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BE PRESENTS

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

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Per Horstmann, SVP Purchasing and Production, BE Group:

Cooperation and trust essential for efficient supply

Going into 2011 we can look back at the past year with mixed feelings. The recovery seemed to go well during the first half, especially in the second quarter. By summer, though, stocks had filled up again leading to falling prices and slowing demand. The second half of the year was a disappointment. Still, 2010 was actually a lot better than 2009. If we see the same volume growth this year as well, most of us in the steel and aluminium business will be happy.

In downturns like the one we just experienced, we are forced to make a lot of tough and inconvenient decisions. We have to reduce staff, close business or production units, cut investments and so on. It's a matter of increasing efficiency by adjusting our companies to lower business volumes but in addition to this we also have to develop better ways of running our business. If we succeed, we will have enhanced our daily routines and maybe even improved the way we work with our business partners. The

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good thing about this, except that it makes us survive, is that it improves our profitability when volumes come back. This works as long as we don't add too much resources too quickly or forget what we have learnt, falling back into old patterns again.

BE Group did cut staff at the beginning of the crisis and we improved our efficiency in other ways too, restructuring Business Area Finland, establishing a Logistics centre in Czech Republic and closing down our unit in Russia. We also improved our routines and worked

very hard together with many of our suppliers to improve cooperation.

One of our most important operational goals is to improve delivery performance to our customers. To reach that goal we need help from our suppliers. If we don't get material on time we cannot deliver to our



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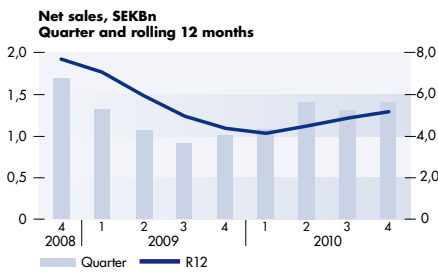
customers on time. Of course we could to some extent balance this by keeping high inventories but that is inefficient, costly and it ties up capital. If we can't create an efficient supply chain together with our suppliers, then our customers will take their business somewhere else.

Now we will again see prices increasing and demand growing, at least short term. But is it only apparent demand or will real demand increase too? Will demand keep up or will we run into a new situation where steel and aluminum stocks pile so high that everybody stop buying and prices drop to the floor again? How can we avoid the disastrous volatility that is so typical for our business? Can deeper, longer and more trustful relationships between producers and distributors be a way to avoid the heavy speculation that is one of the main reasons to the problems? Are there any other ways?



BE GROUP

Earnings improved despite weak ending to the year



Demand in BE Group's markets improved during the second quarter and remained largely at that level for the rest of the year but the end of Q4 showed a slight decline in demand and decreasing prices. Net sales in Q4 increased by 37 percent to SEK 1,383 M. Sales for the whole year amounted to SEK 5,129 M (4,308), a 19 percent increase. The operating result for the full year improved to SEK 98 M from a loss of SEK 266 M. ■

Roger Johansson new President and CEO of BE Group

Roger Johansson is the new President and CEO of the company. He has been a member of the board of BE Group since 2009. Roger Johansson was born in 1965 and holds a Master of Business and Economics Science from Gothenburg University. He comes from Swedish company Trelleborg, and the post of Business Area President of Trelleborg Automotive. Roger Johansson has extensive experience in the steel industry and has, among other things, been the Vice President of General Motors Powertrain Europe. ■



and Economics Science from Gothenburg University. He comes from Swedish company Trelleborg, and the post of Business Area President of Trelleborg Automotive. Roger

New Product Area Managers at BE Group

Ladislav Raszka and Robert Juraška were recently recruited to BE Group's office in Ostrava. Ladislav Raszka, 43, is the new Product Area Manager for Thin Sheets and



Coils. Previously, he worked 12 years in the steel industry in various management positions. Ladislav Raszka comes from ArcelorMittal where he has worked since 2005, most recently as Chief Supplies Officer. Robert Juraška, 38, has assumed the position of Product Area Manager in Aluminum. Most recently, he comes from Henniges Automotive where he was Director of Purchasing Europe. ■



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Lecor Steel Engineering AB is now a subsidiary of BE Group Sweden, but the company retains its current name. It is a leading company in steel engineering technology and has a range of advanced projects to its credit. One example is the new ski jump hill at Holmenkollen in Oslo.

New swedish subsidiary:

Improved service through acquisition

BE Group's acquisition of steel technology company Lecor Steel Technology in Kungälv greatly improves the Group's service offering. The plans are ambitious and an ultra-modern production facility for construction steel of a kind that hasn't previously existed in Sweden, will be built.

– We have worked together for a long time and we know each other well. The owners wanted to develop the business further with a strong partner. That's where we came in, says Stefan Eklund, Business Area Manager and President of BE Group Sweden

The acquisition makes BE Group's range of production services broader and stronger. This saves further time, expenses and capital for customers by making it possible for them to focus on their core business. Through the acquisition BE Group combines its marketing organization,

purchasing power and broad customer base with Lecor's expertise in design, production, project management and steel technology.

– The acquisition of Lecor takes us further in the value chain. It improves our service offering, especially towards construction and infrastructure, says Stefan Eklund

An ultra-modern production facility will be built in Kungälv, creating a unique offering towards structural steel contractors who build steel frames for the construction industry. The production capacity will increase by six times compared with today's. The production set-up is fairly new in Sweden with automated production lines for competitive supplies of prefabricated steel.

Customers can assign entire projects, parts of a project or unit purchases of processed material. There is an increasing



need among customers for complete and ready-made components.

– As we move forward in the value chain, we make it possible for our customers to take on larger projects than they could previously master which will expand the volumes they purchase from us, says Stefan Eklund.

Lecor continues to serve its existing customers in construction as well as in bridges, stadiums, ports and other special projects. At the same time it can combine its efforts with BE Group to cultivate new customers within infrastructure and complex projects. The combination of BE Group and Lecor creates new opportunities for a competitive supply of sophisticated steel structure that meets the ever-increasing import of finished steel construction material.



– The deal has been received very positively by our customers. Parts of what we do is close to what some of our customers do so there was a slight worry that it wouldn't be taken well. But the result is quite the opposite. The market has been very positive and it improves BE Group as a business partner, Stefan Eklund comments. ■

Buffer stocks help maintaining **flexible and efficient production**

Ouneva, a company operating as a subcontract supplier of sheet metal parts and cabinet structures, sees demand picking up. Flexibility of production is enhanced by buffer stocks provided by BE Group.

Ouneva has extensive experience in punching, bending, finishing and machining copper, aluminium and steel. The company's modern sheet metal fabrication plant is located in Tuupovaara, east of Joensuu in Northern Finland.

Ouneva's products include connection components for the electrical equipment industry and trade. An extensive range of subcontracting production covers client-specific connection solutions, cabinet structures and sheet metal parts.

BE Group is a supplier to Ouneva since



Ouneva Oy with MD Keijo Kurki (left) and Teija Pietarinen are geared up for increased demand. ■

2007 and is now among the ten largest suppliers and thus an important partner for the company.

– BE Group is our largest supplier of raw materials. They are also one of our best



An increased demand can now be noticed throughout our clientele"

suppliers according to our internal evaluation. From our point of view the strengths of BE Group are flexibility, short delivery times, a functional buffer stock practice and good customer service, says Managing Director Keijo Kurki of Ouneva Oy.

The buffer stocks maintained by BE Group are very important for Ouneva for the flexibility and efficiency of production, since volume variations are great. The overall efficiency of the buffer stock function will be tested again now when the demand is increasing.

During the boom, Ouneva grew at a rate of 30 percent annually, until it experienced a reduction in turnover of about 40 percent in the years 2008–2009.

– An increased demand can now be noticed throughout our clientele, both domestically and in the export markets, which absorbs about half our sheet metal production, says Mr Kurki.

The situation has improved since last year, and Ouneva has now increased their hiring. The company currently employs 170 people. The company has also invested in new equipment and is prepared for an increased demand. ■

Increased focus on sustainability in BE Group business

BE Group continually improves the sustainability of the business. Both BE Group Logistics and BE Group Czech Republic have now been certified according to the ISO 14001 standard. All units in Sweden and Finland have been certified for some time and focus has been on the business in Central and Eastern Europe.

– This takes us to another level. All major units are

now certified says Dan Gustafsson, Vice President Production at BE Group.

BE Group also works more actively than before with the sustainability level of its prioritized suppliers. However, most of the emissions from BE Group's business come from transports and special attention is therefore put on tracking those emissions.

– We are very efficient in limiting emissions from our production sites. About 75 percent of our emissions come from transport and we are very focused on getting those levels down, says Dan Gustafsson. ■

Q&A

with Jarmo Tonteri,
Group CEO of Ovako Steel

How would you describe the current market situation?

– The current market situation is quite interesting. I believe it will develop in a positive manner. There is of course always a dimension of uncertainty in the market, especially coming from a period of recession.

How do you think demand will develop in 2011?

– I think it will increase, maybe not as much as 2010 but a slow increase. There is a positive trend in the market.



What is your view of the development in Europe in relation to the rest of the world with regards to prices?

– There is a need for prices to increase. The market has not seen any increases the last few years and now there is a substantial demand. The balance between supply and demand indicates that prices will rise.

What is happening in the market for long products at the moment?

– 2010 has been a strong year and I am convinced that 2011 will be as strong.

What has the situation been in Ovako's markets during the last year?

– Our turnover has doubled. So we have a positive view of the near future.

What is the main challenge for Ovako at the moment?

– The main challenge is to keep up with the demand. We need to balance price and supply with demand.

What future trends do you think will be significant in the market for steel and other metals in Europe and globally?

– Asia is growing and Europe has a steady demand. ■

All out

Improvements with OD

OD is short for Operational Development. It is a method to improve the organization in all parts and with all employees involved. The purpose of the process is to improve understanding and engagement for the strategy of the company. Since a year, BE Group is introducing the method. Four strategic goals have been chosen that everybody within the organization should know. The goals include delivery reliability, inventory turnover, sales to key customers and to increase the service share of sales. The goals are always set high. Reaching them is a real challenge.

The OD Process starts with discussions with the management teams of the Group's subsidiaries to explain the goals that are set for the company as a whole. After that the goals are broken down by each subsidiary and then further down in the organization.

A pilot has been run at the site in Norrköping where all employees have been involved. They spend an hour every two weeks creating activities to improve the process around them.

People in each department see their



We were already really good at having a high inventory turnover but we are getting even better

role and what they can do to improve for the company as a whole.

Volvo and ABB Sweden have worked with this process for a long time and very successfully.

– The work with OD has certainly improved a lot. We were already really good at having a high inventory turnover but we are getting even better and there is a completely different understanding of it in the organization now,

comments Per Horstmann, SVP Purchasing and Production, BE Group. ■

Light and strong materials make supercars faster

The term Supercar was first used in the 1920's in England for cars such as the Bentley Speed Six.



This was a colossus made from steel with a weight of 2130 kg and a top speed of 135 km/h. The first true supercar of the modern age with the engine mounted between the wheel axles behind the driver was the Lamborghini Miura from 1966. Still made mainly from steel, it had body parts of aluminum and weighed less than 1300 kg. It could reach a top speed

of 280 km/h and was every man's dream.

In 1987 Ferrari presented the F40. This was the first road car that made extensive use of carbon fiber which was used



Supercars won't get much lighter than the Lamborghini Miura.

for the body while the chassis was made from oval section tubular steel. This gave the F40 a weight of only 1100 kg and a top speed of 324 km/h.

Today's undisputed star in the supercar crowd is the Bugatti Veyron. Although it is almost entirely made from carbon fiber with aluminum details it still weighs more than 1900 kg. With a top speed of 406 km/h however, extreme strength is required of the construction so even though light weight materials are used the result is still a big lump compared to earlier supercars. ■

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