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BE PRESENTS

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related to
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metal
industry.**

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< New flame cutting facility in Gdynia, Poland, is one of BE Group's many efficient East European operations.

Poland at the forefront

A newly rented storage space in Wroclaw, southern Poland, will enable BE Group to further improve the business in this region.

BE Stal i Metal delivers products in the whole country but the southern region, Silesia, is becoming increasingly important. By establishing the storage space in Wroclaw, the company will be able to provide and meet customer demands here in a more efficient way. The region also has existing industrial centres and an industry diversity, which makes stable and sustainability development possible for BE Stal i Metal.

One thing is clear, larger volumes can be bought to this storage and sales growth is around the corner. ■

Nothing ventured, nothing gained

Per Gullstrand has been responsible since the first of February for developing the rapidly growing New Markets business area where a total of 130 people work in BE Group's offices, warehouses and production service centres. The business area now comprises eight countries, with Russia as the latest addition. BE Group's 2006 target for this market is sales of approximately one billion SEK and the company's prospects for success are good.

The New Markets venture is wholly in line with BE Group's strategy of becoming one of the leading steel and metal trading and service companies also in this part of Europe. The favourable business climate and strong economic growth have contributed to BE Group's growth in the region of around 35 percent a year for the past few years.

BE Group is not the only company moving into the region. Several companies in the automotive industry have also taken the step, which is generating business opportunities for BE Group.

Even though BE Group is now operating in many of the countries in Eastern Europe, there is a great deal left to explore. Discussions on opening new companies and making acquisitions are in progress. ■



BE Group

Excellent reinforcing service



BE Group customises reinforcing products based on the customer's needs and wishes. This saves time and money for the customer during the construction process.

BE Group develops proposals and reviews alternative solutions with the customer to determine how the final product can be optimally adapted to the customer's needs, which is an aspect of the company's ambition to provide Excellent Service.

This may for instance involve manufacturing cut and bent reinforcing, designing special reinforcing mesh, selecting rolled reinforcing, or adapting weight and dimensions to logistics and handling limitations.

BE Group's main reinforcing products with regard to service are mesh reinforcing, fully customised reinforcing and rolled reinforcing. ■

Malmö, June 2006

Per Horstmann, Senior Vice President Product Supply, BE Group:

Cooperation in the Supply Chain

Even though the industry and especially BE Group are experiencing some positive changes in areas such as service and efficiency, the spotlight is still often focused on price. Sure, price is important, but if you don't have high efficiency, you don't create the scope to make extra money. Neither do you add more value to the end customers than the competitors do. The higher efficiency in the supply chain, the more profitable the business will be for all involved parties. In many cases the difference between the products produced by different producers is small. The difference that counts is the difference in the supply chain.

But a highly efficient material flow demands good overview and deep cooperation due to costs that occur for one party

may be caused by the other. With bad planning on the distributor's side (or speculation in future price changes) the influence



"The higher efficiency in the supply chain, the more profitable the business will be for all involved parties."

slow moving products in the range with other products.

Also noteworthy is that BE Group has adapted its inventory management to become more detailed. As a result, smaller quantities are purchased, but more often. In turn, this has led to a decline in the total quantities of products in stock.

BE Group has put effort into improving communication between sales team and purchaser. As a result, BE Group has been able to avoid unnecessary purchases or effect faster purchases depending on client need.

The ambitions with the inventory management in BE Group are to have in stock what the customers need but without tying more capital up than necessary. To ensure that BE Group is on track, the company continuously follows up both the stock turnover rate and the stock availability. ■

Warehousing with focus on management

A key success factor for BE Group is that the company does not engage in price speculation, but instead works deliberately towards stable purchasing regardless of whether the price of raw materials is high or low. This is a way to maintain control over supply and demand in a balanced fashion, for which BE Group often gets positive feedback from its suppliers. The method makes it easier for suppliers to plan and adapt production and staffing. It reduces the risks in the business in connection with price decreases but it also minimises the risk of obsolescence

This also allows BE Group to work intensively to make inventory management more efficient. There are many methods for

optimising inventory management including categorisation according to velocity (picking frequency) and volume value. This involves dividing products into categories where fast moving products and products with the greatest volume value are essentially never allowed to be stocked out.

Geographical management is another method, where the inventory location of products is adapted to geographical demand. The number of inventory locations for each product is optimised. Certain products need to be kept in stock in only one place and distributed from there.

"Tail-cutting" is yet another method for streamlining inventory management, by which BE Group eliminates or replaces the

on producers may be negative, resulting in jerky order inflow and negative impact on the production and the entire material flow. If the producer, on the other hand, has a bad delivery performance it may cause problems and high costs and for the distributor and the end customer. Transparency must also be increased so that everyone involved knows what is going on and can follow up the entire chain, link by link.

In other words, distributors and producers have to be able to cooperate and maintain open dialogue on prices and activities that may affect the chain, but also concerning delivery conditions. This is one of the greatest challenges of the supply chain. If it were put fully into practice, it would entail enormous cost savings, time gains and, especially, higher financial gains for all parties.

In addition to our own hard work to boost efficiency in the supply chain, we of course welcome any and all initiatives towards cooperation and streamlining taken by our suppliers and other partners.

One effective tool that BE Group is using in the effort to optimise the supply chain is BESPIX, which is described in more detail in an article later in this issue. What we can emphasise here is that more than anything, BESPIX is aimed at creating dialogue and communication between BE Group and our partners so that we jointly identify improvements and, perhaps most importantly, create value across the entire chain. Everything is done with one goal in mind: together becoming the absolutely best alternative for the customer. ■



Mats Lidgren, Vice President Product Supply BE Group:

BESPIX – a useful communication tool

The BE Group Supplier Performance Index, BESPIX, has rapidly become a very useful tool for all parts involved in the supply chain. BE Group uses it in the company's evaluation of its suppliers and the suppliers are able to see how they score and to take actions accordingly if needed. Most importantly however is that BESPIX is a tool for communication. It enables BE Group to get a good overview and above all give feedback to the suppliers. The evaluation is done twice a year and the results are used as a basis for dialogues between suppliers and BE Group in order to improve business relationship.

It's all about communication in a sound relationship that is constantly aiming for improvement", says Mats Lidgren, Vice President Product Supply BE Group. We also want our suppliers to give us feedback on how we can improve our efficiency".

How does BESPIX work? Different aspects of the supplier's performance are evaluated through various parameters. The rating results from this then grade the suppliers from "underperforming supplier" up to "honourable supplier". The parameters measured consist of both "hard" and "soft" values and cover price, payment, quality & environment, delivery and relationship.

Each category has sub listed relevant factors with different scoring grades depending on the parameter. Maximum total score however is 100 and different actions are ta-

ken, depending on what score the supplier gets below this. It can for example be actions to improve performance or increasing or decreasing orders.

A high score gives of course a signal to BE Group that making business with this supplier would normally work smoothly and efficiently. The better the score is, the bigger the order volume from BE Group would normally be. In other words, BESPIX also serves as an incentive for the suppliers to actually increase sales. At the Supplier Day in June, BE Group's most honourable supplier will be awarded, a prize that hereafter will be handed out annually.

BESPIX also serves as a tool in order to increase stock turnover. A lot of capital is tied up in the stock. By using the results of BESPIX (delivery performance, lead time, quality, etc), BE Group is able to optimise stock turnover by making business with high performing suppliers and avoid those who are delivering late or bad quality products.

– Although it may seem hard on some, who consider BESPIX a way for us to check up on our suppliers, what it really does, is making way for those performing well as well as minimising the risk of underperforming suppliers to continue operating poorly in this demanding market. In the end, this also ensures increasing stock turnover, while meeting customer demand. The extended dialogue with our suppliers is an important factor here", says Mats Lidgren. ■

Experts predict continued price increases for raw materials

Aluminium, copper, zinc, lead, nickel and tin are all materials quoted on the London Metal Exchange (LME). All trading on the LME is handled openly. The prices of aluminium and other raw materials fluctuate widely. Experts regularly speculate on how raw materials prices are going to be affected. The invest-

ment bank Credit Suisse First Boston is predicting that the recent upturn in the mining and metals sector is only the beginning. The basis of the forecast is that the supply of several metals is expected to remain limited in future.

The assessment for the next six months is that focus will be on demand. After the major liquidation by customers of inventory in metals such as copper, steel, nickel and aluminium, a rise in demand is forecasted. Many companies are expected to add to their inventories in parallel with strong growth in the global economy. ■



The price of aluminium has been characterised mainly by upturns for the last year and the experts say we should expect continued price increases.

Q&A

QUICK QUESTIONS AND ANSWERS:

**Antonio Belframe, CEO,
AFV Acciaierie Belframe S.p.A**

1. What are your general thoughts on the European steel and metal market?

The year has begun very well for the steel market, with inventories progressing from extremely low to standard or near-standard levels. We are seeing an increase in demand in some areas, such as Germany, indicating that apparent and real demand have both been important factors in the price increase. The market is quite good in southern Europe where consumption is very high and is going to increase. Italy, for example, has a consumption of over 1 million tonnes in commercial bars and Spain 5.5 million in beams. The market has contracted in the rest of Europe compared to a few years ago, with a decline in commercial bars of about 15 percent.

2. How do you look upon recent price increases and its effects on suppliers?

Certain suppliers who were having difficulties have gained a little breathing room. The boom is also giving producers the opportunity to invest in technology and modernise plants.



3. What factors do you believe will be the most important in determining future steel prices?

As always, the main factors that determine price levels will be supply – total production – and demand. But costs are also significant: scrap and energy, of course, but also the essential investments required to reduce environmental impact.

4. China and Russia are expanding aggressively in your field. What are your reflections on this for the European market from a short- and long-term perspective?

We do not think there will be any impact in the short term, at least not for long products. Internal demand is very high in Russia and China.

5. What is your view on the development in customer demands, time of delivery and new services that add value to customers?

In our view the concept of quality of service is and will remain key. Providing excellent service is also the best way to keep future imports to the European market in check. ■

Businesslike mutuality creates success

Alcoa-Köfem in Hungary is part of the American Alcoa Group and has been Bröderna Edstrand's main supplier of aluminium extrusions, bars and tubes since 1973. Back then, Bröderna Edstrand was Sweden's biggest trading partner with Hungary. Alcoa is now the world's leading producer of aluminium.

The light weight, formability and capacity to join and recycle aluminium are a few of its many favourable properties, making it ideal for a broad range of applications in the construction and engineering industries. Aluminium's breadth of application is especially noticeable in the varied needs of Bröderna Edstrand's customers. That puts high demands on suppliers' ability to quickly understand Bröderna Edstrand's business – and that of its customers.

"We believe the success factors for a partnership lasting many years are businesslike mutuality, understanding of each other's businesses and needs, but also open communication, which is the hallmark of our partnership with Alcoa-Köfem," says Anette Sjölin, Product Manager Aluminium, Bröderna Edstrand.

Bröderna Edstrand buys from the standard range of aluminium extrusions as well as special extrusions fully customised to meet customer needs. About 40 percent of purchases from Alcoa-Köfem currently consist of customised materials, the rest standard materials. Growth



has been fastest in the customised materials segment for the last ten years.

"We see greater commitment

and a long-term approach among those customers that we provide with tailor-made solutions. In customised aluminium extrusions, for instance, we offer a solution where we can deliver according to the customer's drawing with a specific length, surface treatment and post-processing if required," says Anette Sjölin.

The fundamental principle that successful partnership is based on mutual principles is also clear in the case of Bröderna Edstrand and Alcoa-Köfem.

"Bröderna Edstrand has thorough understanding of the market, efficient distribution channels and a solid sales organization. We offer aluminium production with the capacity to manufacture and ship a wide range of standard and customised solutions with high quality and reliable delivery," says Pasko Saric, Sales Manager Extrusions for Scandinavia & Eastern Europe, Alcoa.

In line with Bröderna Edstrand's focus on providing Excellent Service in all product segments, the ambition with regard to aluminium extrusions is also to continuously work to increase the proportion of customised materials. On that basis, Bröderna Edstrand and Alcoa-Köfem have initiated a project aimed at finding more shared customer groups that need customised solutions.

"We strive to work constantly with all of our suppliers to improve and develop the partnership. Naturally, that also applies to Alcoa-Köfem. The joint project to identify new customer groups and product categories is a step in that direction," says Anette Sjölin. ■



CONTACT AND SUBSCRIBE:

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