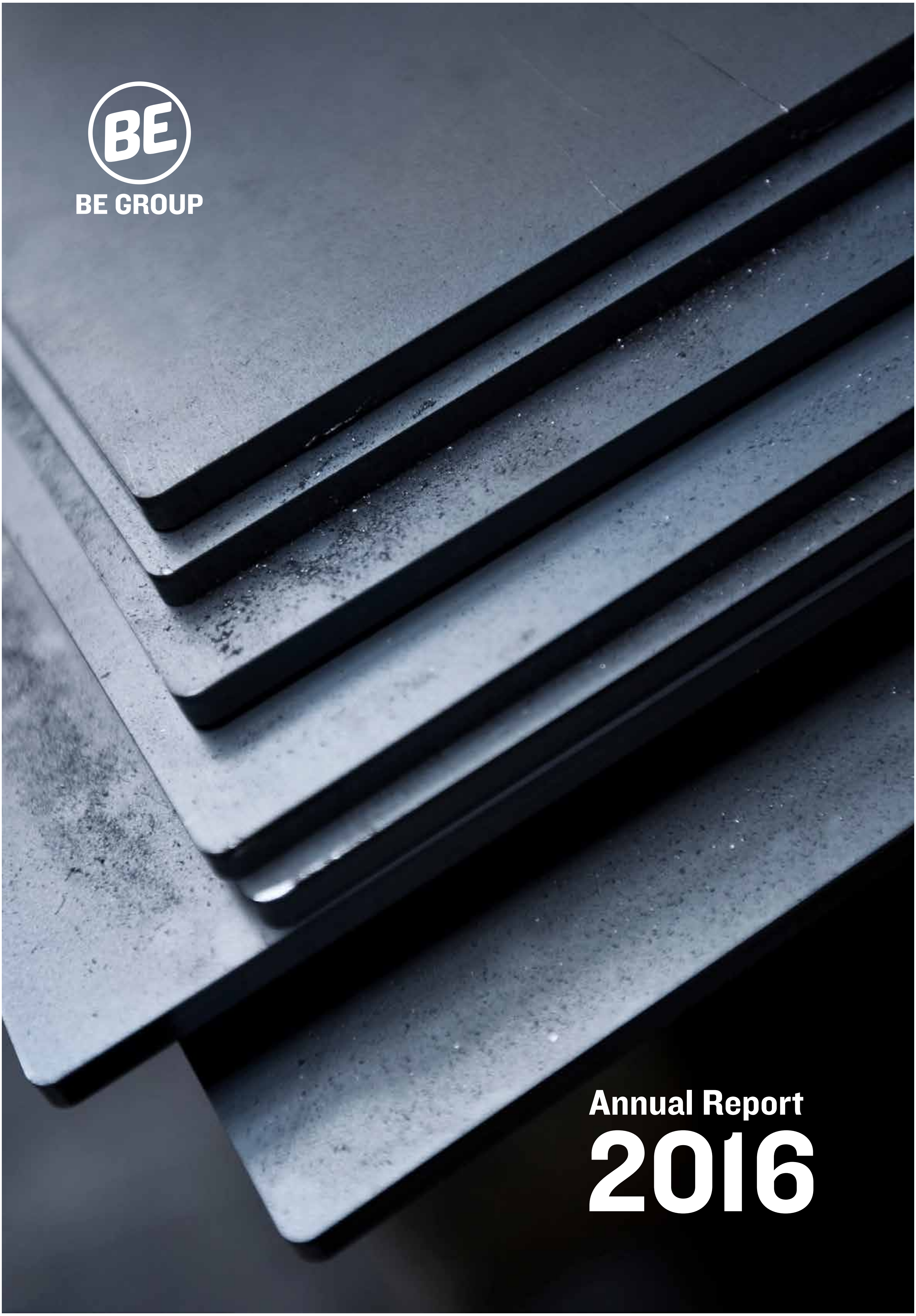


BE GROUP

Annual Report 2016

CONTENTS

Pages 25-102 have been reviewed by the Company's Auditors and comprise the formal Annual Report.

BE Group is a trading and service company in steel, stainless steel and aluminium. Customers mainly operate in the engineering and construction sectors in Sweden, Finland and the Baltic States, where BE Group is one of the market's leading actors.

The year in brief

Q1

NET SALES, SEK M

978 (1,104)

OPERATING RESULT, SEK M

-45 (10)

IMPORTANT EVENTS

- Lower net sales due to a sharp decline in prices in Q4 2015 and lower sales in the Czech Republic and Slovakia.
- Decision taken to close unprofitable operations in the Czech Republic and Slovakia.
- Operating result affected by non-recurring costs of SEK -45 M.

Q2

NET SALES, SEK M

1,047 (1,104)

OPERATING RESULT, SEK M

31 (10)

IMPORTANT EVENTS

- Improved operating result due to higher gross margin.
- New Group structure and organization implemented.
- Inventory gains due to positive prize trend.
- Reverse share split 1:20.

Q3

NET SALES, SEK M

892 (966)

OPERATING RESULT, SEK M

26 (-117)

IMPORTANT EVENTS

- Net sales impacted by restructuring.
- Continued higher gross margin entails improved operating result.
- Last year´s operating result was affected by non-recurring costs of SEK 124 M.

Q4

NET SALES, SEK M

953 (981)

OPERATING RESULT, SEK M

4 (-17)

IMPORTANT EVENTS

- Tonnage excluding operations under restructuring increased by 4 percent.
- Greatly improved operating result.
- Full year cash flow from operating activities improved to SEK 78 M (-93).

2016

NET SALES, SEK M

3,870 (4,155)

OPERATING RESULT, SEK M

16 (-114)

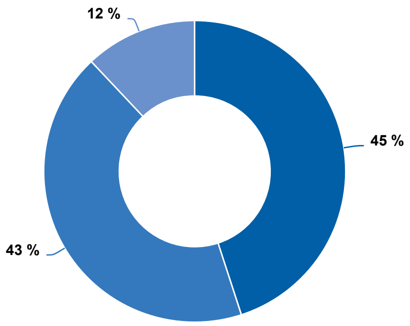
Key data	2016	2015
Tonnage, thousands of tonnes	374	406
Net sales, SEK M [1)]	3,870	4,155
Operating result, SEK M	16	-114
Operating margin, %	0.4	-2.8
Underlying operating result, SEK M [2)]	33	22
Result after tax, SEK M	-20	-169
Earnings per share, SEK	-1.56	-19.47
Return on capital employed, %	1.2	-7.5
Net debt/equity ratio, %	73	78
Cash flow from operating activities, SEK M	78	-93
Average number of employees	739	768

[1)] The decline is to a large part a result of the restructuring of the Group´s operations in the Czech Republic and Slovakia where net sales amounted to SEK 155 M (386).

[2)] Part of BE Groups alternative performance measures which you can read more about in the tabs Alternative performance measures and Financial definitions.

SALES BY BUSINESS SOLUTION

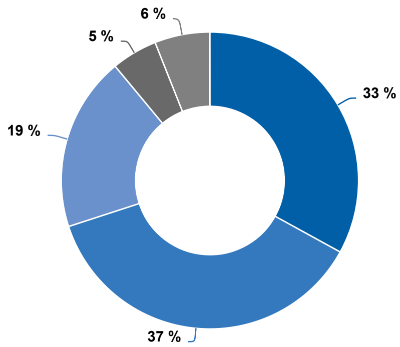
(previous year)



- Inventory sales 45 % (47), SEK 1,714 M (1,960)
- Production service sales 43 % (39), SEK 1,677 M (1,628)
- Direct sales 12 % (14), SEK 479 M (567)

SALES BY PRODUCT AREA

(previous year)



- Long steel products 33 % (31), SEK 1,260 M (1,284)
- Flat steel products 37 % (39), SEK 1,434 M (1,645)
- Stainless steel 19 % (19), SEK 722 M (780)
- Aluminium 5 % (5), SEK 194 M (194)
- Other 6 % (6), SEK 260 M (252)

“On the way to a stronger BE Group”

Important steps to create a strong and profitable company for the long term

When we summarize 2016, we can see that many changes were made and that a stronger base to build our future on has been created. We introduced a new decentralized organization focused on our two core businesses: Distribution and Production, at the same time that we discontinued unprofitable units in the Czech Republic and Slovakia. A new simplified customer segmentation was introduced, to have a clearer customer focus and make the work of adapting our product offering easier. We have started the work on an overall purchasing strategy where we want to build a more defined partnership with selected suppliers. Part of this was that the Group Management was extended with a sourcing director to give the right focus on this important work. In the business units, new management is in place that represents a good mix of experience and new energy. We have now created an organization that is motivated with clear roles and responsibilities, and are working in the same direction. After intensive efforts during the year and with several challenging years behind us, we now look at the future with optimism and great curiosity. Our journey has just begun. I would therefore like to take this opportunity to express a huge thank you to our employees for all of your extraordinary work during the year.

Better financial development

BE Group’s sales in 2016 decreased by 7 percent to SEK 3,870 M, mainly attributable to the restructuring of the operations in the Czech Republic and Slovakia. Tonnage in our main markets, Sweden and Finland, increased by 2 percent in total. The underlying operating profit increased by more than 50 percent to SEK 33 M, which shows that our measures for improved profitability have begun to yield results. The price increase on steel resulted in inventory gains of SEK 28 M, which together with the better underlying earnings and lower non-recurring costs, contributed to the operating profit improving to SEK 16 M compared with SEK -114 M in the preceding year. Cash flow also developed positively, due to a significantly better operating profit and lower capita tied-up l. With the improved cash flow, we were able to reduce the net debt. Altogether, BE Group has a strong financial position with lower net debt and good liquidity.

Positive market development

In connection with the Lehman crash in 2008, the world market for steel consumption collapsed. In the Group’s main markets, steel consumption was nearly halved between 2007 and 2009. The market has since then been challenging with lower consumption and low prices. In 2016, however, the price of steel began to rise, which has a directly positive impact on earnings for our business. We also saw rising growth in the distribution markets in Sweden and Finland. In general, the market climate was more positive this year. In our main markets, Sweden and Finland, the housing sector continued to be strong and the industry sector also had a positive development.

Improvement potential in Business Area Sweden & Poland

Sales for Business Area Sweden & Poland declined by 5 percent to SEK 1,941 M in 2016, mainly as a result of lower average prices. Operating profit improved to SEK 25 M compared with SEK -79 M in the previous year. The Distribution business is improving its earnings, but the underlying operating profit was lower, which is due to a negative earnings trends in the business area’s project operations Lecor Stålteknik in Kungälv and the production operations in Eskilstuna. During the autumn, we implemented organizational changes and a number of measures in these units and are expecting stronger earnings in 2017.

Good development for Business Area Finland & Baltics

Sales for Business Area Finland & Baltics amounted to SEK 1,794 M, which was an increase of 3 percent compared with the previous year. Operating profit improved strongly to SEK 68 M (21), helped by inventory gains. The underlying operating profit improved by 80 percent to SEK 54 M. Delivered tonnage increased by 4 percent during the year and the price was rising. In Finland, the market grew strongly, especially for the construction industry and our capacity utilization increased in the autumn. In the Baltic countries, the market was stable and BE Group held its position among the many other players.

Closure of unprofitable units

During the year, the decision was made to close our operations in Slovakia as well as the sales operations of flat carbon steel in the Czech Republic. We also closed a minor production unit in Estonia. These units had too low sales and were struggling with profitability problems for many years. The affected staff implemented the closure commendably and contributed strongly to a successful process. The costs of the closures are according to plan and savings will be realized in early 2017.

The change programme BE Group 2.0

The restructuring and changes implemented during the year are following the plan that we set up in the form of our change programme BE Group 2.0. The programme includes our new decentralized organization with the split into Distribution and Production, focus on main markets, new customer segmentation for a more adapted customer offering, greater focus on strategic purchasing and the closure of unprofitable operations.

Achieving good profitability with the current volume

Our change programme forms an important part in our long-term strategy. We come from a long period of negative profitability, so the first step is to ensure profitability at the current volumes and the next step is to generate growth. With the changes made as a base, we have now begun work to analyse the long-term strategy. Our goal is to generate growth by strengthening our positions in existing markets and to achieve a long-term underlying profit margin of at least 5 percent.

Outlook

Efforts to improve the Group´s performance continue in many areas. In our main markets we believe in a somewhat growing market in 2017. The price increase for steel products that we have seen during the year has provided a more sustainable situation. Current trade barriers, as well as anticipated future ones, make the market more regional, which should lead to a more stable price development. We are continuing to work according to plan and market conditions are, after several years of negative growth, now brighter.

Anders Martinsson

President and CEO

A leading steel service company in Northern Europe

BE Group is a trading and service company in the steel and metal industry. Customers mainly operate in the engineering and construction sectors in Sweden, Finland and the Baltic States, where BE Group is one of the market's leading actors.

With extensive expertise and efficient processes in purchasing, logistics and production, BE Group offers inventory sales, production service and direct deliveries to customers based on their specific needs for steel and metal products.

BE Group has approximately 700 employees and sales of SEK 3.9 billion in 2016.

The head office is located in Malmö, Sweden.

BUSINESS CONCEPT

BE Group is a trading and service company that offers efficient distribution and value-generating production service in steel, stainless steel and aluminium to manufacturing and construction companies in Europe. By saving time, cost and capital for our customers, we help them improve their competitiveness.

MARKETS

BE Group has around ten facilities in the countries Sweden, Finland, Estonia, Latvia, Lithuania, Poland, the Czech Republic and Slovakia.

For customers who have or are planning operations in several countries, BE Group's organization with a presence in various European markets is a clear competitive advantage. BE Group offers the same secure deliveries, high level of service and expert advice in all of its markets – something that has been strengthened by the local presence. The Group's international presence also means that the Company can tailor complete solutions where the various units contribute to the process in different ways to create as attractive offering as possible.

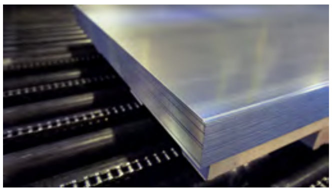
OFFERING

Product range

BE Group's product range comprises a large number of products that meet the customers' material needs. The range consists of long and flat steel products, rebar, stainless steel and aluminium.

Long steel products

Long steel products include beams, hollow sections, bars and tubes. Long products are used in every construction imaginable, such as steel framework, trusses, bridges, vehicles and machines.

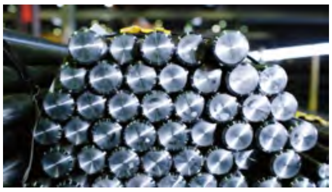


Flat steel products

Flat steel products are represented by plates and sheets in various forms, including hot-rolled, cold-rolled or metal-coated. Plates is a base product in the manufacturing industry and is used, for example, in construction, automotive, machining and process industry.

Reinforcing steel

The assortment of reinforcing steel includes reinforcing steel and reinforcing mesh, products that are used to reinforce concrete and thereby increase the concrete's strength and prevent fracturing in buildings and infrastructure.



Stainless steel

The stainless steel assortment includes plates, sheets, bars, tubes and tube parts. Stainless steel, which is resistant to corrosion thanks to being alloyed with chrome, is used in everything from demanding constructions in the construction, machining, medical and process industry to kitchen furnishings, cutlery, tools and razor blades.

Aluminium

The aluminium range comprises plates, sheets, profiles, bars and tubes. BE Group delivers to subcontractors and OEMs that work with signs, road signs, construction or in the aviation, automotive and packaging industries.

SERVICE

BE Group offers production service of steel, stainless steel and aluminium with production resources in cutting, drilling, slitting, thermal cutting, blasting and painting.

Material advice, logistics solutions and IT services

BE Group also offers material advice, logistics solutions and time-saving IT services that include web-based e-commerce, EDI, digital notifications and electronic invoices.

Production service

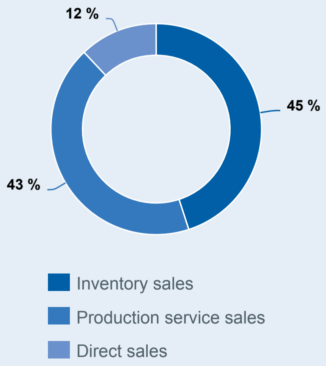
Production service is a competitive solution for producing finished components that can directly enter the customers' production processes.

BUSINESS SOLUTIONS

BE Group's sales to customers take place in three different ways: Inventory sales, production service sales and direct sales.

SALES DISTRIBUTION

Percentage of Group sales 2016



Inventory sales

Inventory sales mean that BE Group sells and distributes materials from its own warehouses and ensures the customer's material flow by the products being delivered in the quantities and at the times that suit the customer's needs.

The products are often delivered to the customer's manufacturing unit, construction site or warehouse already the day after the order. By stocking a broad product range, BE Group can offer the customers a high level of service at competitive prices. The key is in efficient inventory management and planning.

Inventory sales are the largest business solution and in 2016 accounted for 45 percent of the Group's sales.

Production service sales

Production service sales comprise customer solutions where BE Group stands for everything from the purchasing of raw product to customised processing of the product and logistics optimized to the customer's operations.

BE Group refines the products through, for example, cutting, drilling, slitting, thermal cutting or surface treatment according to customer specifications. BE Group also has the ability to use the material in an efficient manner, which means that there is less waste. Through the Company's logistics expertise, the customer also gets more efficient transports, leading to lower environmental impact. By BE Group taking care of all or part of the material processing, the customer can focus on its core business. The Company offers competitive services in production service as well as complementary services.

In 2016, the production service sales accounted for a total of 43 percent of the Group's sales.

Direct sales

Direct sales mean that BE Group sells and delivers large volumes of materials to customers directly from the production of the steel and aluminium mills.

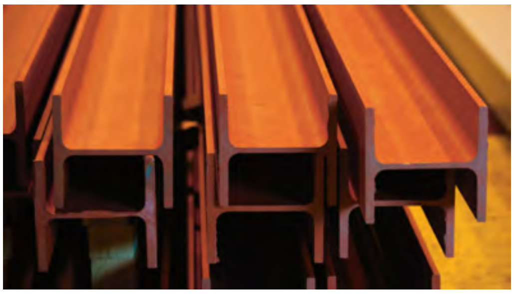
BE Group will find the right product with the right quality and the right price on behalf of the customer. The Company can do this through its presence in key producer markets, an efficient purchasing organization and a size that provides negotiating power in relation to the producers.

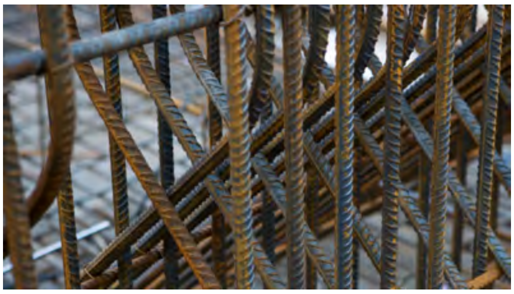
In 2016, the direct sales accounted for a total of 12 percent of the Group's sales.

CUSTOMERS

BE Group's customer base can be divided into two main segments: the construction industry and the manufacturing industry.

The construction industry has four subsegments:



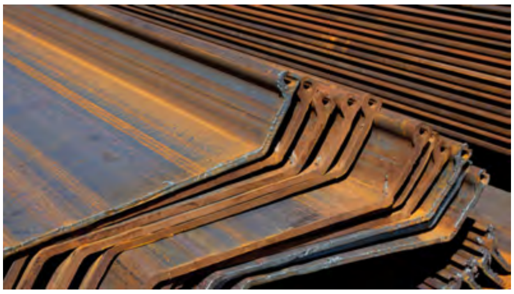


Steel structure suppliers

Steel structure suppliers have a need for beams, construction tubes, bars and heavy plate. Depending on the nature of the project, the customers demand deliveries from inventory or through direct deliveries. The steel is often cut to length, drilled or primed.

Regional construction companies

Regional construction companies have a need for reinforcing products, steel for foundations and construction steel.



Building enterprises

Nationwide construction companies have a need for reinforcing products, steel for foundations and construction steel.

Building material chains

The building material chains consists of building supply and tool chains, often nationwide, and have a need for mainly reinforcement, but also construction steel.

In the manufacturing industry, there are three subsegments that all largely buy from BE Group's whole product range.

Subcontractors

Subcontractors, subsuppliers, mechanic workshops and businesses with project-oriented service and maintenance to e.g. the process industry.

Steel resellers

Local and regional steel resellers.

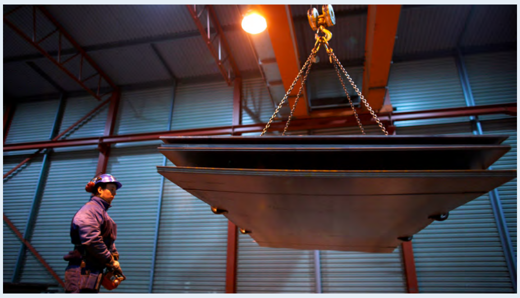
OEM customers

OEM customers (Original Equipment Manufacturers) – industrial companies with manufacturing of their own products under their own brand.

ORGANIZATION

In 2016, BE Group introduced a new organization with a clearer split into two businesses Production and Distribution. This means that BE Group can better adapt the offering to the customers' needs. In the production business, this means greater focus on "just-in-time" deliveries and improved efficiency for the customers' production, and in the distribution business, it means becoming even better at delivering the right products at the right time based on a relevant offering and efficient inventory management.

The new organization is comprised of two Business Areas: Sweden & Poland and Finland & Baltics.

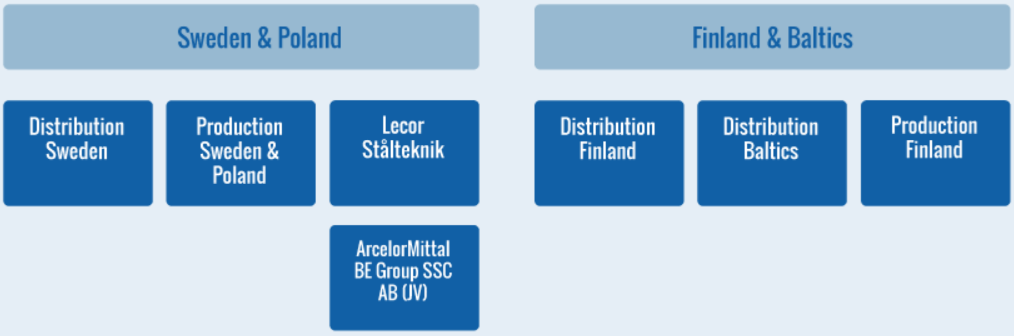


BUSINESS AREA SWEDEN & POLAND

This business area consists of the business units Distribution Sweden, Production Sweden & Poland and Lecor Stålteknik in Kungälv (prefabricated steel constructions for building and industrial projects). BE Group also owns 50 percent of the company ArcelorMittal BE Group SSC AB, a steel service centre where thin plates is cut and slit.

BUSINESS AREA FINLAND & BALTICS

This business area consists of the business units Distribution Finland, Distribution Baltics and Production Finland.



Sustainable development

BE Group's sustainability work is based on the ambition to create corporate social responsibility, which permeates the entire business. The Company shall work to limit the organization's environmental impact and be an economically, socially and ethically responsible actor.

With its position between steel producers and customers, it is in the area of transport in particular that BE Group is able to help reduce the environmental impact. In addition to this, BE Group works to continuously improve its own facilities' energy consumption, emissions and waste management.

In 2012, BE Group performed an inventory of its operations based on ISO 26000 and identified a number of prioritized focus areas that were identified as being of particular importance for the Group. Focus areas are the limitation of climate impact and carbon dioxide emissions, requirement specification and follow-up in the supply chain, integration of sustainability work in the entire Group and an expanded dialogue with key stakeholders. Several of the measures were started in 2012 and the work is continuing. You can read more about BE Group´s sustainable work on the website www.begroup.com/About BE Group

BE Group's Code of Conduct details the Group's responsibilities towards its business partners, owners, employees and society. The Code addresses issues of business ethics, anti-corruption, shareholder value, child labour, equality, work environment, career issues and skills development. The ethical guidelines included in the Code of Conduct cover all employees in BE Group. All managers in the Group are responsible for ensuring that the employees follow the Code of Conduct and that they themselves act as role models. You can read more about BE Group ´s Code of Conduct on the website www.begroup.com/About BE Group

BE Group has its roots in Sweden and Finland, where Bröderna Edstrand and Starckjohann & Co were founded at the end of the 19th century.

19th century

In 1868, Starckjohann & Co was founded by Peter Starckjohann in the Finnish town of Viborg.

In 1885, Bröderna Edstrand was founded by Hans and Jöns Edstrand in Malmö, Sweden.

Both of the companies are trading companies active in their national markets. Bröderna Edstrand initially also sell products like bricks, paper and technical oils, but over the years, business is increasingly concentrated on steel and metals.

20th century

In the 20th century, the companies expand in their own markets.

In 1937, Bröderna Edstrand inaugurates what is still the Group's head office on Spadegatan in Malmö.

At the beginning of the 1960s, Bröderna Edstrand is a corporate group with around 2,500 employees and the company is listed on the Stockholm Stock Exchange in 1974.

In 1976, Starckjohann takes the first steps in what we call production service today.

In 1979, Bröderna Edstrand have sales in excess of SEK 1 billion for the first time.

In 1988, Bröderna Edstrand is acquired by Trelleborg AB and after four generations of ownership, the Edstrand family leaves the company.

In the 1990s, the company establishes units in Denmark, Poland, Latvia and Lithuania. In parallel, Starckjohann Steel expands through the acquisition of the company Mercantile and establishment in Estonia.

In 1999, Nordic Capital becomes the majority shareholder in Bröderna Edstrand and Starckjohann Steel. The two companies, including subsidiaries in the countries around the Baltic Sea, now form the corporate group BE Group.

20th century

In the 20th century, the Group's European expansion continues with establishments in the Czech Republic and Slovakia.

In 2004, Trelleborg sells its remaining shares in the Group and in 2006, BE Group's share is relisted on the Stockholm Stock Exchange.

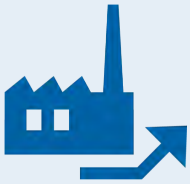
The share

BE Group AB has been listed on the Nasdaq Stockholm Small Cap since the end of 2006 under the ticker BEGR and ISIN code SE0008321921. The Company's largest shareholders are AB Traction, Swedbank Robur Fonder, Avanza Pension and The Pure Circle. You can read more about BE Group´s share on the website www.begroup.-com/investor relations

Three reasons to invest in the BE Group share:

Specialized trading and service company in steel, stainless steel and aluminium that follows the construction and industrial sectors development.

For many years, BE Group has built up a stable business with a strong brand in the industry. Customers mainly operate in the engineering and construction sectors in Sweden, Finland and the Baltic States.

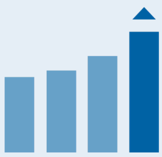


After the new share issue in 2015 and repayment of loans resulting in lower net debt, BE Group is in a stable financial situation today.

The financial risk has thereby been substantially reduced. The Company has made strong improvements to its cash flow and now generates a positive cash flow from operating activities.

In recent years, management has worked purposefully to break the trend and improve profitability.

Unprofitable units have either been restructured or shut down. A new decentralized organization focused on the core businesses of Production and Distribution has been introduced. With better profitability, the Company can now focus on growth.



VISION

BE Group shall be the most professional, successful and respected steel service company.

Professional
We have a customer focus and the right offering to our customers, and deliver at the right time at the right place.

Successful
We shall be a leading steel distribution company that has good profitability and is growing to be able to develop our market positions.

Respected
BE Group shall be well-renowned by our customers, suppliers, employees and owners.

MISSION

Improving the customers' competitiveness means that we help the customers become successful in their markets through our offering, expertise and availability.

BUSINESS IDEA

BE Group is a trading and service company that offers efficient distribution and value-generating production service in steel, stainless steel and aluminium to industrial and construction companies in Europe. By saving time, cost and capital for our customers, we help them improve their competitiveness.

Efficient distribution

We offer efficient distribution through coordination in purchasing, transportation and warehousing.

Value-generating production service

With value-generating production service, we offer further processing of the products, such as processing through cutting and slitting, to meet specific needs at the customers. Customers' need for pre-processed materials can be explained by their strive to streamline processes, free up resources, minimize their own inventories or to focus on their core business.

BUSINESS GOALS

To be the leading independent player in our main markets

By leading, we mean being one or two in size in the market – size is significant to being able to achieve economies of scale in the operations.

Independent means that we are an independent group that does not have steel mills as owners, i.e. producer independent. This gives us greater opportunities to offer competitive products and prices to our customers.

Profitable growth by being a professional partner to our customers and suppliers.

Growing with good profitability is an important starting point and goal for our business.

Being a professional partner means that we have a clear customer focus and are a full-range supplier that supplies products with the right quality at the right time. Important key words for our customer relations are service, closeness and simplicity. This requires good and trusting relationships with our suppliers.

Treating our stakeholders and each other in an open, honest and respectful manner.

The goal ties into our vision of being the most well-respected steel service company. If we are to be perceived as the most well-respected, we have to treat customers, employees, suppliers and owners openly, honestly and respectfully.

FINANCIAL TARGETS

↑

Achieving sales growth that exceeds the market growth.

BE Group's growth is measured as delivered tonnes in the Swedish, Finnish and Baltic markets compared with the market's growth in delivered tonnes in these markets.

>5%

Achieving a profit margin of at least 5 percent

Profit margin is defined as the underlying EBIT margin in the past 12 months.

>15%

Achieving at least 15 percent return on capital employed.

Return on capital employed is defined as operating profit in the past 12 months divided by the average capital employed (equity and interest-bearing liabilities).

Also refer to the section: "Financial targets and outcomes" in this annual report. >>

FUNDAMENTAL VALUES

BE Group has a strong corporate culture that is based on sound and ethical business principles. It is built on the five fundamental values that serve as guides in the day-to-day work. These values address how we act towards one another as employees, as well as towards customers, suppliers and others with whom we come into contact.

Customer understanding

We understand our customers and contribute to their success. In everything we do, we should understand that we are doing it for the customer. If our customers are satisfied, our future is secured.

Results

We are cost-efficient and together we generate profit for our customers and ourselves. If we always focus on this task and are accurate, we can improve our earnings. We follow our procedures, give clear instructions and clear information to each other. We care for our resources and keep costs down. We try to increase our efficiency by being open with each other. We help our colleagues when our own workload has lightened.

Action

We try new solutions and encourage creativity and action. We should be one step ahead by having knowledge of our surroundings and what is happening there. We encourage each other when new ideas are formed and do not get stuck in old ruts. We have the courage to make mistakes and learn from them.

Responsibility

We assume responsibility and keep our promises. Towards our customers, this means delivering the right things at the right time. We take responsibility for our duties and complete them. We care about each other and treat everyone else the way we would want to be treated.

Openness

We are open, straightforward and clear. We should praise each other for what we do well and give constructive criticism for what can improve. When we give information to somebody else – we make sure it is understood how it was intended.

Financial targets and outcomes

Earnings in BE Group shall be used to develop the business and generate returns for the owners. The Board of Directors of BE Group has therefore set three financial targets that should be achieved for earnings to be considered adequate. Over time, the goal completion can vary depending on various phases in the Company's development and the current state of the economy. In the past five years, demand has been relatively weak and the price level has gradually decreased. It was not until 2016 that the market began to recover in terms of demand and price level.

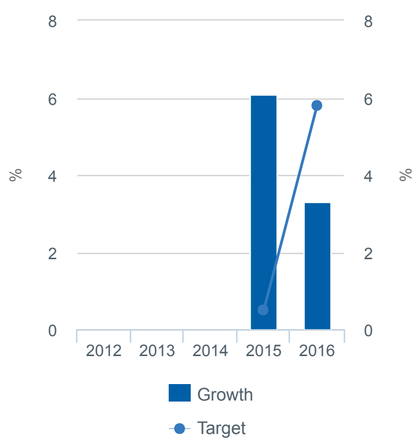
Target 1: Growth

To measure growth in BE Group's markets, the market statistics that the company receives for the distribution markets in Sweden and Finland are used. By comparing tonnage growth year on year in this data, the growth in the market is estimated. BE Group's growth is measured in delivered tonnes in the Swedish, Finnish and Baltic markets. For Sweden, deliveries for the jointly owned company ArcelorMittal BE Group SSC AB are included. The target is to grow more than the market.

Outcome

The market is estimated to have grown by 5.8 percent (0.5) in 2016 compared with 2015. BE Group had a growth of 3.3 percent (6.1) and thereby did not achieve the target for 2016. Management for BE Group assesses that the focus on margin over volume that the company had during the year is the most important factor and that growth of over 3 percent is therefore satisfactory. In addition, the organizational change carried out during the year had some negative impact in 2016, but will have a positive effect in the future.

GROWTH GREATER THAN MARKET



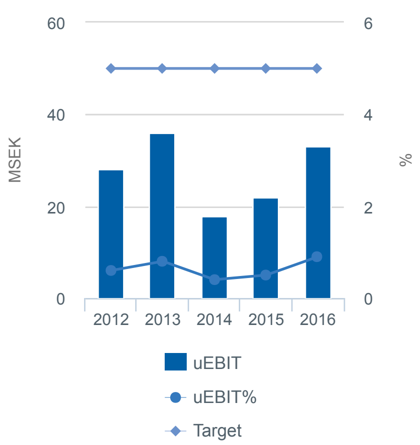
Target 2: Profit margin

Profit margin is defined as the underlying operating margin (uEBIT%) in the past 12 months. The target level is set to at least 5 percent measured over a longer period of time. At the current sales pace, this corresponds to SEK 180-190 M in underlying operating profit (uEBIT). The underlying operating profit, i.e. the operating profit excluding the impact of inventory gains or losses and non-recurring items, is used to put focus on how the operating activities perform and develop.

Outcome

The underlying operating margin amounted to 0.9 percent (0.5) for 2016. In the past five years, the operating margin has been low, and despite an improvement in 2016 over 2015, there is still a long way to go to achieve the target. In 2016, a number of activities were carried out that will contribute positively to the development in the future, including the restructuring done and the reorganization with a clearer business focus. The profit for the year was also burden by particulary poor results in two of the Group's operations. Steps were taken during the year, but they have not yet begun to have an effect.

UNDERLYING OPERATING MARGIN >5%



Target 3: Return

As a measure of return, return on capital employed is used, defined as operating profit in the past 12 months divided by the average capital employed (equity and interest-bearing liabilities). The target level is set to at least 15 percent considering the prevailing capital structure and interest rates. The measure is calculated based on recognized operating profit, i.e. including inventory gains and losses and non-recurring items, to put focus on the actual returns to the owners.

Outcome

The return on capital employed increased to 1.2 percent (-7.5) during the year. The reason is mainly that the operating profit was improved by a higher underlying profit, inventory gains and lower non-recurring items. The diagram above also illustrates an adjusted return where non-recurring items have been excluded. Calculated this way, return improved to 4.4 percent (0.7). The return is also improved by a lower capital employed, which is due to lower asset value mainly as a result of asset impairments in 2015 and the restructuring in 2016.

RETURN ON CAPITAL EMPLOYED >15%

Market for steel service companies

BE Group and other steel distributors play an important role in the value chain. They bridge the gap that exists between steel producers' delivery capacity and steel consumers' needs. The individual steel producers provide a limited selection of products, often in bulk and with relatively long lead times. However, many steel consumers seek a single coordinated supply of several different products in smaller quantities with short delivery times. Purchasing is then normally conducted via a steel service company, where BE Group is one of the leading producer-independent suppliers.

The road to market - from producer to customer

The chain from production of the steel to its final use by the purchaser of the steel can mainly take place in two ways. Around 40 percent of the tonnage is supplied directly from the steel mills to the customers, and around 60 percent of the tonnage is delivered through distributors and steel service centres, i.e. BE Group's market.

The steel mills most often sell directly to customers that consume large volumes of steel in, for example, the shipbuilding and automotive sectors. Direct deliveries are more common in the flat products segment, where volumes are often large and the need for further processing before delivery is lower.

Purchases through distributors and steel service centres meet an important need among customers by being able to offer single coordinated supply of several different products in smaller quantities with short delivery times. The materials are more often delivered in a further refined condition.

From producer to customer

The chain from the production of the steel to its final use by the purchaser can, put simply, take two different forms.

Drivers and success factors

Some of the most important drivers for BE Group's market are:

Construction

Construction of buildings and infrastructure drives demand for various kinds of steel products, from reinforcement and beams for bridge building to stainless steel for kitchen furnishings.

Industrial production

Industrial production is the single largest factor that affects the demand for steel and steel products. A good example is the development in the automotive industry and OEM customers that generates a large demand in BE Group's market.

Important success factors in the market for steel distributors are:

High delivery precision

Delivery of the right products at the right time is important for our customers.

High level of expertise and good service

Good knowledge of the customers' needs and our own products as well as good availability.

Right price

Having cost-effective offers for the customers.

Personal sales and a local presence

Working close to the customers and contributing with knowledge and service.

Competitors

In Sweden and Finland, BE Group is the second largest player. Tibnor has the largest market share in both of the markets. Other competitors are Stena Stål in Sweden and Kontino and Flinkenberg in Finland.

Amounts in SEK M

Company	Sales	Change 2015/2016	Operating profit 1)	Operating margin 1)
BE Group	3,870	-7%	61	1.6%
BE Group Adjusted 2)	3,715	-1%	74	2.0%
Tibnor	6,879	-4%	108	1.6%
Stena 3)	1,619	1%	37	2.3%

1) Excluding items non-recurring items (For BE Group SEK 45 M)

2) Excluding operations under reconstruction where sales in 2016 were SEK 155 M (386) and EBIT excluding non-recurring items was SEK -13 M (-12)

3) Information refers to the financial year September 2015 to August 2016

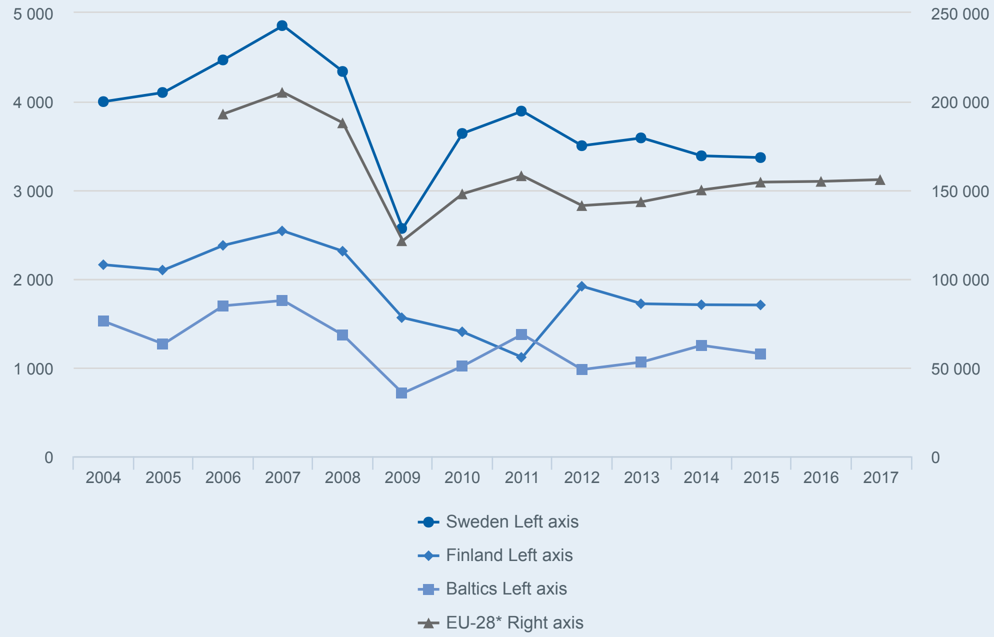
Steel market

In its "Economic and Steel Market Outlook 2017-2018" from 1 February 2017, Eurofer assesses that demand for finished steel products will increase by 0.7 percent from 155 million tonnes in 2016 to 156 million tonnes in 2017 in the EU. By comparison, steel consumption in Sweden amounted to 3.4 million tonnes and in Finland and the Baltics it was 2.9 million tonnes in 2015 according to World Steel.

The graph below shows the historical steel demand in the Group's markets, and in the EU as a whole where the forecast for 2017 has also been included.

STEEL CONSUMPTION ('000 TONNES)

* Data from World steel and Eurofer forecast from 1 February 2017



According to Eurometal's "Outlook on Economies & Steel Markets" from February 2017, the consumption of steel in the construction industry will increase in 2017 in contrast to 2016. The automotive industry's consumption is expected to continue to increase in 2017 for the fifth consecutive year.

Growth forecast per end user in steel for EU	2011	2012	2013	2014	2015	E 2016	F 2017
Construction	+3.7%	-5.1%	-2.9%	+1.7%	+1.6%	-0.2%	+2.1%
Mechanical engineering	+10.2%	-0.5%	-3.8%	+1.5%	+0.1%	+0.7%	+0.7%
Automotive	+10.9%	-4.6%	+1.0%	+4.9%	+7.5%	+5.5%	+3.2%
Domestic appliances	-5.5%	-1.3%	+0.2%	-0.3%	+4.3%	+1.1%	+0.3%
Metal ware & goods	+8.8%	-2.7%	-0.3%	+2.5%	+2.2%	+2.5%	+1.9%

BOARD OF DIRECTORS' REPORT

Development over the year

Operations
BE Group is a trading and service company in steel, stainless steel and aluminum. Customers mainly operate in the engineering and construction sectors in Sweden, Finland and Baltics, where BE Group is one of the leading actors in the market. The Group has approximately 700 employees, with operations in eight countries and head office located in Malmö, Sweden. BE Group's stock is listed on the Nasdaq Stockholm Exchange. Read more about BE Group at www.begroup.com.

Alternative performance measures
BE Group uses a number of alternative performance measures. The alternative performance measures that BE Group considers significant are underlying operating result, net debt, working capital and capital employed. Under the tab alternative performance measures you can read more about how these are calculated.

Market and business environment
According to The European Steel Association (EUROFER), demand for steel in Europe is estimated to have increased 2.5 percent in 2016 compared with the previous year. Just like last year improvement in demand is clearest in the automotive industry. The market situation on the supply side has during the year also been impacted by the import duties imposed by EU on a number of material types. This has reduced the import volumes and in some cases, completely eliminated the overcapacity that has long existed among European steel mills. The facts that BE Group has regarding the current developments in the Swedish and Finnish distribution market indicate a market growth of 6 percent. Steel prices have had an upward trend during the year.

New Group structure and organization implemented
During the year, the Group's structure has changed and now consists of two Business Areas: Sweden & Poland and Finland & Baltics, with a business focus on the Group's main markets. Within each business area, an organization has been built up with separate business units which focus on Distribution and Production, respectively. The purpose of this split is to obtain greater focus and increased transparency to more easily identify and implement improvements. Other units which are under restructuring, consist of BE Group Czech Republic, BE Group Slovakia and RTS Estonia, and is reported together with the Parent company and group eliminations in Parent Company & consolidated items.

Net sales and result
During 2016, consolidated net sales decreased by 7 percent compared to the previous year and amounted to SEK 3,870 M (4,155). Tonnage fell 8 percent as a result of the restructuring of operations in the Czech Republic and Slovakia. In Business Areas Sweden & Poland and Finland & Baltics, tonnage was in-line with, or higher than, the previous year. The average sales price has gradually increased during the year and, for the full-year, is in line with the previous year. The positive price trend during the year has resulted in inventory gains of SEK 28 M (-12). Consolidated net sales were positively impacted by currency effects of 1 percent as a result of a stronger euro. Gross profit, which was positively impacted by inventory gains, increased despite lower sales and amounted to SEK 561 M (524), corresponding to a gross margin of 14.5 percent (12.6). The underlying gross margin improved to 13.9 percent (12.9), corresponding to an unchanged underlying gross profit of SEK 536 M. The operating result, which was affected by non-recurring items of SEK -45 M (-124), improved to SEK16 M (-114). Adjusted for non-recurring items and inventory gains and losses, the underlying operating result increased to SEK 33 M (22). The improved underlying gross margin compensated for the lower sales. This, together with lower expenses, improved the underlying results. The operating margin amounted to 0.4 percent (-2.8) and the underlying operating margin was 0.9 percent (-0.5).

Net financial items and tax
Consolidated net financial items amounted to SEK -27 M (-48), of which net interest expense accounted for SEK -19 M (-26). On an annual basis, consolidated net interest corresponded to 3.4 percent (3.9) of average interest-bearing net debt. Tax amounted to SEK -9 M (-7). Result after tax increased to SEK -20 M (-169).

Cash flow

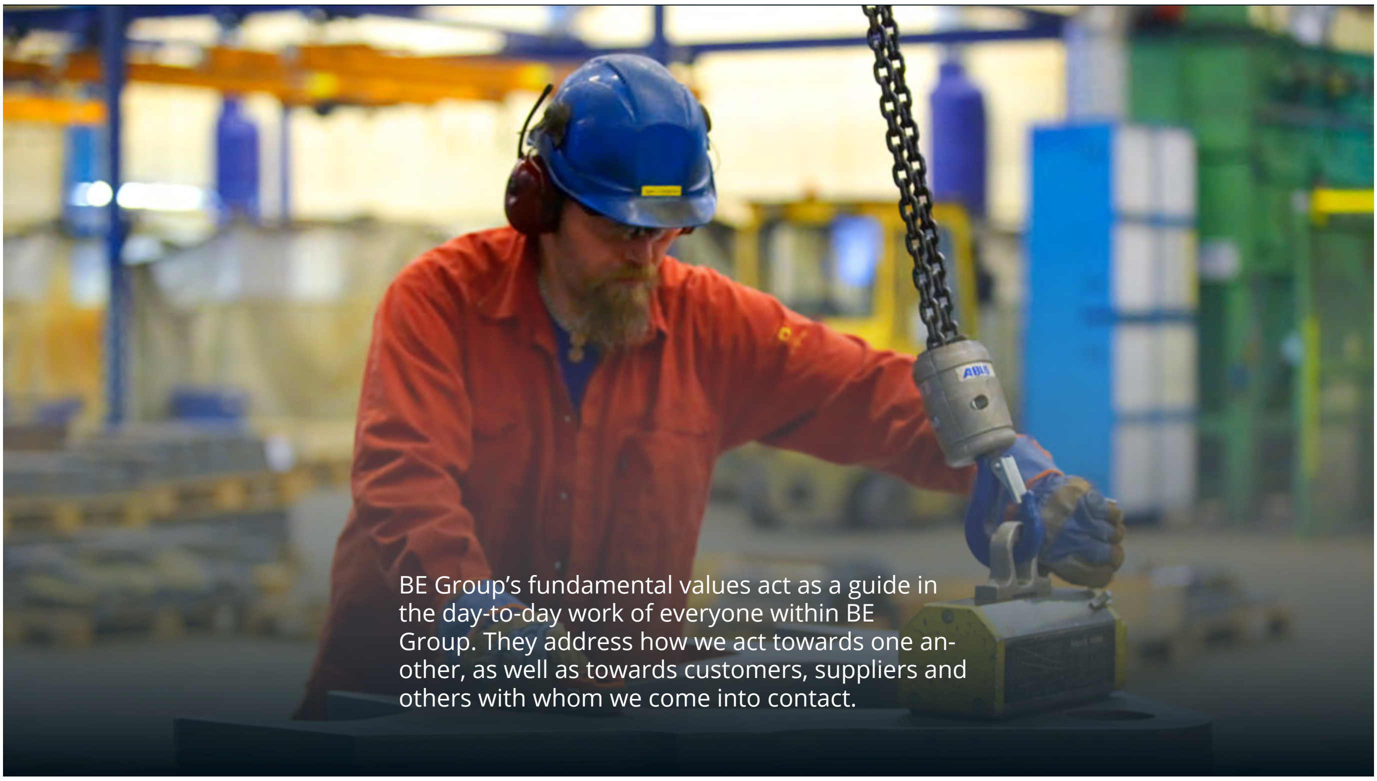
Cash flow from operating activities increased to SEK 78 M (-93) for the full year. The positive cash flow was largely generated from the operating activities' results. The lower working capital, primarily an effect of a reduction in structural working capital from restructuring in the Czech Republic and Slovakia, contributed positively to the cash flow of SEK 34 M (-110). Cash flow from investing activities was SEK -10 M (-16) for the full year. Cash flow after investments thereby amounted to SEK 68 M (-109).

Capital, investments and return

At the end of the period, consolidated working capital amounted to SEK 506 M (525) and average working capital tied-up was 12.6 percent (12.2). Of the year's investments, totaling SEK 10 M (16), investments in intangible assets accounted for SEK 2 M (0) and investments in tangible assets for SEK 8 M (16). The return on capital employed increased in comparison with the previous year and amounted to 1.2 percent (-7.5).

Financial position and liquidity

At the end of the period, consolidated cash and equivalents, including overdraft facilities, were SEK 127 M (133) and consolidated interest-bearing net debt amounted to SEK 562 M (609). At the end of the period, equity totaled SEK 771 M (785), while the net debt/equity ratio increased to 73 percent (78).


BE Group's fundamental values act as a guide in the day-to-day work of everyone within BE Group. They address how we act towards one another, as well as towards customers, suppliers and others with whom we come into contact.

Employees

BE Group considers the employees to be the Group's most important resource. On many occasions, it is one or a few individual employees who are the outward face towards a specific customer or supplier and it is therefore important that everyone who works at BE Group should contribute to us being perceived as an economically, socially and ethically responsible company. It is the people at BE Group who make things happen and make it possible for the Company to keep its promises. The corporate culture is based, among other things, on what BE Group has defined as its fundamental values. These values act as a guide in the day-to-day work of everyone within BE Group. They address how we behave towards one another, as well as towards customers, suppliers and others with whom we come into contact. These are: Understanding customers, Profit, Action, Responsibility and Openness.

The number of employees decreased to 711 compared with 774 at the beginning of the year. The decline is due to the restructuring in Czech Republic and Slovakia. The average number of employees during the year amounted to 739 (768).

Environmental policy and environmental work

For a long time, BE Group has been working with environmental issues as an integrated part of its operations. With its position between steel producers and customers, it is in the area of transport in particular that BE Group is able to help lessen the environmental impact. In addition, BE Group works continuously to improve its own facilities' energy consumption, emissions and waste management.

Overarching environmental policy

A comprehensive environmental policy forms the basis of BE Group's environmental work. The policy states that BE Group shall

- As a minimum comply with current environmental legislation and requirements from local authorities.
- Be economical in the use of energy and natural resources.
- Work to decrease the amount of waste and emissions from our facilities.
- Identify opportunities to make adjustments benefiting the environment when making investments and changes in processes and facilities.
- Maintain a high level of awareness on environmental issues through ongoing training.
- Document and communicate environmental work to employees and provide open and objective information to external stakeholders.

BE Group is engaged in operations at two sites in Sweden for which environmental permits are required. In Finland, operations in one site require environmental permits. Group companies have obtained special permits to engage in operations in the countries where such permits are required. All operations within the Group, with the exception of Lecor Stålteknik, are certified under the ISO 14001 environmental management system.

Risks and risk management in BE Group

BE Group's profits and financial position are affected by a large number of factors. Several of these are beyond the Company's own control. The Group operates in several countries and is therefore exposed to various risks as a consequence of differences in legislation, regulations and guidelines. Risk management within the Group is guided by established policies and procedures that are revised by the Board of Directors and/or Group Management on an ongoing basis. The most important risks and factors of uncertainty for BE Group can be divided between:

- Market risks (economic and steel price trend)
- Operational risks (suppliers, customers, contractual relationships, personnel, product liability, legal and environmental liability)
- Financial risks (currency risk, interest risk, refinancing risk and credit risk)

Market risks

Economic trend

BE Group has a large number of customers in different industries and is therefore affected by the general economic climate. A weak economic trend increases the risk of lower demand for the Group's products, resulting in lower sales revenues. In addition, a weaker economy can lead to low inventory turnover, falling prices and inventory losses on existing inventories. BE Group's strategy regarding inventory levels is to warehouse products based on estimated customer demand. The various companies in BE Group strive to maintain a level of inventory turnover suited to the market and local conditions of each company. The operational control of inventory levels is exerted by means of targets for the number of inventory days.

Steel price trend

The steel industry is influenced by economic developments. As a consequence, steel price trends are volatile and are affected by the balance between the production offering and demand for steel at the different points along the value chain.

Steel prices affect BE Group such that higher market prices provide a greater contribution towards covering the Group's costs given a constant gross margin. The steel price trend also affects final sales prices for products held in inventory, which for BE Group entails a financial impact in the form of inventory gains and losses. To limit these inventory effects, BE Group is working actively to reduce the number of inventory days while maintaining its level of service towards customers. Consequently, falling steel prices have a negative impact on BE Group's operations and earnings, while increased prices have a positive impact.

The table below shows the estimated effect on underlying operating result of changes in steel prices and sold tonnage. The sensitivity analysis is based on the outcome for 2016 and assumes a constant underlying gross margin.

	Change	Operating result effect
Steelprice	+/-5 %	+/-22 MSEK
Tonnage	+/-5 %	+/-22 MSEK

Operational risks

Insufficient deliveries

BE Group's product range consists of materials from several different suppliers. The Group strives to establish relations with the best steel producers and to maintain sustainable, long-term cooperation. To safeguard access to materials on each individual occasion, the Group seeks to always maintain relations with several suppliers in each product group. Over the year, BE Group has cooperated with more than 500 suppliers. Before establishing new business relationships and entering into agreements, suppliers' capacity to meet BE Group's demands in terms of finance, quality, logistics, the environment and other aspects is ascertained.

In BE Group's assessment, it is not dependent on any single supplier and all major suppliers are considered fully interchangeable, so disruption to deliveries by any one of them does therefore not entail long-term consequences for operations. In 2016, the largest single supplier accounted for 14 percent (12) of the Group's purchases. Combined, the ten largest suppliers accounted for 52 percent (49) of the Group's total purchasing. BE Group is exposed to the risk that deliveries from suppliers could be substantially delayed in the event of interrupted production, capacity shortage or transport issues, outside the control of BE Group. This can mean loss of income and/or more expensive actions to meet our commitments to customers.

Customers

BE Group's operations are conducted in several different markets and to numerous customer categories. The ten largest customers accounted for 13 percent (12) of total sales in 2016. BE Group has a large number of customers in different industries and consequently, a good risk diversification. The Company actively works to manage credit risks (see Note 31 for further information) by setting credit limits and focusing on collecting overdue debts. As in the previous year, the credit losses for the year amounted to 0.1% of net sales.

Increased direct deliveries from steel producers

Users of steel have mainly two sources of purchases: directly from steel producers or from trading and service companies. Traditionally, many large-scale users have bought directly from producers, while small and medium-sized users have often made use of trading and service companies. There is, however, a risk that producers will try to extend their direct sales, reducing the use of trading and service companies as agents.

Contractual relations

In accordance with current market practices, the majority of BE Group's customers and its suppliers are not tied to the Group through long-term binding contracts. Instead, it is the Group's custom to rely primarily on its good and often long-term relations with customers and suppliers, and on the normal practices that have been established between the parties. There are specific agreements with some of BE Group's larger customers.

Human Resources

BE Group depends on competent employees for its future development and success. The ability to recruit, retain and develop qualified employees and to be an attractive employer is important. The effect on the operations would be negative if key individuals were to quit and without it being possible to recruit suitable replacements. BE Group has compiled a number of values that reflect the spirit of the Group and pervade its management. BE Group's commercial competence is continuously developed through training and recruitment. Training efforts include broad programs aimed at many employees, as well as specialized solutions for individuals.

Product liability

In the event of defect products, some of the products that BE Group sells could cause personal injury or other harm, thereby incurring a risk of claims for damages in accordance with the product liability laws of the country concerned. BE Group has taken out the conventional liability insurance policies on its operations.

Legal

Since BE Group maintains operations in several countries, the Group is exposed to different laws, regulations, agreements and guidelines, as well as to changes in the stipulations within these. Among other things, regulations include trade restrictions, such as customs duties and tariffs, requirements for import and export licenses, restrictions on movements of capital and tax regulations. In all commercial operations, disputes may arise as a consequence of differences of opinion on issues of responsibility and interpretations of contract terms. From a risk perspective, BE Group is not dependent on any individual commercial agreement that could significantly limit the Group's operations.

Environmental legislation and responsibility for the environment

BE Group's operations are subject to legislation pertaining to the environment, as well as regulations on emissions to the atmosphere and water, waste management and the workplace environment. BE Group could become liable for environmental damage caused by operations conducted, or that have previously been conducted by the Company. According to Swedish law, certain environmental liability is not subject to limitations of time. It cannot be ruled out that operations such as those that are conducted, or have been conducted, by BE Group could lead to liability for environmental impacts that do not appear until much later.

Financial risks

For an account of financial risks, see Note 31.

Share-related information

Ownership structure

The BE Group share has been listed on the Nasdaq Stockholm Exchange since the end of 2006. At the end of the financial year, BE Group had 6,303 shareholders, compared with 7,143 at the end of the previous year. AB Traction and Swedbank Robur were the two largest owners with 19.9 percent and 7.2 percent of the shares, respectively. Information on other major owners is available on the website www.begroup.com/investor relations. At the end of the year, the proportion of institutional ownership (legal entities) totaled 70.4 percent and foreign ownership was 9.6 percent.

At the end of the year, the four members of Group Management together held 95,153 shares in BE Group. At the same time, the Company's directors together held 2,598,728 shares. The disclosures regarding shareholdings in BE Group for the Board of Directors and Group Management refers to own and physically related owned shares including legally owned shares which directly or indirectly is controlled by the person or its relatives.

BE Group held 26,920 treasury shares at the close of 2016.

Share capital, shares outstanding and rights

The registred share capital amounted to 13,010,124 (260,202,495) common shares. The decrease of the number of shares is due to a reverse share split of the company's shares (whereby 20 existing shares was consolidated into one new share) made during the second quarter of 2016. Each share has a quotient value of SEK 20.00 (1.00). According to the Articles of Association, minimum share capital in the Company is SEK 150,000,000 and maximum share capital SEK 600,000,000, with a minimum of 10,000,000 and a maximum of 40,000,000 shares. Share capital is determined in Swedish kronor.

All shares convey equal rights to a percentage of the Company's net assets, profits and any surplus upon liquidation. 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 with respect to transfer of shares. The Company is aware of no agreements between shareholders which may limit the right to transfer shares.

Further information about the BE Group share is provided on www.begroup.com.

Authorization to the Board of Directors

The Annual General Meeting resolved to authorize the Board of Directors, on one or several occasions and not later than the 2017 Annual General Meeting, to make decisions regarding the transfer of treasury shares for the purpose of financing smaller corporate acquisitions. Transfers of at most 26,920 shares, corresponding to the company's existing holding of treasury shares, may deviate from shareholders' preferential rights. Transfers may be applied as payment of all or part of the purchase consideration in the acquisition of companies or operations or parts of companies or operations, in which case the payment shall correspond to the assessed market value of the shares. Alongside share transfers, payment may be effectuated through capital contributed in kind or by setting off claims against BE Group. Transfers may also be made on cash payment through sales on the Nasdaq Stockholm Exchange at a price within the price interval registered at any given time – that being the interval between the highest bid price and lowest asking price at the time of sale. The Board of Directors shall have the right to decide on other conditions for the transfer. However, the conditions shall be market-based.

During the year, no treasury shares were transferred and BE Group held 26,920 treasury shares, corresponding to 0.2 percent of the share capital, which was acquired for a total amount of SEK 21 M.

Dividend and dividend policy

According to BE Group's dividend policy, the Group will distribute at least 50 percent of profit after tax, over time. BE Groups financial positions and future outlook shall be taken into account in determining the payment of dividends.

Corporate governance

The Corporate Governance Report, which, among other things includes an account of the Group's governance and the work of the Board of Directors over the year, is presented on the website www.begroup.com.

Remuneration principles for senior executives

The 2016 Annual General Meeting adopted guidelines for executive remuneration. The policies apply to remuneration and other terms of employment for the individuals who, while the policies are in effect, are members of Group management for BE Group.

In connection with the reorganization implemented during the second quarter of 2016 the Group management also changed. Group managment now consist of four persons: the President and CEO, the CFO, Business Area Manager for Finland & Baltics and the Group Sourcing director.

The policies apply for agreements entered in accordance with Annual General Meeting resolutions and to amendments to existing agreements made after this date. The guidelines are reviewed annually.

The guidelines mainly state that remuneration for senior executives shall consist of fixed base pay, variable remuneration, pension benefits and other benefits. Total remuneration shall be market-based. Fixed pay shall be individual and differentiated based on the individual's responsibilities and performance and set annually. Variable remuneration shall be related to the degree of meeting the annual predetermined, well-defined goals and shall amount to a maximum of 50 percent of fixed salary.

Pension is to be defined-contribution-based and correspond to a maximum of 30 percent of fixed annual salary.

Where notice of termination is issued by BE Group, fixed salary and severance pay shall not exceed an amount equivalent to 12 months' fixed pay.

The actual remunerations agreed during the year are detailed in Note 3.

The Board of Directors' preparation and resolutions in business related to salaries and other terms of employment for senior executives

The Remuneration Committee appointed by the Board of Directors shall prepare matters related to salaries and other terms of employment for executives. Decisions on remuneration to the President and CEO shall be taken by the Board of Directors in its entirety. In respect to other senior executives, decisions on salaries shall be taken by the Remuneration Committee based on proposals by the President and CEO.

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. In accordance with the provisions in the Companies Act, directors are elected by the Annual General Meeting for the period extending until the close of the first Annual General Meeting after that at which they were elected, and amendments to the Articles of Association are determined by the Annual General Meeting in accordance with the regulations set out in the Companies Act.

Contingent liabilities

Consolidated contingent liabilities amounted to SEK 17 M (21).

Significant events after the end of the financial year

After the end of the financial year BE Group's CFO Andreas Karlsson left the company. Daniel Fäldt commenced, as previously informed, the position as CFO at the beginning of March 2017. No other significant events have taken place after the end of the period.

Parent Company

Sales for the Parent Company, BE Group AB (publ), amounted to SEK 25 M (34) during the period and derived from intra-Group services. The operating result amounted to SEK -26 M (-23), of which SEK 1 M (0) were non-recurring items related to personnel reductions. Net financial items, which were negatively impacted in both years by impairment of shares in subsidiaries and last year also by intra-Group receivables, amounted to SEK -50 M (-219). The result before tax was SEK -67 M (-230) and the result after tax was SEK -57 M (-224). At the end of the period, Parent Company equity amounted to SEK 558 M (615). During the year, the Parent Company invested SEK 1 M (0) in intangible assets. At the end of the year, cash and equivalents in the Parent Company amounted to SEK 9 M (13).

Accounting principles

As of January 2005, the consolidated accounts are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Commission for application within the European Union. A more detailed explanation of accounting principles is available under "Accounting principles".

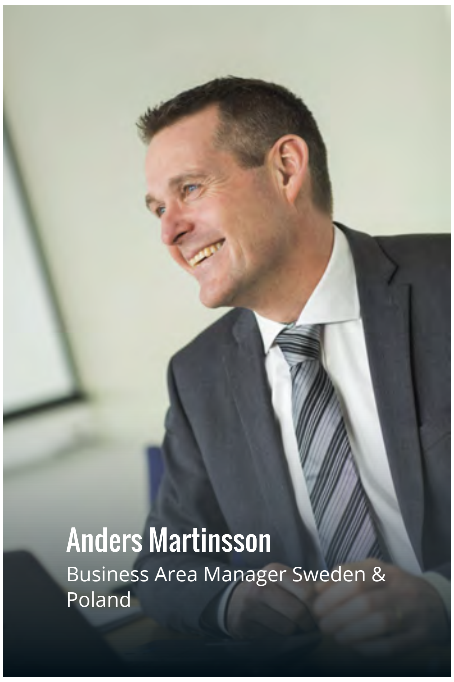
Outlook for 2017

Efforts to improve the Group's performance continue in many areas. In our main markets we believe in a somewhat growing market in 2017. The price increase for steel products that we have seen during the year has provided a more sustainable situation. Current trade barriers, as well as anticipated future ones, make the market more regional, which should lead to a more stable price development. We are continuing to work according to plan and market conditions are, after several years of negative growth, now brighter.

Appropriation of earnings

The Board of Directors' proposal for the appropriation of earnings is detailed under Appropriation of Earnings and in note 24.

BUSINESS AREA SWEDEN & POLAND



Anders Martinsson
Business Area Manager Sweden & Poland

Key data	2016	2015
Shipped tonnage, thousands of tonnes	166	166
Net sales, SEK M	1,941	2,042
Change, %	-5.0	2.2
Operating result (EBIT), SEK M [1)]	25	-79
Operating margin, %	1.3	-3.9
Underlying operating result (uEBIT), SEK M [2)]	14	27
Underlying operating margin, %	0.7	1.3
Investments, SEK M	6	7
Average number of employees	364	360

[1)] The operating result for 2015 has been impacted by write-down of assets of SEK -104 M. The operating result 2016 has been impacted by restructuring cost of SEK -3 M related to the organizational change implemented during second quarter.

[2)] Including as a part of BE Group's alternative performance measures, see also tab Alternative performance measures.

Business Area Sweden & Poland accounted for 50 percent (49) of BE Group's net sales in 2016. The business area includes the Group's operations in Sweden, consisting of the companies BE Group Sverige, BE Group Produktion Eskilstuna and Lecor Stålteknik as well as the Polish operations, BE Group Poland. The roughly 2,000 customers in the engineering and construction industry receive deliveries from warehouse and production facilities in Malmö, Kungälv, Norrköping and Eskilstuna in Sweden and Trebaczew in southern Poland. Apart from these facilities BE Group Sverige has local sales offices in a total of seven cities. The size and needs of the customers vary widely; the ten largest customers account for about 14 percent of the business area's sales. Local presence, a high level of service and good understanding of customers are prerequisites for serving the market.

BE Group owns 50 percent of the company ArcelorMittal BE Group SSC AB, a steel service center where metal coils is cut and slit. The competitors in the market include SSAB-owned Tibnor and Stena Stål, which is a part of the Stena Group.

Sales and business performance

Net sales fell by 5 percent compared with the preceding year, amounting to SEK 1,941 M (2,042). The operating result amounted to SEK 25 M (-79). Adjusted for inventory gains and losses of SEK 14 M (-2) and non-recurring items of SEK -3 M (-104) the underlying operating result amounted to SEK 14 M (27). Non-recurring items for the year were attributable to the restructuring carried out during the second quarter. The non-recurring items in 2015 were related to impairment of asset values.

The Distribution business in Sweden has a tonnage in line with the previous year and significantly improved earnings. The lower underlying earnings for the business area can be attributed to the development in BE Group Produktion Eskilstuna and Lecor Stålteknik, in which the overall loss increased to SEK -32 M (-12). New managers have been appointed for both businesses and measures have been initiated. The joint venture

ArcelorMittal BE Group SSC AB is reported in accordance with the equity method and BE Group's participation in earnings for the year amounted to SEK 8 M (2).

Continued development

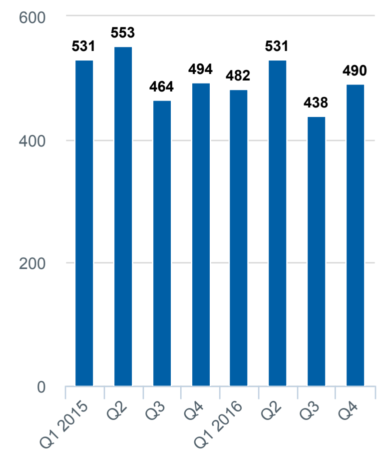
In 2016, the focus has been on improving margins in our business, which has had a positive effect. The recovery that we have seen in prices during the year have also led to inventory gains after several years of losses. Many things have fallen into place internally but the work to strengthen our margins will continue in 2017. This will be achieved through active efforts to enhance and clarify the values we create and price these correctly, but also by streamlining of the purchase process. The customer segmentation which was developed in 2016 will lead to a better customer offer and enable us to more effectively control the sales process internally. Overall, this should lead us to achieve our goal to grow faster than the market in 2017 and to do so with maintained or improved margins.

Regarding Lecor Stålteknik and BE Group Produktion Eskilstuna measures are initiated to deal with the losses generated in 2016.

In our joint-venture ArcelorMittal BE Group SSC, we have during the year decided to invest in an upgrade of an existing cutting line and a new slitting line for metal coils. This means that we in the coming years will be able to offer better quality and a broader product range to our customers. With this, we expect continued good growth and a positive profitability development in the Company.

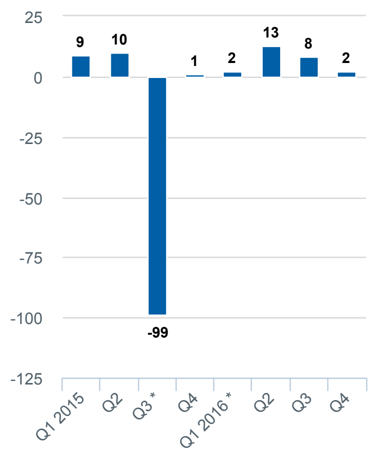
SALES

SEK M



OPERATING RESULT (EBIT)

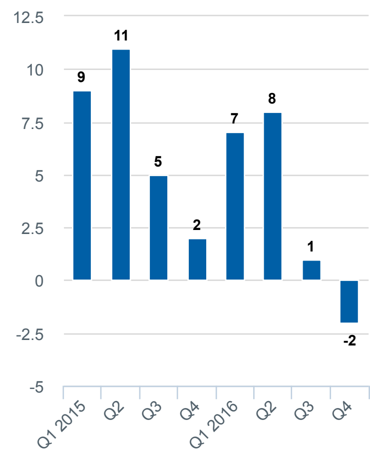
SEK M



* The operating result for Q3 2015 is impacted by write-down of assets of SEK -104 and Q1 2016 by cost related to restructuring of SEK -3 M.

UNDERLYING OPERATING RESULT *

SEK M



* Underlying operating result (uEBIT) is the reported operating result (EBIT) before non-recurring items and adjusted for inventory gains and losses (deductions for gains and additions for losses). See also tab alternative performance measures.

BUSINESS AREA FINLAND & BALTICS

Key data	2016	2015
Shipped tonnage, thousands of tonnes	185	178
Net sales, SEK M	1,794	1,745
Change, %	2.9	1.7
Operating result (EBIT), SEK M [1)]	68	21
Operating margin, %	3.8	1.2
Underlying operating result (uEBIT), SEK M [2)]	54	30
Underlying operating margin, %	3.0	1.7
Investments, SEK M	3	9
Average number of employees	325	332

[1)] The operating result 2016 has been impacted negatively by restructuring costs of SEK -2 M related to the organizational change implemented during second quarter.

[2)] Included as a part of BE Group's alternative performance measures, see also tab Alternative performance measures.

In 2016, the business area accounted for 46 percent (42) of BE Group's net sales. The business area comprises of the Group´s operations in Finland and the three Baltic countries. The operations in Finland consists of production and warehousing facilities in Lapua, Lahti and Turku and sales offices in nine locations. The business area also includes the operations in the Baltic States, comprising of warehousing and sales units in Tallinn, Riga and Kaunas.

In the Finnish market, the Company has around 2,800 customers and the ten largest customers account for about 14 percent of the Company's sales. Focus is on providing value-creating services mainly to the construction- and engineering industry. BE Group Finland is running its own steel service center for cutting and slitting of thin sheets and coils, which means a higher proportion of sale of these products than for Business Area Sweden & Poland. The primary competitors are Tibnor, Kontino and Flinkenberg.

In the Baltic countries, the market is more diversified and conditions vary substantially between Estonia, Latvia and Lithuania, but BE Group generally has a strong and growing position in the area.

Sales and business performance

Net sales rose by 3 percent compared with previous year amounting to SEK 1,794 M (1,745). The operating result improved to SEK 68 M (21) and, adjusted for inventory gains of SEK 16 M (-9) and non-recurring items of SEK -2 M (0), the underlying operating result increased to SEK 54 M (30). Shipped tonnage increased during the period by 4 percent compared with the previous year. Sales, measured in SEK, were also positively affected by currency effects, while the average price was slightly lower than the previous year. The positive price trend and higher underlying gross margin contributed to the significantly improved operating result.

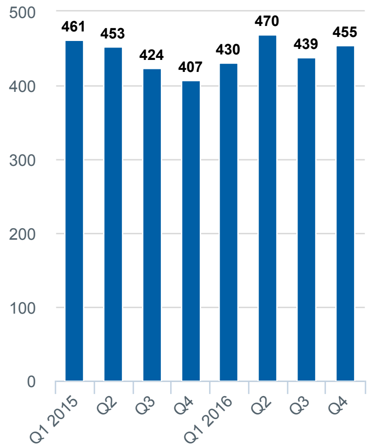
Continued development

The demand during the year has been divided. The growth within the construction industry has been strong while the demand from the engineering industry has been week during most of the year. The industrial production started to increase during the later part of the year and contributed positively to the demand for steel. In the beginning of the year the steel prices recovered after the big decline in the end of 2015 and during the latter part of 2016 the prices continued to increase due to higher raw material prices and the import duties imposed by the EU. This means that the negative price trend which lasted for four years has been broken. The improved market sentiment has together with the positive effects in the wake of the merger between SSAB and Ruukki and the targeted sales efforts led to a strong growth compared with the year before.

The internal work with a new structure and organization has together with a targeted margin improvement led to stronger gross margin and a significantly improved operating result. This work will continue to benefit us during 2017. An agreement concluded between employers and trade unions within the finnish industry will most likely reduce the outsourcing of production and hence, will support the steel demand on the finnish market. Top of our agenda for 2017 will be, just as before, to offer the best customer experience in our industry by providing value-added solutions to every customer and segment we focus on. Overall, we are positive on achieving growth in 2017 in excess of the general market.

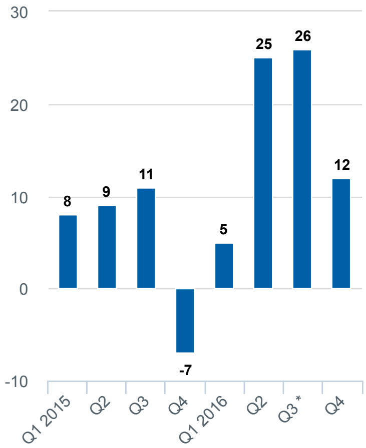
SALES

SEK M



OPERATING RESULT (EBIT)

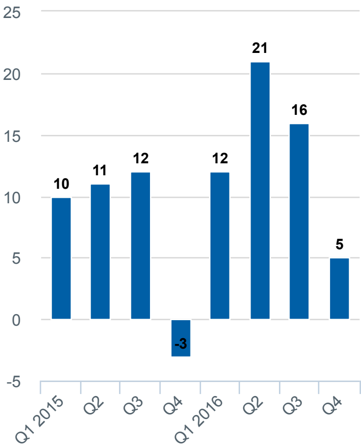
SEK M



* The operating result in Q1 2016 has been impacted by restructuring costs of SEK -2 M.

UNDERLYING OPERATING RESULT *

SEK M



* Underlying operating result (uEBIT) is the reported operating result before non-recurring items and adjusted for inventory gains and losses (deductions for gains and additions for losses). See also tab alternative performance measures.

Key data	2016	2015
Shipped tonnage, thousands of tonnes	23	62
Net sales, SEK M	135	368
Change, %	-63.3	-24.6
Operating result (EBIT), SEK M [1)]	-77	-56
Operating margin, %	neg	neg
Underlying operating result (uEBIT), SEK M [2)]	-35	-35
Underlying operating margin, %	neg	neg
Investments, SEK M	1	0
Average number of employees	50	70

[1)] The operating result 2015 has been impacted by write-down of assets of SEK -20 M. The operating result 2016 has been impacted by write-downs and restructuring costs of SEK -40 M related to the organizational change initiated in the beginning of the year.

[2)] Included as a part of BE Group's alternative performance measures, see also tab Alternative performance measures.

Parent Company and consolidated items comprise of the Parent Company, Group eliminations and the operations that are under restructuring, namely; BE Czech Republic, BE Slovakia and RTS Estonia.

Development over the year

The restructuring, on which the Board of BE Group decided in the first quarter of 2016, is proceeding according to plan. At the end of the year a sale of the company's property in the Czech Republic remained as well as the formal liquidation of the Slovakian company. No additional costs are expected to arise. The closure of the Group's production operations in Estonia was completed earlier in the year. The Group's distribution operations in Estonia are not affected. During the year, sales amounted to SEK 155 M (386). The operating result amounted to SEK -52 M (-32) and, adjusted for inventory losses and non-recurring items of SEK -41 M (-21), the underlying result was SEK -11 M (-11).

Parent Company

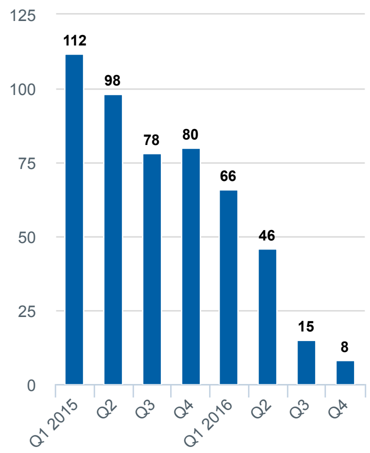
Sales for the Parent Company, BE Group AB (publ), amounted to SEK 25 M (34) during the period and derived from intra-Group services. The operating result amounted to SEK -26 M (-23), of which SEK 1 M (0) were non-recurring items related to personnel reductions. Net financial items, which were negatively impacted in both years by impairment of shares in subsidiaries and last year also by intra-Group receivables, amounted to SEK -50 M (-219). The result before tax was SEK -67 M (-230) and the result after tax was SEK -57 M (-224). At the end of the period, Parent Company equity amounted to SEK 558 M (615). During the year, the Parent Company invested SEK 1 M (0) in intangible assets. At the end of the year, cash and equivalents in the Parent Company amounted to SEK 9 M (13).

Continued development

The negative effects on the Net sales from the restructuring will remain during the first half of 2017. The cost savings will reach full power in the beginning of 2017.

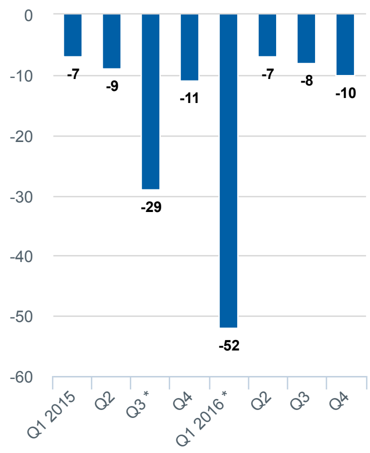
SALES

SEK M



OPERATING RESULT (EBIT)

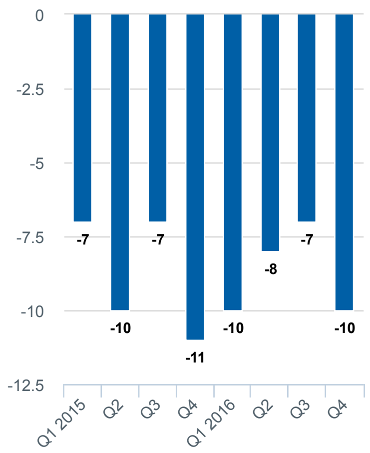
SEK M



* Write-down of assets SEK -20 M in Q3 2015 and SEK -40 M in Q1 2016.

UNDERLYING OPERATING RESULT *

SEK M



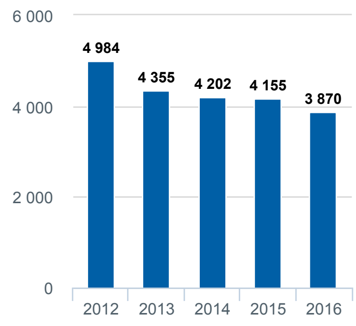
* Underlying operating result (uEBIT) is the reported operating result before non-recurring items and adjusted for inventory gains and losses (deductions for gains and additions for losses). See also tab alternative performance measures.

Consolidated Income Statement

Amounts in SEK M	Note	2016	2015
Net sales	1	3,870	4,155
Cost of goods sold	2	-3,309	-3,631
Gross profit/loss		**561**	**524**
Selling expenses	2	-395	-415
Administrative expenses	2	-111	-102
Participation in earnings of joint venture	7, 17	8	2
Other operating income	7	4	5
Other operating expenses	2, 8	-51	-128
Operating result	3, 4, 5, 14, 15	**16**	**-114**
Financial income	9	3	3
Financial expenses	10	-30	-51
Result before tax		**-11**	**-162**
Tax	11	-9	-7
Result for the year attributable to Parent Company shareholders	12	**-20**	**-169**
Earnings per share before dilution	12	-1,56	-19,47
Earnings per share after dilution	12	-1,56	-19,47

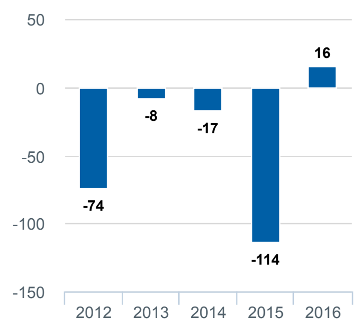
NET SALES, GROUP

SEK M



OPERATING RESULT, GROUP

SEK M



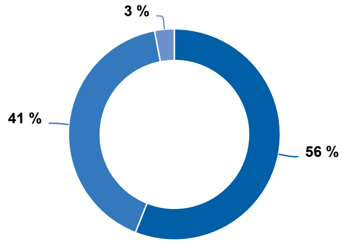
Consolidated Statement of Comprehensive Income

Amounts in SEK M	2016	2015
Profit/loss for the year	**-20**	**-169**
Other comprehensive income		
Translation difference	20	-17
Hedging of net investments in foreign subsidiaries	-18	15
Tax attributable to items in other comprehensive income	4	-3
Items that will not be reclassified to profit/loss for the period	**–**	**–**
Total other comprehensive income	**6**	**-5**
Comprehensive income for the year attributable to Parent Company shareholders	**-14**	**-174**

Consolidated Balance Sheet

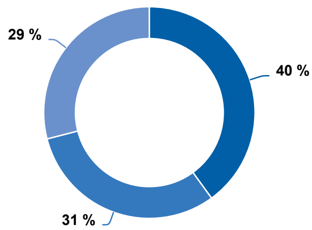
Amounts in SEK M	Note	2016	2015
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	13	562	558
Other intangible assets	14	18	29
		580	**587**
Tangible assets	15	156	199
		156	**199**
Participations in joint ventures	17	87	79
		87	**79**
Financial assets			
Other securities held as non-current assets	18	0	0
Non-current receivables		0	0
		0	**0**
Deferred tax receivable	25	51	42
		51	**42**
Total non-current assets		**874**	**907**
Current assets			
Inventories			
Goods for resale	20	527	546
		527	**546**
Current receivables			
Accounts receivable		442	409
Tax receivables		4	5
Other receivables		30	32
Prepaid expenses and accrued income	21	15	27
		491	**473**
Cash and equivalents			
Cash and equivalents		27	33
		27	**33**
Assets held for sale		0	2
		0	**2**
Total current assets		**1,045**	**1,054**
TOTAL ASSETS		**1,919**	**1,961**

GOODWILL



BE Sverige 56 % (56), M 314 SEK (314)
BE Finland 41 % (41), M 231 SEK (227)
BE Lecor 3 % (3), M 17 SEK (17)

EQUITY AND LIABILITIES



Equity 40 % (40), M 771 SEK (785)
Interest-bearing liab. 31 % (33), M 590 SEK (642)
Other liabilities 29 % (27), M 558 SEK (534)

Amounts in SEK M	Note	2016	2015
EQUITY AND LIABILITIES			
Equity	22		
Share capital		260	260
Other capital contributions		251	251
Translation reserve		24	18
Retained earnings including profit/loss for the year		236	256
Equity attributable to Parent Company shareholders		**771**	**785**
Non-current liabilities			
Non-current interest-bearing liabilities	26, 31	527	565
Provisions	23	0	0
Deferred tax liability	25	43	41
Total long-term liabilities		**570**	**606**
Current liabilities			
Current interest-bearing liabilities	26, 27, 31	63	77
Accounts payable		375	353
Tax liabilities		4	0
Other liabilities		61	67
Accrued expenses and deferred income	28	71	73
Provisions	23	4	0
Total current liabilities		**578**	**570**
TOTAL EQUITY AND LIABILITIES		**1,919**	**1,961**

Pledged assets and contingent liabilities - Group

Amounts in SEK M	Note	2016	2015
Pledged assets	26	**2,139**	**2,049**
Contingent liabilities	26	**17**	**21**

Changes in consolidated equity

Amounts in SEK M	Share capital	Other capital contributions	Translation reserve	Retained earnings	Total equity
2015					
Equity, opening balance, January 1, 2015	**153**	**114**	**23**	**425**	**715**
Profit/loss for the year	–	–	–	-169	-169
Other comprehensive income	–	–	-5	–	-5
Comprehensive income for the year	**–**	**–**	**-5**	**-169**	**-174**
Rights issue	107	137	–	–	244
Change, treasury shares	–	–	–	–	–
Equity, closing balance, December 31, 2015	**260**	**251**	**18**	**256**	**785**
2016					
Equity, opening balance, January 1, 2016	**260**	**251**	**18**	**256**	**785**
Profit/loss for the year	–	–	–	-20	-20
Other comprehensive income	–	–	6	–	6
Comprehensive income for the year	**–**	**–**	**6**	**-20**	**-14**
Rights issue	–	–	–	–	–
Change, treasury shares	–	–	–	–	–
Equity, closing balance, December 31, 2016	**260**	**251**	**24**	**236**	**771**

Reverse share split 2016

The Annual General Meeting 2016 resolved on a reverse share split of the company's shares, whereby 20 existing shares was consolidated into one new share (reverse share split 1:20). The reverse share split was made in May 2016 and means that the total number of shares amount to 13,010,124 shares.

Consolidated Cash Flow Statement

Amounts in SEK M	Note	2016	2015
Operating activities			
Profit/loss before tax		-11	-162
Adjustment for non-cash items	29	64	186
		53	**24**
Income tax paid/received		-9	-7
Cash flow from operating activities before changes in working capital		**44**	**17**
Cash flow from changes in working capital			
Increase (-)/decrease (+) in inventories		37	7
Increase (-)/decrease (+) in operating receivables		-7	4
Increase (+)/decrease (-) in operating liabilities		4	-121
Cash flow from operating activities		**78**	**-93**
Investing activities			
Acquisitions of intangible assets	14	-2	0
Acquisitions of tangible assets	15	-8	-16
Divestments of tangible assets		–	0
Investments in financial assets		0	0
Cash flow from investing activities		**-10**	**-16**
Cash flow after investments		**68**	**-109**
Financing activities			
Rights issue		–	244
Acquisition/divestment of treasury shares		–	0
Loans raised		–	586
Amortization of loan liabilities		-74	-759
Cash flow from financing activities		**-74**	**71**
Cash flow for the year		**-6**	**-38**
Cash and equivalents at January 1		**33**	**73**
Exchange rate differences in liquid assets		**0**	**-2**
Cash and equivalents at December 31		**27**	**33**

Income Statement - Parent Company

Amounts in SEK M	Note	2016	2015
Net sales	1	25	34
		25	**34**
Administrative expenses		-51	-57
Other operating income and expenses	7, 8	0	0
Operating profit/loss	3, 4, 5, 14, 15	**-26**	**-23**
Profit/loss from participations in Group companies	6	-21	-202
Other interest income and similar profit/loss items	9	21	37
Interest expense and similar profit/loss items	10	-50	-54
Profit/loss after financial items		**-76**	**-242**
Appropriations		9	12
Profit/loss before tax		**-67**	**-230**
Tax	11	10	6
Profit/loss for the year		**-57**	**-224**

Statement of Comprehensive Income - Parent Company

Amounts in SEK M	2016	2015
Profit/loss for the year	**-57**	**-224**
Other comprehensive income	**–**	**–**
Comprehensive income for the year	**-57**	**-224**

Balance Sheet - Parent Company

Amounts in SEK M	Note	2016	2015
ASSETS			
Non-current assets			
Intangible assets			
Capitalized expenditure for development work and similar	14	15	21
		15	**21**
Tangible assets			
Equipment, tools, fixtures and fittings	15	0	0
		0	**0**
Financial assets			
Participations in Group companies	16	948	982
Interest-bearing receivables from Group companies	19	92	93
		1,040	**1,075**
Deferred tax receivable	25	44	34
Total non-current assets		**1,099**	**1,130**
Current assets			
Current receivables			
Current interest-bearing receivables from Group companies	19	134	115
Receivables from Group companies		65	57
Tax receivables		2	2
Other receivables		0	3
Prepaid expenses and accrued income	21	5	4
		206	**181**
Cash and equivalents		9	13
		9	**13**
Total current assets		**215**	**194**
TOTAL ASSETS		**1,314**	**1,324**

Amounts in SEK M	Note	2016	2015
EQUITY AND LIABILITIES			
Equity	22		
Restricted equity			
Share capital		260	260
Statutory reserve		31	31
		291	**291**
Non-restricted equity			
Share premium reserve		240	240
Profit brought forward		84	308
Profit/loss for the year		-57	-224
		267	**324**
Total equity		**558**	**615**
Non-current liabilities			
Non-current interest-bearing liabilities	26, 31	515	546
Provisions		0	–
		515	**546**
Current liabilities			
Current interest-bearing liabilities	31	34	34
Current interest-bearing liabilities to Group companies		192	111
Accounts payable		6	3
Liabilities to Group companies		3	4
Other liabilities		1	1
Accrued expenses and deferred income	28	5	10
Provisions		0	0
		241	**163**
TOTAL EQUITY AND LIABILITIES		**1,314**	**1,324**

Pledged assets and contingent liabilities - Parent Company

Amount SEK M	Note	2016	2015
Pledged assets	26	**1,166**	**1,156**
Contingent liabilities	26	**52**	**46**

Changes in Equity - Parent Company

Amounts in SEK M	Share capital	Statutory reserve	Share premium reserve	Profit brought forward	Profit/loss for the year	Total equity
2015						
Equity, opening balance, January 1, 2015	**153**	**31**	**103**	**439**	**-131**	**595**
Profit/loss brought forward from previous year	–	–	–	-131	131	–
Total transactions reported directly in equity	**–**	**–**	**–**	**-131**	**131**	**–**
Profit/loss for the year	–	–	–	–	-224	-224
Other comprehensive income	–	–	–	–	–	–
Comprehensive income for the year	**–**	**–**	**–**	**–**	**-224**	**-224**
Rights issue	107	–	137	–	–	244
Change, treasury shares	–	–	–	–	–	–
Equity, closing balance, December 31, 2015	**260**	**31**	**240**	**308**	**-224**	**615**
2016						
Equity, opening balance, January 1, 2016	**260**	**31**	**240**	**308**	**-224**	**615**
Profit/loss brought forward from previous year	–	–	–	-224	-224	–
Total transactions reported directly in equity	**–**	**–**	**–**	**-224**	**-224**	**–**
Profit/loss for the year	–	–	–	–	-57	-57
Other comprehensive income	–	–	–	–	–	–
Comprehensive income for the year	**–**	**–**	**–**	**–**	**-57**	**-57**
Rights issue	–	–	–	–	–	–
Change, treasury shares	–	–	–	–	–	–
Equity, closing balance, December 31, 2016	**260**	**31**	**240**	**84**	**-57**	**558**

Reverse share split 2016

The Annual General Meeting 2016 resolved on a reverse share split of the company's shares, whereby 20 existing shares was consolidated into one new share (reverse share split 1:20). The reverse share split was made in May 2016 and means that the total number of shares amount to 13,010,124 shares.

Cash Flow Statement - Parent Company

Amounts in SEK M	Note	2016	2015
Operating activities			
Profit/loss after financial items		-67	-242
Adjustment for non-cash items	29	49	229
		-18	**-13**
Income tax paid		–	–
Cash flow from operating activities before changes in working capital		**-18**	**-13**
Cash flow from changes in working capital			
Increase (-)/decrease (+) in operating receivables		-7	-4
Increase (+)/decrease (-) in operating liabilities		12	5
Cash flow from operating activities		**-13**	**-12**
Investing activities			
Acquisitions of intangible assets		-1	0
Acquisitions of tangible assets		–	0
Lending to subsidiaries		16	-9
Cash flow from investing activities		**15**	**-9**
Financing activities			
Rights issue		–	244
Acquisition of treasury shares		–	–
Net change in borrowing/lending in cash pool		45	-68
Loans from subsidiaries		–	–
Amortization of loan liabilities		-51	-173
Cash flow from financing activities		**-6**	**3**
Cash flow for the year		**-4**	**-18**
Cash and equivalents at January 1		**13**	**31**
Cash and equivalents at December 31		**9**	**13**

Accounting principles

Amounts stated in millions of SEK (SEK M) unless specified otherwise.

BE Group AB (publ), company registration number 556578-4724, is a Swedish limited liability company. The registered office is in Malmö, Sweden.

Consolidated accounting principles

Compliance with legislation and standards

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as approved by the Commission of the European Communities for application in the European Union. The Group also applies the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary accounting rules for groups.

The Parent Company applies the same accounting principles as the Group except in the cases stated in the section "Parent Company accounting principles."

Significant accounting principles applied

Other than the exceptions explained in detail, the accounting principles set out below have been applied consistently to all periods presented in BE Group's financial statements. The accounting principles applied in the consolidated accounts have also been applied consistently by the individual companies within the Group.

Changes in accounting principles

Changes to accounting principles necessitated by new or amended IFRS-rules

Amendments to IFRS applicable effective from January 1, 2016 have had no material effect on the consolidated accounts.

New IFRS-rules that have not yet begun to be applied

A number of new standards and interpretations will not enter into effect until future financial years and have not been applied in advance in the preparation of these financial statements. These new standards and interpretations are expected to affect the consolidated financial statements in the following manner:

IFRS 9 – Financial Instruments – addresses the classification, measurement and recognition of financial assets and liabilities and introduces new rules for hedge accounting. The complete version of IFRS 9 was issued in July 2014. It replaces the parts that handle the classification and measurement of financial instruments and introduces a new impairment model. The Group does not expect any material impact on the classification, measurement or recognition of the Group's financial assets and liabilities based on the new rules in IFRS 9. The Group will begin and complete the evalution during the first half of 2017. The standard shall be applied to financial years that begin on 1 January 2018. Early application is permitted.

IFRS 15 – Revenue from Contracts with Customers – is the new standard for revenue recognition. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 is based on the principle that revenue shall be recognized when the customer receives control over the product or service sold – a principle that replaces the previous principle that revenue is recognized when risks and benefits have been transferred to the buyer. At present, the Group cannot estimate the impact of the new rules on the financial statements. The Group will commence a prestudy during the first quarter 2017 which is expected to be completed during the third quarter 2017. The standard shall be applied to financial years that begin on 1 January 2018.

IFRS 16 – Leases – is a new standard on leases published by IASB in January 2016 that will replace IAS 17 Leases and the associated interpretations IFRIC 4, SIC-15, and SIC-27. The standard requires that assets and liabilities attributable to all leases, with a few exceptions, be recognized in the balance sheet. This recognition is based on the view that the lessee has a right to use an asset during a specific time period and at the same time an obligation to pay for this right. The recognition for the lessor will essentially remain unchanged. The standard is applicable to financial years that begin on or after 1 January 2019. Early application is permitted. The EU has not yet adopted the standard. The Group has not yet evaluated the effects of IFRS 16. The Group will commence a prestudy during the third quarter 2017 which is expected to be completed during the first half of 2018.

None of the other IFRS or IFRIC interpretations that have not yet entered into effect are expected to have any material impact on the Group.

There are no plans to apply any new standards or amendments in advance.

Conditions applied to Parent Company and consolidated financial statements

Functional currency and reporting currency

The functional currency of the Parent Company is SEK and this is also the reporting currency of the Parent Company and the Group. Consequently, the financial accounts are presented in SEK. All amounts are rounded off to the nearest million unless otherwise stated.

Valuation principles

Assets and liabilities are reported at historical cost with the exception of certain financial assets and liabilities, which are reported at fair value. Financial assets and liabilities recognized at fair value consist of derivative instruments. Fixed assets and disposal groups held for sale are reported at their carrying amount or fair value less sales expenses, whichever is lowest.

Assessments and estimates

Preparation of the financial statements in accordance with IFRS requires management making assessments, estimations and assumptions that affect the application of the accounting principles and the figures reported for assets, liabilities, revenues and expenses. 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 then used to assess the carrying amount of assets and liabilities not otherwise evident from other sources. The actual outcome may deviate from these estimations and assessments. The estimations and assessments are reviewed regularly. Changes in estimations are reported in the period in which they are made if they only affect that period, or in the period in which they are made and future periods if they affect both the period concerned and future periods.

Management's assessments in connection with application of IFRS that have significant effect on the financial statements and estimates that may cause material adjustments to the financial statements of subsequent years are described in greater detail below in Note 33, Significant estimates and assessments.

Basis for consolidation

Subsidiaries

The Parent Company BE Group AB (publ) directly or indirectly owns all shares and votes in its subsidiaries and therefore has a controlling influence over these.

In the consolidated accounts, subsidiaries are reported in accordance with the acquisition method. The method entails acquisitions of subsidiaries being viewed as transactions through which the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. Consolidated cost is determined by means of an acquisition analysis in connection with the transaction. The acquisition analysis determines, in part, the cost of the holdings or operations and, in part, the fair value of the identifiable assets, liabilities and contingent liabilities assumed on the date of acquisition. Possible transaction fees due to the acquisition of a subsidiary are reported directly in the profit/loss for the period, except for transaction fees that arose prior to January 1, 2010. The latter has been included in the cost. Subsidiaries' financial accounts are included in the consolidated accounts from the point of acquisition and until the Group no longer has a controlling influence.

Payment in connection with the acquisitions does not include payments settling prior business transactions. Settlements of this type are made against profit/loss for the period. The classification and accounting of business acquisitions that took place before January 1, 2004 has not been reassessed in accordance with IFRS 3 in connection with the determination of the consolidated opening balance sheet on January 1, 2004 in accordance with IFRS.

Joint venture

For purposes of accounting, joint ventures are companies for which the Group has joint control over operational and financial management through a contractual arrangement with one or more parties. Interests in joint ventures are consolidated using the equity method of accounting. The equity method entails the value of holdings in joint ventures reported in the consolidated accounts being equivalent to the Group's share of the joint ventures' shareholders' equity, as well as consolidated goodwill and any other consolidated surplus or deficit. In consolidated profit/loss for the period, "Participations in earnings of joint venture" is reported as the Group's share of a company's earnings adjusted for any impairment, amortization or reversals of acquired surpluses or deficits. These shares in earnings less any dividends received from joint ventures comprise the main change in the carrying amount of interests in joint ventures. Any discrepancy at the point of acquisition between the cost of the holding and the owning company's share of the identifiable assets and liabilities of the joint venture is reported in accordance with the same principles that apply for acquisitions of subsidiaries.

Transactions eliminated on consolidation

Intra-group receivables and liabilities, income and expenses and unrealized gains or losses arising from intra-group transactions between Group companies are eliminated in full when preparing the consolidated accounts. Unrealized gains and losses arising from transactions with joint ventures are eliminated to a degree corresponding to the Group's ownership of those companies, however, unrealized losses are eliminated only to the extent that there is no indication that any impairment should be recognized.

Foreign currency

Transactions in foreign currencies

Transactions in foreign currencies are translated into the functional currency corresponding to the exchange rate in force on the trans-action date. The functional currency is the currency of the primary economic environment in which the Group's companies carry out their business. Monetary assets and liabilities in foreign currencies are translated at the exchange rate in effect on the balance sheet date. Exchange differences arising from translation are recognized against profit/loss for the period. Non-monetary assets and liabilities recognized at their historical costs are translated at the exchange rate applicable at the time of the transaction. Exchange differences referring to operating assets and liabilities are recognized in the operating result, while exchange rate movements referring to financial assets and liabilities are recognized in net financial income.

Foreign businesses' financial statements

Assets and liabilities in foreign operations, including goodwill and other Group surplus and deficit values, are translated from the foreign operations' functional currency to the Group's reporting currency. Translation is applied at the exchange rate in effect on the balance sheet date. Income and expenses in a foreign operation are translated at an average exchange rate approximating the currency exchange rates applicable on the relevant transaction dates. Translation differences arising in connection with the translation of a foreign net investment and accompanying effects of hedges of net investments are recognized under other comprehensive income and are accumulated in an equity component entitled separate translation reserve. Non-current internal loans are considered to form part of the net investment in the foreign operation. On the sale of a foreign operation, the accumulated translation differences attributable to the operation are recognized, less any currency hedging against profit/loss for the period.

Classification

Non-current assets and liabilities essentially consist of amounts that are expected to be recovered or paid later than 12 months after the balance sheet date. Current assets and current liabilities essentially consist of amounts that are expected to be recovered or paid within 12 months of the balance sheet date.

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 combination and the fair value of acquired assets, assumed liabilities and contingent liabilities. After the acquisition, goodwill is reported at cost less any impairment losses. Goodwill is distributed to cash generating units and is tested at least once annually to determine possible impairment needs; see Note 14 Goodwill.

Other intangible assets

Customer relations consist of acquired assets that have been identified in the acquisition analysis in connection with the acquisition of shares in subsidiaries. At the time of acquisition, customer relations are valued at fair value, which is considered to be equivalent to the cost. After the acquisition, customer relations are recognized at cost less accumulated amortization and impairment losses.

Computer programs and licenses are reported at cost less accumulated amortization and impairment. Costs incurred for internally generated goodwill and internally generated brands are recognized against profit/loss for the period when the cost is incurred. Additional expenditures for capitalized intangible assets are recognized as assets on the Balance Sheet only when they increase the future economic benefit associated with the specific asset. All other expenditures are expensed as they are incurred.

Amortization principles for customer relations and other intangible assets

Amortization is recognized in profit/loss for the period on a straight-line basis over the estimated useful life of the asset. Intangible assets which can be amortized are amortized from the date on which they are available for use. The useful lives of assets are reassessed on an ongoing basis, although at least once per year.

The estimated useful lives are:

	Useful life	
	Group	**Parent Company**
Licenses	3–10 years	3–10 years
Software	3–10 years	3–10 years
Customer relationships	6–10 years	–
Other intangible assets	3–10 years	–

Tangible assets

Tangible assets are recognized in the Group at cost less accumulated depreciation and any impairment. The cost includes the purchase price plus expenses directly attributable to the asset in order to put it in place and make it appropriate for use in accordance with the purpose of the acquisition. Examples of directly related expenses included in the cost of an asset are expenses for shipping and handling, installation, legal title, consultant services and legal services.

Additional expenditures are only added to the cost if it is probable that the future economic benefits associated with the asset will flow to the Company and the cost can be measured reliably. All other subsequent expenses are expensed in the period they arise.

Depreciation principles for tangible assets

Depreciation is recognized on a straight-line basis over the estimated useful life of the asset. Land is not depreciated. The useful lives and residual values of assets on an annual basis at the least.

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

Impairment of tangible and intangible assets as well as holdings in a joint venture

IAS 36 is applied to identify impairments for assets other than financial instruments reported according to IAS 39, deferred tax assets reported according to IAS 12 and inventories reported according to IAS 2. Assets held for sale and disposal groups are tested in accord-ance with IFRS 5. The carrying amounts for the exempted assets are measured according to the respective standards.

If there is any indication of impairment, the asset's recoverable amount is estimated. The asset's recoverable amount is the highest of the value in use and fair value minus selling expenses. In measuring value in use, future cash flows are discounted at the pre-tax rate that shall reflect current market assessments of risk-free interest and the risks specific to the asset. In the event that the asset's carrying amount exceeds the recoverable amount, the carrying amount is impaired down to the recoverable amount. Impairments are charged against profit/loss for the period.

Impairment testing of goodwill is carried out annually, regardless of whether an indication of an impairment requirement exists or not. Impairment losses on assets within the scope of IAS 36 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. However, impairments of goodwill are not reversed. A reversal is only made to the extent that the asset's carrying amount does not exceed the carrying amount that would have been reported if no impairment had taken place.

Inventories

Inventories are measured at the lower of cost and net sales value. The cost of inventories includes expenses incurred to acquire inventory assets and transport them to their current site and condition. The cost figure is based on weighted average prices. The cost of manufactured goods and work in progress includes a reasonable share of indirect expenses based on normal capacity. Net sales value is the estimated selling price in current operations less the estimated expenses to make the asset ready for sale and to effect a sale. Net sale value is estimated based on estimates of the current market price.

Provisions

Provisions differ from other liabilities in the uncertainty that prevails regarding the time of payment or the amount required to settle the obligation. Provisions are recorded in the Balance Sheet when the Group has an existing legal or informal obligation as a result of an event occurring and when it is likely that an outflow of financial resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are made in the amount corresponding to the best estimate of that required to settle present obligations on the balance sheet date. If the payment date has a significant effect, provisions are calculated through discounting of the expected future cash flow at a pre-tax interest rate that reflects current market assessments of the time value of money and, where applicable, the risks associated with the liability.

Financial instruments

Financial instruments that are reported in the balance sheet include receivables, liquid funds and accounts payable.

A financial asset or financial liability is recognized in the Balance Sheet when the Company becomes party to the instrument's contractual terms. Receivables are recognized in the Balance Sheet once the invoice has been sent, which normally occurs in connection with delivery of the Group's goods and services and the associated transfer of risk. Liabilities are recognized once the counter party has completed its task and there is a contractual obligation to pay, even though an invoice may not yet have been received. A financial asset or part thereof is derecognized when the contractual rights are realized, mature or are no longer under the Company's control. The same also applies for parts of a financial asset. A financial liability or part thereof is derecognized in the balance sheet when contractual obligations are met or otherwise extinguished. The same applies for part of a financial liability. Purchases and sales of financial assets are recognized using trade date accounting. The trade date is the date the Company enters into a contractual obligation to buy or sell the asset. A financial asset and a financial liability are offset and the net amount recognized in the Balance Sheet only when the Company has a legally enforceable right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. At initial recognition, financial instruments are classified based on the purpose for which the instrument was acquired, which affects subsequent measurement. The measurement categories BE Group uses are as follows.

Valuation category, loans and accounts receivable

Loans and receivables are non-derivative financial assets with determined or determinable payments that are not quoted in an active market. These assets are measured at amortized cost in accordance with the effective interest method. Accrued historical cost is determined from the effective interest rate that is calculated at the date of acquisition.

Trade receivables are recognized at the amounts expected to be recovered, that is, after deductions for doubtful receivables. Trade receivables have a short expected maturity and are accordingly measured at nominal value and not discounted.

Liquid assets include cash and cash equivalents as well as immediately available balances with banks and similar institutions as well as short-term liquid placements with maturity of less than three months, counted from the acquisition date, and that are exposed to only insignificant risk of fluctuations in value.

Valuation category financial assets available for sale

This category covers financial assets not classified in any other category or financial assets designated on initial recognition as available for sale. In accordance with the main principle, assets belonging to this category are continuously recognized at fair value with changes in value recognized in other comprehensive income. When the assets are derecognized from the Balance Sheet, the cumulative gain or loss previously recognized in equity is transferred to profit/loss for the period. However, the Other securities held as that BE Group reports in this valuation category have been valued at cost since their type, nature and insubstantial amounts make it impractical in terms of benefit to calculate their fair value.

The valuation category, Financial liabilities measured at fair value in profit/loss for the period

This category consists of financial assets held for trading, that is, derivatives with negative fair value. The fair value of listed financial instruments corresponds to their listed market price on the balance sheet date. The fair value of financial liabilities for which there is no active market is determined using discounted cash flow analysis. Fair value changes are recognized in profit/loss for the period.

The valuation category, financial liabilities, measured at the accrued cost

Other financial liabilities are measured at amortized cost in accordance with the effective interest method. They are initially recognized at the obtained amount with deductions for transactions expenses. Loans and other financial liabilities, such as account payables, are included in this category. Accounts payables have a short expected maturity and are accordingly measured at nominal value and not discounted.

Impairment of financial assets

At each balance sheet date, the Company assesses whether there is objective evidence that a financial asset or group of assets needs to be impaired. The recoverable amount is calculated as the current value of future cash flows discounted by the effective interest that applied when the asset was initially recognized. Impairment is recognized as an expense in profit/loss for the period. Impairment is reversed if the previous reason for impairment no longer exists and the asset is expected to be recovered in its entirety.

Hedge accounting

In order to fulfill the requirements on hedge accounting in accordance with IAS 39, there must be a clear link to the hedged item. Moreover, the hedging must effectively protect the hedged item, the hedging documentation must be drawn up and the effectiveness must be quantifiable.

Investments in foreign subsidiaries (net assets including goodwill) have been hedged for currency risk to a certain extent through borrowing in the same currency as the investments. At the close of the period, these currency loans are entered at the rate applicable on the balance sheet date and the effective portion of the period's exchange rate differences are recognized in other comprehensive income. The accumulated changes are classified as translation reserve in equity. When hedging is ineffective, the ineffective portion is recognized in profit/loss for the period.

Warranties

A warranty provision is recognized when an agreement has been made including stipulations of future commitments that are deemed likely to materialize.

A warranty provision may also be 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. However, such warranty commitments do not represent a significant item in the Group's financial statements.

Onerous contracts

A provision for an onerous contract is recognized when anticipated benefits that the Group expects to receive from a contract are less than the unavoidable expenses to fulfill the obligations as set out in the contract.

Income

Income from the sale of goods is reported in the period's profit/loss when the goods are delivered and the inherent risk has been transferred to the customer. In normal cases, the following conditions are considered to be fulfilled; 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 benefits associated with the transaction will flow to the Company; and the expenses incurred or to be incurred in respect of the transaction can be measured in a reliable way.

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.

Income from service assignments is recognized in profit/loss for the period based on the degree of completion on the balance sheet date. The degree of completion is determined on the basis of the expenses hitherto incurred in relation to the total calculated expenses for the assignment.

Employee benefits

Short-term employee benefits

Short-term employee benefits such as wages and salaries, including bonuses, paid leave, sick leave and social security benefits are recognized in the period in which the employee has performed services in exchange for the benefit.

Pensions

The Group's pension agreements are mainly defined contribution plans. The defined benefit plan 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 which is why the pension plan in accordance with ITP is secured through insurance with Alecta such as a defined contribution plan.

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

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 that the number of employees who will accept the offer can be reliably estimated.

Financial income and expenses

Financial income and expenses consist of interest income on bank balances, receivables and fixed income securities, interest expense on loans, exchange differences and allocated transaction expenses for raised loans.

Transaction expenses for raised loans and credits are accrued over the life of the loans and credits by applying the effective interest method.

Tax

Income taxes are recognized in profit/loss for the period except where an underlying transaction is recognized directly in other comprehensive income, whereupon the related tax effect is likewise recognized in other comprehensive income. 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 value on assets and liabilities. Deferred tax assets are measured based on how temporary differences are expected to even out and applying the tax rates and regulations that have been enacted or announced at the balance sheet date.

Temporary differences are not taken into consideration for consolidated goodwill.

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.

Leases

Leases are classified in the consolidated accounts as financial or operating leases. BE Group is the lessee in all leases.

Operating leasing agreements

Leases of assets where the lessor retains the financial risks and rewards normally associated with ownership of the asset are classified as operating leases. Lease payments related to operating leases are recognized as an expense in the Income Statement on a straight line basis over the lease term. Incentives received in connection with the signing of a new agreement are recognized in profit/loss for the period on a straight line basis over the lease term. Variable payments are recognized as an expense in the periods in which they arise.

Financial leasing agreements

Leases of assets where the financial risks and rewards normally associated with ownership of the asset are transferred to BE Group are classified as finance leases. The lease asset is recognized as a tangible asset, with the same depreciation rates applied as for tangible assets, while the future obligation to pay lease fees to the lessor is recognized as a liability in the Balance Sheet. Leased assets are depreciated according to the same principles that apply to other assets of the same type. Future lease obligations are apportioned between non-current and current liabilities. Minimum lease payments are apportioned between the finance charge and amortization of the outstanding liability. The interest expense is allocated over the leasing period so that every reporting period is charged with an amount corresponding to a constant periodic rate of interest on the remaining balance of the liability. Variable payments are recognized as an expense in the periods in which they arise.

Segment reporting

An operating segment is a component of the Group that conducts business operations from which it can derive revenues and incur expenses, including intra-group transactions and whose operating result is reviewed regularly by the Group's senior executives as a basis for the allocation of resources to the segment and the assessment of its results. Independent financial information shall also be available for components of the Group defined as segments. BE Group has defined the concept of "senior executives" as Group Management.

The Group's primary basis for identifying segments is geographical areas. The 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. For additional information on operating segments, please see Note 1 Operating segments.

Earnings per share

The calculation of earnings per share is based on the profit for the period within the Group which is attributable to the Parent Company's shareholders and on the weighted average number of outstanding shares during the year. In calculating earnings per share before and after dilution, the average number of shares is adjusted to take into consideration the effects of the Share Savings program.

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.

Parent Company accounting principles

The Parent Company has prepared its Annual Report in accordance with the annual accounts act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for legal entities (Sept. 2012). Published statements by the Swedish Financial Reporting Board for listed companies are also applied. RFR 2 means that the Parent Company, in the annual report for the legal entity, must apply all EU-approved IFRS and statements as far as this is possible within the framework of the Swedish law on the safeguarding of pension commitments and taking the connection into account between reporting and taxation. The recommendation specifies exemptions and additions to IFRS that shall be made.

Classification and presentation

The Parent Company's Income Statement and Balance Sheet are prepared in accordance with the model detailed in the Annual Accounts Act, while the report on comprehensive profit/loss, Statement of Changes in Equity and the Statement of Cash Flows are based on IAS 1 Presentation of Financial Statements and IAS 7 Statement of Cash Flows respectively. The differences in the Income Statement and Balance Sheet of the Parent Company compared with the consolidated accounts mainly involve the reporting of financial revenues and expenses, assets and equity.

Participations in subsidiaries

Participations in subsidiaries are reported in the Parent Company in accordance with the cost method. This means that transaction expenses are included in the carrying amount of holdings in subsidiaries. In the consolidated accounts, transaction expenses are charged directly against profit/loss when they are incurred. 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 on the size of the distribution before the subsidiary published its financial statements. Dividends received from Group companies are recognized in their entirety as income in the Income Statement.

Shareholder contributions

Shareholders' contributions paid are reported as an increase in shares and participations in Group companies, to the extent that impairment is not required. In the receiving Company, shareholder contributions are reported directly in equity.

Financial instruments

In accordance with the rules in the Swedish Financial Reporting Board's recommendation RFR 2 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. In the future, IAS 39 will continue to be applied only to the consolidated accounts. 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 the accrued cost. Possible derivative assets are measured in accordance with the lower of cost and fair value, while contingent derivative liabilities are measured according to the highest value principle.

Taxes

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.

Leasing

In the Parent Company, all leases are recognized as operating leases.

Financial guarantees

The Parent Company's financial guarantee contracts consist of guarantees on behalf of subsidiaries. A financial guarantee contract 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 RFR 2 p. 72, 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 it has an obligation for which payment will probably be required to achieve settlement.

Group contributions in the Parent Company

Group contributions paid or received are reported as appropriations.

Financial liabilities

Financial liabilities primarily comprise liabilities to credit institutions. Liabilities to credit institutions are initially valued at amounts received, less any setup fees, and are then valued at the accrued acquisition value. Interest expenses are reported on a rolling basis in the Income Statement. Capitalised set-up fees are reported directly against the loan liability to the extent that the loan agreement's underlying loan guarantee has been utilised, and are periodised in the Income Statement (under Other financial expenses) over the contractual term of the loan. If a loan agreement is terminated or otherwise ceases to obtain at a point in time prior to the end of the original contractual term, capitalised set-up fees are taken up as income. If a current agreement is renegotiated during the contractual term, any additional fees in connection with the renegotiation are periodised over the remaining contractual term of the loans.

Notes

Note 1 - Operating segments

2016	Sweden & Polen	Finland & Baltics	Parent Company/ consolidated items	Group
External sales	1,926	1,791	153	3,870
Internal sales	15	3	-18	
Net sales	**1,941**	**1,794**	**135**	**3,870**
Participation in earnings of joint venture	8	–	–	8
Underlying operating result	**14**	**54**	**-35**	**33**
Inventory gains/losses	14	16	-2	28
Non-recurring items [1]	-3	-2	-40	-45
Operating result	**25**	**68**	**-77**	**16**
Net financial items				-27
Profit/loss before tax				**-11**
Taxes				-9
Profit/loss for the year				**-20**
Underlying operating margin	**0,7 %**	**3,0 %**	**neg**	**0,9 %**
Operating margin	**1,3 %**	**3,8 %**	**neg**	**0,4 %**
Shipped tonnage (thousands of tonnes)	**166**	**185**	**23**	**374**
Operating capital	**727**	**503**	**104**	**1,334**
Investments	**6**	**3**	**1**	**10**
Depreciation/amortization of tangible/intangible assets	22	17	11	50
Other non-cash flow items	-8	3	19	14
Total non-cash flow items	**14**	**20**	**30**	**64**

[1] During the year, write-down of assets and restructuring costs totaling SEK 45 million have been made.

2015 [1]	Sweden & Poland	Finland & Baltics	Parent Company/ consolidated items	Group
External sales	2,030	1,741	384	4,155
Internal sales	12	4	-16	–
Net sales	**2,042**	**1,745**	**368**	**4,155**
Participation in earnings of joint venture	2	–	–	2
Underlying operating result	**27**	**30**	**-35**	**22**
Inventory gains/losses	-2	-9	-1	-12
Non-recurring items [2]	-104	0	-20	-124
Operating result	**-79**	**21**	**-56**	**-114**
Net financial items				-48
Profit/loss before tax				**-162**
Taxes				-7
Profit/loss for the year				**-169**
Underlying operating margin	**1.3 %**	**1.7 %**	**neg**	**0.5 %**
Operating margin	**neg**	**1.2 %**	**neg**	**-2.8 %**
Shipped tonnage (thousands of tonnes)	**166**	**178**	**62**	**406**
Operating capital	**760**	**478**	**153**	**1,391**
Investments	**7**	**9**	**0**	**16**
Depreciation/amortization of tangible/intangible assets	23	20	19	62
Other non-cash flow items	101	1	22	124
Total non-cash flow items	**124**	**21**	**41**	**186**

[1] Comparable figures for 2015 has been restated to reflect the new organisation.
[2] During the year, write-down of assets totaling SEK 124 million have been made.

BE Group is a trading and service company in steel, stainless steel and aluminium. Customers are primarily in the construction and engineering sectors. Since customers' needs vary widely, BE Group offers different sales solutions: inventory sales, production service sales, and direct sales. The cooperation between BE Group and a particular customer can comprise one or more of these sales solutions.

BE Group's basic products are of a similar nature, regardless of the customers or markets to which they are distributed. Part of BE Group's strategy is also to further process materials at its own production facilities through various types of production services, which in some cases result in completed components being delivered straight into customers' production lines.

BE Group's risks and opportunities differ between the different geographical markets to which its products are distributed. For that reason, BE Group has chosen geographical areas as its primary segments.

The operating structure and internal reporting to Group management and the Board of Directors are therefore based primarily on reporting of geographical business areas. Each segment´s result, assets and liabilities include operating items attributable to the on-going activities of the segment.

The allocation of operating capital per segment is based on the location of the business and includes items directly attributable and items that can be allocated by segment in a reasonably reliable manner. Operating capital allocated by segment comprises tangible assets, goodwill and other intangible assets, participations in joint ventures, deferred tax assets and working capital less deferred tax liability and provisions. Financial assets and liabilities have not been divided by segment but are reported as other assets/liabilities. Capital expenditures for the segment include investments in intangible and tangible assets.

The financial information per segment is based on the same accounting principles as those that apply for BE Group. The Group is using a number of Alternative performance measures (see also tab Alternative performance measures for more information). One of those is the underlying operating result which is the operating result adjusted for non-recurring items and inventory gains and losses. These represent the difference between the cost of goods sold at acquisition cost and the cost of goods sold at replacement value. BE Group applies an internal calculation model. The model has not been reviewed by the Company's auditors. Internal prices between BE Group's segments are based on the principle of "arm's-length transactions", that is, transactions between parties that are mutually independent, thoroughly informed and have an interest in the transactions. Prices of goods are based on current purchase prices plus an internal markup margin.

Data on products, services and geographical regions

During the year a reorganization was carried out and BE Group consists of two Business Areas – Sweden & Poland and Finland & Baltics. BE Group's other operations are gathered within Parent Company and consolidated items.

Sweden & Poland

Business Area Sweden & Poland includes BE Group´s operations in Sweden, which are conducted under the name BE Group Sverige AB, Lecor Stålteknik AB and BE Group Produktion Eskilstuna AB and the operations in Poland under the name BE Group Sp.z o.o.. BE Group Sverige AB offers sales and distribution of BE Group's products, such as commercial steel, stainless steel and aluminium. In addition to distribution of materials, production service is also provided, whereby the Company processes materials in various ways to meet specific customer requirements. Examples include cutting to length, shot blasting, painting, drilling and cutting in various forms. The Company provides additional services including advanced logistics solutions and material advisory services. In addition, BE Group Sverige AB owns 50 percent of the thin plate processing company ArcelorMittal BE Group SSC AB. Lecor Stålteknik AB provides steel construction solutions to customers in the Swedish construction sector and BE Group Produktion Eskilstuna AB is a service company in the area of plate processing and welding. The polish operation are providing production services to Polish and Nordic customers.

Finland & Baltics

Business Area Finland & Baltics includes BE Group's operations in Finland, which are conducted under the name BE Group Oy Ab, and the operations in the Baltic States under the names BE Group AS, Estonia, BE Group SIA, Latvia and UAB BE Group, Lithuania. Sales and distribution of BE Group's products, such as commercial steel, stainless steel and aluminium, are offered in all operations. In Finland, production services are also provided on a large scale. Examples include cutting to length, shot blasting, painting, drilling and cutting in various forms. In addition, the company in Finland offers its customers logistics solutions, advisory services and financing of working capital.

Parent Company and consolidated items

BE Group has during the year performed a reorganization of the Group´s business areas which means that Other units has been discontinued. BE Group's operations in Poland, Lecor Stålteknik and BE Group Produktion Eskilstuna are now gathered within Business area Sweden & Poland. The purpose of the reorganisation was to create increased focus on the main markets in Sweden, Poland, Finland and the Baltic states. BE Group´s operations in Czech Republic, Slovakia and RTS Estonia including the Parent Company and consolidated items are gathered in Parent Company and consolidated items. Parent Company and consolidated items is a collective concept encompassing the units outside Business Area Sweden & Poland and Finland & Balticum.

During the year a restructuring of the operations in Czech Republic (BE Group Czech s.r.o.), Slovakia (BE Group Slovakia s.r.o.) and RTS Eesti in Estonia was completed. This entails that the operations in RTS Estonia and BE Group Slovakia have been closed, as will flat carbon steel and aluminium in the Czech Republic. The part of the operations in Czech Republic, which supplies the market with cut round bars, is not affected by the change.

Group

Sales per product group	2016	2015
Long steel Products	1,260	1,284
Flat steel Products	1,434	1,645
Stainless steel	722	780
Aluminium	194	194
Other	260	252
Total	**3,870**	**4,155**

Sales by country based on customer's domicile	2016	2015
Sweden	1,895	1,994
Finland	1,509	1,466
Other countries	466	695
Total	**3,870**	**4,155**

Tangible, intangible and financial assets by country	2016	2015
Sweden	505	511
Finland	304	300
Other countries	14	54
Total	**823**	**865**

Parent company

Sales of internal services by country based on domicile of subsidiary	2016	2015
Sweden	11	14
Finland	10	13
Other countries	4	7
Total	**25**	**34**

Note 2 - Costs divided by type of expence

Group	2016	2015
Material costs	-2,912	-3,230
Salaries, other remuneration and social security expenses	-408	-400
Other external costs	-476	-456
Depreciation and amortization	-64	-186
Other operating expenses	-6	-4
Total	**-3,866**	**-4,276**

The specification of costs divided by type of expense refers to items included in the Income Statement under cost of goods sold, selling expenses, administrative expenses and other operating expenses.

Note 3 - Employees, personnel costs and executive remuneration

In this note, amounts are given in SEK thousands unless otherwise stated.

Average number of employees	2016	of whom men	2015	of whom men
Parent Company				
Sweden	9	56 %	9	56 %
Total in the Parent Company	**9**	**56 %**	**9**	**56 %**
Subsidiaries				
Sweden	338	88 %	338	85 %
Finland	282	91 %	292	92 %
Estonia	23	62 %	26	77 %
Latvia	10	78 %	10	83 %
Lithuania	10	70 %	10	70 %
Poland	26	78 %	22	93 %
Czech Republic	29	51 %	42	67 %
Slovakia	12	8 %	19	47 %
Total for subsidiaries	**730**	**85 %**	**759**	**87 %**
Group total	**739**	**84 %**	**768**	**87 %**

Specification of gender distribution in Group management

	2016	2015
Gender distribution, Group management		**Percentage Women**
Parent Company		
Board	17 %	20 %
Other senior executives	25 %	0 %
Group		
Board	17 %	20 %
Other senior executives	9 %	0 %

Salaries, other remuneration and social security expenses

Group	**2016**	**2015**
Salaries and remunerations	304,664	299,678
Pension expense, defined-contribution plans	36,080	32,758
Social security contributions	67,440	67,897
	408,184	**400,333**

Parent Company	**2016**		**2015**	
	Salaries and remunerations	Social security expenses	Salaries and remunerations	Social security expenses
Parent Company	11,179	6,343	12,068	6,240
(of which, pension expenses)[1]		*(2,146)*		*(2,548)*

[1] Of the Parent Company's pension expenses, 1,075 (1,226) KSEK refers to senior executives. There are no outstanding pension commitments.

Salaries and other remunerations distributed between the Parent Company and its subsidiaries and between senior executives and other employees [1]

	2016		**2015**	
	Senior executives [2]	Other employees	Senior executives [2]	Other employees
Parent Company	**5,500**	**5,679**	**6,682**	**5,386**
(of which, bonuses, etc.)	*(–)*	*(–)*	*(–)*	*(–)*
Subsidiaries	**8,344**	**279,470**	**9,037**	**271,759**
(of which, bonuses, etc.)	*(76)*	*(7,129)*	*(–)*	*(940)*
Group total	**13,844**	**285,149**	**15,719**	**277,145**
(of which, bonuses, etc.)	*(76)*	*(7,129)*	*(–)*	*(940)*

[1] Salaries and other remuneration include base salary and supplementary vacation pay.
[2] Senior executives include Board members, members of Group Management and company presidents.

Defined benefit plans

Pension obligations for retirement pensions and family pensions for white-collar employees in Sweden are secured through an insurance policy provided by Alecta. According to a statement (UFR 10) 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 its proportional share of the plan's commitments, plan assets and costs that meant that the plan could not be recognized as a defined-benefit plan. The ITP pension plan secured through insurance provided by Alecta is accordingly recognized as a defined contribution plan. The premium for the defined-benefit retirement pension and family pension is calculated individually, depending on salary, already earned pension and anticipated remaining period of service. Anticipated fees for the next reporting period for ITP 2 insurance subscribed with Alecta amounts to SEK 5.5 M (5.5).

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. The collective consolidation level shall normally be allowed to vary between 125 and 155 percent. If Alecta's collective consolidation level is below 125 percent or exceeds 155 percent, action should be taken with the aim of creating conditions for the consolidation level to return to the normal interval. In the event of low consolidation, one action may be to raise the agreed price for new subscription and expansion of existing benefits. In the event of high consolidation, one action may be to introduce premium reductions. At the end of 2016, Alecta's surplus expressed as the collective funding ratio amounted to 149 percent (153).

Defined contribution pension plans

The Group has defined contribution pension plans for employees in Sweden for which expenses are fully paid by the companies. Pension plans in Finland and other countries are treated as defined contribution plans. For defined contribution plans, pension contributions are paid to a pension insurance company and recognized as an expense in profit and loss for the accounting period in which they occur. There are defined contribution plans in other countries 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.

Executive remuneration

Total remuneration to the President and CEO and other senior executives consists of base pay, variable remuneration, pension and other benefits. These remuneration components are based on the guidelines for executive remuneration adopted by the 2016 Annual General Meeting, which are detailed in the Board of Directors' Report.

The following tables provide details of actual remunerations and other benefits paid in financial years 2016 and 2015 to Board members, the President (who is also the CEO) and other senior executives. The latter are those individuals who, alongside the President and CEO are members of Group Management.

Remunerations and benefits 2016	**Basic salary/Board fee**	**Variable remuneration**	**Others benefits[4)]**	**Pension expenses**	**Other remuneration**	**Total**	**Pension commitments**
Chairman of the Board							
Petter Stillström	460	–	–	–	–	460	–
Directors							
Roger Bergqvist [1)]	70	–	–	–	4	74	–
Charlotte Hansson	210	–	–	–	–	210	–
Lars Olof Nilsson	280	–	–	–	–	280	–
Jörgen Zahlin	250	–	–	–	–	250	–
Esa Niemi [2)]	140	–	–	–	–	140	–
Mikael Sjölund [2)]	140	–	–	–	30	170	–
President and CEO							
Anders Martinsson	2,160	–	51	671	1	2,883	–
Other senior executives [3)]	3,721	–	272	804	91	4,888	–
Total	**7,431**	**–**	**323**	**1,475**	**126**	**9,355**	**–**
Recognized as an expense in the Parent Company	5,488	–	184	1,076	38	6,786	

[1)] Roger Bergqvist withdrew from the Board of Directors in connection with the 2016 Annual General Meeting.
[2)] Esa Niemi and Mikael Sjölund become board members in connection with the 2016 Annual General Meeting. Mikael Sjölund has during the year had a separate assignment regarding consulting services with Lecor Stålteknik AB. This has not been related to his assignment at the Board.
[3)] Other senior executives consist of four persons until April 7 2016, then by three persons.
[4)] Other benefits include supplementary vacation pay.

Remunerations and benefits 2015	Basic salary/Board fee	Variable remuneration	Others benefits[6)]	Pension expenses	Share Savings Scheme	Other remuneration	Total	Pension commitments
Chairman of the Board								
Anders Ullberg [1)]	153	–	–	–	–	0	153	–
Petter Stillström [2)]	377	–	–	–	–	–	377	–
Directors								
Roger Bergqvist	210	–	–	–	–	–	210	–
Charlotte Hansson	210	–	–	–	–	–	210	–
Lars Olof Nilsson	280	–	–	–	–	–	280	–
Jörgen Zahlin	250	–	–	–	–	–	250	–
Acting President and CEO								
Lars Engström [3)]	1,925	–	26	495	–	0	2,446	–
President and CEO								
Anders Martinsson [4)]	900	–	151	224	–	1	1,276	–
Other senior executives [5)]	5,336	–	525	1,312	–	9	7,182	–
Total	**9,641**	**–**	**702**	**2,031**	**–**	**10**	**12,384**	**–**
Recognized as an expense in the Parent Company	6,611	–	406	1,226	–	5	8,248	–

1) Anders Ullberg withdrew from the Board of Directors in connection with the 2015 Annual General Meeting.
2) Petter Stillström began as the Chairman of the Board of Directors in connection with the 2015 Annual General Meeting.
3) Lars Engström served as interim CEO until July 31, 2015.
4) Anders Martinsson began as the CEO on August 1, 2015.
5) Other senior executives consist of four people.
6) Other benefits include supplementary vacation pay.

Detailed below are the agreed terms for remuneration to the Board, the President and CEO and other senior executives. For an account of guidelines approved by the Annual General Meeting, see the Board of Directors' Report.

Board remuneration

The Chairman and other Board members are paid Board member fees as resolved by the Annual General Meeting. The Annual General Meeting resolved that Board member fees totaling SEK 1,470,000 (1,470,000) will be distributed among the Board members as follows: SEK 420,000 (420,000) to the Chairman of the Board and SEK 210,000 (210,000) to each of the remaining Board members who are not employees of the Company. In addition, remuneration of SEK 70,000 (70,000) will be paid to the Chairman of the Audit Committé and SEK 40,000 (40,000) for each of the other members of the Audit Committee. No fees are paid to members of the Remunerations Committee. Other remuneration has been paid in the form of taxable travel expense reimbursements.

Remuneration to the President and CEO

Remuneration

In accordance with a decision by the Board of Directors, remuneration to the President and CEO normally takes the form of base salary, variable remuneration, pension and other benefits. The base pay of the President and CEO amounted to SEK 2,160 M (2,160). For the President and CEO, maximum variable remuneration payable is 40 percent of base pay. Potential bonus payments and the size of them are related to targets defined in advance and set by the Board.

Term of notice and severance pay

The President and CEO has a 12-month period of notice in the event of termination by the company and six months upon resignation. During the term of notice, the President and CEO is entitled to full pay and other benefits of employment, regardless of whether there is a duty to work or not. Members of Group management are not entitled to severance pay.

Pension benefits

In addition to benefits in accordance with the National Income Replacement Pension Act, pension contributions are made corresponding to 30 percent (30) of fixed annual salary plus vacation pay, which constitutes pensionable pay. BE Group AB's commitment is limited to paying the annual premium. Pension rights are not conditional on future employment.

Remunerations for other senior executives of the Parent Company and Group

Remuneration

Remuneration consists of base pay, variable remuneration, pensions and other benefits. The maximum variable remuneration payable to other senior executives is 30 percent of base pay. Whether or not bonuses are distributed and bonus amounts are determined by the CEO based on attainment of financial targets and individual targets.

Term of notice and severance pay

Other senior executives have a period of notice of up to 12 months when notice of termination is issued by BE Group. The senior executives are required to give six months' notice when resigning. During the term of notice, the senior executives are entitled to full pay and other benefits of employment. Members of Group management are not entitled to severance pay.

Pension benefits

For other senior executives, contribution-defined pension solutions are applied. 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 past three years.

Remuneration Committee

Please see the Corporate Governance Report for more information about BE Group's preparation and decision process regarding executive remuneration.

Note 4 - Auditors' fees and reimbursements

Group	2016	2015
PwC		
Audit assignments	2	2
Audit activities in addition to the audit assignment	0	–
Consultation on taxation	–	–
Other services	0	–
Total fees and compensation for expenses	**2**	**2**

Parent Company	2016	2015
PwC		
Audit assignments	1	1
Audit activities in addition to the audit assignment	–	–
Consultation on taxation	–	–
Other services	0	–
Total fees and compensation for expenses	**1**	**1**

Note 5 - Lease fees for operational leasing

The Group's operating lease expenses for the year were SEK 101 M (99), of which SEK 0 M (0) refers to the Parent Company.

	Group		Parent Company	
	2016		2016	
Lease fees, operational leasing	**Minimum lease fees**	**Variable fees**	**Minimum lease fees**	**Variable fees**
Buildings and land	89	–	–	–
Other	12	0	0	–
Total lease fees	**101**	**0**	**0**	**–**

Operational lease liabilities fall due for payment as follows:

	Group		Parent Company	
Future maturities of minimum lease fees	**2016**	**2015**	**2016**	**2015**
Within one year	98	92	0	0
One to five years	283	313	0	0
Later than five years	347	391	–	–
Total	**728**	**796**	**0**	**0**

Significant leases

Most Group operating leases refer to leases of operating sites.

Note 6 - Profit/loss from participations in Group companies

Parent Company	**2016**	**2015**
Dividend	14	24
Write-down of shares in subsidiaries	-35	-224
Write-down of interest-bearing receivables from Group companies	–	-2
Capital gain/loss due to divestment/liquidation of Group companies	–	–
Total	**-21**	**-202**

Note 7 - Other operating income

Group	2016	2015
Net movements in exchange rates on receivables/liabilities of an operating nature	0	0
Capital gains on sales of fixed assets	0	0
Rental income	2	2
Income Joint venture	8	2
Other	2	3
Total	**12**	**7**

Parent Company	2016	2015
Net movements in exchange rates on receivables/liabilities of an operating nature	0	–
Other	1	–
Total	**1**	**–**

Note 8 - Other operating expenses

Group	2016	2015
Net movements in exchange rates on receivables/liabilities of an operating nature	1	–
Capital loss on sales of fixed assets	1	0
Restructuring expenses	11	–
Write-down of assets	34	124
Other	4	4
Total	**51**	**128**

Parent Company	2016	2015
Net movements in exchange rates on receivables/liabilities of an operating nature	–	0
Restructuring expenses	1	–
Total	**1**	**0**

During the first quarter 2016, the Board of Directors of BE Group decided to close the unprofitable operations in the Czech Republic and Slovakia as well as the production facility in Estonia. The operations in Slovakia and Estonia was closed, while the sale of flat carbon steel and aluminium will be discontinued on the Czech market. A sale of the company´s property in the Czech Republic remains and the formal liquidation of the Slovakian company has commenced. No additional costs are expected to arise. The closure of the Group´s production operations in Estonia was completed earlier in the year. The Group´s distribution operations in Estonia is not affected.

During the year, sales in operations under restructuring amounted to SEK 155 M (386). The operating result amounted to SEK -52 M (-32) and adjusted for inventory losses and non-recurring items of SEK -41 M (-21), the underlying result was SEK -11 (-11).

Note 9 - Financial income

Group	2016	2015
Interest income from credit institutions	0	0
Other interest income	0	0
Net movements in exchange rates	–	0
Other	3	3
Total	**3**	**3**

Parent Company	2016	2015
Interest income, Group companies	21	23
Other interest income	0	0
Net movements in exchange rates	–	14
Total	**21**	**37**

All interest income is attributable to financial assets measured at the amortized cost.

Note 10 - Financial expenses

Group	2016	2015
Interest expense to credit institutions	19	26
Other interest expense	1	0
Other expenses	10	25
Total	**30**	**51**

Parent Company	2016	2015
Interest expense to credit institutions	18	25
Interest expense, Group companies	10	11
Net movements in exchange rates	16	–
Other expenses	6	18
Total	**50**	**54**

All interest expense is attributable to financial liabilities measured at amortized cost.

Note 11 - Taxes

Group	2016	2015
Current tax expense (–)/tax asset (+)		
Tax expense/tax asset for the period	-18	-3
Adjustment of tax attributable to prior years	0	0
Total	**-18**	**-3**
Deferred tax expense (–)/tax asset (+)		
Deferred tax related to temporary differences	0	0
Deferred tax asset attributable to tax loss carryforwards capitalized during the year	10	6
Deferred tax expense attributable to utilization of previously capitalized tax value in tax-loss carryforwards	0	0
Deferred tax attributable to change in tax rate	–	–
Deferred tax expense attributable to impairment of capitalized tax value attributable to tax-loss carryforwards	-1	-11
Others	0	1
Total	**9**	**-4**
Total consolidated reported tax expense (-)/tax asset (+)	**-9**	**-7**

Parent Company	2016	2015
Current tax expense (–)/tax asset (+)		
Tax expense/tax asset for the period	–	–
Adjustment of tax attributable to prior years	–	–
Total	**–**	**–**
Deferred tax expense (–)/tax asset (+)		
Deferred tax related to temporary differences	10	6
Total	**10**	**6**
Total reported tax expense (-)/ tax asset (+) Parent Company	**10**	**6**

Reconciliation of effective tax	2016	2015
Group		
Profit/loss before tax	-11	-162
Tax at prevailing rate for the Parent Company	2	36
Effect of different tax rates for foreign subsidiaries	0	-1
Non-deductible expenses	-3	-28
Non-taxable Revenues	0	0
Increase of loss carryforward without corresponding capitalization of deferred tax	-9	-12
Taxes attributable to previous years	0	–
Share in earnings of joint venture	2	0
Other	-1	-3
Recognized effective tax	**-9**	**-7**

Reconciliation of the effective tax rate for the Group is based on a weighted average of the nominal tax rates that apply to each of the companies within the Group included in continuing operations.

Reconciliation of effective tax	2016	2015
Parent Company		
Profit/loss before tax	-67	-230
Tax at prevailing rate for the Parent Company	15	51
Non-deductible expenses	-12	-52
Non-taxable Revenues	7	7
Other	–	0
Recognized effective tax	**10**	**6**

Tax items recognized in other comprehensive income

Group	2016	2015
Current tax for currency risk hedging in foreign operations	4	-3
Total tax in other comprehensive income	**4**	**-3**

Tax items recognized directly in equity

Group	2016	2015
Tax items recognized directly in equity	**–**	**–**

Note 12 - Earnings per share

Group	2016	2015
Earnings per share before dilution (SEK)	-1.56	-19.47
Earnings per share after dilution (SEK)	-1.56	-19.47

The calculation of the numerator and denominator used in the calculation of earnings per share is detailed below.

Profit/loss for the year		
Profit/loss for the year (SEK M)	-20	-169

Weighted average number of common shares outstanding before dilution (individual shares)		
Total ordinary shares at January 1	8,708,150	3,427,305
Rights issue	4,301,974	5,280,845
Effect of treasury share transactions	-26,920	-26,920
Weighted common shares outstanding during the year, before dilution	**12,983,204**	**8,681,230**

Weighted average number of common shares outstanding after dilution (individual shares)		
Weighted average ordinary shares outstanding, before dilution	12,983,204	8,681,230
Weighted common shares outstanding during the year, after dilution	**12,923,204**	**8,681,230**

A 1:20 reverse share split was carried out in May 2016. Comparative figures for 2015 have been restated.

Note 13 - Goodwill

Cash-generating units with goodwill

Goodwill	Sweden	Lecor	Finland	Group total
Opening balance, January 1, 2015	314	67	231	616
Impairment	–	-50	–	-54
Exchange difference	–	–	-4	-4
Closing balance, December 31, 2015	**314**	**17**	**227**	**558**
Opening balance, January 1, 2016	314	17	227	558
Impairment	–	–	–	–
Exchange difference	–	–	4	4
Closing balance, December 31, 2016	**314**	**17**	**231**	**562**
Recoverable amount	759	83	782	–
Carrying amount	634	54	426	–
Difference	**125**	**29**	**356**	**–**

Impairment testing

Cash generating units

The cash generating unit Sweden consists of the company BE Group Sverige AB and Lecor consists of Lecor Stålteknik AB. Both of these companies are included in Business Area Sweden & Poland. The cash generating unit Finland consists of the company BE Group Oy Ab, which is a part of Business Area Finland & Baltics.

Recoverable amounts

Goodwill is tested for impairment at least once annually. This testing compares the recoverable amount with the carrying amount. The test done in 2015 led to an impairment of goodwill in Lecor of SEK 50 M. During the year, a new assessment was done, which as of the balance sheet date shows that no further impairment requirements existed.

The table above shows the difference between recoverable amount and carrying amount per cash flow generating unit. The recoverable amount of the cash generating units is determined by calculating their value in use. In calculating the value in use, a model is applied that is based on established business plans for 2017. These plans have then been adjusted so that any non-recurring effects or other exceptional effects are compensated with the aim of estimating a normalized cash flow. This has then been assumed to grow by 2 percent per year, which is expected to be in line with inflation. The carrying amount is equal to the respective company's working capital at December 31. The carrying amount for Sweden was adjusted for the value of participations in joint ventures as this holding is subject to separate measurement (see Note 17).

For the calculation of value in use, estimated cash flows are discounted by a factor of 9.6 percent (9.6) before tax. The discount factor was determined using a model where the capital cost of the Company's equity is weighed together with the cost of the Company's interest bearing liability based on the debt/equity ratio. The cost of equity is assessed based on the risk-free interest rate, market and company-specific risk premium, and the Company's assessed Beta value, which is a measurement of how the Company's risk correlates to market risk. The Company has deemed that the same discount factor is applicable to all units in the Group.

Sensitivity analysis

A sensitivity analysis has been done where the variables included in the value-in-use model were changed and the effect on the recoverable amount was analysed. For the forecast cash flow, growth, growth margin, working capital tied-up and investments are important factors. For the valuation, the discount rate is also an important parameter. For the model, investments have been assumed to be on a par with depreciation and working capital tied-up is assumed to be on a par with the outcome for 2016. Except for Lecor where the outcome for 2016 was exceptionally week, profit margins are on a par with the 2016 outcome. For growth and discount factor, a negative change of 1 percent entails no further impairment requirements. The sensitivity for lower underlying profit margins is somewhat greater, but above all, Lecor must follow the set business plan to defend the book value.

Note 14 - Other intangible assets

	Other intangible assets		Customer relations		Software and licenses		Total	
Group	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Accumulated cost								
At January 1	8	9	30	30	140	141	178	180
Purchases	–	–	–	0	2	–	2	0
Disposals and scrappings	-2	-1	–	–	–	0	-2	-1
Reclassification	–	–	–	–	–	0	–	0
Exchange differences for the year	–	–	1	0	1	-1	2	-1
Total accumulated closing balance	**6**	**8**	**31**	**30**	**143**	**140**	**180**	**178**
Accumulated scheduled depreciation								
At January 1	-5	-4	-21	-20	-117	-103	-143	-127
Disposals and scrappings	2	1	–	–	–	–	2	1
Reclassification	–	–	–	–	–	–	–	–
Scheduled amortization for the year	-2	-2	0	-1	-8	-15	-10	-18
Exchange differences for the year	–	–	-2	0	-1	1	-3	1
Total accumulated depreciation	**-5**	**-5**	**-23**	**-21**	**-126**	**-117**	**-154**	**-143**
Accumulated impairment								
At January 1	–	–	-6	-6	–	–	-6	-6
Impairment losses for the year	–	–	-2	–	–	–	-2	–
Total accumulated impairment	**–**	**–**	**-8**	**-6**	**–**	**–**	**-8**	**-6**
Carrying amount at end of period	**1**	**3**	**0**	**3**	**17**	**23**	**18**	**29**
Amortization for the year is reported on the following lines in the income statement								
Selling expenses	0	0	0	0	0	0	0	0
Administrative expenses	-2	-2	0	-1	-8	-15	-10	-18
Total	**-2**	**-2**	**0**	**-1**	**-8**	**-15**	**-10**	**-18**
Parent Company								
Accumulated cost								
At January 1	–	–	–	–	107	107	107	107
Purchases	–	–	–	–	1	–	1	–
Reclassification	–	–	–	–	–	–	–	–
Total accumulated closing balance	**–**	**–**	**–**	**–**	**108**	**107**	**108**	**107**
Accumulated scheduled depreciation								
At January 1	–	–	–	–	-86	-71	-86	-71
Scheduled amortization for the year	–	–	–	–	-7	-15	-7	-15
Total accumulated depreciation	**–**	**–**	**–**	**–**	**-93**	**-86**	**-93**	**-86**
Carrying amount at end of period	**–**	**–**	**–**	**–**	**15**	**21**	**15**	**21**
Amortization for the year is reported on the following lines in the income statement								
Administrative expenses	–	–	–	–	-7	-15	-7	-15
Total	**–**	**–**	**–**	**–**	**-7**	**-15**	**-7**	**-15**

Note 15 - Tangible assets

	Buildings and land		Plant and machinery		Equipment, tools, fixtures and fittings		New constructionin progress and advance payments for tangible assets		Total	
Group	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Accumulated cost										
At January 1	90	91	504	510	155	160	4	2	753	763
Purchases	0	0	4	9	3	3	1	4	8	16
Disposals and scrappings	–	–	-3	-3	-2	-7	–	–	-5	-10
Reclassification	–	–	3	1	1	0	-4	-2	–	-1
Exchange differences for the year	4	-1	14	-13	1	-1	0	–	19	-15
Total accumulated closing balance	**94**	**90**	**522**	**504**	**158**	**155**	**1**	**4**	**775**	**753**
Accumulated scheduled depreciation										
At January 1	-21	-18	-367	-347	-136	-135	–	–	-524	-500
Disposals and scrappings	–	–	2	2	2	7	–	–	4	9
Reclassification	–	–	–	–	–	–	–	–	–	–
Scheduled depreciation for the year	-3	-3	-28	-32	-9	-9	–	–	-40	-44
Exchange differences for the year	-1	–	-10	10	-1	1	–	–	-12	11
Total accumulated depreciation	**-25**	**-21**	**-403**	**-367**	**-144**	**-136**	**–**	**–**	**-572**	**-524**
Accumulated impairment										
At January 1	-28	-8	-1	-1	-1	-1	–	–	-30	-10
Impairment losses for the year	-12	-20	-1	–	-3	–	–	–	-16	-20
Exchange differences for the year	-1	0	–	0	0	0	–	–	-1	0
Total accumulated impairment	**-41**	**-28**	**-2**	**-1**	**-4**	**-1**	**–**	**–**	**-47**	**-30**
Carrying amount at end of period	**28**	**41**	**117**	**136**	**10**	**18**	**1**	**4**	**156**	**199**
Finance leasing										
Group										
Properties held under financial leases are included at a carrying amount of	**3**	**4**	**16**	**20**	**1**	**1**	**–**	**–**	**20**	**25**

Future minimum lease payments attributable to financial lease agreements maturing for payment as follows:

Group										
Within one year	2	2	6	6	–	–	–	–	8	8
One to five years	4	6	9	14	–	–	–	–	13	20
Later than five years	–	–	–	–	–	–	–	–	–	–
Total future minimum lease fees	**6**	**8**	**15**	**20**	**–**	**–**	**–**	**–**	**21**	**28**
Amount representing interest	0	0	-1	-2		–		–	-1	-2
Total carrying value of lease liability	**6**	**8**	**14**	**18**	**–**	**–**	**–**	**–**	**20**	**26**

At the end of 2016 the carrying amount of leased assets was SEK 20 million. Variable fees in the result of SEK 0 million. See Note 31, Financial risk management and Note 33, Key estimates and assessments, for additional disclosures and assessments concerning lease liabilities.

Valuation - Czech building

An external valution of the Czech building has been carried out. The building, which is located in Ostrava, is part of the restructuring of the operations in the Czech Republic which was decided in the first quarter. The building was considered to have a market value lower than the book value and has therefore been written down by SEK 12 million to SEK 24 million, which is the assessed market value.

	Equipment, tools, fixtures and fittings	
Parent Company	**2016**	**2015**
Accumulated cost		
At January 1	1	1
Purchases	–	0
Total accumulated closing balance	**1**	**1**
Accumulated scheduled depreciation		
At January 1	-1	-1
Scheduled depreciation for the year	0	0
Total accumulated depreciation	**-1**	**-1**
Carrying amount at end of period	**0**	**0**

Note 16 - Participations in Group companies

Parent Company	2016	2015
Accumulated cost		
At January 1	1,583	1,534
Acquisitions and capital contributions	29	49
Divestment and liquidation	–	–
Total accumulated cost	**1,612**	**1,583**
Accumulated impairment		
At January 1	-601	-377
Divestment and liquidation	–	–
Impairment losses for the year	-63	-224
Total accumulated impairment	**-664**	**-601**
Carrying amount at end of period	**948**	**982**

Specification of the Parent Company and Group's holdings of investments in Group companies

Subsidiaries/Reg. No./Domicile	Participating interests	%	Carrying amount
BE Group Sverige AB, 556106-2174, Malmö, Sweden	20,000	100	709
BE Group Oy Ab, 1544976-7, Finland	204,000	100	147
BE Group AS,10024510, Estonia	40	100	0
BE Group SIA, 40003413138, Latvia	100	100	0
UAB BE Group, 211685290, Lithuania	100	100	4
BE Group Sp. z o.o, 0000006520, Poland	20,216	100	4
BE Group CZ s.r.o., 282 43 781, Czech Republic		100	7
BE Group Slovakia s.r.o., 36595659, Slovakia		100	–
Lecor Stålteknik AB, 556584-6382, Kungälv, Sweden	1,000	100	67
BE Group Produktion Eskilstuna AB, 556788-2344, Eskilstuna, Sweden	5,000	100	10
RTS Eesti OÜ, 11657766, Estonia		100	–
			948

Acquisitions, capital contributions and impairments during the year	2016	2015
BE Group Slovakia s.r.o.	-7	–
BE Group Sverige AB	–	-157
BE Group Sp. z o.o	–	–
UAB BE Group	0	0
BE Group CZ s.r.o.	-25	–
RTS Eesti OÜ	-2	–
Lecor Stålteknik AB	–	-18
	-34	**-175**

The write-downs during the year is mainly related to participations in Group companies.

Note 17 - Participations in joint ventures

BE Group owns 50 percent of ArcelorMittal BE Group SSC AB (company registration number 556192-8770, domiciled in Karlstad, Sweden). The interest in the joint venture company is reported in the consolidated accounts using the equity method, by which 50 percent of profit after tax for the joint venture company will be reported as a share in earnings included in the consolidated operating result of BE Group.

Earnings in joint venture ArcelorMittal BE Group SSC AB	**2016**	**2015**
Profit/loss before tax	19	4
Tax	-4	-1
Profit after tax	**15**	**3**
Dividends received	–	–

Overview of income statements and balance sheets for the joint venture	**2016**	**2015**
Net sales	611	550
Operating result	19	4
Net financial items	0	0
Tax	-4	-1
Profit/loss for the year	**15**	**3**

	2016	**2015**
Non-current assets	183	165
Current assets	228	168
Total assets	**411**	**333**

	2016	**2015**
Equity	267	252
Provisions	20	20
Interest-bearing liabilities	59	28
Other non-interest-bearing liabilities	65	33
Total equity and liabilities	**411**	**333**

Participations in joint ventures	**2016**	**2015**
Opening balance, cost	79	127
Dividends received	–	–
Share in earnings of joint venture	8	2
Other	–	-50
Carrying amount at year-end	**87**	**79**

Transactions with joint venture ArcelorMittal BE Group SSC AB	**2016**	**2015**
Receivables due from joint venture	–	–
Debts owed to joint venture	8	3
Sales to joint venture	0	0
Purchases from joint venture	57	57
Dividends received	–	–

Transactions with the joint venture are conducted at market prices and terms.

Impairment testing 2015

In the third quarter 2015, it was noted that the Group's joint venture ArcelorMittal BE Group SSC AB would not achieve the targets for the year. In light of this, an assessment was done of the development for the upcoming years. It was concluded that an impairment requirement existed. Through BE Group Sverige AB, the Group is the owner of 50 percent of the shares in ArcelorMittal BE Group SSC AB and the value of the company's proportion was tested by the recoverable amount being compared with the carrying amount. The carrying amount consists of the book value.

The recoverable amount was estimated using a value in use based on cash flow forecasts for five years forward and an end value based on an annual rate of growth of 2 percent. Cash flows was present value calculated with a discount rate of 14.5 percent before tax. The discount rate was determined based on the same methodology as in the testing of Goodwill (see Note 13) with the difference that the capital structure in joint ventures was used to weight together capital and interest expenses. The comparison between the carrying amount and the recoverable amount has entailed a write-down of the Group's participations in the joint venture ArcelorMittal BE Group SSC with an amount of SEK 50 M. After write-down the remaining value is SEK 79 M.

Note 18 - Other securities held as non-current assets

Group	2016	2015
Accumulated cost		
At January 1	0	0
Divestments for the year	–	–
Exchange differences for the year	0	0
Carrying amount at end of period	**0**	**0**

Note 19 - Interest-bearing receivables, Group companies

Parent Company	**2016**	**2015**
Accumulated cost		
At January 1	208	238
New receivables	82	39
Settled receivables	-67	-18
Impairment of receivables	-2	-51
Exchange differences for the year	5	0
Carrying amount at end of period	**226**	**208**
Of which recognized as non-current	*92*	*93*
Of which recognized as current	*134*	*115*

Note 20 - Inventories

Group	2016	2015
Obsolescence reserve, inventories		
Carrying amount at January 1	-10	-10
Translation difference	0	0
Change for the year	4	0
Total obsolescence reserve, inventory	**-6**	**-10**

Note 21 - Prepaid expenses and deferred income

Group	2016	2015
Rent for premises	9	10
Insurance fees	1	–
Other items	5	17
Total prepaid expenses and accrued income	**15**	**27**

Parent Company	2016	2015
Other items	5	4
Total prepaid expenses and accrued income	**5**	**4**

Note 22 - Equity

Share capital and shares outstanding

Group	2016	2015
Issued capital at January 1	260,202,495	74,728,128
New share issue	–	185,474,367
Reverse share split (1:20)	-247,192,371	–
Issued capital at December 31	**13,010,124**	**260,202,495**

At December 31, 2016, registered share capital amounted to 13,010,124 (260,202,495) common shares. The decrease in the number of common shares during the year was due to a reverse share split (every 20 existing shares were consolidated into one new share) in the second quarter of 2016. The quotient value of shares is SEK 20.00 (1,00). Holders of common shares are entitled to annual general dividends, the amount of which is set each financial year and shareholdings convey voting rights at the Annual General Meeting of one vote per share. All shares convey equal rights to the Company's remaining net assets.

Other capital contributions

Pertains to capital contributions from shareholders. Includes share premium reserves transferred to the statutory reserve at December 31, 2005. Share premium reserve provisions are also reported as capital contributions as of January 1, 2006.

Reserves

Translation reserve

The translation reserve comprises of exchange differences arising from translation of the financial statements of foreign operations that have prepared their financial statements in a currency other than the currency in which consolidated financial statements are presented. The Parent Company and Group present their financial statements in Swedish kronor (SEK).

Hedging of net investments in foreign subsidiaries is also recognized in the translation reserve. This is comprised of exchange rate 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	2016	2015
Carrying amount at January 1	18	23
Exchange rate difference for the year	20	-17
Hedging of net investments in foreign subsidiaries	-18	15
Tax attributable to hedging of net investment in foreign subsidiary	4	-3
Carrying amount at end of period	**24**	**18**

Retained earnings including profit/loss 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.

Treasury shares

	2016		2015	
Group	**Number**	**Amount**	**Number**	**Amount**
Balance at January 1	538,381	21	538,381	21
Reverse share split (1:20)	-511,461	–	–	–
Closing balance at end of period	**26,920**	**21**	**538,381**	**21**

Acquisition of treasury shares are recognized directly in retained earnings.

Parent Company

Restricted equity

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 of 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, that is, when more must be paid for the shares than their quotient value, 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 from January 1, 2006 is included in non-restricted equity.

Note 23 - Provisions

Group	2016	2015
Restructuring costs	2	–
Other	2	0
Total, other provisions	**4**	**0**
Of which:		
Non-current	0	0
Current	4	0
	4	**0**

2016	Restructuring costs	Other
Carrying amount at January 1	0	0
New provisions	10	2
Amount used during the period	-8	0
Carrying amount at end of period	**2**	**2**
Expected date of outflow of resources:		
2017	2	2
2018–2021	0	0
	2	**2**

Parent Company

The Parent Company currently holds no provisions SEK 0 M (0).

Not 24 - Appropriation of earnings

The Board of Director´s proposal for the appropriation of earnings

The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the financial year 2016 (-).

Funds available		
Share premium reserves	239,719,829	SEK
Retained earnings	83,810,989	SEK
Loss for the year	-56,439,980	SEK
Total	**267,090,838**	**SEK**

Balance carried forward	267,090,838	SEK
Total	**267,090,838**	**SEK**

Note 25 - Deferred tax assets and tax liabilities

2016

Group	**Deferred tax receivable**	**Deferred tax liabilities**	**Net**
Intangible assets	0	-19	-19
Buildings and land	0	-1	-1
Machinery and Equipment	0	-4	-4
Inventory	0	0	0
Accounts receivable	1	–	1
Other provisions	0	0	0
Interest-bearing liabilities	2	–	2
Loss carryforwards	47	–	47
Other [1)]	2	-20	-18
	52	**-44**	**8**
Offset	-1	1	–
Net deferred tax liability	**51**	**-43**	**8**

2015

Group	**Deferred tax receivable**	**Deferred tax liabilities**	**Net**
Intangible assets	0	-19	-19
Buildings and land	0	-1	-1
Machinery and Equipment	2	-5	-3
Inventory	1	0	1
Accounts receivable	1	–	1
Other provisions	0	–	0
Interest-bearing liabilities	2	–	2
Loss carryforwards	38	–	38
Other [1)]	0	-18	-18
	43	**-42**	**1**
Offset	-1	1	–
Net deferred tax liability	**42**	**-41**	**1**

[1)] Mostly related to a deferred tax liability in Estonia. In Estonia, the tax is paid first when the dividend is paid to the parent company.

2016

Parent Company	**Deferred tax receivable**	**Deferred tax liabilities**	**Net**
Loss carryforwards	44	–	44
	44	**–**	**44**
Offset	–	–	–
Net deferred tax asset	**44**	**–**	**44**

2015

Parent Company	**Deferred tax receivable**	**Deferred tax liabilities**	**Net**
Loss carryforwards	34	–	34
	34	**–**	**34**
Offset	–	–	–
Net deferred tax asset	**34**	**–**	**34**

Change of deferred tax in temporary differences and loss carryforwards

Group

2016	Carrying amount at beginning of period	Recognized in profit or loss	Recognized in Equity [1)]	Carrying amount at end of period
Intangible assets	-19	1	-1	-19
Buildings and land	-1	1	-1	-1
Machinery and Equipment	-3	-1	0	-4
Inventory	1	-1	0	0
Accounts receivable	1	0	0	1
Other provisions	0	0	0	0
Interest-bearing liabilities	2	0	0	2
Loss carryforwards	38	9	0	47
Other	-18	0	0	-18
	1	**9**	**-2**	**8**

Group

2015	Carrying amount at beginning of period	Recognized in profit or loss	Recognized in Equity [1)]	Carrying amount at end of period
Intangible assets	-20	0	1	-19
Buildings and land	-5	4	0	-1
Machinery and Equipment	-5	1	1	-3
Inventory	1	0	0	1
Accounts receivable	3	-2	0	1
Other provisions	0	0	0	0
Interest-bearing liabilities	2	0	0	2
Loss carryforwards	44	-6	0	38
Other	-16	-2	0	-18
	4	**-5**	**2**	**1**

[1)] Includes translation differences on deferred tax.

Change of deferred tax in temporary differences and loss carryforwards

Parent Company

2016	Carrying amount at beginning of period	Recognized in profit or loss	Recognized in equity	Carrying amount at end of period
Loss carryforwards	34	10	–	44
	34	**10**	**–**	**44**

Parent Company

2015	Carrying amount at beginning of period	Recognized in profit or loss	Recognized in equity	Carrying amount at end of period
Loss carryforwards	28	6	–	34
	28	**6**	**–**	**34**

Of the Group's capitalized deferred tax assets on tax loss carryforwards, assets of SEK 2 M (2) are limited to a period of five years. These assets pertain to Poland.

Unrecognized deferred tax assets

In the Balance Sheet, deferred tax assets have not been recognized for tax loss carryforwards for a deferred tax value of SEK 35 M (32). Unrecognized tax-loss carryforwards for the year are attributable to the loss making companies in Poland and Czech Republic. The unrecognized amounts are equivalent to the portion of such carryforwards considered unlikely to be utilizable against future taxable results.

Note 26 - Pledged assets and contingent liabilities

Pledged assets to credit institutions

Group	**2016**	**2015**
Liens on assets	1,120	1,087
Property mortgages	24	38
Shares in subsidiaries	995	924
	2,139	**2,049**

Parent Company	**2016**	**2015**
Promissory notes receivable	310	300
Shares in subsidiaries	856	856
	1,166	**1,156**

Financial assets pledged as collateral

The Parent Company has promissory notes receivable from BE Group Sverige AB and 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 31 Financial risk management with regard to significant terms and conditions of external loan agreements.

Contingent liabilities

Group	**2016**	**2015**
Guarantees	10	13
Other items	7	8
	17	**21**

Parent Company	**2016**	**2015**
Guarantee obligations for the benefit of subsidiaries	52	46
	52	**46**

The Parent Company provides a joint and several guarantee covering subsidiaries' payment of receivables to materials suppliers. In addition to these reported commitments, the Parent Company has also provided customary guarantees for subsidiaries' obligations to pay rent to property owners.

Note 27 - Current interest-bearing liabilities

Group	2016	2015
Overdraft facility		
Credit limit	100	100
Unutilized Component	-100	-100
Utilized credit amount	**–**	**–**
Other current interest-bearing liabilities	63	77
Total current interest-bearing liabilities	**63**	**77**

Disclosures concerning collateral are provided in Note 26 Pledged assets and contingent liabilities

Note 28 - Accrued expenses and deferred income

Group	2016	2015
Accrued salaries	43	37
Accrued social security expenses	10	9
Bonuses to customers	4	4
Other items	14	23
Total accrued expenses and deferred income	**71**	**73**

Parent Company	2016	2015
Accrued salaries	1	1
Accrued social security expenses	1	1
Other accrued expenses	3	8
Total accrued expenses and deferred income	**5**	**10**

Note 29 - Supplementary disclosures to cash flow statement

Group	2016	2015
Interest paid and dividends received		
Dividends received	–	–
Interest received	0	0
Interest paid	-19	-26
Adjustment for non-cash items		
Depreciation and write-down of assets	64	180
Unrealized exchange rate differences	1	0
Capital gain/loss on sale of fixed assets	0	1
Difference between participation in joint venture and dividends received	-8	-2
Provisions and other income items not affecting liquidity	7	7
Total	**64**	**186**

Parent Company	2016	2015
Interest paid and dividends received		
Dividends received	14	24
Interest received	21	23
Interest paid	-28	-36
Adjustment for non-cash items		
Depreciation and write-down of assets	43	240
Unrealized exchange rate differences	17	-2
Dividend	-14	-24
Other income statement items not affecting liquidity	3	15
Total	**49**	**229**

Note 30 - Related-party transactions

Group

During the year, the Group had transactions with joint venture company ArcelorMittal BE Group SSC AB. See Note 17 for further details.

In connection with the reverse share split, which involved every 20 existing share being consolidated into one new share, the company entered into an agreement with its main shareholder Traction. Under the agreement, Traction undertook, at no fee, to transfer the number of shares required for all shareholders´ holdings to be equally divisible by 20 (rounding up).

In 2015, the Group's CEO and CFO acquired 60,000 and 30,000 put options respectively from Traction. The options were valued according to an established model and were acquired at market value. The options matures at the end of June 2017 and presents an opportunity to sell the equivalent number of shares at a price of 28.40 SEK per share. So far no options have been exercised. BE Group is in no way a party to the agreements.

In other regards, no transactions have taken place between BE Group and related parties that have had a material impact on the Company's position and results.

See Note 3 for disclosures on remuneration and benefits paid to senior executives and Board members.

Parent Company

The Parent Company has decisive control over its subsidiaries (see note 16) and has had the following transactions with related parties:

Parent Company´s transactions with subsidiaries	**2016**	**2015**
Sales of services	25	34
Purchases of services	-7	-9
Interest income	21	23
Interest expense	-10	-11
Dividend Received (+)/paid (-)	14	24
Group contributions received(+)/paid (-)	9	12
Claims on related parties on balance day	291	322
Debt to related parties on balance day	-194	-133

Note 31 - Financial risk management

In its operations, BE Group is exposed to a number of financial risks. The management of these risks is regulated through the Group's finance policy. The finance policy is established by the Board and provides a framework for BE Group's management of the financial risks in its operations. BE Group maintains a centralized finance function that is responsible for identifying and managing the financial risks in accordance with the established policy.

The finance function reports to the President and CEO of BE Group.

BE Group's ongoing operations give rise to a number of financial risks. These consist of market risk (currency and interest risk), refinancing risk (liquidity risk) and credit risk. The goals that have been established in the finance policy are stated under the respective heading below.

Market risk

Market risk is the risk that fluctuations in market rates, such as interest and exchange rates, will impact the Group's profits or financial position.

Currency risk

By reason of its international operations, BE Group is exposed to currency risk through exchange rate fluctuations. BE Group's currency exposure comprises both transaction exposure and translation exposure.

Transaction exposure

Transaction exposure arises when the Group conducts purchasing in one currency and sales in another, meaning that the transaction exposure is attributable to accounts receivable and payable. BE Group's purchases are denominated mainly in SEK and EUR, while sales are denominated in local currency, which means that the Group's purchases in EUR exceed sales. BE Group's objective is to minimize the short-term and long-term impact of movements in foreign exchange rates on the Company's profit and equity. This is mainly achieved by matching revenues and expenses in business transactions with currencies other than SEK. When matching cannot be achieved, the Group sometimes utilizes forward contracts for currency hedging. All currency hedging is performed by the Group's central finance function in the Parent Company. At year-end, BE Group had no outstanding forward contracts relating to transaction exposure.

During 2016, BE Group's transaction exposure in EUR amounted to EUR 43 M (33), consisting of the difference between actual purchasing and sales in EUR. The real effect of the transaction exposure affected operating profit/loss negatively by SEK -2 M (1). Based on income and expenses in foreign currency for 2016, it is estimated that a change of +/- 5 percent in the SEK against the EUR would entail an effect of about +/- SEK 2 M in the operating result. On the balance sheet date, the Group had operating liabilities of EUR 2 M net and financial liabilities of EUR 44 M.

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

Amount	**SEK M**	
SEK	301	39 %
EUR	476	62 %
Others	-6	-1 %
Total	**771**	**100 %**

Translation exposure

When the net assets of foreign Group companies are restated in SEK, translation differences arise in connection with exchange rate fluctuations that affect consolidated Equity. The Parent Company, BE Group AB, has loans in EUR to reduce translation exposure arising from the Finnish and Estonian operations, respectively. In the consolidated financial statements, hedge accounting is applied in accordance with the principles for hedging net investments in foreign currency. No hedge accounting has been applied in the Parent Company. Translation exposure for other countries has been judged immaterial and accordingly not hedged.

The Group's earnings are affected by the currency rates used in the translation of the results of its foreign units. Based on conditions in 2016, it is estimated that a 5 percent strengthening of the SEK against the EUR would entail an effect of SEK -3 M on operating result in the translation of the earnings of foreign units.

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

Interest risk

Interest risk is attributable to fluctuations in market interest rates and their effect on the Group's loan portfolio. Consolidated interest-bearing liabilities are mainly subject to variable interest or short terms of fixed interest.

In accordance with the finance policy, BE Group works to minimize the effect on the Group's profit/loss before tax due to fluctuations in market interest rates. BE Group's objective is to maintain the average fixed rate term of one to 12 months. The fixed rate term was kept short during the year and was approximately three months (3) as of the balance sheet date.

At the end of the year, the total interest-bearing debt was SEK 590 M (642). Interest-bearing assets in the form of cash and bank balances amounted to SEK 27 M (33).

A change in interest rates of 1 percent would affect consolidated net financial items by approximately SEK +/- 5 M and consolidated equity by approximately SEK +/- 4 M. The sensitivity analysis has been conducted on the basis of current net debt at the end of the period.

The table below details the consolidated interest-bearing liabilities outstanding at December 31, 2015 and December 31, 2016.

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

		Nominal amount in original currency		Carrying amount (SEK M)		Fixed interest terms number of days		Maturity	
		2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Financial lease, SEK	SEK M	10	13	10	13	–	–	2017-2019	2016-2019
Financial lease, EUR	EUR M	1	1	10	13	–	–	2017	2016-2017
accrued interest				–	–				
Total financial leasing liability				**20**	**26**				
Of which, current liability				*7*	*7*				
Factoring PLN	PLN M	0	1	1	2	–	–	2017	2016
accrued interest				–	–				
Total factoring liability				**1**	**2**				
Of which, current liability				*1*	*2*				
Bank loan, CZK	CZK M	58	100	21	34	–	–	2017	2016
accrued interest				–	–				
Total external bank loans in subsidiaries				**21**	**34**				
Of which, current liability				*21*	*34*				
Parent Company [1]									
Bank loan, SEK	SEK M	139	190	138	187	90	90	2018	2018
Bank loan, EUR	EUR M	43	43	411	393	90	90	2018	2018
accrued interest				–	–				
Total interest-bearing liabilities, Parent Company				**549**	**580**				
Of which, current liability				*34*	*34*				
Total interest-bearing liabilities, Group				**590**	**642**				
Of which, current liability				*63*	*77*				

[1] In addition to its external interest-bearing liabilities, the Parent Company has Group-internal liabilities amounting to EUR 10 M (5). The recognized amount totals SEK 100 M (50). The liabilities mature on December 31, 2017 with interest rates based on three-month EURIBOR. There is no accrued interest on the balance sheet date. In addition to these liabilities, the Parent Company has interest-bearing liabilities related to the intra-group cash pool and that amount to SEK 58 M (43) as per the balance sheet date. The interest applied in the cash pool is based on STIBOR T/N.

The recognized amount for interest-bearing liabilities constitutes a good approximation of the fair value.

Refinancing risk (liquidity risk)

BE Group is a net borrower and a refinancing risk arises in connection with the extension of existing loans and the raising of new loans. Access to external financing, which is affected by factors such as the general trend in the capital and credit markets, as well as the borrower's creditworthiness and credit capacity, may be limited and there may be unforeseen events and costs associated with this. The borrowing strategy focuses on securing the Group's borrowing needs, both with regard to long-term financing needs and day-to-day payment commitments. BE Group works to maintain satisfactory payment capacity by means of unutilized credit facilities and through active control of its working capital, which is the main item affecting the Group's liquidity.

Maturity structure, financial liabilities

	Financial liabilities	
	2016	**2015**
Maturity within 90 Days	445	442
Maturity within 91–180 Days	6	8
Maturity within 181–365 Days	29	31
Maturity within 1–5 years	528	648
Maturity later than 5 years	0	0
Total	**1,008**	**1,129**

The table above details the maturity structure for financial liabilities and shows the undiscounted future cash flows. BE Group has an overdraft facility of SEK 100 M, of which SEK 0 M had been utilized as of December 31, 2016, see Note 27. Of the financial liabilities that fall due for payment within one to five years, the largest part relate to the Parent Company's credit facility maturing in 2018. BE Group has no derivative liabilities.

Credit agreement

Current credit agreement with Skandinaviska Enskilda Banken och Svenska Handelsbanken was signed 2015 and have a maturity of three years. The key figures measured are net debt/equity ratio and interest coverage ratio. The covenants are measured quarterly, and the interest coverage ratio is based on the trend over the past 12-month period. In addition, the Group is subject to limitations with regard to investments during the duration of the agreement. On the balance sheet date, the Group has unutilized credit facilities in an amount of SEK 299 M (including overdraft facilities).

Credit risk

When entering into new business relations and extending existing ones, BE Group makes a commercial assessment.

The risk that payment will not be received on accounts receivable represents a customer credit risk. 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 and specific sectors contribute to reducing credit risk in Business Area Sweden & Poland and Finland & Baltics.

The spread of risk among the customer base is satisfactory as no individual customer accounted for more than 5 percent (5) of sales in 2016. The ten largest customers combined accounted for about 13 percent (12) of sales.

Provisions for credit losses have been assessed on an individual basis. The total cost of bad debts in 2016 was SEK 10 M, and at December 31, 2016, provisions for bad debts amounted to SEK 16 M (23), corresponding to 4 percent (6) of the gross of total accounts receivable.

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.

Accounts receivable

	Gross		Impairment		Net	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Not yet due	**390**	**336**	**-2**	**–**	**388**	**336**
Unimpaired, past due						
< 30 Days	43	52	–	–	43	52
30–90 Days	8	8	–	–	8	8
>90 Days	2	12	–	–	2	12
Total	**53**	**72**	**–**	**–**	**53**	**72**
Impaired, past due						
< 30 days	0	0	0	0	0	0
30–90 Days	0	1	0	0	0	1
>90 Days	14	23	-14	-23	0	0
Total	**14**	**24**	**-14**	**-23**	**0**	**1**
Total	**457**	**432**	**-16**	**-23**	**441**	**409**

Provisions for bad debts	**2016**	**2015**
Provision at January 1	23	28
Reserve for anticipated losses	2	1
Reversal of reserves	2	-1
Realized losses	-12	-4
Exchange rate differences	1	-1
Provision at December 31	**16**	**23**

Valuation of financial assets and liabilities

In all material respects, fair value coincides with the carrying amount in the Balance Sheet for financial assets and liabilities. The total carrying amounts and fair value as per asset class are shown in the table below:

Group	**Measurement category**
A	Financial assets and liabilities valued at fair value via profit and loss for the period
B	Investments held to maturity
C	Loans and receivables
D	Financial assets available for sale
E	Financial liabilities measured at accrue cost

2016	Carrying value according to balance sheet	Of which, financial instruments covered by the disclosure requirements in IFRS 7	Group A	B	C	D	E	Total carrying value	Fair value
Assets									
Other securities held as non-current assets	0	0	–	–	–	0	–	**0**	E/T
Non-current receivables	0	0	–	0	–	–	–	**0**	0
Accounts receivable	442	442	–	–	442	–	–	**442**	442
Other receivables	28	13	–	–	13	–	–	**13**	13
Prepaid expenses and accrued income	15	1	–	–	1	–	–	**1**	1
Cash and equivalents	27	27	–	–	–	27	–	**27**	27
Liabilities									
Non-current interest-bearing liabilities	544	544	–	–	–	–	544	**544**	544
Current interest-bearing liabilities	46	46	–	–	–	–	46	**46**	46
Accounts payable	375	375	–	–	–	–	375	**375**	375
Other liabilities	60	1	–	–	–	–	1	**1**	1
Accrued expenses and deferred income	71	25	–	–	–	–	25	**25**	25

2015	Carrying value according to balance sheet	Of which, financial instruments covered by the disclosure requirements in IFRS 7	Group A	B	C	D	E	Total carrying value	Fair value
Assets									
Other securities held as non-current assets	0	0	–	–	–	0	–	**0**	E/T
Non-current receivables	0	0	–	0	–	–	–	**0**	0
Accounts receivable	409	409	–	–	409	–	–	**409**	409
Other receivables	32	27	–	–	27	–	–	**27**	27
Prepaid expenses and accrued income	27	2	–	–	2	–	–	**2**	2
Cash and equivalents	33	33	–	–	–	33	–	**33**	33
Liabilities									
Non-current interest-bearing liabilities	565	565	–	–	–	–	565	**565**	566
Current interest-bearing liabilities	77	77	–	–	–	–	77	**77**	77
Accounts payable	353	353	–	–	–	–	353	**353**	353
Other liabilities	67	1	–	–	–	–	1	**1**	1
Accrued expenses and deferred income	73	28	–	–	–	–	28	**28**	28

The assessment of the fair value of the financial assets and liabilities has been carried out in accordance with level 2 as defined by IFRS 7.27 A, with the exception of cash and cash equivalents, which are valued in accordance with level 1. The Group also holds shares/participations in unlisted companies, which are included in the assessment category of “Financial assets available for sale”. As it is difficult to reliably measure the fair value of these assets, they are recognized at cost.

Impairment losses

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 circumstances that impair the capacity to recover the carrying amount of the asset and significant or prolonged decline in fair value for financial investments classified as financial assets available for sale. A decline in value of 20 percent is classified as significant and a decline in value is classified as prolonged when it lasts for more than 9 months.

Risk management and insurance

The responsibility for risk management within BE Group lies with the Group’s central finance function. The objective of these efforts is to minimize the total cost of the Group’s loss risks. This is accomplished by continually improving loss prevention and loss limitation in operations and through a Group-wide insurance solution.

Note 32 - Investment commitments

BE Group has no principal investments in progress, nor future investments regarding which the Board of Directors has made a clear commitment.

Note 33 - Key estimates and assessments

Certain assumptions about the future and certain estimates and assessments as of the 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 risk that material adjustment will be required in the next year.

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. This in turn requires that the expected future cash inflows from the cash generating units must be estimated and a relevant discount rate determined to calculate the present value of cash inflows.

See note 13 for a description of impairment testing and assumptions used in the process.

Financial and operational leasing agreements

The largest and most important portion of the Group’s signed lease agreements involves properties. Consequently, in its classification, the Group has assessed whether the leasing agreements are financial or operational in nature. The leasing agreements contain no clauses to the effect that the ownership of the properties will transfer to the Company on the expiration of the agreements. Since the lease fees that the Group pays to the lessor are index-adjusted on a regular basis to correspond to market rent levels and since the Group assumes no risk for the residual value of the properties, it is deemed that largely all financial risks and advantages associated with the properties accrue to the lessor. Based on these qualitative factors, the agreements have been classified as operational leasing agreements. However, there is one agreement that has been classified as financial and its recognized amount amounted to SEK 3 M on the balance sheet date.

In addition to the above, the Group has a number of financial leasing agreements associated with leases of machinery and equipment, whose carrying value amounted to SEK 17 M as per the balance sheet date.

For additional information on the Group’s leasing agreements, please see Notes 5, 15 and 31.

Inventories

The cost of inventory is tested upon each close of books against estimated and assessed future selling prices. In the judgment of BE Group’s management, necessary impairments have been recognized based on the information available when the closing accounts were prepared.

Note 34 - Significant events after balance sheet date

After the end of the financial year BE Group's CFO Andreas Karlsson left the company. Daniel Fäldt commenced, as previously informed, the position as CFO at the beginning of March 2017. No other significant events have taken place after the end of the period.

Appropriation of earnings

The Board of Directors' proposal for the appropriation of earnings

The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the financial year 2016 (-).

Funds available		
Retained earnings	323,530,818	SEK
Loss for the year	-56,439,980	SEK
Total	**267,090,838**	**SEK**

Balance carried forward	267,090,838	SEK
Total	**267,090,838**	**SEK**

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 Board of Directors' Report provides a true and fair view of the Parent Company and the Group's operations, financial position and performance and describes the significant risks and uncertainty factors relevant to the Parent Company and other BE Group companies.

The annual and consolidated accounts are subject to approval by the Annual General Meeting on April 27, 2017.

Malmö, March 16, 2017

Petter Stillström
Chairman of the Board

Jörgen Zahlin
Director

Charlotte Hansson
Director

Lars Olof Nilsson
Director

Esa Niemi
Director

Mikael Sjölund
Director

Mikael Törnros
Employee Representative

Anders Martinsson
President and CEO

Our Audit Report was submitted on March 16, 2017
Öhrlings PriceWaterhouseCoopers AB

Eva Carlsvi
Authorized Public Accountant

Tomas Hilmarsson
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 released for publication on April 6, 2017 at 9.00 a.m.

Auditor's report

To the general meeting of the shareholders of BE Group AB (publ), corporate identity number 556106-2174

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of BE Group AB (publ) for the year 2016 year. The annual accounts and consolidated accounts of the company are included on pages 25-102 in this PDF-document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgement, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Valuation of intangible assets	
The value of goodwill with indefinite useful lives amounts to MSEK 562 as at 31 December 2016. In accordance with IFRS, management is to annually execute an impairment text. No impairment requirement was identified by management in conjunction with this testing as at year end closing. In our audit we have focused on determining if impairment requirement exists for intangible assets. Certain of the assumptions and judgments made by management refer to future cash flows and the circumstances are complex and have a major impact on the calculation of the value in use. This applies, in particular, to the assessment of the future growth rate, profit margins, working capital tied up, investments and the discount rate. Changes in these assumptions could lead to a change in the reported value of intangible assets and goodwill.	In our audit, we have assessed the calculation models applied by management and have concluded that the most important assumptions in the models agree with the company's budgets and strategic plan. We have also taken a position as regards the reasonability of company management's assumptions and judgments. This has taken place through an analysis of how well previous years' assumptions have been achieved, and we have also undertaken any possible adjustments in assumptions compared with the previous year due to changes arising as a result of the development of the operations and external factors. We have also executed independent sensitivity analyses to test the margin of safety for the cash-generating units in order to determine the extent of changes required in key variables before an impairment requirement would arise. Our auditing has resulted in no significant deviations and our assessment is that the disclosures provided regarding significant assumptions and sensitivity analyses as presented in the annual accounts are correct.
Inventory- valuation and existence	
The group reports inventories at a value of SEK 527 million. The inventory reporting is based on the number of articles, either in the physical inventory or as goods in transit, based on the weighted average cost model applied by the Group also considering write down effects for obsolescence or slow moving inventory. We have focused on this area partly as it comprises a significant portion of the financial reports and also due to the fact that the accounting of these assumptions involve, to a certain degree, complex calculations and judgments on behalf of management.	We have assessed documentation for the routines of physical count procedures at the inventory site in order to ensure the existence of the inventory articles. In addition, we have also executed independent inventory counts against reported inventory levels in the inventory system and against the Group's physical stock counts to ensure that the reported articles exist. We have also evaluated the mathematical calculation model applied to the pricing of inventory according to the weighted average costs method. As support for our audit, specific data analyses have been performed to focus the audit on the inventory articles of specific interest, whereby further examination measures took place against documentation. Furthermore, we have also executed an analysis and testing of the group's impairment model for obsolescent and slow moving articles through control calculations applied to the group's calculation models and assumptions. Our audit has not identified any significant deviations.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-24. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor´s report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of BE Group AB for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor´s report.

Malmö, 16 March 2017

Öhrlings PricewaterhouseCoopers AB

Eva Carlsvi	**Tomas Hilmarsson**
Authorised Public Accountant Auditor-in-Charge	Authorised Public Accountant

Group Management

Anders Martinsson

President and CEO
Born 1968
Employed since 2015

Previous experience

Area Manager and Managing Director, within WILO Group (2008-2015), Director Business Development Indutrade AB (2006-2008), Director Sales and Marketing NAF AB (2000-2006)

Education

B.Sc. Engineering Lund Institute of Technology, Diploma in Strategy and Innovation at Oxford University, Management training

Number of shares [1]

60,000

Shares in close association

0

Daniel Fäldt [2]

CFO
Born 1976
Employed since 2017

Previous experience

Finance Director Region Americas and Region South Europe / MEA at Bombardier Transportation (2013-2017), Finance Director Propulsion & Controls, Bombardier Transportation AB (2009-2013), Finance Director Gunnebo Entrance Control UK (2007-2009), various positions within the Gunnebo Group (2002-2007)

Education

BSc in Business Administration, Bryant University. Industrial Management at KTH Executive School.

Number of shares

0

Shares in close association

0

Sandra Eriksson

Group Sourcing Director
Born 1974
Employed since 2016

Previous experience

Purchasing Manager Strategic Sourcing, Purchasing Manager Indirect Material & Services, Purchasing Manager Mechanics, Senior Purchaser at Toyota Material Handling Europe / BT Products AB (2006-2016)

Education

Executive MBA, Stockholm School of Economics

Number of shares

1,700

Shares in close association

0

Lasse Levola

Business Area Manager Finland
Born 1959
Employed since 2005

Previous experience

Sales Director in BE Group Finland (2005–2012), Sales Director in Hollming Works Oy (2003–2005), General Manager Materials Management & Distribution in Wärtsilä (1995–2003).

Education

B.Sc. (Eng), Finland

Number of shares

0

Shares in close association

0

[1] AB Traction has issued 60,000 put options to Anders Martinsson and 30,000 put options to former CFO Andreas Karlsson.

[2] After the end of the financial year BE Group´s CFO Andreas Karlsson left the company. Daniel Fäldt commenced, as previously informed, the position as CFO at the beginning of March 2017.

The information regarding Board members' and Group Management's holding of shares and other financial instruments in BE Group refers to the conditions as per 31 December 2016 and includes own and closely associated natural persons' holdings, as well as holdings by legal persons that are directly or indirectly controlled by the person or its closely associated persons. For updated shareholding, please see our website, www.begroup.com

Board of directors and auditors

Petter Stillström

Chairman
Born 1972
Member of the Board since 2012 (Chairman since 2015)

Other assignments

President in AB Traction. Chairman of the Board of Nilörngruppen and Softronic and board member in OEM International besides AB Traction. Also board member in a number of unlisted companies in AB Traction´s sphere of interest and private holding companies

Previous experience

Active within corporate finance, AB Traction since 1999 and its President since 2001

Education

Master´s degree in Economics, Stockholm University

Number of shares

0

Shares in close association

2,585,946

Lars Olof Nilsson

Member
Born 1962
Member of the Board since 2006

Other assignments

Partner Evli Corporate Finance AB. Chairman of the Board of Kaptensbacken (own company) and NSS Group AB. Board member of JLL Treasury Support AB och JLL Transaction Services AB.

Previous experience

Positions within the Trelleborg Group, including as CFO and Head of Group Finance and Head of Group Business Development

Education

B.Sc. Economics, Umeå University

Number of shares

3,282

Shares in close association

0

Charlotte Hansson

Member
Born 1962
Member of the Board since 2014

Other assignments

CEO of MTD KB. Board member of B&B Tools, DistIT, Orio, Formpipe Software and RenoNorden

Previous experience

Positions within the transportation industry. CEO of Jetpak in Sweden, Denmark and Finland

Education

B.Sc. Biochemistry, University of Copenhagen, IHM Diploma in Business Administration

Number of shares

1,500

Shares in close association

0

Jörgen Zahlin

Member
Born 1964
Member of the Board since 2013

Other assignments

President and CEO in OEM International. Chairman and board member in a number of companies within the OEM Group

Previous experience

Active in the OEM Group since 1985. President since 2000 and CEO since 2002

Education

Engineer

Number of shares

0

Shares in close association

0

Esa Niemi

Member
Born 1948
Member of the Board since 2016

Other assignments

Management consultant and chairman of Unap AB. Chairman of Modlon AB and member of the David Nordqvist Fiskexport AB and Falkeskogs Delikatesser AB.

Previous experience

Vice President Marketing and Sales at Nolato, Head of Business Area Technical Plastics in Constructional Bakelite AB and various senior positions within Hackman Group in Finland, Germany, USA and Sweden.

Education

M.Sc.

Number of shares

0

Shares in close association

3,000

Mikael Sjölund

Member
Born 1971
Member of the Board since 2016

Other assignments

Owner of Kvarnsvik, as well as President Effso Construction AB. Member of Airteam A/S (within Ratos AB) and Parans Solar Lighting AB.

Previous experience

Deputy CEO Imtech Nordic AB, Purchasing Manager at Skanska Sverige AB, Head of Strategic Sourcing at Skanska Nordic countries as well as various senior positions within Skanska.

Education

Bachelor's degree in engineering

Number of shares

5,000

Shares in close association

0

Mikael Törnros

Employee Representative
Born 1972
Member of the Board since 2016

Other assignments

Purchasing Coordinator in BE Group's head office in Malmö. Trade chairman of Union members in BE Group's office in Malmö and Gothenburg. Member of the board of the Swedish Purchasing & Logistics Federation (SILF), Southern Region

Previous experience

Experience in purchasing and logistics, project planning, production in the manufacturing industry since 1998.

Number of shares

0

Shares in close association

0

AUDITORS
Öhrlings PricewaterhouseCoopers AB

Eva Carlsvi

Authorized Public Accountant,
Öhrlings PricewaterhouseCoopers AB
Born 1968

Auditor in Charge for the Company since 2015

Alternative performance measures

The Group uses a number of alternative performance measures in its report.

The alternative performance measures that BE Group considers significant are the following:

Underlying operating result (uEBIT)	**2016**	**2015**
Operating result	16	-114
Deduction inventory gains	-28	–
Additions inventory losses	–	12
Adjustment for non-recurring items	45	124
Underlying operating result	**33**	**22**

Net debt	**2016**	**2015**
Non-current interest bearing liabilities	527	565
Current interest bearing liabilities	63	77
Deduction financial assets	0	0
Deduction cash and equivalents	-27	-33
Rounding	-1	0
Net debt	**562**	**609**

Net debt/equity ratio is calculated as net debt divided by equity.

Working capital	**2016**	**2015**
Inventories	527	546
Accounts receivables	442	409
Other receivables	49	64
Deduction accounts payables	-375	-353
Deduction other current liabilities	-136	-140
Rounding	-1	-1
Working capital	**506**	**525**

Average working capital is an average for each period based on quarterly data.

Capital employed	**2016**	**2015**
Equity	771	785
Non-current interest bearing liabilities	527	565
Current interest bearing liabilities	63	77
Capital employed	**1,361**	**1,427**

Average capital employed is an average for each period based on quarterly data.

Multi-year summary

(SEK M unless otherwise stated)	2011	2012	2013	2014	2015	2016
Sales	5,941	4,984	4,355	4,202	4,155	3,870
Earnings measurements						
Gross profit/loss	768	622	547	527	524	561
Underlying gross profit/loss	787	640	561	533	536	536
Operating result (EBIT)	96	-74	-8	-17	-114	16
Underlying operating result (uEBIT)	131	28	36	18	22	33
Margin measurements						
Gross margin (%)	12.9	12.5	12.6	12.5	12.6	14.5
Underlying gross margin (%)	13.3	12.8	12.9	12.7	12.9	13.9
Operating margin (%)	1.6	-1.5	-0.2	-0.4	-2.8	0.4
Underlying operating margin (%)	2.2	0.6	0.8	0.4	0.5	0.9
Cash flow						
Cash flow from operating activities	184	59	-30	-25	-93	78
Capital structure						
Net debt	773	779	851	754	609	562
Net debt/equity ratio (%)	96	116	136	105	78	78
Working capital at end of period	430	368	388	426	525	506
Working capital (average)	525	451	404	439	505	488
Capital employed at end of period	1,726	1,563	1,537	1,542	1,427	1,361
Capital employed (average)	1,759	1,666	1,542	1,581	1,523	1,383
Working capital tied-up (%)	8.8	9.0	9.3	10.4	12.2	12.6
Return						
Return on capital employed (%)	5.8	-4.3	-0.5	-1.1	-7.5	1.2
Per share data [1]						
Earnings per share (SEK)	8.22	-44.92	-20.48	-21.49	-19.47	-1.56
Earnings per share after dilution (SEK)	8.22	-44.92	-20.48	-21.49	-19.47	-1.56
Equity per share (SEK)	326.27	272.52	253.64	192.78	60.44	59.41
Cash flow from operating activities per share (SEK)	74.36	23.82	-12.12	-7.46	-7.14	5.99
Average number of shares outstanding (thousands)	2,477	2,470	2,472	3,400	8,681	12,983
Average number of shares outstanding after dilution (thousands)	2,478	2,471	2,473	3,401	8,681	12,983
Growth						
Sales growth (%)	16	-16	-13	-4	-1	-7
of which, organic tonnage growth (%)	12	-11	-6	-10	-1	-8
of which, price and mix changes (%)	5	-3	-6	4	-2	0
of which, currency effects (%)	-3	-2	-1	2	2	1
of which, acquisitions (%)	2	–	–	–	–	–
of which, divested operations (%)	–	–	–	–	–	–
Other						
Average number of employees	943	907	853	782	768	739
Inventory gains and losses	-20	-20	-14	-6	-12	28
Shipped tonnage (thousands of tonnes)	546	485	455	411	406	374

[1] A reverse share split 1:20 was carried out in May 2016. Comparable figures has therefore been restated.

Financial definitions

Earnings measurements	
Gross profit/loss	Profit after deduction for cost of goods sold.
Underlying gross profit/loss	Underlying gross profit/loss is the reported gross profit/loss adjusted for inventory gains and losses (deductions for gains and additions for losses).
Operating result (EBIT)	Operating result before financial items.
Underlying operating result (uEBIT)	Operating result (EBIT) before non-recurring items and adjusted for inventory gains and losses (deductins for gains and additions for losses).
Margin measurements	
Gross margin	Gross profit/loss as a percentage of net sales.
Underlying gross margin	Underlying gross profit/loss as a percentage of net sales.
Operating margin	Operating result as a percentage of net sales
Underlying operating margin	Underlying operating result (uEBIT) as a percentage of net sales.
Capital structure	
Net debt	Interest-bearing liabilities less cash and equivalents and financial assets.
Net debt/equity ratio	Net debt divided by equity.
Working capital	Inventories and current receivables less current liabilities, excluding provisions and interest-bearing liabilities.
Working capital (average)	Inventories and current receivables less current liabilities, excluding provisions and interest-bearing liabilities. This measure represents an average for each period based on quarterly data.
Capital employed	Equity plus interest-bearing liabilities.
Capital employed (average)	Equity plus interest-bearing liabilities. This measure represents an average for each period based on quarterly data.
Working capital tied-up	Average working capital, as a percentage of annually adjusted net sales.
Return	
Return on capital employed	Annually adjusted operating result, as a percentage of average capital employed.
Per share data	
Earnings per share	Profit/loss for the period divided by the average number of shares outstanding during the period.
Earnings per share after dilution	Profit/loss for the period divided by the average number of shares outstanding during the period after dilution.
Equity per share	Equity divided by the number of shares outstanding at the end of the period.
Cash flow per share from operating activities	Cash flow from operating activities divided by the average number of shares for the period.
Shares outstanding at the end of the period	Shares outstanding at the end of the period adjusted for rights issues and share splits.
Shares outstanding at the end of the period after dilution	Number of shares at the end of the period adjusted for rights issues and share splits. Any dilution has been taken into account.
Average number of shares	Weighted average number of shares outstanding during the period, adjusted for rights issues and share splits.
Average number of shares after dilution	Weighted average number of shares outstanding during the period, adjusted for rights issues and share splits. Any dilution has been taken into account.
Growth	
Sales growth	Change in the net sales of the business compared with the previous period, in percent.
Other	
Average number of employees	The number of employees recalculated as full-time positions and as an average for reporting period.
Shipped volumes	BE Group Products sold during the period in thousands of tonnes.
Inventory gains and losses	The difference between the cost of goods sold at cost and the cost of goods sold at replacement price.

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