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# BE PRESENTS

a newsletter from BE Group 2011 **Twelfth issue**

**A newsletter about the steel and metal industry.**

See page 4 for subscription info!

Per Horstmann, SVP Purchasing and Production, BE Group:

## **We must find remedies to price volatility**

**During our recent Supplier Day, one topic that we discussed was the negative effects of price volatility. In our business we are not talking about price changes of 5 or 10 percent per year. Instead, for flat products as an example (see below), the last three years we have had two or more price drops or hikes of between 20 and 60% every year!**

It makes the supply chain inefficient. When prices turn down the demand on the market becomes low as no one wants to

purchase when they expect lower prices to come. When prices turn upwards, demand on the market becomes high resulting in long delivery times because everyone wants to purchase as soon as possible and as much as possible when they expect higher prices to come. The results are big variations

in delivery time which either leads to bad delivery performance to customers or to huge stocks to cover up for this variation, which is very costly.

The variations in demand that comes out of this,

hurts most producers badly. It's not a good situation that the capacity usage in the steel and aluminium production varies between very low and hitting the roof over and over again. It's inefficient and the costs are enormous.

The price volatility is also difficult to handle for our customers as many of them are tied up with long contracts with their customers. We know that many customers of steel, stainless and aluminium are actively seeking alternative materials to reduce



the cost uncertainty that the price volatility causes.

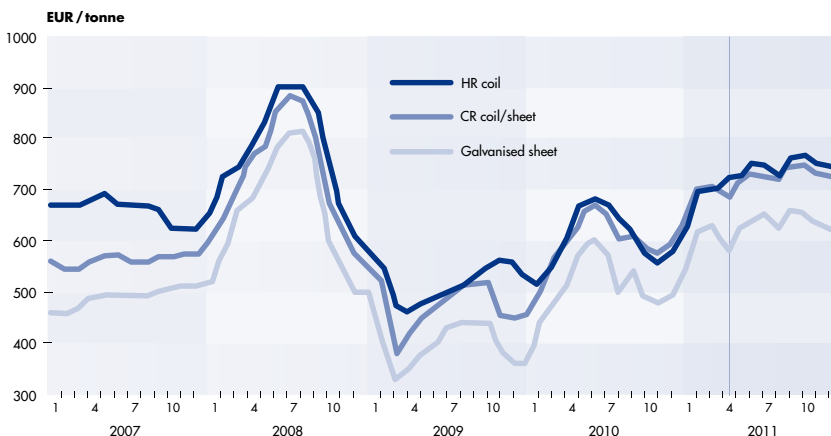
The financial market also dislikes the price volatility and the irregularity that it creates. Share valuation becomes lower; interest rates become higher and credit frames smaller. The volatility will of course always be there but we must try to reduce the frequency and the amplitudes, to help the business.

One way of doing something about the situation is for producers to prioritize serious customers that purchase approximately the same volume month by month and give less good terms to speculative customers who purchase only once a year or every second year. Another way is to cooperate in order to develop longer term contracts, which then most probably have to be adjusted with indexes.

We will be happy to take part in such cooperation.



**BE GROUP**



## Continued growth for BE Group during second quarter 2011



In the second quarter, net sales rose by 14 percent compared with the year-earlier period, amounting to SEK 1,597 M (1,399). Shipped tonnage rose by 7 percent. The operating result was SEK 66 M (86), with an operating margin of 4.2 percent (6.2). ■



## Getting closer to common ERP

The introduction of BE Group's new common ERP (Enterprise Resource Planning system) is progressing. By the end of 2011 most business units will have gone live. A variety of old systems that were unable to communicate with each



other are being replaced by a common, modern system. BE Group has chosen Microsoft Dynamics AX.

"This is a really important step forward for the group.

It creates a whole new transparency throughout the group and makes internal transactions between countries a lot easier", says Project Manager Magnus Brorsson.

The project was initiated in 2008 and the system went live in Poland the year after. This was followed by Sweden and Slovakia in 2010 and during 2011 Finland is next. The introduction in the Czech Republic will begin this year and be done in 2012. The Baltic countries will be the final business units to introduce the system in 2012. ■

Since the start of 2011, Roger Johansson is President and CEO of BE Group. His background is mainly from the automotive industry, most recently from Trelleborg Automotive.

Roger Johansson, President and CEO:

# "The supplier network is critical for BE Group's success"

### What is your opinion of BE Group so far?

BE Group is a strong company with a great heritage and long experience in handling and trading metals. We have a competitive set-up and a vast network of both suppliers and customers.

### What do you see that BE Group needs to develop?

We need to be even more on our toes than we are now. We have to get better at adapting to an increasingly competitive market and an environment that changes faster and faster. We also need to continuously improve our base business at the same time as we move forward in the value chain. We want to add value to the products we deliver in the largest extent possible.

We also need to be the best in the industry when it comes to material flows. This makes our logistics centre in Ostrava a very important hub.

BE Group is now present in China. It's not a break-in into the market but a necessary step for BE Group in order to be present in the world's biggest market.

### How do you intend to move the business forward?

Each movement forward in the value chain is carefully considered. We have well-defined steps for different industries that we want to take. We also know what we don't want to do.

### How do you see the role of the suppliers for BE Group?

Obviously, the supplier network is critical for BE Group's success. We need to have close and strong relationships with our suppliers and the aim is to have the best supply base in the industry. We have high expectations on our suppliers when it comes to quality, reliability, cost-competitiveness, innovativeness and responsiveness. They must prove themselves continuously on those aspects. We will work with suppliers we know and trust. And of the ones we work with, we will choose the best offers, not always the cheapest, but the best.

### How can BE Group develop cooperation with suppliers?

There are several ways in which coopera-



tion with suppliers can be improved. Together with our suppliers we can reduce the effect of the price volatility that hurts both sides of the business. With a closer dialogue we can improve forecast ability but this also demands more of BE Group's organization that must run like clockwork.

We can also find new and innovative ways to jointly win new business with industry customers that either of us cannot win by ourselves. Good cooperation makes us improve each other's offerings.

#### Tell us about your background

My experience comes mainly from the automotive industry. I spent a long time with GM Europe in different capacities, manufacturing and purchasing, managing a large supply base. Recently I worked for four years as president of Trelleborg Automotive. The automotive industry is fiercely competitive and we can learn a lot from there.

#### What do you wish to accomplish as President and CEO of BE Group?

To make us the most successful, professional and respected steel provider in Europe. ■

BE Group's lightest:

## Aluminum in focus

**Aluminum is widely used and has lots of advantages. It will not rust, it's light and it can easily be recycled without degrading. BE Group offers flat and extruded products and a wide range of services within aluminum.**

The greatest demand is for alloyed flat materials. Mostly BE Group sells standard items but there is an increasing demand for customer unique items.

Among BE Group's major customers for aluminum are Volvo Buses in Sweden, Finnish fencing-specialists Saher-Aidat and Czech pool cover producer Harca.

"Apart from price and quality the most important issue for aluminum customers when choosing BE Group as a supplier is speed and timeliness of our deliveries", says Robert Juraška, Vice President Product Supply and Product Area Manager Aluminum at BE Group.



Aluminum demands better conditions than steel. It needs to be stored inside and not too cold. Also the handling of aluminum must be more careful to prevent scratching. Often, there are protective surfaces (foils) and sometimes paper between the aluminum sheets.

In order to deliver and keep customers

happy, good suppliers are necessary. The process of choosing a supplier starts with a questionnaire. This is followed up with personal visits where BE Group representatives go to the mills, the production, the testing and so on. References are also checked and if all this looks good deliveries can start.

"When choosing our suppliers we try to focus on good quality suppliers mainly in low-cost countries (Turkey, China, Poland, Hungary etc.). We want our suppliers to be ISO-certified according to 9001 and 14 001 standards, but some of them also have ISO/TS16949 certification", says Robert Juraška.

BE Group's biggest supplier of flat aluminum is Impexmetal and Hydro Aluminium Chrzanów for extruded products, both from Poland.

The aluminum price is based on two parts. The Conversion price (including different surcharges e.g. for thickness) makes up 30–35 percent of the price and reflects the price of production. This price can be negotiated. The LME-price (metal price) constitutes the remaining 65–70 percent and is set on the London Metal Exchange.

"Usually we work with quarter-based contracts where we agree the conversion prices and reserve the volumes we need. Payment terms are normally 60 days or more", Robert Juraška concludes. ■

### Focus on cooperation at annual Supplier Day



**Alena Zrzova**, Sales Manager for Evras-Vitkovice received the award from Per Horstmann.

**In June BE Group arranged its annual Supplier Day in Malmö with almost 100 suppliers present.** The award for "BE Group's most honourable supplier 2010" was given to Evras-Vitkovice. Alena Zrzova, Sales Manager Evras-Vitkovice accepted the award.

"The cooperation with them on all markets is in accordance with our product supply strategy, in terms of them being responsive, flexible and supporting our production service, commented Christer Dahlberg Product Area Manager, hot-rolled plates." ■



The opening of BE Group's office in Shanghai took place in a traditional Chinese fashion.

First office in Asia

## Grand opening of BE Group in Shanghai

**The ceremony took place on May 4 in Shanghai with 40 guests present.**

BE Group has been present with a representation office in China since 2007. The purpose has been to purchase steel, stainless steel and aluminum from China for delivery to European customers.

Increasing demand from European

customers for BE Group to supply them with material for their own production units and their subcontractors' production in China made BE Group decide to establish a local BE Group company.

With the new office and warehouse in Baoshan, northern Shanghai, BE Group now sells



**a necessary step for BE Group in order to be present in the world's biggest market"**

material to Western companies with production in China as well as to Chinese companies.

Purchases for the office will gradually move over to Chinese suppliers. BE Group will also continue to purchase material in China for delivery to European customers. ■

## Steel beats in the Caribbean

**The Steelpan is a musical instrument originating from Trinidad and Tobago.**

**DID YOU KNOW?**

The instrument's invention was result of a combination of

drumming traditions of both Africa and India brought to the island by enslaved Africans, and the celebration of Mardi Gras, brought to the island by the French.

Originally a bamboo construction, oil drums started to be used to construct the drum in the 1930's. The Trinidad All Steel Percussion Orchestra (TASPO), formed to attend the Festival of Britain in 1951, was the first steelband



whose instruments were all made from oil drums.

The pan is a percussion instrument, traditionally made from 55 gallon drums that usually store oil. Nowadays, many

instrument makers do not rely on used steel containers and get the resonance bodies specifically manufactured according to their preferences and technical specifications. Steelpans are built using sheet metal with a thickness between 0.8 mm and 1.5 mm.

The repertoire of steelbands is usually focused on calypsos which are performed during the annual Carnival. Bands that perform all year round have long prided themselves on being able to play many types of music, particularly Latin and jazz numbers, film music and other popular tunes. There is also a tradition of performing classical music on pan. ■

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