	0	0	0	1,550	150	150
1,404	749	0	0	0	749	655	655
888	237	0	0	0	237	651	651
0	4,179	181	0	-4,360	0	0	0
1,454	1,465	-11	0	0	1,453	0	0
1,124	1,084	40	0	0	1,123	0	0
4,256	2,533	-20	804	0	3,316	1,740	940
61,447	**48,020**	**189**	**1,324**	**-4,360**	**45,173**	**17,595**	**16,274**

In 2012, other goodwill contains impairment to the goodwill of the companies VBH Italia S.r.l. (€ 394 thousand), VBH Shanghai (€ 360 thousand) and VBH Vilnius, Lithuania (€ 50 thousand). In the previous year, impairment to the goodwill of VBH Middle East FZCO, United Arab Emirates (€ 726 thousand) and VBH Hellas S.A., Greece (€ 651 thousand) was reported here.

An impairment test must be carried out annually and as required if there are indications that a cash-generating unit may be impaired.

The recoverable amount is generally calculated using the discounted cash flow method (DCF). DCF calculations are based on forecasts that in turn are based on financial planning for five years approved by the Executive Board. The planning horizon chosen reflects assumptions pertaining to short and medium-term market developments. Cash flows exceeding the five-year period are projected on a straight-line basis. Significant assumptions employed in the DCF model include estimates relating to future sales, earnings, growth rates and discount rates. Impairment testing performed in the current financial year led to the changes in the amounts shown above and total goodwill impairment of € 1,324 thousand (previous year: € 17,840 thousand). The goodwill impairment on the individual companies is based primarily on changes in assumptions about future cash flows and the current earnings situation of the companies concerned.

The discount rates are based on cost of capital calculations applying a debt/equity financing structure and financing costs in relation to a defined peer group. The discount rates applied reflect the specific equity risk of the respective cash-generating unit. The growth factor used to calculate perpetual maturity was raised from of 0.5 % in the previous year to 1.0 % in 2012 in order to adapt it to expectations regarding inflation.

The table below shows the discount rate for the individual companies:

Discount rates

	2011	2012
VBH Deutschland GmbH	6.78%	7.18%
esco Metallbausysteme GmbH	7.26%	7.18%
VBH Malum S.L., Spain	6.61%	7.18%
VBH Nederland B.V.	6.26%	7.34%
VBH Belgium NV	8.61%	7.06%
VBH (GB) Ltd.	6.59%	7.40%
VBH Estonia AS	6.32%	7.46%
VBH Italia S.r.l.	6.10%	7.14%

Irrespective of the current and expected economic situation, sensitivity analyses were performed for cash-generating units to which goodwill was allocated. The effect of a reduction in future cash flows by 10 % was examined, as well as an increase in key discount rate parameters by 1 percentage point. These sensitivity analyses revealed that if one of these assumptions were to change, this would result in impairment of approximately € 0.5 million.

4.3 PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment is measured at cost less depreciation. 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 the cost of the asset can be reliably calculated. All other repairs and maintenance are recognised as an expense in the financial year in which they occurred. Land is not depreciated. Depreciation is generally calculated on a straight-line basis, whereby cost is depreciated to residual carrying amount over the estimated useful lives shown below.

Asset	**Useful life in years**
Machinery and equipment	4 to 11
Operating facilities	13 to15
Business equipment	3 to13
Warehouses	25 to 50
Machines	11 to 15
Administrative buildings	33
Residential buildings	50

Residual carrying amounts and useful lives of assets are reviewed as at the end of each reporting period and adjusted as 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 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. First-time 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 through profit and loss. If the trading date and the fulfilment date (i.e. date of delivery) are different, VBH chooses the trading date for first-time recognition or disposal.

FINANCIAL ASSETS

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

Financial assets measured at fair value through profit and loss

Financial assets measured at fair value through profit and loss include financial assets held for trading.

Financial assets such as shares or interest-bearing securities are classified as held for trading if they are acquired with the intent to dispose of them in the short term. Derivatives, including embedded derivatives that were separated from the host contract, are also classified as held for trading unless they are included in hedge accounting as hedging instruments and are effective as such. Gains and losses from financial assets held for trading 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 trade receivables. After first-time recognition, loans and receivables are measured using the effective interest rate 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.

Financial assets held to maturity

Financial assets held to maturity are non-derivative financial assets with fixed or determinable payments and fixed bullet maturities, which are to be and also can be held to maturity and are not to be allocated to any of the other measurement categories. First-time recognition is at fair value. Subsequent measurement is at amortised cost using the effective interest rate method. No financial assets are allocated to this measurement category at VBH Holding AG.

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 bonds, corporate bonds and commercial papers. After first-time measurement, available-for-sale financial assets are measured at fair value. Unrealised gains or losses are recognised in equity in the reserve for available-for-sale assets. If there are objective indications of impairment, or if changes in the fair value of a debt instrument result from exchange rate fluctuation, they are included in profit or loss. On the disposal of financial assets, the cumulative gains and losses arising from 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 (less impairment as appropriate). Interest received from these financial assets is generally recognised in profit or loss as interest income using 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 payables, amounts due to banks, bonds, derivative financial liabilities and other liabilities.

Financial liabilities measured at amortised cost

After first-time recognition, financial liabilities are measured at amortised cost using the effective interest method.

Financial liabilities measured at fair value through profit and loss

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

Derivative financial instruments and hedge accounting

VBH uses derivative financial instruments such as forward contracts, swaps, caps and floors mainly for hedging interest rate and currency risks arising 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. Derivative financial instruments are measured at fair value on first-time recognition and at the end of each subsequent reporting period. 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 fair value is positive and as liabilities when fair value is negative.

If the requirements for hedge accounting set out in IAS 39 are met, VBH designates and documents the hedging 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 the 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 is recognised in profit or loss. 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.

4.5 IMPAIRMENT/REVERSALS

At the end of each reporting period, 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 and 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 costs to sell and value in use. VBH determines the recoverable amount as fair value less costs to sell and compares it against the carrying amount (including goodwill). Fair value is measured by discounting future cash flows using a risk-adjusted interest rate. If the fair value less costs to sell cannot be determined or is lower than the carrying amount, the value in use is calculated. If the carrying amount is higher than the recoverable amount, an impairment loss is recognised in the amount of the difference.

An assessment is made as at the end of each reporting period as to whether any previously recognised impairment not related to goodwill may no longer exist or have decreased. In this case VBH recognises a partial or full reversal of the impairment and increases the carrying amount to the recoverable amount. However, the increased carrying amount cannot exceed the carrying amount that would have been calculated (less amortisation or depreciation) if no impairment losses had been recognised in previous years.

4.6 RECEIVABLES AND OTHER ASSETS

On first-time recognition, receivables and other assets are recognised at cost and less impairment. Impairment on trade receivables is recognised if there is objective evidence that amounts due are not fully recoverable. The amount of impairment is measured as the difference between the carrying amount of the receivable and the present value of the estimated future cash flows from this receivable. Impairment is directly recognised in profit or loss. If the reasons for impairment recognised in previous periods no longer exist, it is reversed accordingly. Impairment is determined based on the age of the receivables and their recoverability. Receivables and other assets mainly comprise bonuses from suppliers, creditors with debit balances, other loans and receivables and payments in transit. Deferred tax assets are also recognised. Receivables denominated in foreign currency, if any, are measured at the rate as at the end of the reporting period.

4.7 INVENTORIES

Inventories are measured at the lower of cost or net realisable value. Inventories are measured in accordance with the VBH 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 leases if, in accordance with 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 leases) are recognised as assets of the Group at fair value or at the present value of the minimum lease payments. The corresponding amounts owed to the lessor are recognised in the statement of financial position as finance lease obligations under amounts due to banks. Lease payments are allocated to interest expenses and the reduction of the lease such that interest is charged at a constant rate on the remaining commitment. Lease payments for operating lease are recognised as expenses in profit or loss 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 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, 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 PROVISIONS

Provisions are recognised when 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 result in an outflow of assets and when the amount of the provision can be calculated reliably. Provisions are measured at the most likely value of their utilisation. Interest is charged at risk-adequate market rates on non-current provisions if the effect is material.

4.12 PENSION PROVISIONS

The VBH Group has defined benefit plans only. The actuarial measurement 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 the end of each reporting period. This method accounts not only for the present value of pension obligations known at the end of the reporting period, 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 only recognised in profit or loss if the net cumulative actuarial gains and losses exceed 10 % of the higher of present value of the defined benefit obligation or the fair value of plan assets. Any amount outside the 10 % corridor is distributed over the average expected remaining working life of the persons entitled to the pension on 31 December 2012. The pension provisions recognised in the consolidated statement of financial position correspond to the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of the plan assets adjusted for cumulative actuarial gains and losses previously not recognised in profit or loss.

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 predecessors, VBH Holding AG and esco Metallbausysteme GmbH, until 1 March 1996. In accordance with the supplement dated 22 February 1996, this company pension plan ended for employees hired after 29 February 1996. Individual commitments also exist.

4.13 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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 also not recognised. However, they are disclosed in the notes if 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 on the basis of the applicable terms and conditions.

4.15 INCOME TAXES

Current income taxes are determined based on the respective local taxable income of the period and national tax regulations. In addition, current income taxes include adjustments for potential tax payments or refunds for periods not yet assessed. 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 is based on the tax rates expected for the period in which an asset is realised or a liability is settled. For this purpose those tax rates and tax rules in effect at the end of the reporting period or those announced are applied. 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 write-down for deferred tax assets when it is not likely that a respective amount of future taxable profit will be available or when VBH has no control over the tax benefit. 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 IN PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

The presentation of the assets, financial position and earnings in the consolidated financial statements depends upon accounting policies in addition to assumptions and estimates. Actual results may differ from 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 property, plant and equipment and 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 the useful lives of the assets is based on judgements by management. The calculation of impairment on property, plant and equipment and intangible assets also involves 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 impairment.

5. Notes to the consolidated statement of financial position

5.1 INTANGIBLE ASSETS

In T €	Industrial property and similar rights	Goodwill	Payments on account	Total
Acquisition costs				
Balance at 01 Januar 2011	**16,339**	**81,008**	**34**	**97,381**
Currency translation differences	-218	31	0	-186
Change in scope of consolidation	-438	-15,793	0	-16,231
Additions	646	369	2,345	3,360
Reclassifications	2	0	0	2
Disposals	238	0	0	238
Balance at 31 Dezember 2011 / 01 Januar 2012	**16,092**	**65,615**	**2,379**	**84,086**
Currency translation differences	111	192	0	302
Change in scope of consolidation	-147	-4,360	0	-4,507
Additions	217	0	4,979	5,196
Reclassifications	27	0	-22	5
Disposals	229	0	0	229
Balance at 31 Dezember 2012	**16,071**	**61,447**	**7,336**	**84,854**
Depreciation and impairment losses/reversals				
Balance at 01 Januar 2011	**10,608**	**45,739**	**0**	**56,347**
Currency translation differences	-132	234	0	102
Change in scope of consolidation	-429	-15,793	0	-16,222
Depreciation/amortisation	1,742	17,840	0	19,583
Reclassifications	0	0	0	0
Disposals	139	0	0	139
Balance at 31 Dezember 2011 / 01 Januar 2012	**11,651**	**48,020**	**0**	**59,670**
Currency translation differences	90	189	0	279
Change in scope of consolidation	-138	-4,360	0	-4,498
Depreciation/amortisation	3,054	1,324	0	4,378
Reclassifications	0	0	0	0
Disposals	87	0	0	87
Balance at 31 Dezember 2012	**14,570**	**45,173**	**0**	**59,743**
Carrying amount at 31 December 2011	**4,442**	**17,595**	**2,379**	**24,416**
Carrying amount at 31 December 2012	**1,501**	**16,274**	**7,336**	**25,111**

5.2 PROPERTY, PLANT AND EQUIPMENT

In T €	Land and buildings	Other assets, operational and business equipment	Payments on account, assets under development	Total
Acquisition costs				
Balance at 01 Januar 2011	**38,559**	**38,700**	**1,789**	**79,048**
Currency translation differences	-191	-709	-50	-950
Change in scope of consolidation	-1,682	-2,796	0	-4,478
Additions	134	3,631	396	4,161
Reclassifications	313	160	-474	-1
Disposals	348	2,336	1	2,686
Balance at 31 Dezember 2011 / 01 Januar 2012	**36,784**	**36,650**	**1,660**	**75,094**
Currency translation differences	215	463	54	732
Change in scope of consolidation	-100	-370	0	-470
Additions	216	2,217	44	2,477
Reclassifications	1,179	251	-1,436	-5
Disposals	48	5,289	4	5,341
Balance at 31 Dezember 2012	**38,247**	**33,922**	**318**	**72,487**
Depreciation and impairment losses/reversals				
Balance at 01 Januar 2011	**19,992**	**29,824**	**0**	**49,816**
Currency translation differences	-74	-469	0	-543
Change in scope of consolidation	-1,413	-2,555	0	-3,968
Depreciation/amortisation	1,354	3,447	0	4,801
Reclassifications	0	0	0	0
Disposals	343	2,044	0	2,387
Balance at 31 Dezember 2011 / 01 Januar 2012	**19,516**	**28,203**	**0**	**47,719**
Currency translation differences	80	276	0	356
Change in scope of consolidation	-63	-287	0	-350
Depreciation/amortisation	974	3,013	0	3,987
Reclassifications	0	0	0	0
Disposals	42	4,876	0	4,918
Balance at 31 Dezember 2012	**20,465**	**26,329**	**0**	**46,794**
Carrying amount at 31 December 2011	**17,268**	**8,447**	**1,660**	**27,375**
Carrying amount at 31 December 2012	**17,782**	**7,592**	**318**	**25,693**

5.3 NON-CURRENT FINANCIAL ASSETS

In T €	Interests in affiliated companies	Payments on account	Payments on account/ securities	Total
Acquisition costs				
Balance at 01 January 2011	**1,975**	**4**	**6**	**1,985**
Currency translation differences	-1	0	0	-1
Change in scope of consolidation	-187	-1	0	-188
Additions	3	0	0	3
Reclassifications	0	0	0	0
Disposals	17	0	0	17
Balance at 31 December 2011 / 01 January 2012	**1,774**	**3**	**6**	**1,783**
Currency translation differences	0	0	0	0
Change in scope of consolidation	0	0	0	0
Additions	1,800	0	0	1,800
Reclassifications	0	0	0	0
Disposals	3,118	0	0	3,118
Balance at 31 December 2012	**457**	**3**	**6**	**465**
Depreciation and impairment losses/reversals				
Balance at 01 January 2011	**26**	**4**	**0**	**30**
Currency translation differences	0	0	0	0
Change in scope of consolidation	0	-1	0	-1
Depreciation/amortisation	1,316	0	0	1,316
Reclassifications	0	0	0	0
Disposals	17	0	0	17
Balance at 31 December 2011 / 01 January 2012	**1,324**	**3**	**0**	**1,327**
Currency translation differences	0	0	0	0
Change in scope of consolidation	0	0	0	0
Depreciation/amortisation	1,808	0	0	1,808
Reclassifications	0	0	0	0
Disposals	3,118	0	0	3,118
Balance at 31 December 2012	**15**	**3**	**0**	**18**
Carrying amount at 31 December 2011	**450**	**0**	**6**	**456**
Carrying amount at 31 December 2012	**442**	**0**	**6**	**447**

Disposals of interests in affiliated companies are mainly reclassifications of affiliated companies already written down to a residual carrying amount of € 0. As these companies are liquidated, the shares are reported under current assets.

5.4 INVENTORIES

In T €	2011	2012
Raw materials and supplies	80	608
Work in progress	0	0
Finished goods and goods for resale	108,150	88,124
Payments on account	1,293	2,628
Total	**109,523**	**91,360**

€ 91,360 thousand of the inventories recognised on 31 December 2012 were recognised at net realisable value (previous year: € 108,150 thousand). As at the end of the reporting period, impairment losses of € 10,692 thousand (previous year: € 11,734 thousand) were recognised in inventories.

5.5 RECEIVABLES AND OTHER ASSETS

	2011			2012		
In T €	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Trade receivables	76,369	14	76,383	59,702	90	59,792
Receivables affiliated companies	2,838	0	2,838	1,686	0	1,686
Other assets	21,072	3,319	24,391	18,518	2,901	21,419
Total	**100,279**	**3,333**	**103,612**	**79,906**	**2,991**	**82,897**

Other assets include € 13,271 thousand in receivables and creditors with debit balances (previous year: € 14,653 thousand) and € 2,685 thousand in receivables from tax authorities (previous year: € 2,640 thousand).

Aging Schedule of Trade Receivables

In T €	2011	2012
Trade receivables	**76,383**	**59,792**
Not impaired and not yet due	25,912	20,690
Not impaired and past-due	5,706	5,780
30 to 60 days	2,551	3,032
60 to 120 days	2,387	1,344
> 120 days	768	1,404

Valuation Allowances for Trade Receivables

In T €	2011	2012
Balance as at 01 January	**14,605**	**16,387**
Change in scope of consolidation	-5,460	-853
Currency changes	-453	249
Allocations (impairment losses)	11,318	6,052
Utilisation	2,212	2,250
Withdrawals (gains on impairment reversals)	1,411	2,967
Balance as of 31 December	**16,387**	**16,618**

Regarding the receivables that are neither impaired nor past due, there were no indications as at the end of the reporting period that debtors would fail to make payment.

5.6 CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents is presented in the following table. At the end of the reporting period the maximum default risk was equal to the carrying amount.

In T €	2011	2012
Credit balances with banks	16,620	13,622
Cash in hand and cheques	708	707
Total	**17,328**	**14,329**

5.7 TAX RECEIVABLES

Income taxes

	2011			2012		
In T €	Current	Non-current	Total	Current	Non-current	Total
Tax receivables	893	0	893	620	0	620

5.8 DEFERRED TAX ASSETS

Deferred tax assets

	2011			2012		
In T €	Current	Non-current	Total	Current	Non-current	Total
Deferred tax assets	0	8,772	8,772	0	9,133	9,133

At the end of the reporting period, there were deferred tax assets of € 1,239 thousand (previous year: € 685 thousand), which were recognised outside profit or loss for interest swaps in hedge accounting.

5.9 ASSETS HELD FOR SALE

Assets held for sale include property, plant and equipment (€ 60 thousand) and inventory assets (€ 4,732 thousand) of esco Metallbausysteme Austria GmbH, which was sold as part of an asset deal in January 2013 with effect from 31 March 2013.

5.10 EQUITY

Subscribed capital

Issued capital amounts to € 45,879,408.00, consisting of 45,879,408 bearer shares.

As in the previous year, there were no changes to the structure of the subscribed capital in 2012.

Authorised capital

company on one or several occasions by up to a total of € 20,000,000 by issuing new no-par-value ordinary bearer shares with voting rights until 9 June 2014 (Authorised Capital). Capital increases can be implemented against cash or non-cash contributions.

The Executive Board is also authorised, with the approval of the Supervisory Board, to disapply shareholders' statutory pre-emption rights in the following cases:

- for fractional amounts arising due to the subscription ratio
- for a capital increase against non-cash contributions for the acquisition of companies or equity interests in companies (even if there is a purchase price component paid in cash in addition to shares) 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 issued 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 is not substantially less than 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 Aktiengesetz (AktG – German Stock Corporation Act) in the period in which this authorisation was effective and sold in accordance with section 71(1) no. 8 and section 186(3) sentence 4 AktG also count towards this restriction of 10 % of issued capital

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 specifics pertaining to a capital increase and its implementation including in particular the issue amount and the compensation to be paid for the new shares and the granting of indirect pre-emption rights in accordance with section 186(5) AktG.

Contingent capital

The issued capital of the company is contingently increased by € 40,000 (previous year: € 40,000) by issuing up to 40,000 (previous year: 40,000) no-par-value ordinary bearer shares with voting rights (Contingent Capital). This contingent capital increase is exclusively for the purpose of fulfilling option rights that were granted on the basis of the authorisation by the Annual General Meeting from 24 May 2004 until 24 May 2009. The remaining contingent capital increase will be implemented only to the extent that holders of the option rights issued exercise their right to purchase shares, and the company does not provide treasury shares to fulfil these option rights. The new no-par-value shares participate in profit from the beginning of the financial year in which the shares are issued.

None of the options issued were converted to shares in 2012 or 2011. No options were returned in either of these years. 40,000 (previous year: 40,000) options remain outstanding. As at the end of the year, the contingent capital amounted to € 40,000 (previous year € 40,000).

The profit participation of newly issued shares may be determined differently to section 60 AktG.

Capital reserves

As in the previous year, there were no changes in capital reserves due to options being exercised in 2012.

€ 8,188 thousand (previous year: € 23,095 thousand) was withdrawn from the capital reserves in the financial year. Capital reserves amounted to € 10,624 thousand as at the end of the reporting period (previous year: € 18,812 thousand).

Retained earnings

In T €	2011	2012
Legal reserves	1,950	1,407
Other reserves	31,405	20,765
Cash flow hedge reserve	-1,599	-2,891
Currency translation adjustments	-8,102	-5,347
Total	**23,654**	**13,934**

STOCK OPTION PLAN

The Executive Board was authorised, with the approval of the Supervisory Board, to issue up to 600,000 pre-emption rights on up to 600,000 no-par-value ordinary shares with voting rights in VBH Holding AG (hereinafter also referred to as “options” and “option rights”) until 24 May 2009, subject to the following provisions. The Supervisory Board is authorised to issue up to 600,000 pre-emption rights on up to 600,000 no-par-value ordinary shares with voting rights in VBH Holding AG (voting shares) until 24 May 2009, subject to the following provisions. As at 31 December 2012, 40,000 options remain outstanding. These can be exercised for the last time after the Annual General Meeting in 2013 in line with the option conditions. As at 31 December 2012, the performance targets that are the requirement for exercising the options had not been achieved. Moreover, with a share price of € 2.35 on 31 December 2012, the exercise of options at a price of € 5.82 is not likely.

Persons eligible 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. The Executive Board of the company determines the specific individuals eligible to subscribe and the number of options to be granted to them. The Supervisory Board of the company alone decides whether to grant and issue options to Executive Board members. The total volume of options is distributed among the eligible groups of individuals as follows: members of the VBH Holding AG Executive Board may receive a maximum 50 % of total options; members of management of affiliated companies may receive a maximum 10 % of total options. Managers of VBH Holding AG and its affiliated companies receive a maximum total of 40 % of the options. In all cases, eligible members are granted options only as a member of one group of individuals. 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 options (acquisition periods), issue date and option right

Options are granted in yearly tranches 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 entered in the commercial register.

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

Each option authorises the holder to subscribe to a bearer share of VBH Holding AG in return for payment of the exercise price.

Exercise price and performance 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 ordinary shares 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 of the share capital of the company represented by the individual ordinary shares (section 9(1) AktG). 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.

Vesting period for initial exercise and exercise periods

One third of the options granted may be exercised no earlier than two years (“two-year vesting 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 be exercised only 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.

In the 2012 financial year, as in the previous year, options were neither granted nor exercised, allowed to lapse or returned. As at 31 December 2012, 40,000 options remain outstanding (previous year: 40,000). They have a remaining term of one year and can be exercised in line with the option conditions. The exercise price is € 5.82.

There were no staff costs under the stock option plan in 2012, as in the previous year.

The parameters used to determine the fair value of the options at the time they were issued are shown in the table below:

Tranche	2008
Expected share volatility	38.0
Expected reference index volatility	20.0
Risk-free investment return	4.6%
Maturity in years	5.0
Fair value per option in €	1.30

The expected volatilities are based on the historical volatility of VBH shares and the SDAX. The period on which the estimate of VBH share volatility is based is the two years prior to the date at which the fair value of the options was calculated. They were measured using a binomial model.

5.11 LIABILITIES

	2011			2012		
In T €	Current	Non-current	Total	Current	Non-current	Total
Liabilities to banks and third parties	30,341	76,037	106,378	12,239	86,521	98,760
Financial liabilities	**30,341**	**76,037**	**106,378**	**12,239**	**86,521**	**98,760**
Trade payables	36,443	21	36,464	26,665	15	26,680
Advances received	805	0	805	1,519	0	1,519
Other liabilities	25,472	1,894	27,366	19,471	4,312	23,783
Trade payables and other liabilities	**62,720**	**1,915**	**64,635**	**47,655**	**4,327**	**51,982**
Total	**93,061**	**77,952**	**171,013**	**59,894**	**90,848**	**150,742**

Significant items under other current liabilities included deferrals of € 7,914 thousand (previous year: € 9,238 thousand), tax liabilities of € 5,527 thousand (previous year: € 7,551 thousand) and amounts due to customers of € 974 thousand (previous year: € 3,391 thousand).

In the current financial year, non-current other liabilities essentially included interest swaps of € 4,131 thousand (previous year: € 1,725 thousand).

VBH Holding AG and its German subsidiaries receive major financing under agreements with the banks BW-Bank Stuttgart, HSBC Trinkaus & Burkhardt AG, Düsseldorf, Kreissparkassen Böblingen and Ludwigsburg and IKB Deutsche Industriebank AG, Düsseldorf. On 19 March 2007, a five-year syndicated loan agreement with a total volume of € 100 million was concluded with six German merchant banks. Interest is variable and linked to the external rating of the Group as a whole. This was prolonged to 30 June 2016 by way of an amendment dated 28 August 2011. In this context, as always, shares in subsidiaries were pledged, sales receivables were generally assigned and security agreements for inventories were transferred. Group loans were also transferred. Due to the implementation of the consolidation programme, the agreed financial covenants were temporarily suspended. In the second half of 2012, an amendment to the syndicate agreement was negotiated and signed on 19 December 2012. The financial covenants of the syndicate agreement were redefined and, based on Group planning, reference the total term of the agreement. The liabilities under the syndicated finance have been classified as non-current.

The Group's lines of credits granted by merchant banks and the syndicated loan provided VBH with adequate credit in the current financial year to continue developing its operating activities and performing investments. The liquidity plan was complied with.

Trade payables include open obligations from the provision of goods and services as well as current expenses. The Executive Board assumes that the carrying amount of trade payments is almost equivalent to their fair value.

The table below shows the finance lease liabilities included financial liabilities.

In T €	2011	2012
Maturity within 1 year	82	261
Maturity in 1-5 years	273	533
Maturity after 5 years	1,691	1,484
Nominal value	**2,046**	**2,277**

Significant finance leases exist in the Group for warehouse and office buildings used by VBH in Cologne, Germany. The leased assets are recognised in property, plant and equipment at a carrying amount of € 2,682 thousand (previous year: € 2,157 thousand). The fair value of the Group's lease payment obligations corresponds roughly to their carrying amount. The carrying amounts for land amounted to € 925 thousand (previous year: € 925 thousand) and € 1,183 thousand (previous year: € 1,232 thousand) for buildings. Lease instalments totalled € 448 thousand (previous year: € 223 thousand), including interest payments of € 126 thousand (previous year: € 116 thousand). The conversion date for the Cologne finance lease is 1 February 2017. The lease liabilities will be recalculated on this date.

5.12 TAX LIABILITIES

Income tax liabilities relate to payments to the respective tax offices for amounts still outstanding for the 2012 financial year.

	2011			2012		
In T €	Current	Non-current	Total	Current	Non-current	Total
Income tax liabilities	624	0	624	231	0	231

5.13 PENSION PROVISIONS

The actuarial report of Towers Watson GmbH, Reutlingen, Germany, of February 2013 was prepared in accordance with IAS 19, focusing on the main pension provisions in Germany. Measurement is based on the following calculation parameters using the projected unit credit method:

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, probability of marriage, disability, retirement and fluctuation, etc.). The information is also based on 2005 G Heubeck mortality tables and, in respect of the calculatory pensionable age, the Federal Minster of Finance circular dated 5 May 2010.

Actuarial assumptions

	2008	2009	2010	2011	2012
Discount rate	5.8%	5.25%	5.15%	5.14%	3.70%
Expected return on plan assets	3.0%	3.0%	3.0%	3.0%	3.70%
Expected salary increase rate	2.0%	2.0%	2.0%	2.0%	2.0%
Expected income from reimbursements	0.0%	0.0%	0.0%	0.0%	0.0%
Expected pension increase rate	1.0%	1.0%	1.0%	1.0%	1.0%
Contribution assessment in statutory pension insurance	2.0%	2.0%	2.0%	2.0%	2.0%

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 under defined benefit plans.

Effects in profit and loss from defined benefit plans

In T €	**2008**	**2009**	**2010**	**2011**	**2012**
Ongoing service cost	164	191	205	167	226
Interest cost	610	643	640	659	674
Expected return on plan assets	-22	-17	-19	-15	-14
Actuarial gains and losses	-15	-32	-12	0	0
Total	**737**	**785**	**814**	**811**	**886**

Present value of liabilities from defined benefits plans

In T €	**2008**	**2009**	**2010**	**2011**	**2012**
Balance as at 01 January	**12,294**	**12,119**	**12,497**	**12,812**	**13,201**
Service cost	164	191	205	167	226
Interest cost	610	643	640	659	674
Fair value of liability insurance	-540	0	5	0	0
Expected return on plan assets	-22	-17	-19	-15	-14
Actuarial gains and losses	-15	-32	-12	0	0
Plan participant contributions	-29	-28	-32	139	-13
Benefits paid	-343	-379	-472	-561	-656
Balance as at 31 December	**12,119**	**12,497**	**12,812**	**13,201**	**13,418**

The change in contributions by plan participants in 2011 is due to payments from insurance contracts.

Plan assets

In T €	2008	2009	2010	2011	2012
Balance as at 01 January	**540**	**572**	**611**	**567**	**460**
Employer and employee contributions	29	28	32	-139	13
Fair value of liability insurance	0	0	-5	0	0
Expected return on plan assets	22	17	19	15	14
Actuarial gains/losses	19	-6	-90	17	3
Balance as at 31 December	**572**	**611**	**567**	**460**	**490**

Plan assets consist of insurance policies.

Present value of pension provisions

In T €	2008	2009	2010	2011	2012
Present value of liabilities funded by plan assets	-1,454	-1,654	-1,760	-1,807	-2,164
Plan assets	572	611	567	460	490
Funding status	-882	-1,034	-1,193	-1,347	-1,674
Present value of liabilities not funded by plan assets	-9,836	-10,760	-11,301	-11,628	-14,462
Non-amortised actuarial gains (-) and losses (+)	-1,402	-703	-318	-226	2,718
Portion of maximum amount not recognised	0	0	0	0	0
Pension provisions to 31.12.	-12,119	-12,497	-12,812	-13,201	-13,418

Because of the discontinuation of the previously applied corridor method from 1 January 2012, actuarial gains and losses will be recognised under other comprehensive income in future. In 2013, the previously unamortised actuarial gains and losses amounting to € 2.7 million will be recognised in equity with retroactive effect. The unamortised actuarial gains and losses rose from € 226 thousand in the previous year to € -2,718 thousand in 2012. This change is primarily due to the reduction of the interest rate from 5.14 % to 3.70 %.

The table below shows estimated expenses from allocations to provisions in future financial years.

Allocations to pension provisions

In T €	2013	2014
Expense in subsequent years	401	416

5.14 PROVISIONS

In T €	Taxes	Product liability	Other	Total
Balance at 01 January 2011	**2,232**	**1,559**	**4,040**	**7,831**
Change in scope of consolidation	0	0	-1,224	-1,224
Currency changes	-15	1	-2	-16
Allocations	340	233	5,895	6,468
Impact on interest	0	-6	25	19
Reclassifications	0	0	0	0
Utilisation	227	34	1,124	1,385
Reversals	1,187	189	473	1,849
Balance at 31 December 2011	**1,143**	**1,564**	**7,137**	**9,844**
thereof short-term	1,143	384	5,096	6,623
thereof long-term	0	1,180	2,041	3,221
Balance at 01 January 2012	**1,143**	**1,564**	**7,137**	**9,844**
Change in scope of consolidation	0	13	239	251
Currency changes	12	1	41	54
Allocations	308	410	6,631	7,350
Impact on interest	0	0	3	3
Reclassifications	0	0	0	0
Utilisation	669	133	2,976	3,778
Reversals	347	419	419	1,186
Balance at 31 December 2012	**447**	**1,410**	**10,179**	**12,036**
thereof short-term	447	288	7,660	8,395
thereof long-term	0	1,122	2,519	3,641

Significant items under other provisions included provision for onerous contracts for rent obligations of € 2,531 thousand (previous year: € 1,855 thousand) and provision for restructuring of € 2,417 thousand (previous year: € 0 thousand).

Product warranty provisions contain possible claims from already realised property orders and warranties recognised for a period of five years.

5.15 DEFERRED TAX LIABILITIES

	2011			2012		
In T €	Current	Non-current	Total	Current	Non-current	Total
Deferred tax liabilities	0	3,197	3,197	0	2,700	2,700

6. Notes to the income statement

6.1 SALES REVENUE/SEGMENTS

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

The operating segments are Germany, Western Europe, Eastern Europe and Other Markets (this segment includes the subsidiaries in Asia, Turkey, Latin America and the Middle East), while the non-operating segment is Corporate Services.

Sales revenues by segments were as follows:

In T €	**2011**	**2012**
Germany	421,433	421,054
Western Europe	95,082	82,475
Eastern Europe	262,026	253,511
Other Markets	32,018	22,752
Corporate Services	0	0
Consolidation *	-30,424	-33,214
Group	**780,135**	**746,578**

* Consolidation represents intersegmentary Group sales.

Business segments are organised by geographical designation in segment reporting. They also 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 of the subgroup. These are segments subject to reporting under IFRS 8 (“Segment Reporting”). A business segment constitutes a group of assets and operating activities that is distinct from other segments with respect to risks and opportunities.

Segment reporting is carried out in line with the accounting policies of the IFRS consolidated financial statements on which it is based. Intersegment consolidation was performed. Segment reporting was prepared based on the separate financial statements prepared in accordance with IFRS, presenting a true and fair view of the assets and liabilities of the segments.

As a trading group that specifies and determines its products or services individually within a specific economic environment in the respective markets, focusing on market-specific particularities and maintaining flexibility in the range of products is key to success. The core product ranges in the individual markets and segments are generally similar in type. Their difference lies in 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 primary risk criteria for the Group.

6.2 COST OF MATERIALS

Cost of materials breaks down as follows:

In T €	2011	2012
Costs of raw materials, supplies and purchased merchandise	592,486	573,331
Costs of purchased services	2,714	1,026
Total	**595,200**	**574,357**

The cost of materials includes write-downs in profit or loss of € 1,928 thousand (previous year: € 2,277 thousand).

6.3 STAFF COSTS

Staff costs break down as follows:

In T €	2011	2012
Wages and salaries	76,038	78,971
Social security contributions and pension costs	15,396	15,533
Total	**91,434**	**94,504**

In the Group, staff costs increased by a total of € 3.1 million or 3.4 %. The increase is primarily attributable to severance payments and provisions for restructuring and withdrawing from various markets.

Employees

	2011	2012
Germany	1,070	1,093
Abroad	1,868	1,670
Total	**2,938**	**2,763**

The company employed an average of 2,763 people in the Group in the reporting year (previous year: 2,938). The number of trainees in the Group included in this figure was 81 as against 82 in the previous year. In the previous year, 113 employees for the discontinued aluminium operations in Italy were also included.

6.4 OTHER OPERATING INCOME

In T €	2011	2012
Income from reversal of impairments	2,708	3,747
Income from reversal of provisions	887	1,243
Income from disposal of fixed assets	430	181
Other operating income	11,712	11,503
Total	**15,737**	**16,674**

Significant items in other operating income included exchange rate gains of € 4,451 thousand (previous year: € 6,082 thousand), income from non-cash benefits passed on of € 1,416 thousand (previous year: € 1,341 thousand) and goods reimbursements from previous years of € 659 thousand (previous year: € 977 thousand).

6.5 OTHER OPERATING EXPENSES

In T €	2011	2012
Administrative expenses	15,561	18,263
Selling expenses	25,826	25,534
Expenses relating to other periods	14,905	12,591
Other operating expenses	35,673	34,286
Total	**91,965**	**90,674**

The prior-period expenses primarily include extraordinary effects due to write-downs in current assets and non-recurring expenses due to the withdrawal from different markets.

Significant items in other operating expenses included rent and incidental rental costs of € 12,861 thousand (previous year: € 11,865 thousand), exchange rate losses of € 4,887 thousand (previous year: € 8,664 thousand), rental/leasing costs of € 4,232 thousand (previous year: € 4,162 thousand), maintenance of € 2,343 thousand (previous year: € 2,860 thousand) and costs for operating supplies of € 2,986 thousand (previous year: € 2,910 thousand).

6.6 DEPRECIATION AND AMORTISATION EXPENSE

In T €	2011	2012
Amortisation of goodwill/intangible assets	11,003	4,378
Depreciation on property, plant and equipment	3,870	3,987
Total	**14,873**	**8,365**

In the reporting year, the amortisation of intangible assets includes impairment losses on customer relationships of the subsidiaries in Belgium and Bulgaria amounting to € 2,150 thousand.

In the previous year, depreciation and amortisation expense did not include write-downs on discontinued operations in Italy of € 9,512 thousand. These were reported under discontinued operations in 2011.

Further information on the amortisation of goodwill and intangible assets can be found in sections 4.2 and 5.1. For further information on depreciation on property, plant and equipment, please refer to section 5.2.

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 the interest rate used for discounting 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.

Net finance costs break down as follows:

In T €	2011	2012
Interest and similar income	361	338
Interest and similar expenses	-8,899	-8,355
Interest result	**-8,538**	**-8,017**
Depreciation on financial assets and securities	1,316	1,808
Total	**-9,854**	**-9,825**

Net finance costs stayed constant year on year at € -9,825 thousand (previous year: € -9,854 thousand). Interest expenses decreased by € 544 thousand, primarily on the basis of lower refinancing rates. The VBH Group's rating was set at BB+ on 20 April 2012 and BB with a stable outlook on 10 December 2012.

Interest expenses from pension obligations in the amount of € 674 thousand (previous year: € 659 thousand) were reported in net finance costs. In 2012, write-downs of € 1,808 thousand (previous year: € 1,316 thousand) were recognised on the carrying amount of the affiliated company in India, which has not since been included in consolidation for materiality reasons. In the previous year, the write-downs related to companies in India, Vietnam, Serbia and Cyprus.

6.8 CURRENT TAXES

Income taxes

In T €	2011	2012
Current taxes	**4,194**	**3,533**
Germany	20	211
Abroad	4,174	3,322
Deferred taxes	**-373**	**-413**
Germany	27	55
Abroad	-400	-468
Total	**3,821**	**3,120**

As in the previous year, income tax is calculated on the basis of expected taxable income for the financial year.

In accordance with IAS 12.81, actual tax expense must be compared with the tax expense that would theoretically have resulted if the applicable tax rates had been used on the reported earnings before taxes for the year. The overall tax rate applied, currently 23.6 % (previous year: 23.8 %), reflects the theoretical group tax rate for VBH. Deferred taxes in foreign countries are calculated at the respective national income tax rates for retention of earnings.

The tax reconciliation from expected to reported tax expense for the year under review is shown below.

Tax reconciliation

In T €	2011	2012
Earnings before taxes (EBT)	-7,454	-14,472
Calculated income tax rate in %	23.8%	23.6%
Expected tax expense / income	-1,770	-3,413
Tax-exempt income / losses	-520	-1,305
Tax additions and deductions	4,533	5,328
Special items on impairments	1,964	287
Impact of not used losses carried forward	-921	-1,046
Not capitalized deffered tax on loss for the year	1,735	5,264
Tax payments/refunds in previous years and expenses for external audits	21	-43
Tax rate differences	-1,306	-2,317
Other effects	85	365
Income taxes and deferred taxes	3,821	3,120
Tax rate in %	-	-

The calculatory income tax rate was 23.6 % in the 2012 financial year (previous year: 23.8 %). It was not possible to calculate a tax rate for the financial year and the previous year as the earnings before taxes of € -14,472 thousand (previous year: € -7,454 thousand) were essentially reduced by income taxes of € 3,120 thousand (previous year: € 3,821 thousand) on account of tax additions and deduction and non-capitalised tax loss carryforwards.

6.9 DEFERRED TAXES

Deferred taxes are measured on the basis of the expected tax rates applicable at the date on which a debt is settled or asset realised.

Deferred tax assets and liabilities reflecting temporary differences in carrying amount for individual statement of financial position items are shown below.

Deferred taxes for temporary differences and tax loss carried forward

	2011		2012	
In T €	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Deferred taxes for temporary differences				
Fixed assets	268	2,294	494	1,643
Long-term current assets	50	0	55	0
Short-term current assets	1,510	833	971	819
Others	13	0	30	0
Long-term provisions	194	47	191	149
Short-term provisions	146	0	145	0
Long-term liabilities	1,156	0	0	0
Short-term liabilities	212	23	1,802	90
Total	**3,549**	**3,197**	**3,688**	**2,700**
Tax losses carried forward	5,223	0	5,445	0
Carrying amount	**8,772**	**3,197**	**9,133**	**2,700**

In the current financial year, the German companies recognised deferred taxes on trade tax loss carryforwards of € 20,737 thousand (previous year: € 18,788 thousand) and on corporation tax loss carryforwards of € 14,832 thousand (previous year: € 12,884 thousand). An average tax rate of 30 % was applied. In line with corporate planning for the specific Group companies, the loss adjustment volume will be used up within five years.

The remaining tax losses in Germany, which can be carried forward in full, result from corporation tax in the amount of € 7,166 thousand (previous year: € 13,688 thousand) and from trade tax in the amount of € 8,186 thousand (previous year: € 22,069 thousand). The decline in loss carryforwards year on year can be explained by the fact that a shareholder acquired more than 25 % of the shares in VBH Holding AG within five years. According to section 8c of the German Corporate Income Tax Act, the existing loss carryforwards are eliminated on a pro rata basis in this case.

In Germany there is no limit for carrying forward losses. In certain countries, minimum tax rules affect the usability of loss carryforwards. Foreign companies recognised deferred tax assets on loss carryforwards totalling € 109 thousand (previous year: € 472 thousand). The unused tax losses at foreign subsidiaries amount to € 8,095 thousand (previous year: € 9,403 thousand). € 8,095 thousand of this amount (previous year: € 9,020 thousand) can be carried forward without restriction.

6.10 NON-CONTROLLING INTERESTS

The losses attributable to non-controlling interests amounted to € 250 thousand (previous year: € 1,212 thousand). These primarily consist of the non-controlling interests in companies in Spain, Poland, Turkey, Ukraine, China, Italy and Kazakhstan.

6.11 EARNINGS PER SHARE

in T €	2011	2012
Net result after minorities	-24,472	-17,342
Total number of shares	45,879,408	45,879,408
Weighted average of shares	45,879,408	45,879,408
Earnings per share in €	**-0.53**	**-0.38**

Earnings per share are calculated by taking into account the weighted average number of shares outstanding. As at 31 December 2012, 40,000 share options are outstanding. These can be exercised for the last time after the Annual General Meeting in 2013 in line with the option conditions. As at 31 December 2012, the performance targets that are the requirement for exercising the options had not been achieved. Moreover, with a share price of € 2.35 on 31 December 2012, the exercise of options at a price of € 5.82 is not likely. Owing to the small number of options outstanding (40,000) in relation to the total number of shares outstanding (45,879,408), no deviations between the diluted and basic earnings per share in full euro cents would result. The dilutive effect has therefore not been reported.

6.12 ADJUSTED EARNINGS

Non-recurring items chiefly result from implemented or planned restructuring, impairment losses and the result of divestments. Intangible assets predominantly result from purchase price allocations following acquisitions. Amortisation of intangible assets may be temporary. Earnings per share adjusted for non-recurring items and amortisation of intangible assets is an increasingly common key figure that has also become established internationally, as it reflects the Group's sustainable earnings generated from operating business.

Adjusted earnings before taxes, the adjusted net profit for the year after minorities and adjusted earnings per share are key figures that are not defined under International Financial Reporting Standards (IFRS). They should therefore be considered not in isolation but as additional information.

Adjusted earnings

in T €	2011	2012
EBT	**-7,454**	**-14,472**
Special items	8,553	14,435
Extraordinary depreciation	9,274	3,642
Depreciation on financial assets	1,316	1,808
Effect in operating result of closed subsidiaries (changes in share portfolio)	0	5,179
EBT adjusted	**11,689**	**10,592**
Current taxes	4,194	3,533
Deferred taxes	-373	-966
Adjusted EAT*	**7,868**	**8,025**

*) prev. year without discontinued operations

7. Notes to the statement of cash flows

Cash and cash equivalents in the statement of cash flows exclusively comprise the cash and cash equivalents recognised in the statement of financial position. The statement of cash flows details the Group's cash flows, broken down into cash inflows and outflows from operating, investing and financing activities. The change in the scope of consolidation affects the presentation of the figures.

Cash-Flow discontinued operations

in T €	2011
Cash flow from operating activity	-89
Cash flow from investing activity	25
Cash flow from financing activity	628
Total Cashflow	**564**

8. Consolidated segment reporting

Segments by region

	Germany		Western Europe		Eastern Europe	
In T €	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**
External sales	402,848	397,463	86,794	77,195	261,325	252,916
Internal sales	18,585	23,591	8,288	5,280	701	595
Total sales	**421,433**	**421,054**	**95,082**	**82,475**	**262,026**	**253,511**
EBITDA	**15,135**	**14,189**	**-1,537**	**-8,375**	**18,458**	**17,411**
Depreciation, amortisation and write-downs	1,234	1,224	3,135	1,136	1,837	1,750
EBIT	**13,901**	**12,965**	**-4,672**	**-9,511**	**16,621**	**15,661**
Result from participations	70	107	0	0	0	193
Interest income	100	157	37	77	139	129
Interest expense	809	764	1,067	882	301	398
Depreciation on financial assets	0	0	0	0	0	5
Financial result	-639	-500	-1,030	-805	-162	-81
Earnings before taxes (EBT)	**13,262**	**12,465**	**-5,702**	**-10,316**	**16,459**	**15,580**
Segment assets	112,313	100,621	46,361	37,564	91,977	88,168
Segment liabilities	113,062	96,349	33,134	36,603	34,663	24,949
Number of Employees	1,029	1,048	294	270	1,219	1,216
Allowances	**-140**	**135**	**1,607**	**3,463**	**1,837**	**1,177**

* Consolidation represents intersegmentary Group sales.

Other markets		Corporate Services		Consolidation*		Group	
2011	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**
27,329	17,766	0	0	0	0	778,296	745,340
4,689	5,058	0	0	-30,424	-33,285	1,839	1,239
32,018	**22,824**	**0**	**0**	**-30,424**	**-33,285**	**780,135**	**746,579**
-2,368	**-2,068**	**-13,559**	**-20,296**	**1,144**	**2,857**	**17,273**	**3,718**
268	259	681	571	7,718	3,425	14,873	8,365
-2,636	**-2,327**	**-14,240**	**-20,867**	**-6,574**	**-568**	**2,400**	**-4,647**
0	0	1,717	11,514	-1,787	-11,814	0	0
6	25	1,417	1,282	-1,338	-1,332	361	338
1,828	1,473	6,223	6,175	-1,329	-1,337	8,899	8,355
0	0	1,316	1,803	0	0	1,316	1,808
-1,822	-1,448	-4,405	4,818	-1,796	-11,809	-9,854	-9,825
-4,458	**-3,775**	**-18,645**	**-16,049**	**-8,370**	**-12,377**	**-7,454**	**-14,472**
30,761	16,373	173,037	180,913	-162,074	-169,257	292,375	254,382
36,480	22,207	99,327	103,395	-118,788	-104,375	197,878	179,127
242	184	41	45	0	0	2,825	2,763
3,345	**1,651**	**0**	**0**	**0**	**0**	**6,649**	**6,426**

9. Other disclosures

9.1 ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

Fair value of financial instruments per IAS 39

In T €	Valuation Category per IAS 39	Carrying value 31.12.2011	Fair Value 31.12.2011	Carrying value 31.12.2012	Fair Value 31.12.2012
Assets					
Interests in affiliated companies	AfS	450	-	442	-
Stocks	AfS	6	-	6	-
Trade receivables *)	LaR	76,383	76,383	59,792	59,792
Receivables affiliated companies	LaR	2,838	2,838	1,686	1,686
Other assets	LaR	24,391	24,391	21,419	21,419
Cash and cash equivalents	LaR	17,328	17,328	14,329	14,329
Liabilities					
Derivates with hedging relationship	n.a.	2,285	2,285	4,131	4,131
Financial liabilities	FLAC	106,378	106,378	98,760	98,760
thereof liabilities from finance leases	n.a.	1,312	1,312	1,542	1,542
Trade payables **)	FLAC	36,464	36,464	26,680	26,680
Other liabilities ***)	FLAC	25,886	25,886	25,317	25,317

*) thereof in balance sheet position other long-term assets 90 T € (prev. year: 14 T €)
**) thereof in balance sheet position other long-term liabilities 15 T € (prev. year: 21 T €)
***) included are advances received of 1.519 T € (prev. year: 805 T €)

AfS: Available for Sale Financial Asset
LaR: Loans and Receivables
FAHfT: Financial Assets Held for Trading
FLAC: Financial Liabilities Measured at Amortised Cost
n.a.: not available

Carrying values of financial instruments by valuation category per IAS 39

in T €	2011	2012
Available for Sale Financial Asset	456	448
Loans and receivables	120,940	103,226
Financial Liabilities Measured at Amortised Cost	167,416	145,084
Derivates with hedging relationship	2,285	4,131
Liabilities from finance lease	1,312	1,542

Interests in affiliated companies and securities relate to interests in unlisted corporations. These are carried at amortised cost, as their fair value cannot be reliably determined.

The fair values of cash and cash equivalents, current receivables, trade payables and other payables approximately correspond to their carrying amounts. This is due to the short duration of these financial instruments.

The fair values of other non-current receivables correspond to the carrying amounts taking the cash flows connected with the assets into account, factoring in the applicable interest rate parameters, which reflect market and partner-related conditions and expectations.

In accordance with IFRS 7, financial instruments recognised at fair value are to be classified into measurement levels. These are quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1), input factors other than quoted prices included within level 1 that are observable for an asset or liability either directly or indirectly (level 2) and factors for the measurement of the asset or liability not based on observable market data (level 3). The fair value of derivatives with a hedging relationship was measured according to level 2. During the reporting period there were no transfers between level 1 and level 2.

The fair values of amounts due to banks and other financial liabilities are reported at nominal value less any premiums.

Net income from financial instruments

In T €	2011	2012
Available for Sale	1,316	1,808
Loans and receivables	-25,182	-4,931
Financial Liabilities Measured at Amortised Costs	-9,344	-8,355

The net result for the available for sale category includes impairment on the carrying amounts of investments in non-consolidated companies. The net result for the loans and receivables category includes allowances on trade receivables of € 5,638 thousand (previous year: € 11,318 thousand), on receivables from affiliated companies of € 2,383 thousand (previous year: € 15,764 thousand) and on other assets of € 21 thousand (previous year: € 135 thousand). Financial liabilities measured at amortised cost essentially include interest expenses.

Interest from financial instruments is reported under net interest income; dividends are reported under other net finance costs (net income from equity investments). VBH recognises the remaining components of net earnings in other net finance costs.

This does not include write-downs on trade receivables attributable to the loans and receivables measurement category. These are reported under other operating expenses and in discontinued operations.

Exchange losses and gains on financial assets classified as loans and receivables chiefly result from intragroup forwarding of loans and deliveries and are reported under other operating income/expenses.

Also included are interest expenses and interest income from interest rate derivatives. Cash flow hedges are shown as an interest rate hedge for interest rate risks arising from financial liabilities. Net interest income also includes expenses for bank loans extended.

9.2 RISK MANAGEMENT

The Group is exposed to a range of financial risks resulting from its operating and financing activities. The most significant financial risks for the Group arise from changes in the interest rates and in the credit ratings and solvency of the Group's contract counterparties.

Financial risks are managed within the Group in accordance with the policies established by management. These include interest rate, market, lending and liquidity risks. Polices and guidelines also exist for other areas, such as liquidity management, and for obtaining short or long-term loans.

9.2.1 CAPITAL MANAGEMENT

The aim of capital management is to hedge the risks mentioned above to the extent necessary, thus limiting any negative effects in the Group's income statement and statement of financial position. In compliance with the principle of functional separation, financial risks to which the Group is exposed are assessed, monitored and actively addressed. Measures for achieving risk management objectives include optimisation of the capital structure, adjusting the amount of dividends, acquisitions, divestments and reducing debt.

9.2.2 MARKET RISK

Market risk from financial instruments primarily consists of currency and interest rate risk. It is monitored by way of sensitivity analysis (see 9.2.4 onwards).

9.2.3 LIQUIDITY RISK

Central liquidity planning is based on Group financing. To ensure the liquidity and financial flexibility of the VBH Group, the Group has fixed credit lines in the amount of approximately € 125 million (previous year: € 140 million). The timing and content of dividend distributions are also coordinated with the subsidiaries on the basis of liquidity planning. There is an option of issuing up to 20,000,000 new shares from authorised capital, subject to Supervisory Board approval. The maturity dates of financial liabilities are listed under 5.11.

The figures below pertain to contractual, undiscounted cash flows:

Liquidity risk

In T €	2011 Carrying value	2011 Total	Remaining term < 1 year	Remaining term > 1 year < 5 years	Remaining term > 5 years
Financial liabilities	**106,378**	**124,541**	**31,656**	**89,242**	**3,643**
Trade payables	**36,464**	**36,464**	**36,443**	**21**	
Other liabilities	**27,366**	**27,366**	**25,472**	**1,894**	
- of which derivative financial instruments	2,285	2,305	1,058	1,247	
Tax liabilities	**624**	**624**	**624**		
Advances received	**805**	**805**	**805**		
Financial liabilities	**171,637**	**189,800**	**95,000**	**91,157**	**3,643**

Liquidity risk

In T €	2012 Carrying value	2012 Total	Remaining term < 1 year	Remaining term > 1 year < 5 years	Remaining term > 5 years
Financial liabilities	**98,760**	**122,090**	**18,375**	**101,425**	**2,289**
Trade payables	**26,665**	**26,665**	**26,665**		
Other liabilities	**23,798**	**23,798**	**19,471**	**4,327**	
- of which derivative financial instruments	4,131	4,131	1,324	2,807	
Tax liabilities	**231**	**231**	**231**		
Advances received	**1,519**	**1,519**	**1,519**		
Financial liabilities	**150,973**	**174,303**	**66,261**	**105,752**	**2,289**

9.2.4 FOREIGN CURRENCY RISK

As a global company, the VBH Group is exposed to transaction and translation-related risks. Transaction risk arises both in Group financing and from the sale and purchase of goods and services not invoiced in the base currency of the respective VBH Company. The resulting currency risks are analysed as part of cash management and the Group treasury system, and can be hedged with derivatives as necessary. The offsetting effects of the hedged item and currency hedging are recognised in profit or loss and thus reflected on the income statement.

Translation risk results from the fact that many VBH companies are located outside the euro zone, while the VBH Holding AG consolidated financial statements are prepared in euro. The statements of financial position and income statements of subsidiaries outside the euro zone therefore have to be translated into euro in the consolidated financial statements. The translation-related effects of changes in foreign exchange rates are reported under equity in the VBH consolidated financial statements. As the equity interests are of long duration, VBH Holding AG elects not to directly hedge net asset items.

In accordance with IFRS 7, a sensitivity analysis was conducted for foreign exchange risks. The table below shows the effect a 10% fluctuation in the respective foreign currency would have on equity and/or net profit. The analysis is based on the respective volume as at the end of the reporting period.

Sensitivity analysis of foreign currency risks

	2011		2012	
	Foreign currency		Foreign currency	
In T €	**10% increase**	**10% decrease**	**10% increase**	**10% decrease**
Change in net profit				
EUR / TRY	227	-206	791	-719
EUR / RUB	741	-673	413	-375
EUR / PLN	21	-19	132	-120
EUR / HRK	89	-81	86	-79
EUR / MXN	67	-61	69	-63
EUR / GBP	87	-79	64	-58
EUR / ARS	55	-50	55	-50
EUR / KZT	28	-25	53	-48
EUR / CZK	2	-2	53	-48
EUR / INR	8	-8	48	-43
Total	**1,325**	**-1,204**	**1,764**	**-1,603**

9.2.5 INTEREST RATE RISK

In T €	**2011**	**2012**
Fixed-rate financial debts	7,804	5,670
Variable-rate financial debts	98,574	93,090
Total	**106,378**	**98,760**

VBH is exposed to interest rate risks arising from liabilities, primarily in connection with financial liabilities.

9.2.6 HEDGE ACCOUNTING

As part of syndicate financing, conventional interest rate swaps were concluded requiring hedge accounting. These are cash flow hedges. Two interest rate swaps from 2007 with a nominal value of € 40 million expired in the financial year. In March 2012, four interest rate swaps were concluded for € 43 million with a term from 30 June 2012 to 30 June 2016. VBH Holding AG also concluded an interest rate swap for € 30 million with a term to 30 June 2016 in July 2011. The aim of this was to lock the interest rate for the minimum utilisation of German credit facilities arising over the year.

In the 2012 financial year, interest rate risks resulted from floating-rate financing liabilities and the market values of these two financial derivatives (interest rate swaps). In an interest rate swap, the Group swaps fixed and variable interest payments calculated on the basis of contractual 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 as well as cash flow risks posed by floating-rate debt instruments issued. The fair value of interest rate swaps at the end of the reporting period is determined by discounting future cash flows applying yield curves at the end of the reporting period, factoring in credit risks associated with the contracts. The following sensitivity analysis shows what effect a fluctuation of one percentage point of 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 end of the reporting period.

Sensitivity analysis of interest rates risks

	2011		2012	
	Market interest rate		Market interest rate	
In T €	**1 percentage point increase**	**1 percentage point decrease**	**1 percentage point increase**	**1 percentage point decrease**
Variable interest rate instruments				
Change in net profit	-986	986	-931	931
Interest rate swaps				
Change in net profit	1,548	-1,494	2,576	-2,555
Overall impact	**562**	**-508**	**1,645**	**-1,624**

Hedge Accounting

In T €	**2011**	**2012**
Total volume of interest rate swaps	70,000	73,000
Fair value	-2,285	-4,131
Expiration	01.06.2012/ 30.06.2016	30.06.2016

In the 2012 financial year, liability interest derivatives of € -4,131 thousand (previous year: € -2,285 thousand) were reported in other liabilities and recognised in the Group's reserves in the amount of € 2,892 thousand (previous year: € 1,599 thousand). The derivatives were 100 % effective.

9.2.7 DEFAULT RISK

Owing to its business activities with third parties in various sectors, VBH Group is exposed to a global risk of default. This risk represents the possibility of non-performance on the part of a contract counterparty. The maximum default risk is stated on the basis of the carrying amounts of financial assets recognised in the statement of financial position. To minimise default risk, in companies with a default risk a comprehensive credit control system has been implemented. Credit information has been collected and historical data used pertaining to the business relationship to date, particularly regarding payment practices, in order to avoid default on payments. In addition, default risk is limited with credit insurance. Write-downs are recognised for default risks identified sufficiently in advance. See 5.5 “Receivables and other assets” for information on the carrying amount of receivables past due or impaired, the due date of which has been renegotiated.

10. Other financial liabilities and contingent liabilities

As at the end of the reporting period, there were other financial liabilities, 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. There were no other financial obligations to affiliates in the 2012 financial year. Total future payments arising from non-cancellable contracts are classified by due date as follows:

Obligations from rental contracts

In T €	**2011**	**2012**
Maturity within 1 year	11,027	11,775
Maturity in 2-5 years	14,640	10,188
Maturity after 5 years	878	726
Total	**26,545**	**22,689**

Contingent liabilities are shown in the amount utilised or correspond to the nominal value of the liabilities.

Obligations from contingent liabilities

In T €	**2011**	**2012**
Liabilities from the issue and transfer of bills of exchange	439	35
Liabilities from guarantees, bills of exchange and cheque guarantees	406	354
Liabilities from warranties	622	57
thereof in favour off affiliated companies	565	0
Total	**1,467**	**446**

Real estate liens

In T €	**2011**	**2012**
Real estate liens	29,190	29,190
Total	**29,190**	**29,190**

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. Outside Germany, non-current and current assets were assigned as collateral to secure local credit agreements. Total assets used as collateral amounted to € 10.6 million (previous year: € 15.5 million). No unrelated parties have placed collateral with VBH. The total carrying amount of companies pledged is € 24,569 thousand (previous year: € 24,569 thousand).

11. Litigation and claims for damages

If individual legal disputes or claims for damages give rise to circumstances within the Group requiring recognition, these are covered adequately by provisions recognised in the separate financial statements of Group companies.

In connection with the acquisition of companies, VBH is involved in court, arbitration and out-of court proceedings which could result in pro rata repayments of purchase prices or to liability compensation.

The lawsuit filed in 2010 by VBH Hellas AE alleging embezzlement by local management is still pending. In the wake of this, a Greek auditing firm was also sued, which in turn filed a counterclaim.

In Italy, a local bank is claiming payment entitlements from a soft letter of comfort from VBH Holding AG. As a precaution, VBH Holding AG in Germany has filed an action for a declaratory judgment of non-existence of an obligation to pay.

In Turkey, enforcement proceedings were initiated against the local company VBH Kapi ve Pencere, against which an appeal has been filed, because VBH believes the proceedings were initiated fraudulently.

12. Related party disclosures

The members of the Executive Board and the Supervisory Board, their immediate relatives and subsidiaries that are not fully consolidated are considered related parties in accordance with IAS 24 “Related Party Disclosures”. In accordance with IFRS, it is also assumed that shareholders that hold more than 20 % of the shares of a company exercise significant influence over this company and are therefore also related parties. No related parties were involved in any significant or unusual transactions in type or nature with VBH Holding Group companies. Sales between the VBH Group and unconsolidated companies are of minor significance. Further relationships with equity interests outside the scope of consolidation are accounted for using the cost-plus method.

Business transactions between consolidated companies and related parties concern ongoing consulting services from the law firm of the Chairman of the Supervisory Board, which acted in an advisory capacity for the company. Remuneration for these services is in line with prevailing market rates and was approved by the VBH Holding AG Supervisory Board, totalling € 97 thousand for the 2012 financial year (previous year: € 135 thousand). In addition to issues relating to company law, payments to the law firm resulted primarily from the support provided in concluding the syndicated financing. The Deputy Chairman of the Supervisory Board, who stepped down on 26 September 2012, advises the two operating German companies in matters of the market and servicing key accounts. The consultancy agreements were approved by the VBH Holding AG Supervisory Board. Remuneration in the past financial year up to the date of departure totalled € 87 thousand (previous year: € 127 thousand). In addition, the Deputy Chairman of the Supervisory Board who left in 2012 received an ongoing pension from the German companies of € 70 thousand on a pro rata basis (previous year: € 91 thousand). The Executive Board did not perform any transactions. Liabilities to other related parties amounted to € 15 thousand as at the end of the reporting period (previous year: € 7 thousand).

Receivables from affiliated companies amounted to € 1,686 thousand (previous year: € 2,838 thousand) as at the end of the reporting period; there were no liabilities to related parties in either financial year.

The trade receivables from affiliated companies result primarily from sales of goods by consolidated subsidiaries to foreign unconsolidated companies. The products/services sold concern passed on outsourcing and services.

Unconsolidated companies

In T €	2011	2012
Carrying values at 31 December		
Loans	946	197
Receivables	1,892	1,489
Transactions in the financial year		
Goods purchased	152	225
Other expenses	95	156
Sales revenue	1,448	1,239
Interest income	58	67
Other operating income	41	46

The receivables from affiliated companies contain allowances of € 2,011 thousand (previous year: € 21,361 thousand). In 2012, allowances on receivables from affiliated companies were included in the expenses with an amount of € 2,383 thousand (previous year: € 15,764 thousand). In the previous year, € 13,606 thousand was attributable to discontinued operations.

As a result of their shareholdings of more than 20 % each, VBH Holding AG's three major shareholders have significant influence over VBH Holding AG and constitute related parties of VBH Holding AG in accordance with IFRS. The major shareholders and the companies they control sold goods to VBH Holding AG subsidiaries amounting to € 82,490 thousand at standard market conditions in the financial year. As at 31 December 2012, a balance of € 1,834 thousand was outstanding. As at 30 September 2012, the major shareholders granted VBH Holding AG a loan of a total amount of € 4.5 million. The interest on the loan is consistent with market conditions and in line with the terms of the lending banks. The balance of the resulting payment obligation for 2012 amounting to € 54 thousand was outstanding as at 31 December 2012. As a minority shareholder of a subsidiary of VBH Holding AG, one major shareholder was paid dividends from this subsidiary amounting to € 39 thousand in 2012.

13. Significant events after the end of the reporting period

Mr. Jürgen Kassel has supplemented the Executive Board team at VBH Holding AG since 1 February 2013. From 1 April 2013, he will take over the position of Chief Financial Officer from Mr Bangerter. From 2001 to 2007, Mr. Kassel was Chief Financial Officer for VBH Holding AG.

In January 2013, the Ferro-Wic operations of esco Metallbausysteme Austria GmbH, Austria, and esco Metallbausysteme GmbH, Germany, were sold as part of an asset deal effective on 31 March 2013.

There were no other significant events after the end of the reporting period.

14. Auditors' fees

The following fees were incurred for auditors within the meaning of section 318 HGB (including affiliated companies within the meaning of section 271(2) HGB) in the 2012 financial year:

Expenses for remuneration of auditors

In T €	2011	2012
Audit of financial statements	427	562
Other attestation and valuation services	27	12
Tax consultancy	13	33
Other services	78	167
Total	**545**	**774**

15. Remuneration of executive bodies

Please see the remuneration report in the corporate governance report for information on the remuneration of executive bodies in accordance with section 314 HGB.

Remuneration of executive bodies

	2011			
In T €	Fix	Variable	Non-cash benefits	Total
Executive Board*	636	130	97	863
Supervisory Board	163	0	0	163
Total	**799**	**130**	**97**	**1,026**

	2012			
In T €	Fix	Variable	Non-cash benefits	Total
Executive Board*	911	85	117	1,113
Supervisory Board*	160	0	0	160
Total	**1,071**	**85**	**117**	**1,273**

(*) pro rata

Options and shares held by executive bodies

	31.12.2011		31.12.2012	
Individual shares	Option	Shares	Option	Shares
Executive Board	0	459,684	0	459,684
Supervisory Board	0	1,495,525	0	10,000
Total	**0**	**1,955,209**	**0**	**469,684**

A Supervisory Board member who stepped down during the financial year held 944,250 shares on the date of his departure.

Pension commitments

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

Former Executive Board members and their surviving dependants received total benefits of € 440 thousand in the past financial year (previous year: € 436 thousand). Defined benefit obligations (DBO) under IFRS for all pension commitments to former Executive Board members, managers and their surviving dependants totalled € 7.0 million in the 2012 financial year (previous year: € 5.7 million). Defined benefit obligations for all IFRS pension commitments amounted to € 1,246 thousand for Mr Hribar (previous year: € 905 thousand), € 182 thousand for Mr Bangerter (previous year: € 55 thousand) and € 87 thousand for Mr Lindner (previous year: € 0 thousand). Additions in the reporting year totalled € 555 thousand (previous year: € 133 thousand).

16. Declaration of compliance with the German Corporate Governance Code

The Executive Board and the Supervisory Board of the company issued the declaration of compliance required under section 161 AktG on 29 March 2012 and made it available to the shareholders. The deviations from the German Corporate Governance Code have been documented accordingly and can be viewed at any time on the VBH Holding AG website. www.vbh.de

17. Shareholdings of VBH Holding AG as at 31 December 2012

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

The companies included in the consolidated financial statements, esco Metallbausysteme GmbH, Ditzingen, Germany, and VBH Germany GmbH, Korntal-Münchingen, Germany, have exercised their right of exemption under section 264(3) HGB.

18. Executive bodies of the company

Executive Board

Dipl.-Ing. ETH Rainer Hribar, Tägerwilen, Switzerland
Other mandates
Supervisory board mandates:
Leicom AG, Winterthur, Switzerland – member – Within Group:
VBH Estonia AS, Tallinn, Estonia (board of directors)
VBH-TBM UAB, Vilnius, Lithuania (board of directors)
VBH Middle East FZCO, Dubai, U.A.E. (board of directors)
VBH Hellas S.A., Thessaloniki, Greece (board of directors)
VBH Italia Holding S.p.A., Bologna, Italy (board of directors)
VBH Kapi ve Pencere, Istanbul, Turkey (board of directors)
Beijing VBH Construction Hardware Co. Ltd., Beijing, China (board of directors)
Shanghai VBH Construction Hardware Co. Ltd., Shanghai, China (board of directors)
VBH Trading LLC, Dubai, U.A.E. (board of directors)
VBH Holding India Private Ltd., Delhi, India (board of directors)
Guangzhou VBH Construction Hardware Trading Co. Ltd., Guangzhou, China (board of directors)

Dipl. Kfm. Frieder Bangerter, Leinfelden-Echterdingen, Germany
Other mandates
Within Group:
Beijing VBH Construction Hardware Co. Ltd., Beijing, China (board of directors)

Jürgen Kassel, businessman, Waiblingen, Germany (since 1 February 2013)
Other mandates
Mandates in voluntary advisory boards:
BEGO Bremer Goldschlägerei Wilh. Herbst GmbH & Co. KG, Bremen, Germany – member –
Karl Fischer GmbH & Co. OHG, Weilheim-Teck, Germany – member –

lic. oec (HSG) Ulrich Lindner, MBA, Waldenburg, Germany (since 1 February 2012)
Other mandates
Mandates in voluntary advisory boards:
seca GmbH & Co. KG, Hamburg, Germany – member –
Within Group:
VBH (GB) Ltd., Gillingham, UK (board of directors)
VBH Holding India Private Ltd., Delhi, India (board of directors)

Supervisory Board

Prof. Rainer Kirchdörfer, lawyer, Korntal-Münchingen, Germany – Chairman –
Other supervisory board mandates:
Bauerfeind AG, Zeulenroda, Germany – Chairman –
Berner SE, Künzelsau, Germany – member –
Conrad Electronic SE, Hirschau, Germany – Deputy Chairman –
Cronbank AG, Dreieich, Germany, – member –
MHK Group AG, Dreieich, Germany – Chairman –
In addition to the above statutory officer, Prof. Kirchdörfer also holds mandates in the following voluntary advisory boards:
Quarzwerke GmbH, Frechen, Germany – member –
Raps GmbH & Co. KG, Kulmbach, Germany – Chairman –
Alfred Talke Spedition GmbH & Co. KG, Hürth, Germany – member –
Reinhard Wolf GmbH & Co. KG, Schwandorf, Germany – member –
Albert Handtmann Holding GmbH & Co. KG, Biberach, Germany – Deputy Chairman –
AKG Pietzker KG, Hofgeismar, Germany – Deputy Chairman –
IHT Industrie- und Handels Treuhand GmbH, Dreieich, Germany – member –

Andreas Schill, businessman, Stuttgart, Germany – Deputy Chairman – (stepped down on 26 September 2012)
No other mandates

Dipl.-Kfm. Matthias Linnenkugel, auditor, tax advisor, Hamburg, Germany – Deputy Chairman (since 25 October 2012)
No other mandates

Stephan M. Heck, businessman, Mannheim, Germany (stepped down on 30 September 2012)
No other mandates

Stefan Huber, lic. oec. HSG, Baar, Switzerland (since 1 October 2012)
Other mandates:
CEDES Holding AG, Landquart (Switzerland) – member of the Administrative Board –
ESPROS Holding AG, Sargans (Switzerland) – member of the Administrative Board –

Klaus Meichner, business economist, Donaustauf, Germany – employee representative
No other mandates

Martin Morlok, commercial employee, Trochtelfingen, Germany – employee representative
No other mandates

Gerhard Sommerer, degree in business IT, Wildberg, Germany (since 1 October 2012)
No other mandates

In the reporting year, eight Supervisory Board meetings took place.

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

The Executive Board will present these consolidated financial statements to the Supervisory Board on 22 March 2013 for its approval and then release them for publication.

Proposal for the appropriation of profits

The Executive Board will recommend to the Supervisory Board the submission of the following proposal on the appropriation of profits to the vote at the Annual General Meeting on 22 May 2013.

The HGB annual financial statements of VBH Holding AG report net income for the year of € 0.00 (previous year: € 0.00). The Executive Board and the Supervisory Board will propose to the Annual General Meeting that no dividend is distributed.

Korntal-Münchingen, 22 March 2013

VBH HOLDING AKTIENGESELLSCHAFT
– The Executive Board –

Rainer Hribar Frieder Bangerter Jürgen Kassel Ulrich Lindner

Declaration of the Executive Board

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and 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, 22 March 2013

VBH HOLDING AKTIENGESELLSCHAFT

– The Executive Board –

20. Auditor's report

We have audited the consolidated financial statements prepared by VBH Holding Aktiengesellschaft, Korntal-Münchingen, comprising the statement of financial position, income statement, statement of total comprehensive income, statement of changes in equity, statement of cash flows and notes on the consolidated financial statements, together with the Group management report for the financial year from 1 January to 31 December 2012. The preparation of the consolidated financial statements and Group management report in accordance with IFRS as adopted by the EU, and with the additional requirements of German commercial law pursuant to section 315a(1) HGB and the additional provisions of the Articles of Association, are the responsibility of the parent company's management. Our task is to issue an opinion on the consolidated financial statements and the Group management report on the basis of our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 HGB and German generally accepted standards for the auditing of financial statements issued by the Institute of Public Auditors in Germany (IDW). These 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 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 section 315a(1) HGB and the additional provisions of the Articles of Association, and provide 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.

Nuremberg, 22 March 2013

Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Dr. Ketterer	Leupold
Auditor	Auditor

VBH Holding AG

Balance sheet, income statement

Notes on VBH Holding AG
While the consolidated financial statements prepared in accordance with IFRS, the annual financial statements of VBH Holding AG are prepared in accordance with the German Commercial Code (HGB). In some areas, the accounting policies applied in the VBH Holding AG individual financial statements differ from those in the consolidated financial statements. VBH Holding AG is a management holding that directly manages most of its domestic and foreign subsidiaries. It is responsible for corporate planning, strategy and financing, and controls the subsidiaries and sub-subsidiaries centrally. The annual financial statements dated 31 December 2012 and the VBH Holding AG management report were audited by Roedl & Partner GmbH Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Nuremberg, which examined the company's accounting and provided an unqualified opinion. The holding company's financial statements are posted on the internet at www.vbh.de for review. Data from the VBH Holding AG balance sheet and income statement are provided below.

BALANCE SHEET OF VBH HOLDING AG

Assets

In T €	31.12.2011	31.12.2012
A. FIXED ASSETS		
Intangible assets	**508**	**310**
EDP Software	474	279
Advances paid	34	31
Tangible Assets	**636**	**590**
Real estate, leasehold rights and buildings including construction on non-owned real estate	534	520
Other fixed assets, operational and business equipment	102	70
Financial Assets	**129,207**	**130,803**
Interests in affiliated companies	54,207	70,803
Loans to affiliated companies	75,000	60,000
Total fixed assets	**130,351**	**131,703**
B. CURRENT ASSETS		
Accounts receivables and other assets	**29,310**	**23,067**
Accounts receivables affiliated companies	25,778	19,726
Other assets	3,532	3,341
Cheques, cash on hand, credit balances at banks	**422**	**51**
Total current assets	**29,732**	**23,118**
C. ACCRUALS AND DEFERRALS	**898**	**1,407**
Total assets	**160,981**	**156,228**

Equity and Liabilities

In T €	31.12.2011	31.12.2012
A. EQUITY		
Subscribed capital	**45,879**	**45,879**
Capital reserves	**18,812**	**10,624**
Revenue reserves	**1,407**	**1,407**
Legal reserves	1,406	1,407
Total equity	**66,098**	**57,910**
B. Accrued liabilities		
Provisions for pensions and similar obligations	6,026	6,506
Provisions for taxation	751	143
Other provisions	9,545	6,496
Total accrued liabilities	**16,322**	**13,145**
C. LIABILITIES		
Financial liabilities	69,247	76,525
Liabilities from supplies and services	336	947
Liabilities affiliated companies	7,429	577
Other liabilities - of which taxes 657 T € (prev.year.: 1,157 T €)	1,549	7,124
Total liabilities	**78,561**	**85,173**
Total equity and liabilities	**160,981**	**156,228**

INCOME STATEMENT OF VBH HOLDING AG

Profit and Loss Account

In T €	**2011**	**2012**
Sales revenue	**4,420**	**4,948**
Other operating income of which for currency translation 162 T € (prev. year: 45 T €)	1,638	23,022
Total operating profit	**6,058**	**27,970**
Personnel Expenditure of which for pensions 428 T € (prev. year: 123 T €)	-5,329	-5,992
Depreciation of intangible and tangible assets	-449	-338
Depreciation of current assets as far as exceeding the usual depreciations	-17,791	-6,884
Other operational expenditure of which for currency translation 48 T € (prev. year: 182 T €)	-14,069	-8,972
Dividends from associated companies of which from affiliated companies 11,514 T € (prev.year: 1,717 T €)	1,717	11,514
Income from profit transfer agreement	4,667	2,663
Other interest and similar income of which from affiliated companies 1,220 T € (prev. year: 1,321 T €)	1,417	1,282
Depreciation of financial assets	-12,908	-225
Interest and similar expenditure of which affiliated companies 68 T € (prev. year: 27 T €) of which discounting 378 T € (prev. year: 310 T €)	-5,794	-5,844
EBT of ordinary activities	**-42,481**	**15,174**
Extraordinary results	-24,397	-25,987
Taxes on income and earnings and other taxes	3,950	2,625
EAT earning after taxes	**-62,928**	**-8,188**
Profit carried forward from previous year	3,026	0
Withdrawal from capital reserve	23,095	8,188
Withdrawal from other earnings reserves	36,807	0
Net profit for the year	**0**	**0**

Further information

Glossary

Actuarial gains/losses
Effects of changes in actuarial parameters in the calculation of pension obligations.

Adjusted earnings
Adjusted earnings is a business performance indicator that excludes non-recurring effects from the annual result of a company.

Borrowings
Total assets minus equity.

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

Deferred taxes
Tax assets and/or liabilities reported in the statement of financial position to offset the difference between the tax liabilities actually assessed and the commercial tax expense based on IFRS financial reporting. The basis for determining deferred taxes is the difference between the value of the assets and liabilities reported in the IFRS statement of financial position and in the local tax accounts.

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

Discontinued operations
or non-current assets held for sale are reported when a component of an entity has been clearly separated and classified as held for sale or has already been disposed of. These are separate major lines of business or a geographical area of operations, or a part of major or geographical areas of operations or companies to be sold as part of an overall plan or geographical areas of operations or companies acquired solely to be resold.

Dynamic gearing ratio
Net debt in relation to free cash flow.

EBIT
Abbreviation for earnings before interest and taxes.

EBITDA
Abbreviation for earnings before interest, taxes, depreciation and amortisation.

Equity
Equity comprises funds from the equity holdings available to the company as capital contributions and/or deposits and retained profits and well as equity attributable to non-controlling interests.

Equity ratio

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

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 investing activities. Free cash flow is available for dividend payments to shareholders, to pay interest and repay loans.

Goodwill

Positive difference between a company's purchase price and its net assets (assets minus liabilities).

Hedge accounting

Accounting treatment of hedge transactions.

IFRIC (International Financial Reporting Interpretations Committee – previously SIC)

Specific interpretations of individual IFRS.

IFRS/IAS (International Financial Reporting Standards – previously IAS)

Accounting standards issued by an international committee (International Accounting Standards Committee) with the aim of creating transparent accounting that is comparable worldwide.

Impairment

A write-down recognised 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 is the ratio of an indicator to sales revenue.

Net debt

Financial liabilities less cash and cash equivalents.

Plan assets

Assets which are held in long-term funds or qualified insurance policies to fulfil payments to employees

Return on equity (ROE)

Net income in relation to equity.

Statement of cash flows

Presentation of an organisation's cash position over the course of a financial year, reflecting the effects of the origin of funds and of allocating resources.

Temporary differences

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

Financial calendar

Interim Report Q1 2013:	14. Mai 2013
Annual General Meeting:	22. Mai 2013
Interim Report Q2 2013:	14. August 2013
Interim Report Q3 2013:	14. November 2013

Contacts

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Disclaimer

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Simply everything.