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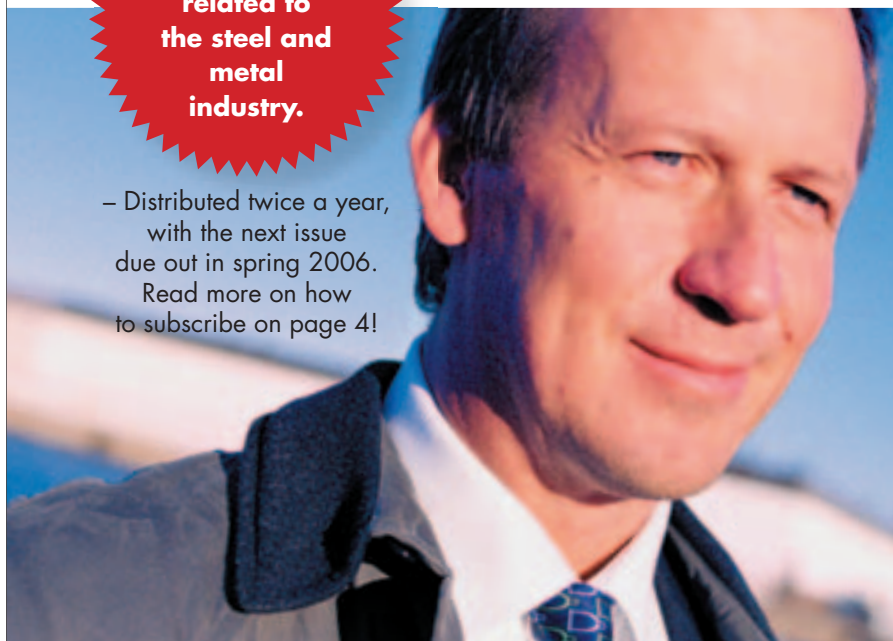


BE PRESENTS

a newsletter from BE Group 2005 **First issue**

A new newsletter related to the steel and metal industry.

– Distributed twice a year, with the next issue due out in spring 2006. Read more on how to subscribe on page 4!



Malmö, December 2005

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

Why a supplier newsletter?

BE Group is one of the leading steel and metal trading companies in Europe and our objective is to deliver maximum value to our customers. To succeed, we must continuously improve our ability to develop and build long-term relationships with our

suppliers. One of the main ways we can make that happen is through a close dialogue and partnership.

We realised that one step towards improvement would be a forum for issues of common interest to us and our suppliers, which inspired *BE Presents* – a newsletter from BE Group. Our purposes with the newsletter are several. First and foremost, we want to create a basis for discussion and a source of information. This includes news and developments within BE Group, ideas concerning supply chain management and issues within the steel and metal industry. In addition to this we also want to highlight successful relationships with our partners.

Another step in our ambition to

improve the dialogue with our suppliers is to arrange a yearly *Partner Day* at which we hope to bring together our suppliers.

In line with our new corporate strategy we are promoting BE Group's brand more vigorously now for many reasons. One is that we want to be recognised by our existing and potential customers. Another is that we want to be recognised by our suppliers in our bigger subsidiaries in Sweden and Finland, as well as in our New Markets, where our subsidiaries are smaller and somewhat less familiar. We would like to be recognised as one company.

We intend to improve coordination of BE Group subsidiaries, especially within Product Supply. To that end, we are developing supplier agreements that will be applicable to all of our subsidiaries, rather than making ten separate agreements. Our general long-term idea is that we do business with a supplier under an agreement open to all BE Group subsidiaries.

Naturally, neither newsletters nor partner appreciation days can ever replace frequent dialogues between our partners and us. These kinds of initiatives should be seen as a complementary to daily personal meetings, discussions and contacts.

Please help us to become a better customer by giving us feedback on how we can improve! ■



BE Group



Development in Chinese steel and metal industry affects Europe

China is the biggest steel producer in the world today. The Chinese steel industry plans to increase production capacity from 220 million tonnes in 2004 to 270 tonnes in 2005 and 330–510 million tonnes in 2010.

Increased domestic production of steel has made the Chinese government introducing special penalty duties on imports of steel from countries like Russia, Ukraine and South Korea. As a result of this, total imports of steel products to China fell in 2004 by 21 percent to 31 million tonnes. Exports of steel products from China increased by 116 percent to 17 million tonnes in the same year.

Low interest rates and considerably cheaper construction costs mean that it is 60 percent cheaper to build steelworks in China than in Eastern Europe. Some experts believe there is a risk of overcapacity in China, while others claim that the currently low figures for consumption of steel per capita (150 kg compared to 400 kg in the USA and 640 kg in Japan), are evidence of tremendous potential in the Chinese market.

No matter what happens in the future, one thing is certain: developments in China will always have an impact on steel production and development in Europe. ■

BE Group + Outokumpu

Still going strong

A partnership as hard as steel

Cooperation between BE Group and the Finnish stainless steel supplier Outokumpu is a model of consistency. More than 60

years have passed since the partnership between BE Group's Swedish subsidiary Bröderna Edstrand and Outokumpu began – and it is still going strong. Most importantly, it is a profitable proposition – somewhat like steel.

"What we have is a close partnership where both parties benefit from the other's strengths. We make use of their service capacity so that we can offer our customers full service range without investing in new plants. They make use of our sales and marketing organisation and logistics system for similar reasons," says Peter Sjödal, product manager at Bröderna Edstrand.

Outokumpu converts stainless steel

into coil products, quarto plates and tubular products. The coil products represent the largest aspect of the alliance by far in terms of quantity, while tubes, fittings and quarto plates are other key products. The two companies cooperate extensively within the above mentioned product segments. Outokumpu requires support from a major sales organisation, giving Bröderna Edstrand the chance to return the favour.

"We consider Bröderna Edstrand a very important partner in terms of both sales and marketing," states Torsten Sjölund, sales and marketing manager at Outokumpu Coil Products in Sweden.

He continues:

"We help to meet their needs for advanced production capacity and they obviously create business for us by including our products and services in their range."



Added value offered by Steel service centres

Lotila Steel Service Centres 1 & 2 are examples of Starckjohann Steels technical advanced service centres in Lahti in Finland.

Starckjohann Steel, BE Group's Finnish subsidiary is adding value to its steel and metal product range through its four service centres in Finland. The service centres offer advanced services including slitting and cutting to length, laser cutting, fine-ray plasma, water jet cutting, shot-blasting and protective coating.

This allows the company to offer its customers cost-effective solutions, high-quality products and reliable delivery through the advantages brought by large-scale operations.

As demand continuously increases, new services are being planned for the future. ■



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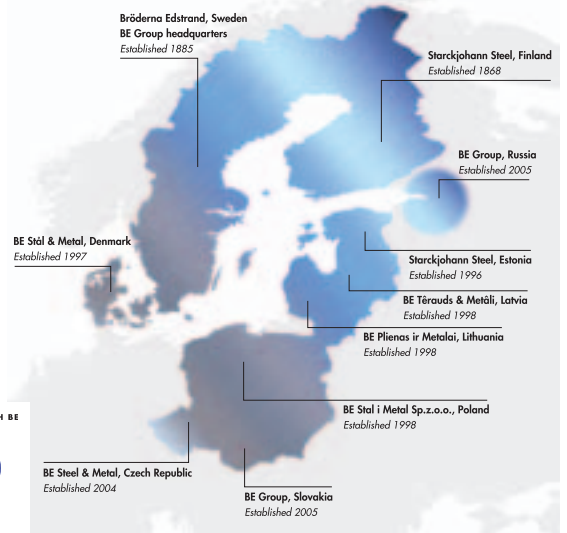
The histories of the two companies are tangled up together, and not only through the trade business. Nyby Bruk, a Swedish works that now belongs to Outokumpu, was actually owned by Bröderna Edstrand from the mid-1940s until 1965.

“Having done business together for more than half a century naturally means you know each other quite well, which

also enables you to act with mutual trust,” says Peter Sjö Dahl.

The partners are optimistic about the future:

“As far as our two companies’ future cooperation is concerned, the outlook is promising. A relationship of more than 60 years is more than adequate proof that the alliance is worth maintaining,” Torsten Sjölund concludes.



BE Group expands in Slovakia and Russia

BE Group’s establishments in Slovakia and Russia in autumn 2005 is entirely compatible with the company’s strategy of expanding in emerging markets in eastern Europe, home to a large segment of the Group’s customer base.

The Group’s new subsidiaries are situated in Michalovce, Slovakia and St Petersburg, Russia. Both cities enjoy a favourable business climate in expansive areas where a large segment of our customer base does business. By expanding and getting closer to its customers, BE Group is strengthening its position in north-eastern Europe.

BE Group

in figures and facts

- Net sales: €591M
- Sales by volume: **630.000 tonnes of steel, stainless steel & aluminium**
- Orderlines processed: **1,300,000**
- Range: **10,000 items**
- Customers: **15,000**
- Employees: **900**

BE STRONGER WITH BE



BE Group

Who are we?

- BE Group is one of the leading steel and metal trading and service companies in Europe, with headquarters in Malmö, Sweden.
- The company has about 15,000 customers, primarily within the construction and engineering industries.
- Sales in 2004 totalled nearly EUR 600 million, where Sweden and Finland are its largest markets.

What do we do?

- BE Group provides service in the steel, stainless steel and aluminium sectors.
- Processing of the material in the company’s own production facilities is evolving into an increasingly important aspect of operations.

Where are we?

- BE Group does business in 30 locations in ten countries all over northern Europe: Sweden, Finland, Estonia, Latvia, Lithuania, Russia, Poland, Czech Republic, Slovakia and Denmark.

More information on www.begroup.se

Q&A

QUICK QUESTIONS AND ANSWERS:

Philippe Varin, CEO Corus

What effects do you think the consolidation in the steel industry will have to the future?

"Some regions are more advanced in the consolidation process – the top 5 producers in Western Europe account for more than 60% of total steel production. Nevertheless the industry is still fragmented and even since the creation of the Mittal Steel Company, the top 5 producers in the world account for less than 20% of global steel production. But according to a recent presentation by Deutsche Bank, the top 5 steel companies by size have to account for more than 40% of total world output for the big benefits of consolidation to be seen. We share the view that over the next 5–10 years, we can expect to see a number of truly global steel companies with over 50 million tonnes capacity. Companies such as Mittal Steel and Arcelor are already there."

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

"Growth in emerging and developing regions will be key factors in determining the health of the world steel market as we move forward. As demand from steel buyers in mature markets such as Western Europe and North America is expected to increase at modest levels over the next few years, steel consumption in markets such as Central Europe, South America and China will be strong which should keep the overall prices at above historical levels."

Specifically, how will the growth of China, both as steel producer and as buyer of steel, affect the industry in general?

"Given the scale of the market, China's net trade balance will be a key driver of the global



steel market both directly and indirectly through export flows from other regions. An important factor globally, will be the supply side, specifically movements within the Raw Materials market. In recent times, we have seen a tight balance between supply and demand in Raw Materials and we expect this to continue into the future. New capacity, particularly in Iron Ore is available but sufficient volume will not come on stream in the immediate future. As new capacity does become available we can expect price levels to reduce but still remain above historical levels. Whilst challenging – my view is that it provides our industry with the opportunity to have greater discipline and for us in Europe to focus on value rather than on volume and to seek appropriate opportunities to participate in the on-going global consolidation of the industry so as to become stronger on a global basis."

■

BE Group Excellent Service – A win-win situation

For the past few years BE Group has been developing value-adding solutions besides the existing customer oriented product range of steel, stainless steel and aluminium. The services, such as high-level logistics, prefabrication and processing, recycling and advisory

services, are all saving time, cost and capital for the customers. In the long run this improve their competitiveness. In other words, the Excellent Service is a profitable initiative aiming at optimising business for the company and its customers. ■

Words from the CEO:



"TOGETHER WE BECOME STRONGER"

At BE Group we see our suppliers as partners and as an essential component of BE Group's combined expertise. Our ambitions are high in terms of building long-term relationships with our partners. The objective is to minimise costs and maximise efficiency along the entire value chain. That approach also applies to how we work with our customers.

Integrated relationships are prerequisites for us to deliver excellent service and they give us the capacity to continuously improve our customers' competitiveness. This is exactly what our mission is all about. When we stand united with producers, we can achieve much more.

There are always things that can be better performed. One area of improvement concerns e-communication, which in several aspects can help us increase efficiency in all processes. Devising smarter and more efficient logistics solutions between our partners and us is another area.

In general, one of the main focuses in our industry is arriving at the right prices for the products, which repeatedly results in time-consuming negotiations. In line with the corporate strategy of BE Group, we aim to develop our partnerships to include quality variables such as communication, availability, expertise, reliability, sales support and logistics so that we all can become more

efficient and create added value for all parties.

BE Group intends to become the leading service provider in steel and metals in north-eastern Europe. We are currently operating in ten countries. We believe our expansive presence equips us to establish international cooperation with the best producers, unrestricted by national borders.

We invite you to do business with us in Sweden, Finland, Estonia, Latvia, Lithuania, Russia, Poland, Czech Republic, Slovakia and Denmark. BE Group wants to develop and become a better supplier. We are convinced that the best way of achieving this is in close collaboration with you. ■

Malmö, December 2005.

Håkan Jeppsson,

President and CEO, BE Group



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