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BE PRESENTS

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

See page 4 for subscription info!

Per Horstmann, SVP Purchasing and Production, BE Group:

A shimmer of light at the end of the tunnel

The steel and aluminium business has been through a long period of slow sales and low profitability. Since the end of 2008 we have only had brief stints of more decent market conditions. Those short times of optimism have always been followed by longer gloomier periods.

As is well-known, there are many reasons for the current downturn in our business. The

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main reason is the simple fact that production capacity is bigger than demand. Steel and aluminium production was in the process of expanding when the crisis struck. This made the gap between production and demand way too big. The world consumption is not yet back to the levels from before the crisis. Europe is particularly far from that level.

There are many obstacles we have been, and still are, facing. The financial system and thus the industry in general and in the end our customers, was hit by the Lehman crash, the South European collapse, the Fukushima disaster, the North African and Middle East unrest and so on. The deep uncertainties regarding the US economy have not contributed either.

However, things seem to be developing in a more positive way. Inventories of steel and aluminium are decreasing, which should at least lead to a short upturn. At the



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same time we can also see some signs that may give more long term effects. Currently the world consumption of steel and aluminium is increasing faster than investments in production and the gap is getting smaller.

Prices on raw materials are turning upwards. The financial system seems to have stabilized. The Greek problems have been temporarily mitigated by the new agreement with EC, ECB and IMF. Interest rates in Europe are clearly going down. The US economy appears to be recovering faster than expected. Democrats and Republicans are at least talking to each other, reducing the risk of the “fiscal cliff”. In China development has been positive lately and the country seems to leave the slump of the last few years.

All in all there is room for some cautious optimism. Maybe in 2013 we will not only see short periods of stronger market conditions but actually the start of a real recovery.



BE GROUP



New BE Group CEO Kimmo Väkiparta sees that there are lots of opportunities for a company like BE Group to seize.

Kimmo Väkiparta, new CEO of BE Group:

Profitability comes first

Kimmo Väkiparta has a long experience from the production and supply side of the steel business. He sees great strengths in BE Group but also the need to improve profitability and efficiency, not only within BE Group but in the whole value chain.

After his first month on the new job he is enthusiastic:

“To take part in developing BE Group is inspiring for me. My background is on the supplier side and I have always admired ‘the man in the middle’ who can take advantage of what happens in all parts of the value chain. There are lots of opportunities for a company like BE Group to seize.”

Despite the current tough business conditions Kimmo Väkiparta sees that BE Group has several strengths to build from:

- a strong market position in both Sweden and Finland and support from the business in CEE.
- an important place in the middle of the value chain. BE Group is a critical link between suppliers of raw material and end customers.
- a customer offering which is diverse and



There are lots of opportunities for a company like BE Group to seize”

balanced, ranging from traditional stockholding to advanced industrial products delivered with a high level of quality and service.

Improvement needed in the whole value chain

Kimmo Väkiparta stresses that in order for industry in Sweden and Finland to be able to be successful in the fierce international competition, there needs to be improvements in all parts of the value chains. Companies must improve products and services and they must lower the costs, which mean there will be a multitude of changes in both the steel industry and among its customers.

“These changes open up new opportunities for a company that: has a strong position yet is sufficiently small to grow in Sweden and Finland, can take advantage of the changes in the whole value chain, has a wide selection of

products, has its eyes and ears open and that can act quickly. BE Group is all this. Our strengths fit very well with what the business will need.”

Kimmo Väkiparta thinks that the role of BE Group’s suppliers is vital and that long-term confident relationships are important. But these relationships need to be mutually beneficial.

“By cooperating closely both we and our suppliers can become more efficient. This benefits both and is this kind of relationships we want with our suppliers.”

Further improvement needed

BE Group’s own operations have been greatly improved the last few years. Customer acquisition, purchasing, stocking and logistics have been improved. This has lowered cost levels but there needs to be further improvement. Kimmo Väkiparta stresses that BE Group needs to:

- take care of customers better and better each day.
- get paid for the work done for customers. Margins have to improve as service improves.
- become more cost effective.

“We need to do more. Our profitability is not satisfactory and one of the few things we can be sure of in the future is that the volatility of our market increases. We must be able to handle both sunny weather and storms as I am confident we will”, Kimmo Väkiparta concludes. ■

Thin sheets and coils, often abbreviated TSC, are used in all kinds of flat parts where light and custom-made solutions are needed. TSC can be found in all kinds of products made from the steel like vehicles, furniture, computers, ships, machines, roofing, refrigerators as well as design applications.

Thin sheets and coils – light and efficient

Material for the future

The customers for TSC come from a wide range of industries such as automotive, building construction, white goods and aviation. Customers value having products delivered exactly when needed and at the best price.

“When choosing a supplier, our customers appreciate that we listen to them, that we are professional and transparent and that we do not hide information. Then it is quite easy; if you listen properly to your customers then making them happy only means that you fulfill what you had agreed to do”, says Ladislav Raszka, Product Area Manager for Thin sheets and coils at BE Group.

However, the crisis in 2008–2009 taught BE Group’s customers to save costs and auctions for the lowest price are now common.

“This means less room for relationships but more room for speculation which is not good for anybody from a long perspective. There are times when there is no quality material at acceptable prices available”, says Ladislav Raszka.

Long-lasting supplier relations

BE Group’s suppliers of thin sheets and coils



We believe in long-lasting relations and face-to-face meetings”

include major companies in Europe. BE Group meets with the suppliers at least once a quarter in person to discuss conditions for the next quarter. Framework conditions are agreed and then the purchase managers from each business area place orders within the agreed frame.

“We believe in long-lasting relations and face-to-face meetings where we can share our thoughts or customer’s fears and also listen to the supplier’s needs”, says Ladislav Raszka.

New materials open up for new uses

The materials used for TSC have developed a lot in recent years. 20 years ago rusty cars were common but nowadays cars barely rust thanks to zinc coating sticking to the surface, protecting from rust.

“With modern HDG-products you can do almost everything. Newer metal coatings like Magnelis® from ArcelorMittal can be as much as 15 times more resistant to corrosion than normal HDG. Some applications now replace stainless steel and copper, both which are several times more expensive”, says Ladislav Raszka.

FACTS:

What is thin sheets and coils?

Hot rolled coil (HRC) goes to the pickling line where scales are removed from the surface by using acid bath.

Then it is rolled in a COLD rolling mill, pressing the material and reducing its thickness to achieve exact dimensions and tolerances, perfect surface and better mechanical characteristics – cold rolled coils (CRC).

To get a more stable material with softer grain it is then annealed. Without annealing it is called full hard CRC.

This CR material is the main raw material for producing all types of following coated thin materials like HDG, ELO or EG, AlZn and PPGI. It is coated by additional metal layer (different mixtures of zinc, aluminium, magnesium and silicon) or coated by using organic layers – lacquers.

A few abbreviations:

cold rolled products

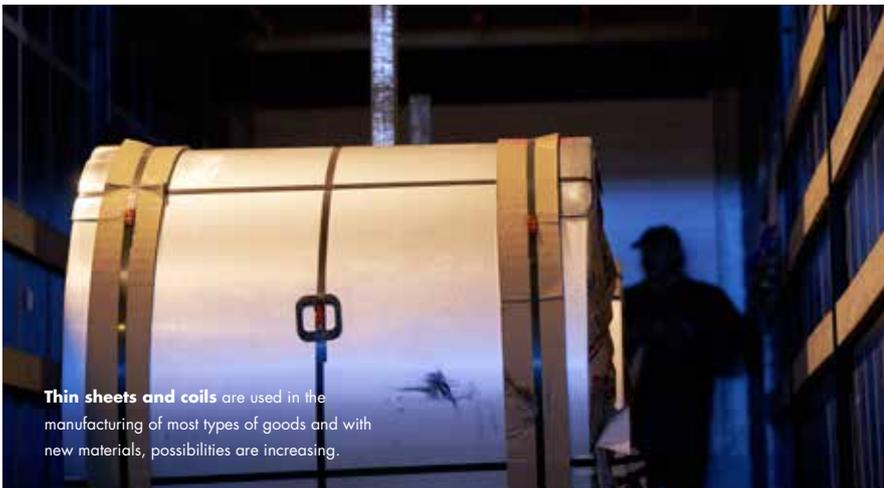
- CRC, cold rolled coils (CRS, cold rolled sheets)

coated products – different types of metal coating

- HDG (hot dip galvanized coils/sheets)
- ELO (electro galvanized coils/sheets)
- AlZn (AluZinc), coated by Al + Zn
- Alusi, coated by Al + Si
- Magnelis, coated by Zn + Al + Mg
- PPGI (pre-painted galvanized steel coated by zinc and then by organic lacquers)

This trend of developing new materials, layers and paints with combinations of various requirements continues. The products made from TSC materials are getting more and more sophisticated. Various esthetical effects can also be achieved. From all shades of colors, different metallic imitations (grey, silver colors), shining or matte surfaces, specialties like golden surfaces (used for church roofing for example), to imitation of other materials like leather and wood.

“So you could live in nice house with lots of what looks like tropical teak wood with the advantage that not a single tree would have to die. In the coming years we will also see pre-painted galvanized steel used directly for car hoods, doors and fenders, with all curves and edges covered without need for additional painting. If you deal with TSC you are also forming the steel applications of the future”, Ladislav Raszka concludes. ■



Thin sheets and coils are used in the manufacturing of most types of goods and with new materials, possibilities are increasing.



New website improves communication

BE Group has launched a new website. A new graphic interface, an elaborate structure and navigation now make it easier to find information about BE Group and our products and services. Please visit us at www.begroup.com. ■

New plasma cutting machine in Sweden:

Investment fulfills customer needs

BE Group makes an important investment in the cutting center in Norrköping, Sweden. A new large plasma cutting machine and a new line for post-processing greatly increases the capacity. This is needed to provide BE Group's large customers with cut pieces.

The main reason for the expansion of the cutting center in Norrköping was that BE Group recently won its largest production service contract so far. Volvo Construction Equipment has decided to outsource its sheet metal processing in Arvika. The contract makes BE Group the main supplier of sheet metal to Volvo Construction Equipment's production of wheel loaders and excavators.

BE Group is increasing the capacity of the cutting center by investing in a new plasma cutting machine with two burners and a new line for slag and grinding. The plant has already four gas cutting machines, each with 6–10 burners. Each header is 22 meters long – ample for the customers' needs. The total capacity of the center is now about 38 000 tonnes per year.

The plasma cutting is made with an electrical arc under water. The advantage of plasma cutting compared to gas cutting is that it works four times as fast in steel up to 30 mm thickness. With plasma cutting, the heat also spreads less and there is less movement in the steel. A major advantage



of plasma cutting is also that it may cut in curved or angled shapes.

In the flame cutting large amounts of heavy plates from 10 mm up to 200 mm are handled in a process that uses propane, LPG and oxygen.

Short lead times from warehouse

The logistic flow to Volvo Construction Equipment is based on short lead times. BE Group's cutting centers are working to forecast and deliver to various intermediate storages.

To meet this new commitment 30 people are hired in the cutting center in Norrköping. It is mostly machine operators, but there is also a need for measurement, storage and packaging staff. The total staff increase in the facility will be 20 percent. ■

Shiny spoons for all with stainless steel

The expression "growing up with a silver spoon in your mouth" says that you had a wealthy childhood. What about a stainless steel spoon then? Well, at least we know you haven't gotten any rust in your mouth. The

town of Sheffield considers itself the home of the cutlery industry with a history spanning over 1 000 years. The first recorded mention of Sheffield cutlery was in an inventory of King Edward III's possessions in the Tower of London in

DID YOU KNOW?

1340. For a long time cutlery was made from carbon steel which would rust. Rich families would instead use silver cutlery.

In 1913, Sheffield son Harry Brearley discovered the standard material for today's cutlery. He was in his lab investigating how to avoid rust in gun barrels and found one sample that was more rust resistant than anything seen before. Stainless steel had been invented.

The invention of this rust-free material revolutionized the industry. 100 years after Brearley's discovery, stainless

Q&A

with Victor Martinez,
Chief Commercial Officer, Celsa Group

How would you describe the current market situation?

The current market situation in Europe is really interesting. 2010 and 2011 showed recovery in Europe's market consumption. Unfortunately 2012 creates a halt in this trend. Price pressure has eroded margins, and now everybody is one step behind. As a consequence of working capital restriction, stock levels in the supply chain are much lower than in the past. In addition, credit insurance companies have over-reacted. They have gone out from any risky sector, steel included.

How do you think demand will develop in the next 12 months?

Demand prospects in Europe are expected to grow between +0.9% to +2,4%. At least that means a better trend. At the same time, the expectation for the rest of the world is around + 3,5 %. With this scenario, companies are focused on adapting their size to a new reality. Margins and EBITDA are going to be the key drivers for 2013. We cannot expect any miracles in the market, but I insist, we do not expect it to be worse than 2012.

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

Prices in Europe have to improve. Regarding long products, our benchmark must be USA. Their consolidated industry permits them to get better prices than in Europe. In addition, US authorities are very proactive dealing with fair competition from 3rd countries. Since 2009, European companies are adapting to find the right size of their business. We are also going this way, with a clear goal: better margins.



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

If I have to predict something a bit unexpected, I would say sustainability. Preserving the future of following generations is becoming a real issue, especially in Europe. Day to day we see many initiatives focusing on this aspect. Susteel, Eco-reinforcement, Green Steel and so on. Many people seem to forget this issue, but if you are not sustainable your company will disappear. ■

steel is the most widely used material for cutlery and can be found in your kitchen. As shiny as the cutlery used by King Edward III. In other words, thanks to Brearley, children that don't grow up with silver spoons in their mouths don't have to worry about rust anymore. ■



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