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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:

Good development

We often tend to talk about what is not working and what needs to be improved. When improvements are in place we forget about them and think of them as natural. We forget to recognize all the good work that lies behind.

When it comes to improvements in the supply chain in the Steel and Aluminium business, much has moved in the right direction in the last few years. This was partly forced by the crisis in the business but it is probably also



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the result of the fact that we now discuss issues and opportunities more openly. I think cooperation has improved significantly.

Some of our suppliers have developed production of their own so that they can produce smaller and more frequent batches with the same or even improved efficiency.

This means we can order and get deliveries very frequently which helps us to reduce our inventories and improve delivery performance to our customers.

Many of our suppliers have also significantly improved their delivery performance which makes it possible for us to reduce our inventories and improving delivery performance to our customers at the same time. The strengthened mutual understanding and cooperation that we see between our suppliers and us continuously helps us to make more efficient decisions in the daily operational work.

I believe it's obvious to most people in our business that mutual understanding and cooperation is of great importance to every



company in the supply chain. If one link is inefficient, that link will have to be removed. If a producer has distributors or service centres that are not good enough they will have to find new partners. If a distributor has producers that are not efficient enough they have to find new sources. This is necessary for the profitability and the sustainability in the business.

If, on the other hand, there is positive development of cooperation and efficiency in a supply chain, it is a strong competitive advantage. Changing suppliers and finding new customers is sometimes necessary, but always a long, costly and difficult process.

We are happy to see positive development and close cooperation with so many good steel and aluminium producers. There is of course a lot more to do and there always will be, but we are convinced improvements will continue also now when the market seems to start to turn a little bit up again.

And if we have learnt the lesson from the last few years and do not increase prices too much, we may even see an upturn that lasts more than a few months.

“The strengthened mutual understanding and cooperation that we see between our suppliers and us continuously helps us to make more efficient decisions in the daily operational work.”



BE GROUP

Increased sales but lower profit in Q3



Increased sales but lower profit led to a decision to improve profitability. In the third quarter, BE Group's net sales amounted to SEK 1,420 M, an increase by 12 percent compared to the previous year. The operating result decreased to SEK 4 M (48), primarily as a consequence of inventory losses, currency effects and higher production costs.

BE Group has decided to initiate a program of profitability improvement measures. The program is expected to generate cost savings of SEK 50 M calculated on an annual basis.

New head of CEE

Since September, Nikolai Makarov is the new Business Area Manager in Central and Eastern Europe for BE Group.

CEE is one of BE Group's three business areas and supplies customers in the Baltic States, Poland,



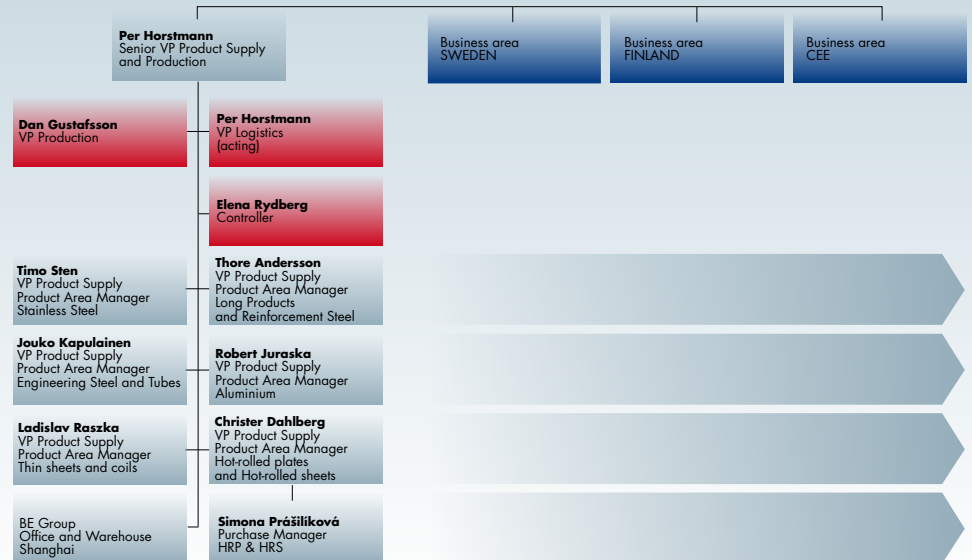
Slovakia and the Czech Republic with products and production services. The business area also forms a key component in the entire Group's product supply chain.

Nikolai Makarov has extensive international experience in the steel industry. Most recently, he comes from the Finnish steel company Ruukki Construction. As Business Area Manager, CEE, Nikolai Makarov is also a member of the Group Management team.



Since January 2008 BE Group's supply organization has a centralized Product Supply & Production as well as eight Product Area Managers and one Production Manager. During the last year some changes have taken place;

- Former Product Area Manager of Long Products and Engineering Steel Kalle Björklund, has taken up the position as Marketing and Sales Director of BE Group Sweden. Instead of appointing a new Product Area Manager for Long Products and Engineering Steel the position has been changed.
- In order to have the main products for the building and construction segment under the responsibility of one Product Area Manager, Thore Andersson has been appointed new Product Area Manager for Long Products and Reinforcement Steel.
- Jouko Kapulainen, Product Area Manager for Tubes, is now also responsible for Engineering Steel.
- Simona Prášilíková, Purchase Manager, BE Group Czech Republic will from now on join the Central Product Supply and work on Group level reporting to Product Area Manager Christer Dahlberg and work mainly with HRP and HRS, primarily with the suppliers in Central Europe.



Clear organization for

efficient purchasing

Purchasing is a key to success for BE Group and the purchase organization is essential for the company. This puts great demands on how the organization works. It has to combine uncomplicated supplier contacts with internal efficiency.

BE Group internally operates with a centralized purchasing process for improved supplier efficiency and industry competitiveness. Through this organization, BE Group benefits from better consolidation, coordination and control of orders and volumes.

The main players in the purchasing process at BE Group are the purchasing directors, who are on the operative side of the product supply chain, and the product area managers (PAMs), who are on the strategic side. Within the BE Group, the purchasing directors for their respective business areas are Vesa Vuopio for Finland, Anette Sjölin for Sweden and Håkan Balcker for Central and Eastern Europe (CEE).

– For suppliers the main advantage is that they only have to deal with one face. Normally the supplier has a Key Account Manager dealing with the PAM, making the contact between the two easy, says Vesa Vuopio.

The local organizations work as a sort of customer to the PAMs, consolidating orders and giving them necessary information and forecasts so that they can have a good supplier mix and a high delivery accuracy. Sales directors in each business area make forecasts of sales and report demand. The local purchase organization consolidates this and reports the demand for each product area to the respective PAM in the central purchasing organization. The PAMs then make agreements with suppliers.

For BE Group, this centralized purchasing ensures control and cost efficiency via critical mass for all purchases. For suppliers, the advantage is that they only have to deal with one key account manager, which makes transactions easy and also that volumes from all Business areas can be allocated, making planning easier for suppliers.



Hot Rolled Flat Products is one of BE Group's 8 product areas. Christer Dahlberg is Product Area Manager Hot Rolled Flat Products. The success of the company starts with choosing the right suppliers.

Hot Rolled Flat Products in a challenging environment

"When choosing suppliers, we always strive to find the best combination of suppliers. We need suppliers offering us a product assortment from high quality to good enough quality. We need suppliers offering high service performance, delivery accuracy, flexibility and logistics efficiency and we need suppliers offering prices and terms working for the markets respectively in our three business areas. It is also crucial to work with suppliers who see the value of collaborating with BE Group, seeing our organization and strate-



gy adding value in the supply chain", says Christer Dahlberg, Product Area Manager for Hot Rolled Flat Products.

BE Group's customers of Hot Rolled Flat Products mainly consist of subcontractors working for OEM manufacturers in yellow goods and business segments as energy, agriculture, forestry, railway, mining and lifting. BE Group offers production services, logistic services, just in time deliveries etc. Sets of various shaped and standard components can be delivered straight into the custo-



It is crucial to work with suppliers who see the value of collaborating with BE Group"



mers' production or assembly lines precisely when they are needed, we call this Set-package.

"We can see that the demand for service is increasing. Our customers need production-adapted components. That's the future for us but at the same time the traditional stock sales is still a very important base for our business. Stock sales or service sales, both require reliable logistics. The most important for our customers is that we deliver the right product at the right time to the right place", comments Christer Dahlberg.

Christer Dahlberg says that there are continually increasing demands on the quality of products. One example could be surface smoothness and flatness that is crucial for laser cutting customers. Availability of high strength cold formable steels and wear resistant materials are other key topics.

"We are constantly improving our customer offering. Through our new central storage facility in Ostrava we now have the possibility to offer our customers an unmatched product range and flexibility with short lead times and various order sizes", says Christer Dahlberg.

There is a clear trend that steel producers are integrating downstream and Christer Dahlberg believes that this trend will continue. BE Group is constantly moving its position forward as well, extending its product offering.

"In the product area Hot Rolled Plate and Sheet we see a lot of efforts in this direction. BE Group Finland is completing an investment program positioning us among the top production service providers in the market. BE Group's acquisition of Lecor and RTS, both in Sweden, will support our service sales of flat products. The new production facility in Trebaczew in Poland is another investment that moves BE Group towards meeting the requirements of our international customers", Christer Dahlberg concludes. ■

Production services strengthened by acquisition

The company RTS in Eskilstuna was acquired by BE Group in February 2011. The acquisition strengthens BE Group's production service offering to major engineering customers.

"The acquisition has given us a broader knowledge of production and has allowed us to follow customers to other countries. It has also opened the possibility

of cross-border transactions within BE Group", says Stefan Eklund, Business Area Manager and President, BE Group Sweden.

The company also has operations in Rapla, Estonia, as well as a smaller-scale trading operation in Romania. The company is calculated to generate annual sales during 2011 of about SEK 90 M and has 35 employees.

"This helps us in our strategy to move forward in the value chain. It strengthens our offering to some of our larger customers and makes us more attractive



to them", Stefan Eklund says.

During 2011 RTS has continued to operate under its own brand but from 2012 it will be fully integrated, operating under the BE Group name.

"The integration process is progressing according to plan but there are things to learn for both parties. We want to keep the speed and flexibility of the 'small company'. At the same time, they need to get into our routines", Stefan Eklund concludes. ■

Q&A

with Tomas Dergel,
Sales Director, Evraz Vitkovice Steel

How would you describe the current market situation?

– The market activities are slowing down in connection with the latest information about the situation with government budgets and the development of economy. In spite of the permanent demand and need of the end customers, some of them already have contracts signed for 2012; the



uncertainty of future development of the economy is increasing. Also the general experience from the development after 2008 results in higher caution and carefulness and higher sensitivity of all the subjects.

What has the market situation been like in the last year?

– The year 2011 needs to be viewed in the context of the previous years. In the last five years many events happened which before took 10 or 15 years to happen. After the period of high growth and then downturn, the market has now returned to standard mode even though it is still not stable. A lot of changes have occurred: all the cycles have shortened and market volatility stays high. All turned to spot regime which in our case changes on the monthly basis. The first seven months of this year were very positive, the economy was running. But there was no market revival in the 3Q after the summer season and on the contrary the market reacted to the news in media. I think that the last year has been rather positive for business. I believe that the actual situation on the market will not turn to senseless panic which would result in negative influence on the market development in 4Q.

What is Evraz Vitkovice Steel's main focus at the moment?

– In my view the main task for Evraz Vitkovice Steel is to better coordinate and have more efficient sales activities in the framework of the Group. The aim is to strengthen the position of Evraz Vitkovice Steel as a flexible and reliable steel producer which on the long term basis offers its partners the quality of products and services which enable us to succeed together in this highly competitive market. ■

BE ONLINE – new way of buying steel

Customers in Sweden are now using BE ONLINE for smooth orders 24/7. Through the e-commerce site they have direct access to BE Groups large product assortment.

When BE Group introduced its new ERP (Enterprise Resource Planning system), work also started on replacing the previous version of the Swedish e-commerce site BE ONLINE. This new version is now in place.

“We have invested in a simple and easy ordering process”, says Jens Karlsson, marketing coordinator at BE Group Sweden, and responsible for the development of BE ONLINE.

In the initial version of the site, orders for stock materials are prioritized. The e-commerce site is directly linked to BE

Group's product catalogue with thousands of articles. At a later stage, customers will also be able to place orders for production services in the form of cutting, blasting and painting.

“Some customers often use the e-commerce site to check stock and order status, instead of calling our sales team. Other customers also place orders online and appreciate being able to do it at a time of their convenience”, Jens Karlsson comments.

Each order placed on the e-commerce site gets a final review by employees in BE Group before actually being conducted. ■



in BE ONLINE the customer can:

- Find articles and check availability in current stock.
- Calculate prices.
- Order stock materials.
- Track their order in the supply flow.
- See their entire order history and review invoices. ■



Heavy-armored battleships – from wood to steel

In 1850, steam propelled warships made of wood dominated navies but these were extremely vulnerable to the explosive shells that had recently been in-



roduced. Therefore iron was introduced, first together with wood. British ship HMS Warrior launched in 1860 was protected by 11 cm of wrought iron backed by 38 cm of teak, the strongest shipbuilding wood. In 1876, France launched the first battleship made principally from steel; Le Redoutable.

The ship displaced 9 500 tonnes and had a complete belt around the hull of 360 mm armor.

with less weight. 381 mm of wrought iron armor plates was equivalent to 305 mm of either plain steel or compound iron and steel armor, and to 146 mm of Krupp armor, a type introduced late 1890's. In 1906, the Royal Navy Dreadnought was launched. This was a revolutionary new design that was to be the base for all battleships until the end of World War 2. During the evolution of battleships, armor

Towards the end of the century steel dominated as construction material. The evolution of armor was fast with new types giving more protection

schemes changed from focusing on the waterline to reflect the greater risk of plunging shells from long-range gunfire, and the increasing threat from aircraft bombs.

The Japanese Yamato, launched in the final years of World War 2 represented the peak of the battleship era. This ship weighed an enormous 73 000 tonnes. It had a 410 mm main belt, and a deck 230 mm thick with the most modern armor of its time, a nickel-chromium-molybdenum alloy.

When warfare entered the nuclear era protecting warships with armor became obsolete. Since the end of World War 2 no battleships have been launched. ■

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