simonsen
& sons ltd

NEWS - LETTER

December 1993

Dear Readers,

Now we are again approaching Christmas and the end of the year. Another year has passed very fast. The year has not come up to our expectations and budgets. But when everyone else worldwide and unfortunately also the Aluminium Industry is suffering, why should we be doing well ?

However, there are certain things indicating that towards the end of 1994, things will start improving. We feel it and see certain signs here and there, and of course also hope that this will come true.

CHRISTMAS CARD

Each year we choose a motive from another country to show our worldwide activities. This year I have chosen South Africa, which is now back on the world map, and got its natural and deserved place in the world society again after many years of embargo. As usual the photo for the Christmas Card was taken by myself.

Politically, things are changing drastically in South Africa, and hopefully for the better. This country deserves all the support it can get from the outside world, and the world society cannot do without South Africa with its rich sources of minerals, hospitable people, and fantastic wildlife.

I admire the South Africans highly for the way they have been able to and wanted to protect their wildlife even during the embargo period, when the money was limited.

CHRISTMAS GIFTS

In many ways it has been a depressing year. We had

- falling aluminium prices,
- war in the former Yugoslavia,
- problems with the GATT agreement,
- high unemployment rates worldwide,
- competition from the former Soviet Union, dumping aluminium into the world market,
- lack of sales,
- increasing stocks of aluminium,
- problems in remaining profitable,
- problems with energy prices,
- pressure from the environment,
- tough competition etc. etc.

We should all do as the Monty Pytons were singing some years ago

"ALWAYS LOOK AT THE BRIGHT SIDE OF LIFE"

In order to overcome and forget for a while these worldwide problems, which we face every day on TV and Radio, we have chosen what we consider a relevant gift for this recession period, namely the enclosed "BOOK OF HUMOUR".

The book is published by The Rotary Club of Singapore, and any profit made on this book is donated to children worldwide suffering due to war, hunger, natural disasters etc. So not only are we supporting a very good cause, but we also hope with this book to bring some humour into your everyday life besides what you may have already. We hope that you will have a few good laughs when reading the book.

FAMILY

The family keeps expanding. I have become a grandfather again !!

On the 12th of October 1993, Klaus' wife, Susanne, gave birth to wonderful little boy. According to Danish traditions he will not be christened until 2-3 months after his birth, and that means that he has not got a name yet. We are still discussing.

He is a fantastic boy, so now the male succession in the company is secured. We are now 4 Simonsens, i.e. Klaus, Morten, myself, and the baby.

Sara, who is now 3½ years old, is still doing very fine. The two of us take a walk every Saturday and Sunday morning and we spend a lot of time together. She is quite interesting to talk to now, as she has got a very impressive vocabulary, but that is probably because we talk so much with her. I make these Saturday and Sunday walks with her's and my dog, and we have a really good time together.

The rest of the family is doing well, what you should know, because you are probably often in contact with Klaus, Morten and myself, and occasionally also with Marianna and Tove.

When we are not travelling and are at home all of us, we are spending a good family life together and have a fantastic time in each others' company. This is so valuable that you cannot put any price on such a family relationship.

STAFF

We have laid off one person, namely Lisbeth Høltzermann, who was mainly doing the daily bookkeeping, which has now been taken over by my wife, Tove, and she also did some reporting to Morgan, what is now being handled by our auditor.

CONFERENCES

As usual we participated in the TMS conference in February, and all three of us are also going to San Francisco in February/March 1994.

I myself am participating in the Arabal (Arabian Aluminium Conference) in Cairo in December.

I have presented a paper on "The Future of Production of Insulation and Refractories for the Aluminum Industry" at a Hydro Aluminium Symposium in Kristiansand in Norway early November. I am of course flattered that Hydro Aluminium wanted me to attend and present a paper on that occasion.
We look forward to seeing all our friends in both Kristiansand, Cairo, and San Francisco within the next 6 months.

ANTONY BIRD REPORT

In case you have not seen it we would like you to see the latest Bird Report on the development in the aluminium industry in the years to come. It is very positive and I agree to what he is saying, and we enclose a copy of this Report for your information.

We need that kind of optimistic Reports right now (especially if they are reliable), and must work ourselves as far as we can in order to make sure that Mr. Bird's predictions come true.

ALUMINIUM PRODUCTION IN RUSSIA

Financial Times published a survey on aluminium on Tuesday, October 19, 1993. I can recommend you to read this 4 page survey. It is very interesting. In this article it is mentioned that Mr. A. Stephens Hutchcraft, President of Kaiser Aluminium of the US, describes the situation as follows:

> *The new reality is that Russia and other countries of the Commonwealth of Independent States are now part of the world supply/demand structure and will be an integral part of our industry. If we ignore that fact, we do so at our peril.*
>
> *The industry is floundering because, in the words of Mr. Paul O'Neill, chairman of the Aluminum Company of America, the world's biggest producer, governments have failed to find "a mechanism to deal with the economic consequences of the dissolution of the former Soviet Union".*

It also states that

> *The stresses are most severe in Europe where production costs are highest. "About 85% of the world smelters are losing money - that is terrible. And I fear the lights are going out in European smelters", says Mr. Karl Wobbe, management board member responsible for production at VAW of Germany.*

It also says that

> *Part of the Commission's explanation for restricting CIS imports (to 60,000 tonnes between August and the end of November 1993) was: "Aluminum produced in the CIS enjoys the huge advantage of artificially low energy prices and environmental standards that are far less strict than those in western countries."*
>
> *As for costs, the Russians claim they produce aluminium for about $500 a tonne. But energy costs have been heavily subsidised and labour rates range from one US cent to two cents a lb - less than those in most developing countries.*
>
> *Industry consultant Mr. Anthony Bird estimated halfway through 1992 that, aided by these "astonishingly low" input prices, CIS smelters were producing aluminium for about 25 US cents a lb (about $550 a tonne) - well below the 53.6 cents average for smelters in the rest of the world.*
>
> *But the outlook for the CIS industry is changing. Under pressure from the International monetary Fund the Russian government is trying to lift energy prices to the international level in stages. And, according to VAW's Mr. Peters, an energy price increase the government has recently been attempting to impose would raise the operating costs of the republic's smelters to a average of $1,200 a tonne, well above the recently-prevailing international price.*

So, as you can see a lot of things is happening in Russia, and I think that the statements made by the gentlemen mentioned are absolutely correct. We have to live with the Russian production and competition in the world market, but I also think that if the Russians get their acts together and get to a point where they have to rebuild their country and make their infrastructure right, they would not even be able to produce their own need for aluminium in the years to come, so I think that it is just a transition period, we are going through.

According to the latest information from Russia, several Russian smelters have been reducing their production by 25-50% within the last two months (October and November, 1993).

ALUMINIUM FOR CAR CONSTRUCTION

In the above mentioned article it is also mentioned that on a long view there is potentially enormous growth to come from the use of much more aluminium in cars. The amount of the metal in the average car has doubled from 32 kg (70.5 pounds) in the late seventies to 68 kg (150 pounds), and even the most conservative industry forecasts see it doubling again by 2010.

I have friends who are foreseeing that already by the turn of the century there could be a demand of 400 pounds of aluminium per produced car. Some car producers are showing the direction. Audi has just produced a new car in the top-class, which is made nearly completely from aluminium.

There is no doubt that one of the ways to keep the pollution down and to save energy is by producing cars of aluminium, and that is where there will be an enormous future for the aluminium, irrespectively of the car production possibly going down over the next years, as we have seen it lately.

In that respect it is also interesting to notice that the recession in a great part of the industrialized world has restricted demands since 1990, but even so last year aluminium consumption in the west still rose by 2.9% to 15.4 million tonnes. Spurred into action by this gap between supply and demand, producers have permanently closed 420.000 tonnes of capacity and temporarily shut down another 1.52 million tonnes since 1991.

Therefore the western market would have been in balance and ready to merge from the recession from a strong base, but then came an unexpected surge in import of metals from the CIS from about 200.000 ton before 1990 to about 1 million tonne today.

COOPERATION IN THE USA, CANADA AND AUSTRALIA

Since May 1991, when we joined The Morgan Crucible Company Plc Group in Windsor, UK, and became part of the Thermal Ceramics Division, we have been considering cooperating closer, in order to be more visible on the markets on a day-to-day basis via the local distributors and sales people. This means that in the above 3 countries, our day-to-day business will be dealt with by local representatives.

This new system seems to be working very well already. We shall of course, directly and indirectly, provide you with the same service as we always provide any client, as we shall never compromise on quality nor on the quality of our service.

Klaus, Morten and I have paid visits to some smelters, in order to introduce the new system and will continue doing so for some time to come. So far the new system has been welcomed by the smelters.

We also need to keep in close contact with the smelters in these three important areas, and we want to stay completely in the picture ourselves concerning anything happening in the worldwide aluminium industry. Therefore it is essential for us also to know what goes on at the individual smelters in the USA, Canada, and Australia.

We will be visiting the smelters at least once a year together with the local representatives, and there should never be any doubt that we are behind the sales people responsible for each client, in order to make sure that the clients are absolutely happy with the service provided and products supplied.

BRAZIL

Together with Morganite do Brasil in São Paulo we are starting to promote our products in the Brazilian market. Visits will be paid to the various Brazilian smelters early 1994, in order to introduce our products at a larger scale to the aluminium industry.

CHINA

Did you know that in China, there are 53 non-registered aluminium smelters producing a total of some 500,000 tonnes aluminium per year? Amazing, isn't it?

CALCIUM SILICATE BOARDS

We are gaining stronger and stronger foothold worldwide with our INSULITE 1900 Boards, mainly tailor-made, for electrolytic furnaces. The Boards' reputation speaks for itself and no one can beat the German Light Calcium Silicate quality, neither in terms of dimensional tolerances, delivery in time, efficient packing, constant quality control, nor high quality.

CapeSiborit will receive accreditation to the ISO-9002 standard within shortly. However, you should know that quality control is performed as well as if they were already approved, but it always takes some time to get the acts together and put all the test procedures, quality control procedures etc. into a manual.

CapeSiborit has also got a new Manager, Dr. Wolf Hüttner, as from the beginning of this year. This has meant an enormous improvement in the cooperation between CapeSiborit and Simonsen & Sons Ltd. This goes for both the daily cooperation and the product development, and due to this relationship we are achieving excellent sales results worldwide.

At the present time CapeSiborit is trying to develop more bath resistant products and we seem to be on the right track. As soon as definite news about such a products is available, you will of course be informed accordingly.

HEAVY CALCIUM SILICATE BOARDS

We have been granted the sales rights in many markets worldwide for the Heavy Calcium Silicate Boards which are used in the cast houses for launders, floaters, stoppers etc., etc. A new quality with a low density of 700 kg/m^3 has been developed in close cooperation with some of our African friends. The Heavy Boards are like the light boards produced by CapeSiborit in Lüneburg and are of an outstanding quality.

So far we have marketed the Heavy Boards under our own brand name, ULTRA-FLOW. This will change gradually in the future, as due to the extended cooperation with CapeSiborit we have agreed to market the products under CapeSiborit's own brand name, MONALITE.

However, if you want to buy ULTRA-FLOW, you will get it!

MOSCONI INSULATING PERLITE BRICKS

The high quality of the Mosconi bricks is of course being maintained, also due to the ISO-9002 approval of the Mosconi insulating bricks. These products, the MSB-450 and MSB-575 bricks, are gaining stronger and stronger foothold, because the smelters worldwide realize that today you do not need a heavy, very strong insulating brick in the bottom of the pots. The brick is exposed to a maximum pressure of 0.5 kg/cm² (7.1 lbs./sq.in.) when it is in operation, and therefore the only things required from a good insulating brick for insulation of the pots are generally:

- a good insulating property,
- strict tolerances,
- sufficient strength,
- and competitive prices.

In that respect I would like to stress that all bricks supplied by Mosconi are machined to very strict tolerances.

VERMICULITE BOARDS

Vermiculite boards are still part of our sales programme. However, we are gradually seeing that smelters change from Vermiculite insulation in their pots to calcium silicate insulation.

Our supplier of vermiculite boards H. Kramer & Co. GmbH has been acquired as from August 1, 1993, by a refractory producer in Germany, Basalt-Feuerfest GmbH, and therefore the new name of the Kramer operation in Düsseldorf is BASALT FEUERFEST GMBH.

Another producer of vermiculite products in Germany has also been acquired by Basalt and its production moved to Düsseldorf, meaning that today Basalt Feuerfest GmbH is the largest producer in Europe of vermiculite products, boards, bagged materials, castables etc.

CERAMIC FIBERS

As you probably know Ceramic Fibers is an important product for the Thermal Ceramics organization. Being part of The Morgan group and the Thermal Ceramics Division we are gradually extending our sales programme also to include ceramic fibers for various smelters.

We can offer the widest range of these products available in the market place today.

BARRIER BRICKS FOR POTS

We are moving stronger and stronger into this field of application. We have now got exclusive sales arrangements for various markets for bricks produced in

1. France,
2. Germany, and
3. The Czech Republic

This range of firebricks meets the requirements of any client. One of the qualities is approved by Pechiney, another quality is very inexpensive and is a standard firebrick, and one firebrick from the Czech Republic is a little more expensive, but still very inexpensive compared to competitive materials and has excellent properties, a high Al_2O_3 contents, a low porosity (14%), and meets most specific requirements for a good barrier brick. The German quality is also accepted by various smelters, and we will be pushing these products even more in the new year.

POLISH CATHODE BLOCKS

We have been quite successful selling the Polish Cathode Blocks from ZEW in Raciborz. Sales through our company are being extended to other areas as from January 1st, and the areas in which we are going to promote these blocks are

Bahrain	Dubai
Ghana	Iceland
Sweden	

SODA ASH BRIQUETTES

During this year's AIME meeting we met a supplier of Soda Ash Briquettes from Utah in the USA. We are at the present time supplying samples of this product to various smelters, a product which is a very attractive product in Australasia, where it is sold in large quantities. We have got the exclusive sales in Europe, Russia, Africa, and the Middle East, we will be marketing this product at a larger scale in the future.

INSULATING FIREBRICKS

Being members of the Thermal Ceramics Division we have the most complete, the best and in terms of quality the largest range of Insulating Firebricks mainly used for back-up linings in carbon baking furnaces, and in various furnaces in the cast houses.

As you will see from the above, we have extended our programme with various products. These days it is necessary to diversify, but we are always very strict in our policy, meaning that we only target the Primary Aluminum Industry, being it the pot-lines, the carbon bakers, or the cast houses, but the Primarly Aluminium Industry only.

SAVE THE RHINO

I wish to repeat that I am still supporting the anti-poaching of Rhinos in South Africa and especially in the Itala Game Reserve in the northern part of the Province of Natal.

May I inform you that at the turn of the century 1 million Rhinos lived in Africa, in 1960 they were reduced to only 100,000, and today the number is down to some 8-9,000. The importance of protecting such a beautiful animal cannot be stressed enough if our children, grand-children, and future generations should also have the possibility of seeing these beautiful creatures in their natural environment.

Fortunately, the Game Reserve I am supporting has been very successful in protecting the Rhino, and some of the money I have collected and various gear I have sent to the Game Reserve is supporting the Rangers in their daily work, when they move around day and night for several days in the field, following the Rhinos closely in order to keep the poachers away from them.

In that respect it was encouraging to see that the USA intend to impose sanctions on China and Taiwan due to their Rhino Horn Trade. It is fantastic that a country like the USA make such moves, because only such things can make the various countries react, and I hope that other countries will follow the example of America.

A humble thank to our American friends for this support, which, I will tell our US-friends, is very much appreciated.

FINAL COMMENTS

Along with the above-mentioned Antony Bird Report, I enclose for your, hopefully, interesting reading an article, called "Beyond The Buzzwords", from the Scandinavian Inflight Magazine.

I want to express mine and the entire company's warmest wishes to you and your family for a happy Christmas and a fantastic New Year. Concerning business we shall hopefully all have a very fruitful and improving 1994.

And remember, only optimism can carry us through these times of recession. We must keep our optimism, keep smiling, and keep remembering that the shortest distance between two people is a smile.

All the best and many kind regards,

Jørgen

Jørgen

Here is a fact
that should keep you to fight
a bit longer:

Things that don't act-
ually kill you outright
make you stronger.

Translation of an article in the German magazine "ALUMINIUM" no. 5, 1993.

Antony Bird proclaims a positive future for Aluminium

The Metal Analyst Mr. Antony Bird foresees higher aluminium prices within the primary aluminium industry from 1996, due to the erection of fewer new plants. After the difficult times at the beginning of 'nineties, the producers have been holding back to a greater and greater extend. When the metal prices reach a sufficiently high level, they will probably stabilize at above 0.75 USD/lb. According to Bird's market prognosis the average price from 1995 to 2003 is going to be around 0.827 USD/lb based on a constant March 1993 rate of exchange. According to Bird the market situation prospects are positive. At the moment the raw material prices are far too low and they are certainly going to increase, as it has already been the case with the oil prices.

From 1990 to 2003 the annual consumption of aluminium is going to increase by 3.2%, however, not steadily. From 1995 to 1996 and from 1999 a considerable increase will take place. Concerning deliveries the total stock at the producers' and on the market is estimated to be around 3.4 million tons at the beginning of 1993. Supply and demand is expected to balance by 1995. The reason is the steps taken in order to reduce the production in the western world and a decrease in the Russian export, as the SNG-countries (former Sovjet Union) are going to need more material for their own consumption. After 1995, according to the Bird-Prognosis, the yearly additional capacity of the smelters will only increase by 1.2%, what should not be enough to fulfill the demand. The Russian production costs are certainly going to increase in the coming years compared to the very low costs they have now.

JS/cvn - Jun. 4, 1993

BEYOND THE BUZZWORDS

Clothes make the man, style makes the manager. Well, perhaps not altogether. But you'd certainly think so from the blizzard of management books along the lines of *How to Win Friends and Influence People*, celebrating style rather than substance. The prevailing message is that it's how you behave, rather than what you accomplish, which gets you to the top.

"How to" books on management style are perhaps the only growth industry in this recession—more of an end in themselves than a means to an end. Thomas J. Peters and Robert H. Waterman Jr., who wrote the bestseller *In Search of Excellence*, must be laughing all the way to the bank. Practically every tycoon worth his stock options is bringing out a ghosted autobiography. Maybe the style you're after is that of Roger Enrico: *The Other Guy Blinked*, or *How Pepsi Won the Cola Wars*.

BARRY BLACKMAN/NPS

Then, of course, you can choose one of the versatile "Management by..." epithets, ranging from Management by Absence (MBA) and Management by Wandering Around (MBWA) to Management by Surprise (MBS) and Management by Blaming Somebody Else (MBSE). It may be advisable to KISS (Keep it Simple, Stupid). This is preferable to KITA (Kick in the Ass), a practice which, according to the social scientist Frederick Herzberg, leads to "movement without motivation." At any rate, MBJ (Management by Jargon) seems to be here to stay.

But many a true buzzword is uttered in jest. Two of the most fashionable words in management are "entrepreneurial" and "decentralization," which are often used together as a kind of cause and effect.

An entrepreneur is a person who has a terrible urge to start a business and see it thrive through his hard work. At the same time, he needs to feel in touch with everything, rather like conducting an orchestra; to have a feel for people in a direct way.

The problem is that an entrepreneur is often the victim of his own success, sometimes destroying the company he has built through his domineering, abrasive style. Typically, he keeps those around him in a constant state of uncertainty and discourages initiative among people working under him. He is the antithesis of a team player; he dislikes structure and organization, getting his kicks out of starting from chaos and creating his own sense of order. At some point, he has to become a manager or get out. You need some form of bureaucracy in order to survive.

But inevitably, bureaucracy corrupts, and there comes a time in a company when the entrepreneurial spirit is stifled by systems and controls. The business loses its sense of mission and zeal, and becomes preoccupied with running the machine for its own sake.

One way to rekindle the entrepreneurial spirit is to decentralize into smaller, more autonomous business units and encourage more managers to become entrepreneurs (or intrapreneurs, in proper jargon) by giving them responsibility for their own unit. This leads to a flatter kind of organizational structure which gives scope for initiative and easier communications—and one that can more quickly adapt to changing needs. An open company instead of a closed company; one in which every individual with a good idea can be sure it reaches the ears of somebody willing to listen and able to act; a company in which no tradition is so sacred that it cannot be questioned. (All truths begin as blasphemies, according to Shaw.) And a company where all managers are required to take responsibility and take risks.

Open companies demand an open style of management. And this hinges on human relationships. What has become vital is the qualitative side of management. Top management has become an art as much as a science. The Japanese have taught us the importance of the softer human and visionary skills compared with the hard-nosed cognitive skills extolled in Western culture. This is why Japanese companies are often more successful at handling a faster moving, unpredictable, ambiguous business environment, in which the only thing you can plan for is change.

This is why motivation, evaluation, education and reward of key managers is assuming greater importance. The notion of the manager as a power figure is now disappearing. He has become a diplomat as well as a manager, a communicator as well as a decision-maker, a member of a team. Authority depending on competence and example rather than position is now a major factor in determining the right management style.

I look upon management as achieving results through other people by picking the right people and helping them build an environment in which they can become most effective. I suppose what I'm trying to say is that the quintessence of good management style is leadership.

-Roger Collis