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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:

BE Group is well positioned for the future

We in the steel and aluminum industry have had a few difficult years. A major expansion of the global production capacity, particularly in China, came to be almost parallel to the global recession that occurred in late 2008. Suddenly we found ourselves in a situation of reduced demand, while production capacity was higher than ever. This seriously affected virtually all players in the industry. Low sales, low utilization of production capacity, pricing competition, large inventory losses and weak profitability.

The world and especially Europe has not emerged from the crisis yet. The problems have been intensified by the tsunami disaster in Japan, the turmoil in North Africa and the Middle East (which is normally a major export market for

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European and especially Turkish steel), the weakening of China's growth and of the financial difficulties in southern Europe. It appears that it will take a long time before the European financial crisis is completely resolved.

However, it has been proved many times before that business can get going long before public finances are in balance after a downturn or recession. When the direction out of a crisis can be seen, uncertainty is reduced and replaced by optimism and investments recommence. Many analysts believe that we are close to the situation now.

The problem of overproduction relative to demand remains in our industry which will probably slow the recovery somewhat. However, we can see that the development of consumption of our products is very stable and growing (aside from the slump in 2009, see graph). This means that it probably won't be long before the market is more balanced.

When the demand returns, BE Group



We hope that we will be able to develop our cooperation with our suppliers even further"

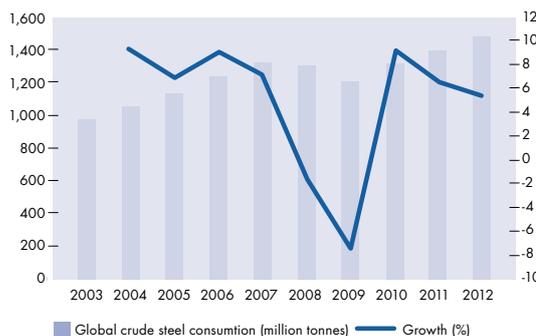
will be well-equipped to face the new conditions. We are confident that it will be increasingly important to offer different forms of production processing as an alternative to standard materials. We have clear ambitions to increase sales percentage of this. We have invested and are investing in machinery, both in Sweden and Finland and we have developed a new advanced manufacturing facility in Trebaczew in Poland. We have also made two acquisitions in Sweden (RTS in Eskilstuna, focusing on mechanical engineering and Lecor Steel Technology, with a focus on infrastructure projects in the construction industry).

We hope that we will also be able to develop our cooperation with our suppliers even further and that this, along with our production service offering will make us perform well in the market as we gradually leave the recession behind us.



BE GROUP

Global crude steel consumption (million tonnes)



Source: World steel Association (World Steel), Ernst&Young analysis, 2011; (*: forecasted and *:e: estimated)



Finland is BE Group's second-largest business area.

Matti Tiira leaves after 37 years

New head of business in Finland

Lasse Levola is the new head of business area Finland and takes over after Matti Tiira who leaves the company after 37 years.

Lasse Levola has been with BE Group since 2006, until now as Sales Director Finland. Before joining BE Group he spent 20 years at Wärtsilä, a leading heavy diesel equipment manufacturer, and Hollming Works, one of the biggest subcontractors for the mechanical engineering industry.

"It seems like I am heading backwards in the value chain and if I continue in this direction I guess I will end up in a steel mill or even a mine", Lasse Levola jokes.

Stable market with increasing competition

Lasse Levola describes the market for steel dist-

ributors in Finland as fairly stable. Three quarters of the business is controlled by three companies, one of them is BE Group.

"However small niche companies are getting more aggressive and are growing their market share. This is of course a challenge for us", says Lasse Levola.

Investments makes BE Group competitive

Over the last 6–7 years BE Group has strengthened its position by investing in modernizing and expan-

ding its production facilities.

"This means that we can really add value for our customers by saving time and costs and by reducing needed capital for them which is precisely what they demand", says Lasse Levola.

Suppliers key to success

To be able to find the right solutions regarding quality and price for BE Group's customers, supplier relations are essential.

"We need to work closely together with both our suppliers and our customers to get better and better in every part of the supply chain", says Lasse Levola.

Having the right suppliers is very important and BE Group has worked hard with its sourcing for a number of years. The central supply organization provides important support for the business areas.

"The strong central sourcing function that we have built in BE Group really helps us and improves our daily operations in BE Group Finland", says Lasse Levola. ■



We need to work closely together with both our suppliers and our customers to get better"



Demand for steel service in the Finnish market continues to rise.

2.2 million € investment meets customer demand

BE Group invests in new machinery and expands its production facilities and capability at Lapua in Finland.

The goal is to achieve the highest level of technical capability, automation and quality. Approximately 2.2 million Euros are invested in new bevel laser

and plasma bevel cutting machines and a CNC machining center. The investment is a direct answer to increased customer demand and enables even better cost efficiency.

The Lapua steel service centers is a forerunner in customer oriented production within the Group and offers tailored set-packages ready for welding. The products are brought directly to the customer's work place and packed according to their directions. ■

Business Area CEE is an important part of BE Group and shows great potential. In 2008 and 2009 some important acquisitions were made and the organization is now adjusted to market requirements. By working as one team and increasing the capacity, new Business Area Manager Nikolai Makarov intends to develop the area further.

Joint efforts for

increased capacity in CEE

What is your opinion of Business Area CEE?

CEE is very important for BE Group and significant changes within the area have been made. One example is in the Czech Republic where we have concentrated the production to flat products. BE Group might be considered a small player in this segment, but at the moment we are one of the best providers of sheets and plates. We have also changed the Group's profile in Poland. From historically concentrating on inventory sales, focus has shifted into production services mainly with the help of our good team in Poland.

Where do you see the greatest potential for the business area?

Our recent move of joining the sales representation of Czech Republic and Slovakia has a lot of potential. By establishing a joint team across country borders, the gathered experience will be useful for the entire team. Based on the feedback I've received, I believe this move will bring good results.

Another important area is the new facility in Trebaczew in Poland. We are now focusing



I believe the key to success is to listen to other people's opinions"

on winning orders from subcontractors of big European OEMs, who are currently increasing their production volume.

I also see a lot of potential in Latvia. Thanks to a quick recovery in Latvia, the team there distinguished itself as the best sales team in CEE during the year.

What needs to be further developed?

BE Group's performance is under constant development, but we have to remind ourselves that we are one team and increase the interaction across the country borders of CEE.

I also believe the logistics center in Ostrava can be used more and with our competent team in Poland, capacity can be further improved.

How can your background and knowledge from Ruukki come to use?

I've gained good experience from seeing processes from a client perspective and I hope it will help to understand the needs and expectations of our customers. I believe the key to success is to listen to other people's opinions. ■



An investment towards increased service

BE Group recently opened a new production facility in Trebaczew, in central Poland. The facility is strategically located close to some of BE Group's Polish and international customers and equipped with modern machinery.

Around 80 guests from the Central and Eastern Europe and the Nordic countries joined the opening ceremony, where the suppliers and customers showed great interest in the units.

The production site is a unique investment for BE Group and will provide ready to weld parts of steel plates to companies producing machinery and constructions. By letting BE Group take care of the pre-processing of various kinds and receive ready components directly into the production, both time and money are saved.

The opening of the new production facility increases the Group's capacity, providing better cost levels and helping customers to improve their performances. The site will serve our entire Business Area CEE along with Sweden and Finland. ■



BE Group Supplier Day 2012

The prize for being "BE Group's most Honourable Supplier 2011" went to Gruppo Belframe.

Natalie Abed, Gruppo Belframe, France, was very happy and proud to receive the prize at the BE Group Supplier Day in Malmö, on June 13.

From Gruppo Belframe BE Group buys merchant bars and sections. We see them as a flexible and reliable partner that is offering us very good service. The assortment is well meeting our requirements.

This, combined with a high availability, efficient logistics and long-term competitive terms, made them BE Group's best supplier 2011. ■

Q&A

with Mikael Nissle,
CEO, Boxholms Stål AB

How would you describe the current market situation?

– Business is slower than usual and the market is characterized by a fluctuating and unpredictable behavior. The economic crisis in southern Europe is affecting the market in a negative way. Uncertainty about the future puts consumers' and large companies' investments on hold, affecting the demand for steel products in the end. European markets are in general in a tougher position compared to markets in for example eastern Asia where the potential growth still is high. But I believe political actions and promises, globally and locally, can stimulate the demand for steel products.

What is your main challenge at the moment?

– Our biggest challenge is to handle the uncertainty and maintaining sales volume at a decent level. But I believe we have the right conditions to handle the task. Being a part



of the SCHMOLZ + BICKENBACH Group gives us at Boxholms Stål access to several new markets and there is willingness to make investments. Also, by working with BE Group we have managed to develop a new market in Estonia. BE Group is, since many years, one of our most important clients in a business where long term relationships and collaboration is the key to success.

How do you think demand will develop in the future?

– A lot of big steel producers are pessimistic about the short term future demand, but steel has a lot of benefits compared to other materials. In the long term I believe we will experience a positive global growth for steel. The fact that the mining industry is investing in iron-ore mining, and the steel industry already has an existing capacity to handle a high production rate, makes me positive about the future. Also, during my 36 years in the steel business, the market has changed several times and so far the crisis in southern Europe has not affected us more than a normal market downturn. ■

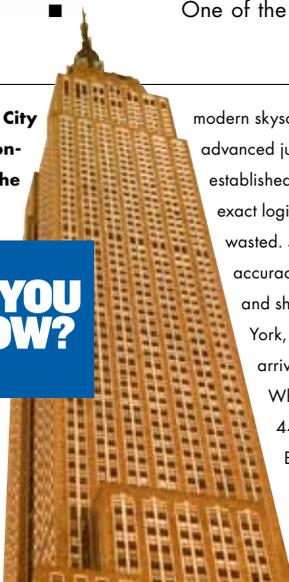
■ ■ ■ Racing for the sky

The 102-story Empire State Building in New York City is an American cultural icon. Did you know the construction was part of an intense competition for the title the world's tallest building? When the construc-

tion work began in 1929, two more projects in the city, The Chrysler Building and 40 Wall Street, were fighting for the title. Engineers and architects had to produce the drawings in only two weeks time, based on early designs of other skyscrapers.

With the help of 3 400 workers, mostly European immigrants and Mohawk iron workers, the building was completed in just one year and 45 days. At times 14 stories were built in ten days, and the framework rose 4,5 stories per week on average. This is four times faster than

DID YOU KNOW?



modern skyscraper constructions. An advanced just-in-time system was established at the construction site. With exact logistic calculations no time was wasted. 50 000 beams of steel, with an accuracy of three mm, were produced and shipped from Pittsburgh to New York, some of them still hot when arriving at the construction site.

When completed in 1931, 449 meters tall, The Empire State Building surpassed all other buildings and remained the world's tallest free-standing structure for 36 years. ■

Strong material that needs

A soft touch

Stainless steel is used for a number of things where resilience and precision is a must. It can be machinery or water tanks. BE Group's offering in stainless steel is comprehensive.

Among BE Group's customers for stainless steel, the biggest main segments are OEM & partners and project customers and there is increased demand in the engineering sector. Customers mainly use stainless steel products for machinery, water tanks, heat exchangers and building components that require a lot of resilience.

When BE Group's customers choose suppliers, the most important aspects are the quality of products and services, and reliability.

"Our customers value our ability to create new service solutions that can save time and money for them", says Timo Sten, Product Area Manager Stainless steel.

BE Group has a long history of cooperation with the world's leading stainless suppliers like Acerinox, Outokumpu, Stalalube and Valbruna. The ambition is to work very closely with the preferred suppliers.

"In our suppliers we value commitment to long term cooperation, creativity in actions and contribution to our mutual targets," says Timo Sten.

One of the advantages with stainless



Factors:

- BE Group's offering in stainless steel includes:
- Sheets and plates: Hot-rolled, Cold-rolled finish 2B, ground, brushed, plastic coated and rigidized
 - Beams and bars: Angles, flat, round, square and hexagonal
 - Welded tubes: Processing tubes, decoration tubes, round and rectangular tubes
 - Seamless tubes, pipes and hollow bars
 - Pipe fittings: Threaded and welded
 - Flanges

Production services for stainless materials:

- CR Coils: Slitting and cut to length
- Sheets and Plates: Laser cutting and Fine ray plasma cutting
- Bars: sawing, CNC

steel is its sustainability. Stainless steel is a fully recyclable and maintenance free material with superior life cycle properties.

"Sustainability is becoming increasingly important in the business. In our supplier evaluation we value supplier's processes to minimize the environmental impact of stainless steel production", says Timo Sten.

Stainless steel requires more precise handling than carbon steel. Logistics have to be well planned in order to deliver material in perfect shape to end user.

"In spite of the "everlasting" reputation of stainless materials we talk about very sensitive material. Cold rolled surfaces are normally the final surfaces of end products. It cannot stand any contamination of for example dust from carbon steel", says Timo Sten.

The Stainless steel market currently shows a fairly stable demand but on low levels compared to a few years ago. However, the price is very volatile which creates problems in all parts of the supply chain.

"We have more players on the stainless playground now, most of them single product line companies concentrating only to stainless, or more likely some stainless product areas like tubes or bars. This development is a challenge for our sales organization, we must be specialized to guarantee the good service and expertise level of single product line players", says Timo Sten. ■

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