

Makron & Metalliset News

The internationalisation of Makron Oy and Metalliset Oy is progressing rapidly

The internationalisation of Makron Oy and Metalliset Oy is progressing rapidly. These companies are thus responding to the challenge set out for them of serving customers in international markets in a cost-effective, competitive way. By working together, the risks of internationalisation for each business are reduced and progress can be faster.

The companies have agreed that, from now on, international operations will be carried out in collaboration with each other.

The collaboration between Makron Oy and Metalliset Oy started when Metalliset Oy built its own factory in a joint venture with Makron Estonian OÜ in 2004, and there will be more about this operation later on in this newsletter. Their collaboration also deepened in terms of ownership when Metalliset Oy, Pekka Leppänen and MP Group Oy/Pauli Pöllänen founded a joint venture called Makmet Oy, which bought shares in Makron Oy, owned by the company Venture Capital, in January 2008. The companies' aim is to continue to deepen their collaboration in the future.

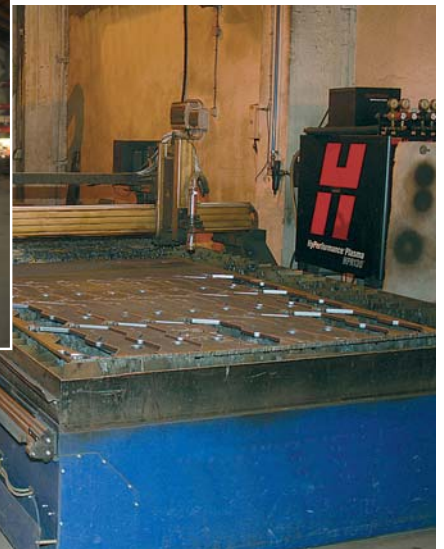
This newsletter will talk about the international operations of these companies in different areas.

New mechanical engineering workshop for Makmet Eesti As commissioned in Narva

The mechanical engineering workshop for Makmet Eesti As, the company founded jointly by Makron Oy and Metalliset Oy, was commissioned in February 2009 in Narva, Estonia. The factory manufactures medium size welded and machined parts for machinery, and their assemblies.

Extensive expertise and range of services at the Narva plant

The new factory is situated on the same site as the Metalliset Eesti As factory, in which Metalliset Oy had previously invested in 2006, and which manufactures sheet-metal products, small machined parts and welded structures. The com-



missioning of the new factory extends the range of the plant to include more heavy-duty products. There are therefore several new, high-level production facilities, new machines and technology, and a lot of machinery construction expertise in the same area.



High-quality, competitive manufacturing



Metalliset Eesti As and the new mechanical engineering workshop, Makmet Eesti As, represent the latest production technology in the field in Estonia. The companies have been established in Narva in order to improve the competitiveness and supply opportunities of the Finnish parent companies in respect of demanding Finnish and European partners and customers. The products that the companies manufacture have a high level of quality which their customers have already discovered from earlier supplies over several years.

Metalliset Eesti As uses quality and environmental systems, and Makmet Eesti As will be applying for similar systems and certification over the next year.

Good logistical location

The companies have a good logistical location. Tallinn is only about three hours

away by road, and products can be sent every day from the port of Tallinn to Scandinavia and the rest of Europe.

The location of the factories is also extremely good and advantageous for supplies to Russia both by road and by rail, since Narva is situated on the border with Russia.

Manufacturing opportunities for Makmet Eesti As

Makmet Eesti As manufactures medium size welded and machined parts for machines, and their assemblies.

Metalliset Eesti As production

The company has several years' experience of supplying customers with high-level sheet-metal products, mass-produced small parts, welded structures and entire machines.



Manufacturing near Tallinn for over 10 years

Makron Estonia OÜ

Makron Oy commenced its manufacturing activities in Estonia at the beginning of October 1998 when Helondor OÜ was founded with the joint ownership of Pauli Pöllänen. Since 2007, the company has traded as Makron Estonia OÜ, and the subsidiary Makron Oy was also founded then. At the same time, Pauli Pöllänen became a shareholder and board member of Makron Oy.

Makron Estonia OÜ has long experience operating in Estonia. A broad customer base appreciates the high-quality, accurate operations of Makron Estonia OÜ, as a result of which its business has continuously grown in a controlled way. The quality and reliability of Makron Estonia OÜ are ensured by approximately 40 skilled people, of whom the key personnel have been at the company since the start.

Good management of the subcontractor network

The company's operations are based on the use of a largely local supplier network in Estonia. Over the years, Makron Estonia OÜ has trained many local companies to produce at the desired level of quality and reliability. The company's customers also have the opportunity to make use of the network knowledge achieved over the years in their own operations.

Supplementing operations in Finland

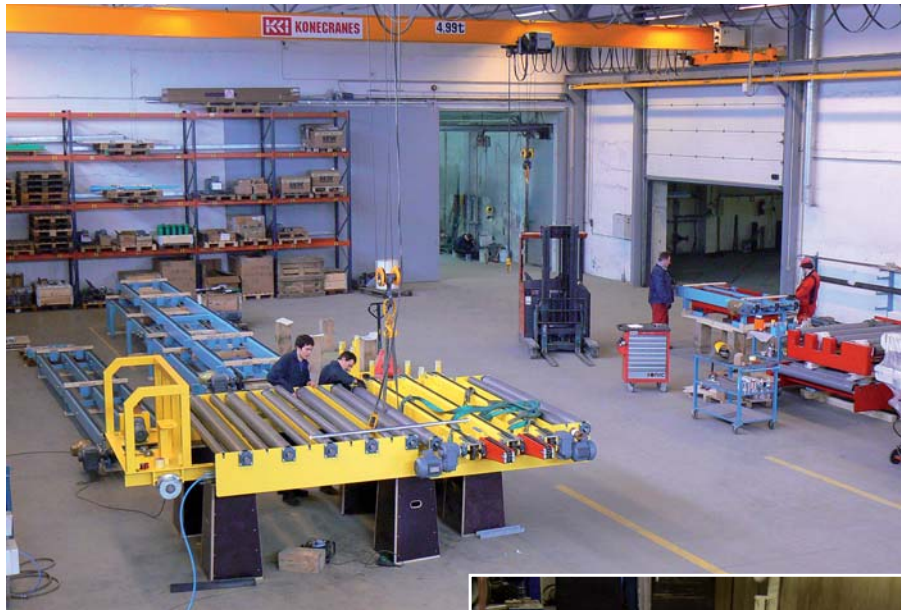
Makron Estonia has many of the same customers as Makron Oy in Finland, but the products manufactured in Estonia are slightly lighter. The company also has many of its own customers, whose numbers are growing steadily.

Metalliset Eesti As

Metalliset Oy founded Metalliset Eesti As in Aruküla in 2004 by buying a building from Makron Estonia OÜ and installing a new production facility. Since then, the collaboration between Makron and Metalliset has been extended. Since the start, Pauli Pöllänen has also been responsible for the operations of Metalliset Eesti As, and he was also responsible for the expansion to Narva.

Metalliset Eesti As production

The company manufactures sheet-metal parts in Aruküla, including sheet-metal machinery, press brakes, welding and surface finishing. Also, the plasma welding robot and the powder coating line are very important pieces of equipment that ensure that the products have a high surface quality and a high-level appearance.



Makron Estonia OÜ does not supply products to Makron Oy in Finland, but manufactured products are supplied directly to the customer without any additional costs.

Makron Estonia OÜ's products

The company supplies its customers with medium size machinery and systems. The equipment is assembled to include steel frames, components, pneumatics and hydraulics, electrification and controls. The high-level surface finishing of the equipment can be done using either wet painting or powder painting. The latter is done at the Metalliset Eesti As plant. The company's main products are different kinds of conveyors, but the proportion of machinery has also increased.

The machinery and equipment is particularly well suited, among other things, for manufacturing and assembling of electrical cabinets, and this is the most significant part of the production. CNC-controlled dual-component sealing equipment has been developed for manufacturing the sealings for the doors of electrical cabinets.



Towards Europe and other global markets

Makron Oy and Metalliset Oy are already established in Europe and are continuing to expand their operations there by better serving European customers and the European offices of Finnish customers.



Metalliset Oy in the Czech Republic

Metalliset Oy commenced its internationalisation in 2000 by founding the subsidiary Metalliset CZ s.r.o. in the Czech Republic. The company started off by buying up the operations of a mechanical engineering workshop that produced metal products in the town of Uherský Ostroh. Owing to the rapid growth of operations, it was decided that the company would buy its own property, of 5000 m², in the town of Kunovice, where there is plenty of space to expand operations. Operations commenced at the new factory in 2005.

The operations consist of the further processing and assembly of sheet metal, including welding and surface finishing, a powder painting line and a wet painting station. The machinery stock includes a plasma cutting machine, three sheet metal machines, and several press brakes and welding stations.

The most important customer is currently Kone Oy, for whom the company produces mechanical products for lift shafts in collaboration with the Heinävesi factory. Services for this customer have been expanded so that all sheet-metal products, parts and components that are necessary for the assembly of lift shafts are included in the same packages and are sent to the customer's supply terminals, and from there to the closed-off assembly sites.

There are approximately 40 people at the factory in the Czech Republic. The company's operations could well be expanded to include products for new customers and



to increase the number of employees at the current sites.

Representation office in Belarus

Makron Oy and Metalliset Oy commenced joint operations in Belarus in 2008. The status of official representation office was applied for in respect of the operations, and a local representative was selected. Some pilot supplies have already been made to the customer, and they are currently being installed in conjunction with subcontractors and under the supervision of the local representative.

However, the companies are investigating the commencement of their own operations in Belarus in 2009. The final decisions will depend on studies of the operating environment in Belarus and whether suitable premises can be found and permits obtained from the authorities.

Belarus is particularly interesting as a business site, owing to the very competitive cost structure. The country's logistical location is good – it has excellent links to Europe, Russia and Scandinavia.

Market research in Europe

Makron Oy and Metalliset Oy are jointly defining wider European markets, European customers and business opportunities. The aim is to expand the customer network to Europe and also to serve the production units of the Finnish customers in Europe at close range.

Procurement from China has started

In 2007, Metalliset Oy started to procure sheet-metal parts from China on a continuous basis. The Chinese subcontractors supply these parts in weekly containers to the Metalliset Oy factory in the Czech Republic, from where they are added to customer supplies for Europe.

New procurement opportunities for both Metalliset Oy and Makron Oy are being investigated in China and we believe that operations will be expanded gradually. At the same time, we are learning how to operate in China for any strategic measures that might be implemented later on.

It is also possible to establish the business in global markets, but in order to manage the risks this should be done in close collaboration with the customer, from whom we will also expect a longer-term commitment in this respect.

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