



A focus on quality and service

ANNUAL REPORT 2010



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Our messages for 2011

- 1** We were too cautious regarding our expectations for 2010. Both the German economy and our industrial sector recovered from the 2009 financial crisis much faster than predicted, and as early as 2010 they achieved excellent results that were among Europe's best.
- 2** The situation at the start of 2011 is fundamentally better than it was one year ago. The industry posted very stable growth rates up to the end of 2010 and will continue to do so throughout 2011.
- 3** The first industrial trade fairs in 2011 (BAU Munich and ISH Frankfurt) were highly successful. Given the present mood and expectations regarding the coming months, industrial growth in 2011 is expected to reach 5% to 7%.
- 4** Thanks to a 541 million euro increase in turnover, E/D/E has more than compensated for the downturn in 2009. In fact, at 4.62 billion euros, it posted its highest ever total turnover. As a result, E/D/E is once again on track to achieve the goals laid down in the strategic project CHALLENGE 2012.
- 5** In addition to completing its logistics project in 2010, E/D/E established its first European subsidiary company—ZEDEV AG Zürich/Switzerland. The SAP infrastructure was successfully expanded for further European activities.
- 6** In 2010 the company's results were significantly influenced by additional start-up costs in the logistics area. Despite this fact, the results were still very respectable. Consequently, it will be possible to go ahead with the planned increase of equity to a new record value of 239 million euros.
- 7** As a forward-thinking family-run company, E/D/E is ideally equipped to perform well during the 2011–2020 stage of its development and will provide all of the necessary investment materials. To ensure that our members receive optimal support, 40 additional posts were created and included in the budget.
- 8** E/D/E is and will remain a reliable partner in its dealings with its members and contractual suppliers. Continuity and reliability will continue to be the hallmarks of our collaborations. **In addition, we will further increase our focus on quality and service when it comes to operational cooperation activities.**

Our key activities for 2011

- 1 Extensive investment in SAP (agency business and European infrastructure), e-business (shop solutions, ERP systems), ZR-Online, digital signature**
AIM: To further develop the electronic processes: manufacturer <—> E/D/E <—> trader <—> customer. Europe-wide linking of future national companies and functions.
- 2 Organisational and legal outsourcing of the Europe business division**
AIM: To coordinate and control all European activities in an independent European company (100% subsidiary of E/D/E GmbH).
- 3 Personnel offensive**
AIM: To meet the challenges associated with market changes and ensure further specialisation by recruiting skilled personnel at all levels. 40 additional posts were created.
- 4 Training and further qualification offensive**
AIM: To secure qualified, committed and loyal teams as the key to future success. Adaption of skills and services to meet market requirements.
- 5 Quality offensive**
AIM: To analyse and optimise all internal processes and interfaces in order to improve operative excellence. Reduction of the current error rate by at least 50% in all business divisions.
- 6 Service offensive**
AIM: To offer support and services for our members at a very high level. Establishment of an independent "service" sector. Handling of all processes within 48 hours.
- 7 Central processing business**
AIM: To ensure that processes and reports are efficient and audit-proof. Constant security for all members.

Chairman of the
Advisory Board
Dr. Eugen Trautwein



A good year— beyond all expectations

Most of the forecasts regarding 2010 were disturbing. Expectations were greatly influenced by the general climate of economic uncertainty. The impact of the global economic and financial crisis, whose like has not been seen in the past 50 years, could still be felt everywhere at the beginning of 2010. The various scenarios included economic stagnation, rising unemployment, drastic increases in commodity prices and unstable domestic demand. Against this backdrop, forecasters tended to be cautious. Things were no different at E/D/E and most of the industry, which explains the modest prediction that sales would probably increase by “around 3%” in 2010.

But things turned out much differently. In fact, we experienced the strongest growth since German reunification. Whereas business activity was still being driven by economic stimulus programmes and the expansion of stocks at the start of the year, German exports soon provided the impetus for a widespread, self-driven economic recovery. The basis was provided by a rapid expansion in global trade that owed much to the emerging economies. Equally important, however, was the business makeup and strong performance of medium-sized companies. Such companies are good at coping with crises, and most of them emerged confidently from a recession which they had done nothing to bring about.

However, the debt crisis in the euro zone still gives cause for concern for two reasons. Exporting commercial groups that rely on the euro as a single European and global currency are closely watching developments related to the “emergency funding programme” and the “European transfer union”—two buzzwords that hit the headlines in 2010. At the same time, the competition for credit capital could increase. This in turn could make it difficult for small and medium-sized companies to obtain the funds necessary to ensure their liquidity. Against this backdrop, we are pleased to report that in 2010 our members were able to once again achieve their former levels of profitability. In recent years, the specialised trade’s efforts to use the annual cash flow to imple-

ment savings and optimisation measures have paid off. It has thus been able to broaden its equity basis and reduce its dependency on the banks used by the companies.

In 2010, E/D/E achieved four times the planned growth in turnover. The skills and dedication of our employees have been vital to the company's success, and we would like to thank them for their commitment. The interest they have shown in improving company processes has also been very encouraging. For example, almost 500 suggestions for improvements have been received for our idea management system "IDEA".

Our thanks also go to the members of the company management, whose efforts deserve special recognition. They took advantage of market opportunities in a challenging year and kept E/D/E on course amid stormy waters.

As our logistics problems mounted in the middle of last year, an extensive effort was required by all concerned to meet the associated challenges. This difficult phase severely tested the patience and commitment of our members. We would like to thank all of you for your trust and support during this period of restructuring and renewal.

Not only was the growth in turnover very encouraging in 2010; the company's management also drew up a strategy for future qualitative growth. The management levels were expanded and enhanced. The further qualification and training of our employees will be based on future requirements. For the very first time, more than 50 trainees will be supported as part of a comprehensive training campaign. The aim is to ensure that tomorrow's E/D/E employees receive effective training on a continual basis so that they are ideally equipped to perform the tasks required of them. The goal is to shift process security, reaction speed, reduction of complexity and service orientation to the centre of future "investments" and create the corresponding structures.

I would like to thank Ms. Nüßing and the members of the Advisory Board for their advice and for supporting the goals of E/D/E. For the company's management, the exchange of ideas with medium-sized companies within the Advisory Board provides valuable insights and facilitates decision-making.

In 2011 we expect growth to continue, albeit at a slower pace. As normality returns to the industry, we will have every opportunity to achieve solid growth.



Dr. Eugen Trautwein

The E/D/E management team (from left): Hans-Jürgen Adorf (Chairman), Dr. Christoph Grote, Dr. Andreas Trautwein



Unexpectedly positive business performance: new record sales levels—stable results

Economic recovery after the crisis

The German economy has emerged from the economic crisis unexpectedly quickly and in good shape. None of the economic, political or scientific experts had expected Germany to recover so strongly in 2010.

After a relatively modest start, the upturn rapidly gained momentum around March 2010 and soon encompassed a wide range of German industries. The growth was primarily driven by the recovery of various economic export sectors. The electrical, chemical, engineering, automotive and plant construction industries greatly benefited from strong demand in Asia.

Consumer trends better than expected

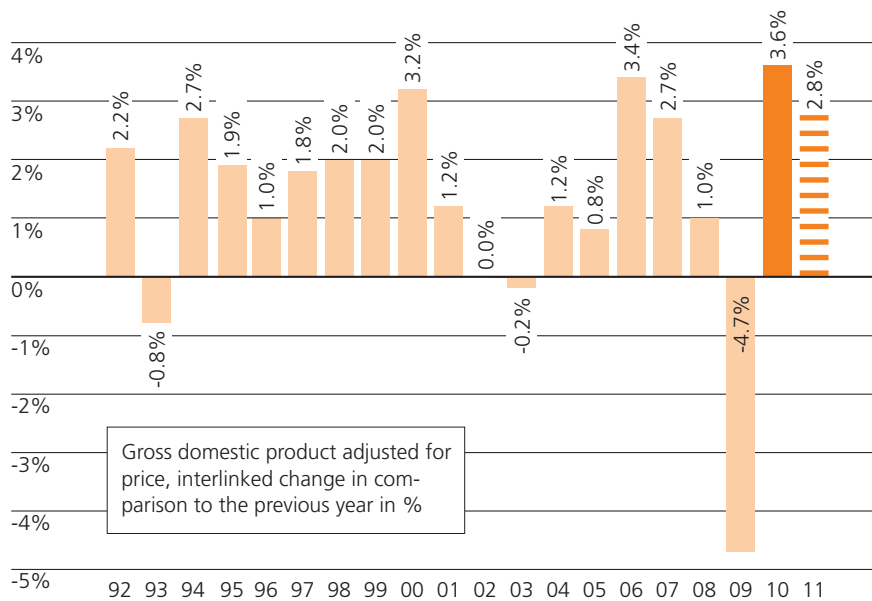
On the domestic market, the relaunch of a wide range of investment projects that had been put on ice in 2008 and 2009 created additional economic momentum. Consumer trends were also better than expected, not least due to a surprisingly stable labour market.

In 2010 the gross domestic product (GDP) unexpectedly reached +3.6%.

The situation within the industry in 2010

Whereas the sector was preoccupied with the threat of a further decrease in sales during the first two months of the year, the situation had changed dramatically by the middle of March at the latest.

Unexpectedly strong upturn in Germany



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For the rest of the year all product lines posted growth—in most cases in the double-digit range. The strongest market growth was achieved by the economic sectors that had previously suffered the most.

Growth in all sectors

The high volume of orders that were received by the metal-processing, machine, plant construction and automotive industries during the rest of 2010 noticeably boosted the sales of industry-orientated trade products such as tools, machines, operating equipment, technical trade and occupational safety products. The demand primarily increased for industrial precision tools, which saw a rise of more than 30%.

The construction industry and the building trade enjoyed high levels of success throughout the entire year. Thanks to the various funding programmes, the reactivation of postponed building projects and the promotion of energy-saving and alternative energy activities, various projects were launched during the year. As a result, business in the construction industry remained at a high level. Construction-orientated trade benefited from this development through sales of building equipment, building elements, fastening technology and fittings.

Construction-orientated trade benefits from funding programmes

The trade for interior construction saw consistently high levels of demand. Sanitary and installation companies recorded an increase in demand, while heating construction activities remained at roughly the same level as in the previous year. The strong demand for renovation and modernisation work greatly helped to improve the order situation and led to moderate growth rates in the metal and timber-processing trade.

As before, price volatility remained the decisive variable for the development of sales. Higher prices and the disposition behaviour of traders contributed to significant sales increases throughout the course of the year.

Well positioned to continue the upward trend

In general, the sector was posting very stable growth by the end of the second quarter, and this trend continued until the end of the year without significant fluctuations. It was thus possible for the industry to recoup a large part of the losses it had incurred during 2009 within just one year. In addition, it was also well positioned to continue the upward trend in 2011.

The double-digit growth rates gave rise to additional financial requirements as far as the traders were concerned. At the beginning of the year there was concern that financial resources would become more restricted and/or that banks would increase the costs associated with such financial resources. However, these fears proved unfounded. There were no major insolvencies within the industry such as those experienced during previous recoveries.

However, competition increased again in spite of the good order situation in the trade. The pressure on returns intensified and a number of market participants are continuing to pursue strategies based on aggressive expansion.

There is an obvious need to be cautious when it comes to further planning; however, the industry expects business to be good in 2011.



E/D/E headquarters in Wuppertal

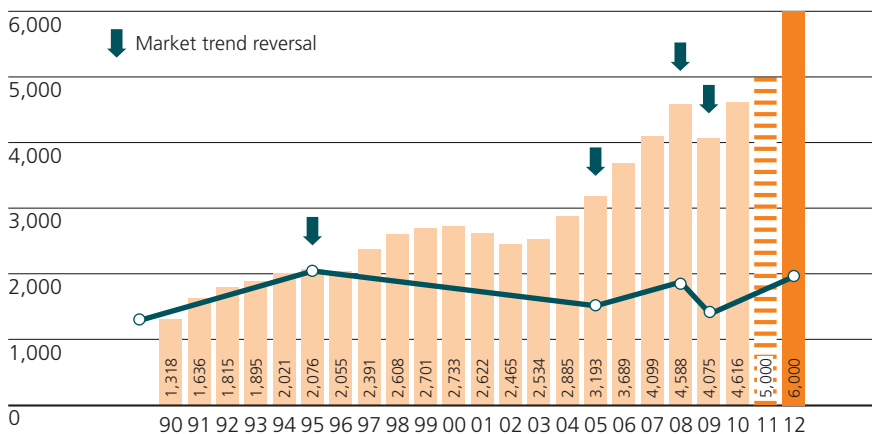
E/D/E development of turnover in 2010

Double-digit growth—a new all-time high achieved

The development of total turnover in the past three years has resembled a roller-coaster ride: after powerful growth of approximately 500 million euros in 2008 and an equally powerful slump of around 500 million euros in 2009, unexpectedly high growth of about 500 million euros was recorded in 2010.

The total turnover increased by exactly 13.3%, or 541 million euros, to 4.62 billion euros—a new all-time high. All the main product areas participated in the growth in turnover in 2010. In addition to the specialist area of steel (+39.45%), the strongest growth was recorded in those product areas that had experienced the largest decline in sales the previous year. For example, the specialist area of occupational safety and technical trade posted an increase of 17.7%, whilst the specialist areas of tools, machines and company equipment recorded a 9.9% increase!

CHALLENGE 2012—Decoupling from the market



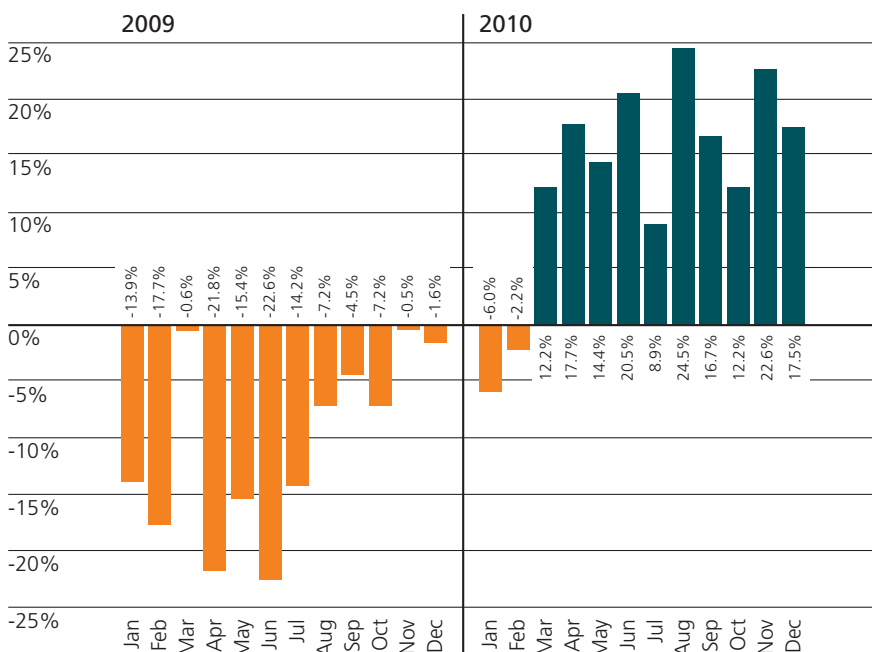
Monthly results for 2010 compared to 2009

The monthly results from 2010 reveal a slow start with a further decline in sales. However, from March 2010 onward growth was strong and very stable. In fact, the growth in turnover remained in the double-digit range right up until the end of the year.

Strong growth after a slow start in the first quarter

At first glance, the presentation of the monthly results for 2010 seems to be a mirror image of the 2009 presentation.

Development of individual monthly values



However, thanks to powerful growth in all main product areas in 2010—with the exception of the specialist area of steel as well as tools, machines and company equipment—it was possible for all the standard product areas to exceed the previously highest sales levels, which were recorded in 2008.

Development in the domestic market and Europe

The economic development in other European countries outside Germany did not match the growth achieved by Germany in 2010.

The development of E/D/E in Europe should therefore be appreciated all the more. In fact, E/D/E was able to totally compensate for the decline of turnover in 2009 and once again post turnover in excess of 500 million euros.

Development of turnover 2008–2010 (in million euros)

	Actual 2008	Actual 2009	Actual 2010	Plan 2011
E/D/E Total turnover	4,588	4,075	4,616	4,877
domestic	4,072	3,617	4,098	4,333
in Europe	516	458	518	544

Growth due to the acquisition of new partners in Europe

Given the partially difficult economic situation in several countries, we expected to see stagnation—or worse—in Europe in comparison to the previous year. The growth achieved was primarily due to the acquisition of new partners in Europe.

All types of business achieved growth

In 2009, the decline in the volume of trade resulting from the underlying poor economic situation affected all types of business activities equally. The decline in turnover was particularly severe in the eLC logistics centre in the industry-orientated product areas as well as in precision tools and hand tools. Some business divisions saw declines of more than 20%.

In 2010, turnover recovered so strongly that it was possible to largely compensate for the declines recorded in the previous year.

Business type	Actual 2008	Actual 2009	Actual 2010	Plan 2011
Standard warehouse	+0.2%	-5.1%	+2.3%	+5.5%
eLC logistics centre	+13.8%	-18.3%	+16.8%	+12.1%
Central processing/ serial transactions	+12.0%	-10.4%	+13.5%	+5.4%
Total turnover	+11.9%	-11.2%	+13.3%	+5.7%

A comparison between the domestic market and the European market reveals the following development:

Business type	Domestic 2009	Europe 2009	Domestic 2010	Europe 2010
Warehouse business (standard warehouse + eLC)	-9.5%	-21.0%	+6.7%	+20.3%
Central processing/ serial transactions	-11.2%	-10.6%	+13.6%	+12.9%
Total turnover	-11.2%	-11.2%	+13.3%	+13.1%

This comparison between the domestic market and the European market also shows that the losses in turnover in both regions in 2009 were recouped in 2010. As a result, there is a realistic chance of achieving new record levels in 2011.

Membership development 2010

The acquisition of new member companies in Germany and Europe was also at the heart of our growth strategy in 2010.

In all, E/D/E gained 21 new PVH (industrial wholesale distribution) members. In the full business year, E/D/E turnover was approximately 120 million euros, which translates into an average of roughly 6 million euros per year per trader. Almost 90 million euros of turnover was generated in the domestic market, whilst 30 million euros was generated in Europe.

21 new PVH members
in the E/D/E

Given our active collaborations and through the takeover of successful E/D/E services, a further growth in turnover is inevitable.

For the first time, we have more than 1,000 traders in the PVH sector in Germany and Europe. Further inquiries regarding membership have also been submitted from important PVH companies. In 2011 we expect to welcome new members.

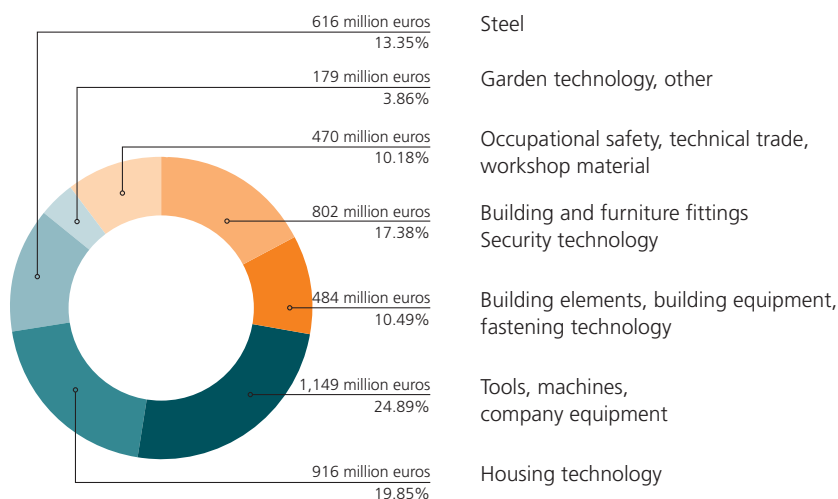
Distribution of turnover in the PVH specialist areas

We fulfilled our goal of outperforming the market in all PVH product areas in 2010. The growth rates ranged from +5.4% for building and furniture fittings to +17.7% for occupational safety, technical trade and workshop materials. At 39.4%, the steel sector achieved particularly high growth.

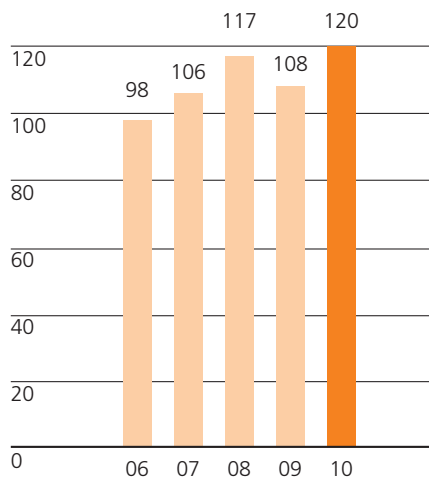
There have thus been no notable changes in the distribution of turnover as far as the PVH product line structures are concerned. The shares vary between 10% and just under 25% and between almost 500 million euros and 1.1 billion euros respectively.

E/D/E on 31.12.2010 (4,616 million euros), total development: +13.28%

Turnover in specialist areas



Payouts to the members in million euros



Development of payouts

The amount of reimbursement paid is an important factor when it comes to determining the success of our cooperation with members and contractual suppliers.

Reimbursements for members reached a record level in 2010 with a provisional value of 120 million euros. At the same time, these reimbursements became an indispensable portion of the corporate earnings of the traders.

A total of 380 members now take part in the rating process of the E/D/E, which is currently voluntary. As a result, the yearly payouts for these members have increased quite considerably and make a significant contribution to their liquidity.

Cost and profit situation for 2010

A respectable result despite exceptional charges

It was not possible to realise the original plan to reduce total costs by 5 million euros in 2010. Instead, the total costs increased once again—this time by 6.8 million euros—to 86.5 million euros.

The cost increases were partially planned and/or related to turnover. The significant increase of depreciation in comparison to the previous year was due to the newly constructed logistics centre. The increase of costs related to transport and packaging resulted from the increase in turnover in the warehousing business, which exceeded the planned figure. At 14.6 million euros, growth here was 8.4%.

Increase of costs in transport and packaging

Most of the additional costs resulted from expenditures paid out to temporary employment agencies in the logistics area. The termination of contracts with rented external warehouses and efforts to organisationally merge previously separate storage areas led to substantial start-up problems. To eliminate these problems, it was necessary to significantly increase the numbers of personnel and incur additional project costs. Our guarantee to supply our members with products on time was one of our top priorities. The unplanned additional costs amounted to approximately 2.5 million euros.

Additional expenditures in logistics

The unplanned increase in gross profit largely compensated for these increases in costs. The significant increases of sales in all business types, both within Germany and in Europe, led to an increase of 8.9 million euros or 8.3% in gross profit.

In light of the aforementioned circumstances, we are extremely pleased with the results achieved in 2010.

The original predictions for 2010 were either achieved or surpassed. The revenue from ordinary business activities was 35.5 million euros (previous year: 34.8 million euros), the cash flow was 29.3 million euros (previous year: 30.6 million euros) and the consolidated net income was 23.2 million euros (previous year: 25.6 million euros).

Predicted results achieved

The planned reinvestment for the further increase of the equity base was therefore guaranteed.

In 2011, the results will lead to an increase in equity of more than 250 million euros for the very first time.

First quarter of 2011: German economy in top form

Outlook for 2011

The German economy expects that the upturn will continue this year. In the first quarter of 2011, the German economy was in top form and the mood was very upbeat. At the beginning of the year, the Ifo economic survey on industrial economic performance recorded the best values since German reunification. The successful developments on the export front in 2010 have continued into 2011. Furthermore, strong domestic demand is expected to provide the economy with additional momentum. The overall economic situation is infinitely better than it was just one year ago.

The forecasts from economic research institutes and the Federal Ministry of Economics and Technology (German abbr. BMWi) regarding economic growth (GDP) in 2011 have been corrected upwards once again. With an expected growth rate of 2.8%, Germany has once again assumed a leading position within Europe.

Industrial sector development in 2011

At the end of last year, we surveyed advisory councils, members, suppliers and associations. The surveys all revealed positive expectations for 2011. Depending on the product area and target group, the market growth rates are expected to be between 3% and 7%. No one expects turnover to stagnate or decline. Uncertainty was only expressed in relation to price developments, which are dependent on trends within the energy sector and commodity markets. It can thus be assumed that the record sector values posted in 2008 will be surpassed in the coming year.



E/D/E: the bridge between tradition and innovation

E/D/E planning for 2011

Given the unexpectedly strong and abrupt fluctuations in sales—both upwards and downwards—over the past three years, we must remain cautious when drawing up our plans for the future.

Using different scenarios, it has been possible to produce a "realistic case", which predicts sales growth of 5.7% to almost 4.9 billion euros at E/D/E in 2011. This corresponds to an increase in turnover of 261 million euros.

The predicted scenario affects the individual product areas as shown below:

Predicted figures for E/D/E in 2011 per specialist area

Product group	Total in million euros	Difference in million euros	Increase in %	Expected market development
Rolled material, steel	651	+34	+5.6%	+5.0% (t)
Door fittings, furniture fittings, window fittings, security technology	836	+33	+4.2%	+4.0%
Building elements, building equipment, fastening technology	511	+27	+5.5%	+5.0%
Occupational safety, technical trades workshop material	515	+45	+9.7%	+6.4%
Tools, machines, company equipment	1,226	+77	+6.7%	+6.0%
Housing technology	957	+41	+4.5%	+3.9%
Garden technology, other	182	+3	+1.7%	+3.0%
Total	4,877	+261	+5.7%	

The new year got off to an extremely good start. In the first three months of the year, turnover posted double-digit growth and thus far surpassed expectations. This strong growth encompassed all the main product areas. Overall, an increase of 23.8% was achieved. The turnover of 477 million euros achieved in March 2011 was the highest monthly turnover of all time at E/D/E.

E/D/E makes a good start to 2011

Both the warehouse business (+15.7%) and the central processing/serial transaction business (+24.2%) posted massive growth in the first quarter of 2011. What's more, this growth was achieved equally in the domestic and European markets.

We do not expect these growth rates to continue at such a high level. However, we do believe that E/D/E can achieve sales growth of approximately 10% for the full business year 2011. As a result, the important milestone of 5 billion euros for total turnover would be reached.

Personnel development

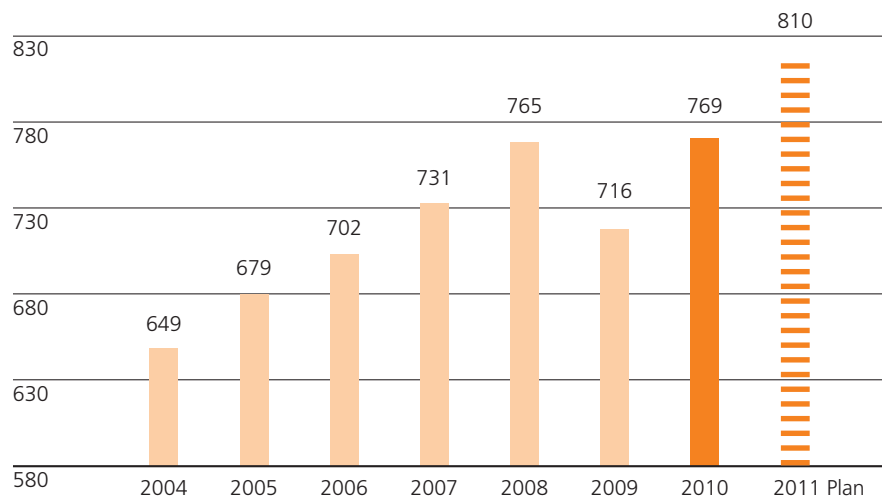
By considerably increasing the number of flexible temporary employees, we mastered the challenges associated with the opening of the new eLC logistics centre in 2010.

Temporary workers receive fixed employment contracts

Throughout the course of the year, we provided 58 temporary workers with fixed employment contracts. A further 30 contracts are planned for the second quarter of 2011. By offering a number of temporary workers fixed employment contracts, we want to help improve the situation on the labour market. We want to demonstrate that it is possible to provide temporary workers with secure jobs—particularly in medium- and small-sized companies.

Following the adoption of the personnel offensive for 2011, we expect the number of employees to reach record levels by the middle of 2011. Through comprehensive qualification measures, we want to satisfy our company's personnel requirements for the next ten-year phase and significantly enhance our own training programme.

Development in the number of employees



Moderate change of strategy 2011

Due to strong growth in 2010/2011, it will be necessary to change the organisational and structural basis of E/D/E.

We have decided that in addition to further expansion—both in Germany and abroad—our focus in future will be strongly placed on quality and service. We will therefore give priority to the measures and investments that will be necessary in order to achieve these goals. As part of our “Fit for the future” programme, four important initiatives were adopted and launched at the beginning of 2011:

1. The personnel offensive
2. The training and qualification offensive
3. The quality offensive
4. The service offensive

With these projects, we want to raise our operative excellence to an all-time high in cooperation with our members and contractual suppliers. Our aim is to serve as a benchmark for the entire industry. The substantial budgets that will be needed to fund these projects were included in our planning for 2011/2012.

Cost and profit plans for 2011

Given the positive conditions and the current situation in the industry, we plan to achieve a 5.7% increase in sales, and we believe that all business types will participate in this growth. Upon completion of the 2011 integration processes, we anticipate a 9.4% increase in the warehouse business to over 200 million euros. Within the area of central processing/serial transactions, we plan to post growth of 5.5%.

As regards gross profit, we expect this figure to increase in proportion to sales.

Due to the continued low interest on capital and assuming an unchanged excellent liquidity position, we must expect a further reduction in the financial result.

The significant exceptional charges we incurred in 2010 in association with personnel costs and the costs for temporary employment agencies will gradually decline to zero during the course of 2011. Within the logistics business division, we expect personnel costs to decrease by approximately 1.6 million euros. Additional cost reductions should also be achieved within the area of transport and packaging.

Growth to increase by 5.7%



A special address: a present from the city of Wuppertal on our 75th anniversary

However, the increase of personnel by 40 posts, which was agreed upon as part of the quality and service offensive, will set off the exceptional charges no longer incurred. On the whole, we predict a reduction of total costs amounting to 2 million euros.

The consolidated net income will largely be reinvested

As a result, we predict that revenue from ordinary business activities will reach 41.5 million euros (previous year: 35.5 million euros), cash flow will be 35.4 million euros (previous year: 29.3 million euros) and consolidated net income will rise to 28.2 million euros (previous year: 23.1 million euros). As in previous years, most of this sum will be reinvested. The equity (according to the German Accounting Law Modernisation Act —BilMoG) will surpass 250 million euros for the very first time.

Interim evaluation for 2011

We have made an outstanding start to 2011. Even considering the low sales levels recorded in the equivalent quarter of 2010, the growth in sales has surpassed our targets. All product areas and business types have participated equally in this growth.

By 31st March we had achieved growth of around 23% across all product areas. April has also confirmed the clear trend toward further growth, even though the figure was slightly lower than that for March.

At the end of the first quarter, sales-related costs are slightly above the planned level.

Given the current conditions, there is every reason to be optimistic about the future.


We would like to thank all of our members and contractual suppliers for their trust and the successful cooperation we have enjoyed. Our thanks also go to every member of our committed and loyal team.

Wuppertal, April 2011

The E/D/E management team



Hans-Jürgen Adorf



Dr. Christoph Grote



Dr. Andreas Trautwein

Business division reports

E/D/E sales figures for 2010
per specialist area

E/D/E target figures for 2011
per specialist area

Product group	Total in million euros	Difference in million euros	Increase in %	Total in million euros	Difference in million euros	Increase in %	Expected market development
Rolled material, steel	616	+174	+39.4%	651	+34	+5.6%	+5.0% (t)
Door fittings, furniture fittings, window fittings, security technology	802	+41	+5.4%	836	+33	+4.2%	+4.0%
Building elements, building equipment, fastening technology	484	+31	+6.9%	511	+27	+5.5%	+5.0%
Occupational safety, technical trade workshop material	470	+71	+17.7%	515	+45	+9.7%	+6.4%
Tools, machines, company equipment	1,149	+104	+9.9%	1,226	+77	+6.7%	+6.0%
Housing technology	916	+116	+14.6%	957	+41	+4.5%	+3.9%
Garden technology, other	179	+4	+2.1%	182	+3	+1.7%	+3.0%
Total	4,616	+541	+13.3%	4,877	+261	+5.7%	

Significant increase due to the economic recovery

PVH business division I: Tools, machines, company equipment

Positive upturn in business performance

In 2010, the E/D/E business division I achieved a turnover of 1,149 million euros. This corresponds to a 9.9% increase on the previous year. The economic and financial crisis, which continued into the first quarter of 2010, caused a slow start to the year for the business division, which is strongly focused on industrial and commercial customers. A noticeably increased willingness to invest from March onwards gave a rapid and extremely positive boost to the entire division's business performance.

In the first few months of 2011, the strong economic growth phase remained at a high level. Nonetheless, our predictions of a further increase of 6.7% in total for 2011 are rather cautious.

The turn of the year 2010/2011 was followed by a restructuring. The separation of the extensive business division I into two business divisions became the basis of a significantly enhanced marketing strategy. As a result, we expect additional momentum for a positive development of turnover in the coming years.

Development of sales in the PVH business division I (in million euros)

	2006	2007	2008	2009	2010	Plan 2011
Hand tools, precision tools	336	386	408	323	367	391
Stationary machines	92	112	118	99	108	119
Operating devices	154	185	210	176	193	203
Electric/pressure tools, welding technology	404	476	496	447	481	513
Total	985	1,159	1,232	1,045	1,149	1,226

The specialist area Precision and hand tools

In the precision tools area, the strong growth in machine construction in particular had a very positive effect. We achieved above-average growth of 23.3%, with total sales of 115.8 million euros.

In spite of this strong growth, no major supply shortages arose amongst the suppliers during the reporting year. The price development also remained constant in 2010 after a decline in sales the previous year. The very positive reception at the leading industry trade fair AMB is also a reflection of the area's excellent business performance. All in all, the industry posted a differentiated market development of between +15% and +30% during the reporting year.

The development of prices remained largely constant

Given the continuously stable economic development, we are planning to achieve double-digit growth of 13.7% for the precision tools area in 2011. The largest additional volumes are due to positive developments in machine construction and the automotive industry, which have also benefited from increasing exports to Asia. Because many companies within the automotive industry are located in southern Germany, we expect regional differences to be evident in the further development of business activities.

Increasing raw material costs and disproportionately higher sales within the hard metal area will lead to average price increases of 3.5% in 2011. Further incentives for the positive development of business are expected from the leading global trade fair EMO in Hanover in September 2011.

The development of sales in 2010 in the hand tools area was primarily shaped by business developments in the skilled trades. With a market development of +4%, E/D/E was able to achieve a total increase of 9.7%, which corresponds to a total turnover of 251 million euros in the hand tools area. Trademark sales also increased within the reporting period both in the domestic and European markets—despite different economic developments—and have therefore contributed to the positive overall results.

251 million euros
total turnover

Following on from the development in the last quarter, we predict 3.2% growth in the hand tools sector and therefore a total turnover volume of 259 million euros.

New editions of all of the leading E/D/E tool catalogues will be published in 2011. The sales teams of our member companies will be specifically trained in the use of the new catalogues during special events lasting several days.

**“Werkzeugforum”
promotes dialogue**

Our “Werkzeugforum” (Tool Forum) will take place in June 2011. The aim is to promote intensive dialogue between key players in trade and industry. The event will be rounded off with talks by top-class speakers.

The specialist area Machines and tools for woodworking

After a drastic decline in sales of machinery and equipment in 2008 and 2009, the market gradually began to recover in the past business year 2010. We were able to achieve an increase of 9.7% with sales volumes totalling 94.4 million euros in this area. In addition to the positive development of sales of large machinery, sales of woodworking tools—particularly FORUM trademark tools—also increased significantly.

**Growth initiatives at
the leading trade fair LIGNA**

At the leading trade fair LIGNA, which takes place at the end of May 2011 in Hanover, the topic “Efficient Production Processes” will be a key focus of the industry. Here too we expect further growth incentives and an additional stimulation of the market.

For 2011, we predict turnover amounting to 101.4 million euros (+7.5%). This roughly corresponds to the expected market growth in this area.



Expanded: Metal machine tools

The specialist area Metal machine tools

In order to expand the machine tool business, we have outsourced the specialist area Metal machine tools to PREMIUM Maschinen Handel GmbH. PREMIUM Maschinen Handel GmbH is a merger of PREMIUM members and E/D/E. In addition to exclusive sales of the XYZ brand, the company sells machine tools under the FORMAT trademark. From 2011, the product line will also be supplemented with the abraxas brand.

The initial work was completed during the reporting year. Significant growth of +26.7% in sales and market growth of +13% are predicted for 2011.

The specialist area Power and pneumatic tools

The business development in the construction-related specialist area Power and pneumatic tools surpassed our expectations in 2010. The economic upturn in the industrial and trade sector led to an increase of approximately 30.9 million euros to a total turnover of 446.4 million euros. The predictions were therefore exceeded by over 8% and the volume of sales from 2008 was matched. The market development is estimated at +3.2%.

Development of business exceeds expectations

The main driving force behind the positive sales development is the battery-operated power tools segment. Furthermore, in 2010 product lines such as intelligent measurement technology played a significant role in stimulating sales. In 2010, E/D/E created additional incentives by means of six different catalogue concepts and successfully implemented target group-specific marketing strategies.

In 2010, products using new technologies for the reduction of noise, dust and vibrations became a key focus. New regulations also caused leading manufacturers to carry out further product modifications. Technical innovations for industry, trade and private consumption mean that further growth is expected within the power and pneumatic tools market segment in 2011. A 6.5% increase in turnover is expected for the business year 2011, whilst a 5% increase is expected for the market as a whole.

Product changes due to new regulations

The specialist area Company equipment

Within the specialist area Company equipment, business development will be significantly influenced by the industry's willingness to invest. As a result of the economic crisis, investment came to an almost complete standstill in 2009. A significant reluctance to invest was also observed in the first few months of 2010. However, a notable revival of business development has set in as of the second quarter.

With turnover of 193 million euros—corresponding to a year-on-year increase of 9.5%—we exceeded predictions and surpassed the growth rates of other providers of company equipment.

Turnover above the growth rate of other providers

In the reporting year, we provided the company equipment specialist group UNION with the second edition of our company equipment catalogue on schedule. The new edition of the catalogue will contribute to a consolidation and expansion of our market shares. The catalogue contains approximately 16,000 products and roughly 1,100 catalogue pages. A total of 120,000 copies were released onto the market.

We supplied our members in France with their first edition of the company equipment catalogue in August. Entitled "Agencement d'Atelier", this concept will support the members in their development of an interesting market segment. An initial 10,000 catalogues were released onto the French market.

**310,000 catalogues
for the market**

We expect the positive trend to continue in 2011. We have predicted an increase of 5.3% for this specialist area, which corresponds to the market level. Due to possible price fluctuations for raw materials, particularly steel and plastic, this may lead to significant price increases. This year, the PREMIUM company equipment and B&U catalogues, and a further special catalogue will be republished. In total, 310,000 catalogues will be released onto the market.

The specialist area Welding technology

In spite of a growing economy, the Welding technology specialist area has been slow to recover from the negative impact of the economic and financial crisis. By the middle of 2010, the consumables segment had already posted a significant development of +10%, which was due in particular to further increases in the price of raw materials. As a result, only isolated large-scale projects were carried out in this industrial area in 2010. An upward trend was recorded for investment goods in November and December 2010. However, orders received in the middle investment range in particular were far behind those received in 2007 and 2008.

However, with a total turnover of 34.5 million euros, we were able to achieve a year-on-year increase of 10.7% in 2010 and exceed our target by 3.6 million euros.

The Welding technology specialists made use of the consolidation phase in the first half of the year in particular to conduct advanced training courses in various product areas for their affiliated dealers.



Welding technology: slow recovery

The training of employees and the specialisation of trading companies will be a strong driver of differentiation in the market in the coming years as well, and it will continue to be a key focus for us.

Major orders in the area of renewable energy

Our projects for 2011 therefore include the intensification of skilled group work in the areas of welding consumables and technical welding system solutions, as well as the revision of the specialist group catalogue, which will be published at the beginning of 2012 with a planned circulation of 60,000.

It is hoped that major orders in power plant construction and the renewable energy sector will provide further growth. Our predicted 9.3% increase in turnover therefore reflects the market development expected by industry and trade.



Stable construction industry has significantly increased turnover

PVH business division II: Building and furniture fittings, security technology, components, fastening technology, building equipment/roofing, occupational safety/technical trade, workshop and materials

8.9% growth in sales

Within the reporting period, the E/D/E business division II saw a 8.9% increase in turnover to 1,756 million euros. This extremely positive turnover was due to the highly stable construction industry. These results were further supported by a number of different funding programmes launched by the German federal government in 2010. However, the turnover is also the result of the order situation in the industry, which ranges from stable to good and gave us significant momentum during the reporting period.

We did not expect to achieve the best turnover result of all time in 2010. This initial situation spurred the occupational safety and technical trade sector forward. The sector's turnover grew by 70 million euros to a total of 470 million euros, representing a 17.7% growth. The building industry also had a strong business year and achieved outstanding results with a turnover of 1,286 million euros, representing an increase of 6% or 72 million euros.

Development of sales in the PVH business division II (million euros)

	2006	2007	2008	2009	2010	Plan 2011
Building and furniture fittings, security technology	693	739	783	761	802	836
Building elements, building equipment, fastening technology	403	448	472	453	484	511
Occupational safety, technical trade, workshop materials	320	392	427	400	470	515
Total	1,416	1,579	1,681	1,614	1,756	1,862

For the coming year, we are planning growth amounting to 45 million euros or 9.7% within the occupational safety and technical trade sector. We are also planning an increase of 60 million euros or 4.7% for the building segment. If our predictions prove to be accurate, our company will see growth of approximately 105 million euros by the end of the next business year to a total of 1,862 million euros. Our predictions are founded on stable planning permission data, the continued strength of the renovation market and existing order backlogs from 2010. In the industrial business of our traders and the occupational safety and technical trade sector, we note a stable to good order situation in the processing industry, which is an important target group of the company.

Growth by approximately
105 million euros

The specialist area Building elements

There was initial concern that the results from 2009 could be repeated once again in the building elements sector. However, this concern proved to be unfounded, as the volume of sales increased by 12 million euros to a total of 218 million euros at the end of the reporting year. This corresponds to an increase of +5.8%.

In 2010, we shifted our focus onto conceptual work in particular. A new PRO.ELEMENT marketing concept was developed and very positively received by the traders in the specialist group. Another highlight was the start of the ZHH course "Technical Specialist for Building Elements", in which the specialist area played a significant role in shaping the concept. The first interior door brochure for specialist traders, which was published under the title "Türen öffnen (T)räume", was very well received by our members and a total of 35,000 copies were published.

New PRO.ELEMENT
marketing concept

We remain optimistic regarding 2011 and expect a 5.3% increase in sales to almost 230 million euros. This optimism is based on the positive overall business climate and the effects of previously implemented or announced price increases in 2011.

30-year anniversary of the building equipment specialist group

Specialist area Building equipment

There was a slow start to 2010. The prolonged cold spell slowed down business development for all traders. However, the specialist trade in building equipment picked up starting in April 2010, and by the end of the year, business figures were steadily increasing. This positive development also extended to the sales of machinery and equipment as well as our members' rental business. During the reporting period we were able to increase sales by a good 12 million euros or 11% to a total of 122 million euros.

At the very beginning of the year, we celebrated our 30th anniversary with the building equipment specialist group. In autumn 2010, this specialist area participated in the industry meeting in Leipzig for the second time. At this meeting, suppliers and traders noted a further increase in interest in comparison to the event in 2008.

We continued to work on our cooperation network in the specialist group "MIETEplus" and successfully expanded it. At the request of our traders, the first regional meetings were carried out during the reporting year. We therefore placed regional market conditions at the forefront of our activities. This trading group now has 31 members.

Expansion in the specialist area is driven forward

We predict a growth of around 5% for the business year 2011. This prediction is based on the positive response on all levels of the supply chain. The systematic expansion of the specialist area will also be continued. Interesting neighbouring business fields will be at the centre of our activities.

The new specialist group catalogue Building equipment should be published by the beginning of 2012 at the latest. Comprehensive product line analyses and decisions reached together with our specialist group traders are at the centre of our activities in 2011.



Momentum for building and furniture fittings

Specialist area Building and furniture fittings

A large part of the extensions and conversions that were not carried out in 2009, as well as a significant number of stopped renovation projects, were resumed in 2010. The federal government's economic stimulus package II also gave added economic momentum in 2010. In light of this, we were able to increase our sales to roughly 800 million euros for the very first time. This corresponds to growth of 5.4% .

EBH AG was also able to surpass its previous year's results. Its turnover increased by approximately 3.5%. Reimbursements also reached a new record level. In 2010, the projects "Wohnen und Bauen mit Komfort" (Live and Build in Comfort) and "Aus- und Weiterbildung" (Training and Further Qualification) were also established.

In the next two years, the EBH will train 40 employees to become sales managers. In 2011, a new concept entitled "Montage aktuell" (Installation Today) will also be implemented. We expect slight growth in 2011, with stronger growth in the first half-year than in the second. EBH AG is also increasing its efforts to expand its business activities abroad through cooperation, primarily in France and Switzerland.

Expansion in France
and Switzerland

Within the reporting period, the window construction/frontal plane trade fair took place in Nuremberg, as did the woodwork trade fair. More than 100,000 visitors attended these trade fairs. There was a general feeling of optimism and positive expectations for the year ahead.

Within the specialist area of building and furniture fittings, we at E/D/E expect a growth in sales of 33 million euros, with a total of 836 million euros in 2011. This corresponds to an increase of 4.2%.

Members have
increased turnover

The specialist area Occupational safety

The market development within the reporting period lay in a middle range between 8% and 10% across all product lines. Our members took full advantage of this positive market situation and significantly increased their turnover. Within the reporting period, we achieved growth of 43 million euros or 17.7% to a total of 283 million euros. This increase was equally distributed between the central processing and warehouse business areas.

In addition to the further expansion of the FORTIS trademark, the introduction of the new "Patch service for work clothing" was also a key focus. We were therefore able to offer our traders an important service in addition to our products.

For the very first time, we carried out regional meetings for the members of our specialist group during the reporting period. The FORMAT trademark was at the core of our specialist group work. It has been reworked and a wealth of new and innovative products have been added. The product line comprises approximately 400 items.



Occupational safety: new services

Record number of participants at the "total" industry meeting

A record number of our traders and suppliers attended the "total" industry meeting in Leipzig. Furthermore, the new specialist group catalogue Occupational safety was released at the industry meeting. It will be distributed by 42 members and will have a total market circulation of over 80,000 copies.

For traders in the FAVORIT Group, the FAVORIT forum in Garmisch-Partenkirchen in February 2010 was an outstanding event. It served as an opportunity for selected partners from industry and trade to discuss industrial topics of the future. In September, this was followed by the first joint FAVORIT trade fair stand at the IFAT in Munich, the world's leading trade fair for waste, sewage and disposal management.

The second FAVORIT forum is planned for May 2011 in Warnemünde. In 2011, we will take part in the A+A trade fair in Düsseldorf together with the specialist group occupational safety.

We remain optimistic regarding the development of sales in the coming year and will do everything in our capacity to achieve our goal of 306 million euros (+7.9%). Should we succeed, we will achieve a total turnover of more than 300 million euros for the very first time.

The specialist area Technical trade

In 2010, we successfully increased our sales by 28 million euros or 17.7% to 186 million euros. This is an excellent result, especially in light of the positive overall industry development of between 8% and 10%.

For years, the specialist area Technical trade has been characterised by intensive cooperation with its specialised traders. One example of this is the cooperation between the seals and profiles specialist group and a professional compendium.

Cooperation with specialised traders

We also founded the pneumatics specialist group under the heading of "motion engineering" during the reporting period. This group worked intensively on the preparation of a specialist catalogue. In order to meet the extensive demands of this market, we added an experienced product line specialist to the team.

The industrial technology catalogue for 2011/2012 was published on time for 31 traders with a total circulation of 80,000 copies. We also changed our approach to communication between trade and industry.

In 2011, we want to reach the 200 million euro benchmark for the very first time, and we are ambitiously planning growth of 12.4% or 23 million euros to a total of 210 million euros. This objective is based on a sustained positive order situation from our industrial customers as well as stable economic conditions. Important factors for achieving this goal include the planned start of the pneumatics catalogue in spring 2011 and the further expansion of the hydraulics product line.

Successful start
of the pneumatics catalogue

In order to further develop the skills of the individual traders, we will publish a new drinking water brochure for the specialists in the hose and fittings competence group as well as a sealing technology compendium for the specialists in the seals and profiles competence group. Furthermore, we have set ourselves the goal of expanding the FORMAT industrial technology trademark and making it even more successful with new and innovative products.

The specialist area Fastening technology

Fastening technology also had a very successful business year in 2010 and saw a sales increase of 7 million euros or 5.4% to a total of 144 million euros. Within the reporting period, we held an initial strategy meeting with the specialists from the fastening and assembly technology area. As a result of this meeting, further steps were outlined for 2011. These included the republishing of the specialist group catalogue Fastening technology. The new catalogue will contain a considerably broader range of products. We predict a growth in sales of approximately 10 million euros for 2011 and therefore aim to achieve a total sales volume of 153 million euros. The systematic expansion of our warehouse business will play a significant role in this process.

Sales increase to
144 million euros



Martin Meeseburg, Managing Director of gb Meeseburg OHG, Flensburg

“E/D/E is itself a medium-sized family-run company. It therefore understands the problems faced by medium-sized member companies more than any other purchasing association. We have come to know and value this important distinction. Furthermore, the internationalisation of E/D/E is in line with our own strategic objectives.”

New members ensure growth in sales

PVH business division steel

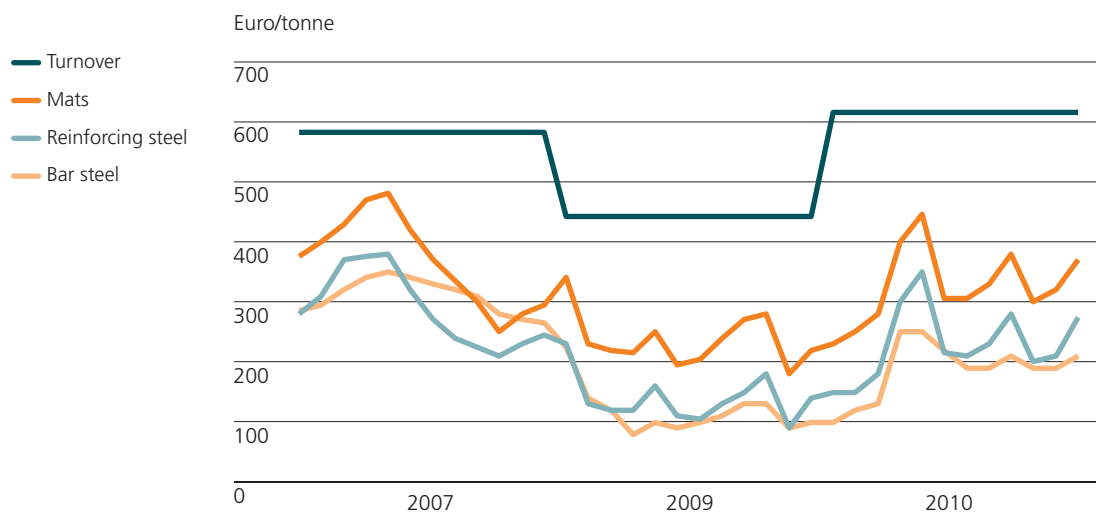
Development of sales (in million euros)

2006	2007	2008	2009	2010	Plan 2011
473	582	845	442	616	651

Three new members were gained at the beginning of the year

Due to the volatile development of prices in the past two years, the forecasts for 2010 tended to be based on hopes for the new year. However, after the low prices in 2009 we expected moderate recovery, which we estimated at 8%. We expected that a further 5% would be gained from new members. Three of these new members became affiliated with us at the beginning of the year and others were sought. All of the economic experts declared 2010 and 2011 to be transitional years, as it was expected that the economy would not recover until 2012. Consequently we were able to forego additional costs due to economic growth and set our objective at 518 million euros.

Price/sales development for 2007, 2009 and 2010 for bar steel, reinforcing steel and mats



Due to both the prolonged winter and the low prices for structural steel in November 2009 (approx. 90 euros/tonne for reinforcing steel and approx. 180 euros/tonne for reinforcement steel mats), turnover once again fell by 9% in the first quarter of 2010 to below the turnover for 2009, which was already extremely low.

From April onwards, the situation changed—demand noticeably increased, prices began to rise and a year-on-year comparison revealed a 25% increase in sales by the middle of the year. By at least the middle of the business year, the upturn was felt in many sectors. The growth forecasts for the German economy (GDP) were increased once again, this time from 2.1% to 2.5%. In the meantime, these positive developments meant that we were able to achieve a growth of 3.7%.

Demand noticeably increased, as did prices

This year, which saw the strongest economic growth since reunification, also had an impact on the steel trade. Industrial companies, primarily in machine construction, the automotive industry and trade and services, reported positive results. The demand for steel increased and progressively provided our members with satisfactory to good business figures. By the end of the year, there was almost unanimous satisfaction with the annual results.

The value-based turnover in the "Union Stahl-Handel" was strongly supported by the upturn in our member companies. It achieved a turnover of 616 million euros, representing an increase of 174 million euros (+39%). A significant portion of this (8%) was made up by new member companies, which became affiliated with us in 2010. We also expect to gain further member companies in 2011. The services offered by the "Union Stahl-Handel" have built up a good reputation within the steel trade industry.

Ten new members brought further sales growth

Prices were considerably higher than those in 2009. However, the volatility of steel prices has become a constant and in 2010 it posed a considerable risk, particularly for products produced from scrap metal. The fluctuating prices lay between 450 euros and 600 euros/tonne for structural steel/wide-flange beams, 100 euros and 250 euros/tonne for bar steel from Italy, 150 euros and 350 euros/tonne for reinforcing steel and between 230 euros and 440 euros/tonne for reinforcement steel mats.

The prices for flat products and tubes have increased continuously since the beginning of the year and reached a peak in the middle of the year. These price fluctuations could also increase in future, as the three largest iron ore providers have set new conditions: quarterly contracts instead of annual contracts.

Chinese economy untouched

This development in 2010 would not have been possible without the Asian economy, primarily that of China, which remained untouched. Global crude steel production regained lost ground after a decline of 97.8 million tonnes (-7.4%) in 2009 and achieved the highest level of production of all time in 2010 with 1.414 billion tonnes (+15%). In 2010, China once again achieved a new production record with 627 million tonnes (+9.2%). Within a period of ten years, production in China increased from 151 million tonnes to 627 million tonnes (+315%).

Outlook for 2011

We expect that China will remain the dominant driver of the industry in 2011 and that there will be a further high demand for steel. Raw material prices, particularly for ore and coke, will even out at a high level and remain subject to fluctuation. However, these fluctuations will not be as dramatic as those that we expect to see for scrap metal. Unlike ore and coke, scrap metal remains a spot market product with possible and even significant monthly fluctuations. This will also continue to influence the long-term product prices in Europe.

Germany's domestic economy should continue to grow, and the sectors which are less dependent on exports should recover. The global economy will also grow, and this growth will be driven by Asia and Brazil in particular. All in all, we are looking forward to a positive year. We are optimistic that these conditions will ensure successful business developments. In the Union Stahl-Handel, we therefore expect an increase in turnover of approximately 5.6% to around 651 million euros.



Steel—a desirable commodity

Surprisingly positive market

PVH business division housing technology

Development of sales (in million euros)

2006	2007	2008	2009	2010	Plan 2011
657	614	651	800	916	957

The wholesale trade in sanitary and heating equipment achieved positive sales results in contrast to original expectations. The forecasts for 2010 predicted a stagnation at best but held that a slight decrease between 2% and 5% was most likely. Growth of approximately 3% was achieved in the market.

The weather situation at the beginning of the year gave the sector a poor start. However, the market gradually improved each month in the second quarter.

In 2010, the sanitary sector achieved considerably better results than the heating sector. The noticeable livening up of sanitary equipment exhibitions contributed to a growth of approximately 4.8%. The heating sector only achieved slightly higher results than the previous year (+0.7%). The main reason for this was the decline of regenerative product lines such as solar thermal energy, heat pumps and biomass heat generators.

Noticeable livening up of sanitary equipment exhibitions

WUPPER-RING

Development of sales (in million euros)

2006	2007	2008	2009	2010	Plan 2011
406	376	386	344	363	376

The German sanitary and heating wholesale trade sector ended 2010 with a 3% year-on-year increase in turnover. The sanitary sector therefore performed significantly better with its outside-the-wall products than the heating sector, with 4.8% and 0.7% respectively. As a result of the prolonged winter, WUPPER-RING was unable to match its previous year's sales in January and February 2010. The situation continued to improve

Potential for market growth—WUPPER-RING above target

Improved competitive situation through innovative ideas for members

throughout the course of the year. Our member companies' participation in sanitary exhibitions noticeably increased. As a result, we were able to maintain our market position with a turnover growth of 6.2% in the sanitary sector and 3.6% in the heating sector. WUPPER-RING therefore significantly surpassed expectations.

In 2010, we also provided our members with innovative ideas. These ideas contributed to improving the competitive market position of our members. The overall strategy established a connection between the active marketing of trademarks and the distinct shift towards the brand products of the industry.

Therefore, some elements of the Uplus concept were revised in the business year 2010. However, the proven and successful main focus of the concept remained consistent. This concept was supplemented with different buying campaigns, in which large orders for fittings, ceramics, recirculation pumps and heating fixtures were transferred centrally from Wuppertal to the manufacturer.

In addition to both product areas, the third pillar of the strategy is the rigorous promotion of sales as well as the services that WUPPER-RING provides to its members.

Therefore, we at WUPPER-RING have created a completely new advertising programme covering all products and all activities involving the trademark products, which offers the customers of our traders a high recognition value. Newspaper inserts were designed and more than 5.3 million copies were distributed to our members. The main aim is to increase the number of visitors to the exhibitions and thus gain new customers. Through this programme, we have established contact with approximately 13 million customers and increased awareness of our WUPPER-RING traders and the products offered by the participating suppliers.



Fittings: elegant design and successful sales concepts

In order to simultaneously offer our employees further training in exhibition sales, we at WUPPER-RING have started Promis®. This is a comprehensive training concept, developed exclusively for WUPPER-RING member companies. Lessons, on-site training measures, exhibition checks and a review of the services by a so-called mystery shopper are several of the key elements of Promis®.

At the beginning of the year, we at WUPPER-RING launched our new FORMAT acrylic bathtub product line. In order to achieve our ambitious sales targets, we began a widespread marketing campaign. New brochure material, advertisements in professional journals, a competition and a customer mailing system centrally developed by WUPPER-RING for members with a high response rate are just a few examples that have increased the popularity of the FORMAT brand and have had a sustainable influence on demand. As regards heating and installation, WUPPER-RING has successfully put the company and its performance under the spotlight through a concentrated sales campaign for safety valves that is aimed at customers purchasing products in a two-step process or via mail order.

WUPPER-RING successful with
FORMAT bathtubs

At the "total" industry meeting in Leipzig, we presented the new FORMAT fittings—Sinus 35 and Delta 35. At the start of production in 2011, we therefore wanted to place fresh emphasis on the fittings market. Similarly, at the "total" industry meeting, we presented the new FORMAT Intro, a glass shower in the top market segment with unique trademark features.

Within the heating sector, we launched our new FORUM heated towel rack at the beginning of 2010. 40% additional sales on the already excellent sales figures from the previous model show that this was the right decision.

We also launched a sales concept as a "100% offensive" for shower enclosures and this proved to be a resounding success. The pilot customer sales increased significantly in this segment.

As a result of the great success of the housing technology traders, we increased our data management personnel significantly. The new employees are all insiders from the sanitation, heating and air-conditioning sector who are familiar with our products and the conditions of our industry.

Stock levels in data management are
constantly growing

The daily availability of systematically updated electronic information has become indispensable for all trading processes. For this reason, our new online data service was very well received by our traders in 2010. With approximately two million master data files and several hundred thousand related purchase conditions, this database contains a wealth of information which is readily accessible online.

Revised compact price list to be published in 2011

The compact price list was adapted to current requirements by the members of WUPPER-RING and will be published in the reworked version in 2011.

Outlook for 2011

In 2011, we will place an order for the new FORMAT ceramics and thus update the latest trademark product line.

We will intensify concentrated purchases. We will also increase marketing for water treatment and shower drainage channels, republish the FORMAT bath brochure in spring, present our autumn journal with the brand products at the industry meeting, and continue our newspaper insert marketing strategy.

In 2011, we will work on concepts to rival our two-stage competitors, and we have defined further areas of growth for fittings, showers and bathtubs.

In addition to Promis[®], we will launch our collective trademark, which should also help to sustainably increase the number of visitors to our exhibitions. This concept will be designed and implemented in collaboration with the participating traders.

We expect a positive development of sales in 2011 and predict 3.7% growth to a total of 376 million euros in WUPPER-RING.



Insulation: innovative products and suppliers

Cooperation partners VGH and mah

Development of sales (in million euros)

	2006	2007	2008	2009	2010	Plan 2011
VGH	251	238	265	296	347	360
mah	–	–	–	160	206	220

Our cooperation with the trading groups VGH and mah is reliable and successful. In addition to central processing including del credere, E/D/E also provides services in the areas of IT/organisation, e-business, data management and project-related marketing.

Opportunities are also emerging in other E/D/E specialist areas for additional collaborative activities. This particularly applies to the specialist areas of tools, company equipment and occupational safety.

The turnover of VGH, which is centrally controlled by E/D/E, increased by 17.1% whilst the increase in mah E/D/E turnover in the second year of cooperation came to 29.2%. Both results are significantly above the target values. Further growth is expected for 2011.

VGH increases turnover by 17.1%, mah by 29.2%

Outlook for 2011 for the business division housing technology

Given the positive employment situation for manual skills in the renovation market and the increasing number of planning approvals for housing construction, the market should also develop positively in 2011. In general, growth of between 4% and 6% is expected.

Further members from both Germany and the rest of Europe are expected, particularly for the cooperation partners VGH and mah.

The tentative plans for 2011 forecast E/D/E growth of 4.5% throughout the entire housing technology sector to a total of 957 million euros.

The start of the new year has been more successful than expected. The target values for the first quarter were significantly surpassed by WUPPER-RING, VGH and mah. There is therefore a good chance that the housing technology sector in E/D/E will come very close to achieving the 1 billion euro milestone in 2011.

Target values for WUPPER-RING, VGH and mah exceeded in the first quarter



More than 1,000 PVH members

Membership development/systems business division

21 new specialist wholesale traders in E/D/E

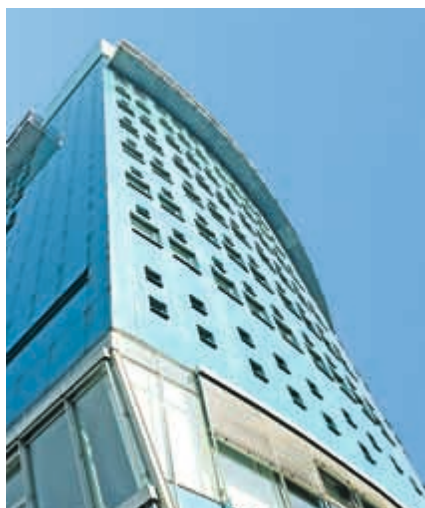
In the economically successful year 2010, new specialist wholesale traders were gained for cooperation with E/D/E. All in all, 21 PVH companies (specialist wholesale traders) became affiliated with E/D/E—ten of these are based in Europe. The new members' product lines predominately focus on the areas of steel, housing technology, occupational safety, tools and components.

The largest increase in turnover was generated by new traders in the Union Stahl-Handel and new members of the housing technology cooperations mah and VGH. The volume of sales achieved by the 21 new members amounted to approximately 120 million euros in total, of which a good 30 million euros of sales potential was generated by new foreign member companies. The average E/D/E sales volume of the new members is approximately 6 million euros per year.

Within the reporting period, a PVH lost 11 member companies with a total sales volume of 21 million euros. The main reasons for the loss of members included the sale of companies and, as seen in the past, profitability and financial problems as well as the closure of businesses due to the absence of successors.

In all, the positive trend of the past year has continued: the number of members within the PVH sector has increased from 994 to 1,004 and has thus exceeded the benchmark of 1,000 PVH member companies.

In retail (ZEUS), the structural market adjustment has continued. As a result, we have seen another decrease of 16 traders in this area. As seen in the past, the reasons for the loss of members are primarily succession and profitability problems. The number of retail members has decreased accordingly from 392 to 376.



Increased number of E/D/E members

PVH sales systems

In addition to the very positive development of sales (+10%), 2010 was also characterised by a growing interest of member companies from the building hardware sector in PVH sales systems. Experience of the purchasing behaviour of individual target groups, particularly in relation to tools, occupational safety and fastening technology, as well as the new catalogue in the HANDWERKSTADT system, have opened additional sales opportunities to member companies.

Number according to sales type

	2009	2010	Plan 2011
HANDWERKSTADT	64	68	73
PLUS 1	45	46	50
PROFI specialist market	67	70	72
Number of system partners	176	184	195

HANDWERKSTADT

2010 was an important year for HANDWERKSTADT: the sales concept celebrated its tenth anniversary. This occasion was used as an opportunity to promote sales using many different strategies, and a total of 14 brochure campaigns were implemented. Important contractual suppliers supported HANDWERKSTADT partners with exclusive special promotions between April and October.

HANDWERKSTADT celebrates tenth anniversary

The expert catalogue republished in the anniversary year, which comprised 1,400 pages and more than 27,000 items, was a further important stimulus, primarily in connection with the new eLC central warehouse. An informative event took place for the very first time alongside the introduction of the catalogue. The aim was to present the features of the new catalogue to over 80 sales employees, point out market innovations within the product lines and demonstrate how to use the catalogue as an advertising tool in a targeted manner. 42,500 catalogues were distributed.

It was therefore logical that the member companies took advantage of the good order situation in the skilled trades and achieved growth of 11% within the hand and measurement tools product area and a 16% increase in sales in the occupational safety segment. Particularly impressive success was also achieved with the FORUM trademark. Growth of 23% was attained with these product lines—twice as high as the growth rates of other product lines. The power tools segment also saw a disproportionate increase of 9% in comparison to the previous year.

FORUM trademark achieves notable success

The highlight of the anniversary activities was a group trip to Rome, which was used as an opportunity to intensify dialogue between members and contractual suppliers. Following these discussions, further objectives for the successful development of the HANDWERKSTADT sales system were established at regional conferences in spring 2011. We expect that between four and six members will adopt the concept in 2011.

Synergies expanded within the sales systems

PLUS 1

The business year 2010 was used as an opportunity to further expand synergies within the sales systems. In particular, the focus was on the concentration of suppliers, targeted marketing strategies and the expansion of central warehouse activities.

The selection of new contractual suppliers within the areas of company equipment, measurement tools and welding technology has already had a positive effect with regard to the new specialist catalogue which was published at the beginning of 2011. The popularity of the FORTIS trademark for occupational safety and tools remains undiminished. Both product segments have posted total growth of 11% with this trademark. The catalogue contains 15,000 products and 900 pages, and a total of 16,000 copies were published.

The group was therefore able to considerably enhance its profile and increase its appeal to commercial customer target groups.

The objective for 2011 is to increase the number of partners of the PLUS 1 sales system to at least 50 member companies and gain additional market shares with new, extensive advertising activities.

PROFI specialist market

Dynamic development with 13% growth in turnover

The PROFI specialist market sales system is based on the requirements of the building supplies customer target group in the product segments tools, occupational safety and fastening technology. After a rather slow start for the construction industry in the past business year, impressive dynamic development was seen from March onwards. In all, the PROFI specialist markets achieved +13% growth in sales.

In 2010 the focus was on the optimisation of the collected product lines on site in relation to the requirements of the respective groups for, e.g., the building trade, gardening and landscaping, dry construction and roofing. The result of this optimisation

can be seen in the strong concentration on E/D/E warehouse product lines and changed product lines in the collection sites of the PROFI specialist markets. The great willingness to invest in improved exhibition and sales areas on site also remained consistent, meaning that further growth potential is also expected for 2011.

In cooperation with E/D/E specialists from the area of tile-laying tools, a new product line for PROFI specialist markets was presented at the end of 2010. The entire tile-laying tools product line consisting of 275 items can be obtained from the E/D/E central warehouse and will help to win over this important customer target group in 2011.

New product line
of tile-laying tools

These additional measures will also be supported by the new revised edition of the PROFI specialist market catalogue with extended product lines in 2011. The catalogue will contain 13,000 products and 700 pages, and a total of 15,000 copies will be published. The future expectations concerning this sales system are also very positive.

Significant recovery of industrial companies

Material management and industry service

After the economic and financial crisis in 2009, industrial companies made an impressive recovery in spring 2010. For those responsible for industrial purchases, a secure supply and further qualified advantages were the top priorities. The latter increasingly includes the issue of payment targets for the placing of orders and calls for tender.

Supply security and
conditional advantages in focus

Analyses of catalogue product lines were in demand

In recent years, electronic procurement systems (e-procurement) have primarily focused on the potential offered by streamlining processes. In 2010, there was an increased demand for control systems for, e.g., analyses of catalogue product lines. With eproc III, the procurement solution supported by E/D/E, changing requirements can be met without limitation.

Further success within the BPO (Business Process Outsourcing) area, in which all C-parts and MRO items are the responsibility of the suppliers, was achieved in machine construction and food industry projects. E/D/E services have contributed to successful projects and a considerable increase in sales for many participating member companies.



Optimised logistics for industrial customers

The trend towards optimisation of company-internal logistics processes and material flows was also adopted by E/D/E in the last business year in seven large-scale industrial customer projects. Eight product dispensing machines—so-called Electronic Tool Terminals (ETT)—were created. The E/D/E members benefit from significant sales increases and stable supplier relations with the industrial customers who successfully use these ETT systems. With the founding of an ETT competence group of member companies from the tools, occupational safety and technical trade areas, E/D/E will further promote this development to ensure that sales increases can also be expected through the increased use of ETT systems in the coming years.

The trend among medium-sized companies of using regional providers or specialists for their supply of industrial materials also continued in 2010. E/D/E responded to this development by founding the 13th regional cooperation group of various specialist wholesale traders. This cooperation has posted successful sales results, which suggests that a consistently positive development can be expected in 2011.

Further internationalisation, ZEDEV AG successfully founded

Europe business division

Development of sales (in million euros)

Development of sales (in million euros)

2006	2007	2008	2009	2010	Plan 2011
417	490	516	458	518	544

In line with our strategy of adapting successful concepts to local market conditions and developing customised growth concepts together with our local partners, we were able to take a further important step towards the internationalisation of E/D/E in 2010. As we consider proximity to the market to be a decisive factor for success, our long-term goal is to establish a local presence through the foundation of subsidiary companies and the further expansion of the E/D/E representative network on site.

Important step for the
internationalisation of E/D/E

ZEDEV Einkauf und Service AG in Switzerland was the first foreign subsidiary company to begin its business operations, and additional subsidiaries are set to follow. ZEDEV Einkauf und Service AG, a joint venture with our long-term Swiss cooperation partner ZEEV, began supplying Swiss traders with a marketable product line of approximately 15,000 warehouse items as planned in August 2010 and has enjoyed steadily increasing acceptance on the Swiss market.

Throughout Europe, intensified cooperation with our existing members and cooperation partners and the acquisition of new members has led to a turnover of 518 million euros. The brand has thus been able to achieve a turnover exceeding 500 million euros for the second time.

The total growth in sales of 13.1% includes over 8% growth posted by our direct members. The volume of business with rapidly expanding cooperations such as the VGH (Vereinigung von Großhändlern für Haustechnik, Marketing und Vertrieb GmbH) has increased sales by more than 30%.



E/D/E in Europe: concepts for local markets

**Pleasing business developments
in our top-priority countries**

Even though the economic development varies from country to country, we have been able to increase our turnover in all European markets. The only exception to this is Hungary, where the volume of sales remains low.

Business development was particularly encouraging in our top-priority countries. Contrary to the market trend, we have been able to achieve our turnover targets with direct members, even those in difficult economic situations, e.g. Spain (+47%). In Poland this figure was +34%, in Italy +32% and in France +31%.

In Europe, a total of 36 new PVH members indirectly joined E/D/E in 2010. Ten of the new members were from the Menouquin Group (Belgium), nine from our new Italian cooperative partner Griffer, four from Ferney (Holland) and two from VGH. Important new direct members were also gained in countries such as Austria, Belgium, Slovakia and Spain.

There have been no membership losses to report this year. This indicates that our efforts to support our members among the dealers have been successful and represent a clear added value.

In an effort to expand further E/D/E product areas in individual countries in addition to the traditionally strong tools area, we started with the company equipment market in France. In the first year, we successfully established a network of 25 French traders and provided them with their own catalogue. Similarly, a separate company equipment catalogue was published for the Benelux countries. A separate catalogue was published for the occupational safety segment in Italy, and this area was integrated into the tool catalogue in France.

**Catalogues helped the FORMAT trademark
achieve increased sales**

By publishing catalogues in the respective languages and ensuring adequate marketing support in the relevant countries, our FORMAT trademark achieved continuous sales increases. In 2010, the turnover of the FORMAT trademark increased by almost 17%. Since the beginning of 2011, FORMAT partners have been established in the Baltic countries for the very first time. We successfully introduced our second trademark FORUM on the Swiss market. In the course of the coming months, a further 21 tool trading subsidiaries will convert to FORUM.

Many European countries are finding it difficult to cope with the crisis. We should therefore not talk of one single European economy but rather two or even three economies. Germany and Finland are the dominant drivers of growth, whilst Great Britain, France, Italy and the Benelux countries are lagging a considerable distance behind. According to the rating agency Standard & Poor's, it is even likely that Greece, Ireland, Spain and Portugal will slip into recession.

Whilst the German economy grew by 3.6% in 2010 and therefore compensated for almost four fifths of the slump due to the recession in 2009, the euro zone achieved a total growth of just 1.7% according to the European Commission. Without the contribution from Germany, this value would have been just under 1%.

"Markit-Institut" estimates that the German economy will grow by between 2.5% and 3% in 2011. In 2011, it is therefore likely that Germany will grow almost twice as fast as the euro zone, which will grow by approximately 1.5%.

The German economy is expected to grow by 2.5% to 3%

Outlook for 2011

In the next few months, the Europe business division will be organisationally and legally outsourced to an independent company (100% subsidiary of E/D/H GmbH). The aim of this international company is the coordination and control of all business activities outside of Germany. Further subsidiary companies abroad are in the planning stage.

Ulrich Herrmann, Managing Partner
Julius Friedr. Krönlein Stahlhandel GmbH & Co. KG, Schweinfurt

“E/D/E has a unique corporate culture which is distinct from those of other associate groups. The managers speak on the same level as their members and suppliers. The spirit of a medium-sized and family-run company is present on all levels of E/D/E.”



Professional concepts and new strategies

Business division for marketing and services

A manifold range of services for members

We support our members in their communication activities with the help of our specialist team and a wide range of diverse services. All the requirements for efficient marketing measures are planned and carried out using the appropriate mechanisms and activities. The internal marketing and communication tasks of E/D/E are also developed within the marketing business division. In the reporting year, the tasks were primarily in the areas of PVH advertising, catalogues and production, marketing services and member training.

The business year 2010 was shaped by a variety of different projects and tasks. Our team's workload was significantly higher than that of previous years.

PVH advertising

During the reporting year, the PVH advertising team was responsible for all advertising measures of the housing technology business division. A wide range of individual measures was developed and implemented for WUPPER-RING. The "newspaper inserts" campaign received particular attention. Over 50 members took part in this campaign with six newspaper inserts each and a total circulation of over 5 million copies in their regional daily newspapers. The circulation of individual members' inserts was 15,000 on average.

Comprehensive support for cooperation partner mah

We provided our cooperation partner "mah" with advice and support for different marketing tasks. The focus was on constant support with advertising material for the mah trademark "take". The range of "take" leaflets was increased by five new and eight revised editions to a total of 19 different leaflets.

The newly founded company PREMIUM Maschinen Handel GmbH was comprehensively supervised by the PVH advertising team. The main tasks included the design of the company logo including the business stationery, the development of a leaflet and communications line and the creation of a trademark.

Company logo developed for PREMIUM Maschinen Handel GmbH

For ZEDEV AG, which was founded by Swiss ZEEV and E/D/E, we developed a market profile and a range of information brochures which impressively demonstrated the high level of service offered by ZEDEV AG to members. The same applies to the first warehouse catalogue of ZEDEV AG with 15,000 items.

PVH catalogues and production team

During the reporting year, this team developed 70 different catalogue projects with a total of over 51,000 catalogue pages for the E/D/E expert groups, EBH AG, individual members and cooperation partners. A total of 43 catalogues with 30,000 pages were produced. A further 24 catalogue projects were started during the reporting year and will be finished in 2011.

70 different catalogue projects with over 51,000 pages

Eight catalogues were developed for our European partners and translated into the respective languages including Dutch, French and Italian. Seven of these were also produced in 2010. There were approximately one million printed copies of all catalogues.

At the beginning of 2010, this team was significantly restructured. The editors of the catalogues which had so far been allocated to the respective specialist areas were integrated into the catalogue team. The main aims were to ensure punctual publication of the catalogues, prevent communication breakdowns and noticeably improve the conceptual quality. After just a few months, this organisational adjustment proved to be successful.



Catalogues for European partners

Support of five ERFA groups with two meetings per year

Active junior group

Marketing services and member training team

This team deals with a range of different tasks and issues. In addition to the planning and supervision of trade fairs and events, this team plans and organises all seminars and ERFA groups and concludes basic agreements.

During the reporting year, we supervised five different ERFA groups holding two annual meetings. These groups essentially consist of ten to 12 member companies, which discuss and compare their business results and processes during the events. Learning from one's colleagues and mutual constructive criticism are therefore a key focus.

In order to allow the young entrepreneurs from member companies to kick-start their management careers, the E/D/E junior group was founded many years ago. Between 30 and 40 participants meet up at the junior meetings, which are held four times a year. These events primarily focus on qualification and further training. There are currently just under 50 future managers who have joined the juniors.

All of the trade fairs and events in which the E/D/E or individual member and expert groups take part as exhibitors are also organised, planned and accompanied by this team. The "total" industry meeting is an important event that is held every two years and took place for the tenth time in 2010 as the "anniversary industry meeting". The Leipzig exhibition grounds have been the venue for the "total" industry meeting since 2006. With more than 450 contractual suppliers and 350 member companies from the areas of tools, company equipment, building equipment and building fittings as well as building elements, housing technology, tools, occupational safety and technical trade, the number of participants at the anniversary industry meeting in 2010 reached a record level. It is therefore the largest communication platform within the production trade. More than 2,000 experts from the executive and commercial levels carried out more than 20,000 talks over two days—more than ever before.



"Total" industry meeting 2010 in Leipzig

Outlook for 2011

Many different projects are planned for 2011. In addition to the active support of advertising measures for housing technology and the cooperation partner mah, the main tasks of the PVH advertising team will be the support of the individual projects for expert groups and individual members.

The catalogue team is planning 62 new catalogue editions for different areas. In addition to E/D/E members, the customers also include different cooperation partners. This means that approximately 40,000 catalogue pages will be designed and more than one million copies will be printed. This also includes the PREMIUM tool catalogue and the tool catalogue for the UNION tool trade as well as a new precision tools catalogue for the corresponding expert groups.

62 new catalogues planned for members and cooperation partners

The marketing services team will supervise the Hardware 2010 trade fair in Lucerne, the "spezial" industry meeting in Nuremberg, the BAU 2010 in Munich, the A&A in Düsseldorf and the Holz Branchentag and ZEUS trade fairs, both in Cologne.

Enhanced consultation service for members

Finances business division

Members rebounded robustly from the economic downturn

The majority of our member companies rebounded very robustly from the dramatic economic downturn in 2009 and increased their turnover and earnings in 2010 to an extent that surprised us as well. However, although we can be very pleased with these results, it must not be overlooked that the economic performance in several sectors did not match the levels attained in 2008. It cannot yet be predicted whether all of our members can achieve a sustainable upturn. It can only be said that our member companies are doing everything in their capacity to emerge strengthened from the crisis.

The significant increase in sales, which was primarily seen at the end of the first quarter of 2010, could have raised fears that the resulting additional commitments in terms of inventories and receivables would put a great strain on liquidity, which had already been constrained by the crisis. With very few exceptions, our member companies were well prepared for this and were able to meet the demands without any major difficulties. Because rather moderate economic development is currently forecast for 2011, we assume that there will be no serious liquidity problems for our members due to the good results achieved in the business year of 2010.

Limitation of the lending quotas of our member companies' banks also represented a further risk in 2010. This would have been the result of poor balance sheet ratios and ratings. However, we merely saw a slight reluctance to enter into new commitments and extensions, and in most cases the banks reacted fairly to existing bank credit commitments in spite of rating reductions of one or two levels. This was supported by the significantly higher turnover and profits at the end of the first quarter and the resulting forecasts for the entire year of 2010.



E/D/E members: well-prepared

It has also been encouraging to see that pricing pressure has decreased to date. Without the volatile prices of energy and food, the inflation rate in Germany is also below 1%. Therefore, only a few central banks have raised their interest rates so far. Our members were also able to keep interest costs for loan capital at a very low level in 2010. Although there are currently no huge increases in interest rates, we strongly recommend taking measures to hedge long-term interest rates for high short-term loan capital in order to secure these low interest rates to the greatest extent possible over the coming years.

Low interest rates

As in previous years, we will be happy to complement our members' own banks in providing help and advice on specific financial problems in 2011. In the near future, we will place particular emphasis on age-related takeovers of companies, an area where we have already been working extensively in recent years.

The introduction of the E/D/E intercompany comparison was also a key focus in the finances and current accounts business area in 2010. As a supplement to the member ratings, the newly developed reporting and statistics module was completed in the first quarter of 2010 and the reports were issued to a number of companies during the very first phase. In total, more than 110 members participate in the clearly presented comparison of their key business figures with the anonymous values of comparable trading companies from the E/D/E member group. Further companies are added for every newly defined sector for intercompany comparisons.

Successful introduction of the E/D/E intercompany comparison

New intercompany comparison is a unique selling point within the industry

The guaranteed comparability of the grouped companies is one of the greatest advantages of the E/D/E intercompany comparison, as the well-known comparison products often have substantial problems achieving this. Our knowledge is based on the member ratings, in which the main product line features are used to allocate a trader to a comparison sector and recorded in detail. This allows us to carry out a particularly accurate classification of the comparison groups. The standard search and recording of data by our trained personnel also increases the validity and underlines the high level of quality offered by our intercompany comparison. The newly introduced intercompany comparison is a unique selling point within the industry.

380 rating participants receive redesigned rating report

Significant innovations also emerged from the member ratings in 2010, for which we were able to gain 50 new trading companies. This means that we now have an impressive total of 380 companies. These companies received a newly designed rating report, which was adapted to the modern layout of the intercompany comparison report and supplemented with further important credit information. Furthermore, the calculation algorithms for the determination of the rating results were adjusted on the basis of new knowledge regarding the development of the credit ratings of trading companies.

Liquidity advantages for rating participants

As in 2009, the year of the economic crisis, liquidity was also a key focus of our consultation services in 2010. However, the reasons for this emphasis were now more positive: the rapid recovery of the economy has brought some of our member companies substantial sales growth with corresponding liquidity effects on their volume of receivables and stock levels. The participants in our member ratings therefore also benefit from the liquidity advantages offered by E/D/E.

In 2010, E/D/E also demonstrated that it can provide a package of largely free, economical services for its members—a combination of an intercompany comparison, member ratings and consultation services that has not been offered by any other industrial wholesale distribution provider so far.

The ZR-Online project, a portal for ensuring an optimally efficient accounting system, is in its final stages. In a first step, our members were provided with the data of the open items list and the daily journal via the extranet in March 2007. From April 2008, they were able to actively use our system as an accounting system. Data security was enhanced through a precisely defined approval of user rights. They were also able to send back notifications and complaint reports. From January 2009 onwards, we were able to stop sending our daily journals in paper form.

Finishing touches to the
accounting portal ZR-Online

As the majority of our member companies were already making full use of ZR-Online during the steadily increasing growth in 2010, we stopped producing all printed paper open item lists and paper booking notifications. We are thus helping to conserve our natural resources.



Further training of employees

Personnel business division

Personnel qualitatively and quantitatively developed

With a view to its strategic objectives, E/D/E developed its personnel qualitatively and quantitatively. At the end of the business year, E/D/E had 769 employees. 40 of these were trainees or students at a vocational academy.

In 2010, we particularly shifted the focus onto finding further qualified employees. The personnel business division of E/D/E received roughly 2,700 applications in total in the last business year.

58 former temporary workers receive permanent contracts

The new admissions in 2010 included 58 employees who were previously employed as temporary workers in the company. The company management was impressed by the excellent performance of these employees, and by offering them fixed employment contracts it showed that it wished to continue working with these employees in future. The new admissions in 2010 included 15 new trainees and students from vocational academies who have launched their professional careers with E/D/E.

Our induction process for new members is based on a process developed by the personnel business division. This includes the induction steps which are necessary for getting to know the E/D/E partners, processes and colleagues. This process standardises the steps which are the same for all new employees. However, the developed processes leave enough room for individual adjustments to the particularities of the respective specialist area. During the induction period we offer internal introductory training in the areas of E/D/E organisational knowledge, occupational safety and health protection as well as IT.

We certified our personnel search procedures several years ago. We use the annual re-certification process to analyse and optimise these processes. Our primary objective in the search for personnel is to quickly find and successfully acquire suitable employees for E/D/E.

Between January and December 2010, a large number of our employees took part in internal and external training programmes. Several employees successfully completed work-study programmes.

During business year 2010, the personnel business division supported the logistics department after the implementation of the new logistics structure. For example, it conducted a comprehensive training and qualification programme for logistics employees at all levels.

Comprehensive training programme for logistics workers

In 2010, we once again presented E/D/E as a training company at events in E/D/E and at a number of schools in Wuppertal and the region. In addition to the personnel business division, the logistics department also took part in these events. Trainees and students from vocational academies are always included in these presentations to discuss their experiences and answer questions. During the reporting period, we received approximately 700 applications for our trainee positions and our scholarships at vocational academies.

To date, we have offered training for the vocational positions of trader in wholesale and foreign trade, trader for marketing communication, media designer and specialist (m/f) for warehouse logistics. Our students can undertake dual training in the fields of trade, the media and communications industry and information technology at the vocational academies of Eisenach, Gera and Ravensburg.

In keeping with our identity as a training company, in 2010 we accepted into our company three successful graduates who had completed the final examination. One of them became a trader in wholesale and foreign trade, the second a media designer and the third an IT specialist. We also employed four graduates with degrees in business and commerce. Due to their excellent performance, one of the traders in wholesale and foreign trade was able to sit the final examination four months early. The tasks and responsibilities of these young employees range from the product areas to control and project management in the SAP and the catalogue set.

Training successfully completed

New vocational training programmes and scholarships introduced

Outlook for 2011

In 2011, we are planning to recruit 13 trainees and seven students at different vocational academies who will complete dual training at E/D/E. In addition to our current apprenticeships, we will also start to train IT specialists (m/f) within the field of systems integration in 2011. Furthermore, as of 2011 we will offer one computer science scholarship for the degree of "Bachelor of Science" as well as one logistics scholarship for the degree of "Bachelor of Arts" at a vocational academy. This will enable us to meet E/D/E's constantly growing requirements for qualified young people within the areas of information technology and logistics.

In future, we will also encourage our employees to continue further training in order to constantly remain one step ahead of commercial and technical developments. In 2011, we will therefore completely restructure the internal further training opportunities for our employees. We are planning the internal development of employee skills, talent management for employees on the move up the career ladder and an executive development programme for both newly employed and experienced executives. The aim of these measures is to prepare the specialists and executives of tomorrow for the future.



E/D/E: development opportunities for employees

Versatile IT service provider of the E/D/E group

Organisation/IT business division

In 2010, the organisation/IT business division was shaped by expansion into the rest of Europe. ZEDEV was the first operating subsidiary to begin operations in Switzerland. All of the IT services for ZEDEV, from merchandise management to the connection with the external logistics partner, telecommunication and office infrastructure, are centrally designed, supervised and provided from Wuppertal.

ZEDEV integrated into processes and structures

In addition to pure technology, a particular challenge in this project was to permanently integrate the new subsidiary company ZEDEV into the existing processes and structures of E/D/E. This integration consistently focussed on providing excellent customer service and ensuring excellent quality in Switzerland and Germany.

With the successful start of ZEDEV, the organisation/IT division has positioned itself as a service provider within E/D/E and has laid the foundation for the planned development of further subsidiary companies.

The construction of the next subsidiary company "E/D/E International" in business year 2011 will be supported by the organisation/IT division.

In addition, more than 50 projects with an investment volume of more than 2 million euros are planned in E/D/E for 2011. The main focus of these projects is the increase of member satisfaction, operative quality and efficiency.

All of the projects will be coordinated and overlooked by the company-wide project management team.



IT for European partners

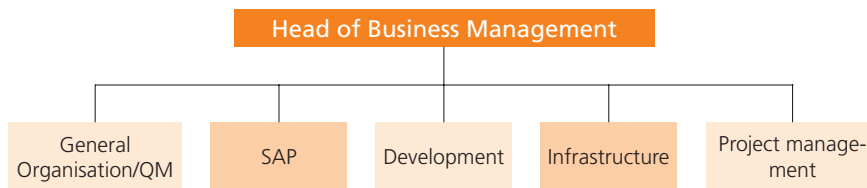
In 2010, an extensive modernisation of the server systems was also initiated. In the selection of the systems, particular attention was paid to the use of environmentally friendly and energy-saving techniques such as virtualisation and blade systems. All systems have been available for production operation since April. The new IT systems provide E/D/E with the necessary technical resources for its planned growth in the coming years.

Modernisation of the server systems

In business year 2011, the renewal of IT infrastructure will be continued through the company-wide switchover to Windows Server 2008, Windows 7 and Office 2010.

Furthermore, in 2010, the high quality of the internal E/D/E processes was confirmed by the independent certification company AGQS. This seal of approval was awarded to E/D/E for the 14th time in a row.

Excellent working processes and IT infrastructure form the basis of long-term company success. In order to optimally support the growth and success of E/D/E, the organisation/IT division has established a clear team structure.



In close coordination with the specialist areas, 39 experts work on the implementation of new business ideas and process improvements for our members on a daily basis. Through the close interlinking of quality management and process management, we are able to ensure that all changes meet the quality objectives of E/D/E.

Constant improvement of processes for members

Stable, fail-safe IT systems and applications and a cost-optimised handling of the primary IT processes are therefore a matter of course.

The further structural development of the organisation/IT division in coming years is embedded within the medium and long-term strategy of E/D/E, and the entire business area has a secure future.

Improved competitiveness through e-business solutions

E-business business division

Integrated e-business solutions were developed

Information and communication technologies can make a considerable contribution to the competitiveness of companies and thus to economic growth. The tendency towards higher-quality and integrated e-business solutions continued in 2010.

Within the area of e-commerce, over 150 members in the PVH industry already use the E/D/E multi-shop. The possibility of communication via a wide range of interfaces makes the E/D/E multi-shop a universal solution for almost every task. It gives customers direct and quick information on product lines, product features, prices and stocks.

Housing technology provides over 450,000 product master data

In addition to the advisory function and safeguarding of technical infrastructure, the provision of comprehensive product master data is the basis of a successful online shop. Therefore, in addition to product data for different catalogues for the E/D/E expert groups, EBH AG and the individual members, we also provide over 450,000 product master data within the housing technology sector.

Our partners introduced e-business solutions primarily in order to take advantage of new opportunities for competition with regard to finding and retaining customers. The improvement of business processes, reduction of company costs and increase of employee efficiency were also key focus areas.

This in turn increased the use of the electronic accounting service of E/D/E. Leading suppliers and members from the respective sectors agreed on close cooperation for a paperless exchange of accounting data. Suppliers and traders profit equally from this service, as printed invoices are no longer necessary. In the process data flow from the suppliers to the traders via E/D/E, the process data (Edifact) ensures that no further purchase invoices need to be manually recorded. Thanks to the electronic signature onto PDF invoices (for electronic archiving), no more paper invoices need to be manually processed.

In October 2010, the new E/D/E catalogue portal project was started within the e-business division. The E/D/E catalogue portal, in which all catalogues within our sector are retrievable online, should serve as an important source of information for our PVH partners.

Offering expert customer advice is only possible on the basis of extensive and current product information. The vast number of catalogues and brochures provided by suppliers makes it almost impossible for vendors to gather information quickly and in detail. The large quantity of information means that product searches used to be extremely time-consuming for customer advisers, as no comprehensive information system existed previously.

The E/D/E catalogue portal, which brings PDF versions of all catalogues and other sales documents together in an online system, was made available to our members at the beginning of 2011. It is clear and equipped with a number of search functions. In order to use the system, you simply need a computer with Internet access and a standard browser. This portal also supports new technologies such as the iPad. Suppliers can adjust their catalogues, leaflets or price lists in the E/D/E catalogue portal in order to make their sales documents available to the traders at all times.

**New catalogue portal as
an important source of information**



iPad as sales support

Restructuring of the new logistics centre is complete

Logistics business division

Warehouse expansion and restructuring completed

The main event for the logistics business division in 2010 was the completion of the integration of the standard warehouse and eLC—previously independent warehouse organisations—into the new electronic logistics centre. The transaction types and product areas that had not yet been integrated into the new eLC were incorporated and remaining external warehouses were dissolved. The large-scale warehouse expansion project with a total investment of approximately 40 million euros, as well as the restructuring associated with the project, were therefore concluded in 2010.

With the conclusion of the logistics project, over 80,000 items in the shipment structures collective order, general cargo and parcel shipment were provided with uniform and optimised processes with a shorter throughput time. The modern, fully electronic control of all processes now forms the basis of the expansion of the logistics services with improved overall service.



Improved E/D/E logistics processes

The merging of both original warehouse organisations from July 2010 onward was a particular challenge. In order to ensure an accurate supply to our members, the number of logistics employees was considerably increased. Flexible personnel requirements were covered through the employment of temporary workers. In addition to two-shift operations, a night shift was introduced for several months.

The challenge of the organisational merging of both warehouses was heightened by pleasing double-digit growth rates in the warehouse business. In autumn 2010, a further optimisation of the internal processes was initiated with the founding of eight project groups. Current processes, from orders received to orders delivered, own orders and incoming goods, were analysed and the potential to improve efficiency was assessed. The aim is to achieve more streamlined, error-free and efficient processes.

Efforts were made to achieve quicker and simpler processes for members in the warehouse business. These improvements were carried out in the first quarter of 2011.

Thanks to the merging of both warehouses, it is now possible for logistics to send up to 35,000 order items in over 5,000 packages and 500 pallets per day. This amounts to roughly 10,000 more items than before. For this purpose, there are now 22 new and 13 old outgoing goods ramps for HGVs. The shipment routes developed over many years have been adapted to the requirements of our members. Items which serve as stock provisions are supplied in a cheap collective order once a week to the warehouses of our members. Products that are needed more quickly are shipped via a general cargo or parcel service in less than 24 hours or on the same day. All items can optionally be sent to the end customer directly.

Combined warehouse deals with 10,000 more orders per day

With almost one million parcels sent in the last business year, parcel shipments were the driving force behind the double-digit growth rates in the warehouse business. This development shows that our decision to expand the logistics business at the Wuppertal premises and personally operate this centre was the right one. For our specialist traders, the quick, reliable and efficient provisioning and supply of products are decisive indicators of our performance. Shipment via a parcel service is the quickest and most economical shipment type and is increasing in significance. Through the establishment of completely paperless processes, from ordering to invoicing on purely electronic systems, the storage of complete product lines and the short-term procurement of storage items will form the basis for further growth in the new eLC.

One million packages in 2010

The use of the eLC by our European partners significantly increased once again last year after a slight decline in 2009. The E/D/E catalogues are helping our members to gain new market shares. Approximately 30% of shipments that leave the eLC are sent to countries in Europe. In subdivisions, supply takes place within 24 hours; elsewhere it is accomplished within 48 hours.

30% of eLC shipments go to European partners

Outlook for 2011

A further increase of daily operations is expected for 2011. Additional investments in employees and technology have been adopted and budgeted, in large part due to the results from the project groups. For members, a wide range of improvements in the warehouse business service are underway.

Joachim Stricker, Managing Partner of Stricker GmbH, Münster

“Our company has a very close partnership with E/D/E. This partnership is put into daily practice by both companies, the advisory board, expert groups, competence groups and the FAVORIT Group. Together we are stronger—that is our business style.”



Position maintained in the systems business

ZEUS

2.19 billion euros net turnover
in Germany and Austria

The 765 systems businesses of ZEUS Zentrale für Einkauf und Service GmbH & Co. KG, Soltau, followed on seamlessly from the record levels of the previous year in 2010 and achieved a net turnover of 2.19 billion euros in Germany and Austria. The hagebau stores primarily contributed to this positive development; however, the Werkmarkt stores and the Floraland garden specialist centres also recorded stable sales revenue.

In 2010, the hagebau stores increased their net sales revenue in Germany and Austria like-for-like by 0.2%. The 292 German establishments achieved a net turnover of 1.38 billion euros and the 44 Austrian hagebau stores' achieved turnover was 185 million euros.

The "baumarkt direkt" joint venture in Hamburg made a steadily increasing contribution to the yearly turnover of ZEUS. The hagebau and Werkmarkt stores have played an active role in the multi-channel sales of this venture since the middle of 2007 and spring 2009 respectively through catalogues and the online shop.

The expansion and modernisation of the store network also proved to be successful in 2010. During this process, 45 hagebau stores, Werkmarkt stores and Floraland garden specialist centres were modified or expanded with the help of the ZEUS headquarters and 64 hagebau stores in Germany and Austria constructed new departments for paints/interior decorating and wood. Furthermore, four new locations were opened in Germany: two new hagebau stores were opened in Ostrhauderfehn and Peißenberg and two new Werkmarkt stores were also opened in Bischofswiesen and Erding.

Outlook for 2011

This year, ZEUS expects an increase in turnover of approximately 2.5% in Germany and Austria—primarily due to new foreign partners but also the opening of new stores in Germany and the expansion and optimisation of existing stores. Three new hagebau stores, two new Werkmarkt stores and one new Floraland garden specialist centre will be opened in 2011. A further five garden centres will be converted to the Floraland concept in spring. Furthermore, four Werkmarkt stores will open with a new product line strategy and an optimised store design in 2011.



Positive development of Werkmarkt

Sustainable development and socially responsible operation

Corporate responsibility

During our 80-year company history, we have become an integral part of the economic, social and cultural identity of Wuppertal and the region. This has resulted in a sense of social responsibility, which is an important element of our company philosophy. Within E/D/E and the E/D/E foundation, we focus on a wide range of social commitments beyond our business field. In many of our projects we also focus on the promotion of long-term partnerships between the E/D/E and social institutions.

This tradition of giving back to the community stems from social motives and primarily seeks to support disadvantaged groups in our society. Special attention is paid to children and young people in difficult living situations. We support individual school and educational projects as well as activities within the social, charitable and humanitarian sector. E/D/E and the E/D/E foundation, which was founded in 2002 as a non-profit, independent institution by Dr. Eugen Trautwein, supported a range of carefully selected projects in Wuppertal in 2010. The E/D/E foundation is also actively involved in the area of education and further training.

For seven years, the E/D/E foundation has awarded grants to gifted and committed young professionals from the production-related trading companies. Through these grants, these young people should be in a position to enhance their knowledge and skills through specialist further training measures and to integrate these acquired specialist skills into the company. In cooperation with the ZHH Bildungswerk, the foundation funded ten grants for four study courses last year. The study courses to qualify as a technical marketing specialist for fittings or tools have been popular for many years. The foundation also financed the course to qualify as an occupational safety and industrial needs marketing specialist and as a consultant for external sales. In the past year, 40 new grant recipients were able to pursue their vocational training at the ZHH Bildungswerk.

Help for children and young people in desperate situations



Children learning at the junior uni

Nature and environment station celebrates opening

The E/D/E has a special long-term commitment to the support association Station Natur und Umwelt e. V. On the 75th company anniversary in 2006, we decided to establish this organisation with a sum of 1 million euros spread over several years. With these funds, the E/D/E helped the station with key financing of the operation, training and presentation rooms. After the start of construction work in May 2009, the official opening took place in June 2010. The station is the largest communal facility for environmental training and education in the Bergisches Land region. In the founding year 1984, there were a total of 500 visitors. Since then, a new record number of visitors has been achieved—in 2010 there were 26,000 visitors. The nature study area covers seven hectares in all. In addition, there is a neighbouring nature reserve area "Gelpetal" and the station building, where plants and animals can be experienced up close. The new operation, training and presentation rooms in the nature and environment station extend across an area of over 800 square metres.

The Zwergenland kindergarten on the E/D/E company grounds has a specially trained pony in order to offer horse-riding therapy to disabled children. E/D/E will pay the acquisition costs for the pony and the costs for food, veterinary treatment and shelter for the next three years.

E/D/E employees' present scheme for children in need

E/D/E members once again organised a Christmas present scheme, this time for two social organisations which care for children and young people in desperate situations: Kinder und Jugendnothilfe Wuppertal (emergency support network for children and young people in Wuppertal) and Evangelische Kinder-, Jugend- und Familienhilfe Wuppertal (Protestant support network for children, young people and families in Wuppertal). E/D/E employees purchased gift vouchers and sent the children Christmas presents.

The Wichlinghauser nursery offers children within the area a warm meal at lunchtime, help with homework and social support. Meals are prepared for up to 20 children every day. With the support of the E/D/E, a new kitchen which is compliant with the public health department standards was installed.

Through donations from the E/D/E, the "Baumhaus" kindergarten received a slide and an exploration tower for their children, as the current equipment was outdated and posed a safety risk for the 50 children. As a token of thanks for these donations, the children and supervisors at the kindergarten presented E/D/E with a hand-made present during their visit to our premises in March 2011.



Exploration at the nature and environment station

The children's nursery "Die kleinen Strolche e.V.", a multicultural parents' initiative, was able to buy new equipment for sporting activities in their exercise room using donations from E/D/E. Furthermore, around 20 children aged between three and six were able to improve their sense of rhythm thanks to an early musical education course.

New sports equipment for little rascals

The support association Schulmittagessen e.V. gives children at Wuppertal schools a lunchtime meal if their parents cannot afford it. E/D/E ensures that 50 schoolchildren at the Fritz-Harkort school receive a healthy lunch every schoolday for one year.

E/D/E also supports the "Soziale Hilfswerk Wuppertal-Langerfeld e.V.", which helps fellow citizens who are in difficult situations through no fault of their own.

For several years, the E/D/E has been supporting the "Wuppertaler Hilfe für Kinder von Tschernobyl e.V." This non-profit organisation provides recreational stays in Wuppertal, runs orphanages and schools and establishes workshops for young people who receive further extensive support through E/D/E donations.

E/D/E supports children in Chernobyl

In the "Palliativ Netzwerk Wuppertal", people from different professions have come together under the guiding principle "providing comfort when a cure is no longer possible". The E/D/E foundation provides donations for a 24-hour on-call service, the creation of patient folders for emergency use and the advanced training of doctors.

A permanent exhibition on Jewish history was opened in Wuppertal in April 2011. The E/D/E foundation supports this exhibition in the Wuppertal Old Synagogue community centre, which serves as a reminder of the Jewish community in Wuppertal and the region and aims to promote humanity and tolerance.

The communication centre for disabled and non-disabled persons "Die Färberei" required a new vehicle for its social work. E/D/E assumed the costs of the purchase of this vehicle.

The historic fairytale fountain at the Wuppertal zoo will soon be working once again. The E/D/E has made a significant contribution to ensure that this project will be achieved.

In the Wuppertal Von der Heydt Museum, internationally renowned exhibitions of works by Monet and Bonnard were organised. E/D/E funded both exhibitions and thus made an important contribution to this event.



Self-portraits of supported children



Einkaufsbüro Deutscher Eisenhändler GmbH,
Wuppertal

Consolidated financial statement as of 31st December 2010

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Note:

For computational reasons, rounding differences in the tables amounting to \pm one unit (euro, %) may occur.

Consolidated balance sheet as of 31st December 2010

Assets	2010 in k euros	2009 in k euros	Changes in %
A. FIXED ASSETS			
I. Intangible assets			
Concessions acquired against payment, industrial property and similar rights and assets as well as licenses for such rights and assets	4,230	3,563	18.7
	4,230	3,563	18.7
II. Tangible assets			
1. Properties, rights equivalent to real property and buildings, including buildings on third-party land	36,806	38,177	-3.6
2. Technical installations and machines	16,854	18,455	-8.7
3. Other installations, operating and business equipment	4,538	5,314	-14.6
4. Advance payments and installations under construction	1,062	0	100.0
	59,260	61,947	-4.3
III. Financial assets			
1. Shares in affiliated companies	87	95	-8.4
2. Shareholdings in associated companies	3,058	2,364	29.4
3. Shareholdings	97	100	-3.0
4. Non-current marketable securities	4	4	0.0
5. Other securities and loans	5,838	5,137	13.6
	9,084	7,700	18.0
	72,574	73,210	-0.9
B. LIQUID ASSETS			
I. Stocks			
1. Raw, auxiliary and working materials	451	451	0.0
2. Goods	31,001	28,086	10.4
3. Advance payments	592	341	73.6
	32,044	28,878	11.0
II. Receivables and other intangible assets			
1. Accounts receivable	346,081	278,906	24.1
2. Receivables from affiliated companies	20	14	42.9
3. Receivables from companies in which equity shares are held	197	165	19.4
4. Other assets	20,088	20,401	-1.5
	366,386	299,485	22.3
III. Securities			
1. Own shares	0	18,307	-100.0
2. Other securities	42,296	43,601	-3.0
	42,296	61,909	-31.7
IV. Cash assets, banking credit and cheques	117,859	99,280	18.7
	558,585	489,552	14.1
C. ACCRUALS AND DEFERRALS	513	450	14.0
BALANCE SHEET TOTAL	631,672	563,212	12.2

Consolidated balance sheet as of 31st December 2010

Liabilities	2010 in k euros	2009 in k euros	Changes in %
A. EQUITY			
I. Subscribed capital	26,000	26,000	0.0
./ Nominal amount of own shares	-5,200	0	-100.0
Issued capital	20,800	26,000	-20.0
II. Revenue reserves			
1. Reserves for own shares	0	18,307	-100.0
2a. Revenue reserves of the parent company	201,550	176,350	14.3
2b. Remaining reserves	7,925	6,844	15.8
III. Net earnings	1,950	2,084	-6.4
IV. Equity difference from currency conversion	248	0	100.0
V. Adjustment items for the shares of other partners	6,549	4,984	31.4
	239,021	234,570	1.9
B. PROVISIONS			
1. Provisions for pensions	13,238	13,121	0.9
2. Tax provisions	7,725	2,882	168.0
3. Other provisions	77,085	65,398	17.9
	98,047	81,401	20.4
C. LIABILITIES			
1. Amounts owed to credit institutions	26,906	15,450	74.1
2. Accounts payable	261,663	227,343	15.1
3. Amounts owed to affiliated companies	449	216	107.9
4. Amounts owed to companies in which equity shares are held	620	692	-10.4
5. Amounts owed to shareholders	1,393	1,274	9.3
6. Other liabilities	3,566	2,267	57.3
	294,595	247,242	19.2
D. ACCRUALS AND DEFERRALS	8	0	100.0
BALANCE SHEET TOTAL	631,672	563,212	12.2

Group profit and loss statement from 1st January 2010–31st December 2010

	2010 in k euros	2009 in k euros	Changes in %
1. Sales revenue	399,883	375,160	6.6
2. Internally produced and capitalised assets	450	1,239	-63.7
3. Other operating income	5,800	8,292	-30.1
4. Material expenses Expenses for auxiliary and working materials and related goods	284,316	268,490	5.9
5. Personnel expenses a) Wages and salaries b) Social security contributions and expenses for retirement pension and support	33,519 5,284	31,884 6,089	5.1 -13.2
6. Depreciation of the intangible assets included in fixed assets and tangible assets	6,442	5,199	23.9
7. Other operating expenses	47,712	44,038	8.3
8. Operating result	28,861	28,991	-0.4
9. Income from investments	12	10	20.0
10. Income from investments in associate companies	1,888	1,229	53.6
11. Income from securities and other long-term loan receivables	1	2	-50.0
12. Other interest and similar income	7,209	6,364	13.3
13. Depreciation of financial investments and securities included in liquid assets	18	291	-93.8
14. Interest and similar expenses	2,448	1,511	62.0
15. Financial result	6,644	5,803	14.5
16. Result from ordinary business activities	35,504	34,795	2.0
17. Extraordinary income	5	0	100.0
18. Extraordinary expenses	299	0	100.0
19. Extraordinary profit	-294	0	-100.0
20. Taxes on income and profit	11,797	9,128	29.2
21. Other taxes	267	27	888.9
22. Consolidated net income	23,146	25,639	-9.7
23. Outstanding profit attributable to other shareholders	115	304	-62.2
24. Consolidated profit after payment of other shareholders' profits	23,030	25,336	-9.1
25. Allocation to the retained earnings of the parent company	20,000	22,100	-9.5
26. Allocation to reserve from retained earnings of the group	1,081	1,151	-6.1
27. CONSOLIDATED NET PROFIT	1,950	2,084	-6.4

Group cash flow statement 2010

	2006 in mill. euros	2007 in mill. euros	2008 in mill. euros	2009 in mill. euros	2010 in mill. euros
Gross cash flow	23.2	31.3	31.8	30.6	29.3
Cash flow from ongoing business activities	25.0	-26.1	40.1	51.9	12.0
Cash flow from investments	-2.8	-7.6	-22.2	-17.7	-5.8
Cash flow from financing activities	-8.7	-5.4	15.8	-8.0	11.1
Change in funds due to payments	13.5	-39.1	33.7	26.2	17.3
Total funds at the beginning of the period	108.6	122.1	83.0	116.7	142.9
Total funds at the end of the period	122.1	83.0	116.7	142.9	160.2

Development of fixed assets

	01.01.2010	Additions*	Disposals*	Transfers	Depreciations accumulated	Book value 31.12.2010	Depreciations in 2010
	in k euros	in k euros	in k euros	in k euros	in k euros	in k euros	in k euros
I. Intangible assets							
Concessions acquired against payment, industrial property rights and similar rights and assets as well as licences for such rights and assets	14,733	1,798	0	0	12,300	4,230	1,130
	14,733	1,798	0	0	12,300	4,230	1,130
II. Tangible assets							
1. Properties and buildings, including buildings on third-party land	58,631	856	32	0	22,649	36,806	2,227
2. Technical installations and machines	18,982	203	224	0	2,107	16,854	1,580
3. Other installations, operating and business equipment	27,721	746	570	0	23,359	4,538	1,504
4. Advance payments and installations under construction	0	1,062	0	0	0	1,062	0
	105,334	2,867	826	0	48,115	59,260	5,311
III. Financial assets							
1. Shares in affiliated companies	113	0	0	0	25	87	8
2. Shareholdings in associated companies	2,364	693	0	0	0	3,058	0
3. Shareholdings	1,032	0	3	0	933	97	0
4. Non-current marketable securities	4	0	0	0	0	4	0
5. Other securities and loans	5,137	706	5	0	0	5,838	0
	8,650	1,399	8	0	958	9,084	8
	128,717	6,064	834	0	61,373	72,574	6,450

* Including changes in the consolidated group

Group accounting and consolidated group

1. Einkaufsbüro Deutscher Eisenhändler GmbH, which has its head office in Wuppertal, (hereinafter referred to as E/D/E) is obligated, as a large public limited company according to § 267 para. 3 and 4 of the German Commercial Code [HGB] and as a parent company according to §§ 290, 297 para. 1 clause 1 of the German Commercial Code, to prepare a consolidated financial statement and annual report for the past business year.
2. The business year is identical to the calendar year for E/D/E and all of the group companies. For the reporting year of 2010 ending on 31st December 2010, the consolidated financial statement was prepared according to the accounting standards of the German Commercial Code under consideration of the partial use of the annual results.
3. In accordance with Article 67 para. 8 clause 2 of the Introductory Law to Commercial Code [EGHGB], the possibility of not having to adapt the previous year's figures (which were compiled according to § 265 para. 2 clause 1 of the German Commercial Code) to the changed valuation methods was employed for the first application of the German Commercial Code as per the German Accounting Law Modernisation Act [BilMoG].
4. 15 companies were included in the consolidated financial statement. These companies are divided into 12 affiliated subsidiary companies and three associated companies, whereby the E/D/E Group is predominately shaped by the parent company Einkaufsbüro Deutscher Eisenhändler GmbH, Wuppertal. In addition, reference should be made to a further two companies that are of key importance for the consolidated financial statement.
5. The first of these is E/D/E Beteiligungsgesellschaft mbH & Co. KG Lager und Transport Wuppertal (LTW), which primarily deals with the warehouse and logistics business activities of E/D/E. E/D/E currently holds 68.3% of the limited shares, and the remaining corporate shares are held by the member companies. The second company is ZEUS Zentrale für Einkauf und Service GmbH & Co. KG, Soltau (ZEUS), in which E/D/E holds 35% of the shares. The business objective of ZEUS is to offer different retail services for the E/D/E member companies. These include purchasing and marketing support as well as the development of product line and operating type strategies. Co-partners include the EK/servicegroup eG, Bielefeld with a 15% share and hagebau Handelsgesellschaft für Baustoffe mbH & Co. KG, Soltau with a 50% share. The remaining consolidated companies are of secondary importance.
6. In the consolidation of affiliated companies, full consolidation is essentially applied according to the book value method as per § 301 para. 1 clause 2 no. 1 of the German Commercial Code. However, the integration of ZEUS and other associate companies is carried out "at equity".
7. In total, only negative goodwill resulted from the capital consolidation. As this is due to the reinvestment of profit and invariably takes the form of retained earnings, it will be accounted for as such.

8. Receivables and liabilities between the consolidated subsidiary companies are calculated within the scope of debt consolidation (§ 303 GCC), whereby no charges affect profit or loss. For the equity shares of the consolidated subsidiary companies that are not held by the parent company (6.549 million euros), the shares of other companies will be accounted for as one deferred item according to § 307 para. 1 of the German Commercial Code.
9. Profits and expenses will be settled between the consolidated affiliate companies (§ 305 GCC). Eliminations of intermediate profit were carried out according to § 304 of the GCC if deemed to be necessary. The consolidated net income of 23.146 million euros also includes the shares held by external group partners, which amount to 115,000 euros. These profit shares are recorded under the item "profit attributable to other shareholders".

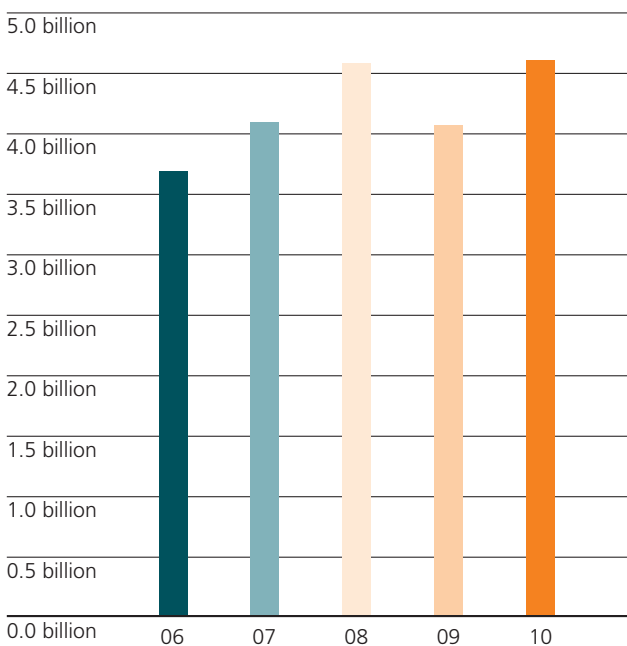
Volume of trade	2006 mill. euros	2007 mill. euros	2008 mill. euros	2009 mill. euros	2010 mill. euros
(including centrally regulated turnover)	3,688.9	4,098.7	4,587.5	4,075.1	4,616.1

Breakdown of sales revenue	mill. euros	mill. euros	mill. euros	mill. euros	mill. euros
(in commercial profit and loss statement)					
Commercial sales revenue	336.1	384.8	415.4	375.2	399.9
Third-party business/central processing	337.5	369.3	400.3	371.2	402.8
Stock turnover	157.4	183.9	196.5	173.8	188.4
Other revenue	2.9	5.9	5.0	5.2	5.8
./. Sales deductions	161.7	174.3	186.4	175.0	197.1

General business development

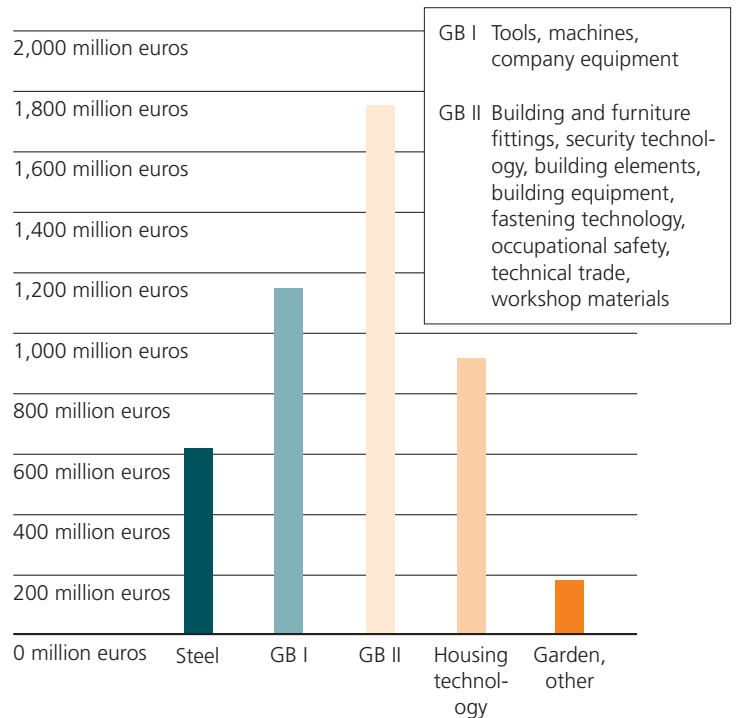
Volume of trade 2006–2010

in billion euros



Volume of trade in 2010, divided according to product groups

In million euros



General business development and explanations of net assets, profit situation and financial standing

General business development

10. After the unprecedented economic downturn during the global financial crisis in 2009, the German economy recovered surprisingly quickly in 2010. The economic upturn also played a significant role in the development of E/D/E. After an initially slow start in the first two months of 2010, the rest of the year was characterised by unexpectedly stable double-digit growth in all product areas, meaning that the sales declines from 2009 were more than balanced out. Important factors influencing the development of sales included growing demand combined with price increases on the steel market as well as a consistently dynamic development in the metal processing, machine construction and automotive supplier industries. The construction-related market segments profited from the stable construction industry, and the German heating and sanitation trade also ended 2010 with increases in turnover. In contrast to the market trend, the development of turnover in Europe served as a further positive contribution to overall growth.
11. With a volume of trade of 4.616 billion euros, E/D/E ended the business year with a higher turnover than it had ever seen before in its 80-year history. This corresponds to a year-on-year increase of 541 million euros or 13.3% (4.075 billion euros). The total turnover processed comprises third-party business/central processing and the warehouse business.
12. The volume of trade of the E/D/E Group for the reporting year of 2010 after deductions led to commercial sales revenue amounting to 399.9 million euros. In comparison to the value from the previous year, amounting to 375.2 million euros, this represents an increase of 24.7 million euros or 6.6%.
13. Within the area of third-party business/central processing, the commercial sales revenue for 2010 amounted to a total of 402.8 million euros compared to 371.2 million euros in 2009 (+31.6 million euros or +8.5%). In the warehouse business, the commercial sales revenue increased from 173.8 million euros in 2009 to 188.4 million euros in 2010 (+14.6 million euros or +8.4%). The turnover shown in the commercial group profit and loss statement was determined on the basis of other revenues and deductions.

Financial standing

14. When commenting on the financial standing it should be considered that the balance sheet total, and particularly the equity amount, can only be compared with the previous year's values to a limited degree. This is because in accordance with Article 67 para. 8 clause 2 of the Introductory Law to the Commercial Code, the option of not adapting the previous year's values (which were arrived at according to § 265 para. 2 clause 1 of the German Commercial Code) to the changed valuation methods was employed for the first application of the German Commercial Code as per the German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz BilMoG).
15. The balance sheet total of the E/D/E Group as of 31st December 2010 amounted to 631.7 million euros. It therefore lay 12.2% above the previous year value (563.2 million euros).
16. On the assets side, the increase of the balance sheet total is reflected in the liquid assets, which increased by 69 million euros to 558.6 million euros or 14.1% in comparison to the previous year (489.6 million euros). At 72.6 million euros, the value of fixed assets was 0.6 million euros or -0.9% below that of the previous year (73.2 million euros).
17. New investments in intangible assets amounted to 1.798 million euros. This included the purchase of software and internally produced and capitalised assets. Additions for the items "Properties, rights equivalent to real property and buildings" as well as "Technical installations and machines" resulted from activations related to the new logistics centre. The investments in other installations, operating and business equipment amounted to 746,000 euros for the standard replacement purchase of operating and business equipment. The volume of depreciation of the intangible and tangible assets is developing as planned and has increased through the depreciation of the new logistics centre (pro-rated from 2009) from 5.2 million euros to 6.4 million euros. The "advance payments and investments in progress" concern the statement of advance payments made in the business year 2010 for the modernisation of the IT platform. The financial assets are estimated at the market value on the balance sheet date. The item "Shareholdings in associate companies" essentially consists of the shares in ZEUS, which will be consolidated according to the equity method. "Other securities and loans" largely include lessee loans, which are granted within the scope of a property lease, and these increased as planned to 5.8 million euros.
18. Product stocks have shown an increase of 3.1 million euros from 28.9 million euros to 32.0 million euros (+11.0%). The provisioning of stocks is based on the application of an IT-supported procedure and is directly based on the development of the stock turnover, which saw an 8.3% increase during the reporting period. Due to the warehouse integration and measures for the improvement of the supply quotas, the stocks for 2010 increased slightly. It is planned to restore these stocks to a normal level which corresponds to the turnover by further optimising scheduling while maintaining at least the same level of availability.
19. The posted receivables, which depended on the balance sheet date and on payments, generally followed the sales trend in December 2010 and showed an increase of 67.2 million euros or 24.1% to 346.1 million euros. (previous year: 278.9 million euros). Within the scope of creditor and debtor management, a cautious approach was taken to risk provisioning. The figure is largely made up of accounts receivable from member companies and changes in ownership.
20. Other intangible assets with a value of 20.1 million euros include sales tax receivables from serial transactions and corporate tax credit, which are proportionally amortised until 2017.

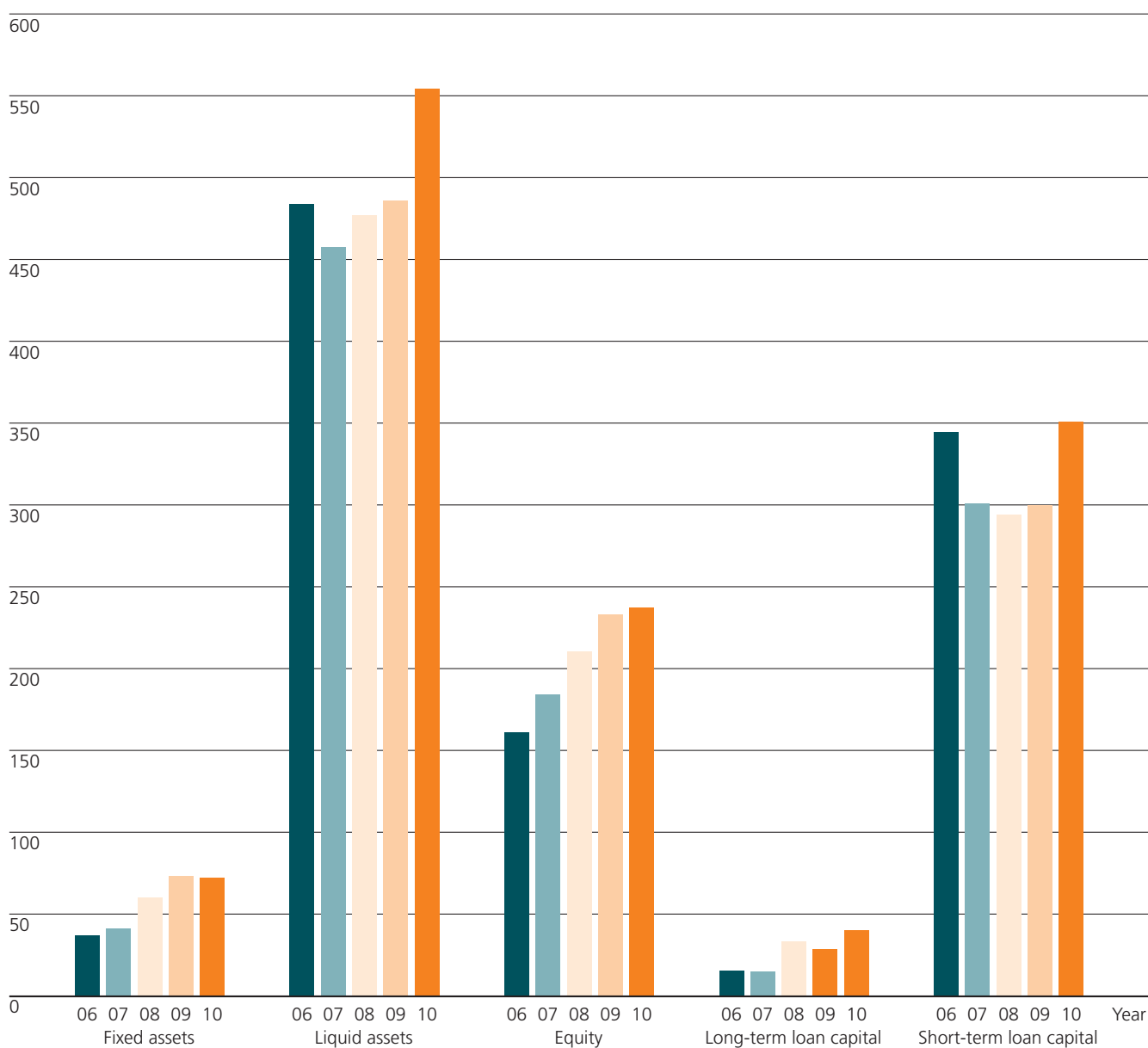
21. For the first application of the German Accounting Law Modernisation Act, the balance sheet items "Own shares" in liquid assets and "Reserves for own shares" in equity amounting to 18.3 million euros have been balanced and will therefore no longer be disclosed separately. The balance sheet item "Other securities" was determined by the investment strategy and therefore showed a slight decline in the past business year from 43.6 million euros to 42.3 million euros.
22. The level of liquid funds amounted to 117.9 million euros on the balance sheet date and showed an increase of 18.6 million euros in comparison to the previous year's value of 99.3 million euros. This increase resulted from the operative cash flow in the reporting year.
23. Following the application of the German Accounting Law Modernisation Act, the nominal value of own shares amounting to 5.2 million euros of subscribed capital was deducted for the benefit of the retained earnings of the parent company, meaning that the issued capital amounted to 20.8 million euros.
24. The retained earnings of the parent company were significantly increased once again by 20 million euros (E/D/E) in accordance with the consistent company policy of internal financing. Under consideration of the aforementioned allocation amounting to 5.2 million euros, the retained earnings of the parent company increased by 25.2 million euros or 14.3% to 201.6 million euros.
25. The consolidated equity of the E/D/E Group therefore amounted to 239 million euros in 2010 compared to 234.6 million euros in 2009. It should be kept in mind that the balancing of own shares at the expense of the equity leads to a limited comparability of values over a period of time, meaning that the amount of the reserves is not calculated directly from the difference between the equity values of 2010 and 2009.
26. The pension reserves are based on the Heubeck mortality table 2005 G. The determination of the amount of the reserves according to the German Accounting Law Modernisation Act is based on the modified cost method and an interest rate of 5.15%.
27. Other provisions amounting to 77.1 million euros, particularly including bonuses and other remunerations, will be paid out in full to member companies in 2011.
28. The long-term sums owed to credit institutions amounted to 26.9 million euros on the balance sheet date and include amounts owed for subsidised credits for financing the new logistics centre.
29. The increase of accounts payable from 227.3 million euros to 261.7 million euros (+15.1% or +34.4 million euros) is closely related to the significant development of turnover in December 2010.

Asset and financial structure

	2006 in mill. euros	2007 in mill. euros	2008 in mill. euros	2009 in mill. euros	2010 in mill. euros
Fixed assets	36.8	41.0	60.2	73.2	72.6
Liquid assets	487.6	461.1	480.6	489.6	558.6
Equity	162.3	185.6	211.9	234.6	239.0
Long-term loan capital	15.0	14.4	33.0	28.6	40.1
Short-term loan capital	347.3	302.4	296.2	300.1	352.5

Asset and financial structure

In million euros



Profit situation

30. The group profit and loss statement is essentially divided according to § 275 of the German Commercial Code and the total cost method.
31. The commercial sales revenue in the reporting period came to 399.9 million euros. In relation to the previous year's value of 375.2 million euros, this corresponds to an increase of 24.7 million euros or 6.6%. This increase was due to the significantly higher volume of transactions in the respective business types and was determined by the specific shares of each individual business type.
32. Under the item "Internally produced and capitalised assets", self-rendered services amounting to 0.5 million euros (previous year: 1.2 million euros) were capitalised. These services primarily included software purchases.
33. Other operating income showed a decline from 8.3 million euros to 5.8 million euros, as the previous year's value was particularly influenced by extraordinary income from the release of provisions.
34. Material costs showed an increase to 284.3 million euros (+5.9%), which was almost proportional to turnover.
35. The personnel costs in 2010 came to 38.8 million euros and were 0.8 million euros above the previous year's value (38.0 million euros). At 47.7 million euros, the remaining operating costs were 3.7 million euros above the previous year's value of 44.0 million euros. Significant cost increases were noted in particular for personnel agency expenses and transport costs for ensuring a supply of products during the logistics integration phases, as well as project-related legal and administrative costs for the implementation of the future strategy CHALLENGE 2012.
36. The increase in depreciation from 5.2 million euros to 6.4 million euros resulted from the planned deductions for the new logistics centre, which were utilized on a pro rata basis in the previous year.
37. The operating result showed a slight decline of 0.1 million euros to a total of 28.9 million euros in 2010 (-0.4%).
38. The increase of the financial result by 0.8 million euros largely resulted from the change in the result from shares in associated companies (+0.7 million euros). The interest rate is subject to offsetting effects. Due to the continued low interest rates in 2010, the interest income was almost at the same level as in the previous year due to risk-averse investment strategies in the short-term area and increased liquidity volumes. Whilst refinancing the logistics centre adversely affected the interest income, a change of the interest hedging strategy had a significantly positive effect and increased the interest income in the reporting period.
39. At 35.5 million euros, the result from ordinary business activities was 0.7 million euros (+2.0%) above the previous year's value (34.8 million euros).
40. The consolidated net income for the reporting year of 2010 came to 23.1 million euros from 25.6 million euros in 2009. As described above, the decline in profit and simultaneous growth in turnover is due to a wide range of exceptional charges in the reporting year of 2010 for personnel and material costs, in connection with the extraordinary effects that positively influenced the result in 2009.
41. From the annual net profit of the parent company amounting to 21.9 million euros, a total of 20 million euros was retained profit of the parent company. This once again corresponds to a reinvestment of over 90% and underlines the importance of internal financing as a key element of the corporate strategy.

Financial standing

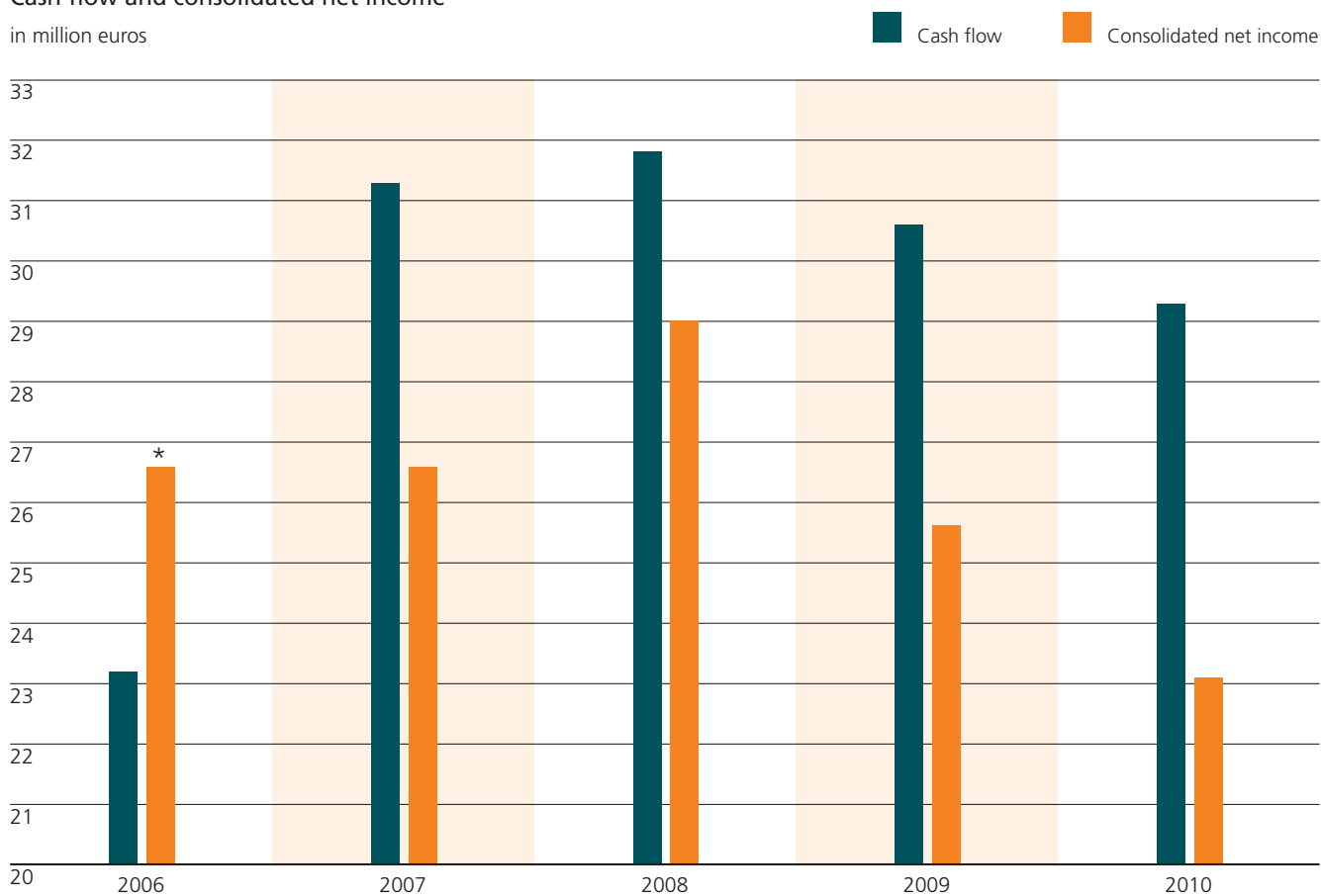
42. In 2010, the cash flow on the group level amounted to 29.3 million euros, increasing from 30.6 million euros in 2009. It further enhanced the financial strength and investment capacity of the Group.
43. As of the balance sheet date, the equity ratio amounted to 37.8%. By comparison with the previous year's value (41.6%), it should be kept in mind that the condensed consolidated statement of equity in connection with the sales-related increase of liquid assets has a correspondingly negative effect on the equity ratio. If, due to the del credere guarantee, one were to balance the trade payables incurred with the corresponding customer receivables, equity corresponding to approximately 65% of the balance sheet total at the time of reporting the current financial statement would result.

Cash flow and consolidated net income

	2006 in mill. euros	2007 in mill. euros	2008 in mill. euros	2009 in mill. euros	2010 in mill. euros
Cash flow	23.2	31.3	31.8	30.6	29.3
Consolidated net income	26.6	26.6	29.0	25.6	23.1

Cash flow and consolidated net income

in million euros



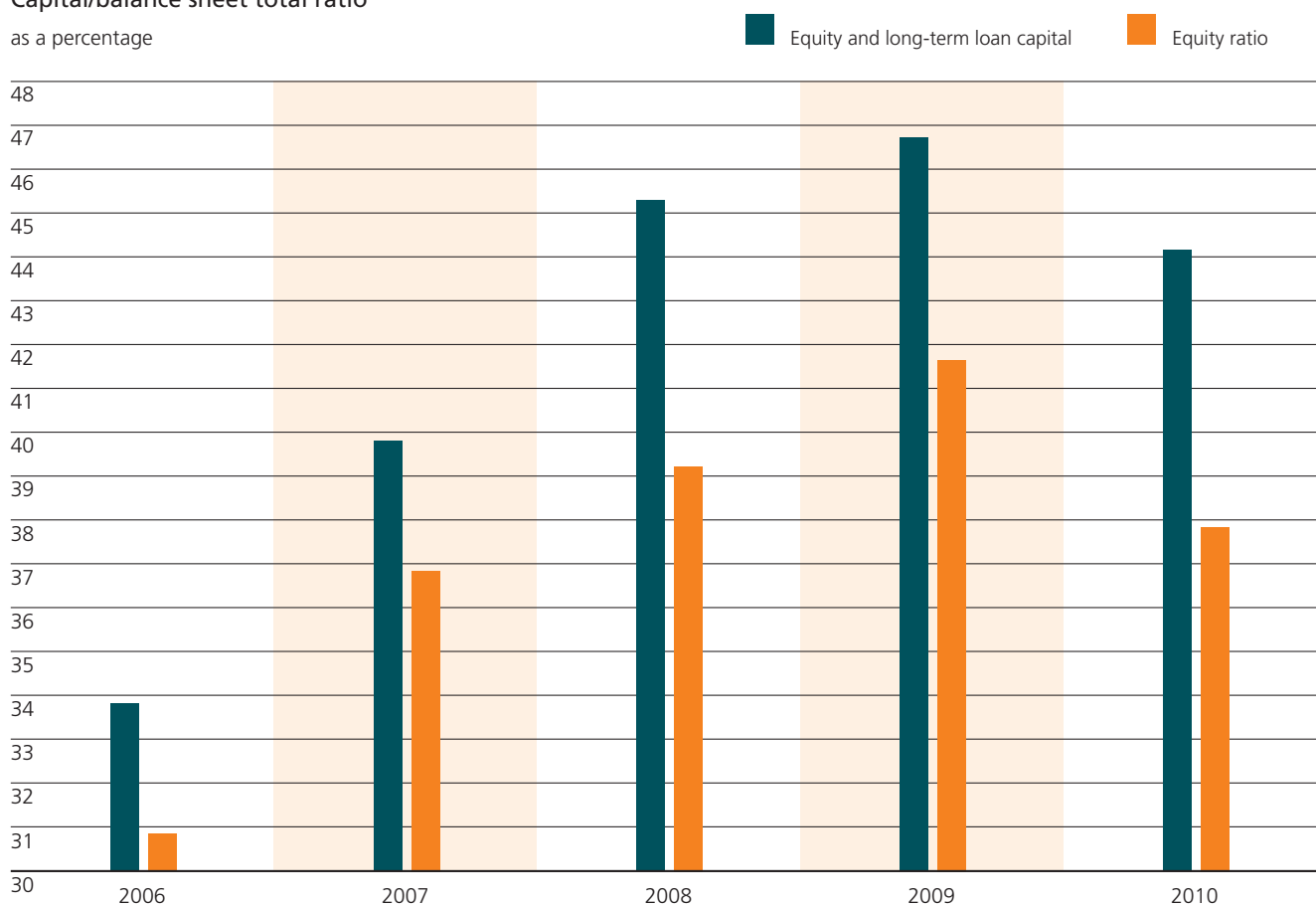
* Including entry from the booking of corporate tax credit of 7.8 million euros.

Capital/balance sheet total ratio

	2006 in %	2007 in %	2008 in %	2009 in %	2010 in %
Equity and long-term loan capital	33.8	39.8	45.3	46.7	44.2
Equity ratio	30.9	36.9	39.2	41.6	37.8

Capital/balance sheet total ratio

as a percentage



Income and financial ratio

	2006 in %	2007 in %	2008 in %	2009 in %	2010 in %
Key figures from the annual financial statement					
Equity/fixed assets ratio	482.3	488.2	407.1	359.4	384.7
Working capital ratio	140.4	152.5	162.3	163.1	158.5
Cash flow in relation to equity	14.5	16.9	15.0	13.0	12.3
Cash flow in relation to balance sheet total	4.5	6.2	5.9	5.4	4.6

Final remarks

44. The described asset, financial and profit situation of E/D/E shows a very solid credit rating and a high level of liquidity for the fulfilment of all payment obligations swiftly. In the reporting year, E/D/E was able to fully meet the proposed financial demands from the trading business without exception. All payment obligations were fulfilled swiftly from E/D/E's own financial resources. In addition, a sufficient number of bank credit lines were available to cover short-term credit needs.
45. The secure equity base serves as a risk buffer for the business model of central processing with the takeover of del credere liability. At the same time, it provides a guarantee that all payment obligations will be fulfilled at all times and strongly underlines the risk-bearing capacity of E/D/E.
46. Consistent receivables management serves as an important control mechanism and contributes to the systematic monitoring of the debtor structure.
47. After E/D/E was last awarded a rating of A+ by "Creditreform Rating AG" in 2007 for its creditworthiness and credit rating and thus received a significant rating for investment, a further rating on the basis of the 2010 results is planned for 2011.

Wuppertal, April 2011



Hans-Jürgen Adorf
Chairman of the Management Board



Dr. Eugen Trautwein
Chairman of the Advisory Board



Dr. Andreas Trautwein
Managing Director



Dr. Christoph Grote
Managing Director

Auditors' report

The auditors issued the following unqualified audit opinion on the complete consolidated financial statement and annual report:

"We audited the consolidated financial statement—consisting of the balance sheet, profit and loss statement, appendix, cash flow statement and statement of shareholders' equity—and the annual report of the company Einkaufsbüro Deutscher Eisenhändler GmbH, which was combined with the management report, for the business year of 1st January 2010–31st December 2010. The preparation of the consolidated financial statement and the combined management report according to the German guidelines of commercial law, are the responsibility of the company's managing directors. Our task is to give an assessment of the consolidated financial statement and the combined management report on the basis of the audit performed by us.

We conducted our consolidated financial audit according to § 317 of the German Commercial Code and the generally accepted German standards for the audit of financial statements established by the Institut der Wirtschaftsprüfer (IDW) (Institute of Public Auditors in Germany). These standards require that we plan and perform the audit in such a way that misstatements materially affecting the presentation of the asset, financial and profit situation in the consolidated financial statement and the combined management report are detected with reasonable assurance in accordance with the German principles of proper accounting. Knowledge of the business activities and the economic and legal environment of the company and expectations concerning possible misstatements are taken into account in the determination of the audit procedures. The effectiveness of the accounting-related internal control system and evidence supporting the disclosures in the consolidated financial statement and the combined management report are primarily examined on the basis of random samples within the scope of the audit. The audit includes an assessment of the financial statements of the companies included in the consolidated financial statement, a determination of the consolidated group, the accounting and consolidation principles used and the important estimates made by the managing directors, as well as an evaluation of the overall presentation of the consolidated financial statement and the combined management report. We believe that our audit provides a sound basis for our audit opinion.

Our audit did not give rise to any objections.

In our opinion, which is based on the findings gained from our audit, the consolidated financial statement complies with the legal requirements and provides a true and fair view of the company's asset, financial and profit situation in accordance with the German principles of proper accounting. The combined management report is consistent with the consolidated financial statement and provides an accurate view of the Group's position whilst accurately presenting the risks and opportunities for future development."

Münster, 15th April 2011
RW AUDIT GmbH
Auditing company

Siegfried Mehring	Martin Schulze-König
Auditor	Auditor