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# VBH Magazin

4/2011

The Expert Brand for Window and Door Hardware

- Legal and Compliance at VBH
- Fast and reliable – E-Commerce with VBH



Simply everything.

Everything simple.



Dear Readers,

Despite the many surprises, turbulence and constant fire fighting exercises necessary at a high policy level, our markets developed in 2011 pretty much as we predicted they would in December 2010. Operative stress over the course of many crisis summits broke up any long-term trends. Perhaps without the intervention efforts it would have been far worse; in the real economy, so far at least, it has made little difference.

Germany confirmed that it continues to provide a positive environment for our industry – low unemployment, high responsibility to energy saving solutions, low interest rates, funding for renovations, a few attractive investment opportunities – the high expectations were amply fulfilled.

Eastern Europe has shown more restrained growth, with margins coming under pressure as feared; however, below the line, this region continues to profile impressively as a second stable anchor to the VBH business.

By contrast, especially in southern Europe, we were unable to swim against the current of negative market sentiment. We made progress in some areas, but too slowly. As a consequence, in those instances where we believe no economic recovery is possible in the medium term, we will divest ourselves from our subsidiaries.

For VBH, there is now very much a tale of two halves due to the global market situation. Those companies that represent over 80% of our sales are very healthy and continue to deliver respectable results.

The remaining few percent, however, has been responsible for a disproportionate affect on group profitability, continuing to require support measures in terms of liquidity.

The prospects for 2012 are not any brighter. There is virtually no market in Europe, that promises higher growth rates for the next year: in Germany, we anticipate a high level of stability; in most foreign markets, however, the trend is rather in the downward direction. Therefore, we place high priority on keeping our money “tightly to our chests” and then using it sparingly where we anticipate the most positive results. Where we are strong already, we want to become even stronger; that is, we will focus on our core business and separate ourselves from loss-making subsidiaries, thus ensuring that the consolidated balance sheet at the Group level be made “weatherproof” for the years to come. We will keep all the resources in place in order to capitalise on opportunities to fund growth, but we will consistently put a stop to cash outflows that only cover ongoing losses.

Since we don't anticipate the market to be particularly helpful in 2012, it remains to ignite the much cited “business economy”. VBH maintains a strong partnership with our suppliers on the world's super-competitive markets, our integration of a wide range of service tools finding a clear outline in our promise of “Simply everything. Everything simple”. More and more customers recognise the positive cost-benefit outcome our of-

fer represents and affirm the trueness of our path. In this issue you will find some corroborating examples from practice.

Thank you to our customers and suppliers, for your confidence VBH and in the partnership!

We wish you all, after another turbulent year, a merry Christmas, a few quiet days to gather strength and energy, and a Happy 2012!

With our warmest greetings

Rainer Hribar



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# „Our strategy has been established and successfully proved every day new“

An interview with Rainer Hribar

*Rainer Hribar, you announced a negative financial result in 2011. This seemed initially surprising, because the annual figures were always interpreted as positive – but exclusively based on the German business. How then is the negative result to be explained?*

Despite difficult market conditions internationally, we still managed to realise an operating profit! Even after deducting all ordinary depreciation, interest and taxes, we still managed to deliver positive results.

Particularly in our key regions – Germany, Central Eastern Europe and the CIS countries – we are extremely well positioned strategically and the results are still very good. This is gratifying, since we derive more than 80% of our revenue from these territories.

By contrast, we have been hit hard by the crisis, particularly in southern Europe. We are all too well acquainted with the news from this region that reaches us every day. No one can estimate how long the economic situation in these countries will remain at this distressed level or even if it will deteriorate even further. Overall, therefore, not good conditions for a flourishing trade in architectural hardware!

What sense is there in always investing money in countries where we can no longer assume that we will ever get it back again? Since we do not anticipate any economic recovery in these countries in the medium term, we have decided to divest ourselves of certain subsidiaries that do not belong to our core business and are not capable of meeting our expectations in terms of

sustainability. By taking this measure, we have gained more capacity for our growth markets and core business.

The exit from a country market and consequent closure of a subsidiary is very expensive because the past investment and current loan, made from Germany to the subsidiaries, is lost. This will force adjustments to be recorded in our books and is unfortunately what is responsible for the high one-time losses in 2011. VBH is in good condition, however, and capable of absorbing these unique losses. Even the stock market confirms this view. It is apparent, for example, in the reaffirmation of our investment grade rating. It is our primary concern to make this decisive action by our company “weather proof” for the future.

*The fact that the trail leads abroad was made clear by VBH in magazines and annual reports as well as at the general meeting of shareholders. It was straightforwardly asked: if we are*

*successful in Germany but not abroad overall, why do we operate internationally at all?*

VBH's broad international presence and the concomitant spread of risk are our particular strengths. For many of the last 10 years, the currently acclaimed German market was the problem market for us; while at the same time we earned very good money overseas. During our existential crisis 10 years ago, we certainly would not have survived without our foreign subsidiaries!

Of course we must regularly put our international activities to the test, which was what led to the above-mentioned divesting of our subsidiaries. However, it is much easier to point to today's weak companies and regional markets than to predict the problem markets of the morrow. In our opinion, some of the critical countries being eyed by the market but currently showing only moderate results have the opportunity and potential for future profits. Some of the





sources of today's profits were therefore only able to support our net income because we had proactively and strategically maintained them even when times were hard. Our strategy remains one that is supported by many healthy pillars. Then, even if one breaks, you still do not fall.

*Would you say that it is in some sense also the duty of the management of a corporation to examine potential markets and to be active there, because you could see a restriction to the domestic market in terms of a failure to develop potential corporate success?*

VBH has become strong due to our entering new markets very early on – particularly those in Eastern Europe. This gave us the chance to gain experience and thus adapt our business model to the requirements of the local markets. We were able to occupy important strategic positions quickly and evolve together with the markets. Many have also had this opportunity, but you have to be able to take advantage of opportunities! A lot has been achieved, along with some failures. Success is therefore the result of hard work combined with necessary risk-taking. To coolly maintain the status quo is just unlikely to be the correct way as expansion at all costs. Therefore it is

important to pursue the development of the business and to learn the appropriate lessons from it – in some cases to the bitter end.

*Does VBH possess defined criteria that govern whether it is active in a country, which perspective obtains and what economic goals are realistic? And, also, provisions for the cases in which this goal is not attained?*

Of course! Through clear rules, we create transparency. This increases fairness and allows us to implement difficult decisions easier and faster. Before we conquer a new market, we have to be to a certain extent reassured that it has sufficient market potential from which we can earn money. We see this particularly as a given, if there are attractive possibilities for the PVC and / or wood / aluminium segments in the local market. Our focus is on the wholesale business, not on the contract business. It is also important that at least one of our major German suppliers has the same interests and supports our market entry. In addition, there must exist the possibility to use our specific VBH strengths to gain a leading position in these markets (no. 1 or no. 2) in the medium term. The requirement for profitability is answered by the fact that we demand from new markets that we reach the break-even point within three years. Conversely, a company that has been losing money for several years and recording a negative cashflow, has no chance of remaining a permanent part of our country portfolios.

*VBH's patience with some of the subsidiaries in question, however, must be admitted to have been quite considerable – why?*

That's absolutely correct, I must answer this charge personally. If such large sums are to be written off, there must have also been things that went wrong internally. We have sometimes clung too long to the country managers' assurances and taken too long to come up with the necessary restructuring strategies in order to bring things once again to a successful conclusion. Especially when a lot of money is in play, you don't give up easily. But in hindsight, of course, the verdict is always easier.

*Would you talk about a step change in VBH's international market strategy?*

No, it's definitely no change of direction in our foreign strategy. Our strategy has been established and successfully proved every day new. We are determined, however, to be ready to act as soon as it becomes evident that our targets have been missed. This applies to the domestic situation as well as for the foreign companies!





Welf Kramer

## Legal services and Compliance Reliability generates confidence and increases customer satisfaction

**In a difficult market environment like that faced by the construction industry it is not always easy to guarantee the correct behaviour of all those involved in one's business life. That is why at VBH we establish clear rules of behaviour based on universal ethical principles to establish a global network of trust between partners, customers and suppliers.**

Compliance is the English buzz word used to describe a proper relationship between employees, customers and suppliers. Paraphrased it means something like "observance and adherence" or "acting in compliance with all applicable rules". In concrete terms it concerns the establishing of clear rules concerning how the correct behaviour of all members of staff can be guaranteed within an organisation, explains Welf shopkeeper, director/conductor of the department of right and Compliance of VBH: We at VBH understand it as the sum of the organisational measures that are taken to ensure that associated organisations and staff members behave appropriately. This goes a lot further than merely observing the legal rules and standards. In point of fact it is also our ethical principles that are reflected therein. "Since 2007, these principles at VBH have been enshrined in a set of guidelines for behaviour, the so-called Code of Conduct, which is also regularly reviewed and subject to continuous improvements. This includes among other things, the general principle of double-checking when signing contracts, dealing with gifts and with sensitive customer data, but also the correct behaviour of colleagues to one another. "The goal of compliance

is to manifest these principles in the minds and actions of all employees and managers and thus to ensure that the proper procedures are carried out. "Therefore the VBH code of conduct applies to all employees and associated organisations worldwide." The code is supplemented by a revised set of procedural rules, which regulates the responsibilities of the CEO.

### **Uniform standards while taking cultural differences into account**

It is particularly important in an international organisation to ensure globally uniform standards of conduct. In some areas of business life cultural differences can be quite significant, in which case it is often not always simply a question of the "usual suspects": In the USA, for example, "facilitation payments" are perfectly permissible when dealing with authorities. "However, we have clearly spelt out in our code of behaviour that there is none of that kind of thing going on with VBH in any of its countries of operation" stresses Welf Kramer. "And even in critical countries, we have good experiences with this." In this area too, our customers appreciate the quality and the correct behaviour of VBH. "Regular colleague updates keep everyone up to date about the current regulations and keep the topic of compliance to the front of everybody's minds." It is important that all employees at VBH know that they are not alone with their problems", says Welf Kramer. In addition a Help Desk was established, which provides support for all questions concerning compliance topics. In this way, employers

are empowered to concentrate on their actual tasks. In addition, a Whistle Blower Hotline makes it possible to leave an anonymous message concerning an incident.

### **Customers benefit from uniform rules**

In addition to the observance of statutory duties, there are numerous reasons for introducing a compliance management system. Studies have shown that that establishing clear rules of behaviour and monitoring their compliance the job satisfaction of the staff members rises. And also on the customer side, confidence in the company is growing. Moreover, in the absence of compliance regulation the consequences of an improper action are unpredictable. Starting with the loss of reputation, there is also the risk of high fines. Due to particular legal rules, for example in England, even smaller incidents in international subsidiaries can have global consequences for the entire enterprise. Accordingly therefore, it is very important to Welf Kramer and the VBH executive committee to possess a properly functioning compliance system: "In this way we confirm to all our partners and also with respect to our shareholders, banks and financial sources that we are a reliable business partner. All VBH customers and suppliers can rely on the fact that they will be treated equally wherever they may be. "

The VBH Code of Conduct is available for download at [www.vbh.de](http://www.vbh.de).

## Stable German business

### Fast and reliable – E-Commerce with VBH

More than one third of all orders at VBH are now handled electronically. The proportion of on-line orders has thus grown rapidly in recent years. With the on-line Shop at vbh24.de, the ordering system logos and direct connection possibilities to customised stock management systems, VBH offers numerous ways of arranging the order procedure that are both convenient and safe.

What began as a simple online store has since developed into a comprehensive customer portal and information forum for the entire industry. From the page at [www.vbh24.de](http://www.vbh24.de) VBH customers can quickly and easily access all VBH services and service tools. In addition you can access the knowledge database, the CE-fix system platform, the "Don't Search, Find" item finder and helpful tools like the automated catalogue creation function and virtual in-house exhibition. The VBH online shop permits users to search the complete VBH range, with some 200,000 items available, or to phone through directly their "personal shopping ranges": frequently ordered items. Every month thousands of customers use this ordering procedure. Many include the precise delivery date information directly in their production or assembly planning processes. With



Simon Seibert, Oliver Maisch and Thomas Erhardt are responsible for the development of e-commerce at VBH.

indication the price, the availability and the delivery time are indicated to the quantity. An order confirmation follows immediately, after which the status of the order will be monitored continuously until delivery has been made. No matter which electronic ordering option a customer selects, they all have one common goal: a fast, simple and error-free ordering process.

### Simple error-free ordering

Since the order is placed directly via a scanner, from which the VBH catalogue or electronic order list is made up, an input of product numbers is no longer necessarily. In this way typing errors and transposed numbers are avoided. The demand for electronic ordering is also growing internationally. Besides Germany, the VBH logos scanner system is also a great success in Great Britain, Estonia, France, Greece, in the Netherlands, Italy, Luxembourg, Austria, Poland, in Switzerland, Spain, Tschechien, in Turkey and in Hungary – and naturally always available in the appropriate national language. Completely up-to-date versions of the software were added in the Croatian, Slovenian and Serbian languages.



## New: Construction kit finder and personal label printing

Some 750 companies already use a fixed electronic connection for their order processing with VBH. And the developers are constantly working on further improvements. With the new logos easyScan ordering software, the procurement of materials has become even more convenient. Without time delay, the read-in scanner data is displayed on the PC to be completed and stored as required while the order is still being processed. In addition, users can prepare their own bar code sets and print labels directly from the system. "A further innovation is the integration of a different construction kit finder for Roto, Siegenia-Aubi, Houtau and Maco for parallel slide & tilt and lift-sliding doors", reports Simon Seibert. "Our customers just need to enter the height and width of the door and the software finds all matching articles required and gathers them together."

While the logos easyScan system is currently only available in Germany and Belgium, other countries will follow soon. A configuration tool for customised greenteQ door panels is also in the works. VBH also offers all the necessary interfaces for the internal connection of customised materials management systems (Mawi), keeping them always at the cutting edge of technology. It is not only orders that can be processed over Mawi systems, but also the electronic calculation of order confirmations and delivery advice information. Here Simon Seibert also records an increasing number of requests. It is therefore certain that the proportion of electronic orders will rise still further: "The interest and demand for e-commerce solutions is strong because the systems are convenient, easy to use and secure. We began developing

appropriate solutions for our customers very early on and this know-how advantage can now be used to expand the solutions we offer to ever-greater ease of use and convenience. "





## “All roads lead to Rome”

**In his role as head of marketing at VBH, Thomas Erhardt is responsible for the development and implementation of electronic access for diverse international customers. In this interview, he explains what are the main opportunities and challenges.**

*What do you see as being the real benefits of e-commerce, Mr. Erhardt?*

The biggest benefit of having an e-commerce solution is the saving in time, because with the possibility of obtaining simple information by means of a well-designed system our customers are able check their orders at any time and find out the date of delivery or get additional information. This saves time on both sides – for the customer and for us. This is time that can be better spent by our sales staff on their primary task – providing comprehensive professional advice. Our customers thus benefit twice from the electronic processing of orders. It is important that the online system is as good as it can be and provides information that is as solid as that given by the personal adviser over the phone. Therefore, in developing new systems we take the necessary time in order to provide our customers with expert solutions. In our view, an online store is not just another ordering solution, but above all an information system for customers. The challenge therefore lies in the quality of information that is offered by an e-commerce system. If a manufacturer's number is known, you can order anything anywhere. It gets trickier if it is only the characteristics of the product you know. Then it becomes a question of detailed descriptions of products and their features. Only in this way can everyone can find the item they are looking for – we attach a great deal of importance to that.



Thomas Erhardt

*The logos scanner system is already available in many countries. Will other international online stores in the VBH countries follow?*

We are constantly working on the rollout of all successful e-commerce solutions to other countries – to the country-specific versions of the online stores, that is. In England, Russia, Hungary and Poland it is already up and running, while preparations are being made for Belgium and Kazakhstan. The specific requirements in each country are always little bit different, however, so the system cannot simply be ported 1:1. Accordingly we take things step-by-step, country by country, and in this way we can be sure of always getting an optimal solution for VBH.

*What's your overall take on future developments? Will all orders take place electronically one day?*

This question does not really arise. It is much more important: all roads lead to Rome. We need to be there for our customers wherever they might be. With solutions that are customer-friendly and tailored to individual needs. Therefore, there is not only one ordering solution at VBH but many: we're always open to the needs of our customers and willing to adapt accordingly. E-commerce is certainly an important distribution channel that is here to stay – just like e-mail, phone and fax.

Fresand – Fenster, Türen, Wintergärten

## Well protected against wind and weather

**Whether storm, rain or shine – on the north Baltic coast of Mecklenburg-Vorpommern, you take the weather as it comes. To ensure comfort, you need windows, doors and facades from Fresand GmbH. The company, based in a small town of Reddelich near Rostock, is among the very largest in northern Germany and manufactures windows and doors made of plastic, wood and aluminium as well as fire and smoke protection elements and conservatories – all from one source.**

What do the five-star luxury Grand Hotel in Heiligendamm and the 17 storey and 140 m long purported largest plastic window facade in the world in Rostock have in common? Sure thing: Fresand Windows. Whether it be wooden windows in a conservation area or aluminium components for industry, facades and display windows – from Hamburg to Rostock and Berlin, customers put the emphasis on the quality and service of window and door manufacturers. With its extensive

range, the company offers the right solutions for installers, resellers and consumers. Among their customers are housing associations, builders, carpenters, construction industry suppliers as well as homeowners. Unlike the competition, Fresand also offers complete project services from consulting through to assembly, separately for each unit size. “We do everything from high-rise complexes to gazebos and provide a tailored service to each of our customers”, explains Harald Frehse, owner and founder of Fresand GmbH. Accordingly, the list of references ranges from a lighthouse on the Baltic coast to residential or office buildings in Hamburg.

### From coast to coast

Some 70,000 units of wood, aluminium clad wood, aluminium and plastic are produced per year; per week, there is enough capacity for up to 1,400 plastic window units. These make up the lion's share with about 65 percent. The profiles for this purpose are sourced from Schüco. The catchment area extends from Mecklenburg-Vorpommern over Berlin to Hamburg / Schleswig-Holstein, where Fresand's largest market is now located. “Mecklenburg-Western Pomerania is now where largest part of the refurbishment requirements are located,” said Harald Frehse. “We recognised this before the turn of the century and we accordingly developed our capacity further in the direction of Hamburg. “And so the entrepreneur has once again shown the right instinct - as he did as early as 1989 when he founded the company. Harald Frehse realised the high demand for modern windows and began selling and installing them. Soon the lead times got too





long and he opted for self-production. In 1992 he founded a plastic window production facility in Steffenhagen, where since 1994 aluminium elements have also been incorporated. In 1997, wooden window production came to Rostock. A total workforce of 160 employees have been taken on to meet the daily workload and Harald's sons, Stefan and Christian Fehse, are now also employed in the company. There are 15 construction supervisors overseeing the projects. About 3,000 installation objects are realised by Fresand annually. "To meet this requirement we have a solid base of installation partners, but due to the variety of projects, of course, additional requirements arise from time to time."

## Reliable partners

VBH has been an integral partner of Fresand almost from the outset and with the success of the company our good relations have only grown. The company purchases VBH Winkhaus hardware for all areas as well as wood colour, mounting hardware and windowsills. Two or three times a week the delivery truck comes from the VBH; even daily, if necessary. "Of course we care about a reliable supply," says Harald Fehse, "but VBH is not just a dealership, but also a partner that drives the technology – for example, the new greenteQ threshold system that integrates all the doors and materials. We benefit from the professional advice

## Modern exhibition opens in northern Germany

of VBH experts whether that is in construction and selection of tools, CE marking or the correct window assembly. We could not tackle everything alone. "Fresand offers its customers information about the actual production itself as well as numerous services and facilities, for example, with many informative maintenance tips for permanent window installations or takes over their regular maintenance. Therefore Harald Fehse appreciates the commitment of VBH very much: "VBH has recognised where it is necessary to support the customer. This allows us to focus better on our real work. And if it gets stuck sometimes there is always someone on hand to provide an immediate remedy."

The window and door manufacturer is in this way well prepared for the future but there is still room for improvement and continued success. Earlier this year Fresand opened the latest northern German window and door exhibition in Glinde near Hamburg. From the customer side, there is a lot of support for it already. Next year a new door series featuring greenteQ door panels will be launched. Harald Fehse even visits the production facility in Portugal in advance to convince himself of the high quality on the ground: "The VBH door panel range reaches from simple all the way to the very top of the market, at a favourable price-performance ratio. In addition, the greenteQ door panels offer the ultimate in custom colours and designs. Our impression was, therefore, very positive – nothing else will do".





## greenteQ 1C polar XXL B2 Winter Foam Gun

# Optimal window installation in freezing temperatures

**The new greenteQ 1C polar XXL B2 Winter Foam Gun allows professional window and door installation down to a substrate and ambient temperature of -18 ° C. In addition to Germany, VBH completes this range especially in the regions from Poland, Russia, Siberia, Kazakhstan and the Baltic countries.**

In keeping with the cold season, VBH offers alongside the greenteQ 1C polar XXL B2 Winter Gun Foam a moisture-curing one-component assembly foam, featuring a high muzzle velocity even at low temperatures and thus providing a special user-friendliness. Even under the harshest conditions, when temperatures are down to -18 ° C, the foam is ideally suited for clean and controlled backfilling and sealing of connecting joints of insulating windows, roller shutters or exterior door frames and systems and when being applied to small wall openings and other cavities.

### High heat and thermal insulation

With a certified acoustic joint insulation of up to 63 dB and a thermal conductivity of 0.0374 W / mK, greenteQ Polar Foam has the best sound and thermal insulation values. It adheres to all common, solid, dust-and grease-free building materials, except silicone, polyethylene, oils and grease. Curing at temperatures between -40 ° C

and 100 ° C, it is semi-flexible, resilient, predominantly closed-cell, rot-proof and resistant to moisture. In terms of fire performance it meets the Class E specification according to DIN EN 13501-1.

GreenteQ 1C polar XXL B2 Winter Gun Foam is available in 750 ml cans suitable for all dispensing guns. The best results are achieved when used in

combination with the greenteQ dispensing guns. The yield is up to 65 litres and the amount of material left in the can kept to a minimum. The propellant mixture is harmless to the ozone layer and does not contain fluorinated greenhouse gases (CFCs, HCFCs, HFCs and HFC-free).

As well as in Central Europe, but especially in the eastern and northern VBH regions, greenteQ 1C Winter Gun Foam XXL B2 forms an appropriate extension of the country-specific range to achieve optimal results locally and in the proverbially cold parts of Siberia. The greenteQ polar foam is therefore (apart from German and English) only available in Russian and Polish speaking areas.

