ANNUAL REPORT 2007

BE GROUP

CONTENTS

FINANCIAL STATEMENTS

BE Group is a Swedish public limited liability company. The company was formed and registered under Swedish law under the name BE Group AB (publ), company registration number 556578-4724. The registered office is in Malmö, Sweden.

All figures are in SEK thousands unless otherwise stated. Figures in parentheses refer to 2006 unless otherwise stated. Market information is based on BE Group's assessment, if no other source is given. Assessments are based on the best available factual information. The official annual report is published in Swedish and is translated to English.

This report contains forward-looking information. While BE Group's management believes this information is reasonable, no warranties are given, whether expressed or implied, that these expectations will prove accurate. Actual future outcomes may vary from the statements in forward-looking information due to factors including changes in economic, market and competitive conditions, changes in legal requirements and other political measures and fluctuations in exchange rates

REPORTING DATES IN 2008

Interim report January-March: April 23
Interim report April-June: July 17
Interim report July-September: October 22
Year-end report 2008: February 2009

FINANCIAL REPORTS

Interim reports and the annual report are posted on the BE Group website at www.begroup.com. Printed material may also be ordered online. Current information is published on www.begroup.com and is available via Cision.

ANNUAL GENERAL MEETING

The annual general meeting of shareholders in BE Group will be held Tuesday, April 23, 2008 at 4 p.m. at Luftkastellet in Malmö. Notices concerning registration for the meeting and the agenda will be provided in press releases and published well in advance of the meeting on the BE Group website (www.begroup.com).

BE Group's audited annual accounts will be available on the website and at the head office on Spadegatan in Malmö after March 20, 2008. Shareholders whose holdings are nominee registered must temporarily register their shares under their own names ("direct registration") by April 17, 2008. Shareholders should request the custodian to temporarily change the registration well in advance of the meeting.

REGISTRATION

The company must receive notice of intent to attend the general meeting by April 17, 2008 at 4:00 p.m., CET. The notice may be sent by letter to Annika Ternström, BE Group AB, Box 225, 201 22, Malmö, Sweden, submitted online at www.begroup.com, or by phone, +46 40 38 42 00. The notice must state the shareholder's name, personal or company registration number, address and telephone number, as well as the details concerning the shareholder's proxy, if any.

DIVIDEND

Record day for entitlement to dividends is April 28 and dividends are scheduled for distribution on May 2. The Board of Directors and Chief Executive Officer are proposing a cash distribution to shareholders of SEK 3.50 per share, corresponding to 50% of profit after tax.

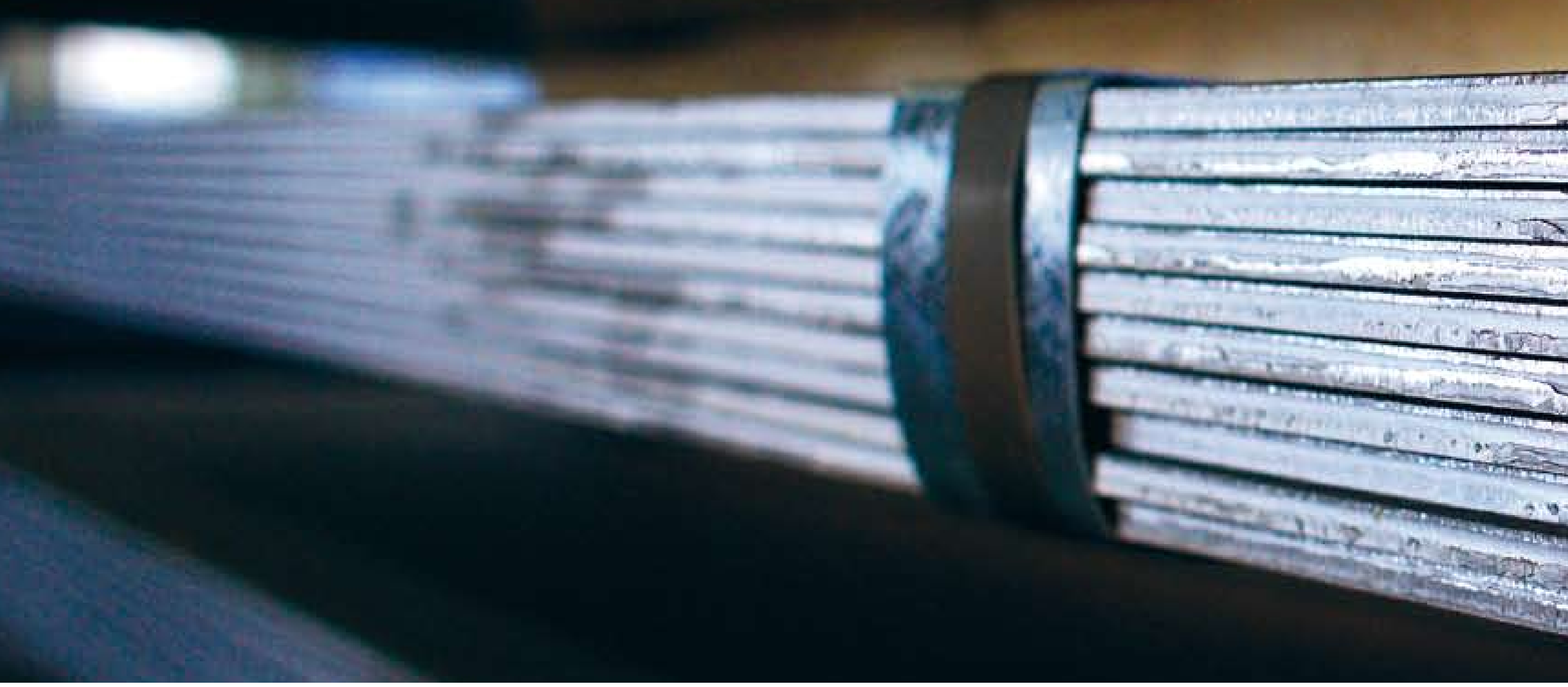
BE GROUP – EXCELLENT SERVICE IN STEEL

BE Group AB is a leading European trading and service company in steel, stainless steel and aluminium. The company provides processing and distribution, which makes the business a value-creating link between steel producers and industrial users.

The company has about 10,000 customers, primarily within the construction and engineering sectors. The company's sales in 2007 were SEK 7.7 billion.

BE Group was forged in 1999 through the merger of a Swedish company founded in 1885 in Malmö, Bröderna Edstrand, and a Finnish company founded in 1868 in Viborg, Starckjohann Steel. The company has been listed on the OMX Nordic Exchange Stockholm, since November 24, 2006.

BE Group has three business areas organized according to the geographical markets of Sweden, Finland, and Central and Eastern Europe (Estonia, Latvia, Lithuania, Poland, Russia, Slovakia, Czech Republic and Denmark). As of 2007, BE Group also has a presence in the Asian market with a representation and purchasing office in Shanghai, China. Sweden and Finland are BE Group's largest markets, but the Central and Eastern Europe business area is in an expansive growth phase. BE Group has about 1,000 employees and the head office is in Malmö, Sweden.



HIGHLIGHTS 2007

FINANCIAL PERFORMANCE

• BE Group is reporting higher underlying[1)] earnings and margins than in 2006.

• Net sales increased during the year by 14.5 % to SEK 7,650M (6,681) with tonnage growth of 1.1%.

• Operating profit totalled SEK 510M (550).

• Underlying EBITA was SEK 552M (474) and the underlying EBITA margin was 7.2% (7.1).

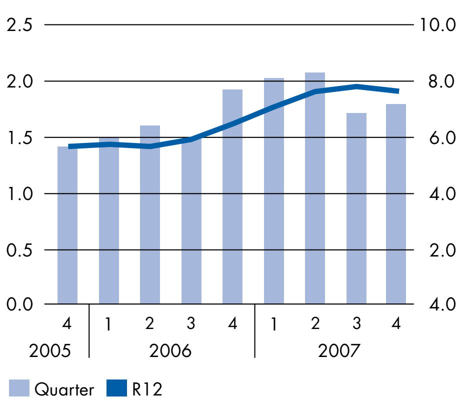
• Profit after tax of SEK 353M (395).

• Earnings per share after dilution were SEK 7.06 (7.60). Underlying earnings per share after dilution increased to SEK 7.58 (6.46).

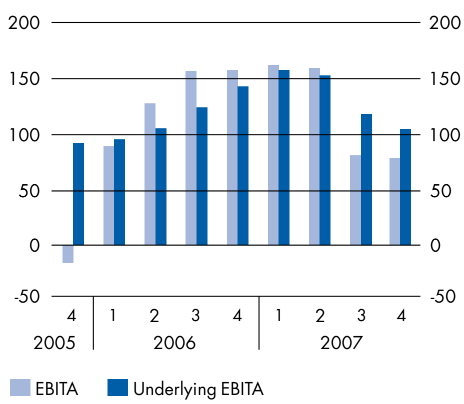
• Proposed dividend to shareholders of SEK 3.50 per share (3.50).

[1)] "Underlying" refers to the outcome excluding exceptional items and adjusted for inventory gains/losses. See glossary on page 88.

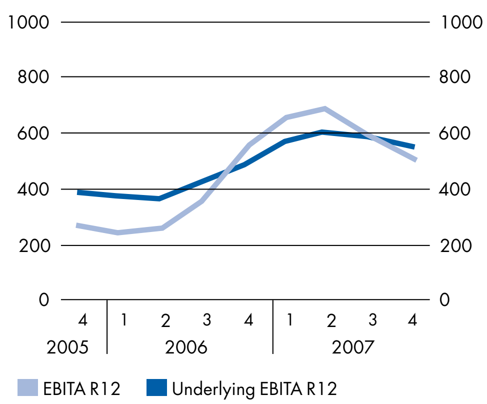
NET SALES, SEKBn
QUARTERLY AND ROLLING 12 MONTHS

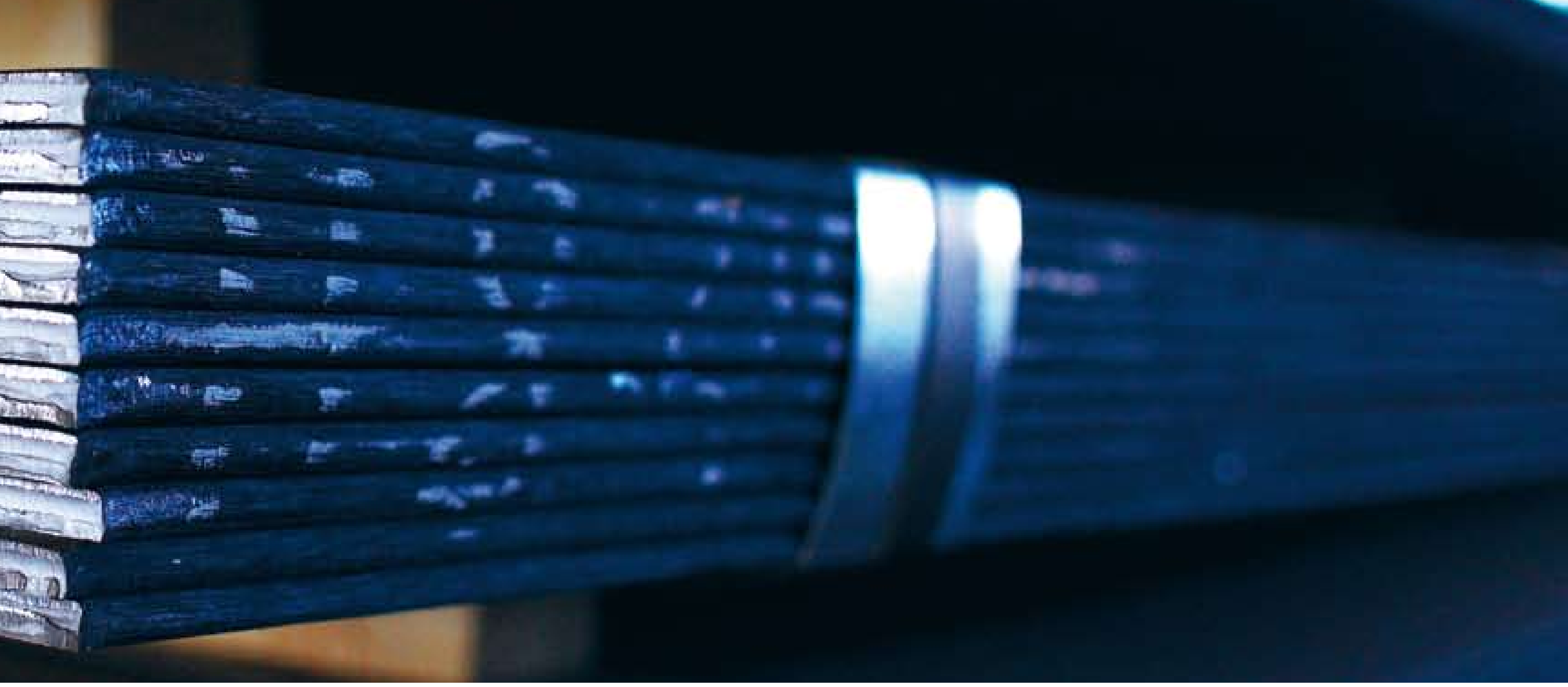


EBITA, SEKM
QUARTER



EBITA, SEKM
ROLLING 12 MONTHS





SIGNIFICANT EVENTS

Market

• BE Group has implemented a common name and brand in all markets.

• The CEE business area (formerly New Markets) is reporting continued tonnage growth and sales increased by 24% to SEK 780M (627).

• The service strategy was expanded during the year and a decision was taken to intensify development of the service proposition by means including investments and acquisitions.

Investments

• Continued investments were made in Finland and other business areas to respond to steadily increasing demand for processed products.

• A decision has been taken to develop the Group IT platform and implement a new corporate business system over a period of three years.

Organization

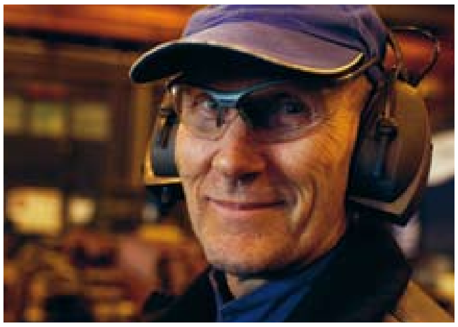
• The restructuring of the Swedish business is complete and has improved service, enhanced efficiency and reduced capital tied-up.

• Corporate product supply was centralized in early 2008 to strengthen supplier relationships and technical expertise and streamline product flows and capital management. The Group opened a representation office in Shanghai to facilitate purchasing and monitor Asian steel markets.

Significant events after the end of the year

• Acquisition in the Czech Republic has strengthened BE Group's presence in Central Europe.

• Agreement with ArcelorMittal to form a joint venture within thin plate processing to strengthen competitiveness in the Swedish market.



MESSAGE FROM THE CEO

Håkan Jeppsson, President and Chief Executive Officer

With this annual report, BE Group takes stock of its first full year as a listed company and I am pleased to report that the Group performed very well in 2007:

• Despite the turbulence in the stainless steel market, BE Group is reporting earnings on par with 2006 and the company's best underlying earnings ever.

• Service sales rose steadily during the year and the service component of total sales (including materials) was 34% for the full year, up from 32% in 2006.

• The company finalized two structural transactions shortly before and after the end of 2007 to strengthen the Group's presence in several geographical markets and our opportunities to further increase the service component of sales.

The company's performance in 2007 resulted in BE Group's attainment of most of its financial targets and strategic objectives. BE Group has continued to streamline and restructure operations, which contributed to keeping costs down. We can also report that BE Group's returns are outperforming the other internationally listed companies in the steel trading sector.

The favourable trend was buoyed by the strong economy, which brought healthy demand and rising prices for steel.

STRATEGY FOR GROWTH

I would like to highlight a few of the factors underlying the Group's performance in 2007, which I expect to continue driving BE Group's growth in the years ahead. The most important is the strategy adopted a few years ago. Briefly, it establishes that BE Group will expand primarily in Central and Eastern Europe and enhance the service proposition to bolster the company's growth, competitiveness and long-term profitability. BE Group expanded the strategy during the year and resolved to redouble efforts to develop the service proposition through investments, acquisitions and other actions in all markets.

In line with Group strategy, the company pursued several acquisition projects in 2007. BE Group acquired a company with an extensive service business, Czechprofil s.r.o. in the Czech Republic. In January 2008, BE Group entered into an agreement to acquire 50 percent of ArcelorMittal SSC Sverige AB and form a joint venture with ArcelorMittal within thin plate in the Swedish market. Both transactions will strengthen BE Group's market positions and give the company the capacity to further increase the service component of sales.

BE Group's expanding service proposition makes it possible for customers to focus more on their core businesses and reduce costs and capital tied-up. Ultimately, it is a matter of helping them become more productive and more profitable. This will also achieve several advantages for BE Group:

• *We generate growth.* By providing services in addition to products, BE Group is targeting a new market that is bigger than the steel market itself.

• *We enhance profitability.* Providing value-creating services forges the conditions for higher margins than can be achieved by trading alone.

• *We create stability.* We tie closer relationships with our customers as we soften the impact of fluctuating prices for raw materials.

"BE Group is going to sharpen focus on service to strengthen the company's competitiveness, profitability and growth."

I believe the strong business focus that imbues BE Group is one of the company's success factors. It is the product of BE Group's very long tradition as a trading company, but also a result of the deliberate reinforcement of the company's skills in recent years. In the last year alone, BE Group has hired several new employees with key technical skills acquired in the industrial sector. BE Group also provided comprehensive employee training, centralized and strengthened corporate product supply with talented business professionals, both men and women, who are new to the company.

BE Group changed the names of all subsidiaries in 2007 and launched a common brand for the Group. The move is an expression of ongoing efforts to develop BE Group's operations in ten countries into an integrated, multinational corporation that delivers high capital and cost efficiency.

INCREASED PRODUCTION CAPACITY

Nevertheless, I am not completely satisfied with the Group's performance when I compare the outcome for 2007 to plans and expectations. The inventory build-up became too large during the summer as demand began to wane. The situation was exacerbated when many customers delayed their orders as stainless steel prices tumbled. While the trend was by no means easily predictable, the company still should have handled the situation more skillfully. But it is important to understand that the company has a duty to customers to ship materials regardless of short-term swings in the market.

The strong demand for service also brought capacity shortages in some areas of the Finnish operations. The company also experienced difficulties maintaining quality standards for on-time shipping during the final phase of the comprehensive restructuring in Sweden. But BE Group has made investments, added additional shifts in production, and progressively improved the situation. Capacity will be further increased in early 2008.

I had also expected a better profitability trend for operations in Central and Eastern Europe. The primary reason the company did not attain the goal is that BE Group has not achieved sufficient size in certain markets. There were also costs for operational build-up, including in Russia, and for acquisitions. With the ongoing expansion, the company is increasing critical mass and the service component of sales that boosts profitability. I expect BE Group to achieve strong profitability in Central and Eastern Europe as well within a few years.

OUTLOOK 2008

Generally speaking, BE Group expects a stable market with healthy demand in 2008. The International Iron and Steel Institute (IISI) is forecasting an increase of 7% in total steel consumption during the year. Moreover, rising prices for raw materials are indicating a strong market and relatively high steel prices once again in 2008.

However, BE Group's markets are characterized by greater uncertainty, which makes it difficult to assess the Group's performance for the full year of 2008. Future trends in BE Group's main markets will be affected by factors such as presumed lower industrial growth, generally higher inventories, the alloy surcharge trend and trends in the construction sector, all of which impede overall assessment. With this uncertainty taken into account, BE Group expects demand in Sweden and Finland to remain relatively high during the first half of 2008. BE Group expects continued strong demand in Central and Eastern Europe, but as in 2007, the trend is expected to be somewhat weaker in the Baltic countries. The acquisition in the Czech Republic is expected to enhance growth and profitability.

In the next few years, BE Group is going to sharpen focus on service to strengthen the company's competitiveness, profitability and growth. This will involve stepping up investments in production equipment and new skills to create higher value for BE Group and its customers. Another key task – when the opportunity presents itself – will be additional strategic acquisitions.

Malmö, March 2008

Håkan Jeppsson
President and Chief Executive Officer

THE BE GROUP SHARE

The Group operates in all markets under the name BE Group. The company was listed on the OMX Nordic Exchange Stockholm on November 24, 2006.

SHARE CAPITAL

BE Group has authorized capital of 50,000,000 shares, each carrying one vote. Total share capital in BE Group on December 31, 2007 was SEK 102.0M (102.0).

INCENTIVE SCHEME

The 2007 AGM voted in favour of the Board's proposal to establish a share savings scheme ("Share Savings Scheme 2007") for about 30 key executives. Aimed at enabling BE Group AB's provision of Matching Shares in accordance with the Share Savings Scheme, the AGM also resolved to authorize the Board to decide, on one or more occasions prior to the 2008 AGM, to acquire and transfer a maximum of 332,500 treasury shares.

During the year, BE Group repurchased 120,000 shares at an average price of SEK 78.45 as part of Share Savings Scheme 2007.

SHARE PERFORMANCE

The price quoted for the BE Group share on December 28, 2007, the last trading day of the year, was SEK 57.75 (70.50). The highest price paid in 2007 of SEK 104 (71) was noted on July 12 and 13. The lowest price paid was noted on November 21, at SEK 48.80 (59.75). The price quoted on February 29, 2008 was SEK 62.50, corresponding to an increase of 8% since January 1. During 2007, 74 million shares in BE Group were traded on the OMX Nordic Exchange Stockholm, corresponding to 147% of total issued shares. Average daily trading volume was 294,235 shares, equivalent to SEK 24M based on the average daily price.

OWNERSHIP STRUCTURE

BE Group had 9,168 shareholders on December 31, 2007. Nordic Capital through Trenor Holding Ltd was the largest shareholder. Other principal shareholders are listed in the table on the following page. Total institutional ownership (legal persons) was 84% on December 31, 2007. At year-end, 48.4% of BE Group was owned by foreign shareholders. Ownership structure data was obtained from VPC.

DIVIDEND POLICY

According to the Group dividend policy, BE Group will distribute at least 50% of profit after tax to shareholders, if justified by the Group's financial position and outlook. For the 2007 financial year, the Board of Directors and CEO are proposing a cash dividend to shareholders of SEK 3.50 per share, corresponding to 50% of profit after tax.

ANALYST COVERAGE

BE Group stock is monitored particularly by analysts at Carnegie, Handelsbanken and Swedbank.

KEY DATA	2007	2006
(SEK unless otherwise stated)		
Earnings per share	7.06	7.90
Underlying earnings per share	7.58	6.72
Diluted earnings per share	7.06	7.60
Underlying earnings per share after dilution	7.58	6.46
Equity per share	17.02	13.28
Equity per share after dilution	17.02	13.28
Proposed dividend per share	3.50	3.50
Direct return, %	6.1	5.0
Price quoted on Dec. 29, last price paid	57.75	70.50
P/E ratio, multiple	8.2	9.3

SHAREHOLDERS BY CATEGORY on December 31

CATEGORY	SHARES HELD	% OF ISSUED CAPITAL
Financial firms	12,641,135	25.28%
Banks	17,817	0.04%
Securities firms and fund brokers	100	0.00%
Fund managers	6,327,333	12.65%
Insurance companies and pension institutions	5,358,785	10.72%
Pension funds	937,100	1.87%
Other financial firms	7,500	0.02%
Social insurance funds	553,023	1.11%
Swedish government	555,200	1.11%
Local government sector	62,826	0.13%
Swedish county councils	16,400	0.03%
Interest organizations	969,145	1.94%
Humanitarian and trade union organizations	944,545	1.89%
Religious communities	24,600	0.05%
Other Swedish legal persons	2,895,574	5.79%
Non-categorized legal persons	278,552	0.56%
Shareholders domiciled abroad	24,217,837	48.44%
Swedish physical persons	7,842,376	15.68%
TOTAL	**50,000,000**	**100.00%**

SHARE DISTRIBUTION on December 31

SHAREHOLDING	SHAREHOLDERS	SHARES	% SHARE CAPITAL
1 - 500	6,069	1,439,441	2.9%
501 - 1,000	1,542	1,314,632	2.6%
1,001 - 5,000	1,166	2,898,100	5.8%
5,001 - 10,000	166	1,291,652	2.6%
10,001 - 15,000	46	588,936	1.2%
15,001 - 20,000	33	624,069	1.2%
20,001 -	146	41,843,170	83.7%
TOTAL	**9,168**	**50,000,000**	**100.0%**

PRINCIPAL SHAREHOLDERS on December 31

NAME	SHARES	%
Trenor Holding Ltd	10,300,764	20.60
CBLDN-IF Skadeförsäkring AB	2,492,400	4.98
Swedbank Robur	2,347,486	4.69
Morgan Stanley & Co. Inc.	2,050,880	4.10
AMF Pensionsförsäkrings AB	1,800,000	3.60
AMF Pension Funds	1,395,135	2.79
BNY GCM Client Accounts (e) ISG	1,322,200	2.64
Caceis Bank	1,304,800	2.61
Aktie-Ansvar Funds	1,150,700	2.30
Odin Funds	1,141,800	2.28
Goldman Sachs International Ltd	1,006,427	2.01
Handelsbanken Pension Fund	750,000	1.50
Winterthur Europe, Assurances SA	607,500	1.22
Alpine Total Dynamic Dividend FND	600,000	1.20
Jeppsson, Håkan	572,250	1.14
AXA Belgium	550,000	1.10
Fourth Swedish National Pension Fund	501,200	1.00
Amagerbanken A/S	488,430	0.98
Livförsäkrings AB Skandia	487,200	0.97
Ridderstråle, Carl-Erik	455,603	0.91
Ernström Finans AB	441,200	0.88
Horstmann, Per	365,288	0.73
Nordea Bank Finland ABP	333,313	0.67
Svenska Handelsbanken S.A.	317,500	0.64
Länsförsäkringar Funds	314,200	0.63
TOTAL, 25 principal shareholders (grouped by shareholder) – by holdings	33,096,276	66.19
TOTAL, other shareholders	16,903,724	33.81
TOTAL ISSUED CAPITAL:	**50,000,000**	**100.00**

SHARE PERFORMANCE


500 KG

MISSION, OBJECTIVES AND STRATEGIES

MISSION STATEMENT

BE Group's mission is to create value and increase competitiveness for its customers by saving them time, costs and capital. BE Group accomplishes this by streamlining goods flows, reducing the number of business contacts and supplying a customer-oriented range of products and a high level of service. The service proposition is distilled in the concept of "Excellent Service" – a wide product range, fast delivery and various types of simple and more advanced production services combined with unique, customized solutions.

OBJECTIVES

BE Group's overriding objective is to maximize return on operating capital. This target combines the operating margin with capital efficiency. Five financial targets are linked to this objective, which are presented on page 18.

STRATEGIC OBJECTIVES

Aimed at meeting set targets, BE Group works according to four main strategic objectives:

Ensure strong growth through:

• Organic and acquisition-driven growth in all markets.
• Sustained leading position in Sweden and Finland.
• Higher service component in sales.

Offer the best service in the market through:

• Customized production service.
• Introduction of new value-adding services.

Coordinate operations through:

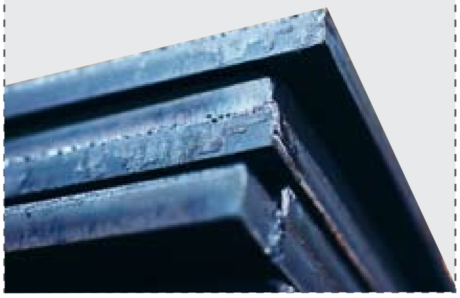
• Sustained focus on costs and capital efficiency.
• Acting as an integrated multinational corporation.

Develop distinct, results-oriented leadership through:

• Recruiting, retaining and developing leaders with a wide range of skills.

Providing the best service in the market is one of BE Group's strategic objectives.

STEEL PRODUCERS



INVENTORY SALES

SERVICE SALES

DIRECT SALES

BE GROUP'S ROLE IN THE VALUE CHAIN

PRODUCERS

BE Group's suppliers are steel producers. Steel production is a highly capital-intensive industry and the sector has traditionally been relatively fragmented and margins slim. Aimed at improving profits, a global consolidation of steel production is in progress and several structural transactions have been finalized in recent years. Producers are shrinking in number but growing in size, with a view to improving efficiency and creating greater price stability.

In order to reap maximum benefit from economies of scale, production runs are also getting longer, which leaves less latitude to ship specialized products. The longer runs are also pushing lead-times further out and reducing delivery flexibility.

PRODUCER TRENDS

Aimed at improving profitability and optimizing production, the trend among steel producers is moving towards:

- Global consolidation
- Larger volumes
- Longer lead-times
- Standardized production

BE GROUP'S ROLE IN THE VALUE CHAIN

As a trading and service company, BE Group is a value-adding link between producers and users of steel. The Group offers customers and partners flexibility in purchasing and help towards more cost-effective production. As an independent, BE Group can supply its customers with a wide selection of products from several different suppliers.

AN ATTRACTIVE PARTNER TO PRODUCERS

BE Group becomes an attractive partner to producers through providing:

- Opportunities for more cost-effective production with long series and less downtime without losing customers who require fast delivery and customized products.

- Access to an expansive distribution system and a sales organization with established customer relationships and local market expertise. This increases access to customers, especially low-volume users, that would otherwise have been unprofitable.

THREE MAIN DISTRIBUTION CHANNELS

BE Group's sales are through three channels: inventory sales, service sales and direct sales. Each channel entails various levels of added value. The distribution of sales among them has significant impact on BE Group's operations and profitability.

BE Group's inventory sales involve purchasing, warehousing, selling and distributing goods to users. It is the largest distribution channel in terms of volume.

Service sales take BE Group further along the value chain and yield considerably added value and higher margins. BE Group performs parts of the production process for manufacturers and provides services in other areas such as logistics, advisory services and recycling.

In practice, direct sales involves BE Group acting as a materials broker between the producer and the user. BE Group never handles the materials, which are shipped directly to the customer, and margins are normally lower than for other sales.

STEEL USERS

ADDING VALUE FOR CUSTOMERS

BE Group is adding value for customers through:

• Reducing the number of supplier contacts by means of a uniform interface towards producers.

• Providing economies of scale in purchasing, enabling cost reductions.

• Greater flexibility throughout the production process through shorter, more flexible lead-times.

• Considerably more reliable deliveries than most steel producers can manage.

• Complete materials handling and processing to save time, costs and capital for customers.

• Professional advice concerning product selection and other technical matters.

GREATER SCOPE FOR BUSINESS

As the steel producers are becoming less flexible by reason of larger volumes and standardized production, the trend is the reverse at the other end of the value chain. Demands for flexibility and specialized products are rising among steel users. BE Group's multinational, coordinated operations makes the Group a large enough customer to do business with major steel producers.

In parallel, BE Group provides expanded service to customers, and thus integrates further along in the value chain. By offering more comprehensive processing and new services in areas such as production, recycling and financing, BE Group can help streamline customer operations and improve its own margins at the same time. Increasing the service component of sales and adding value through more advanced processing also makes operations less sensitive to fluctuations in steel and metal prices than the inventory sales and direct sales channels.

CUSTOMERS

The bulk of BE Group's customers are in the construction and manufacturing sectors. Both are fiercely competitive industries and companies have to work hard to keep their costs under control. Every individual process matters. Optimal utilization of machinery and capital is crucial. For these reasons, companies are narrowing their focus to their core business, outsourcing simpler processes they used to perform in-house. Internal economies of scale equip companies like BE Group to perform these services more efficiently.

CUSTOMER TRENDS

Fiercer competition is pushing the trend among BE Group's customers towards:

• Greater specialization
• More outsourcing
• Just-in-time deliveries

MARKET, PRODUCTS AND SERVICES

BE Group provides its customers with a wide range of steel, stainless steel and aluminium products. BE Group also provides production services – both simple and advanced – combined with customized solutions crafted in partnership with the Group's customers. BE Group operates in ten countries including Sweden and Finland, the company's largest markets. The other markets cover seven countries in Central and Eastern Europe, and Denmark. Operations are organized in three geographical business areas.

THE STEEL MARKET

Volume in the international steel market has grown rapidly in recent years, driven by strong global economic growth and especially by the expansive Chinese economy. The primary source of information about the market trend is the International Iron and Steel Institute (IISI), a global steel industry organization. According to the October 2007 report from the IISI, total demand for steel increased by 7% in 2007 to 1.2 billion tonnes, but Chinese demand swelled by 11%. The upshot is that China accounted for 35% of world steel consumption. Steel consumption in Europe increased by about 4% in 2007.

IISI is forecasting a 7% increase in total demand for steel in 2008, to 1.3 billion tonnes. Among producers, ambitions to produce and sell large volumes have set the tone in the market for steel, stainless steel and aluminium for quite some time. Major structural changes have occurred in recent years, resulting in the emergence of a number of major global players in parallel with the surging tonnage trend. In step with the consolidation among producers, steel users have sharpened focus on core operations and capital efficiency, generating a growing need for processed products. Trading and service companies like BE Group are increasingly responding to this need by enhancing their service propositions. Sales of services typically generate higher margins than inventory sales, while creating the conditions for higher growth and profitability for trading and service companies.

THE PRICE OF STEEL AND OTHER METALS

The price trend for steel and other metals has shown a generally upward trend in recent years. A key factor behind the price increases is strong global demand, especially in China, where consumption has risen steeply.

The strong economy has also bumped up demand in several other countries, including Sweden, Finland and countries in Central and Eastern Europe. Another price accelerator is the shortage of raw materials such as iron ore, coal, coke and iron scrap, as production has not kept up with the demand for steel. Shortages of transport capacity and rising energy costs have also contributed to high steel prices.

Market prices for alloyed metals, especially stainless steel, are dependent on the demand for nickel and other alloy metals, which can periodically accentuate price fluctuations. The price of stainless steel consists of a base price for the primary steel product and an alloy surcharge set by stainless steel producers. In the wake of declining nickel prices, the period of rising prices that started in early 2006 ended with a steep drop in the market price of stainless steel in the second half of 2007.

Steel purchases represent a major portion of the costs of trading and service companies and the price of steel has considerable impact on margins and earnings. BE Group's concentration on increasing the service component of sales is reducing the Group's sensitivity to steel price variations while higher margins are creating the conditions for higher profitability.

MARKET WORTH

Total steel tonnage in BE Group's geographical markets was approximately 26 million tonnes in 2006 (complete figures for 2007 were not available as the annual report went to press) excluding Russia, which alone accounted for some 33 million tonnes. The value of services provided (to a varying extent) by trading and service companies is in addition to these sales.

MARKET GROWTH

Average tonnage growth in BE Group's markets was 3.5% per year for 2002–2007 (2001–2006 figures for CEE are included in the calculation). Market worth grew at a considerably higher rate due to surging steel prices.

Shipped tonnage is affected by prices of course, but primarily by trends in the sectors where BE Group's customers operate. Growth in these industries, such as engineering and construction, often co-varies with growth rates for GDP and industrial production.

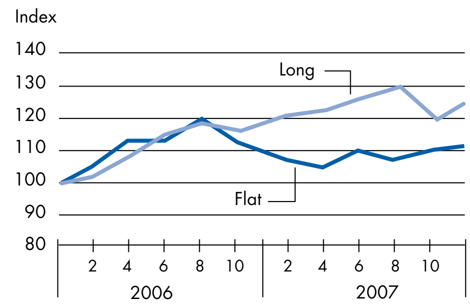
Growth rates differ significantly among BE Group's geographical markets. Demand is accelerating in the expansionary Eastern European economy, while countries in a more mature phase of development are increasingly demanding services and more advanced products such as aluminium and stainless steel.

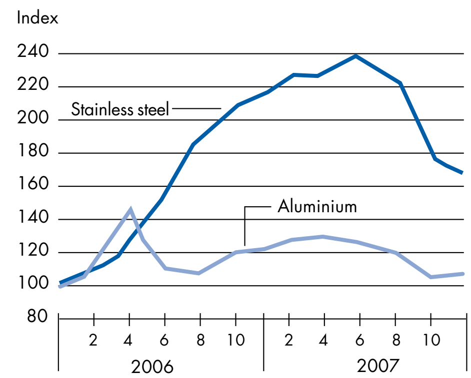
COMPETITION

Trading and service companies in the steel industry are characterized by significant economies of scale, primarily in purchasing but also in logistics and production services.

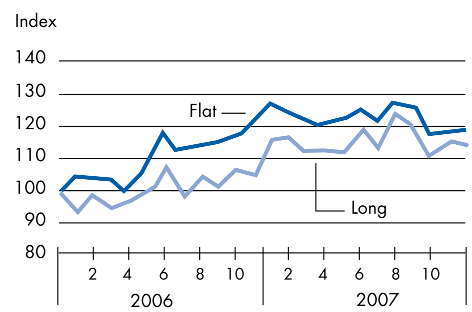
There are several major players in the European market, which include trading and service operations, both those owned by steel producers and independent suppliers. Notable among the latter are Klöckner, Germany; IMS, France; and BE Group, which are all publicly traded, multinational corporations. A number of

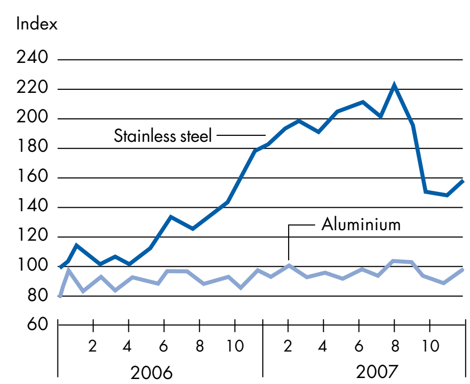
PRICE TRENDS IN THE NORTHERN EUROPEAN STEEL MARKET





PURCHASE PRICE TREND FOR BE GROUP





THE BE GROUP PRODUCT AND SERVICE PROPOSITION

PRODUCT SEGMENTS and percentage of external sales, 2007	
Hot-rolled plate	22.6%
Stainless steel	24.7%
Long products	28.9%
Hot and cold-rolled thin sheet	10.2%
Aluminium	6.7%
Reinforcement steel	6.2%
Other	0.7%

SERVICE SEGMENTS [1]

Production service

Basic Service

Cutting of long products

Sawing of aluminium and other service

Extended Service

Shot blasting and painting

Drilling/hole-punching, deburring and threading

Flame cutting

Cutting-to-length and slitting of thin plate and hot-rolled steel

Sawing of aluminium sheet

Prefabricated reinforcing

Finishing (deburring, vibratory finishing, grinding, crating, etc.)

Customized Solutions

Customer-specific and recurring shipments of bundled processed products

Other services

Logistics

Advisory service

Recycling

Customer-specific warehousing

Planned Services

Financing of operating capital

[1] *The value proposition may vary among markets.*

companies of varying size are operating in the Nordic market. Several of the largest trading and service operations are integrated with steel producers, while BE Group is the largest of the independents.

The Eastern European markets are still relatively fragmented among a large number of local firms in addition to multinationals like Klöckner and BE Group.

CUSTOMERS

BE Group has long enjoyed a strong and solid position and maintained stable market shares in its two main markets, Sweden and Finland. Market shares in CEE vary from country to country, but the markets are relatively fragmented among many small companies.

BE Group's customers are primarily industrial companies in a wide variety of sectors. The largest customer categories are the engineering sector at 45.9%, the construction sector at 22.5% and dealers, at 6.9%. Other significant industries include the process industry, other transport and automotive, energy and power, heating and ventilation, mining, and telecommunications.

BE Group has a large customer base and had about 10,000 active customers in 2007. The ten largest customers generated 12% of sales during the year.

SUPPLIERS

BE Group is an independent market player and one of the biggest buyers of steel, stainless steel and aluminium in the Nordic region, which gives the company the muscle to negotiate competitive prices and favourable delivery conditions.

A large portion of BE Group's purchases are made from steel producers in western Europe, but the Group also buys from other regions including Asia. BE Group works with some 500 suppliers, including several world-leading steel producers like Beltrame, Corus, ArcelorMittal, Outokumpu and SSAB.

BE GROUP'S VALUE PROPOSITION

Once mainly a warehouse operator and steel distributor, BE Group has focused in recent years on increasing the service component of sales. BE Group offers an extensive range of steel and metal products as well as a large and innovative selection of production services and other services. The objective is to deliver the greatest possible value and make BE Group's customers more competitive.

Sales are through three distribution channels: inventory sales (49% of tonnage), direct sales (products shipped by materials producers directly to BE Group's customers, 17%) and, increasingly, service sales (34% including materials).

PRODUCTS

BE Group's range covers several thousand products from the world's leading producers, distributed among seven product segments (see sidebar).

Commercial steel is BE Group's largest product segment and features a wide selection of flat and long products. The single largest product group is flat products, which include hot-rolled plate and hot and cold-rolled thin plate. Long products include beams, profiles and steel bars. Other key products are steel tubes, reinforcement steel and engineering steel.

Stainless steel is another main product group, including plate, bars, profiles and beams as well as tubes and tube sections.

BE Group also supplies aluminium plate, tubes, profiles and bars.

SERVICE

In this segment, BE Group mainly processes materials in a variety of production processes to meet customer-specific requirements, but also provides other types of service. The service proposition differentiates BE Group from traditional wholesalers and makes it possible for BE Group customers to focus more intently on their core operations and reduce costs and capital tied-up.

Ultimately, it is a matter of helping customers become more productive and more profitable. Service accounts for a growing percentage of consolidated sales and, including materials, generated 34% of total sales in 2007. Service sales have increased by 17% in the last two years. BE Group offers three levels of production service – basic service, extended service and customized solutions, which are crafted in partnership with customers (see sidebar on the facing page).

Other services include logistics, advisory services, recycling and customer-specific warehousing, where BE Group's own warehouse and distribution system is used to provide complete logistics solutions to customers.

BE Group's recycling service assists customers with collecting and recycling surplus and used material. BE Group also offers advisory services related to the use of steel, stainless steel and aluminium throughout the customer's production process. Services offered include technical support related to materials, streamlining flows, sales support, and training the customer's personnel.

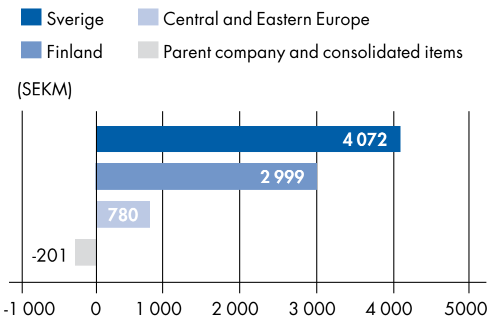
LOGISTICS

BE Group has developed a cost-effective organization with high earnings per employee. BE Group's high inventory turnover rate, compared to the industry norm, and efficient logistics contribute to optimal capital utilization.

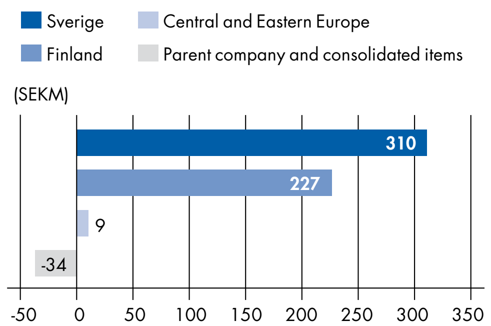
BE Group has 33 sites for sales, production and warehousing. The Group has extraordinary product availability and superior shipping reliability. The result is shorter lead-times, more reliable delivery and just-in-time delivery capacity, which cuts the cost of capital for customers. A large percentage of orders ship within 24 hours.

BE GROUP OVERVIEW

NET SALES PER BUSINESS AREA



EBITA PER AFFÄRSOMRÅDE



BE Group's underlying earnings were significantly better in 2007 than in 2006. Higher prices and the increased service component of sales strengthened the margin and improved cost-efficiency. Turbulence in the stainless steel market, resulting in lower volumes and margins, had adverse impact on earnings in the second half.

BE Group has five financial targets for operations. The outcomes for growth, profitability and return are measured over an economic cycle, while capital structure targets refer to a normal situation. Temporary deviations may occur, for instance in conjunction with acquisitions.

The financial targets are measured with a 12-month perspective and all targets were met for the full year of 2007, except for underlying sales growth. The shortfall for that target is attributable to the weaker tonnage trend in the second half.

FINANCIAL TARGETS

	Target	Outcome 2007
Underlying sales growth	>5%	1.1%
Underlying EBITA margin	>6%	7.2%
Underlying return on operating capital	>40%	63.2%
Net debt as a percentage of total equity	<150%	69.8%
Net debt/underlying EBITDA	<3 (multiple)	1.0 (multiple)

The financial targets are based on underlying earnings and return in order to clearly illustrate the operational trend. Underlying earnings are adjusted for exceptional items and inventory gains and losses. As a result, temporary earnings fluctuations due to the steel price trend are excluded from the analysis of operations. BE Group's internal model is used to calculate inventory gains and losses.

NET SALES

Consolidated net sales increased overall by 14.5% to SEK 7,650M (6,681). The rise in net sales is distributed mainly between price and mix changes of 13.3% and tonnage growth of 1.1%. Currency effects increased net sales by 0.1%.

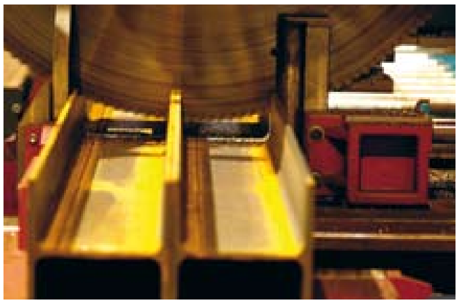
At SEK 12.40 (10.95), the average sales price per kg was up 13.2% compared to 2006.

BUSINESS PERFORMANCE

Consolidated gross profit decreased to SEK 1,167M (1,173). Reported gross profit includes inventory losses of SEK 40M, compared to SEK 57M in inventory gains in 2006. The gross margin was 15.3%, a decrease compared to 2006 (17.6).
The alloy surcharge for stainless steel fluctuated sharply during the year, with an upturn in the first half followed by a dramatic downturn in the third quarter before stabilizing in the fourth quarter. The overall impact was lower margins than during 2006. The alloy surcharge with no mark-up accounted for SEK 331M of the SEK 969M increase in consolidated sales over 2006. Alloy surcharges with no mark-up accounted for SEK 763M or 10.0% of total sales for the Group. The high percentage had adverse impact on the EBITA margin.

EBITA declined to SEK 512M (552) and underlying EBITA rose to SEK 552M (474).

The EBITA margin was 6.7% (8.3), while the underlying EBITA margin of 7.2% (7.1) outperformed the 2006 figure.



Performance per business area is discussed on pages 20–26.

NET FINANCIAL ITEMS AND TAX

The Group is reporting net finance expense of SEK 23M (expense: 11). Net interest expense was SEK 32M (expense: 16), equivalent to 4.8% (4.6) of net interestbearing liabilities, which averaged SEK 655M (336).

Tax expense for the year was SEK 134M (144) or 27.5% (26.8) of profit before tax. Profit after tax amounted to SEK 353M (395). Earnings per share after dilution were SEK 7.06 (7.60). Underlying earnings per share after dilution were SEK 7.58 (6.46), of which SEK 175M was distributed to shareholders.

CASH FLOW

BE Group had negative cash flow of SEK 38M (92) in 2007. Cash flow from operating activities was SEK 215M (236). Cash flow from investing activities was negative at SEK 58M (negative: 16). Cash flow from financing activities was negative at SEK 196M (negative: 127).

CAPITAL, INVESTMENTS AND RETURN

BE Group had working capital of SEK 728M (550) at year-end. The increase is due mainly to higher inventories and lower trade payables resulting from the inventory reduction initiative. The increases were offset by lower trade receivables.

As a result of higher working capital, capital tied-up rose to 9.6% (8.2) for the full year, but is still relatively low in historical terms.

Capital expenditure in tangible assets during the year totalled SEK 61M (68). The capital expenditure is related primarily to the build-up of the new structure of the Swedish business, investments in new production equipment in Finland and reinvestments.

A decision has been taken to develop the Group IT platform and implement a new corporate business system over a period of three years.

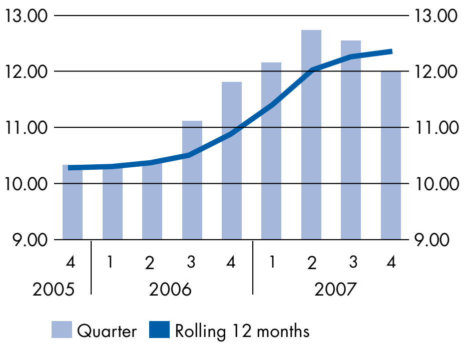
Return on operating capital (excluding intangible assets) decreased to 58.6% (84.4) due to the increase in operating capital.

FINANCIAL POSITION AND LIQUIDITY

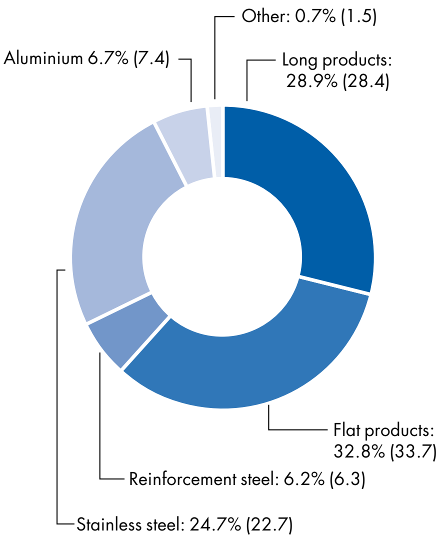
BE Group had cash and cash equivalents of SEK 259M (289) at year-end. The Group also had unutilized credit facilities of SEK 500M earmarked for acquisitions. As of December 31, consolidated net interest-bearing liabilities were SEK 593M (556). Total credit facilities amount to SEK 1,535M.

Net debt/underlying EBITDA for the full year was a multiple of 1.0 (1.1). Consolidated equity as of December 31 was SEK 849M (664) and the net debt/equity ratio was 69.8% (83.8).

AVERAGE SALES PRICES (SEK/KG) QUARTERLY AND ROLLING 12 MONTHS



SALES PERCENTAGES BY PRODUCT GROUPS



SWEDEN BUSINESS AREA

Sweden is BE Group's largest market in terms of sales, at about SEK 4.1 billion a year.

Warehousing and production operations in the business area are located in Malmö, Norrköping and Borlänge. BE Group has sales offices in ten locations and a nationwide dealer network. Sweden has a total of 411 employees.

MARKET

The Swedish economy has delivered healthy growth and a positive trend for construction and industrial production in recent years. Annual steel consumption in 2007 was approximately 4.4 million tonnes, which was on par with 2006. Average annual tonnage growth rate in the market for the period of 2002–2007 was 3.4%.

While the Swedish market as a whole is mature, BE Group believes there will be long-term growth in the trading and service market as a larger share of steel, stainless steel and aluminium is routed via trading and service companies.

Total distribution volume for steel and stainless steel from trading and service companies in 2007 was 1.6 million tonnes (1,6).

The average tonnage growth rate for the trading and service market was 3.5% between 2002 and 2007, with wide variations between the years. The tonnage figures do not fully reflect growth in market worth, as sales for trading and service companies may increase faster than steel consumption, due to the higher percentage of service sales.

CUSTOMERS

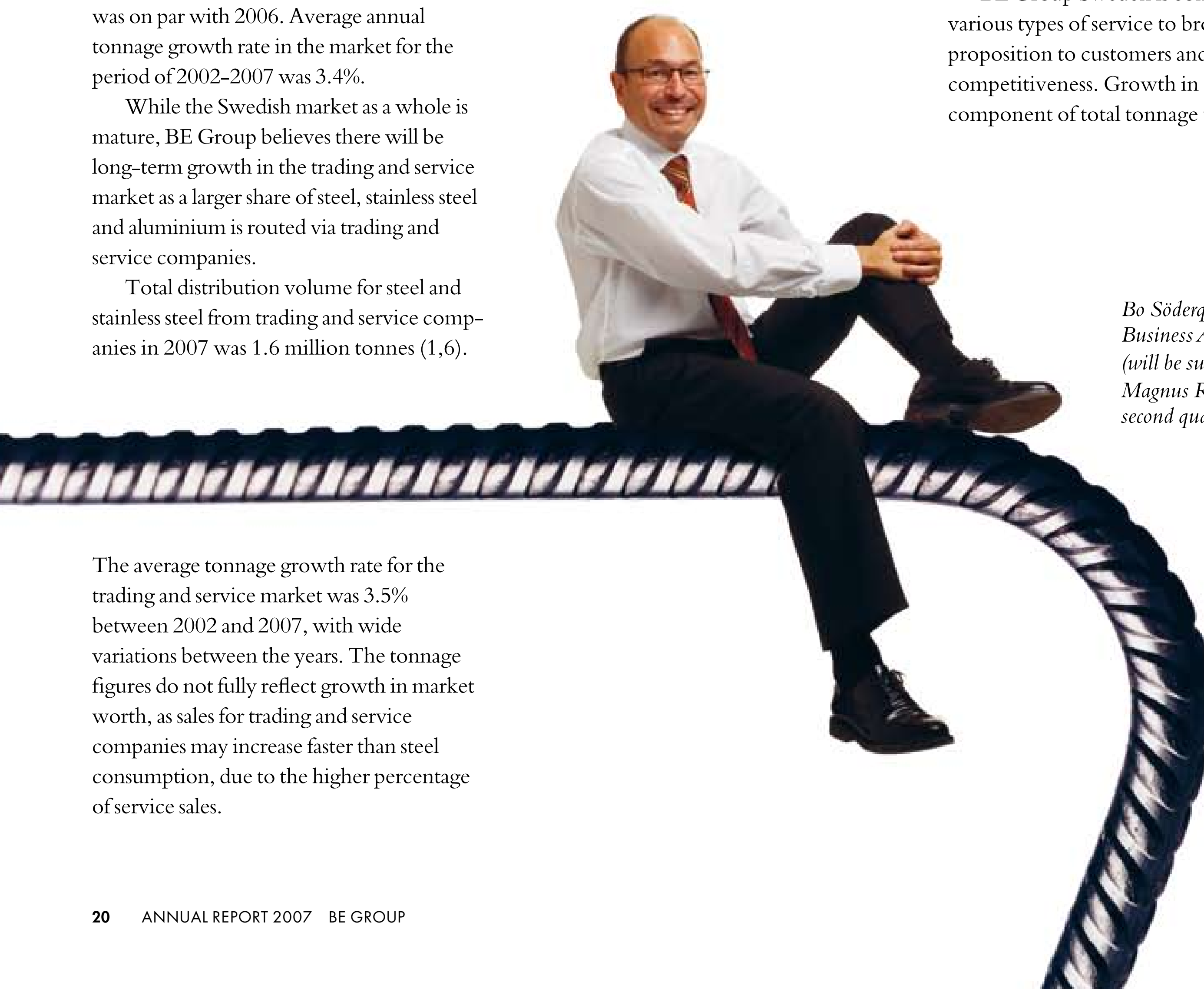
BE Group's customer base closely mirrors the Swedish industrial structure, with a high percentage of companies of varying size and operational category in the engineering sector. Construction and civil works companies are another large customer group wherein BE Group has a strong position, which also holds true for dealers.

COMPETITION

There is a relatively high number of competing trading and service companies in the steel, stainless steel and aluminium sector in Sweden. BE Group's main competitors are Tibnor, a company in the SSAB Group; Ruukki Sweden, a company in the Ruukki Group; and Stena Steel, part of the Stena Group of shipping, industrial and financial companies. Tibnor and Ruukki Sweden are integrated with steel producers, while BE Group and Stena are independents.

In BE Group's estimation, market shares have remained stable in recent years, but a few new competitors have entered the stainless steel and aluminium market.

BE Group Sweden is concentrating on various types of service to broaden its value proposition to customers and sharpen competitiveness. Growth in the service component of total tonnage was sustained



Bo Söderqvist, Business Area Manager (will be succeeded by Magnus Rosén in the second quarter of 2008)



A successful efficiency program was implemented in the Swedish operations in the last two years, with the objective of becoming a leaner, more competitive organization.

during the year and the final figure was 28.6% (25.7) for 2007, including materials.

SALES AND BUSINESS PERFORMANCE

The favourable trend held in the Swedish market during the first half of 2007. Tonnage declined in the second half, primarily due to slumping demand for stainless steel and consequently higher inventories.

Sweden is reporting sales of SEK 4,072M (3.633). The increase of 12.0% is due mainly to higher prices. EBITA rose to SEK 310M (288). Underlying EBITA increased to SEK 327M (264). The EBITA margin was 7.6% (7.9) and the underlying EBITA margin was 8% (7.3).

SIGNIFICANT EVENTS

BE Group completed an efficiency improvement programme in the Swedish operations in summer 2007. The objectives were to lower costs and strengthen competitiveness. Warehousing and production have been concentrated from six locations to three in the last two years. The sites in Göteborg, Jönköping and Sundsvall were closed, while those in Malmö and Norrköping were expanded with new warehouse facilities and production resources.

The changes have created a more efficient structure and lowered costs and capital tied-up. The total workforce in Sweden has declined in the last two years despite additional human resources in areas including production service.

BE Group entered into an agreement after the end of the financial year to acquire a 50% interest in ArcelorMittal SSC Sverige AB. Through this strategically important step, BE Group and ArcelorMittal are creating a joint venture for processing and sales of thin sheet in the Swedish market. BE Group will pay the purchase consideration by transferring the thin sheet business in Borlänge in a non-cash issue combined with cash consideration. The transaction is subject to review by competition authorities.

The background to the deal is that the Sweden business area has until this point processed thin plate at the site in Borlänge, a business that generated sales of about SEK 400M in 2007, while ArcelorMittal SSC Sverige AB had equivalent operations in Karlstad with sales of about SEK 400M. By running operations as a joint venture starting in 2008, BE Group and ArcelorMittal will create the third-largest company in the thin plate processing market in Sweden with a market share of 20% and sales in excess of SEK 800M. The interest in the new company will be reported as an investment in a joint venture using the equity method.

As mentioned, Sweden successfully increased service sales in 2007. The increase refers primarily to production service, but included other BE Group services. In addition to the investments in new facilities, the business area has entered into an alliance with Alucrom AB and Jive AB with a view to supplying coated, painted and galvanized products to customers.

FUTURE DEVELOPMENT

The implemented efficiency improvements enabled Sweden to reduce costs in 2007 and the positive impact will continue in future years. Along with the joint venture in thin plate, the new structure strengthens BE Group's competitiveness and growth opportunities in the Swedish market.

Several initiatives are in progress to enhance the service proposition in Sweden. BE Group Sweden is also aiming to acquire operations that augment the business area with new types of service to the construction, civil works and engineering sectors.

KEY DATA	2007	2006
Net sales, SEKM	4,072	3,633
Growth, %	*12.0*	*14.0*
EBITA, SEKM	310	288
EBITA margin, %	*7.6*	*7.9*
Underlying EBITA, SEKM	327	264
Underlying EBITA margin, %	*8.0*	*7.3*
Investments, SEKM	24	42
Average number of employees	407	445

FINLAND BUSINESS AREA

Finland is BE Group's second-largest market and generated net sales of about SEK 3.0 billion in 2007. Finland has the highest component of service in sales of all Group business areas. One reason is that the market is heavily populated by large corporations that have been outsourcing for many years, but the accomplishment is also due to goal-oriented efforts in the business area.

Most of the Group's products are sold in the Finnish market, along with production service and other services. The business area has five warehousing and production sites, two in Lahti, two in Lapua and one in Turku.

The sales organization is divided into two geographical areas, Southern and Eastern Finland and Western and Northern Finland. There are sales offices in ten locations and the business area has 379 employees.

Matti Tiira,
Business Area Manager

MARKET

The Finnish economy performed well during the year, with especially strong growth in the construction and engineering sectors. The favourable trend essentially reprised conditions in 2006.

The Finnish industrial sector is more export-based than the Swedish industrial sector and benefited in 2007 from the flourishing global economy. This is reflected in the fact that the reported order stock at year-end for the engineering sector, including shipbuilding, was up by 19% since the January 1.

Finnish steel consumption in 2007 was an estimated 2.5 (2.3) million tonnes. Average annual tonnage growth was 3.0% for the period of 2002-2007.

Total distribution volume for steel and stainless steel from trading and service companies in 2007 was 0.8 million tonnes (0.8). The average tonnage growth rate for the trading and service market was 3.0% between 2002 and 2007, but year-on-year figures vary widely. However, this does not fully reflect the trend for trading and service companies, as a higher component of sales can generate faster growth in market worth.

CUSTOMERS

BE Group Finland's primary customers are found in the mechanical engineering, construction and civil works sectors. Other key customer segments are the electronics, electrical engineering and process industries.

The companies are generally fewer and larger than the typical customer in the Swedish market. Large companies are generally more open to outsourcing production, which has been increasing demand for service for several years.

COMPETITION

As in Sweden, there is a relatively high number of competing trading and service companies in the steel, stainless steel and aluminium sector in Finland. In second place behind Ruukki, BE Group has a significantly larger share than the third-place Kontino, which, like BE Group is an independent supplier with no links to steel producers.

SALES AND BUSINESS PERFORMANCE

The trend was favourable in the Finnish market during the first half of 2007. Tonnage declined in the second half, primarily due to sharply weaker demand for stainless steel.

Finland is reporting sales of SEK 2,999M (2,640), an increase of 13.5%. EBITA declined to SEK 227M (263). Underlying EBITA increased to SEK 249M (238). The EBITA margin was 7.6% (10.0) and the underlying EBITA margin was 8.3% (9.0).

SIGNIFICANT EVENTS

Based on a comprehensive study of Finland's customer segments performed in 2006, the business area has stepped up efforts to increase the service component of sales. Investing in equipment to provide new services for complete materials handling and increase capacity at the Finnish sites is a key component of the initiative. Other actions have included reinforcing the organization by recruiting sales and production employees with technical backgrounds and experience in customer industries, as well as advanced employee training programmes.

A comprehensive investment programme at the Lapua site was completed at the end of the year. The programme added new capacity and advanced equipment that enable a wider selection of production services.

The service component rose during the year to 46.5% (45.2) of total tonnage, despite capacity shortfalls in certain aspects of production, primarily in the first half. The completed investments have improved the situation.

FUTURE DEVELOPMENT

The Finnish market is expected to continue growing by 3 to 4% in volume in 2008, a forecast that is backed up by large order stocks in the industrial sector.

Based on forecast growth, expanded capacity and a higher service component, BE Group Finland is expecting healthy volumes again in 2008. Potential acquisitions will also be assessed in the Finnish market.

The service component of sales has increased in the Finnish operations, an achievement due in part to new services for complete materials handling.

KEY DATA	2007	2006
Net sales, SEKM	2,999	2,640
Growth, %	*13.5*	*15.1*
EBITA, SEKM	227	263
EBITA margin, %	*7.6*	*10.0*
Underlying EBITA, SEKM	249	238
Underlying EBITA margin, %	*8.3*	*9.0*
Investments, SEKM	32	21
Average number of employees	369	349

CENTRAL AND EASTERN EUROPE BUSINESS AREA

Per Gullstrand, Business Area Manager

Central and Eastern Europe (CEE) is BE Group's fastest growing business area and generated sales of SEK 780M in 2007. Formerly called New Markets, the name change was effective January 1, 2008.

CEE does business in seven countries in Central and Eastern Europe, as well as Denmark. The business area has integrated sales, warehousing and production sites at ten locations and a number of sales offices. The national companies have individual profit responsibility and CEE has a total workforce of 158 employees.

MARKET

The total market for steel in Central and Eastern Europe is very large. Total steel use in 2006 in CEE's markets was 19 million tonnes, not including Russia. The Russian market alone accounted for an additional 33 million tonnes.

Economic growth in Central and Eastern Europe remained strong in 2007 with favourable trends in the industrial and construction sectors. Steel consumption grew by an annual average of 7%, measured in tonnage, over the five-year period of 2001–2006 (2007 figures were not available as the annual report went to press).

Market trends in 2007 were particularly favourable in the Czech Republic, Poland and Slovakia, while slightly slower growth was noted elsewhere, primarily in the Baltic countries.

CUSTOMERS

The CEE customer base is made up primarily of local companies in the engineering, construction, process industry and automotive sectors. Robust development and growing demand for production service is expected from the national companies in the next few years.

Multinational corporations, which have increasingly set up operations in Central and Eastern Europe, are a key customer segment for BE Group. Typically, they focus strongly on their core operations and contributed to CEE's sales growth in 2007 with high demand for products and advanced production services.

COMPETITION

The Central and Eastern European markets are highly fragmented among a large number of competing trading and service companies. Most operate in only one country, but there are others doing business in several countries. In addition to BE Group, the latter include the Polish company Zlomrex, as well as integrated distribution companies owned by the major steel producers Thyssen-Krupp, Ruukki and ArcelorMittal.

Trading and service companies generate a larger percentage of steel sales than is generally the case in Sweden and Finland.

BE Group did not enter the very large Russian market until 2006 and is initially concentrating on the St Petersburg region.

A consolidation trend towards fewer and larger suppliers has commenced in Central and Eastern Europe and BE Group intends to participate actively in the consolidation process.

BE Group's operations in Denmark are currently small, but growing rapidly. Sanistål and LMG Stål are significant competitors.

SALES AND BUSINESS PERFORMANCE

The high-growth trend was sustained in Central and Eastern Europe, but growth was somewhat lower in the Baltic countries. The business area is reporting continued increases in tonnage.

Sales increased by 24.4% to SEK 780M (627).

EBITA declined to SEK 9M (41). The decline is primarily due to the sale of real estate in Estonia, Lithuania and Poland in 2006, which generated a capital gain of SEK 30M. Underlying EBITA increased to SEK 10M (3). The EBITA margin declined to 1.2% (6.6), while the underlying EBITA margin of 1.2% outperformed the figure for 2006 (0.5).

SIGNIFICANT EVENTS

All BE Group operations in Central and Eastern Europe were opened in the last ten years and comprehensive build-up of production resources and skills has been accomplished within that span of time. Additional capital expenditures for machinery were implemented in 2007 and a uniform service organization has been built up in all CEE operations.

Around-the-clock operation was implemented in Q4 2007 in the flame and plasma cutting facilities in Latvia, Lithuania, Estonia and Poland to meet higher demand for production service.

BE Group has accomplished a comprehensive build-up of production resources and skills in all operations in CEE.

KEY DATA	2007	2006
Net sales, SEKM	780	627
Growth, %	*24.4*	*43.6*
EBITA, SEKM	9	41
EBITA margin, %	*1.2*	*6.6*
Underlying EBITA, SEKM	10	3
Underlying EBITA margin, %	*1.2*	*0.5*
Investments, SEKM	7	9
Average number of employees	151	123

The acquisition of Czechprofil strengthens BE Group's position in both the Czech Republic and parts of Poland.

The Group has continued evaluating possible acquisition targets, and BE Group AB finalized an agreement in December to acquire the privately owned company Czechprofil s.r.o. in the Czech Republic. Ownership was transferred in January 2008 and the acquisition has strengthened the Group's position, primarily in the Czech steel market. The planned merger of Czechprofil and BE Group's existing Czech subsidiary is expected to yield some synergies.

Czechprofil reported sales of about SEK 140M for the 2006 financial year. The acquisition is expected to have an immediate and favourable impact on BE Group's operating profit.

Czechprofil was founded in 1996 and does business in the market for both flat and long steel products. The company has an expansive service business and is a good complement to BE Group's product range. Total distribution volume in 2006 was about 25,000 tonnes.

Czechprofil's operations, which have a strong position in the southeastern regions of the country, are run from three facilities. The company has two warehouses and a head office in Uherske Hradiste and a combined production and warehouse facility in Prerov, where BE Group is already represented. Czechprofil has 40 employees.

FUTURE DEVELOPMENT

BE Group is forecasting sustained high growth in the Central and Eastern Europe business area, which will be accomplished through organic growth, increasing the service component of sales and further acquisitions.

The acquisition of Czechprofil will make a strong contribution to sales in 2008 and make the Czech Republic the Group's largest market in Central and Eastern Europe in terms of sales.

BE Group estimates that it could take time to achieve critical mass and good profitability in the Russian market but that the market will become more important further ahead.

Assessment of potential acquisitions and partners will continue. BE Group's primary focus will be in the Czech Republic and Poland, but the search extends to companies on other countries, including countries where BE Group is not yet operating.

Another key task will be to enhance the business area's value proposition in terms of service, quality and reliable delivery.

INTEGRATED ENVIRONMENTAL MANAGEMENT

BE Group is committed to active and systematic efforts to limit the environmental impact of operations. The Group is striving to minimize waste and emissions and requires suppliers to comply with the same standards BE Group applies to its own operations.

The environmental management programme is integrated throughout operations. Internal environmental objectives are set based on environmental laws, available technology and local conditions. The objectives are broken down into local action plans at each unit. Environmental status is regularly measured and followed up to ensure that objectives are met. BE Group employees are given environmental training to ensure that the environmental perspective is an integral factor in every process.

FOUR FOCUS AREAS

BE Group's main focus in operations is on four areas, where tremendous efforts are being made to limit environmental impact: transports, energy consumption, process emissions and waste management.

Transports - The objective is to use rail for inbound shipments to the greatest extent possible.

In Finland, internal transports are being reduced through careful planning so that materials can be stored and processed in the same location.

In Sweden, all vehicles run on biodiesel and serious effort is put into optimizing load capacity for outbound shipments with a view to reducing the total number of vehicles used and mileage driven. The company's heavy goods drivers are also trained in eco-driving, a technique that reduces fuel consumption. BE Group requires contract carriers to comply with ISO 14001.

Energy consumption - As with transports, energy consumption is carefully monitored in all operations and actions are being taken to reduce consumption. Oil heating is being replaced with natural gas at all sites in Sweden and opportunities to install district heating are being studied. The reduction of the number of sites in Sweden from six to three has also contributed to lower and more efficient use of energy.

Process emissions – BE Group is working actively to reduce emissions to the atmosphere from production processes. The primary measures here are purification of ventilation exhaust (VOC) from painting facilities and the use of particle filters to eliminate particulate emissions from shot-blasting and cutting machinery. Investments in new water-cutting machinery have also reduced emissions of particulates to air.

Waste management – Most residual products are reused or sorted and recycled. A goal-oriented and long-term effort to achieve more efficient waste management has resulted in a dramatic decline in the amount of waste sent to landfills. Scrap is sorted into several categories for more efficient recycling, easily recyclable packaging materials are used for outbound shipments and investments in new painting equipment have reduced both paint consumption and waste in the painting process.

NEW SERVICES

In partnership with Sita, an environmental services company, BE Group has been providing recycling service to its customers in Sweden since autumn 2006. Operations are small-scale thus far, but BE Group customers welcome the initiative.

REQUIREMENTS VARY AMONG MARKETS

BE Group is a multinational corporation and thus encounters a variety of environmental management standards in different countries. An absolute minimum standard is compliance with the environmental laws and regulatory requirements in each country. BE Group Sweden and BE Group Finland are certified under the ISO 14001 environmental management system. The Polish operations worked toward certification in 2007 and were approved in January 2008.

BE Group's operations have been certified for some time under the ISO 9001 quality management system in Sweden, Finland, Poland and Latvia. That group has now been extended to Lithuania, which was certified under ISO 9001 in 2007, and a decision has been taken to certify all units in CEE in 2009.

EMPLOYEES AND ORGANIZATION

BE Group has intensified its service orientation and is reinforcing the organization's production skills to supplement the Group's trading expertise. Particular emphasis is put on recruiting employees who have experience in and understand the core operations of the Group's customers. These skills are crucial to the development of the BE Group service proposition.

BE GROUP'S VALUES

BE Group is characterized by several core values that have emerged in the company over the years and imbue the Group's operations at all levels. Those values are:

Customer understanding – We understand the company's customers and contribute to their success.

Results – We are cost-effective and together we achieve results for customers and BE Group.

Action – We test new solutions and encourage creativity and action.

Accountability – We accept responsibility and keep our promises.

Transparency – We are open, honest and unambiguous.

LEADERSHIP

Distinct and objectives-oriented management is one of BE Group's strategic ambitions and a key success factor for the business. In order to realize this ambition, BE Group recruits and trains managers who also possess skills in areas such as production, marketing and logistics.

BE Group puts high demands on managers and has clearly defined leadership values with which all managers are expected to work towards. Targets are set for managerial performance and attainment of set objectives is measured against a leadership index. Scores are followed up individually and have steadily improved since the index was initiated in 2003.

A new programme aimed at identifying talents and developing the leaders of tomorrow has been implemented. The BE Executive programme is aimed at employees with strong executive potential. They are trained and mentored by members of Group management, who participate in every training session.

BE Group managers at every level are continuously trained and their skills developed, both in comprehensive management training programmes and briefer training courses in day-to-day management. The Group holds an annual internal managerial conference, which among else gives employees an opportunity to transfer knowledge between different markets and countries.

CONTINUOUS SKILLS DEVELOPMENT

By tradition, BE Group is a company with a strong business orientation. The company's business skills are continually developed through training and recruiting. In parallel, other skills are being added to the sales organization in a variety of ways. For instance, BE Group is focusing more on hiring sales representatives with technical training and backgrounds. More than one quarter of the sales force in Finland have joined BE Group in the last two years, many with previous experience in the main industries of BE Group's customers and a large number with technical backgrounds.

New BE Group employees in Sweden include site managers at two operational sites who are both highly experienced in production. In other respects as well, employees with experience in the manufacturing sector were recruited during the year. Aimed at improving sales skills, BE Group has initiated a partnership with IHM Business School in the last two years. The partnership involves multi-phase training oriented towards BE Group's overriding objectives and strategies.

BE Group is currently engaged in a comprehensive customer segmentation project, which will also identify the type of employees and skills the Group needs to successfully enhance the service strategy

SAFETY AND EQUAL OPPORTUNITY IN THE WORKPLACE

BE Group is committed to safety in the workplace. All three business areas made substantial investments to improve safety, health and the work environment in 2007.

While the steel industry is traditionally male-dominated and currently only 17% of the workforce is female, BE Group is working actively to change this through recruiting policies and other measures. BE Group is also working proactively to increase diversity among the workforce.

THE WORKFORCE IN FIGURES

BE Group had a total workforce of 959 (935) on December 31, 2007. BE Group Sweden had 411 employees (445), with 56% of the workforce in production, warehousing and distribution. The parent company had 14 (9) employees. A comprehensive efficiency improvement programme was carried out in Sweden during 2006 and 2007. As a result, the workforce has been reduced by 34 people since 2006, despite new hires. BE Group Finland had 379 (359) employees, about 53% in production, warehousing and distribution. The corresponding figures for CEE were 158 (123), with 37% in production, warehousing and distribution.

THE ORGANIZATION IS RESPONDING TO NEW NEEDS

A decision was taken during the year to centralize subsidiary purchasing organizations into a corporate product supply function as of January 1, 2008. The measure was required to respond to the trend towards larger steel producers. The new organization's responsibilities will include contract negotiations, developing BE Group's product range and acting as a corporate centre of technical and production excellence.

BE Group has also opened a representation office in Shanghai, China aimed at facilitating purchasing, improving business contacts and enhancing business intelligence related to the Asian steel market.

The New Markets business area changed its name to CEE in January 2008. A uniform organization was implemented in all eight countries in 2007. CEE is organized in three segments: Sales, Supply and Services.

MANAGEMENT REPORT

OPERATIONS

BE Group AB (publ) is a leading European steel trading and service company. BE Group has about 10,000 customers, primarily in the construction and engineering sectors. The Group offers a wide range of services related to the use of steel, stainless steel and aluminium.

BE Group operates in ten countries in Northern Europe, the Baltic region and Central and Eastern Europe. The largest markets are Sweden and Finland. Headquartered in Malmö, Sweden, BE Group has a total workforce of about 1,000.

BE Group's stock is listed on the OMX Nordic Exchange Stockholm.

MARKET AND BUSINESS ENVIRONMENT

The world market for steel remained strong during the year, buoyed by high demand from China, India and Russia. This brought global demand for steel in 2007 to 1.2 billion tonnes, an increase of 7% compared to 2006, as reported by the International Iron and Steel Institute (IISI).

Tonnage in BE Group's markets declined in the second half. The trend is mainly due to sharply weaker demand for stainless steel in the third quarter, with consequently higher inventory levels, which also softened demand in the fourth quarter. Slightly lower demand was also recorded for other product groups, mainly towards the end of the year.

Total tonnage in the Swedish and Finnish markets somewhat higher than in 2006. But solid progress continued in Central and Eastern Europe, where lower growth, primarily in the Baltic countries, was largely offset by sustained strong performance in the Czech Republic, Poland and Slovakia.

Following increases throughout 2006 and the first three quarters of 2007, market prices for commercial steel declined somewhat in the fourth quarter but were higher for the full year than in 2006.

As of January 2008, most European producers are basing the alloy surcharge for a large portion of their stainless steel sales on the average price of nickel during 10-40 days prior to the first day of the month of shipment. The surcharge was formerly based on the nickel price two to four months prior to shipment. This was one reason the alloy surcharge was unnaturally high for far too long, despite a very steep decline in the nickel price, and orders for stainless steel were widely postponed as a result. The change is expected to reduce the risk of speculation and promote greater long-term price stability in the stainless steel market.

SALES AND BUSINESS PERFORMANCE

Consolidated net sales increased overall by 14.5% to SEK 7,650M (6,681) on the strength of higher tonnage and prices. The rise in net sales is distributed mainly between price and mix changes of 13.3% and tonnage growth of 1.1%. Currency effects increased net sales by 0.1%.

At SEK 12.40 (10.95), the average sales price per kg was up 13.2% compared to 2006.

Consolidated gross profit decreased to SEK 1,167M (1,173). Reported gross profit includes inventory losses of SEK 40M, compared to SEK 57M in inventory gains in 2006. The gross margin was 15.3%, a decrease compared to 2006 (17.6).

The alloy surcharge for stainless steel fluctuated sharply during the year from an upturn in the first half to a dramatic downturn in the third quarter before stabilizing in the fourth quarter. The overall impact was lower margins than during 2006. The alloy surcharge with no mark-up accounted for SEK 331M of the SEK 969M increase in consolidated sales over 2006.

EBITA declined to SEK 512M (552) and underlying EBITA rose to SEK 552M (474). The EBITA margin was 6.7% (8.3), while the underlying EBITA margin of 7.2% (7.1) outperformed the 2006 figure.

In order to compute BE Group's performance excluding the effect of realize gains/losses arising from the difference between the cost and replacement value of the company's products, BE Group has developed a calculation model based on internal data. These performance measurements are designated as "underlying." The model has not been examined by the Group's auditors. Please see the glossary on page 89.

DISTRIBUTION TRENDS

BE Group's sales are made through three distribution channels: inventory sales, service sales of processed materials and direct sales (sales of products shipped directly to customers from materials producers). Generally, margins are highest in the more advanced segment of service sales and lowest in direct sales.

The largest distribution channel is inventory sales, which accounted for 48.8% (48.4) of total shipped tonnage in 2007. The tonnage share for direct sales declined progressively during the year to 17.5% (19.8). The service component of sales (including materials) increased compared to 2006 to 33.6% (31.8), the highest percentage ever recorded.

COMMERCIAL STEEL TREND

Net sales of commercial steel rose by 11.6% compared to 2006 on the strength of a 2.0% upturn in tonnage and favourable price and mix changes.

Long products accounted for a higher 28.9% (28.4) of net sales and flat products increased to 32.8% (33.7) of net sales.

STAINLESS STEEL TREND

BE Group's sales of stainless steel increased by 24.4%, despite lower demand in the second half, and totalled SEK 1,889M (1,518), or 24.7% (22.7) of total sales for the year. Sold tonnage was 11.8% lower than during the same period in 2006. The decline is primarily due to the Swedish and Finnish markets.

The market price for stainless steel consists of a base price for the primary steel product and an alloy surcharge set by stainless steel producers. BE Group's prices to customers in the Swedish market and for direct sales in the Finnish market are set based on the base price and no profit margin is taken on the alloy surcharge. Accordingly, when the alloy surcharge goes up, margins normally decline for BE Group.

Alloy surcharges with no mark-up accounted for approximately SEK 763M (432) or 10.0% (6.5) of total sales.

The alloy surcharge, which depends on the price of nickel and other alloy metals, is determined in arrears after a lag. Plummeting prices for nickel during the summer and the third quarter led many customers to delay purchases of stainless steel while waiting for the observed lower nickel prices to be reflected in a lower alloy surcharge and thus lower total prices. This triggered a steep drop in demand for stainless steel products in the market in general and for BE Group, mainly in the third quarter, but also in the fourth. As explained above, the industry has shortened the lag between price changes for nickel/alloy metals and changes in the alloy surcharge with regard to a large percentage of sales of stainless products.

BUSINESS AREAS

Sweden business area

Sweden is reporting sales of SEK 4,072M (3,633), an increase of 12.0% attributable to higher prices.

EBITA rose to SEK 310.0M (288). Underlying EBITA increased to SEK 327M (264). The EBITA margin was 7.6% (7.9) and the underlying EBITA margin was 8.0% (7.3).

Finland business area

Finland is reporting sales of SEK 2,999M (2640), an increase of 13.5%.

EBITA declined to SEK 227M (263). Underlying EBITA increased to SEK 249M (238). The EBITA margin was 7.6% (10.0) and the underlying EBITA margin was 8.3% (9.0).

CEE business area

Central and Eastern Europe (CEE, formerly New Markets) is reporting continued increases in tonnage. Sales increased by 24.4% to SEK 780.0M (627).

EBITA declined to SEK 9M (41). The decline is primarily due to the sale of real estate in Estonia, Lithuania and Poland in 2006, which generated a capital gain of SEK 30M. Underlying EBITA increased to SEK 10M (3). The EBITA margin declined to 1.2% (6.6), while the underlying EBITA margin of 1.2% outperformed the 2006 figure (0.5).

Further information about BE Group's markets and business area performance is provided on pages 20-26 of the annual report.

NET FINANCIAL ITEMS AND TAX

The Group is reporting net finance expense of SEK 23M (expense: 11). Net interest expense was SEK 32M (expense: 16), equivalent to 4.8% (4.6) of net interest-bearing liabilities, which averaged SEK 655M (336).

Tax expense for the year was SEK 134M (144) or 27.5% (26.8) of profit before tax. Profit after tax amounted to SEK 353M (395). Earnings per share after dilution were SEK 7.06 (7.60). Underlying earnings per share after dilution were SEK 7.58 (6.46).

CAPITAL, INVESTMENTS AND RETURN

BE Group had working capital of SEK 728M (550) at year-end. The increase is due mainly to higher inventories and lower trade payables, which were offset by lower trade receivables.

Capital tied-up increased due to higher working capital and amounted to 9.6% (8.2) for the full year but remains at a historically low level.

Capital expenditure in tangible assets during the year totalled SEK 61M (68). The capital expenditure is related primarily to the build up of the new structure of the Swedish business, investments in new production equipment in Finland and reinvestments.

A decision has been taken to develop the Group IT platform and implement a new corporate business system over a period of three years.

Return on operating capital (excluding intangible assets) decreased to 58.6% (84.4) due to the increase in operating capital.

FINANCIAL POSITION AND LIQUIDITY

As of December 31, BE Group had cash and cash equivalents of SEK 259M (289). The Group also had unutilized credit facilities of SEK 500M earmarked for acquisitions. Consolidated net interest-bearing liabilities were SEK 593M (556) at year-end. The total credit facilities amount to SEK 1,535M. Net debt/underlying EBITDA for the full year was a multiple of 1.0 (1.1).

Consolidated equity as of year-end was SEK 849M (664) while the net debt/equity ratio was 69.8% (83.8), a decrease increase of 14 percentage points since January 1.

CASH FLOW

BE Group had negative cash flow of SEK 38M (92) in 2007.

Cash flow from operating activities was SEK 215M (236). Working capital increased and impaired cash flow from operating activities by SEK -154M (-232), an improvement compared to 2006.

Cash flow from investing activities was negative at SEK 58M (negative: 16). Capital expenditure in tangible assets during the year totalled SEK 61M (68). Cash flow from financing activities was negative at SEK 196M (negative: 127). The reverse is attributable mainly to distribution of profits.

ACQUISITIONS AND DIVESTMENTS

BE Group finalized the contract for an acquisition in Eastern Europe toward the end of the year, which is reported in greater detail under "Significant events after the end of the year."

ORGANIZATION, STRUCTURE AND EMPLOYEES

The company changed the names of all subsidiaries during the year, which now operate under the common name of BE Group. BE Group has also launched a common brand for the entire company. In order to accentuate the Group's new focus on enhanced service and service content, the BE Group logo was also redesigned and given a more modern look.

BE Group's purchasing organizations were merged as of January 1, 2008 into a Corporate Product Supply function managed from the head office in Malmö. The new organization's respons-ibilities include contract negotiations and developing BE Group's product range. It will also act as a corporate centre of technical and production excellence. The new organization has strengthened BE Group's capacity for coordinated action vis-à-vis suppliers and streamlined product flows and capital management.

BE Group opened a representation office in Shanghai in 2007 as part of the product supply organization, whose objectives are to establish networks and monitor Asian steel markets. The tasks of the new representation office include facilitating purchasing from China and Southeast Asia, building up a supplier network and monitoring market trends.

The average number of employees during the year was 940 (926). BE Group had 959 employees (935) as of December 31.

OUTLOOK FOR 2008

The International Iron and Steel Institute (IISI) is expecting growth in global demand for steel to remain stable in 2008. The latest IISI forecast is that total demand for steel will increase by about 7% in 2008 compared to 2007. Moreover, indications of rising prices for raw materials are signalling a strong market and relatively high steel prices once again in 2008.

However, BE Group's markets have become more uncertain, which makes it difficult to judge the full-year trend for 2008 at this time. Future trends in BE Group's main markets will be affected by factors such as presumed lower industrial growth, generally higher inventories, the alloy surcharge trend, tougher competition and developments in the construction sector, which impedes overall assessment. With this uncertainty taken into account, BE Group expects demand in Sweden and Finland to remain relatively high during the first half of 2008. Demand is expected to remain strong in Central and Eastern Europe, but as in 2007, the trend is expected to be somewhat weaker in the Baltic countries. The acquisition in the Czech Republic is expected to enhance growth and profitability.

In the next few years, BE Group intends to sharpen the focus on service to strengthen competitiveness, profitability and growth. This will involve higher investments in production equipment and new skills to create higher value for BE Group and its customers. Another key task – when the opportunity presents itself – will be additional strategic acquisitions.

RISK AND UNCERTAINTY FACTORS

Impact of steel prices on operations

The price trend for steel in particular is critical to trading and service companies since purchases of steel constitute a major portion of costs. That naturally applies to BE Group, and steel prices have considerable impact on the company's margins and earnings. This effect has two primary elements. The first is inventory gains and losses and involves a temporary increase or decline in the gross margin due to changes in the replacement price while the purchased material remains in inventory. The reason for this is that selling prices for trading and service companies are partly dependent on the current replacement price. However, the products sold have often been purchased one to three months earlier. If prices went up in the interval, a gross margin improvement is realized on the sale, corresponding to the difference between the historical cost and the current replacement price, provided that trading and service companies can pass on the price increases to the customer. Steel prices also affect trading and service companies since they receive larger contributions to cover costs when steel prices are high, given stable gross margins over time.

Financial risks

BE Group is exposed to several financial risks, mainly arising from that the Group is a net borrower and buys and sells products in foreign currencies. Fluctuations in steel prices, exchange rates and interest rates affect the Group's earnings and cash flows.

BE Group is also exposed to refinancing and liquidity risks, as well as credit and counterparty risks. The Board of Directors adopts risk management policies. The main task of the Corporate Finance Department at BE Group is to manage financial risk. Corporate Finance is responsible for identifying and effectively limiting the Group's financial risks. Corporate Finance reports to the CEO, who reports to the Board. See Note 35 for further information about financial risks and risk management.

Currency risk

Currency risk is the risk that movements in exchange rates will adversely affect consolidated earnings. BE Group conducts operations outside Sweden and has a large share of its cash flow in currencies other than SEK, notably EUR. Currency risk may be split up into transaction exposure and translation exposure. See Note 35 for a more detailed explanation of currency risks.

Credit and counterparty risk

Credit and counterparty risk is the risk that a counterparty will default on its obligations to BE Group, leading to a loss for the company. The company deems that it has no major credit risks in relation to individual customers or any other counterparty, or in relation to a particular geographic region or product segment. See Note 35 for a more detailed explanation of credit and counterparty risk.

Interest risk

Interest rate risk is the risk of adverse impact on Group profits consequent on movements in interest rates. See Note 35 for a more detailed explanation of interest rate risk.

Sector risks

Sector risks are the risks faced by the company when changes occur in the main sectors that the company supplies with products and services, such as engineering and construction.

NON-FINANCIAL PERFORMANCE INDICATORS

Environment

BE Group is committed to active and systematic efforts to limit the environmental impact of operations. The Group is striving to minimize waste and emissions and requires suppliers to comply with the same standards BE Group applies to its own operations.

The environmental management programme is integrated throughout operations. Internal environmental objectives are set based on environmental laws, available technology and local conditions. The objectives are broken down into local action plans at each unit. Environmental status is regularly measured and followed up to ensure that objectives are met. BE Group employees are given environmental training to ensure that the environmental perspective is an unquestioned factor in every process.

BE Group's main focus in operations is on four areas, where tremendous efforts are being made to limit environmental impact: transports, energy consumption, process emissions and waste management.

In Sweden, BE Group is engaged in operations at four sites for which reporting to regulatory authorities is obligatory. Group companies have obtained special permits to engage in operations in the countries where such permits are required. A permit application for the subsidiary in the Czech Republic is under consideration.

BE Group is a multinational corporation and thus encounters a variety of environmental management standards in different countries. An absolute minimum standard is compliance with the environmental laws and regulatory requirements in each country.

Quality

BE Group Sweden and BE Group Finland are certified under the ISO 14001 environmental management system. The Polish operations worked toward certification in 2007 and were approved in January 2008.

BE Group's operations have been certified for some time under the ISO 9001 quality management system in Sweden, Finland, Poland and Latvia. That group has now been extended to Lithuania, which was certified under ISO 9001 in 2007, and a decision has been taken to certify all units in CEE in 2009.

Equal opportunity, work environment and skills development

BE Group endeavours to recruit and retain skilled employees and Group management has heightened focus on skills and leadership in recent years. Progress varies among the business areas, but the common denominator for all is the principle that BE Group must be a stimulating, rewarding and safe place to work.

BE Group offers excellent training opportunities, based on the company's conviction that skills development initiatives strengthen the company while developing and stimulating individual employees.

Most employees have individual annual goals and plans, which are used to follow up and improve employee performance.

BE Group puts high demands on managers and has clearly defined leadership values with which all managers are expected to comply. Targets are set for managerial performance and attainment of set objectives is measured against a leadership index. Scores are followed up individually and have steadily improved since the index was initiated in 2003. A new programme aimed at identifying talents and developing the leaders of tomorrow has been implemented. The BE Executive programme is aimed at employees with strong executive potential.

The Group's business skills are continually developed through training and recruiting. In parallel, other skills are being added to the sales organization in a variety of ways. For instance, BE Group is focusing more on hiring sales representatives with technical training and backgrounds. More than one-third of the sales force in Finland have joined BE Group in the last two years. Many of them have previous experience in the main industries of BE Group's customers and all have technical backgrounds. New BE Group employees in Sweden include site managers at two operational sites who are both highly experienced in production. In other respects as well, employees with experience in the manufacturing sector were recruited during the year.

BE Group is committed to diversity and equal opportunity among men and women, older and younger employees and among ethnic groups. For instance, although the industry is male-dominated and currently only 17% of the workforce is female, BE Group is working actively to encourage more women to regard BE Group as an appealing workplace.

The company aims to recruit new employees from groups other than those that have traditionally sought out the industry. This is expanding the recruiting base considerably and creating access to knowledgeable and qualified employees.

SHARE-RELATED INFORMATION

Ownership structure

The company was listed on the OMX Nordic Exchange Stockholm on November 24, 2006.

BE Group had 9,168 shareholders at year-end 2007. Nordic Capital through Trenor Holding Ltd, Jersey, was the largest shareholder with an equity interest of 20.6%. No other shareholders controlled more than 10% of total issued capital at year-end.

The ownership structure is described in greater detail on pages 8-9 of the annual report.

Share capital, shares outstanding and rights

Share capital in the company was SEK 102M (102) at year-end, allocated among 50,000,000 fully paid shares, each with a quotient value of SEK 2.04. Under the Articles of Association, minimum share capital is SEK 100,000,000 and maximum share capital is SEK 400,000,000 distributed among a minimum of 40,000,000 and a maximum of 160,000,000 shares.

Share capital is determined in Swedish kronor. All shares convey equal rights to a share in the company's assets, profits and any surplus in the event the company is liquidated. Each share carries one vote and there is only one class of shares. There is no limit to the number of votes a shareholder may cast at the annual general meeting or restrictions on transfer of shares. The company is aware of no agreements between shareholders that may restrict the right to transfer shares.

Shares in the company are recorded in a CSD register pursuant to the Swedish Financial Instruments Accounts Act (1998:1479). The CSD register is maintained and shares registered by VPC AB, Box 7822, SE-103 97, Stockholm, Sweden. The company issues shares under Swedish law and is governed by the Swedish Companies Act (2005:551). The ISIN code for BE Group shares SE0001852211.

Resolutions to distribute profits are taken by the annual general meeting. Entitlement to dividends accrues to shareholders who are recorded in the share register as of record day and are entered in the CSD register. Record day for entitlement to dividends and the date dividends shall be distributed are determined by the annual general meeting or by the Board of Directors as authorized by the annual general meeting. Cash dividends are distributed through VPC.

Non-distributed dividends revert to the company after a statutory period of ten years. There are no restrictions for dividends or special procedures for shareholders domiciled abroad, but shareholders whose tax home is outside Sweden are subject to customary Swedish coupon tax.

Shareholders have pre-emptive rights to subscribe new shares pro rata to the number of shares they own, unless the annual general meeting, or the Board of Directors as authorized by the annual general meeting, resolves in favour of a non-cash issue or new share issue with waiver of shareholders' pre-emptive rights, or such is consequent upon terms and conditions announced in conjunction with a previous issue of warrants or convertible instruments.

Further information about BE Group stock is provided in the annual report on pages 8-9.

Board authorizations

The 2007 AGM voted in favour of the Board of Directors' proposal to implement a share savings scheme ("Share Savings Scheme 2007") for members of Group management and business area executive teams. Aimed at enabling BE Group's provision of Matching Shares in accordance with the Share Savings Scheme, the AGM also resolved to authorize the Board to decide, on one or more occasions prior to the 2008 AGM, to acquire and transfer a maximum of 332,500 treasury shares in the open market.

During the year, BE Group repurchased 120,000 shares at an average price of SEK 78.65 as part of Share Savings Scheme 2007. The repurchase corresponds to 0.24% of shares outstanding (see Note 25 for further disclosures). The Board of Directors is authorized to repurchase an additional 212,500 shares prior to the 2008 AGM.

CORPORATE GOVERNANCE

A report detailing corporate governance activities and exercise of Board responsibilities in 2007 is provided on pages 77-81.

EXECUTIVE REMUNERATION POLICIES

The executive remuneration policies that the Board of Directors will propose to the 2008 AGM are identical to the policies adopted by the 2007 AGM. The following policies were adopted by the AGM held May 15, 2007.

1. Scope

These policies apply to remuneration and other terms of employment for the individuals who are members of Group management for BE Group, referred to collectively hereinafter as "executives." There are currently seven members of Group management: the President and Chief Executive Officer; the Chief Financial Officer, the Business Area Managers for Sweden, Finland, and CEE; the Vice President, Market and Business Development; and the Vice President, Purchasing and Production.

The policies shall apply to agreements made according to AGM resolutions and to amendments to existing agreements made after this date. The Board of Directors shall have the right to depart from the policies if there is particular justification for doing so in individual cases. The policies shall be subject to annual review.

2. Fundamental principles and forms of remuneration

Access to skilled and enthusiastic employees is critical to securing the successful development of BE Group. The purpose of these policies is to secure access to these employees, so that the company can both hire and retain qualified employees. A remuneration structure with favourable, market-based terms is required to achieve these ends, as well as attractive, performance-based remuneration models that reward wholehearted efforts, both short and long term.

Executive remuneration shall consistw of fixed salary, bonus, pension benefits and other benefits. The total remuneration level shall be reviewed annually.

Each year, the Board of Directors shall consider whether or not a stock or share performance-related incentive programme should be proposed to the annual general meeting. The Board of Directors has proposed a long-term incentive programme to the 2007 AGM, which will take the form of a share savings programme directed at persons including Group executives.

3. Principles for various types of remuneration

Base pay

Base pay to BE Group executives shall be individual and differentiated on the basis of the individual's responsibilities and performance and shall be set annually on market-based terms.

Variable pay

Variable pay may be paid in the form of bonuses that can be related to the degree of attainment of annual, predefined targets. Bonuses shall have a predefined limit. The maximum bonus for executives shall be 50% of base pay.

In addition to the above, remuneration may from time to time originate with adopted long-term incentive programmes as explained in item 2 above.

Pension benefits

Pension payments for the President and Chief Executive Officer shall be made equal to a maximum of 35% of fixed annual salary plus a maximum of 20% of the average bonus in the three preceding years. In respect to other Swedish members of Group management, pension payments shall essentially follow the collectively agreed ITP plan, but with consideration given to the maximum tax-deductible amount. Pensionable salary shall be comprised of the fixed annual salary plus average bonus during the three preceding years.

Executives who reside outside Sweden may be offered pension solutions that are competitive in the country of residence.

Terms of notice

The President and Chief Executive Officer shall be entitled to a maximum of fifteen months' notice of termination by the company and six months' notice of resignation. Other members of Group management shall be entitled to a maximum of twelve months' notice of termination by the company and six months' notice of resignation.

Other benefits

A company car and private health insurance may be provided to the extent deemed justified by market conditions for executives in equivalent positions in the labour market where the executive works. The total value of these benefits shall constitute a minor portion of total remuneration.

4. The Board of Directors' preparations and resolutions related to pay and other terms of employment for executives

The Remuneration Committee appointed by the Board of Directors prepares matters related to pay and other terms of employment for executives. Decisions on remuneration to the President and Chief Executive Officer are taken by the Board in its entirety. In respect to other executives, decisions on pay are taken by the CEO following consultation with the Remuneration Committee

PROVISIONS OF THE ARTICLES OF ASSOCIATION ON APPOINTMENT AND DISCHARGE OF DIRECTORS AND AMENDMENT OF THE ARTICLES OF ASSOCIATION

There are no provisions in the Articles of Association on appointment and discharge of directors and amendment of the Articles of Association.

SIGNIFICANT AGREEMENTS

The company is not party to any significant agreements that will take effect, be altered, or become null if control over the company changes due to a public takeover bid. Nor are there any agreements between the company and directors or employees which require compensation if such persons resign, are terminated without due cause, or employment is terminated due to a public takeover bid for shares in the company, other than in respect to the President and Chief Executive Officer. Please see Note 3 for further disclosures.

CONTINGENT LIABILITIES

BE Group has contingent liabilities of SEK 362M, unchanged since year-end 2006.

SIGNIFICANT EVENTS AFTER THE END OF THE YEAR

Acquisition of Czechprofil s.r.o.

BE Group AB finalized an agreement in December to acquire the privately owned company Czechprofil s.r.o. in the Czech Republic and ownership was transferred on January 23, 2008. The planned merger of Czechprofil and BE Group's existing Czech subsidiary is expected to yield some operational synergies.

Czechprofil reported sales of about SEK 140M for the 2006 financial year. The acquisition is expected to have an immediate and favourable impact on BE Group's operating profit. The final purchase consideration and final surplus value will be based on the transfer balance sheet. Finalization of the transfer balance sheet and analysis of surplus values were in progress when this report was issued and final allocation of surplus values will be presented in the interim report for the first quarter of 2008.

Czechprofil was founded in 1996 and does business in the market for both flat and long steel products. The company has an expansive service business and is a good complement to BE Group's product range. Total distribution volume in 2006 was about 25,000 tonnes.

Czechprofil's operations are run from three facilities. The company has two warehouses and a head office in Uherske Hradiste and a combined production and warehouse facility in Prerov, where BE Group is already represented. Czechprofil has 40 employees.

Acquisition and joint venture in thin sheet processing in Sweden

BE Group entered into an agreement in January to acquire a 50% interest in ArcelorMittal SSC Sverige AB. Through this strategically important step, BE Group and ArcelorMittal are creating a joint venture for processing and sales of thin sheet in the Swedish market.

BE Group will pay the purchase consideration by transferring the thin sheet business in Borlänge in a non-cash issue combined with cash consideration of SEK 15M. The interest in the new company will be recognized as an investment in a joint venture using the equity method. The deconsolidation of the existing company will generate a capital gain for BE Group of approximately SEK 50M. The final amount will be based on the balance sheet as of the transfer date.

The transaction is subject to review by competition authorities.

New business area manager

Magnus Rosén has been appointed the new Business Area Manager and President of BE Group Sverige AB. Prior to joining BE Group, Mr Rosén was the Managing Director and Senior Vice President, Scandinavia for Cramo Sweden. He will take over in the second quarter of 2008 from Bo Söderqvist, Business Area Manager, Sweden for the past five years.

THE PARENT COMPANY

Parent company operations consist entirely of corporate functions. The parent company's mandate extends to owning and managing shares in subsidiaries and financing the Group. The average number of employees during the year was 13 (9).

Sales for the year, which consist of internal corporate services, were SEK 16M (6). The parent company is reporting an operating loss of SEK 36M (loss: 53). Net finance income was SEK 131M (409). Net finance income includes anticipated dividends from subsidiaries of SEK 168M (413). Profit before appropriations and tax was SEK 95M (356) and profit after tax was SEK 115M (372).

The parent company invested SEK 15M (156) in shares in subsidiaries in 2007, mainly in relation to changes to the internal Group capital structure. Financing was arranged internally within the Group. The parent company had cash and cash equivalents at year-end of SEK 200M (6).

ACCOUNTING PRINCIPLES

As of January 2005, BE Group applies International Financial Reporting Standards (IFRS) to the consolidated accounts, as adopted by the European Commission for application within the European Union. Accounting principles are described in detail on pages 47–53.

STATEMENT OF THE BOARD OF DIRECTORS OF BE GROUP PURSUANT TO CHAPTER 18 SECTION 4 OF THE SWEDISH COMPANIES ACT

The Board of Directors has proposed that the 2008 general meeting resolve a distribution of profits to shareholders of SEK 3.50 per share. The company has 49,880,000 shares entitled to dividends and the distribution of profit thus totals SEK 174,580,000. By reason of the proposed distribution of profit, the Board of Directors provides the following statement as required by the chapter 18, section 4 of the Swedish Companies Act (2005:551).

In the Board's judgement, equity in the company and the Group will be adequate in relation to the nature, scope and risks of the business after the proposed distribution of profits. In its assessment, the Board considered factors including historical and budgeted performance for the company and the Group as well as the general economy.

The Board has assessed the financial position and capacity to meet short-term and long-term obligations of the company and the Group. The proposed distribution of profits constitutes a total of 30.0% of equity in the company and 20.6% of consolidated equity. Shareholders' equity has not increased or decreased as a result of measurement of assets or liabilities according to chapter 4 section 14 a of the Annual Accounts Act.

The equity/assets ratio will be 27.9% for the company and 25.2% for the Group after the distribution of profits, which is good in relation to the industry. The Board finds that the company and the Group have the necessary prerequisites to take future business risks and withstand potential losses. The distribution of profits will not impair the capacity of the company and the Group to implement additional investments as planned by the Board.

The proposed distribution of profits will not impair the capacity of the company and the Group to meet future payment obligations. The company and the Group have good access to short-term and long-term credits available on short notice. Accordingly, the Board judges that the company and the Group are well prepared to manage changes in liquidity as well as unforeseen events. In addition to that stated, the Board considered other known conditions that may be significant to the financial position of the company and the Group. No circumstance emerged in that analysis indicating that the proposed distribution of profits is not justifiable.

Distributable funds	
Retained earnings	SEK 334,550,895
Profit for the year	SEK 115,189,828
Total	SEK 449,740,723

The Board of Directors and the Chief Executive Officer propose:	
Distribution to shareholders of SEK 3.50 per share	SEK 174,580,000
Retained	SEK 275,160,723
	SEK 449,740,723

FINANCIAL STATEMENTS 2007

CONSOLIDATED INCOME STATEMENT

Amounts in SEK thousands	Note	2007	2006
Net sales	1	7,650,170	6,681,246
Cost of goods sold	2	-6,483,142	-5,508,459
Gross profit		**1,167,028**	**1,172,787**
Selling expenses	2	-497,761	-470,905
Administrative expenses	2	-156,411	-172,470
Other operating revenue	10	1,211	30,542
Other operating expenses	2, 11	-4,198	-9,753
Operating profit	**3, 4, 5, 6**	**509,869**	**550,201**
Financial income	8	19,281	20,632
Financial expense	9	-42,255	-31,857
Profit before tax		**486,895**	**538,976**
Tax	12	-134,015	-144,292
Profit for the year	**13**	**352,880**	**394,684**
Basic earnings per share	13	7.06	7.90
Earnings per share after dilution	13	7.06	7.60

CONSOLIDATED BALANCE SHEET

Amounts in SEK thousands	Note	2007-12-31	2006-12-31
ASSETS			
Fixed assets			
Intangible assets			
Software and licenses	14	4,482	5,489
Goodwill	14	544,464	540,158
		548,946	545,647
Tangible assets			
Buildings and land	15	13,064	12,803
Plant and machinery	16	168,806	142,474
Equipment tools fixtures and fittings	17	64,897	28,620
New construction in progress and advance payments for tangible assets	18	1,489	42,216
		248,256	226,113
Financial assets			
Other securities held as fixed assets	20	1,942	1,856
Long-term receivables	21	144	27
		2,086	1,883
Deferred tax assets	*29*	*4,150*	*1,483*
Total fixed assets		**803,438**	**775,126**
Current assets			
Inventory, etc.			
Goods for resale	23	942,600	912,076
		942,600	912,076
Current receivables			
Trade receivables		690,904	844,068
Tax assets		671	417
Other receivables		4,333	9,056
Prepaid expenses and deferred income	24	62,756	45,878
		758,664	899,419
Cash and cash equivalents	*33*		
Short-term placements		39	55
Cash and bank balances		258,486	289,284
		258,525	289,339
Assets held for sale	26	86,753	–
Total current assets		**2,046,542**	**2,100,834**
TOTAL ASSETS		**2,849,980**	**2,875,960**

Consolidated balance sheet, cont.

Amounts in SEK thousands	Note	2007-12-31	2006-12-31
EQUITY AND LIABILITIES			
Equity	**25**		
Share capital		102,041	102,041
Other capital contributions		10,973	10,973
Translation reserve		3,464	-11,202
Retained earnings including profit for the year		732,409	562,362
Issued capital attributable to equity holders of the parent		**848,887**	**664,174**
Long-term liabilities			
Other long-term interest-bearing liabilities	30, 35	840,342	834,637
Provisions for pensions	27	407	707
Other provisions	28	571	597
Deferred tax liability	29	71,542	64,699
		912,862	**900,640**
Current liabilities			
Current interest-bearing liabilities	30, 31, 35	13,118	12,997
Trade payables		743,181	948,817
Tax liabilities		66,106	80,533
Other liabilities		99,694	117,489
Accrued expenses and deferred income	32	108,510	115,007
Provisions	28	16,709	36,303
Liabilities associated with assets held for sale	26	40,913	–
		1,088,231	**1,311,146**
Total equity and liabilities		**2,849,980**	**2,875,960**

PLEDGED ASSETS AND CONTINGENT LIABILITIES – GROUP

Amounts in SEK thousands	Note	2007-12-31	2006-12-31
Pledged assets	**30**	**1,913,215**	**1,942,708**
Contingent liabilities	**30**	**362,000**	**362,000**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in SEK thousands	Share capital	Other capital contributions	Translation reserve	Retained earnings	Total equity
2006					
Equity on January 1, 2006	**101,890**	**10,973**	**10,366**	**847,678**	**970,907**
Exchange differences	–	–	-21,568	–	-21,568
Total transactions recognized directly in equity	**–**	**–**	**-21,568**	**–**	**-21,568**
Profit for the year	–	–	–	394,684	394,684
Total changes in assets excluding transactions with owners	**–**	**–**	**–**	**394,684**	**394,684**
Dividend				-680,000	-680,000
New share issue	151	–	–	–	151
Equity on December 31, 2006	**102,041**	**10,973**	**-11,202**	**562,362**	**664,174**
2007					
Equity on January 1, 2007	**102,041**	**10,973**	**-11,202**	**562,362**	**664,174**
Exchange differences	–	–	27,013	–	27,013
Hedging of net investments in foreign subsidiaries after tax	–	–	-12,347	–	-12,347
Total transactions recognized directly in equity	**–**	**–**	**14,666**	**–**	**14,666**
Profit for the year	–	–	–	352,880	352,880
Total changes in assets excluding transactions with owners	**–**	**–**	**–**	**352,880**	**352,880**
Dividend	–	–	–	-175,000	-175,000
Acquisition of treasury shares	–	–	–	-9,438	-9,438
Share Savings Scheme	–	–	–	1,605	1,605
Equity on December 31, 2007	**102,041**	**10,973**	**3,464**	**732,409**	**848,887**

CONSOLIDATED CASH FLOW STATEMENT

Amounts in SEK thousands	Note	2007	2006
Operating activities	**33**		
Profit before tax		486,895	538,976
Adjustments for non-cash items		24,557	-13,958
		511,452	**525,018**
Income tax paid		-142,337	-57,467
Cash flow from operating activities before changes in working capital		**369,115**	**467,551**
Cash flow from changes in working capital			
Increase (-)/decrease(+) in inventory		-52,210	-262,332
Increase (-)/decrease (+) in operating receivables		112,741	-237,325
Increase (+)/decrease (-) in operating liabilities		-214,455	267,753
Cash flow from operating activities		**215,191**	**235,647**
Investing activities			
Acquisition of intangible assets		-700	-5,129
Acquisition of tangible assets		-60,721	-68,072
Divestment of tangible assets		3,677	56,788
Divestment/reduction of financial assets		-114	63
Cash flow from investing activities		**-57,858**	**-16,350**
Financing activities			
New share issue		–	151
Acquisition of treasury shares		-9,438	–
New loans		–	850,249
Amortization of loan debt		-11,281	-297,260
Dividends paid		-175,000	-680,000
Cash flow from financing activities		**-195,719**	**-126,860**
Net cash flow for the year		**-38,386**	**92,437**
Cash and cash equivalents on January 1		**289,339**	**202,007**
Exchange rate difference in cash and cash equivalents		**7,572**	**-5,105**
Cash and cash equivalents on December 31		**258,525**	**289,339**

PARENT COMPANY INCOME STATEMENT

Amounts in SEK thousands	Note	2007	2006
Net sales	1	16,217	5,550
		16,217	**5,550**
Administrative expenses		-52,488	-49,952
Other operating expenses	11	–	-8,270
Operating profit	**3, 4, 5, 6**	**-36,271**	**-52,672**
Net profit from investments in Group companies	7	168,000	413,120
Other interest income and similar income items	8	18,920	11,674
Interest expense and similar loss items	9	-55,939	-15,895
Profit before tax		**94,710**	**356,227**
Tax	12	20,480	15,850
Profit for the year		**115,190**	**372,077**

PARENT COMPANY BALANCE SHEET

Amounts in SEK thousands	Note	2007-12-31	2006-12-31
ASSETS			
Fixed assets			
Tangible assets			
Equipment, tools, fixtures and fittings	17	698	282
		698	282
Financial assets			
Investments in Group companies	19	1,054,607	1,039,469
Interest-bearing receivables, Group companies	22	8,526	11,494
Deferred tax assets	29	241	–
		1,063,374	1,050,963
Total fixed assets		**1,064,072**	**1,051,245**
Current assets			
Current receivables			
Current interest-bearing receivables, Group companies		110,965	33,219
Receivables, Group companies		247,444	374,036
Other receivables		2,210	4,813
Prepaid expenses and deferred income	24	13,712	909
		374,331	**412,977**
Cash and bank balances	33	200,002	5,541
Total current assets		**574,333**	**418,518**
Total assets		**1,638,405**	**1,469,763**

Parent company balance sheet, cont.

Amounts in SEK thousands	Note	2007-12-31	2006-12-31
EQUITY AND LIABILITIES			
Equity	**25**		
Share capital		102,041	102,041
Statutory reserve		30,973	30,973
Retained earnings		334,551	87,707
Profit for the year		115,190	372,077
		582,755	**592,798**
Long-term liabilities			
Long-term interest-bearing liabilities	30, 35	823,339	816,590
Provisions	28	148	–
		823,487	**816,590**
Current liabilities			
Current interest-bearing liabilities	30, 35	12,138	11,863
Current interest-bearing liabilities to Group companies	35	198,636	21,720
Trade payables		7,930	3,588
Liabilities to Group companies		1,385	4,214
Tax liabilities		1,756	724
Other liabilities		1,049	689
Accrued expenses and deferred income	32	9,269	17,577
		232,163	**60,375**
Total equity and liabilities		**1,638,405**	**1,469,763**

PLEDGED ASSETS AND CONTINGENT LIABILITIES – PARENT

Amounts in SEK thousands	Note	2007-12-31	2006-12-31
Pledged assets	**30**		
For own debt and provisions			
Promissory notes receivable		215,634	205,994
Shares in subsidiaries		1,013,793	1,013,153
Total pledged assets		**1,229,427**	**1,219,147**
Contingent liabilities	**30**		
Guarantees on behalf of subsidiaries		27,902	19,418
Total contingent liabilities		**27,902**	**19,418**

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

Amounts in SEK thousands	Share capital	Statutory reserve	Retained earnings	Profit (-loss) for the year	Total equity
2006					
Equity on January 1, 2006	**101,890**	**30,973**	**702,851**	**21,656**	**857,370**
Group contribution	–	–	60,000	–	60,000
Tax consequences of Group contribution	–	–	-16,800	–	-16,800
Retained earnings	–	–	21,656	-21,656	–
Total transactions recognized directly in equity	**–**	**–**	**64,856**	**-21,656**	**43,200**
Profit for the year	–	–	–	372,077	372,077
Total changes in assets excluding transactions with owners	**–**	**–**	**–**	**372,077**	**372,077**
Dividend	–	–	-680,000	–	-680,000
New share issue	151	–	–	–	151
Equity on December 31, 2006	**102,041**	**30,973**	**87,707**	**372,077**	**592,798**
2007					
Equity on January 1, 2007	**102,041**	**30,973**	**87,707**	**372,077**	**592,798**
Group contribution	–	–	80,000	–	80,000
Tax consequences of Group contribution	–	–	-22,400	–	-22,400
Retained earnings	–	–	372,077	-372,077	–
Total transactions recognized directly in equity	**–**	**–**	**429,677**	**-372,077**	**57,600**
Profit for the year	–	–	–	115,190	115,190
Total changes in assets excluding transactions with owners	**–**	**–**	**–**	**115,190**	**115,190**
Dividend	–	–	-175,000	–	-175,000
Acquisition of treasury shares	–	–	-9,438	–	-9,438
Share Savings Scheme	–	–	1,605	–	1,605
Equity on December 31, 2007	**102,041**	**30,973**	**334,551**	**115,190**	**582,755**

PARENT COMPANY CASH FLOW STATEMENT

Amounts in SEK thousands	Note	2007	2006
Operating activities	**33**		
Profit after net financial items		**94,710**	**356,227**
Adjustments for non-cash items		-155,683	-413,021
		-60,973	**-56,794**
Income tax paid		-1,128	-226
Cash flow from operating activities before changes in working capital		**-62,101**	**-57,020**
Cash flow from changes in working capital			
Increase (-)/decrease (+) in operating receivables		284,392	113,511
Increase (+)/decrease (-) in operating liabilities		73,565	-86,698
Cash flow from operating activities		**295,856**	**-30,207**
Investing activities			
Acquisitions of subsidiaries		-14,247	-155,603
Acquisition of tangible assets		-497	-187
Investments in financial assets		-78,997	–
Divestment/reduction of financial assets		–	15,275
Cash flow from investing activities		**-93,741**	**-140,515**
Financing activities			
New share issue		–	151
Acquisition of treasury shares		-9,438	–
New loans		187,943	871,969
Amortization of loan debt		-11,159	-21,796
Dividends paid		-175,000	-680,000
Cash flow from financing activities		**-7,654**	**170,324**
Net cash flow for the year		**194,461**	**-398**
Cash and cash equivalents on January 1		**5,541**	**5,939**
Cash and cash equivalents on December 31		**200,002**	**5,541**

ACCOUNTING PRINCIPLES AND NOTES TO THE FINANCIAL STATEMENTS

Amounts stated in SEK thousands unless specified otherwise.

BE Group AB (publ), company registration number 556578-4724, is a Swedish limited liability company. The registered office is in Malmö, where the address of the head office is Spadegatan 1.

CONSOLIDATED ACCOUNTING PRINCIPLES

Compliance with laws and norms

The consolidated financial statements were prepared in accordance with IFRS (International Financial Reporting Standards) issued by IASB (the International Accounting Standards Board) and interpretations from the IFRIC (International Financial Reporting Interpretations Committee) as adopted by the European Commission for application within the European Union.

The parent company applies the same accounting principles as the Group except where specified under "Parent company accounting principles." Differences between parent company and Group accounting principles are attributable to restrictions to application of IFRS by the parent company based on the Swedish Annual Accounts Act, the Swedish Safeguarding of Pension Commitments etc. Act and, in certain cases, for tax reasons. BE Group also applies the Swedish Financial Reporting Board's recommendation RR 30:06 Supplementary Rules for Consolidated Financial Statements.

Changed accounting principles

The new and amended standards and interpretations adopted by IASB and adopted for application in the EU effective January 1, 2007, i.e., IAS 1 Presentation of Financial Statements and IFRS 7, Financial Instruments: Disclosures have been assessed as having no impact on the company's financial statements other than through requirements for certain supplementary disclosures. IAS 1 has primarily affected Note 25 Equity, while IFRS has primarily affected the presentation of Note 35 Financial risk management.

New IFRSs and interpretations not yet applied

Certain new or amended standards and intrepretations will not take effect until the 2008 financial year and were not applied prematurely when preparing these financial statements, except for IFRIC 11, IFRS 2, Group and Treasury Share Transactions, for which the Group elected early application in 2007. Only the parent and its subsidiaries are affected by the new interpretation. The consolidated financial statements are not affected. Parent company accounting principles are described below.

Conditions applied to parent company and consolidated financial statements

The parent company's functional currency and the presentation currency for the parent company and the Group is the Swedish krona and all financial statements are presented in SEK. All amounts are rounded off to the nearest thousand unless otherwise stated. Assets and liabilities are carried at historical cost except for certain financial assets and liabilities measured at fair value. Financial assets and liabilities measured at fair value consist of derivatives and financial assets classified as financial assets at fair value through profit or loss or available-for-sale financial assets.

Preparing the financial statements in accordance with IFRS requires management to make assessments, estimations and assumptions that affect application of accounting principles and the reported amounts of assets, liabilities, revenues and costs. The estimates and assumptions are based on historical experience and other factors that seem reasonable under current conditions. The results of these estimates and assumptions are used to assess the carrying amount of assets and liabilities not otherwise evident from other sources. The actual outcome may differ from these estimates and assessments. The estimates and assessments must be reviewed regularly. Changes of estimates are reported in the period the change is made if the change affects only that period, or in the period the change is made and future periods if the change affects both the current period and future periods.

Management's assessments in connection with application of IFRS that have significant effect on the financial statements and estimates which may cause material adjustments to the financial statements of subsequent years are described in greater detail below under "Significant estimates and assessments."

Intangible assets

Goodwill

Consolidated goodwill consists of acquired goodwill and goodwill arising in connection with investments in subsidiaries. Goodwill represents the difference between the cost of the business acquisition and the fair value of acquired assets, assumed liabilities and contingent liabilities. After the acquisition, goodwill is reported at cost less any impairment losses.

Other intangible assets

Acquired software and licenses

Software and licenses acquired by the company are reported in the balance sheet at cost minus accumulated amortization and, where applicable, impairment losses.

Amortization rates for other intangible assets

Amortization is recognized in profit and loss on a straight-line basis over the estimated useful life of the asset. Amortizable intangible assets are amortized as of the date they are available for use. The estimated useful lives are:

	Useful life	
	Group	Parent company
Acquired intangible assets		
Licenses	3–10 years	3–10 years
Software	3–10 years	3–10 years

Tangible assets

Tangible assets are recognized in the consolidated financial statements at cost less accumulated depreciation and impairment losses, if any. Cost includes the purchase consideration and costs directly related to the asset to bring it to the site and use it according to the intended purpose of the acquisition. Examples of directly related costs included in the cost of an asset are costs for shipping and handling, installation, legal title, consultant services and legal services.

Loan costs are not included in the cost of in-house produced assets. They are recognized as an expense in the period in which they are incurred.

Additional expenditures are added to cost only if it is probable the future economic benefit associated with the asset will flow to the enterprise and the cost of the asset can be reliably measured. All other additional expenditures are recognized as an expense in the period in which they are incurred.

Depreciation rates for tangible assets

Scheduled depreciation is based on historical cost minus estimated residual value. Depreciation is recognized on a straight-line basis over the estimated useful life of the assets.

	Useful life	
	Group	Parent company
Buildings	15–50 years	–
Plant and machinery	3–10 years	3–10 years
Equipment, tools, fixtures and fittings	3–10 years	3–10 years

Impairment losses

The carrying amounts for the Group's assets are reviewed at each balance sheet date to test whether there is any indication of impairment. IAS 36 is applied to identify impairments for assets other than financial instruments recognized according to IAS 39, deferred tax assets recognized according to IAS 12 and inventories recognized according to IAS 2. The carrying amounts for exempted assets are measured according to the respective standards.

Impairment testing of tangible and intangible assets and investments in subsidiaries

If there is an indication of impairment, the recoverable amount of the asset is measured according to IAS 36 as the highest of value in use and fair value, less costs to sell. In measuring value in use, future cash flows are discounted at the pre-tax rate that reflects current market assessments of risk-free interest and the risks specific to the asset. Impairments are recognized in profit and loss.

The recoverable amounts are measured yearly for goodwill and other intangible assets with an indefinite useful life, whether or not there is any indication that the asset may be impaired.

When testing for impairment, if it is not possible to connect significant independent cash flows to an individual asset, the assets must be grouped at the smallest identifiable group of assets where cash inflows that are largely independent from the cash inflows of other assets or groups of assets can be identified, which is known as a "cash-generating unit." An impairment loss is recognized in profit and loss when the carrying amount of the asset or the cash generating unit exceeds the recoverable amount.

Impairments of assets attributable to a cash generating unit or group of cash generating units is allocated primarily to goodwill. Further impairment of the impairment loss is made pro rata to the other assets in the unit or group of units.

Impairment testing of financial assets

At each balance sheet date, the company assesses whether there is objective evidence that a financial asset or group of assets is impaired. For unlisted equities and investments in the "Available-for-sale financial assets" category, the impairment is measured as the difference between the carrying amount of the financial asset and the present value of estimated future inflows discounted by the current market return for a comparable financial asset. Impairments are recognized in profit and loss, and these impairments are never reversed. Please see the relevant note for disclosures concerning impairments of other financial assets.

The recoverable amounts for loans and receivables reported at amortized cost are measured as the present value of estimated future cash inflows discounted at the financial asset's original effective interest rate. Assets with short time to maturity are not discounted. Impairments are recognized in profit and loss.

Reversal of impairments

Impairment losses are reversed if there is both indication that the impairment no longer exists and there has been a change in the assumptions on which the recoverable amount was measured, but impairments of goodwill are never reversed. Impairment losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been recognized, less depreciation if any, if no impairment was recognized.

Impairment losses recognized on receivables carried at amortized cost are reversed if a subsequent increase of the recoverable amount can be related objectively to an event occurring after the impairment loss was recognized. Impairment losses recognized in profit or loss for available-for-sale equity securities cannot be reversed in profit or loss.

The impaired value is the value upon which subsequent revaluations are made, which are recognized directly in equity. Impairments of available-for-sale debt securities are reversed and recognized in profit and loss if the fair value increases and the increase can be objectively related to an event that occurred after the impairment loss was recognized.

Assets held for sale

The substance of classifying a fixed (non-current) asset (or a disposal group) as held for sale is that its carrying amount will be principally recovered through sale and not through continued use. To be classified as an asset held for sale, the asset or disposal group must be available for immediate sale in its present condition. Sale of the asset must also be highly probable. The carrying amount of the asset (and all assets and liabilities in a disposal group) is measured immediately before classifying the asset as held for sale in accordance with applicable IFRSs. After classification as held for sale, non-current assets and disposal groups are measured at the lower of carrying amount and fair value, less costs to sell.

A gain for any subsequent increase in fair value less costs to sell can be recognized in profit or loss to the extent that it does not exceed the cumulative impairment loss previously recognized.

Losses consequent on depreciation in value upon initial classification as held for sale are recognized in profit and loss. Subsequent changes in value, both gains and losses, are also recognized in profit and loss.

Non-current assets held for sale and assets and liabilities in disposal groups are reported separately as current assets and current liabilities in the balance sheet.

Foreign currency

Transactions in foreign currency

Transactions in foreign currency are restated in the functional currency at transaction date. The functional currency is the currency of the primary economic environment in which companies operate. Monetary assets and liabilities in foreign currency are translated to the functional currency at the exchange rate in effect on balance sheet date. Exchange differences arising in translation are recognized in profit and loss. Non-monetary assets and liabilities carried at historical cost are translated to the exchange rate at transaction date. Exchange differences referring to operational assets and liabilities are recognized in operating profit, while exchange rate movements referring to financial assets and liabilities are recognized in net financial income.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and other consolidated gains and losses, are restated at the exchange rate in effect on balance sheet date from the functional currency of the foreign operation to SEK, BE Group's presentation currency. Revenues and costs in a foreign operation are restated in SEK at an average rate that is an approximation of the rates prevailing on the various transaction dates. Exchange differences arising from currency translation of foreign operations are recognized directly in equity as a translation reserve. Exchange differences arising in connection with the translation of a foreign net investment and consequences related to hedging net investments are recognized directly in equity in the translation reserve. When a foreign operation is disposed of, accumulated exchange differences relating to the operation are recognized in consolidated profit and loss, net of any movements in related hedging instruments.

Accumulated exchange differences are classified in a separate component of equity and include exchange differences accumulated as of January 1, 2004. Accumulated exchange differences arising prior to January 1, 2004 are allocated among other components of equity and are not disclosed separately.

Financial instruments

Financial instruments reported on the asset side of the balance sheet include cash and cash equivalents, loan receivables, trade receivables and financial investments. Trade payables and loan commitments are reported on the liability side.

A financial asset or financial liability is recognized in the balance sheet when the company becomes a party to the contractual provisions of the instrument. Trade receivables are recognized when the invoice has been issued. Trade payables are recognized when the invoice has been received. A financial asset is removed from the balance sheet when the contractual rights have been realized, are expired or the company has relinquished control of the asset. The same applies to a share of a financial asset. A financial liability is removed from the balance sheet when the obligation specified in the contract is discharged or otherwise extinguished. The same applies to a share of a financial liability. Acquisitions and disposals of financial assets are recognized on transaction date, which is the day the company contractually agrees to buy or sell the asset. Financial assets and financial liabilities are settled net and the net amount is recognized in the balance sheet only when there is a legal right to settle net and the company intends to settle net or simultaneously realize the asset and settle the liability. Financial instruments are classified upon initial recognition based on the purpose of acquiring the instrument, which affects subsequent accounting. Financial instruments are initially recognized at a cost equal to the fair value of the instrument plus transaction costs for all financial instruments other than financial instruments measured at fair value through profit or loss, which are recognized at fair value excluding transaction costs. Financial instruments are subsequently recognized based on how the instruments were classified. BE Group applies the following measurement categories

Financial assets measured at fair value through profit or loss

This category consists of financial assets held for trading (derivatives), which are measured at fair value, with fair value changes recognized in profit and loss. Derivatives and embedded derivatives are classified as held for trading except when used for hedge accounting.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets in this category are measured at amortized cost.

Available-for-sale financial assets (AFS)

This category covers financial assets not classified in any other category and financial assets designated on initial recognition as available-for-sale. AFS assets are measured at fair value with fair value changes recognized in equity. The cumulative gain or loss recognized in equity is recognized in profit or loss when an available-for-sale financial asset is derecognized.

Financial liabilities measured at fair value through profit or loss

This category consists of financial liabilities held for trading, that is, derivatives with negative fair value other than derivatives designated as effective hedging instruments. Fair value changes are recognized in profit and loss.

Financial liabilities

Financial liabilities are classified as "Other financial liabilities" and measured at amortized cost.

Measurement

The fair value of publicly traded financial assets corresponds to the quoted market price for the asset on balance sheet date. The fair value of financial assets for which there is no active market is measured using discounted cash flow analysis. Amortized cost is calculated using the effective interest rate calculated when the receivable or liability arose. Accordingly, gains and losses as well as direct transaction costs are amortized over the maturity of the receivable or liability.

Other securities held as fixed assets and short-term placements

Financial investments are either financial assets reported as "Other securities held as fixed assets" or "Short-term placements" depending on the purpose of the investment. If the maturity or expected duration of the investment is longer than one year, it is a financial asset and if shorter than one year, it is a short-term placement. Holdings of unlisted fixed income securities are classified as loan receivables. Fair value changes, including impairment losses, are reported in net financial income except for fair value changes that, as above, must be recognized directly in equity.

Trade receivables and other financial receivables

Trade receivables and other current receivables are recognized at the amounts expected to be recovered after deductions for doubtful receivables, which are individually assessed. Trade receivables have a short expected maturity and are accordingly measured at nominal value and not discounted. Impairment losses on trade receivables are recognized in operating expenses. Long-term loan receivables are measured at amortized cost and any impairment losses are reported as a financial expense.

Cash and cash equivalents

Cash and cash equivalents consist of cash and immediately available balances in accounts with banks and comparable institutions, as well as short-term liquid placements with maturity of less than three months from acquisition that are exposed to only insignificant risk of fluctuations in value.

Trade payables and other financial liabilities

Liabilities are classified as other financial liabilities and are thus initially recognized at the amount received minus transaction costs. After the date of acquisition, loans are measured at amortized cost using the effective interest method. Long-term liabilities have an expected maturity longer than one year, while current liabilities have an expected maturity of less than one year. Trade payables have a short expected maturity and are accordingly measured at nominal value and not discounted.

Derivatives and hedge accounting

Derivative instruments are primarily currency forwards used to cover the risk of movements in exchange rates.

The fair value of derivatives is recognized either as a derivative asset or a derivative liability. Derivative assets are recognized in "Other receivables" and derivative liabilities in "Other liabilities." Increases and decreases in the value of derivatives are recognized as revenues or expenses in operating profit or net financial income based on the purpose of using the derivatives and whether the use is related to an operating item or a financial item. Exchange gains and exchange losses are recognized net in operating profit and net financial income, respectively.

BE Group has not applied hedge accounting to use of currency forwards.

Investments in foreign subsidiaries (net assets including goodwill) have to a certain extent been hedged for currency risk by borrowing in the same currency as the investments. Hedge accounting was applied only in 2007 and not in 2006. These currency loans are reported at the exchange rate in effect on balance sheet date and the hedge effectiveness of exchange differences for the period is recognized directly in equity as the translation reserve (2007). When hedging is ineffective, the hedge ineffectiveness is recognized in profit and loss.

Net gain/loss

Net gain/loss on financial assets and liabilities is comprised of realized and unrealized changes in value.

Inventories

Inventories are reported at the lower of cost and net sales value. Net sales value is measured based on estimates of current market price, into which obsolescence risk is considered. The cost figure is based on weighted average prices.

Financial income and expense

Net financial income consists of interest income on bank balances, receivables and fixed income securities, interest expense on loans, dividend income, exchange differences, unrealized and realized gains on financial investments.

Interest income on receivables and interest expense on liabilities is measured using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability. The interest component in financial lease payments is recognized in profit and loss using the effective rate method. Interest income includes accrual of transaction costs and any discounts, premiums and other differences between the original value of the receivable and the amount received upon maturity.

Interest expense is recognized as an expense in the period incurred regardless of how the borrowed funds were used. The Group does not capitalize interest on the cost of assets. Transaction costs for raised loans and credits are accrued over the life of the loans and credits.

Gains or losses on disposals of financial investments are recognized when the risks and rewards associated with ownership of the instruments have been transferred in all essential respects to the buyer and the Group no longer has control over the instrument.

Dividend income is recognized when the right to receive payment is established.

Cash flow statement

The cash flow statement is prepared using the indirect method. Reported cash flow covers only transactions that result in incoming and outgoing payments. Cash and bank balances as well as short-term placements with maturity of less than three months are classified as cash and cash equivalents.

Provisions

A provision is recognized in the balance sheet if the Group has a present obligation (legal or constructive) based on a past event, probable settlement is expected to result in an outflow of resources (payment) and the amount can be estimated reliably. When the effect of the timing of payments is material, provisions are measured at the discounted present value of expected future outflows using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks, if any, specific to the liability.

Warranties

Warranty provisions are recognized when the underlying products or services are sold. The provision is based on historical data concerning warranties and consideration of possible outcomes in relation to the probabilities associated with the outcomes.

Restructuring

Restructuring provisions are recognized when the Group has adopted a detailed formal restructuring plan and the restructuring has been commenced or publicly announced. No provisions are made for future operating costs.

Onerous (loss-making) contracts

Provisions for onerous contracts are recognized when the benefit the Group expects to obtain from a contract is lower than the unavoidable costs of meeting obligations under the contract.

Employee benefits

Short-term employee benefits

Short-term employee benefits such as wages and salaries, paid leave, sick leave and social security benefits are recognized in the period in which the benefit is earned by the employee.

Equity-related benefits

Share Savings Scheme

For the purposes of the Share Savings Scheme, employee benefits are recognized during the vesting period for matching shares, based on the fair value of the shares as of the allotment date. Fair value is based on the share price on allotment date. An amount corresponding to Share Savings Scheme costs is recognized in equity in the balance sheet. The vesting conditions are not based on the equity market and do not affect the number of shares that BE Group may allot to the employee upon matching. In respect to shares allotted in performance-based schemes, an estimate is made of the likelihood that performance targets will be met at the date when the cost of employee benefits related to the shares is calculated. Costs are calculated based on the estimated number of matching shares at the end of the vesting period. When shares are matched in certain countries, social security contributions must be paid in proportion to the value of the employee benefit. This value is generally based on the market value of the shares on matching date. Provisions are made for these estimated social security contributions during the vesting period.

Pensions

The Group's pension agreements are mainly defined contribution plans. Defined benefit plans refer primarily to the Swedish ITP pension secured through insurance provided by Alecta, a Swedish insurer, which is recognized as a defined contribution plan, as explained below.

Defined contribution plans

Under a defined contribution plan, the enterprise pays fixed contributions into a fund (a separate legal entity) and has no other legal or constructive obligation to make further payments. The pension cost to be recognized in the period is the contribution payable in exchange for service rendered by employees during the period.

Defined benefit plans

The Group's net commitment in respect to defined benefit plans other than those secured through insurance provided by Alecta is calculated separately for each plan by estimating the future compensation earned by the employees through their employment in the current and earlier periods. The compensation is discounted to present value. The discount rate is the interest rate in effect on balance sheet date for an investment grade corporate bond with a maturity corresponding to the Group's pension commitments. If there is no active market for such corporate bonds, the market rate for government bonds with a corresponding maturity is used instead. The calculation is performed by a qualified actuary using the Projected Unit Credit Method. The fair value of any assets under management is also calculated as of reporting date.

All components of the period's costs for a defined benefit plan are recognized in operating income.

Pension obligations for retirement pensions and survivors' pensions for white-collar employees in Sweden are secured through an insurance policy provided by Alecta. According to a statement (URA 42) from the Swedish Financial Reporting Board (Emerging Issues Task Force), this is a multiple-employer defined benefit plan. The company has not had access to information that would permit recognition of the plan as a defined benefit plan. The ITP pension plan secured through insurance provided by Alecta is accordingly recognized as a defined contribution plan.

Termination benefits

When the company terminates employment, benefits to the employee are recognized as an ongoing expense for as long as the employee performs work for the company. When the employee is immediately discharged from duty, the entire benefit amount is immediately recognized as an expense. Provisions are recognized in connection with terminations only if the company is demonstrably obligated to terminate employment prior to the normal date or when compensation is offered to encourage voluntary departure and it is likely that the offer will be accepted, and the number of employees who will accept the offer can be reliably estimated.

Tax

The company and the Group apply the full tax method. Total tax is made up of current tax and deferred tax.

Taxes are recognized in profit and loss except to the extent that the tax arises from a transaction that is recognized directly in equity, when the related tax consequence is also recognized in equity. Current tax is tax to be paid or refunded in the current year, which includes adjustment of current tax attributable to previous periods. Deferred tax assets are measured using the balance sheet method based on temporary differences between the carrying amount of an asset or liability and its tax base. Deferred tax assets are measured based on how temporary differences are expected to even out, and at the tax rates/laws that have been enacted or substantively enacted as of balance sheet date.

Temporary differences are not observed in consolidated goodwill or differences attributable to investments in subsidiaries that are not expected to be taxed within the foreseeable future. Untaxed reserves in legal entities are recognized including deferred tax liability. Untaxed reserves are apportioned in the consolidated accounts between deferred tax liability and equity.

Deferred tax assets pertaining to deductible temporary differences and loss carryforwards are recognized only if it is considered probable they will result in lower tax payments in the future.

Revenue

The company measures revenue at the fair value of consideration received or receivable. Accordingly, the company measures revenue at nominal value (invoice amount) if the company receives consideration in cash or cash equivalents upon delivery on customary credit terms. Discounts provided are deducted. Revenue arising from the sale of goods by the company is recognized when all the following criteria have been satisfied: the company has transferred to the buyer the significant risks and rewards of ownership; the company retains neither continuing managerial involvement nor effective control over the goods sold; the amount of revenue can be measured reliably; it is probable that the economic benefit associated with the transaction will flow to the company; and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Leases - lessee

Leases are classified in the consolidated accounts as finance leases or operating leases.

Operating leases

Leases of assets where the lessor retains all significant risks and rewards of ownership are classified as operating leases. Lease payments related to operating leases are recognized as an expense in profit and loss on a straight-line basis over the lease term. Incentives for the agreement of a new or renewed operating lease are recognized in profit and loss on a straight-line basis over the lease term. Variable payments are recognized as an expense in the period they arise.

Finance leases

Leases that transfer to the Group substantially all the risks and rewards incident to direct ownership are classified as finance leases. The lease asset is recognized as a tangible asset and the future obligation to the lessor as a liability in the balance sheet. Future obligations to lessors have been apportioned between long-term and current liabilities. Minimum lease payments are apportioned between the finance charge and amortization of the outstanding liability. The finance charge is allocated so as to produce a constant periodic rate of interest on the remaining balance of the liability. Variable payments are recognized as an expense in the period they arise.

Segment reporting

A business segment is an identifiable component of the Group that is subject to risks and returns that are different from other business segments. The Group's primary basis for identifying segments is geographical areas. Internal management is based primarily on reporting and follow-up of returns from the Group's geographical areas. The geographical areas are grouped by country or group of countries, based on similarities with regard to risks and returns.

BE Group's products are similar with respect to risks and returns and the Group operates in a single business segment. Accordingly, secondary segment reporting coincides with reporting for the Group as a whole.

Earnings per share

Basic earnings per share (EPS before dilution) are calculated by dividing consolidated profit or loss attributable to equity holders in the parent by the weighted average number of ordinary shares outstanding during the year. Earnings per share after dilution are calculated by adjusting the earnings and average number of shares for the consequences of dilutive potential ordinary shares, which during the reported periods arise from options issued to employees.

Classification

Fixed assets and long-term liabilities in the parent company and the Group consist in all material respects of amounts expected to be recovered or paid later than twelve months after balance sheet date. Current assets and current liabilities in the parent company and the Group consist in all material respects of amounts expected to be recovered or paid within twelve months of balance sheet date.

Basis for consolidation

Subsidiaries

IFRS 3 is applied to business acquisitions after January 1, 2004, which is in compliance with IFRS 1 and thus an exception from the main rule on retrospective application.

Subsidiaries are companies under the control of the parent company. Control entails direct or indirect power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Potential voting power that can be exercised or converted without delay is considered when assessing whether control exists.

Subsidiaries are accounted for using the acquisition cost method. When the acquisition cost method is applied, acquisitions of subsidiaries are regarded as a transaction by which the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. The cost of a business combination is determined through an acquisition analysis performed in conjunction with the combination. The analysis determines the cost of the acquired investment or business as well as the fair value, at the date of exchange, of acquired identifiable assets and assumed liabilities and contingent liabilities. The cost of shares in the subsidiary or the business is measured as the fair value, at the date of exchange, of assets, incurred or assumed liabilities and equity instruments issued by the acquirer in exchange for the acquired net assets plus transaction costs directly attributable to the combination.

When the cost of a business combination exceeds the net fair value of acquired assets and assumed liabilities and contingent liabilities, the difference is recognized as goodwill. When the difference is negative, the negative goodwill is recognized immediately in profit and loss. The financial statements of subsidiaries are included in the consolidated accounts from the date of acquisition until the date control no longer exists.

Elimination of intragroup transactions

Intragroup receivables and liabilities and transactions between Group companies and related unrealized gains are eliminated in full.

PARENT COMPANY ACCOUNTING PRINCIPLES

The parent company's financial statements are prepared in compliance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RR 32:06, Accounting for Legal Entities and the SIC and IFRIC included in that recommendation, as well as statements from the SFRB Emerging Issues Task Force.

Changed accounting principles

The new IAS/IFRS standards that took effect January 1, 2007, IFRS 7 Financial Instruments and IAS 1 Presentation of Financial Reports, have had no effect on the parent company's financial statements. The new rules only require more extensive disclosures on capital, financial instruments and financial risks. IAS 1 has primarily affected Note 25 Equity, while IFRS 7 has primarily affected the presentation of Note 35, Financial risk management.

The parent and subsidiaries are applying IFRIC 11 Group & Treasury Share Transactions early for 2007. Accordingly, the subsidiaries recognize the costs of the Share Savings Scheme attributable to their employees as a capital contribution from the parent. The parent recognizes the corresponding amounts as investments in the respective subsidiaries.

Classification and presentation

The parent company income statement and balance sheet are presented as required under the Swedish Annual Accounts Act. The main difference compared to IAS 1 refers to equity reporting and the listing of provisions as an independent item in the balance sheet.

Investments in Group companies

Subsidiaries are reported using the acquisition cost method. Anticipated dividends from subsidiaries are recognized when the parent company has the sole right to decide the amount of the distribution and the parent company has decided the amount of the distribution before the subsidiary published its financial statements.

Group contributions and shareholder contributions

BE Group reports Group and shareholder contributions in accordance with statement URA 7 from the SFRB Emerging Issues Task Force.

Shareholder contributions are recognized directly in equity by the recipient and capitalized as investments in subsidiaries or associates by the provider to the extent impairment is not required. Group contributions are reported according to their financial substance. This means that Group contributions provided with a view to minimizing the Group's total tax are recognized directly in retained earnings after deductions for current tax consequences. Contributions comparable to shareholder contributions are recognized by the recipient directly in retained earnings, adjusted for current tax consequences. The provider recognizes the contribution after deductions for its current tax consequence as an investment in Group companies, to the extent impairment is not required.

Financial instruments

Due to amended rules in FSRB recommendation RR 32:06 and the connection between accounting and taxation, the rules on financial instruments and hedge accounting in IAS 39 are not applied in the parent company as a legal entity. IAS 39 will be applied only to the consolidated accounts in the future as well.

Financial assets in the parent company are measured at cost less impairment losses, if any, and current financial assets are measured at the lower of cost and fair value. Liabilities that do not constitute derivative liabilities are measured at amortized cost. Contingent derivative assets are measured at the lower of cost and fair value, while contingent derivative liabilities are measured at the higher of cost and fair value.

Tax

Untaxed reserves in the parent company are recognized including deferred tax liability. Untaxed reserves are apportioned in the consolidated accounts between deferred tax liability and equity.

Leases

All leases in the parent company are reported as operating leases.

Financial guarantees

The parent company's financial guarantee contracts consist of guarantees on behalf of subsidiaries. A financial guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment as contractually agreed. The parent company applies RR 32.06 p.70 to accounting for financial guarantee contracts, which is an easing of regulations compared to the rules in IAS 39 with regard to financial guarantee contracts issued on behalf of subsidiaries. The parent company recognizes financial guarantee contracts as provisions in the balance sheet when the company has an obligation for which payment will probably be required to settle the obligation.

NOTES

NOTE 1. SEGMENT REPORTING

Group

Primary segment – Geographical areas

2007	Sweden	Finland	CEE	Parent/ Elimination	Group
External sales	3,953,980	2,932,443	763,747	–	7,650,170
Internal sales	117,956	67,002	15,943	-200,901	–
Net sales	4,071,936	2,999,445	779,690	-200,901	7,650,170
EBITA	309,597	226,671	9,090	-33,671	511,687
Amortization of intangible assets	-690	-888	-240	–	-1,818
Operating profit	**308,907**	**225,783**	**8,850**	**-33,671**	**509,869**
Net financial income (+)/expense (-)					-22,974
Profit before tax					486,895
Tax					-134,014
Profit for the year					**352,881**
Operating assets	1,270,282	1,008,280	313,323	-6,664	2,585,221
Other assets					264,759
Total assets					**2,849,980**
Operating liabilities	562,838	398,133	118,893	-3,774	1,076,090
Other liabilities					925,003
Total liabilities					**2,001,093**
Investments	23,524	31,613	7,228	497	62,862
Depreciation	19,302	19,264	3,295	81	41,942
Non-cash expenses	8,895	4,497	2,646	747	16,785
Non-cash revenues	-22,187	-3,808	-8,175	–	-34,170
Total non-cash items	**6,010**	**19,953**	**-2,234**	**828**	**24,557**

2006	Sweden	Finland	CEE	Parent/ Elimination	Group
External sales	3,515,889	2,550,595	614,762	–	6,681,246
Internal sales	116,739	89,236	12,318	-218,292	–
Net sales	3,632,628	2,639,831	627,080	-218,292	6,681,246
EBITA	287,892	263,126	41,241	-40,348	551,912
Amortization of intangible assets	-407	-1,111	-194	–	-1,711
Operating profit	**287,486**	**262,016**	**41,047**	**-40,348**	**550,201**
Net financial income (+)/expense (-)					-11,225
Profit before tax					538,976
Tax					-144,292
Profit for the year					**394,684**
Operating assets	1,372,176	1,039,580	213,740	-42,240	2,583,256
Other assets					292,704
Total assets					**2,875,960**
Operating liabilities	695,662	497,659	113,415	-7,993	1,298,743
Other liabilities					913,043
Total liabilities					**2,211,786**

Note 1, cont.

2006	Sweden	Finland	CEE	Parent/ Elimination	Group
Capital expenditure	41,871	20,562	8,581	188	71,202
Depreciation	24,750	18,973	3,545	68	47,336
Non-cash expenses	–	–	93	1,703	1,796
Non-cash revenues	-33,211	-323	-29,556	–	-63,090
Total non-cash items	**-8,461**	**18,650**	**-25,918**	**1,771**	**-13,958**

The Group is engaged in trade with the primary aim of distributing steel, stainless steel and aluminium. An additional objective is to process the material in the Group's own production facilities and develop various types of service. The Group's products are of a similar nature, regardless of the customers or markets to which they are distributed, but the Group's risks and returns vary among geographical markets. For that reason, the Group has chosen geographical areas its primary segment. Operating structure and internal reporting to Group management and the Board of Directors are based primarily on reporting of geographical business areas.

Segment profits, assets and liabilities include operating items attributable to the ongoing activities of the segment. The allocation of assets and liabilities per segment is based on the location of the business and includes directly attributable items and items that can be allocated by segment in a reasonably reliable manner. The assets and liabilities allocated by segment are intangible and tangible assets, operating receivables, operating liabilities and provisions attributable to operations. Financial assets and liabilities, provisions for pensions and current and deferred tax liabilities have not been allocated to the respective business areas. Capital expenditures for the segment include investments in intangible and tangible assets.

A portion of consolidated goodwill was reallocated in 2006 from the Sweden business area to Finland. A total of SEK 134,444K was reallocated to better reflect the current allocation the business. The reallocation was based on external appraisal of intangible assets in each business area.

Internal prices between Group segments are based on the principle of "arm's-length transactions," that is, transactions between parties that are mutually independent, thoroughly informed and have a utilitarian interest in the transactions. Goods prices are based on current prices for raw materials plus a mark-up for internal margin.

Geographical segments

BE Group operates in three business areas: Sweden, Finland and CEE.

Sweden

BE Group's operations in Sweden are conducted under name BE Group Sverige AB. Most of the Group's products are available in Sweden, including various types of commercial steel, steel tubes, aluminium, stainless steel, reinforcement and engineering steel. Production services include cutting of long products and sawing (including aluminium), shot-blasting and painting, drilling, threading and deburring, cutting-to-length and slitting, flame cutting and production of prefabricated reinforcement steel. The company provides additional services including sophisticated logistics solutions, advisory services and training.

Finland

BE Group's operations in Finland are conducted under name BE Group Oy Ab. Most of the Group's products are offered in the Finnish market, such as various types of commercial steel, steel tubes, stainless steel and aluminium. The production service proposition includes cutting of long products, drilling, threading and deburring, various types of cutting, cutting-to-length and slitting as well as shot-blasting and painting. The company has also been providing advanced logistics and advisory services to customers for many years.

CEE

CEE is the segment in BE Group leading the expansionary venture, primarily in Eastern Europe. The business area encompasses BE Group's operations in Estonia, Latvia, Lithuania, Poland, Russia, Slovakia, the Czech Republic and Denmark.

BE Group currently offers a selection of the Group's products and services in CEE and the value proposition varies from country to country. The service proposition extends primarily to includes production services, advisory services and logistics solutions.

CEE has primarily local customers. Another key customer group consists of existing Nordic customers that have relocated or expanded parts of their operations to Eastern Europe.

Business segments

BE Group's products are similar with respect to risks and returns and the Group operates in a single business segment. Accordingly, secondary segment reporting coincides with reporting for the Group as a whole.

Parent	2007	2006
Sales by geographical segment		
Sweden	6,925	4,350
Finland	5,337	1,200
Other countries	3,955	–
	16,217	**5,550**

NOTE 2. SIGNIFICANT EXPENSES BY NATURE

Group	2007	2006
Materials	-6,188,415	-5,268,177
Employee benefits	-422,320	-395,328
Other external expenses	-484,637	-450,251
Scheduled depreciation	-41,942	-47,336
Other	-4,198	-495
	-7,141,512	**-6,161,587**

The specification of significant expenses by their nature refers to items included in the income statement under cost of goods sold, selling expenses, administrative expenses and other operating expenses.

NOT 3. EMPLOYEES, EMPLOYEE BENEFITS AND EXECUTIVE REMUNERATION

Average number of employees	2007	% Men	2006	% Men
Parent				
Sweden	13	57%	9	67%
Total for parent	**13**	**57%**	**9**	**67%**
Subsidiaries				
Sweden	407	82%	445	84%
Finland	369	90%	349	86%
Estonia	18	72%	15	67%
Latvia	22	89%	17	82%
Lithuania	15	87%	15	87%
Poland	55	62%	49	61%
Denmark	9	78%	8	88%
Slovakia	9	45%	4	50%
Czech Republic	12	75%	10	80%
Russia	11	91%	5	80%
Total for subsidiaries	**927**	**84%**	**917**	**83%**
Group total	**940**	**83%**	**926**	**83%**

Specification of gender distribution of executive management

Gender distribution, Group management	2007-12-31 % Women	2006-12-31 % Women
Parent		
Board	17%	20%
Other executives	14%	20%
Group total		
Board	17%	20%
Other executives	14%	14%

The average number of parent company employees during the financial year was 13 (9). The company does not disclose sickness absence rates because the information may be attributed to individuals.

Salaries, other remuneration and social security expenses

Group	2007	2006
Salaries and remuneration	315,335	303,916
Share Savings Scheme costs	1,605	–
Pension expense, defined-benefit plans	37	40
Pension expense, defined-contribution plans	37,942	33,300
Social security expenses	73,754	75,543
	428,673[1]	**412,799**[1]

[1] The amounts reported above include salary and social security expenses related to the restructuring within the Group for which provisions were made in 2005.

Parent	2007		2006	
	Salaries and remuneration	Social security expenses	Salaries and remuneration	Social security expenses
Parent	15,263	9,266	11,736	7,893
(of which pension expense)[1]		(3,443)		(2,836)

[1] Of the parent company's pension expenses, SEK 2,220K (1,987) refers to the "Other executives" group.
The company has no outstanding pension commitments to these individuals.

Distribution of salaries and other remuneration, by parent and subsidiaries and by executives and other employees[1]

	2007		2006	
	Executives	Other employees	Executives	Other employees
Parent				
Sweden	**10,687**	**4,576**	**8,935**	**2,801**
(of which bonuses and similar)	*(1,265)*	*(400)*	*(1,962)*	*(997)*
Subsidiaries[2]	**8,039**	**284,179**	**6,477**	**278,428**
(of which bonuses and similar)	*(1,420)*	*(11,129)*	*(1,038)*	*(9,704)*
Group total	**18,726**	**288,755**	**15,412**	**281,229**
(of which bonuses and similar)	*(2,685)*	*(11,529)*	*(3,000)*	*(10,701)*

[1] "Executives" refers to directors, members of Group management and company presidents.

[2] The amounts above include salary expenses and social security expenses related to restructuring within the Group, for which provisions were made in 2005.

The presentation complies with the Chapter 5, §§ 19 and 20 of the Swedish Annual Accounts Act and the Swedish Accounting Standards Board's recommendation R 4. The difference compared to the preceding table showing salaries and remuneration for the Group, which was prepared in compliance with IAS 1, paragraph 93, is constituted of employee benefits. According to SASB recommendation R 4, benefits must not be included in "salaries and remuneration," but are classified as such according to IAS 1 paragraph 93.

Note 3, cont.

Executive remuneration

The following tables provide details of remuneration and other benefits paid in the 2007 and 2006 financial years to directors, the CEO and other executives, who are defined as other members of Group management.

Remuneration and benefits 2007

	Base pay	Variable pay	Other benefits	Pension expense	Share Savings Scheme	Other remuneration	Total	Pension commitments
Chairman of the Board								
Carl-Erik Ridderstråle	420	–	–	–	–	5	425	–
Directors								
Roger Bergqvist	200	–	–	–	–	–	200	–
Lars Olof Nilsson	220	–	–	–	–	1	221	–
Cecilia Edström	220	–	–	–	–	–	220	–
Lars Spongberg	220	–	–	–	–	–	220	–
Joakim Karlsson	240	–	–	–	–	–	240	–
CEO								
Håkan Jeppsson	2,850	665	80	997	224	1	4,817	–
Other executives (6 individuals)	7,042	1,178	497	1,876	541	13	11,147	407
Total	**11,412**	**1,843**	**577**	**2,873**	**765**	**20**	**17,490**	**407**
Recognized as an expense in the parent company	8,840	1,265	407	2,220	565	17	13,314	–

Other executives in 2007 were four individuals employed by the parent company (Torbjörn Clementz, Per Horstmann, Ylva Berg and Per Gullstrand) and two individuals employed by subsidiaries (Matti Tiira and Bo Söderqvist).

Remuneration and benefits 2006

	Base pay	Variable pay	Other benefits	Pension expense	Share Savings Scheme	Other remuneration	Total	Pension commitments
Chairman of the Board								
Carl-Erik Ridderstråle	400	–	–	–	–	–	400	–
Directors								
Lars Olof Nilsson	200	–	–	–	–	–	220	–
Cecilia Edström	200	–	–	–	–	–	200	–
Lars Spongberg	100	–	–	–	–	–	100	–
Joakim Karlsson	100	–	–	–	–	–	100	–
CEO								
Håkan Jeppsson	2,448	960	76	840	–	–	4,324	–
Other executives (6 individuals)	5,794	1,832	408	1,806	–	–	9,840	389
Total	**9,242**	**2,792**	**484**	**2,646**	**–**	**–**	**15,164**	**389**
Recognized as an expense in the parent company	6,973	1,962	322	1,987	–	–	11, 244	–

Other executives in 2006 were Torbjörn Clementz, Per Horstmann, Ylva Berg (four months), Per Gullstrand (eleven months), Wello Bauman (one month), all employed by the parent company, and two individuals employed by subsidiaries (Matti Tiira and Bo Söderqvist).

Share Savings Scheme 2007

The AGM held May 15, 2007 passed a resolution to implement a share savings scheme for members of Group management, business area executive teams and other key individuals. Allotments were made in June 2007 and the scheme has a vesting period of 32 months.

Participants will receive matching shares 30 days after the year-end report for 2009 is published. A total of 25 people are participating in the scheme and have, combined, invested in 34,350 shares ("savings shares") in the company until June 15, 2007, which were acquired on the OMX Nordic Exchange Stockholm at market price.

Each participant in the scheme is eligible for a maximum of 2.5 matching shares for each savings share purchased, which means that the company may become obliged to allot a maximum of 85,875 matching shares to these individuals. The matching shares will be allotted against no consideration if the following conditions are met:

Note 3, cont

"- one half share if the individual remains in his or her employment or equivalent employment within the Group during the vesting period.
- one additional share if BE Group's underlying earnings per share for the financial years of 2007, 2008 and 2009, compared with the respective preceding financial year, have increased on average by at least 5% per year compared to 2006; or an additional two shares if BE Group's underlying earnings per share for the financial years of 2007, 2008 and 2009, compared to the respective preceding financial year, have increased on average by at least 15% per year."

If the average increase in BE Group's underlying earnings per share for the relevant financial years is more than 5% but less than 15%, the number of additional matching shares to which the participant is entitled per savings share will be allotted in linear proportion.

The estimated cost for matching shares is SEK 7,901K of which SEK 1,605K has been recognized in profit and loss in 2007. The parent company has recognized SEK 714K of that amount as an expense and the subsidiaries have recognized SEK 891K as an expense. The calculations are based on the market price per share of the company's stock as of valuation date. Accordingly, matching shares were valued at the market price as of June 15, 2007, which was SEK 92 per share. Provisions for social security expenses are made based on the market price per share as of balance sheet date, which was SEK 57.75. The provision amounted to SEK 240K as of balance sheet date and the full amount was recognized in profit and loss 2007. Final social security expenses will be calculated based on the market price per share when matching shares are allotted.

The company has acquired 120,000 treasury shares to financially hedge the obligation to allot matching shares under the Share Savings Scheme. Hedging must also cover the cost of social security expenses.

Under current assumptions, CEO Håkan Jeppsson had earned 2,438 matching shares and other executives had earned a total of 5,916 matching shares as of balance sheet date.

Board remuneration policies

The Chairman and other directors are paid directors' fees as resolved by the annual general meeting. As resolved by the 2007 AGM, directors' fees totalling SEK 1,520K (1,000) were paid as follows: SEK 400K to the Chairman of the Board and SEK 200K to each non-executive elected director, plus fees for committee service: SEK 40K to the Chairman of the Audit Committee, SEK 20K to each other member of the Audit Committee, and SEK 20K to each member of the Remuneration Committee. Other remuneration was paid as taxable reimbursement of travel expenses. No directors' fees are paid to BE Group employees who sit on subsidiary boards of directors

Remuneration policies for the CEO

Remuneration

Total remuneration to the CEO consists of base pay, bonuses, pension and other benefits. Remuneration to the CEO was set by the Board of Directors for 2007 at SEK 4,817K (4,324). The maximum bonus payable to the CEO is 40% of base pay. Whether or not bonuses are distributed and bonus amounts are determined based on BE Group's growth, return on operating capital and personal performance. The CEO was paid a bonus in 2007 of SEK 665K (960).

Term of notice and severance pay

The CEO is entitled to fifteen months' notice of termination by the company and is required to give six months' notice if he resigns. If the CEO resigns due to significant change of ownership in the company other than a change due to stock market introduction, he is required to give fifteen months' notice with no obligation to work during the term of notice. During the term of notice, the CEO is entitled to full pay and other benefits of employment, regardless of whether or not he is obligated to work. The CEO is not entitled to severance pay.

Pension benefits

The CEO is entitled to retire at age 65. Pension contributions are made at 35% of fixed annual salary, which constitutes pensionable pay. The ITP plan under collective agreement must be utilized first, with the remainder allocated among other pension insurance plans. Total premiums in 2007 were SEK 997K (840). BE Group AB's commitment is limited to paying the annual premium. Pension rights are not conditional on future employment.

Executive remuneration policies

Remuneration

Members of Group management who are employed by the Company or its subsidiaries are paid by the respective Group company. Remuneration is decided by the CEO in consultation with the Remuneration Committee. Remuneration is comprised of base salary, bonuses in certain cases, pension benefits and other benefits. The maximum bonus payable to members of Group management is 40% of base pay. Whether or not bonuses are distributed and bonus amounts are determined by the CEO based on attainment of financial targets (60% of total bonus) and individual targets (40% of total bonus). Financial targets are linked to growth and return on operating capital for BE Group and the relevant subsidiary/ business area and personal performance. Bonuses paid to other members of Group management in 2007 totalled SEK 1,178K (1,832).

Term of notice and severance pay

Members of Group management are entitled to twelve months' notice of termination by the company and are required to give six months' notice of resignation. During the term of notice, members of Group management are entitled to full pay and other benefits of employment.

Pension benefits

Other members of Group management are entitled to retire at age 65, except for Matti Tiira who is entitled to retire at 60. Pension benefits for Swedish members of Group management are in accordance with the Group ITP plan except for one individual, for whom the company makes pension contributions equal to 30% of pensionable salary, with consideration given to the maximum tax-deductible amount. The ITP plan under collective agreement must be utilized first, with the remainder allocated among other pension insurance plans. BE Group's commitment is limited to paying the annual premium. Pension rights are not conditional on future employment. Pensionable pay consists of fixed annual salary plus average bonus for the last three years. Pension contributions are made for Finnish members of Group management equal to 14% of pensionable pay. Total premiums in 2007 were SEK 1,876K (1,806).

Remuneration Committee

Please refer to the Corporate Governance Report on pages 77-81 for information regarding the preparation and decision process in relation to executive remuneration.

NOTE 4. FEES AND REIMBURSEMENT TO AUDITORS

Group	2007	2006
KPMG		
Audit assignments	2,019	2,798
Other assignments	610	3,408
	2,629	**6,206**

Parent	2007	2006
KPMG		
Audit assignments	450	1,047
Other assignments	548	3,285
	998	**4,332**

NOTE 5. OPERATING LEASE PAYMENTS

The Group's operating lease expenses for the year were SEK 78,101K (70,281), of which SEK 322K (363) refers to the parent company.

Operating lease liabilities mature as follows:

	Group		Parent	
	Minimum lease payments	Minimum lease payments	Minimum lease payments	Minimum lease-payments
(SEK thousands)	2007	2006	2007	2006
Within one year	85,479	70,911	707	385
One to five years	224,388	226,929	340	375
Later than five years	410,467	407,785	–	–
	720,334	**705,625**	**1,047**	**760**

	Group		Parent	
	Minimum lease payments	Variable payments	Minimum lease payments	Variable payments
Buildings and land	69,305	–	–	–
Other	8,772	24	322	–
Total lease payments	**78,077**	**24**	**322**	**–**

Significant leases

Most Group operating leases refer to leases of operating sites. The leases have no variable portion of rent other than rent adjustment to the CPI, reported as variable charges above.

NOTE 6. DEPRECIATION AND AMORTIZATION OF ASSETS

Group	2007	2006
Scheduled depreciation/amortization by asset		
Software and licenses	-1,819	-1,743
Buildings and land	-959	-1,331
Plant and machinery	-24,627	-25,703
Equipment, tools, fixtures and fittings	-14,537	-18,559
	-41,942	**-47,336**
Scheduled depreciation/amortization by function		
Cost of goods sold	-22,836	-25,094
Selling expenses	-11,665	-16,215
Administrative expenses	-6,962	-5,643
Other	479	-384
	-41,942	**-47,336**

Parent	2007	2006
Scheduled depreciation/amortization by asset		
Equipment, tools, fixtures and fittings	–81	–68
	–81	**–68**
Scheduled depreciation/amortization by function		
Administrative expenses	–81	–68
	-81	**-68**

NOTE 7. PROFIT FROM INVESTMENTS IN GROUP COMPANIES

Parent	2007	2006
Anticipated dividends	168,000	413,120
	168,000	**413,120**

NOTE 8. FINANCIAL INCOME

Group	2007	2006
Interest income, credit institutions	3,657	3,376
Interest income, parent[1)]	–	4,282
Other interest income	6,032	4,499
Dividends received	–	37
Exchange gains	9,227	6,428
Other income	365	2,010
	19,281	**20,632**

Parent	2007	2006
Interest income, Group companies	17,124	4,460
Other interest income	1,796	372
Exchange gains	–	6,842
	18,920	**11,674**

1) Interest income from BE Group Holding AB, which was the parent of the Group prior to the initial public offering.

NOTE 9. FINANCIAL EXPENSE

Group	2007	2006
Interest expense, credit institutions	-37,755	-10,404
Other interest expense	-3,658	-983
Interest expense, parent[1]	–	-18,385
Other expenses	-843	-2,085
	-42,255	**-31,857**

Parent	2007	2006
Interest expense, credit institutions	-36,506	-8,264
Interest income, Group companies	-10,550	-6,251
Exchange losses	-8,220	–
Other expenses	-663	-1,380
	-55,939	**-15,895**

[1] Interest expense related to BE Group Holding AB, which was the parent of the Group prior to the initial public offering.

NOTE 10. OTHER OPERATING INCOME

Group	2007	2006
Exchange gains on receivables /liabilities of an operating nature	–	298
Capital gains on sales of assets	390	29,806
Other	821	438
	1,211	**30,542**

NOTE 11. OTHER OPERATING EXPENSES

Group	2007	2006
Preparatory expenses for IPO	–	-8,239
Exchange losses on receivables /liabilities of an operating nature	-3,475	–
Other	-723	-1,514
	-4,198	**-9,753**

Parent	2007	2006
Preparatory expenses for IPO	–	-8,239
Other	–	-31
	–	**-8,270**

NOTE 12. TAX

Group	2007	2006
Current tax expense (–)/tax income (+)		
Tax expense for the period	-131,741	-138,008
Adjustment of tax attributable to prior years	-241	215
	-131,982	**-137,793**
Deferred tax expense (–)/tax income (+)		
Deferred tax related to temporary differences	-4,152	-6,888
Deferred tax asset in tax value of loss carryforwards capitalized during the year	2,119	389
Deferred tax expense related to utilization of previously capitalized tax value in loss carryforwards	–	–
	-2,033	**-6,499**
Total tax expense for the Group	**-134,015**	**-144,292**

Parent	2007	2006
Current tax expense (–)/tax income (+)		
Tax expense for the period	20,245	15,850
Adjustment of tax attributable to prior years	-6	–
	20,239	**15,850**
Deferred tax expense (–)/tax income (+)		
Deferred tax related to temporary differences	241	–
	241	**–**
Total tax income for the parent	**20,480**	**15,850**

Reconciliation of effective tax

	2007		2006	
	%	Amount	%	Amount
Group				
Profit before tax		486,895		538,976
Tax at prevailing rate for parent	28.0%	-136,331	28.0%	-150,913
Effect of other tax rates for foreign subsidiaries	-1.2%	5,624	-1.7%	9,141
Non-deductible expenses	1.0%	-5,092	0.4%	-1,938
Non-taxable revenues	-0.4%	2,146	-0.3%	1,623
Increase of loss carryforwards without corresponding capitalization of deferred tax	0.2%	-1,006	0.5%	-2,807
Previously non-capitalized loss carryforwards	-0.3%	1,333	0.0%	–
Utilization of previously non-capitalized loss carryforwards	0.0%	–	-0.1%	387
Tax attributable to prior years	0.0%	-241	0.0%	215
Other	0.1%	-448	0.0%	–
Recognized effective tax	**27.4%**	**-134,015**	**26.8%**	**-144,292**

Note 12, cont

Reconciliation of effective tax

	2007		2006	
	%	Amount	%	Amount
Parent				
Profit before tax		94,710		356,227
Tax at prevailing rate for parent	28.0%	-26,519	28.0%	-99,744
Non-deductible expenses	0.1%	-48	0.0%	-80
Non-taxable revenues	-49.7%	47,053	-32.5%	115,674
Tax attributable to prior years	0.0%	-6	0.0%	–
Recognized effective tax	**-21.6%**	**20,480**	**-4.4%**	**15,850**

Group	2007	2006
Tax items recognized directly in equity		
Current tax, currency risk		
hedging in foreign operations	4,802	–
Exchange difference, deferred tax	-2,143	1,464
	2,659	**1,464**

Parent	2007	2006
Tax items recognized directly in equity		
Current tax, Group contribution paid/received	-22,400	-16,800
	-22,400	**-16,800**

NOTE 13. EARNINGS PER SHARE

Group	2007	2006
Basic earnings per share (SEK)	7.06	7.90
Earnings per share after dilution (SEK)	7.06	7.60

See below for calculation of numerators and denominators used to calculate earnings per share.

Profit for the year		
Profit for the year (SEK thousand)	352,880	394,684
Weighted average outstanding ordinary shares, before dilution		
Total ordinary shares on January 1	50,000,000	49,926,296
Effect of treasury share transactions	-33,333	–
Effect of new issue	–	19,245
Weighted ordinary shares outstanding during the year, before dilution	49,966,667	49,945,541
Weighted average outstanding ordinary shares, after dilution		
Weighted average outstanding ordinary shares, before dilution	49,966,667	49,945,541
Effect of Share Savings Scheme	–	–
Effect of issued stock options	–	1,966,649
Weighted ordinary shares outstanding during the year, after dilution	49,966,667	51,912,190

NOTE 14. INTANGIBLE ASSETS

Group	2007-12-31	2006-12-31
Software and licenses		
Accumulated cost		
At January 1	26,422	22,720
Purchases	331	4,835
Sales and discards	–	–
Reclassification	388	-235
Exchange differences for the year	1,118	-898
At December 31	**28,259**	**26,422**
Accumulated scheduled amortization		
At January 1	-20,933	-20,260
Sales and discards	–	–
Reclassification	–	235
Scheduled amortization for the year[1)]	-1,819	-1,743
Exchange differences for the year	-1,025	835
At December 31	**-23,777**	**-20,933**
Carrying amount at end of period	**4,482**	**5,489**

[1)] Amortization for the year is reported on the following lines in the income statement:

Cost of goods sold	-259	-347
Selling expenses	-95	-149
Administrative expenses	-1,465	-1,247
Depreciation/amortization for the year	**-1,819**	**-1,743**

The Group's intangible assets as above consist of software and installation services for software and rights for mainframe operation.

Cash-generating units with significant goodwilln

Goodwill	BE Group Sverige AB	BE Group Oy AB	Group total
Accumulated cost			
Balance at January 1, 2006	448,147	95,569	543,716
Exchange difference	–	-3,558	-3,558
Reclassification	-134,444	134,444	–
Balance at December 31, 2006	**313,703**	**226,455**	**540,158**
Balance at January 1, 2007	313,703	226,455	540,158
Exchange difference	–	4,306	4,306
Balance at December 31, 2007	**313,703**	**230,761**	**544,464**

Consolidated goodwill consists of strategic business value arising in connection with acquisitions of businesses and assets/liabilities. The goodwill is related to the Sweden and Finland segments.

A portion of consolidated goodwill was reallocated in 2006 from the Sweden business area to Finland. A total of SEK 134,444K was reallocated to better reflect the current allocation of the business. The reallocation was based on external appraisal of intangible assets in each business area.

Note 14, cont

Impairment testing for cash generating units containing goodwill

The cash generating unit BE Group Sverige AB constitutes the primary segment of Sweden and the cash generating unit BE Group Oy AB constitutes the primary segment of Finland.

The recovery value for cash generating units is based on their value in use. A discount factor of 8.5% after tax was used for both units to measure value in use. The estimates on which measurement of value in use were based on management's cash flow forecasts for a period of five years. Cash flows for subsequent years were extrapolated by assuming annual growth of 2% after tax for each cash generating unit.

Growth for BE Group is the same as for both cash generating units and is based on growth in sales volumes and changes in the purchase prices for the company's products. BE Group adjusts selling prices to offset changes in purchase prices, thus generating a stable gross margin. Assessed market growth extrapolated using assumed annual growth of 2% is based on actual average annual growth of 14.9% for 2005-2007. BE Group's financial targets are based on annual future underlying sales growth (adjusted for market price changes) of more than 5% per year over a business cycle, of which a significant portion of growth is expected to be acquisition-driven. Organic growth will be generated primarily through increased processing of the company's products and continued growth outside Sweden and Finland, which are currently the largest markets. This is generating higher growth than the general growth rate in the distribution channel in the company's market. Forecast market shares, margins and expenses for employee benefits are consistent with prior experience.

Management believes that no reasonably possible changes to key assumptions used for impairment testing of the cash generating units would result in recovery value below the carrying amount.

NOTE 15. BUILDINGS AND LAND

Group	2007-12-31	2006-12-31
Accumulated cost		
At January 1	15,405	35,671
Purchases	1,187	127
Sales and discards	–	-23,313
Reclassification	–	3,741
Exchange differences for the year	66	-821
	16,658	**15,405**
Accumulated scheduled depreciation		
At January 1	-2,602	-4,362
Sales and discards	–	2,954
Reclassification	–	–
Scheduled depreciation for the year	-959	-1,331
Exchange differences for the year	-33	137
	-3,594	**-2,602**
Carrying amount at end of period	**13,064**	**12,803**
Appraised tax value of buildings (Sweden)	12,456	6,622
Appraised tax value of land (Sweden)	–	–

Leases

Group	2007-12-31	2006-12-31
Properties held under finance leases are included at a carrying amount of	11,152	12,088

Future minimum lease payments attributable to finance leases mature as follows:

Group	2007-12-31	2006-12-31
Within one year	2,118	2,119
One to five years	8,476	8,476
Later than five years	14,833	16,952
	25,427	**27,547**

See Note 35 for disclosures concerning lease liabilities.

NOTE 16. PLANT AND MACHINERY

Group	2007-12-31	2006-12-31
Accumulated cost		
At January 1	290,004	298,425
Purchases	35,387	23,109
Sales and discards	-11,198	-24,048
Reclassification	14,565	-137
Exchange differences for the year	9,245	-7,345
	338,003	**290,004**
Accumulated scheduled depreciation		
At January 1	-147,530	-147,177
Sales and discards	9,981	21,518
Reclassification	–	64
Scheduled cost-based depreciation for the year	-24,627	-25,703
Exchange differences for the year	-5,035	3,768
	-167,211	**-147,530**
Carrying amount at end of period	**170,792**	**142,474**
Reported as assets held for sale	1,986	–
Reported as plant and machinery	168,806	142,474

NOTE 17. EQUIPMENT, TOOLS, FIXTURES AND FITTINGS

Group	2007-12-31	2006-12-31
Accumulated cost		
At January 1	158,154	177,441
Purchases	24,550	8,147
Sales and discards	-36,660	-26,916
Reclassification	26,953	614
Exchange differences for the year	2,098	-1,132
	175,095	**158,154**
Accumulated scheduled depreciation		
At January 1	-129,508	-136,911
Sales and discards	35,064	24,515
Reclassification	–	691
Scheduled cost-based depreciation for the year	-14,537	-18,559
Exchange differences for the year	-1,217	756
	-110,198	**-129,508**

Group	2007-12-31	2006-12-31
Accumulated impairment losses		
At January 1	-26	–
Impairment losses reversed during the year	25	–
Impairment losses for the year	–	-26
Exchange differences for the year	1	–
	–	**-26**
Carrying amount at end of period	**64,897**	**28,620**

Parent	2007-12-31	2006-12-31
Accumulated cost		
At January 1	518	372
Purchases	497	188
Sales and discards	–	-42
Reclassification	–	–
	1,015	**518**
Accumulated scheduled depreciation		
At January 1	-236	-178
Sales and discards	–	10
Reclassification	–	–
Scheduled cost-based depreciation for the year	-81	-68
	-317	**-236**
Carrying amount at end of period	**698**	**282**

NOTE 18. CONSTRUCTION IN PROGRESS AND ADVANCES FOR CAPITAL ASSETS

Group	2007-12-31	2006-12-31
At January 1	42,216	12,238
Sales and discards	-290	-15
Reclassification	-41,907	-4,974
Investments	1,407	34,982
Exchange differences for the year	63	-15
Carrying amount at end of period	**1,489**	**42,216**

NOTE 19. INVESTMENTS IN GROUP COMPANIES

Parent	2007-12-31	2006-12-31
Accumulated cost		
At January 1	1,039,469	883,866
Acquisitions	15,138	155,603
Carrying amount at end of period	**1,054,607**	**1,039,469**

Specification of parent and Group holdings of investments in Group companies

2007-12-31 Subsidiaries/Reg. No./Domicile	Participating Interests	Equity share in % [1]	Carrying amount
BE Group Sverige AB,			
556106-2174, Malmö	20,000	100.0	866,164
Bröderna Edstrand Transporter AB			
556283-3763, Malmö	*1,000*	*100.0*	
BE Group Oy AB,			
1544976-7, Finland	204,000	100.0	147,629
BE Group AS,			
10024510, Estonia	40	100.0	280
BE Group SIA,			
000341-313, Latvia	100	100.0	60
UAB BE Group,			
V2.3, Lithuania	100	100.0	47
BE Group Sp.z.o.o.,			
RHB131-30, Poland	20,216	100.0	8,241
BE Group A/S,			
6771-9514, Denmark	73	100.0	409
Bröderna Edstrand Fastighets AB,			
556659-7877, Malmö	10,000	100.0	1,000
BE Group s.r.o.,			
26916347, Czech Republic		100.0	16,335
BE Group Slovakia s.r.o.,			
36595659, Slovakia		100.0	4,402
BE Group O.O.O., Russia	1	100.0	10,040
			1,054,607

[1] Refers to the percentage of equity ownership, which is equal to percentage of voting rights in relation to total issued capital.

Note 19, cont

Acquisitions in 2007

Subsidiaries/Reg. No./Domicile	2007	2006
BE Group s.r.o., 26916347, Czech Republic [1]	–	8,217
BE Group Oy Ab, 1544976-7, Finland [2]	–	147,358
BE Group O.O.O., Russia [3]	10,013	28
BE Group Slovakia s.r.o., 36595659, Slovakia [1]	4,234	–
Share Savings Scheme 2007	891	–
	15,138	**155,603**

[1] Capital contribution provided
[2] Intragroup acquisition from subsidiary at carrying amount
[3] New operations and company formations in 2006 and capital contribution in 2007.

NOTE 20. OTHER SECURITIES HELD AS FIXED ASSETS

Group	2007-12-31	2006-12-31
Accumulated cost		
At January 1	1,856	1,943
Exchange differences for the year	86	-87
Carrying amount at end of period	**1,942**	**1,856**

NOTE 21. OTHER LONG-TERM RECEIVABLES

Group	2007-12-31	2006-12-31
Accumulated cost		
At January 1	27	84
New receivables	125	–
Settled receivables	-9	-55
Exchange differences for the year	1	-2
Carrying amount at end of period	**144**	**27**

NOTE 22. INTEREST-BEARING RECEIVABLES, GROUP COMPANIES

Parent	2007-12-31	2006-12-31
Accumulated cost		
At January 1	11,494	59,988
New receivables	6,701	11,494
Settled receivables	-10,013	-26,769
Reclassification	–	-33,219
Exchange differences for the year	344	–
Carrying amount at end of period	**8,526**	**11,494**

NOTE 23. INVENTORIES

Group	2007-12-31	2006-12-31
Obsolescence reserve, inventories		
Carrying amount on January 1	-10,687	-16,778
Translation difference	-357	310
Change for the year	-12,881	5,781
Carrying amount at end of period	**-23,925**	**-10,687**
Of which recognized as assets held for sale	-393	–
Of which recognized as inventory	-23,532	-10,687

NOTE 24. PREPAID EXPENSES AND DEFERRED INCOME

Group	2007-12-31	2006-12-31
Rent for premises	7,837	6,041
Supplier bonuses	37,143	32,382
Prepaid acquisition costs	10,415	–
Other items	10,979	7,455
	66,374	**45,878**
Reported as assets held for sale	3,618	–
Reported as prepaid expenses and deferred income	62,756	45,878

Parent	2007-12-31	2006-12-31
Prepaid acquisition costs	10,415	–
Other items	3,297	909
	13,712	**909**

NOTE 25. EQUITY

Share capital and number of shares

Group	2007-12-31	2006-12-31
Issued shares on January 1	50,000,000	1,018,904
Split (49:1)	–	48,907,392
Cash issue	–	73,704
Issued shares on December 31	**50,000,000**	**50,000,000**

Authorized share capital on December 31, 2007 comprised 50,000,000 (50,000,000) ordinary shares. The quotient value of shares is approximately SEK 2.04 (2.04).

The company implemented a 49:1 share split in 2006 that increased issued capital by 48,907,392, as well as a new issue that increased issued capital by 73,704. The new share issue provided the company with SEK 151K in new capital. The split and new issue were implemented in September 2006 to adjust the capital structure prior to the IPO in November of the same year.

Holders of ordinary shares are entitled to dividends, the amount of which is set each financial year and shareholdings convey voting rights at the general meeting of one vote per share. All shares convey equal rights to the company's remaining net assets.

Other capital contributions

Refers to capital contributed by shareholders, including share premium reserves transferred to the statutory reserve on December 31, 2005. Provisions to the share premium reserve are also reported as capital contributions as of January 1, 2006.

Reserves

Translation reserve

The translation reserve comprises all exchange differences arising from restatement of the financial statements of foreign operations that have prepared their financial statements in a currency other than the presentation currency for the consolidated financial statements. The parent company and Group present their financial statements in Swedish kronor (SEK).

Note 25, cont

Hedging of net investments in foreign subsidiaries is also recognized in the translation reserve. This is comprised of exchange differences arising from the revaluation of liabilities recognized as hedging instruments of a net investment in a foreign operation. The amount is based on tax consequences.

Group	2007-12-31	2006-12-31
Carrying amount on January 1	-11,202	10,366
Exchange differences for the year	27,013	-21,568
Hedging of net investments in foreign subsidiaries after tax	-12,347	–
Carrying amount at end of period	**3,464**	**-11,202**

Retained earnings including profit for the year

Retained earnings including profit for the year include earnings in the parent company and its subsidiaries. This equity item includes prior provisions to the statutory reserve, excluding transferred share premium reserves.

	2007		2006	
Treasury shares	Number	Amount	Number	Amount
Balance at January 1	–	–	–	–
Acquisitions for the year	120,000	9,438	–	–
Balance at December 31	**120,000**	**9,438**	**–**	**–**

The acquisition of treasury shares was recognized directly in retained earnings. The shares will be used for Share Savings Scheme 2007.

Dividends

The company distributed SEK 175,000K to shareholders at the annual general meeting held in May 2007, corresponding to SEK 3.50 per share. The Board is proposing to the 2008 annual general meeting a dividend of SEK 3.50 per share for a total distribution of SEK 174,580K.

Capital management

BE Group has set five financial targets for operations. Three targets refer to growth, profitability and return, which will be measured over an economic cycle. The other two targets refer to the capital structure and temporary deviations may occur, for instance in conjunction with acquisitions. All targets were met in 2007 except for underlying sales growth. The shortfall for underlying sales growth is attributable to the weaker tonnage trend in the second half. Underlying earnings and returns are measured to provide a clear view of business development. These measurements are reported after adjustment for exceptional items and inventory gains/losses.

Financial targets	Figures	Outcome 2007
Underlying sales growth	>5%	1.1%
Underlying EBITA margin	>6%	7.2%
Underlying return on operating capital	>40%	63.2%
Net debt as a percentage of total equity	<150%	69.8%
Net debt/underlying EBITDA	< 3 (multiple)	1.0 (multiple)

The Group has external claims on capital in the form of financial covenants in bank loan agreements, which are reported in Note 35, Financial risk management.

BE Group's objective is to distribute at least 50% of profit after tax, over time, if justified by the Group's financial position and outlook. For the 2007 financial year, the Board of Directors and CEO are proposing a cash dividend to shareholders of SEK 3.50 per share, corresponding to 49.5% of profit after tax.

Parent

Restricted reserves

Dividends that reduce restricted reserves are prohibited.

Statutory reserve

The purpose of the statutory reserve has been to save a portion of net profits not used to cover retained losses. The statutory reserve also includes the amount transferred to the share premium reserve prior to January 1, 2006.

Non-restricted equity

Retained earnings

Comprises prior years' non-restricted equity after distribution of profits, if any. Combined with profit for the year, the total makes up non-restricted equity, which is the amount available for distribution to shareholders.

Share premium reserve

When shares are issued at a premium, meaning when buyers must pay more than the quotient value of the shares, an amount equal to the amount received in excess of the quotient value of the shares must be transferred to the share premium reserve. The amount transferred to the share premium reserve after January 1, 2006 is included in non-restricted equity.

NOTE 26. ASSETS HELD FOR SALE

A structural discussion was held with ArcelorMittal in 2007 and BE Group thereafter took a decision in December 2007 to use the thin sheet operations in the Sweden business area as capital contributed in kind to acquire an interest in a joint venture. BE Group subsequently made an agreement in January 2008 to acquire a 50% interest in ArcelorMittal SSC Sverige AB. Through this strategically important step, BE Group and ArcelorMittal are creating a joint venture for processing and sales of thin sheet in the Swedish market. BE Group will pay the purchase consideration by transferring the thin sheet business in Borlänge in a non-cash issue combined with cash consideration of SEK 15M. The assets and liabilities attributable to the assets and liabilities in the non-cash issue have been classified as a disposal group. Assets and liabilities are recognized separately in the balance sheet. The final consideration will be based on the balance sheet as of the transfer date. The transaction is subject to review by competition authorities and transfer of ownership is subject to official approval, but is expected to take place during the second quarter of 2008. BE Group's thin sheet operations in the Sweden business area generated sales of SEK 400M in 2007 and had about 30 employees.

Assets held for sale and Liabilities associated with assets held for sale consist of the following components:

Assets held for sale	2007-12-31
Plant and machinery	1,986
Inventories	36,241
Trade receivables	44,908
Prepaid expenses and deferred income	3,618
Total	**86,753**

Note 26, cont

Liabilities associated with assets held for sale	2007-12-31
Trade payables	37,722
Other liabilities	185
Accrued expenses and deferred income	3,006
Total	**40,913**

NOTE 27. PROVISIONS FOR PENSIONS

Group	2007-12-31	2006-12-31
Provisions for pensions	407	707
	407	**707**
Pledged assets for pension commitments	None	None

Description of pension plans in Finland and Sweden, etc.

Defined benefit plans

Pension obligations for retirement pensions and survivors' pensions for white-collar employees in Sweden are secured through an insurance policy provided by Alecta. According to a statement (UFR 3) from the Swedish Financial Reporting Board, this is a multiple-employer defined benefit plan. The company has not had access to information that would permit recognition of the plan as a defined benefit plan. The ITP pension plan secured through insurance provided by Alecta is accordingly recognized as a defined contribution plan. The year's premium for pension insurance with Alecta is SEK 7.2M (9.0). Alecta's surplus may be allocated to policyholders and/or the insured persons. At year-end 2007, Alecta's surplus expressed as the collective funding ratio was 152.0% (143.1%). The collective funding ratio is comprised of the fair value of Alecta's assets as a percentage of insurance obligations computed according to Alecta's actuarial assumptions, which do not accord with IAS 19.

A very limited portion of the company's pensions are defined benefit plans. Provisions to these plans amount to SEK 0.4M (0.7). Outstanding pension commitments as of balance sheet date refer to a supplementary pension solution for executives in Finland, which provides benefits from the contractually agreed age of retirement until the individuals are eligible for government pension disbursements. Costs for this pension solution are recognized in their entirety as administrative expenses.

Pension plans in Finland are treated as defined contribution plans. Under defined contribution plans, pension contributions are paid to a pension insurance company. Contributions to defined contribution plans are recognized as an expense in profit and loss for the accounting period in which they occur.

Commitments related to defined-benefit pension plans and comparable	Total Group
Net present value of funded commitments	881
Fair value of assets under management	-474
	407
Net present value of non-funded commitments	–
Net present value of net commitments (funded and non-funded)	407
Unrecognized actuarial gains or losses	–
Unrecognized expenses related to service in prior years	–
Net debt in the balance sheet	407
Amounts recognized in the balance sheet	
Liabilities	407
Assets	–
Net debt in the balance sheet	407
Expenses recognized in profit and loss.	
Expenses related to service in the current year	28
Interest on the commitment	37
Expected return on assets under management	-28
Total	**37**
Actual return on assets under management	28
Changes in net debt in the balance sheet	
Net debt at January 1	707
Net expense recognized in profit and loss	37
Paid-in contributions	-355
Exchange differences related to foreign plans	18
Net debt at December 31	407
Significant actuarial assumptions	
Discount rate on December 31	4.5%
Expected return on assets under management, December 31	6.5%
Future annual pay increases	3.0%
Future annual pension increases	2.1%
Employee turnover	0.0%
Expected remaining term of service	4 years
Change in commitment related to defined-benefit plans	
Commitment at January 1	1,096
Expenses related to service in the current year	28
Interest expense	37
Settlements	-318
Exchange differences related to foreign plans	38
Commitment at December 31	881
Change in fair value of assets under management	
Fair value of assets under management at January 1	389
Expected return on assets under management	28
Paid-in contributions	37
Exchange differences related to foreign plans	20
Fair value of assets under management at December 31	474

Estimated fees of SEK 30K will be paid in 2008

Note 27, cont

Defined contribution pension plans

The Group has defined contribution pension plans for workers in Sweden for which expenses are fully paid by the companies.

There are defined contribution plans abroad for which the expenses are paid partially by the subsidiaries and partially by employee contributions. Payments are made regularly to these plans according to plan rules.

	2007	2006
Expenses for defined contribution plans	37,942	33,300
Inclusive expenses related to the ITP plan financed through Alecta	7,178	9,000

Parent

The parent company has no provisions for pensions and no pledged assets for pension commitments.

NOTE 28. OTHER PROVISIONS

Group	2007-12-31	2006-12-31
Restructuring costs	1,186	20,866
Demolition compensation	15,000	15,000
Other	1,094	1,034
	17,280	**36,900**
Of which:		
Long-term	571	597
Current	16,709	36,303
	17,280	**36,900**

2007-12-31	Restructuring expenses	Demolition compensation	Other
Carrying amount on January 1	20,866	15,000	1,034
Translation difference	–	–	44
New provisions	–	–	165
Amount used during the period	-19,680	–	-149
Carrying amount at end of period	**1,186**	**15,000**	**1,094**
Expected date of outflow of resources			
2008	1,186	15,000	523
2009 – 2011	–	–	165
2012 and thereafter	–	–	406
	1,186	**15,000**	**1,094**

The provision for restructuring costs refers to costs for the completed restructuring of the Swedish operations. BE Group commenced concentrating operations in Sweden in 2005 aimed at enhancing customer service, streamlining operations and reducing capital tied-up. All warehousing and production operations in Göteborg and Sundsvall were relocated to Malmö and Norrköping, where BE Group has made investments in new facilities and new hires.

The provision for demolition compensation refers to compensation to be paid to the landlord for the impairment in value and loss of rental income upon demolition of the property designated Malmö Värmet 3.

Parent

The parent company provision of SEK 148,000 refers to social security contributions related to "Share Savings Scheme 2007" for which an outflow of resources is expected in 2010.

NOTE 29. RECOGNIZED DEFERRED TAX ASSETS AND TAX LIABILITIES

2007-12-31	Deferred tax asset	Deferred tax liability	Net
Group			
Intangible assets	–	25,020	-25,020
Equipment, tools, fixtures and fittings	–	12,553	-12,553
Inventory	578	137	441
Trade receivables	63	–	63
Other provisions	5,123	334	4,789
Tax allocation reserves	–	28,061	-28,061
Other	3,677	13,531	-9,854
Loss carryforwards	2,803	–	2,803
	12,244	**79,636**	**-67,392**
Offset	-8,094	-8,094	–
Net deferred tax liability	**4,150**	**71,542**	**-67,392**

2006-12-31	Deferred tax asset	Deferred tax liability	Net
Group			
Intangible assets	–	23,901	-23,901
Equipment, tools, fixtures and fittings	–	14,426	-14,426
Financial assets	52	–	52
Inventory	287	78	209
Trade receivables	73	–	73
Other provisions	12,268	–	12,268
Tax allocation reserves	–	25,664	-25,664
Other	–	12,416	-12,416
Loss carryforwards	589	–	589
	13,269	**76,485**	**-63,216**
Offset	-11,786	-11,786	–
Net deferred tax liability	**1,483**	**64,699**	**-63,216**

Unrecognized deferred tax assets

Deferred tax assets have not been recognized in profit and loss or the balance sheet for tax loss carryforwards in the amount of SEK 19.1M (8.4).

The tax loss carryforwards relate to the subsidiaries in Russia and the Czech Republic and arose in 2004-2007.

The option to utilize loss carry forwards in the Czech Republic must be exercised within 5 years and in Russia within 7 years.

Deferred tax assets have not been recognized for these loss carryforwards, as it does not seem probable that the Group will be able to offset them against taxable profits within the near future.

Note 29, cont

Change of deferred tax in temporary differences and loss carryforwards

2007-12-31	Carrying amount 1 January	Recognized in profit and loss	Recognized in equity	Carrying amount at at December 31
Group				
Intangible assets	-23,901	-218	-901	-25,020
Machinery and equipment	-14,426	1,873	–	-12,553
Financial assets	52	-58	6	–
Inventory	209	222	10	441
Trade receivables	73	-18	8	63
Other provisions	12,268	-7,517	38	4,789
Tax allocation reserves	-25,664	-1,949	-448	-28,061
Other	-12,416	3,424	-862	-9,854
Utilization of loss carryforwards	589	2,208	6	2,803
	-63,216	**-2,033**	**-2,143**	**-67,392**

2006-12-31	Carrying amount at 1 January	Recognized in profit and loss	Recognized in equity	Carrying amount at at December 31
Intangible assets	-33,298	8,195	1,202	-23,901
Machinery and equipment	-13,296	-1,130	–	-14,426
Financial assets	–	52	–	52
Inventory	-1,436	1,645	–	209
Trade receivables	–	73	–	73
Other provisions	13,621	-1,378	25	12,268
Tax allocation reserves	-17,984	-7,680	–	-25,664
Other	-5,871	-6,665	120	-12,416
Utilization of loss carryforwards	170	389	30	589
	-58,094	**-6,499**	**1,377**	**-63,216**

Parent

The deferred tax asset of SEK 241K is attributable to provisions related to "Share Savings Scheme 2007".

NOTE 30. PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledged assets to credit institutions

Group	2007-12-31	2006-12-31
Pledged assets to credit institutions		
Liens on assets	538,999	528,315
Shares in subsidiaries	1,374,216	1,414,393
	1,913,215	**1,942,708**

Parent	2007-12-31	2006-12-31
Promissory notes receivable	215,634	205,994
Shares in subsidiaries	1,013,793	1,013,153
	1,229,427	**1,219,147**

Financial assets pledged as collateral

The parent company has a promissory note receivable from BE Group Oy Ab pledged as collateral for external loan agreements. The carrying amount is equal to the amount reported as pledged collateral. Please see Note 35 Financial risk management with regard to significant terms and conditions of external loan agreements.

Contingent liabilities

Group	2007-12-31	2006-12-31
Warranties upon sale of real estate	362,000	362,000
	362,000	**362,000**

BE Group provided customary seller's warranties to the buyer in connection with the sale of real estate owned by the Group. The warranties are limited under the contracts to SEK 362,000K (362,000). In the best judgment of the Board of Directors and Group management, it is unlikely the Group will be required to pay compensation under the warranties.

Parent	2007-12-31	2006-12-31
Guarantees	27,902	19,418
	27,902	**19,418**

The parent company has provided payment guarantees on behalf of subsidiaries, primarily in the CEE business area for trade payables and rent owed to suppliers and property owners.

NOTE 31. CURRENT INTEREST-BEARING LIABILITIES

Group	2007-12-31	2006-12-31
Overdraft facility		
Credit limit	200,000	200,000
Unutilized component	-200,000	-199,846
Unutilized credit amount	**–**	**154**

Group	2007-12-31	2006-12-31
Other current interest-bearing liabilities	13,118	12,843
	13,118	**12,997**

Disclosures concerning collateral are provided in Note 30, Pledged assets and contingent liabilities.

NOTE 32. ACCRUED EXPENSES AND DEFERRED INCOME

Group	2007-12-31	2006-12-31
Accrued salaries	48,269	51,116
Accrued social security expenses	15,610	18,064
Bonuses to customers	11,785	10,148
Other items	35,852	35,679
	111,516	**115,007**
Reported as liabilities associated with assets held for sale	3,006	–
Reported as accrued expenses and deferred income	108,510	115,007

Parent	2007-12-31	2006-12-31
Accrued salaries	3,674	4,629
Accrued social security expenses	1,974	1,596
Accrued consultant expenses	1,249	6,463
Other items	2,372	4,889
	9,269	**17,577**

NOTE 33. SUPPLEMENTARY DISCLOSURES TO CASH FLOW STATEMENT

Amounts in SEK thousands	2007	2006
Group		
Interest paid and dividends received		
Dividends received	–	37
Interest received	9,689	12,157
Interest paid	-41,413	-29,772
Adjustment for non-cash items		
Depreciation and impairments of assets	56,047	47,336
Unrealized exchange differences	-11,819	2,099
Capital gain (-loss) on disposals of capital assets	-1,307	-29,556
Provisions for pensions	-355	-1,031
Other provisions and other income items not affecting liquidity	-18,009	-32,806
	24,557	**-13,958**
Cash and cash equivalents		
Cash and cash equivalents comprise the following components:		
Cash and bank balances	258,486	289,284
Short-term placements comparable to cash and cash equivalents	39	55
	258,525	**289,339**

Amounts in SEK thousands	2007	2006
Parent		
Interest paid and dividends received		
Dividends received	413,120	75,440
Interest received	18,920	4,832
Interest paid	-47,056	-11,532
Adjustment for non-cash items		
Anticipated dividends from subsidiaries	-168,000	-413,120
Depreciation and impairments of assets	81	68
Unrealized exchange differences	11,374	–
Other provisions and other income items not affecting liquidity	862	–
	-155,683	**-413,052**
Cash and cash equivalents		
Cash and cash equivalents comprise the following components:		
Cash and bank balances	200,002	5,541
	200,002	**5,541**

NOTE 34. RELATED PARTY TRANSACTIONS

Prior to the initial public offering on November 24, 2006 the Group was under the controlling influence of Nordic Capital funds, which owned 85.4% of shares in the parent company. The remaining equity was owned by representatives of the Board of Directors and management of BE Group. After the IPO and until May 22, 2007, Nordic Capital funds through BE Group Holding AB owned 36.3% of shares and voting capital in BE Group AB. On May 22, 15.7% of shares was sold and BE Group Holding AB thereafter owned 20.6% of shares until June 30, 2007. The shares were subsequently owned by BE Investco Luxembourg S.a.r.l until October 1, when the shares were transferred to Trenor Holding Ltd, Jersey, which owned 20.6% of shares in BE Group AB (publ) as of balance sheet date. As of December 31, there were no transactions between the Group and Trenor Holding Ltd, Jersey.

BE Group Holding AB was formed on December 1, 2005 and operations were limited to managing equity in BE Group AB and providing corporate financing until September 30, 2006. Group operations were financed via BE Group Holding AB. Interest is charged on market terms. There were no sales or purchases of goods or assets in BE Group Holding AB in 2007 or 2006.

The Group has had the following related party transactions:

2007

As of December 31, there were no transactions between the Group and Trenor Holding Ltd, and there were no transactions with the company during the financial year.

Note 34, cont

2006

As of December 31, 2006, the Group had no transactions with BE Group Holding AB. Interest in the amount of SEK 4,282K was received and interest in the amount of SEK 18,385K was paid during the year.

The parent company has control over its subsidiaries. See note 19.

The parent has had the following related party transactions:

	Nordic Capital Funds		Subsidiaries	
	2007	**2006**	**2007**	**2006**
Sales of services	–	–	16,200	5,550
Purchases of services	–	–	-3,682	-2,149
Interst income	–	4,282	17,100	4,460
Interest expense	–	-18,385	-10,500	-6,251
Dividend Reccived (+) /or paid (-)	-63,560	-680,000	168,000	413,120
Claims on related parties on balance sheet date	–	–	367,035	664,306
Debt to related parties on balance sheet date	–	–	200,002	271,491

No director or key management personnel has or has had any direct or indirect participation in any business transactions between the individual and the company that is or was unusual in nature with regard to terms and conditions in the current or preceding financial year. The Group has not extended loans, provided warranties, or provided financial guarantees for any director or key management personnel.

See Note 3 for disclosures on remuneration and benefits paid to executives and directors.

NOTE 35. FINANCIAL RISK MANAGEMENT

BE Group is exposed to several financial risks, mainly arising from that the Group is a net borrower and buys and sells products in foreign currencies. Fluctuations in steel prices, exchange rates and interest rates affect the Group's earnings and cash flows. BE Group is also exposed to refinancing and liquidity risk, as well as credit and counterparty risk. The Board of Directors adopts risk management policies. The main task of the Corporate Finance Department at BE Group is to manage financial risk. Corporate Finance is responsible for identifying and effectively limiting the Group's financial risks. Corporate Finance reports to the CEO, who reports to the Board.

Currency risk

By reason of its international operations, BE Group is exposed to currency risk in that exchange rate fluctuations affect the consolidated financial statements. BE Group's currency risk comprises both transaction exposure and translation exposure.

BE Group's objective is to minimize the short-term and long-term impact of movements in foreign exchange rates on the value of the company's result and equity. Primarily, BE Group attempts to manage currency risk through efforts to change operational conditions in order to achieve a match between revenues and expenses in currencies other than SEK. When this matching cannot be achieved, BE Group, from time to time, utilizes forward contracts for currency hedging. All currency hedging is performed by the corporate Treasury Department in the parent company. There were no outstanding forward contracts on balance sheet date.

Transaction exposure

Transaction exposure arises when the Group buys in one currency and sells in another. The Group's purchases are mainly in euro, while sales are denominated in local currencies. Most currencies in CEE are tied to the euro and this exposure is accordingly insignificant.

BE Group had translation exposure against the euro of EUR 131,913K in 2007. Translation exposure against other currencies was insignificant. The Group has utilized forward contracts for currency hedging to a limited extent. Hedging was performed in 2007 corresponding to about 10% of transaction exposure, but there were no outstanding forward contracts at year-end.

Translation exposure

When the net assets (equity and Group allocations of gains to subsidiaries abroad) of foreign Group companies are restated in SEK, translation differences arise in connection with exchange rate fluctuations that affect consolidated equity.

As of balance sheet date, net assets are allocated among the following currencies:

Amount, SEK thousands		
SEK	68,264	8%
EUR	669,413	79%
Other	111,210	13%
	848,887	**100%**

The parent company, BE Group AB, has loans in euro to reduce translation exposure arising from the Finnish operations. Hedge accounting is applied in the consolidated accounts according to principles for hedging net investments in foreign currencies for the aforementioned loans in euro, but hedge accounting was not applied in the parent company. An exchange loss after tax of SEK 12,347K was recognized in equity in 2007. The carrying amount is a good approximation of fair value, as the fixed interest term of the loans is short. The company elected not to apply hedge accounting in 2006. An exchange gain of SEK 8,767K was recognized as financial income in 2006 related to the corresponding loans.

Translation exposure for other countries has been judged immaterial and accordingly not hedged.

See also "Accounting principles" concerning management of hedge accounting for net investments.

Steel price risk

The Group's operations consist largely of purchasing and reselling steel products. The price of steel can change between the purchase and sale date and price differences can affect earnings. According to corporate policy, inventory risk must be reduced through active efforts to improve the inventory turnover rate. The carrying amount for inventory was SEK 942,600K as of balance sheet date.

BE Group estimates the steel price risk by assuming a constant underlying margin on sales of materials and thereafter performing a sensitivity analysis of sales for the period.

Note 35, cont

Interest risk

Interest risk consists of price risk or cash flow risk that affects consolidated earnings and cash flow. Price risk is the risk that the fair value of financial instrument will vary in connection with fluctuations in market interest rates. The Group's price risk is insignificant as the Group's interest-bearing financial assets consist mainly of receivables and liabilities subject to variable rates or short-term fixed rates.

Cash flow risk is the risk that future cash flows on a financial instrument will vary in size. The Group is exposed to interest risk in the form of cash flow risk by reason of BE Group's net debt. The Group's objective is an average fixed interest term of one to twelve months. BE Group has elected to borrow at variable rates or short-term fixed rates and not to hedge cash flow risk associated with interest payments. The average fixed interest term as of balance sheet date was about six months (one month).

As part of the new intragroup financing agreement entered into in September 2006, BE Group replaced internal financing with external financing. Through the end of September 2006, the interest rate on internal financing was based on the average cost of debt for the former parent, BE Group Holding AB.

The following table shows the carrying amounts for consolidated interest-bearing liabilities.

Loan terms, effective rate, maturity structure/fixed rate terms and fair value

SEK thousands	Nominal amount original currency	Carrying amount (SEKk)	Effective rate %	Fixed-rate term number of days	Maturity
2007					
Finance leases, SEK	17,983	17,983	6.28%	–	2019-12-31
Accrued interest		–			
Moderbolaget[1]					
Bank loans, SEK	413,000	413,000	4.51%	107	2011-12-31
Bank loans, EUR	EUR 44,595K	422,477	4.79%	262	2011-12-31
Accrued interest		–	–		
Total interest-bearing liabilities, Parent		**835,477**	**4.65%**	**185**	
Current liability		*12,138*			
Total interest-bearing liabilities, Group		**853,460**			
Current liability		*13,118*			
2006					
Bank loans, variable rate	154	154	4.25%	–	2011-12-31
Accrued interest		–			
Finance leases, SEK	19,027	19,027	6.28%	–	2019-12-31
Accrued interest		–			
Parent[1]					
Bank loans, SEK	419,000	419,000	3.57%	31	2011-12-31
Bank loans, EUR	EUR 45,243K	409,454	4.07%	31	2011-12-31
Accrued interest		–			
Total interest-bearing liabilities, Parent		**828,454**	**3.82%**	**31**	
Current liability		11,863			
Accrued interest		–			
Total interest-bearing liabilities, Group		**847,635**			
Current liability		*12,997*			

The carrying amounts of interest-bearing liabilities are a good approximation of fair value.

[1] In addition to external interest-bearing liabilities, the parent has an intragroup liability of EUR 2,400K (2,400), for which the carrying amount is SEK 22,736K (21,720). The loan accrues interest at a variable rate of 4.10% (3.50). Accrued interest as of balance sheet date was EUR 25K (0) and the debt matures on December 31, 2008. In addition this liability, the parent has interest-bearing liabilities related to the intragroup cash pool. Liabilities to subsidiaries totalled SEK 177,889K (0) on balance sheet date. The liabilities accrue interest at 3.85% and there was no accrued interest on balance sheet date.

Note 35, cont

Significant terms and conditions of loan agreements

There are two financial covenants in the Group's bank loan agreements related to the interest coverage ratio and net debt as a percentage of EBITDA. The company fulfilled the covenants during the entire financial year.

Sensitivity analysis for market risks

	Change in underlying EBITA, SEKM	Effect on equity, SEKM
+/- 5% of average steel price	+/-58	+/-42
+/- 5% in SEK/EUR exchange rate	+/-34	+/-25

	Change in net financial income, SEKM	Effect on equity, SEKM
+/- 1% of interest rate	+/- 6	+/- 4

The sensitivity analysis above reflects the steel price risk, which is the company's estimation of the impact on earnings (underlying EBITA) of a change of 5% given the volumes and underlying margins for materials. The components of sales not dependent on the price of steel, such as revenues from service operations and freight charges, are taken into account. Temporary effects such as inventory gains/losses are not included in the calculation. The exchange rate risk is the assessed net impact on earnings of the transaction and translation exposure.

Refinancing and liquidity risks

The company's interest-bearing liabilities at year-end amounted to SEK 853M (848) and the maturity structure for loan debt is presented in the table above. The maturity structure for all financial liabilities is shown on the table below.

BE Group had an unutilized overdraft facility of approximately SEK 200M as of December 31, 2007. See note 31.

According to the Treasury Policy, the objective of BE Group's financing is to secure confirmed loan commitments for the Group at a competitive cost in order to meet the estimated financial requirements of the Group. BE Group performs liquidity forecasting on the basis of two time horizons: weekly and annualized.

Maturity structure, financial liabilities

The maturity structure for all financial liabilities is shown on the table below.

Financial liabilities	2007-12-31	2006-12-31
Maturity within 90 days	742,739	950,514
Maturity within 91-180 days	1,168	932
Maturity within 181-365 days	13,118	12,843
Maturity within 1-5 years	823,339	816,591
Maturity later than 5 years	17,003	18,047
Total	**1,597,367**	**1,798,927**

Credit risks

Credit risks associated with trade receivables

Customer credit risk is the risk that the Group's customers will default, that is, risk that the company might not be paid for trade receivables. BE Group applies credit policies to manage this risk by limiting the outstanding credit extended and terms for various customers. Short credit terms and the absence of risk concentrations towards individual customers, sectors and geographical segments, except for CEE, contribute to reducing credit risk. Credit insurance has been purchased to reduce the risk in the CEE business area.

No single customer accounted for more than 2.5% of sales in 2007. The ten largest customers combined generated about 12% (9) of sales. Accordingly, the spread of risk must be considered very good.

BE Group sales by customer segment

Sales, SEKM	2007	%	2006	%
Construction sector	1,724	22.5%	1,475	22.1%
Engineering sector	3,508	45.9%	3,260	48.8%
Dealers	528	6.9%	518	7.7%
Other[1)]	1,890	24.7%	1,428	21.4%
Total	**7,650**	**100.0%**	**6,681**	**100.0%**

[1)] "Other" includes the automotive, process, mining and telecommunications segments.

Provisions for customer credit losses are assessed individually, in addition to a group-based assessment based on historical loss levels, which are regularly evaluated and updated. On December 31, 2007, provisions for customer credit losses were SEK 5.4M (4.8), corresponding to 0.7% (0.6) of the gross of total trade receivables.

Time analysis of portfolio assets:

2007	Gross	Impairment
Trade receivables not yet due	572,525	-44
Unimpaired past due trade receivables		
< 30 days	143,632	
30-90 days	13,952	
>90 days	3,480	
	161,064	
Impaired past due trade receivables		
< 30 days	309	-247
30-90 days	960	-215
>90 days	6,355	-4,896
	7,624	**-5,358**
Gross trade receivables	741,214	
Impairment losses on trade receivables	-5,402	
Net trade receivables	**735,812**	
Of which recognized as assets held for sale	44,908	
Of which recognized as trade receivables	690,904	

Note 35, cont

Time analysis of portfolio assets:

2006	Gross	Impairment
Trade receivables not yet due	710,206	-42
Unimpaired past due trade receivables		
< 30 days	116,974	
30-90 days	11,819	
>90 days	3,314	
	132,106	
Impaired past due trade receivables		
< 30 days	–	–
30-90 days	744	-305
>90 days	5,860	-4,502
	6,604	**-4,807**
Gross trade receivables	848,917	
Impairment losses on trade receivables	-4,849	
Net trade receivables	**844,068**	
Of which recognized as assets held for sale	–	
Of which recognized as trade receivables	844 068	

Provisions for doubtful receivables	2007	2006
Provision at January 1	-4,849	-8,626
Reserve for anticipated losses	-397	2,726
Confirmed losses	206	800
Exchange differences	-362	251
Provision at December 31	**-5,402**	**-4,849**

Other counterparties

Credit exposure arises in conjunction with placements of cash and cash equivalents and derivatives trading. BE Group manages the risk that a counterparty will default by selecting creditworthy counterparties and limiting the commitment per counterparty.

In all material respects, the Group's credit exposure coincides with the carrying amount of each class of financial instrument. However, credit insurance is used to a limited extent to reduce credit risk in CEE.

Fair value and carrying amount

In all material respects, fair value coincides with the carrying amount in the balance sheet for financial assets and liabilities. Total carrying amounts and fair value per category are shown on the table below:

Class/ Measurement Category	Investments held to maturity	Loan and trade receivables	AFS financial assets	Financial assets measured at amortized cost	Other liabilities and trade payables	Total carrying amount	Fair value
2007							
Other securities held as fixed assets	–	–	1,942	–	–	1,942	1,942
Long-term receivables	144	–	–	–	–	144	144
Trade receivables	–	690,904	–	–	–	690,904	690,904
Other receivables	–	453	–	–	–	453	453
Interest-bearing liabilities	–	–	–	853,460	–	853,460	853,460
Trade payables	–	–	–	–	743,181	743,181	743,181
Other liabilities	–	–	–	–	726	726	726
Total	**144**	**691,357**	**1,942**	**853,460**	**743,907**	**2,290,810**	**2,290,810**
2006							
Other securities held as fixed assets	–	–	1,856	–	–	1,856	1,856
Long-term receivables	27	–	–	–	–	27	27
Trade receivables	–	844,068	–	–	–	844,068	844,068
Other receivables	–	2,272	–	–	–	2,272	2,272
Interest-bearing liabilities	–	–	–	847,634	–	847,634	847,634
Trade payables	–	–	–	–	948,817	948,817	948,817
Other liabilities	–	–	–	–	2,476	2,476	2,476
Total	**27**	**846,340**	**1,856**	**847,634**	**951,293**	**2,647,150**	**2,647,150**

Note 35, cont

The company owns shares/investments in unlisted companies, which are included in the category of Available-for-sale financial assets. As it is difficult to reliably calculate fair value for these assets, they are recognized at cost.

Otherwise refer to "Financial instruments" under "Accounting principles" regarding measurement of financial assets and liabilities at fair value.

Impairment losses

The company has recognized impairment losses on trade receivables, which are disclosed above under "Credit risks associated with trade receivables." The company has otherwise recognized impairment losses on financial assets as follows.

At each balance sheet date, the company assesses whether there is objective evidence that a financial asset or group of assets is impaired. Objective evidence is made up of two components: observable events that impair the capacity to recover the cost of the asset, and significant or prolonged decline in the fair value of investments classified as available-for-sale financial assets. "Significant" refers to a change in value of 20% and "prolonged decline" refers to situations where the change in value persists for more than 9 months.

Risk management and insurance

The objective of Corporate Risk Management at BE Group is to minimize the total cost of Group loss risks. This is accomplished by continually improving loss prevention and loss limitation in operations and through corporate insurance solutions.

NOTE 36. INVESTMENT COMMITMENTS

As of the balance sheet date, December 31, 2007, the company had resolved the following investment commitments for the next financial year. A decision has been taken to develop the Group IT platform and implement a new corporate business system over a period of three years. A decision has also been taken to invest SEK 5M in production equipment in Sweden.

NOTE 37. KEY ESTIMATES AND ASSESSMENTS

Certain assumptions about the future and certain estimates and assessments as of balance sheet date are particularly significant to measurement of assets and liabilities in the balance sheet. According to management assessment, none of the asset and liability amounts reported are associated with significant risk that material adjustment will be required in the next year. Areas which can require material adjustments but for which the risk that this will occur in the next year has been deemed immaterial are discussed below.

Impairment of goodwill

The value of recognized goodwill is tested at least once a year to determine whether the asset may be impaired. The test requires assessment of the value in use of the cash generating unit, or groups of cash generating units, to which the goodwill has been allocated. The expected future cash inflows from the cash generating unit (group of units) must be estimated and a relevant discount rate determined to calculate the present value of cash inflows.

See note 14 for a description of impairment testing and assumptions used in the process. Management's assessment is that no reasonably possible changes in key assumptions used for impairment testing of cash generating units would cause the carrying amount to exceed the recoverable amount.

NOTE 38. EVENTS AFTER BALANCE SHEET DATE

Acquisition and joint venture within thin sheet in Sweden

BE Group entered into an agreement in January to acquire a 50% interest in ArcelorMittal SSC Sverige AB. Through this strategically important step, BE Group and ArcelorMittal are creating a joint venture for processing and sales of thin sheet in the Swedish market.

BE Group will pay the purchase consideration by transferring the thin sheet business in Borlänge in a non-cash issue and cash consideration of SEK 15M. The interest in the new company will be recognized as an investment in a joint venture using the equity method. The deconsolidation of the existing company will generate a capital gain for BE Group of approximately SEK 50M. The final consideration will be based on the balance sheet as of the transfer date.

The transaction is subject to review by competition authorities.

Transfer of ownership, Czechprofil s.r.o.

BE Group AB finalized an agreement in December to acquire the privately owned company Czechprofil s.r.o. in the Czech Republic and ownership was transferred on January 23, 2008.

The consolidated financial statements and the annual report were prepared in compliance with the International Financial Reporting Standards defined in Regulation (EC) 1606/2002 of the European Parliament and the Council of July 19, 2002 concerning application of International Financial Reporting Standards and generally accepted accounting principles and give a true and fair view of the financial position and performance of the Group and the parent company.

The management reports for the Group and the parent company provide a true and fair view of the company and the Group's operations, financial position and performance and describe the significant risks and uncertainty factors relevant to the parent company and other BE Group companies.

This annual report is subject to adoption by the annual general meeting on April 23, 2008.

Malmö, March 6, 2008
BE Group AB (publ)

Carl-Erik Ridderstråle
Chairman of the Board

Lars Olof Nilsson
Director

Cecilia Edström
Director

Lars Spongberg
Director

Joakim Karlsson
Director

Roger Bergqvist
Director

Kerry Johansson
Employee Representative

Thomas Berg
Employee Representative

Håkan Jeppsson
President and Chief Executive Officer

Our audit report was submitted on March 7, 2008.
KPMG Bohlins AB

Alf Svensson
Authorized Public Accountant

The information in the annual report is such that BE Group AB (publ) is required to publish pursuant to the Swedish Securities Markets Act and/or the Swedish Financial Instruments Trading Act. The information was submitted for publication on March 20, 2008 at 4:00 p.m CET.

AUDIT REPORT

To the annual general meeting of shareholders in BE Group AB
Org nr 556578-4724

We have examined the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the Chief Executive Officer of BE Group AB for 2007. The annual accounts are included in the printed version of this document on pages 30–75. These accounts and the administration of the company, as well compliance with the Swedish Annual Accounts Act in preparing the annual accounts and compliance with International Financial Reporting Standards as adopted by the EU and the Swedish Annual Accounts Act in preparing the consolidated accounts, are the responsibility of the Board of Directors and the Chief Executive Officer. Our responsibility is to express our opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the Chief Executive Officer and significant estimates made by the Board of Directors and the Chief Executive Officer when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the Chief Executive Officer. We also examined whether any board member or the Chief Executive Officer has, in any other way, acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and the Swedish Annual Accounts Act and give a true and fair view of the Group's financial position and results of operations. The management report is consistent with the other components of the annual accounts and consolidated accounts.

We recommend to the general meeting of shareholders that the income statements and balance sheets of the parent company and the Group be adopted, that the profit of the parent company be dealt with in accordance with the management report and that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for the financial year.

Malmö, March 7, 2008

KPMG Bohlins AB

Alf Svensson
Authorized Public Accountant

CORPORATE GOVERNANCE REPORT

OPERATIONS

Corporate governance at BE Group is based on Swedish law, primarily the Swedish Companies Act, OMX Nordic Exchange Stockholm regulations, including the Swedish Code of Corporate Governance ("the Code"), and rules and recommendations issued by relevant organizations. The Board of Directors of BE Group has prepared this corporate governance report in compliance with the Code.

SHAREHOLDERS

Ownership and share capital

BE Group had 9,168 shareholders on December 31, 2007. The principal shareholder is Nordic Capital Funds through Trenor Holding Ltd (20.6% of share capital). Foreign investors owned 48.4% of share capital.

The ten largest shareholders had a total shareholding equal to 45.6% of share capital. Please refer to page 9 of the annual report for further details concerning shareholders as of December 31, 2007.

BE Group's share capital on December 31 amounted to SEK 102,040,816 allocated among 50,000,000 shares. All shares in the company convey equal rights in every respect.

Annual general meeting

The shareholders' rights to take decisions regarding the affairs of BE Group are exercised at the annual general meeting. Shareholders who are listed in the share register on record date and have registered to attend are entitled to participate in the general meeting in person or by proxy. Resolutions at the general meeting are normally passed by simple majority. The Swedish Companies Act requires a specific attendance to achieve quorum or a qualified voting majority concerning certain business.

The annual general meeting must be held within six months of the end of the financial year. The general meeting considers business including allocations of profits or losses, adoption of the income statement and balance sheet, discharge of liability for directors and the Chief Executive Officer, election of directors and appointment of auditors, executive remuneration policies and adoption of principles for appointing the Nominating Committee. Shareholders are given the opportunity at the annual general meeting to ask questions about the company and business performance for the relevant year. All directors, management and the auditors are normally present at the meeting to answer such questions.

Annual general meeting 2007

The 2007 AGM was held May 15, 2007. Chairman of the Board Carl-Erik Ridderstråle was elected chairman of the meeting. The AGM resolved to adopt the presented income statement and balance sheet and the consolidated financial statements and to distribute the company's retained earnings and profit for 2006 so that SEK 3.50 per share was distributed to shareholders. The AGM discharged the directors and the CEO of liability for the financial year and passed resolutions on remuneration to directors and the auditor.

As proposed by the Nominating Committee, the AGM elected the following persons to the board: Chairman Carl-Erik Ridderstråle (re-elected) and directors Cecilia Edström (re-elected), Joakim Karlsson (re-elected), Lars Olof Nilsson (re-elected), Lars Spongberg (re-elected) and Roger Bergqvist (first-time election). The term of office for all directors will end at the close of the next annual general meeting. It was noted in the record that the local trade unions had appointed Thomas Berg and Kerry Johansson as employee representatives to the Board of Directors, and Susanne Olsson and Tord Bengtsson as their alternates, for a term to end at the close of the next AGM. Also as proposed by the Nominating Committee, the registered accounting firm of KPMG Bohlins AB was re-appointed as the company's independent auditor for a term of four years and it was noted that Authorized Public Accountant Alf Svensson is the principal auditor.

The AGM also resolved to adopt new principles for establishment of a Nominating Committee in accordance with that said below and to adopt new policies for executive remuneration. Please refer to pages 34-35 of the annual report for a more detailed presentation of the policies. Finally, the AGM voted in favour of implementing a Share Savings Scheme for key Group personnel ("Share Savings Scheme 2007") and in that connection resolved to authorize the board to acquire and transfer treasury shares in the open market and transfer acquired treasury shares to participants in Share Savings Scheme 2007. Further disclosures about Share Savings Scheme 2007 are provided on page 34 of the annual report.

Nominating Committee

As resolved by the 2007 AGM, the Nominating Committee must consist of five members: the Chairman of the Board and one representative each of the four largest shareholders in BE Group, in terms of voting rights, as of August 31 each year. The names of the four shareholder representatives and the shareholders they represent shall be announced as soon has the Nominating Committee had been appointed and at least six months before the annual general meeting. Unless the members agree otherwise, the member who represents the largest shareholder in terms of voting rights shall be Chairman of the Nominating Committee.

If a member of the Nominating Committee resigns before the process is complete, a substitute nominated by the same shareholder may take that member's place. If there is a significant change in the ownership structure of the company after August 31, but before the date that falls two months prior to the next annual general meeting, and a shareholder who thus became one of the four largest shareholders in terms of voting rights requests a seat on the Nominating Committee, the Nominating Committee shall provide a seat to the shareholder, either by resolving that the shareholder shall replace the shareholder with the least percentage of voting rights after the change in ownership, or by resolving to increase the Nominating Committee by one additional member, with the proviso that the Committee shall consist of no more than six members.

The members of the Nominating Committee prior to the 2008 AGM were: Chairman Ulf Rosberg (Nordic Capital), Mats Guldbrand (AMF Pension), Jesper Bonnivier (Länsförsäkringar Fonder) Nils Petter Hollekim (Odin Fonder) and Carl-Erik Ridderstråle (Chairman of the Board of BE Group).

The Nominating Committee is tasked with proposing to the annual general meeting its nominations for Chairman of the Board and other directors, fees and other remuneration for board assignments for each director, including any remuneration for committee service, nominations for independent auditors and their fees (if applicable) and a nomination for the chairman of the annual general meeting. The Nominating Committee is also charged with assessing the independence of directors in relation to the company and major shareholders and with certain other tasks pursuant to the Code.

The Nominating Committee met three times between its formation and February 8, 2008. As a basis for its proposals to the 2008 AGM, the Nominating Committee assessed whether the current board is suitable for its purpose and meets the requirements on the Board of Directors consequent upon the company's position and future direction. The assessment was based on material including the evaluation of board activities performed under the Chairman's guidance. New recruitments to the Board are based on a list of qualifications adopted by the Nominating Committee.

Shareholders who wish to contact the Nominating Committee may send e-mail to Carl Ridderstråle, cridder@telia.com (subject: "to Nominating Committee") or a letter to "BE Group Nominating Committee, Attention: Carl-Erik Ridderstråle, BE Group AB, Box 225, SE-201 22 Malmö, Sweden.

THE BOARD OF DIRECTORS AND EXERCISE OF BOARD RESPONSIBILITIES

Board composition

Under the Articles of Association, the Board of Directors of BE Group must consist of a minimum of three and a maximum of ten directors elected by the annual general meeting for a term that lasts until the first annual general meeting after the year the director is appointed. The Articles of Association do not allow election of alternate directors.

BE Group's current board is made up of six directors elected by the AGM held May 15, 2007: Carl-Erik Ridderstråle (chairman), Roger Bergkvist, Cecilia Edström, Joakim Karlsson, Lars Olof Nilsson and Lars Spongberg, along with two employee representatives, Thomas Berg and Kerry Johansson and their alternates, Tord Bengtsson and Susanne Olsson. Please refer to page 83 of the annual report for a more detailed presentation of the directors.

All six directors elected by the AGM are independent in relation to BE Group and executive management in accordance with the Code and the OMX Nordic Exchange Stockholm's current listing requirements. Roger Bergqvist, Cecilia Edström and Carl-Erik Ridderstråle may also be considered independent in relation to BE Group's principal shareholders.

Board charter

The Board adopts an annual written charter that defines board responsibilities and regulates internal allocation of tasks for the Board and board committees, including the role of the chairman, decision procedures, meeting schedule, notices of board meetings, agendas and minutes and the Board's activities involving accounting and audit matters and financial reporting. The charter also governs how the Board will obtain information and documentation as a basis for exercising its responsibilities and so that it will be able to make sound decisions. The Board has also adopted a charter for the CEO and a charter for financial reporting to the Board, as well as other special policies.

The Board's responsibilities include monitoring the CEO's work by means of regular follow-up of operations during the year, checking that the organization, management and guidelines for managing BE Group's affairs are appropriate and ensuring the existence of adequate internal control. The Board is also responsible for adopting strategies and objectives, drafting special policies, taking decisions on significant business acquisitions and divestments, other significant investments and placements and loans in accordance with the finance policy, issuing financial reports, evaluating operational management and successor planning.

The Board assures the quality of financial reporting, in part through adopted policy documents such as the charter for the CEO, the charter for financial reporting to the Board and the information and insider policy and in part by dealing with reports from the Audit Committee in the form of formal minutes and observations, recommendations and proposals for resolutions and measures. The Board also assures the quality of financial reporting through the careful examination of interim reports, the annual accounts and the year-end report at board meetings. The Board has delegated to management responsibility for assuring the quality of press releases with financial content and presentation material used at meetings with the media, shareholders and financial institutions.

The Chairman of the Board, Carl-Erik Ridderstråle, organizes and presides over the activities of the Board to ensure compliance with the Swedish Companies Act, other laws and regulations, regulations applicable to publicly traded companies (including the Code) and the Board's internal guidelines. The Chairman monitors operations through regular communications with the CEO and is responsible for ensuring that other directors are provided adequate information and decision input. The Chairman ensures that directors regularly update and deepen their understanding of BE Group and otherwise are given the training required for the efficient exercise of board responsibilities. The Chairman also ensures that board performance is evaluated annually and that the assessments are provided to the Nominating Committee. The Chairman represents BE Group in matters of governance.

The Board has a Remuneration Committee and an Audit Committee. The purpose of board committees is to ensure in-depth and efficient board performance and to prepare items of business in their respective areas. The committees have no decision authority. Committee members are appointed annually by the Board at the statutory meeting. Committee charters are included in the Board charter.

Board activities in 2007

According to the current charter, the Board must meet six times a year in addition to the statutory meeting. Beyond that, the Board must meet when required. There were eleven board meetings in 2007, including four held via teleconference. Board activities during the year were oriented especially towards market communications, discussions of capital expenditures, investment processes, strategic discussions of the company's development over the next three years, and other issues consequent upon the market listing of the company. All resolutions were passed unanimously. The CEO attended all board meetings and provided reports on Group development. In addition to the directors, other employees of BE Group attended board meetings to provide reports on particular matters or if otherwise deemed appropriate. The CFO acted as recording secretary at board meetings.

The following table provides a report of attendance by elected directors at five meetings prior to the AGM and six meetings after the AGM. Attendance at board meetings during the year was good, as shown.

Director	Meetings attended
Carl-Erik Ridderstråle	11
Roger Bergqvist*	6
Cecilia Edström	11
Joakim Karlsson	9
Lars Olof Nilsson	11
Lars Spongberg	8

* Elected for the first time by the 2007 AGM

Audit Committee

The Audit Committee is tasked with supervising accounting, financial reporting and internal control procedures. The Committee drafts and revises an annual audit policy that is presented to the Board. Committee activities are oriented towards assuring the quality and accuracy of financial accounting and reporting, internal financial control efforts, Group compliance with applicable regulations and, where applicable, transactions between the Group and related parties. The Audit Committee also maintains regular contact with the independent auditors for BE Group AB and the Group with a view to generating a continual exchange of opinions and information between the Board and auditors concerning audit issues, assessing audit performance and adopting guidelines for services other than audits that BE Group is permitted to procure from the auditors.

The Audit Committee is made up of Joakim Karlsson (Chairman), Lars-Olof Nilsson and Cecilia Edström. Committee activities are governed by a special charter adopted by the Board as part of the Board charter. After its formation at the AGM on May 15, 2007 the Audit Committee met three times in 2007 and once in 2008. All members were present at the meetings. Audit Committee meetings are minuted and reported orally at board meetings.

Remuneration Committee

The Remuneration Committee deals with issues of pay and other terms of employment, pension benefits and the bonus system for the CEO and his direct reports, as well as remuneration issues of a policy nature. The Committee prepares decision input in certain other remuneration issues that are of a policy nature or otherwise of material significance, such as incentive schemes and profit sharing schemes. The Remuneration Committee is also tasked with drafting executive remuneration policies that the Board will present to the AGM for resolution.

The Remuneration Committee is made up of Carl-Erik Ridderstråle (Chairman) and Lars Spongberg. Committee activities are governed by a special charter adopted by the Board as part of the Board charter. After its formation at the AGM on May 15, 2007 the Audit Committee met three times in 2007 and once in 2008. Both members were present at the meetings. Committee members have also been in regular communication concerning new hires and other pay issues. Meetings of the Remuneration Committee are minuted and reported orally at board meetings.

Board remuneration

Directors' fees for individual elected directors are resolved by the annual general meeting based on the Nominating Committee's proposal. Employee representatives to the Board of Directors do not receive directors' fees. A fee of SEK 400K was paid to the Chairman of the Board for the period from the 2007 AGM until the 2008 AGM. The other directors were each paid a director's fee of SEK 200K for the same term of office. Members of the

Remuneration Committee were paid a fee of SEK 20K each (40 total) for committee service. Members of the Audit Committee were paid fees of SEK 80K total, including SEK 40K to the Chairman and SEK 20K to each of the other members. Directors' fees were paid as resolved by the 2007 AGM. No directors' fees are paid to BE Group employees who sit on subsidiary boards of directors.

REPORTING AND CONTROL

The Board and Audit Committee monitor the quality of financial reporting and BE Group's internal control system and follow up BE Group's risk situation. This is accomplished by various means including a charter for the CEO and the adoption of standards for the contents of reports on financial conditions regularly provided to the Board and in connection with reviews with management and the auditors. The Board and the Audit Committee review and assure the quality of financial reporting, such as the year-end report and annual accounts, and have delegated to management responsibility for assuring the quality of press releases with financial content and presentation material used at meetings with the media, shareholders and financial institutions.

GROUP MANAGEMENT

BE Group's executive management consists of seven people: Håkan Jeppsson, President and Chief Executive Officer; Torbjörn Clementz, Chief Financial Officer; Per Horstmann, Vice President, Purchasing and Production; Per Gullstrand, Business Area Manager CEE; Ylva Berg, Vice President, Market and Business Development; Bo Söderqvist, Business Area Manager Sweden and President of BE Group Sverige AB; and Matti Tiira, Business Area Manager Finland and President of BE Group Oy Ab. Please see 85 the annual report for a more detailed presentation of the CEO and other members of Group management.

The Chief Executive Officer manages operations in accordance with the Swedish Companies Act and guidelines adopted by the Board. In consultation with the Chairman of the Board, the CEO prepares the required information and decision input for board meetings, provides reports on business on the agenda and justifies proposed resolutions. The CEO is responsible for BE Group's business, strategic and financial development and for managing and coordinating day-to-day operations in accordance with board guidelines and decisions. The CEO appoints members of Group management after discussions and agreement with the Chairman of the Board.

BE Group management reviews operations at monthly meetings presided over by the CEO. The Group management team also holds weekly conference calls to discuss operations.

INTERNAL AUDITS

BE Group has a simple legal and operational structure and an established governance and internal control system. The Board and the Audit Committee follow up BE Group's assessment of internal control by means including discussions with BE Group's auditors. In light of the above, the Board has chosen not to have separate internal audits.

AUDITORS

The 2007 ABM reappointed the registered auditing firm of KPMG Bohlins AB as the company's independent auditor for a term of four years. Alf Svensson, authorized public accountant, is the principal auditor. The auditor is in regular communication with the Chairman of the Board, the Audit Committee and Group management. BE Group's auditor is tasked with auditing the annual report and accounting records as well as the management of the company by the CEO and the Board. The auditor works according to an audit plan, into which the opinions of the Board have been incorporated, and has reported its observations to the Board. Reporting took place during the course of the audit with a final report in connection with adoption of the year-end report for 2006 on February 8, 2007. The auditor participates in the annual general meeting to describe the audit process and discuss observations in the audit report. The auditor has had certain consulting assignments during the year in addition to the audit, primarily concerning advice on accounting questions.

The external audit is performed in accordance with generally accepted auditing principles in Sweden. Audits of annual accounts documents for legal entities outside Sweden are performed in compliance with legal standards and other applicable rules in the respective country and in accordance with generally accepted accounting principles. Audit reports are submitted for the legal entities when required by local law.

INTERNAL CONTROL

BE Group's Board of Directors has elected to comply with the application instructions issued by the Swedish Corporate Governance Board on September 5, 2006. Accordingly, the Board provides a description of how internal control of financial reporting is organized without making any statement as to its effectiveness and without any review by the auditor.

Aimed at giving the Board a basis for establishing the appropriate level of internal governance and control, BE Group commenced in late 2006 a review and analysis of existing internal control instruments. Based on the review, an audit of internal control was performed in 2007 within a number of focus areas. External consultant services were used to perform the audit, which has been followed up at the Group and local levels. The follow-up resulted in a number of improvements to internal control. The Board will continue evaluating further reviews of internal control and how internal control should be organized in the future.

BE Group's internal control of financial reporting covers five main areas: establishment of a control environment, risk assessment, control activities, information and communications and follow-up.

Control environment

BE Group has a simple legal and operational structure and an established governance and internal control system, enabling the organization to react quickly to market changes. Operational decisions are taken at the corporate or business area level, while decisions on strategy, business direction, acquisitions and general financial issues are taken by the Board of Directors and Group management of BE Group. Internal control of financial reporting at BE Group is designed to work within this organization.

Clear regulations on delegation of authority and responsibilities are followed within BE Group, which follow Group structure. The foundations for internal control of financial reporting are the control environment and its organization, decision paths, documented and communicated authority and responsibilities and the culture that is the basis for the communications and activities of the Board and Group management. There is an adopted board charter and a charter for the CEO, which includes allocation of responsibilities within the Board as well as the responsibilities of the chairman and the CEO. A charter has also been prepared for each business area manager and for the presidents of all subsidiaries. Managers at various levels in the company are responsible for continual internal control within their areas of responsibility.

Risk assessment

Risk assessment is based on a comprehensive risk analysis performed in connection with preparations for applying for listing on the OMX Nordic Exchange Stockholm. The general financial risks are defined and observed when the Group's financial targets are set.

Control activities

Identified risks associated with financial reporting are managed via corporate control activities such as authorization checks in IT systems and audits of payment authorizations.

Detailed economic analysis of business performance including follow-up against business plans and forecasts supplements operations-specific controls and provides an overall assessment of reporting quality.

Information and communications

The Group has information and communications paths designed to promote completeness and accuracy in financial reporting. Policies, manuals and job descriptions are available on the company intranet and/or in printed form.

Follow-up

The CEO is responsible for ensuring that internal control is organized and followed up in accordance with guidelines adopted by the Board. Financial management and control are performed by the Corporate Finance Department. Financial reporting is analysed monthly at the detailed level. The Board has followed up financial reporting at board meetings and BE Group's auditor has reported its observations to the Board. The Board has received monthly financial reports and the company's financial situation was discussed at every board meeting. The CEO is responsible for ensuring that independent, objective reviews are performed with a view to systematically evaluating and suggesting improvements to Group processes for management, internal control and risk management.

ARTICLES OF ASSOCIATION

The Articles of Association establish matters including the object of BE Group's business, the number of directors and auditors, how notice to attend the annual general meeting must be provided, how the agenda will be dealt with during the AGM and where meetings will be held. The current Articles of Association were adopted by the extraordinary meeting of shareholders held September 26, 2006 and are available on BE Group's website at www.begroup.com.

POLICY DOCUMENTS

The Board has adopted several guidelines and policies aimed at assuring internal control within BE Group, including the Information and Insider Trading Policy, Executive Remuneration Policy, Ethical Guidelines, Internet and IT Policy and the Treasury Policy.

APPLICATION OF THE SWEDISH CODE OF CORPORATE GOVERNANCE

The Code is based on the "comply or explain" principle, which means a company may depart from the provisions of the Code provided that such departures can be explained in a satisfactory manner.

BE Group fully applied the Code in 2007 and departed from Code rules in only one respect. The departure referred to clause 3.6.2 of the Code, which provides that the Board of Directors and the CEO must, immediately before signing the annual report, issue a statement that the annual report was prepared in compliance with certain criteria. No such statement was provided in the 2006 annual report because the Board was of the opinion that applicable law provided full regulation of the responsibility inherent in signing the annual report and that a separate statement according to the Code rule was accordingly redundant. Swedish law now requires a separate certification statement from signatories to the annual report. Accordingly the Swedish Corporate Governance Board has issued an instruction that the Code rule shall no longer be applied and the departure from the Code is no longer relevant. Consequently, a certification statement as required by law is provided immediately before the signatures to the 2007 annual report of the Board of Directors and the CEO.

REVIEW

This corporate governance report has not been reviewed by BE Group's auditors.

BOARD OF DIRECTORS

1 ***Carl-Erik Ridderstråle***
Chairman

Born: 1942
Director since: 2002
Other directorships: Seco Tools AB, Sectra AB, DIAB International AB and Hultdins System AB.
Previous experience: President and CEO of BT Industries AB, ABB Business Area Manager and CEO of Kanthal AB.
Education: MSc Engineering, Swedish Royal Institute of Technology.
Shares held: 500,603

2 ***Roger Bergqvist***
Director

Born: 1948
Director since: 2007
Employer: Addtech AB.
Previous experience: CEO of Addtech AB.
Education: Diploma, Marketing and Communications.
Shares held: 1,000

3 ***Cecilia Edström***
Director

Born: 1966
Director since: 2006
Employer: Scania AB, Head of Corporate Relations (will be taking a new position with TeliaSonera AB in 2008 as Group Vice President Communications).
Previous experience: Former Head of Strategy, Business and Brand Development for the Scania Group and several positions within SEB.
Education: MSc Business administration and Economics, Stockholm School of Economics.
Shares held: 400

4 ***Joakim Karlsson***
Director

Born: 1971
Director since: 2004
Other directorships: BE Group Holding AB, Trenor Holding AB, Luvata International Oy, and Motiv Stockholm AB.
Employer: NC Advisory AB.
Education: MSc Economics, Stockholm School of Economics. Courses at the Darden Graduate Business School in Virginia, USA, and the Swedish Armed Forces Language Institute in Uppsala, Sweden.
Shares held: None

5 ***Lars Olof Nilsson***
Director

Born: 1962
Director since: 2006
Other directorships: International Gold Exploration IGE AB, IGE Nordic AB, Morphic Technologies AB and Kaptensbacken AB.
Employer: Consultant to NC Advisory AB.
Previous experience: Positions with the Trelleborg AB Group, including SVP and Head of Corporate Treasury and Head of Corporate Business Development.
Education: BSc Economics, Umeå University.
Shares held: 12,500

6 ***Lars Spongberg***
Director

Born: 1945
Director since: 2000
Other directorships: BE Group Holding AB, Trenor Holding AB, Skyways Holding AB, Cobolt AB, Cobolt Finans AB, Addtech AB, Intervalor AB, AB Westergyllen, Bikuben AB and AB Cibenon.
Employer: NC Advisory AB.
Previous experience: Positions with Spectra Physics AB, Autoliv AB, Svenska Handelsbanken AB, AB Electrolux and Swedish Match AB.
Education: LL.M., Stockholm University, BSc Business administration and Economics, Stockholm School of Economics.
Shares held: None

7 ***Thomas Berg***
Employee Representative

Born: 1956
Director since: 2000
Education: Internal training courses in business and commercial law.
Shares held: None

8 ***Kerry Johansson***
Employee Representative

Born: 1949
Director since: 2000
Education: Issues in Business Management, Swedish Trade Union Confederation College, Runö.
Shares held: None

9 ***Tord Bengtsson***
Employee Representative, Alternate.

Born: 1971
Director since: 2007
Other directorships: Chairman, The Commercial Employees´ Union, branch 25, Norrköping. Member of Söderköping Municipal Council.
Shares held: None

10 ***Susanne Olsson***
Employee Representative, Alternate.

Born: 1954
Director since: 2004
Other directorships: Union branch board.
Education: Business Administration, Vocational School, Göteborg.
Shares held: None

The information was accurate as of February 29, 2008.

GROUP MANAGEMENT

1 ***Håkan Jeppsson***
President and Chief Executive Officer

Born: 1961
Employed since: 2002
Previous experience: CEO and director for Stora Enso's paper wholesaler Papyrus AB (1999–2002).
Other significant assignments: Menigo Holding AB, Vice Chairman Malmö FF, Vice Chairman of the Swedish Iron and Steel Works Association and the Steel and Metal Wholesalers Association.
Education: BSc Business administration and Economics, Lund University and several executive training programmes.
Shares held: 572,250

2 ***Torbjörn Clementz***
Chief Financial Officer

Born: 1961
Employed since: 2003
Previous experience: Head of Business Development for Overseas Operations at Peab AB (2001–2003) and Head of the Treasury Department at Perstorp AB (1999–2001).
Education: BSc Business administration and Economics, Växjö University.
Shares held: 302,476

3 ***Ylva Berg***
Vice President Market and Business Development

Born: 1965
Employed since: 2006
Previous experience: Head of the Swedish Trade Council office in Copenhagen.
Education: MBA, Stockholm School of Economics.
Shares held: 4,900

4 ***Per Horstmann***
Vice President Purchasing and Production

Born: 1956
Employed since: 2003
Previous experience: Positions including Vice President Purchasing and Logistics at Peab AB (2001–2003) and Alfa Laval Flow AB (1999–2001).
Education: MSc Engineering, Faculty of Engineering at Lund University.
Shares held: 367,288

5 ***Bo Söderqvist***
Business Area Manager and President, Sweden

Born: 1963
Employed since: 1985
Previous experience: Various positions within BE Group.
Education: Leadership programme at IFL, Stockholm School of Economics.
Shares held: 278,677

6 ***Matti Tiira***
Business Area Manager and President, Finland

Born: 1952
Employed since: 1975
Previous experience: Various positions within BE Group.
Education: Degree from the Commercial College in Lahti, Finland and completion of the Management in European Finland programme at the Finnish Institute of Management (LIFIM).
Shares held: 261,910

7 ***Per Gullstrand***
Business Area Manager Central and Eastern Europe

Born: 1967
Employed since: 2006
Previous experience: Sandvik Rock Processing AB, responsible for the business segment's sales operations in Asia and the Middle East (2001–2005) and Regional Manager Asia at Svedala International AB (1995–2001).
Education: MBA from Henley Management College, United Kingdom.
Shares held: 216,503

The information was accurate as of February 29, 2008.

Bo Söderqvist will be succeeded by Magnus Rosén in the second quarter of 2008.

KEY DATA

KEY DATA

(SEKM unless otherwise stated)	2007	2006	2005	2004
Earnings measurements				
EBITA	511.7	551.9	267.0	307.6
Margin measurements				
Gross margin	15.3%	17.6%	16.0%	18.7%
EBITA margin	6.7%	8.3%	4.6%	5.8%
Operating margin	6.7%	8.2%	4.6%	5.7%
Capital structure				
Net debt	592.8	556.4	90.6	402.3
Net debt/equity ratio	69.8%	83.8%	9.3%	51.1%
Working capital (average)	734.7	546.9	575.5	551.1
Operating capital (average)	1,421.1	1,199.7	1,271.1	1,657.9
Operating capital (excluding intangible assets), average	873.7	653.6	726.0	1,112.5
Working capital tied-up	9.6%	8.2%	9.9%	10.4%
Return				
Return on operating capital	35.9%	45.9%	20.9%	18.4%
Return on operating capital (excluding intangible assets)	58.6%	84.4%	36.8%	27.6%
Return on equity	46.1%	45.6%	18.6%	25.8%
Per share data				
Earnings per share (SEK)	7.06	7.90	3.41	3.76
Earnings per share after dilution (SEK)	7.06	7.60	3.24	3.70
Equity per share (SEK)	17.02	13.28	19.45	15.78
Equity per share after dilution (SEK)	17.02	13.28	18.98	15.49
Cash flow from operating activities per share (SEK)	4.31	4.72	7.10	7.39
Shares outstanding at period end (thousands)	49,880	50,000	49,926	49,926
Shares outstanding at period end after dilution (thousands)	49,880	50,000	52,464	52,464
Average number of shares (thousands)	49,967	49,946	49,926	49,154
Average number of shares after dilution (thousands)	49,967	51,912	52,464	49,880
Other				
Average number of employees	940	926	900	890

SUPPLEMENTARY DISCLOSURES

(SEKM unless otherwise stated)	2007	2006	2005	2004
Growth				
Sales growth	14.5%	15.4%	8.9%	27.6%
organic volume growth	1.1%	8.5%	-10.4%	2.2%
price and mix changes	13.3%	7.0%	16.8%	21.6%
currency effects	0.1%	-0.1%	1.1%	0.2%
acquisitions	–	–	1.4	3.6%
Adjusted earnings measurements				
Underlying EBITA	551.9	473.7	395.6	303.2
Adjusted margin measurements				
Underlying gross margin	15.8%	16.7%	16.5%	16.4%
Underlying EBITA margin	7.2%	7.1%	6.8%	5.7%
Adjusted return				
Underlying return on operating capital (excluding intangible assets)	63.2%	72.5%	54.5%	27.3%
Adjusted capital structure				
Net debt/underlying EBITDA (multiple)	1.0	1.1	0.2	1.1
Adjusted per share data				
Underlying earnings per share	7.58	6.72	5.27	3.67
Underlying earnings per share after dilution	7.58	6.46	5.01	3.61
Other				
Inventory gains and losses	-40.2	56.8	-27.8	119.5
Shipped tonnage (thousands of tonnes)	617.1	610.2	562.5	611.6
Average sales prices (SEK/kg)	12.40	10.95	10.29	8.69

DEFINITIONS OF KEY DATA

Earnings measurements

EBITA	Earnings before interest, taxes and amortization.

Margin measurements

Gross margin	Gross profit as a percentage of net sales.
EBITA margin	EBITA (operating profit before amortization of intangible assets) as a percentage of net sales.
Operating margin	Operating profit as a percentage of net sales.

Capital structure

Net debt	Interest-bearing liabilities less cash and cash equivalents and financial assets.
Net debt/equity ratio	Net debt divided by shareholders' equity.
Working capital	Inventories, trade receivables and other current receivables less trade payables and other current liabilities. The measure is an average for the period based on quarterly data.
Operating capital	Tangible assets, goodwill and other intangible assets, deferred tax assets and working capital less deferred tax liabilities, provisions (long-term and current) and other long-term liabilities. The measure is an average for the period based on quarterly data.
Operating capital (excluding intangible assets)	Operating capital less goodwill and other intangible assets. The measure is an average for the period based on quarterly data.
Working capital tied-up	Annualized average working capital as a percentage of net sales.

Return

Return on operating capital	Annualized operating profit as a percentage of average operating capital.
Return on operating capital (excluding intangible assets) (%)	Annualized EBITA as a percentage of average operating capital (excluding intangible assets).
Return on equity	Annualized net profit as a percentage of average equity.

Per share data

Basic earnings per share	Net profit for the period divided by average shares outstanding before dilution during the period.
Earnings per share after dilution	Net profit for the period divided by average shares outstanding after dilution during the period.
Equity per share	Shareholders' equity divided by shares outstanding at the end of the period.
Equity per share after dilution	Shareholders' equity divided by shares outstanding after dilution at the end of the period.
Cash flow from operating activities per share	Cash flow from operating activities divided by average shares outstanding during the period.
Shares outstanding at end of period	The number of shares in the company at the end of the period adjusted for share issues and share splits.
Shares outstanding at end of period after dilution	The number shares in the company at the end of the period adjusted for share issues and share splits. Possible dilution is taken into account.
Average shares outstanding	The weighted average number of shares in the company during the period adjusted for share issues and share splits.
Average shares outstanding after dilution	The weighted average number of shares in the company during the period adjusted for share issues and share splits. Possible dilution is taken into account.

Other

Average number of employees	The number of employees in the Group during the reporting period. New employees, part-time employees and paid overtime are restated as full-time equivalents. The number of employees is an average for the period.

SUPPLEMENTARY DISCLOSURES

Growth	
Sales growth	Change from the preceding period as a percentage of net sales.

Adjusted growth	
Underlying sales growth	Change in net sales from the comparison period, measured as a percentage and adjusted for market price changes and currency effects.

Adjusted earnings measurements	
Underlying EBITA	EBITA before exceptional items adjusted for inventory gains and losses (deductions for gains and additions for losses).

Adjusted margin measurements	
Underlying gross margin	Underlying gross profit as a percentage of net sales. The underlying gross profit is the reported gross profit adjusted for inventory gains and losses (deductions for gains and additions for losses).
Underlying EBITA margin	Underlying EBITA as a percentage of net sales. Underlying EBITA is EBITA before exceptional items and adjusted for inventory gains and losses (deductions for gains and additions for losses).

Adjusted return	
Underlying return on operating capital (excluding intangible assets)	Annualized underlying EBITA as a percentage of average operating capital excluding goodwill and other intangible assets. Underlying EBITA is EBITA before exceptional items and adjusted for inventory gains and losses (deductions for gains and additions for losses). EBITA is operating profit before amortization of intangible assets.

Adjusted capital structure	
Net debt/underlying EBITDA	Annualized net debt divided by underlying EBITDA. Underlying EBITDA is EBITDA before exceptional items and adjusted for inventory gains and losses (deductions for gains and additions for losses). EBITDA is operating profit before amortization.

Adjusted per share data	
Underlying earnings per share	Profit for the period before exceptional items adjusted for inventory gains and losses (deductions for gains and additions for losses) and including the tax effect of the adjustments divided by the average number of shares during the period.
Underlying earnings per share after dilution	Profit for the period before exceptional items adjusted for inventory gains and losses (deductions for gains and additions for losses) and including the tax effect of the adjustments divided by the average number of shares after dilution during the period.

Other	
Inventory gains and losses	The difference between the cost of goods sold at acquisition value and the cost of goods sold where the goods have been valued at replacement price.
Shipped volume	The weight of BE Group's products sold during the period in thousands of tonnes.
Average sales prices	Net sales divided by shipped volume.

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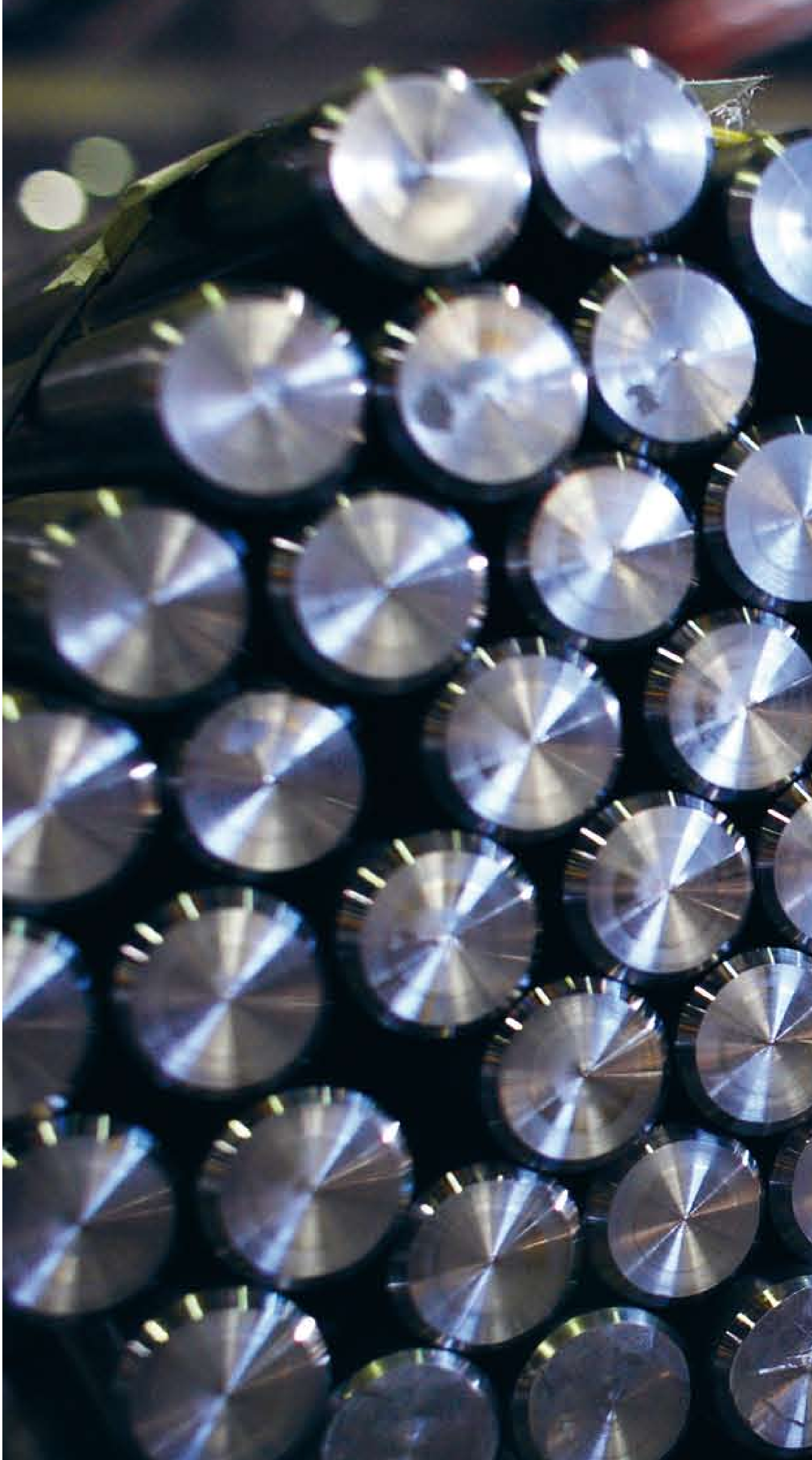

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