

Gratitude

How do you like our cover photo? BUTTING is people! In this case it shows our apprentices during their training in Knesebeck. We are grateful that so many motivated young people want to build the foundations for their professional development at BUTTING. The joy and gratitude of these young people – and especially of their parents – about obtaining an apprenticeship at BUTTING, well-known for its thorough and varied training opportunities, is a great motivating factor for me. We are currently training 150 apprentices in our plants at Knesebeck and Schwedt. We understand this as securing the future of our company, but also as demonstrating our social commitment.



Harvest festival service at BUTTING: "Grateful for work and for our daily bread", in the words of Pastor vom Brocke and Hermann Butting

BUTTING is People

BUTTING is people! That was precisely our motivation for keeping these people on even during the crisis. We are grateful that we succeeded. You can check up on the development of our staff numbers on page 6. But every journey has its price: In many cases, hard work and general cost reductions are sufficient, but for BUTTING in Knesebeck, our largest site, reduced working and lower wages were also necessary to reach this goal. I am grateful that everyone went along with this so that we could reach our goal, because a board can only lead its company out of crises successfully if the staff are willing to be led and make their own contribution.

With the Wind in our Sails

Since the end of 2010 we have been reading in the daily papers about the new German economic miracle. Once again, "made in Germany" is in worldwide demand. The German economy is growing, the unemployment figures are coming down. At BUTTING, we too have been increasingly feeling that the wind is behind us. Our plant construction division has been producing a spate of new orders since the autumn of 2010. For example, we are grateful to have been awarded the order of the delivery of prefabricated pipelines and vessels for the paper mill of Amcor Bolony Mill B9 in Sydney/Australia.

In our plant in China, the economic crisis had already been overcome in the autumn of 2009. This young BUTTING company, which nevertheless already has a staff of 150, has a good order volume. Our main plant in Knesebeck has also enjoyed a following wind since the autumn of 2010, but the turbulent times – especially in the oil and gas industry – are still not totally behind us. Price levels are still very unsatisfactory, and in the long term we do not see them as realistic. So it is no surprise that in 2010 I was again able to speak with entrepreneurs from our sector whose companies were being sold. Meetings like these make me all the more grateful for the way that BUTTING came through the crisis. You try speaking to someone living on Hartz IV dole money, a special kind of German social security, or with families affected by unemployment. Then you'll soon see once again how important it is to have a good, secure job. I think it is important to deliberately do things like this again and again – whether we are in crisis or boom times. Go out and consciously search for things we can be grateful for. Because gratitude leads to inner contentment.

Investment in China

I am grateful and encouraged by our successful investment in Tieling, in the north of China. And I am particularly enthusias-

tic about the support, and indeed the speed of the handling, by the Chinese government and authorities. It only took a year from our decision to invest until everything was ready. That is definitely good going and should also serve as a benchmark for other countries. Of course it also represents a top-class performance by our on-site management. In May we will follow the Chinese tradition and celebrate with a housewarming party. This investment is our statement of confidence in the Chinese market. A sign to our customers, whether they are European, American or Chinese companies: "We are here, you can rely on us. If you want to buy in China, you can buy from BUTTING on the spot." BUTTING sets itself the task of being on hand for you, our customers, in the important markets of the world. We will continue to pursue this objective in the coming years.

"TOT" – no Thanks!

However, I have little sympathy for subjects such as "TOT" or "OFFSET". Do you know what's behind all this? "TOT" stands for Transfer of Technology. When there was an enquiry about a large-scale project, our European customer made clear that his Indian customer was demanding to generate 30% of the added value by a technology transfer to India in this country. In addition, we were



MDs of BUTTING in China (L to R) Sun Jianwei and Dr Jens-Peter Lux: responsible for the newly created 6,000 m² production premises in Tieling, North China

expected to cover 30% of the purchase volume of this project in India ("OFFSET"). "TOT" projects like this lead in the long run to the death (German: TOD) of leading technology companies or regions. That is something which our customers and we ourselves should unite to resist! Non-standard products where special expertise is required must be purchased where the technological competence is available and quality can be ensured and is tried and tested. Without that, we will in the long term destroy our supplier network.

You too should be grateful for a good and efficient supplier. This is part of the reason you are ahead of your competitors.

World Market Prices

I feel a similar incomprehension when European flat steel producers sell their stainless steel coils or plates in overseas markets at lower prices than in Europe.

Thus the purchase price of our raw materials is sometimes at a similar level to that of finished products made by Chinese, Korean or Indian pipe producers. This situation compels us either to produce in these markets ourselves or at very least to buy the raw materials there. Both solutions will in the final analysis mean that the European flat steel producers will in the long run lose their customer base.

Local Content

Another factor which blocks free competition and free movement of goods is "local content": investors in growth markets specify that a certain percentage of the sum invested must be spent in their home country. Thereby indirect barriers to imports are constructed and manufacturers are compelled to produce in the country where the investment is taking place. From the perspective of the countries concerned, I can easily sympathize with this type of industrialization policy. But for export-based companies, these requirements represent an increasing challenge.

BUTTING will have to face up to this challenge and again change its strategy to take account of it.

As our next step, this year we will be opening production facilities in Brazil. We intend to be wherever you, our customers, require our solution and problem-solving expertise, and we will be glad to assist you in meeting any "local content" demands imposed from or on you.

Award

Even small gestures can lead to major gratitude: our director Dr Iris Rommerskirchen was appointed to join the advisory board of the Federal Institute for Materials



MD in Knesebeck Dr Iris Rommerskirchen: the newest member of the advisory board of the Federal Institute for Materials Research and Testing

Research and Testing [Bundesanstalt für Materialforschung und -prüfung, BAM]. The other members of this illustrious body are professors with university chairs and specialists from institutes and industrial enterprises, and they advise and support the Federal Institute. I am very happy that Dr Rommerskirchen has been given this appointment and grateful that our company is perceived as objective in scientific and technical matters, and is seen as working at the highest level – the basis for our "Progress by Tradition".

Thank you for taking the time to read our Perspectives for 2011.

Yours