

# ANNUAL REPORT 2010



BE GROUP

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Pages 24–77 have been reviewed by the Company's Auditors and comprise the formal Annual Report.

## **ANNUAL GENERAL MEETING 2011**

The Annual General Meeting of BE Group will be held on Thursday, April 28, 2011, at 4.00 p.m. CET at the Nöjsteatern Theater, Amiralsgatan 35, Malmö, Sweden.

Shareholders whose holdings are nominee registered must temporarily register their shares under their own names ("direct registration") by April 20, 2011. Shareholders should request the custodian to temporarily change the registration well in advance of the meeting.

Notices concerning registration for the meeting and the agenda will be provided in press releases and published well in advance of the meeting on the BE Group website ([www.begroup.com](http://www.begroup.com)). BE Group's audited annual accounts will be available on the website and at the head office on Spadegatan 1 in Malmö after March 31, 2011.

## **REGISTRATION**

The Company must receive notice of intent to attend the general meeting by April 20, 2011, preferably before 12:00 noon. Notice may be registered online at [www.begroup.com](http://www.begroup.com) or by phone on +46 40 38 42 00. The notice must state the shareholder's name, personal or company registration number, address and telephone number, as well as the details concerning the shareholder's proxy, if any.

## **DIVIDEND**

The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the 2010 financial year.





### BE Group's offering

- One of Europe's leading independent trading and service companies, offering a broad range of steel, stainless steel and aluminium products.
- Offers deliveries of materials and qualified production services with a high level of delivery reliability to customers in numerous sectors.
- Experienced organization with knowledgeable employees who understand customers' materials needs and production processes. The Group has a well developed distribution network for just-in-time deliveries.

### BE Group's strengths

- The Group is well-established close to its customers in Northern, Eastern and Central Europe.
- Since the founding of the Company in the late 19th century, its strong brand has been synonymous with a trading and service company that provides customers with the best materials adapted to their specific needs.
- The Group's employees are highly competent in engineering and materials science.

### BE Group's customers

- The Group has approximately 10,000 customers in numerous sectors.
- The largest customer categories are Original Equipment Manufacturers, OEMs (54 percent) and Project customers (22 percent).
- In 2010, the Group's sales totaled SEK 5.1Bn.



### REPORTING DATES

Interim Report January – March:	April 28, 2011
Interim Report January – June:	July 14, 2011
Interim Report January – September:	October 27, 2011
Year-end report 2011:	February 2012

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

BE Group's Annual Report is published in Swedish and English. The Swedish version is the official Annual Report. This Annual Report was published on the Company's website ([www.begroup.com](http://www.begroup.com)) on March 31, 2011. Printed copies are distributed to shareholders and other stakeholders on demand.

The Board of Directors' Report is presented on pages 25–35. The financial statements are presented on pages 37–76 and have been prepared in accordance with IFRS. All amounts are expressed in SEK millions unless otherwise stated. Figures in parentheses refer to 2009 unless otherwise stated. Market information is based on BE Group's assessment if no other source is specified. Assessments are based on the best available factual information.

This Report also contains forward-looking information. While BE Group's management believes

this information is reasonable, no warranties are given that these expectations will prove accurate. Actual future outcomes may vary from forward-looking information due to factors including changes in economic, market and competitive conditions, changes in legal requirements and other political measures, fluctuations in exchange rates and other factors.

For financial and operational definitions, see pages 92–93 and 18–19.

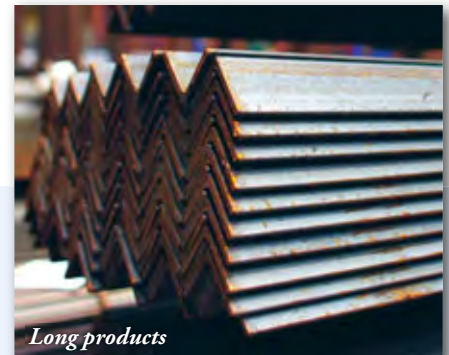
### Cover photo:

*In 2010, BE Group strengthened the value chain – from deliveries received from the steel mills to processing materials according to customer specifications, including logistics solutions.*

## BE GROUP BUILDS A STRONGER VALUE CHAIN

BE Group is the Nordic region's leading independent trading and service company in steel, stainless steel and aluminium. The Group conducts operations in nine countries and has customers mainly within the construction and engineering sectors.

- Net sales rose by 19 percent to SEK 5,129M (4,308)
- The operating result rose by SEK 364M to SEK 98M (neg 266)
- With the acquisitions of Lecor Stålteknik and RTS, BE Group has strengthened its production service offering
- The logistics center in Ostrava, Czech Republic, has continued to develop as a strong hub for customers in Central and Eastern Europe
- Roger Johansson became the new President and CEO of the Group as of January 2011



*Long products*



*Flat products*



*Reinforcement steel*



*Stainless steel*



*Aluminium*

## A CLEAR STRATEGY FOR A STRONGER BE GROUP



“ We have a clear ambition to become one of the leading players in all of our markets. ”

Having made it through the turbulence of 2009, our hope this time last year was that 2010 would return us to a more normal situation. As we sensed at the time, the year turned out to be pervaded by difficulties in assessing the development of the market and actual underlying demand. Steel production rose in many parts of the world, not least in Sweden, although demand did not follow quite the same pattern.

BE Group's net sales for 2010 rose by 19 percent to SEK 5,129M (4,308). Although this was good, it was not fully in line with what we had hoped and the year ended a little weaker than we had expected. The seasonal trend is for the final quarter of the year to be somewhat weaker, although uncertainty surrounding the volatile price trend also contributed to the weak conclusion of the year.

The fact that BE Group again reported a profit for the full-year was pleasing. Operating results improved, with good growth in tonnage being a contributing factor as well as ongoing cost control.

### **Customers' first choice – in all of our markets**

BE Group has an attractive offering and we tailor this to our customers' needs. We have a clear ambition to become one of the leading players in all of our markets. Our objective is to become the natural first choice for all customers – both potential and existing. To achieve that, we must work harder to grow even more competitive. But this is not a process carried out in certain areas in isolation, but one that encompasses the whole Group and everyone who works here.

Our position in the value chain makes us a significant link in the chain between steel producers and companies, primarily in the engineering and construction sectors. Being a major independent steel service company is also an advantage, making us a natural partner for many of the world's leading producers. We are skilled purchasers, with the ambition to become even better.

At BE Group, we focus on quality awareness. At all levels and in all relations, with both suppliers and customers, the Company and its offering must be associated with the highest quality. This extends further than simply delivering the right materials or a suitable product. It demands that our organization always maintains a high level of service and is available when customers need us. On many occasions, however, we must take that extra step. This may entail advising customers on material selection as early as during the product design stage, and then having the expertise and capacity to follow them throughout

**“We are well versed in our customers’ operations and they trust us to always provide the level of service that they have come to expect.”**

their manufacturing process, if they require that of us. BE Group already has an attractive offering, but we must not just follow – we intend to assume a leading role in the growing area of production service.

The trend to outsource certain processes remains strong in many sectors. Our production service offering involves us processing our own materials entirely according to customer specifications and delivering components directly to their production units. Over the year, we continued to invest in equipment to enable a higher degree of additional processing. By offering more and better processes, we create opportunities for our customers to focus on their core operations and to enhance their production processes.

Increased production service is not just about performing more advanced work on input materials. It is just as much about understanding the customer’s operations and offering rapid and reliable delivery. The importance of just-in-time deliveries cannot be stressed enough and we are working continuously to enhance the efficiency of our deliveries and ensure superior reliability of delivery. However, it is important to underscore that, although we seek to increase our share of service sales, our core business still consists of inventory sales and direct sales. We are therefore conducting ongoing improvement efforts in these sales channels too.

Many of our customers are companies with operations in several countries. We are determined in our ambition to serve these customers even better in those markets where BE Group is also present. We are also continuously studying opportunities to accompany key customers into markets where we are not currently present. The intention is to continue providing them with the service and security that being a BE Group customer entails – regardless of geographic market.

Our market presence also generates other opportunities. Sales processes within BE Group build largely on good relations and we know most of our customers well. For this reason,

it is important that we maintain and develop our local sales efforts. In many instances a local presence and market awareness is decisive, particularly in the markets of Central and Eastern Europe, which differ greatly from one another.

#### **Acquisitions and investments that build expertise and broaden our offering**

In 2010, we acquired the Swedish steel construction company, Lecor Stålteknik AB. The company has extensive know-how in design, production and project management. The acquisition broadened and strengthened our production service offering, as well as our market position in the important construction sector. We have also decided to invest in a new production facility for Lecor Stålteknik in Kungälv, Sweden.

In February 2011, we acquired the Swedish metal processing group RTS, which has operations in Sweden, Estonia, and Romania and focuses on several major engineering customers.

in our customers’ operations and they trust us to always provide the level of service that they have come to expect. Consequently, I am convinced that we will succeed in our ambition to become the most professional, competitive and modern metal trading company in the market and I look forward with great confidence to leading BE Group.

*Malmö, March 2011*



*Roger Johansson  
President and CEO*

**“Lecor Stålteknik and RTS are both good examples of acquisitions that are in line with our strategy to strengthen our service offering.”**

Lecor Stålteknik and RTS are both good examples of acquisitions that are in line with our strategy to strengthen our service offering.

#### **Financial position**

BE Group has a good financial position. During the year, we signed a new three-year credit agreement that gives us better terms and stability. The total credit facility amounts to SEK 1,300M.

#### **Improved economic prospects**

In general, it is now possible to discern a more favorable market climate. To retain and capture market shares, it will be very important in the future to demonstrate to customers that we offer added value. This demands that we raise our level of quality and service an additional notch.

That said, it is nonetheless clear that BE Group stands well equipped to meet the challenges of the market. We have a well-functioning organization that is prepared to take the next step towards increased profitability and competitiveness. Our know-how and offering are attractive. We are well versed





# IMPROVED MARKET CONDITIONS AND STRENGTHENED RELATIONS WITH CUSTOMERS

Following the turbulence of 2009, 2010 was a year characterized by recovery, although uncertainty regarding demand and price trends created a volatility that became characteristic of the recently concluded year of operations.

Recovery was noted in all of BE Group's markets, with the larger engineering customers leading the way. Demand, and consequently sales prices, rose in the first quarter, to then stabilize in the second. The demand level persisted until the end of the year, punctuated by briefer periods of price fluctuations caused by imbalances in demand and steel production.

In BE Group's principal market, Sweden, a higher level of activity was noted among engineering customers in 2010, although no similar increase in demand was noted among the smaller customers in the engineering sector. The strategic acquisition of Lecor Stålteknik took place in the fourth quarter of the year and was later complemented with the acquisition of RTS. Both companies strengthen BE Group's offering in advanced production services for the construction and engineering sectors.

In 2011, the business area will continue to develop its offering to key customers in

these sectors.

The Finnish market recovered relatively quickly in the earlier part of 2010. Here too, increasing demand from customers in the heavy engineering sector contributed to the positive development for the business area.

Compared with the two other business areas, a greater proportion of sales in Finland involve production services. In the view of the business area, demand will continue to rise in 2011 and investments are therefore being made in new machinery at the Lahti facility and in developing tailored solutions to facilitate customers' specific production processes.

Demand from customers in BE Group's markets in Central and Eastern Europe increased. The logistics center set up in Ostrava in 2009 is enhancing efficiency in material supply, both for business area CEE and the Group as a whole.

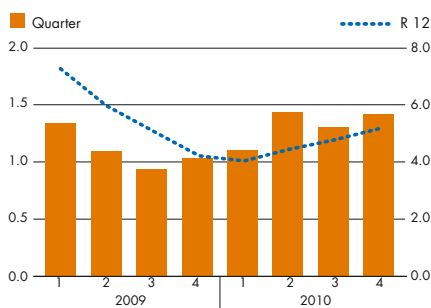
The business area's profitability improved

in 2010 and the overriding objective for 2011 is to establish a sustained and acceptable level of profitability.

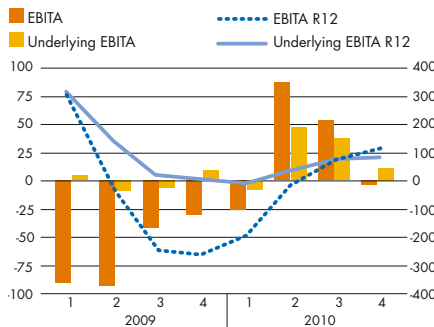
## Financial trend

- Net sales amounted to SEK 5,129M (4,308), an increase of 19 percent compared with the preceding year. Shipped tonnage rose by 18 percent.
- Operating profit improved to SEK 98M (loss 266), including inventory gains of SEK 23M (losses 255).
- Underlying EBITA amounted to SEK 87M (4) and the underlying EBITA margin to 1.7 percent (0.1).
- Earnings per share rose to SEK 0.58 (loss 5.00) and underlying earnings per share were SEK 0.24 (loss 0.99).

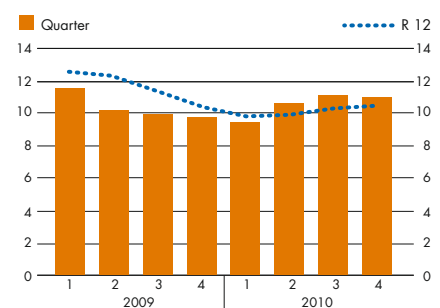
**Net sales, SEKBn**  
Quarterly and rolling 12-months



**EBITA, SEKM**  
Quarterly and rolling 12-months



**Average sales prices (SEK/kg)**  
Quarterly and rolling 12-months





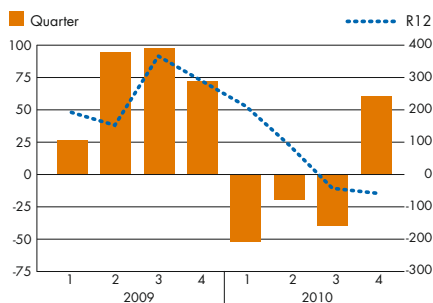


- The Board of Directors proposes that no dividend (–) be paid to shareholders for the 2010 financial year. The proposal is motivated by the year's results and to maintain the Group's financial flexibility.

Commercial steel accounted for 72 percent (75) of the Group's total sales, equivalent to SEK 3,715M (3,200). Long products accounted for 29 percent (33) of net sales and flat products for 35 percent (34). Stainless steel accounted for an unchanged 18 percent (18) of the Group's total sales, corresponding to SEK 887M (768).

Price trends were volatile over the year. Despite this volatility, the price level year-on-year was stable. The average sales price for all products rose by 1 percent, amounting to SEK 10.48/kg (10.36).

#### Cash flow for the period, SEK M Quarterly and rolling 12-months



#### Significant events per quarter in 2010

##### First quarter

- Price increases for steel combined with rising demand was noted in all of BE Group's markets.

##### Second quarter

- BE Group organizes a capital markets day in Stockholm.
- BE Group signs a three-year credit agreement with improved terms.
- Operating result improves and BE Group reports a profit after an extended period of losses.

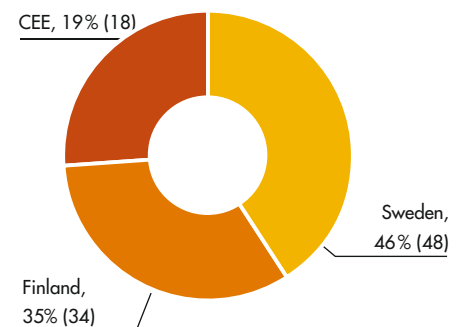
##### Third quarter

- Recovery stabilizes and demand from major engineering customers increases.
- BE Group commences deliveries to Sweden's new national soccer stadium in Solna. A total of 15,000 tonnes are to be delivered for the stadium and the surrounding Arenastaden complex.

##### Fourth quarter

- Acquisition of steel construction company Lecor Stålteknik in Kungälv, Sweden.
- A decision is made to invest SEK 36M in a new production facility for Lecor Stålteknik in Kungälv and SEK 14M in extended production service capacity at the Group's unit in Lahti, Finland.
- Roger Johansson is appointed the new President and CEO of BE Group and began work in this capacity on January 1, 2011.

#### BE Group's sales per business area



BE Group has three geographically determined business areas: Sweden (incl. Denmark), Finland and CEE (Central and Eastern Europe: Estonia, Latvia, Lithuania, Poland, Czech Republic and Slovakia). The Group also maintains a representation office in Shanghai, China.

Underlying EBITA refers to the result, excluding non-recurring items and adjusted for inventory gains/losses. The data on underlying earnings has not been reviewed by the Company's auditors. For financial and operational operations, see page 92-93 and 18-19.

#### A SELECTION OF PRESS RELEASES 2010

Dec 15	BE Group's Nomination Committee proposes Anders Ullberg as new Chairman of the Board	July 15	Continued sales increases and strongly improved operating result (Interim Report January-June 2010)
Dec 6	BE Group invests to extend its capacity in construction steel	May 27	BE Group's capital markets day 2010
Nov 24	Roger Johansson new President and CEO of BE Group	Apr 24	Increasing demand for BE Group (Interim Report January-March 2010)
Oct 22	Growth and improved result (Interim Report January-September 2010)	Feb 10	New Board member proposed for BE Group AB
Oct 7	BE Group acquires Lecor Stålteknik, strengthening service offering	Feb 10	Stabilized demand and positive cash flow (Year-end report 2009)

## THE BE GROUP SHARE

BE Group AB has been listed on the Nasdaq OMX Stockholm Exchange since the end of 2006. Total turnover of BE Group shares in 2010 was 65.3 million shares for a combined value of SEK 2.6Bn, representing an average turnover of 258,118 shares or SEK 10.3M per trading day. Turnover represented 0.073 percent of total turnover on the Nasdaq OMX Stockholm Exchange in 2010.

### KEY FIGURES

(Amounts in SEK unless otherwise stated)

	2010	2009
Earnings per share	0.58	-5.00
Underlying earnings per share	0.24	-0.99
Earnings per share after dilution	0.58	-5.00
Underlying earnings per share after dilution	0.24	-0.99
Equity per share	15.90	16.05
Proposed dividend per share	-	-
Dividend yield, %	-	-
P/E ratio, multiple	77.5	neg.
Market price on Dec 30, latest price paid	45.30	43.60
Market capitalization Dec 31, SEKM	2,265	2,180

### SHARE PRICE TREND

On the year's last trading day, December 30, 2010, the market price for the BE Group share was SEK 45.30 (43.60). The highest trading price in 2010 was quoted on April 26 at SEK 57.00 (48.20). The year's lowest share price was quoted on November 23 at SEK 37.40 (16.30). At the end of the year, BE Group's total market capitalization was SEK 2,265M (2,180).

### SHARE CAPITAL AND VOTING RIGHTS

At December 31, 2010, the share capital in BE Group was SEK 102.0M (102.0) allocated among 50,000,000 shares, each with a quotient value of SEK 2. Under the Articles of Association, minimum share capital in the Company is SEK 100,000,000 and maximum share capital SEK 400,000,000, with a minimum of 40,000,000 and a maximum of 160,000,000 shares.

Each share carries one vote and there is only one class of shares.

### OWNERSHIP

At the end of 2010, BE Group had 11,129 shareholders, compared with 10,624 at the end of the preceding year. Swedbank Robur Funds and IF Skadeförsäkring were the two largest owners. Other major owners are listed in the

table on page 7. As per December 31, 2010, the proportion of Swedish institutional ownership (legal entities) totaled 64.8 percent. Foreign ownership of BE Group as per December 31, 2010 amounted to 12.4 percent.

At the close of the year, the six members of Group Management together held 1,175,194 shares in BE Group. At the same time, the Company's directors together held 534,503 shares. BE Group AB held 495,448 treasury shares at the close of 2010.

### INCENTIVE PROGRAMS

The 2010 AGM voted in favor of the Board's proposal to renew the Share Savings Scheme ("Share Savings Scheme 2010") for some 40 senior executives.

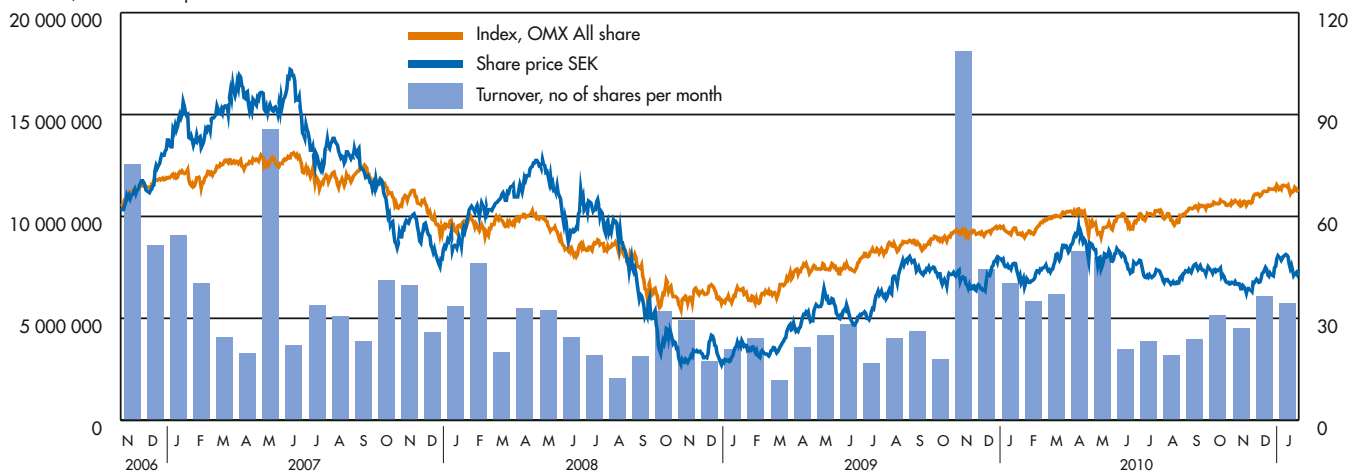
To enable BE Group AB's matching of shares in accordance with the Share Savings Scheme, the AGM also authorized the Board to decide on one or more occasions prior to the 2011 AGM on the acquisition and transfer of at most 600,000 treasury shares.

### CAPITAL MARKETS DAY

On BE Group's Capital Markets Day in May 2010, the CEO provided a review of developments in 2009, market conditions and the Group's business model and strategy. In the strategy section of his presentation, he talked

### Share performance, Nov 2006 – Jan 2011

Turnover, no. of shares per month



ISIN-code: SE0001852211 Abbreviated name (ticker) on Nasdaq OMX: BEGR Sector: Industry, Trading Companies & Distributors – 20107010 Source:SIX

about how BE Group is to achieve its operational objectives, which include growing more rapidly than the steel market, increasing the Group's share of production services to 50 percent and strengthening its operational excellence. The CFO presented the financial trend up to and including the first quarter of 2010 and the initiatives that have been taken with the purpose of reducing the Group's cost base and enhancing its capital efficiency. The Senior Vice President Purchasing and Production presented current market trends, prices and fluctuations in global steel consumption. The Business Area Managers for Sweden, Finland and CEE described their operations and provided examples of how the Group's strategy is being implemented, focusing on deepened cooperation projects with customers, efficient logistics solutions and growth in mature and new markets respectively.

#### IR ACTIVITIES

During 2010, BE Group held several meetings with representatives of the capital market and the media. Group Management commented on

the interim reports in presentations broadcast via the Internet as well as at meetings held with investors and analysts in Sweden and abroad. BE Group also participated in Investors' seminars in London and New York.

The Company observes a silent period from the close of each reporting period until the publication of the report.

#### DIVIDEND POLICY

According to BE Group's dividend policy, the Group will distribute at least 50 percent of profit after tax, over time. In BE Group's judgment, this is a balanced level based on the Group's net debt/equity ratio, the operating risks associated with the business, consolidated cash flow and the acquisitions strategy. BE Group's financial position and future prospects shall be taken into account in determining the payment of dividends.

The Board of Directors and CEO propose to the Annual General Meeting that no dividend (–) be paid for the 2010 financial year. The proposal to not pay a dividend is motivated by the year's results and to maintain financial flexibility.

### PRINCIPAL SHAREHOLDERS on Dec. 31, 2010

NAME	NO. OF SHARES	PERCENTAGE OF SHARES
Swedbank Robur Funds	4,843,084	9.7
IF Skadeförsäkring	3,258,852	6.5
Odin Funds	2,485,534	5.0
AMF - Insurance and Funds	2,184,591	4.4
Handelsbanken Funds	1,947,442	3.9
Handelsbankens Pension Fund	1,500,000	3.0
Nordea Funds	1,245,814	2.5
Avanza Pension	1,045,304	2.1
Fondita Nordic Micro Cap	920,000	1.8
Östersjöstiftelsen	805,241	1.6
TOTAL, 10 principal shareholders (grouped by shareholder)	20,235,862	40.5
TOTAL, other shareholders	29,764,138	59.5
<b>TOTAL ISSUED CAPITAL</b>	<b>50,000,000</b>	<b>100.0</b>

### SHARE DISTRIBUTION on Dec. 31, 2010

SHAREHOLDING AND VOTES	NO. OF SHAREHOLDERS	SHARES	SHARES AND VOTES
1 – 500	6,357	1,505,161	3.0%
501 – 1,000	2,095	1,845,891	3.7%
1,001 – 5,000	2,040	5,042,342	10.1%
5,001 – 10,000	327	2,512,790	5.0%
10,001 – 15,000	101	1,293,972	2.6%
15,001 – 20,000	43	806,513	1.6%
20,001 – 50,000	65	2,299,270	4.6%
50,001 – 100,000	28	2,143,497	4.3%
100,001 – 500,000	52	11,783,541	23.6%
500,001 – 1,100,000	14	9,776,657	19.5%
1,000,0001 –	7	10,990,366	22.0%
<b>TOTAL</b>	<b>11,129</b>	<b>50,000,000</b>	<b>100.0%</b>

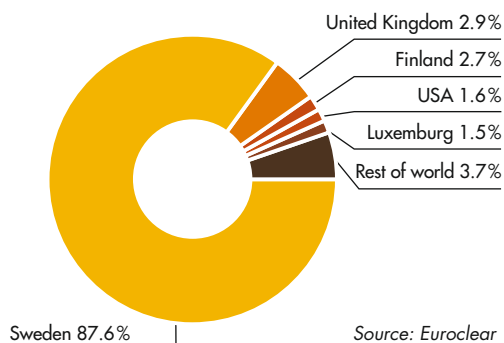
#### ANALYSTS MONITORING BE GROUP

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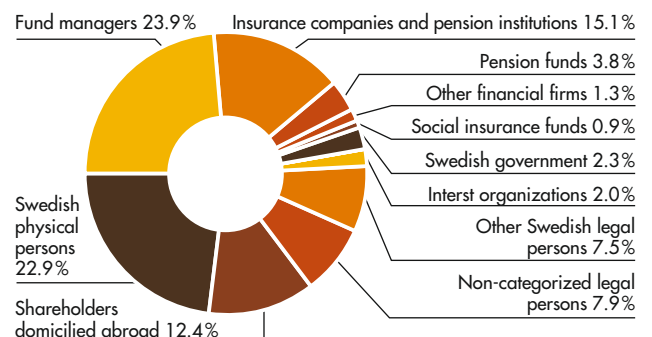
#### SHAREHOLDER CONTACTS

CFO and Executive Vice President Torbjörn Clementz is responsible for shareholder contacts. Press releases issued by BE Group are distributed via Cision and are made available on the Group's website at [www.begroup.com](http://www.begroup.com), in connection with publication. Information on the BE Group share is updated continuously at [www.begroup.com](http://www.begroup.com) > Investors.

Shareholding per country on Dec 31, 2010



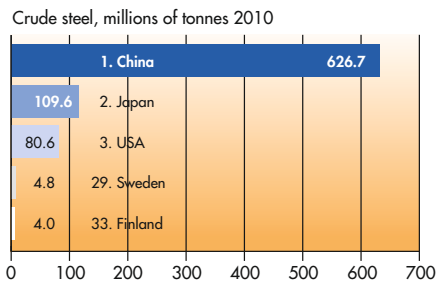
Shareholders by category on Dec 31, 2010





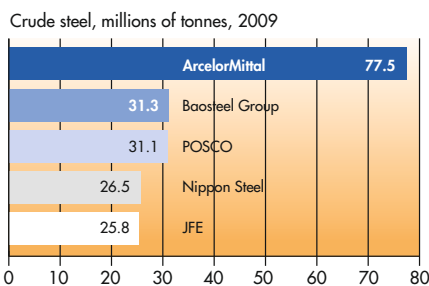
# RECOVERY FOLLOWING A YEAR OF VOLATILE PRICE TRENDS

## World's largest steel-producing countries



Source: World Steel Association.

## World's largest steel companies



Production figures for 2010 were not available at the time of printing. Source: World Steel Association.

The improvement in the economy noted in 2010 was characterized by a certain degree of caution among customers. Reasons included occasional difficulty in assessing the market and uncertainty regarding actual demand in the end markets. BE Group's markets also gave a varied picture with clear differences between sectors and geographical regions.

During 2010, global production of steel rose in comparison with 2009. According to statistics from the World Steel Association (WSA), global steel production in 2010 amounted to 1.4 billion tonnes (1.2), representing an increase of 15 percent compared with 2009.

The increase is expected to persist in 2011, with an expected increase in apparent steel consumption, that is including inventory build-up among producers and distributors, of 5 percent. In the EU, the increase is expected to be 6 percent.

## Increased production following deep slump

China, which represented 44 percent of total production in 2010, continues to be the country most strongly impacting the development of the global steel market, both as a leading producer but also at the consumer level.

BE Group follows global developments closely, particularly with regard to price levels, although developments in Europe and the Group's own markets are the most important ones for it to monitor.

Sales in the European steel distribution sector rose in the first part of 2010 but then declined during the summer months. The development in the latter half of the year was weaker than had been expected.

In Sweden, crude steel production rose again following a sharp decline in 2009. The

production in 2010 amounted to 4.8 million tonnes (2.8), an increase of 62 percent (negative 46). This means that Swedish steel production is, by and large, back to the same level as before the recession, which started in the autumn of 2008.

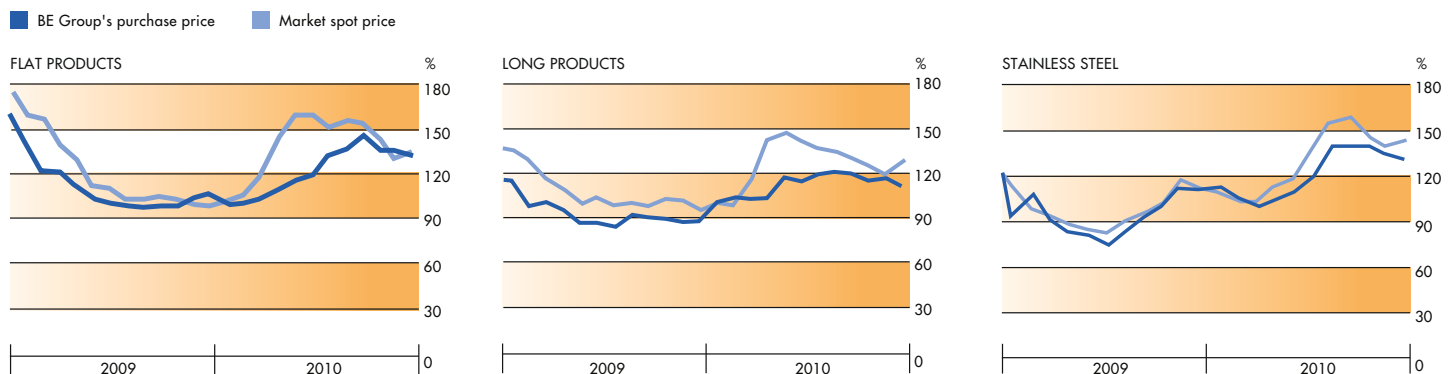
## Enhanced utilization of capital is a key concept

The weak economic conditions of recent years have made it necessary for many companies to review how capital is tied up in their operations and to identify where risks exist in the value chain. Efforts to enhance the utilization of capital have caused businesses to focus on their core operations and, for many, outsourcing as much production as possible to sub-suppliers and partners has become the obvious choice.

The process of inventory optimization begun by many steel producers and users in 2009 continued in 2010. This process has generated demand for fast and reliable deliveries that enable minimal warehousing.

For a player like BE Group, better understanding the forces driving the customer's operations represents a challenge but also offers considerable potential in enabling the Group not only to meet demand for the right products but also to provide efficient logistics management and to facilitate parts of the production chain by means of pre-packaged solutions.

## Price trends for BE Group's various product areas, indexed as per January 1, 2010



**Price trend is difficult to assess**

Normally, BE Group's purchasing prices are less volatile than market spot prices (see diagram on this spread). This is due to purchasing agreements being valid for specific periods and to the delayed effects of changes in spot prices. The year was characterized by gradual increases in steel prices that commenced towards the end of the first quarter. The leading steel producers raised their prices for crude steel, partly as a consequence of rising prices for raw materials but also because of an assumed increase in demand that did not fully materialize.

Spot prices for steel then leveled off over the year but rose again somewhat in December for certain product groups and in 2011 prices are expected to rise. According to steel research company MEPS, steel prices in Europe will rise by double-digit percentages over the coming year.

The increase in steel prices in early 2011 is primarily the result of substantially raised prices for raw materials among steel producers. The longer-term price trend is dependent on the continued demand trend combined with the steel companies' production levels.

**BE GROUP'S MARKETS**

BE Group operates in nine European countries, with Sweden and Finland being its largest markets. The remaining markets include Denmark and six countries in Central and Eastern Europe. The operations in Russia have been phased out.

BE Group's operations track general economic conditions and are affected to a large extent by developments in the industrial and construction sectors in which its largest customer groups operate.

The service market in BE Group's geographical markets is valued at more than SEK 100Bn, including production of standardized products that can potentially be performed by trading and service companies.

Following the period of economic turbulence and recession in 2009, the markets in which BE Group operates recovered during 2010. Shipped tonnage is affected by prices, but also by developments in the sectors where BE Group's customers operate. Growth in these industries, such as engineering and construction, often reflects growth in GDP and industrial production.

The trend towards products with an increasing degree of service refinement remains strong, with demand increasing among customers. This trend allows the value of trading and service companies sales to outperform steel consumption.

Market developments vary considerably between BE Group's different markets. Customers in the Swedish and Finnish markets increasingly demand refined products and aluminium and stainless steel products. These customers also expect suppliers to be able to act as a natural partner in their transactions and processes and not simply as a supplier of steel and other metals. In Central and Eastern Europe, demand is based more often on the straightforward supply of more or less standardized products. The objective is to increase the proportion of refined products in

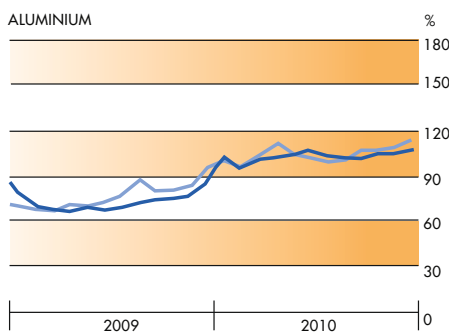
these markets too – in particular by providing service to the international customers whom BE Group has accompanied into new markets.

Purchases of steel and other metals represent a major portion of the costs of trading and service companies. The steel price trend therefore has considerable impact on both margins and earnings.

Sales of production services typically entail higher margins than straightforward inventory sales, while creating the conditions for higher growth and profitability. In addition, it is easier to affect the pricing of more advanced steel products than those that are largely standardized, exposed to competition and on which steel prices have a greater impact. BE Group's strategy to increase the proportion of service and consultation that it provides in all markets is intended to decrease the sensitivity to, and dependency on, steel price trends.

Purchase prices for alloyed metals, especially stainless steel, are dependent on the demand for nickel, chrome, molybdenum and other alloy metals, which can periodically exacerbate price fluctuations.

BE Group is affected seasonally by overall trends, primarily in the engineering and construction sectors, as well as calendar effects. Profitability is usually strongest in the second quarter, due to elevated construction activity and the higher number of working days compared with other periods of the year.



Stainless steel, as in these rolls, is a major product category for BE Group in Finland.

## DID YOU KNOW THAT

- About a third of all steel produced worldwide is recycled steel
- Special steel meshes and recycled steel plates are used to form artificial reefs that provide new environments for corals and fish
- The Eiffel Tower in Paris, was built between 1887 and 1889, weighs 10,000 tonnes and consists of 12,000 beams of wrought iron held together by 2.5 million rivets. Had it been built today of high-strength steel, it would have been possible to limit the overall weight to about 2,000 tonnes

### MARKET PLAYERS

Trading and service in the steel industry are characterized by significant economies of scale, primarily in purchasing but also in logistics and production services. BE Group is one of the biggest buyers of steel, stainless steel and aluminium in the Nordic Region. The Group maintains close and strong relations with the world's leading producers of steel and other metals while continuing to uphold an independent position. This position allows BE Group to achieve competitive prices and terms of delivery without having to take internal

conditions into account as is the case for many other players.

BE Group's competition situation is often pervaded by both global and local considerations. The European markets in which BE Group operates are also home to several large players – both in terms of trading and service companies. Many competitors form part of the major steel production groups that maintain operations not only in Europe but also in a number of other markets around the world. In addition to BE Group, the leading companies in the European market include IMS Group of France, and Klöckner & Co of Germany. Both are listed companies with operations in several countries. In the Nordic market, BE Group is the largest of the independent players. In Central and Eastern Europe, the markets are more fragmented and the competition includes several of the world's leading trading and service companies and steel producers with proprietary distribution operations, as well as numerous small regional and local companies.

In BE Group's largest markets, Sweden and Finland, the Group is a well-known and long-established player with strong and stable market shares. In Central and Eastern Europe, the Group's position and market share vary considerably from country to country.

A large portion of BE Group's purchases are made from steel producers in Europe, although the Group also buys from other regions, including Asia, where it maintains a representation office in Shanghai. BE Group works with some 200 suppliers, about 70 of them frequently. The ten largest account for a large part of shipments to BE Group. These suppliers include some of the world's leading steel producers, such as Luxembourg-based ArcelorMittal, Outokumpu of Finland, SSAB of Sweden and Tata Steel of India.

### Clear segmentation a necessity

BE Group's offering is attractive to many companies and the Group has an extensive customer base with about 10,000 active customers in its European markets. The ten largest customers accounted for about 11 percent (10) of sales over the year.

In an international and often fiercely

competitive market with increasingly demanding customers, it is important for a company like BE Group to constantly adapt its offering to the prevailing market conditions. To be able to devise an attractive offering, adapted extensively to customer needs, BE Group has segmented its customers according to four clear categories.

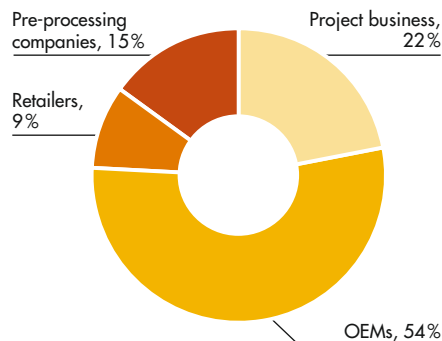
The four customer segments are:

- *Project business*
- *OEMs and their partner suppliers*
- *Retailers*
- *Pre-processing companies*

Not only does this segmentation generate clarity within the organization regarding the needs of the customer groups, it also facilitates more professional sales efforts. The Group has designed specific offerings and sales arguments and has conducted specially adapted training of sales personnel.

BE Group's customers are primarily industrial companies in a variety of sectors. Project-based customers consist of companies in, for example, the construction and civil engineering sectors, such as Peab. OEM customers consist, for example, of companies that operate in the machinery and equipment sector, such as Sandvik, as well as in the heavy vehicle and process industries.

### BE Group's sales per customer segment





**REFERENCE COMPANIES WITHIN DISTRIBUTION**

Companies	Country	Turnover	EBIT	Operating margin	No of. employees	Main markets	Listed/ not listed	Web sites
IMS Group	France	EUR 1,091M	Negative	Negative	2,300	Europe	Listed	www.ims-group.com
Klöckner & Co	Germany	EUR 5,198M	EUR 152M	2.9%	9,700	Europe and North America	Listed	www.kloeckner.de
Tibnor	Sweden	SEK 6,696M	SEK 421M	6.3%	800	The Nordic countries, Poland and Latvia	Listed*	www.tibnor.se

Source: All data from 2010 and from respective company's web site. \* Part of SSAB.

**Set Package – ready-made solutions direct to customers**



BE Group's Set Package solution entails steel materials being processed according to customer specifications. This involves the completed products being numbered, packed and transported in a way that means they can immediately enter the customer's production process. In this example, the completed product is a part for a drill rig from Sandvik Mining and Construction.



In Finland, BE Group has developed a solution able to fulfill most customer needs in terms of the steel products they require for production. Everything is delivered on euro pallets as a single package. By working close to the customer and gaining access to product drawings and manufacturing processes at an early stage, BE Group specially adapts products that can directly enter the customer's production process.

BE Group's Set Package concept makes life easier for the customer by allocating a single article number to recurring orders including one or more service activities and different materials. An extensive quality assurance process is applied to avoid delivery problems in the production chain and needs for input materials are continuously assessed to optimize production costs and meet delivery times. Handling is also made easy for customers by means of BE Group's order system. By simplifying and streamlining the purchasing process for the customer, production costs can be further reduced.

Finnish company SKS Toijala Works specializes in supplying systems for large and demanding machinery units to customers such as Sandvik and John Deere. The company is a good example of a long-term customer that initially mainly purchased materials but that now seeks increasingly advanced service production. Today, BE Group is its principal supplier of steel products for, among other things, boom systems.

The packages delivered to SKS Toijala Works include some 15 parts consisting of more than 100 component products. A normal order comprises between 8 and 20 packages, which are warehoused at BE Group for delivery to SKS Toijala Works within five working days.

"For us, receiving components for production on time and without errors is crucial. Not only are we able to achieve this by purchasing ready-made packages from BE Group, we have also been able to decrease the number of orders we have to make and our inventory volumes. In addition, we save work time since we no longer need to gather all the necessary parts ourselves," explains Pasi Kannisto, President of SKS Toijala Works.

**Facts about SKS Toijala Works:**

The company is part of SKS Group Oy, a Finnish family-owned company in the machinery engineering sector and was founded in 1924. SKS Toijala Works produces steel structures for machinery manufacture, including frames and booms. The company employs approximately 250 people. For further information, please visit [www.sks.fi](http://www.sks.fi).

# FLEXIBILITY AND SUPERIOR CAPACITY FOR ADAPTATION ENABLE ATTRACTIVE SERVICES



## Vision

BE Group shall be customers' partner of choice for efficient logistics solutions and production services.

BE Group shall strengthen its customers' competitiveness by providing excellent service, the best in the market at all levels.

## Business concept

As an independent trading and services company, BE Group offers efficient distribution and value-generating production services in commercial steel, stainless steel and aluminium for industrial customers in Europe.

The service offering encompasses delivery reliability, accessibility and solutions unique to specific customers. In this way, BE Group saves time, expense and capital for its partners, allowing them to strengthen their competitiveness and achieve their business objectives.

## AREAS OF STRATEGIC FOCUS

BE Group works in a dedicated manner with three areas of strategic focus intended to safeguard a continued leading position in the market. By emphasizing a high capacity for adaptation and ensuring that it lives up to this, BE Group will continue to represent the natural choice as supplier and partner.

### 1. The best service in the market

At all levels and throughout the organization, BE Group strives to always deliver to the best of its capacity. This entails, for example, seeking the best approach to enhancing inventory management, control and logistics reliability. It also entails maintaining an efficient cost structure. This is ensured through constant review of the cost base and timely implementation of the efforts required to keep the organization's costs in line with set targets and market conditions. It also encompasses the efficient use of capital. In addition, BE Group strives to offer the best processes in the market in areas that strengthen customers' competitiveness. By means of continuous, individually-adapted in-service training, Group employees are able to provide customers with assistance on questions of material selection, design alternatives and financing solutions.

### 2. Outgrowing steel consumption

BE Group shall outperform the market by enhancing the efficiency of flows of goods, simplifying business contacts and offering a customer-oriented range of products and services with a high level of service. This will generate value for customers, the Company and its shareholders alike.

Growth will mainly be achieved through:

- Organic growth in all markets by means of an attractive offering adapted to customers' needs, as well as a well-functioning and efficient sales organization.
- Following customers as they establish themselves in new markets.
- Carefully planned and analyzed acquisitions of operations complementing and/or adding to BE Group's existing offering.

### 3. Extending the offering of value-generating services

BE Group's role as a value-generating link between steel producers and industrial users imposes rigorous demands on know-how and relations. As an independent trading and services company, BE Group's knowledge affords it a strong position in a market with a large number of suppliers of steel, aluminium and other metals. This knowledge benefits BE Group's customers in that they receive materials from the right supplier, at the right time and in a manner suited to their production processes. The objective is to increase the proportion of production service to 50 percent of total sales.



## DID YOU KNOW THAT

- Food cans made of steel can easily be recycled since they can be separated from other waste using the steel's magnetic properties
- Steel is an important ingredient in many things we use on a daily basis. Ball-point pens, for example, use a steel tip of less than 1 millimeter in diameter to deliver the correct amount of ink

Growth in sales of production services will be achieved by:

- Understanding customers' production processes and products.
- Developing production services according to customer specifications and requirements.

The implementation of these strategies is safeguarded by means of the strong, target-oriented leadership that pervades the Group in all markets. Shared use of BE Group's business and IT systems also contributes to the strategy's impact.

**Cost control provides room for growth**

Recent years have been difficult for the sector, with considerable decline in demand. In 2008 and 2009, BE Group implemented a number of rigorous, but essential, measures to lower its costs given the prevailing situation. With a more cost-efficient organization and continued clear cost control, opportunities are generated for future development and growth that will emerge through enhanced productivity and new investment.

**FINANCIAL TARGETS**

BE Group has four financial business targets that are measured over a 12-month rolling period. The outcomes for growth, profitability and return are measured over an economic cycle, while the capital structure target relates to a normal situation.

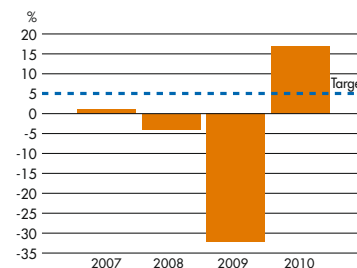
The Group's financial targets were subject to review during the year. As a result of this review and in connection with the completed refinancing process, the target net debt/equity ratio was adjusted to a maximum of 125 percent, compared with 150 percent previously. The former target for net debt in relation to underlying EBITDA was removed.

The year of operations was characterized by recovery from the steep economic recession that began in late 2008 and that had a strong negative impact on BE Group's transaction volumes in 2009.

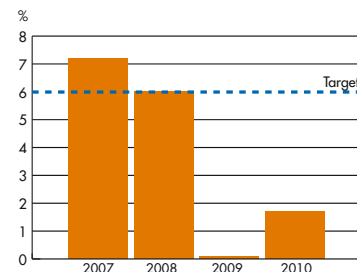
The recovery has led to the growth target being exceeded and the net debt/equity ratio being within the target range. The profitability and return targets were not achieved for the individual year of 2010.

**Objectives and outcome**

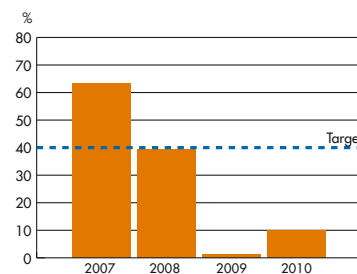
**Underlying sales growth >5%**



**Underlying EBITA margin >6%**



**Underlying return on operating capital >40%**



**Net debt/equity ratio <125%**

2007	2008	2009	2010
70%	91%	97%	107%



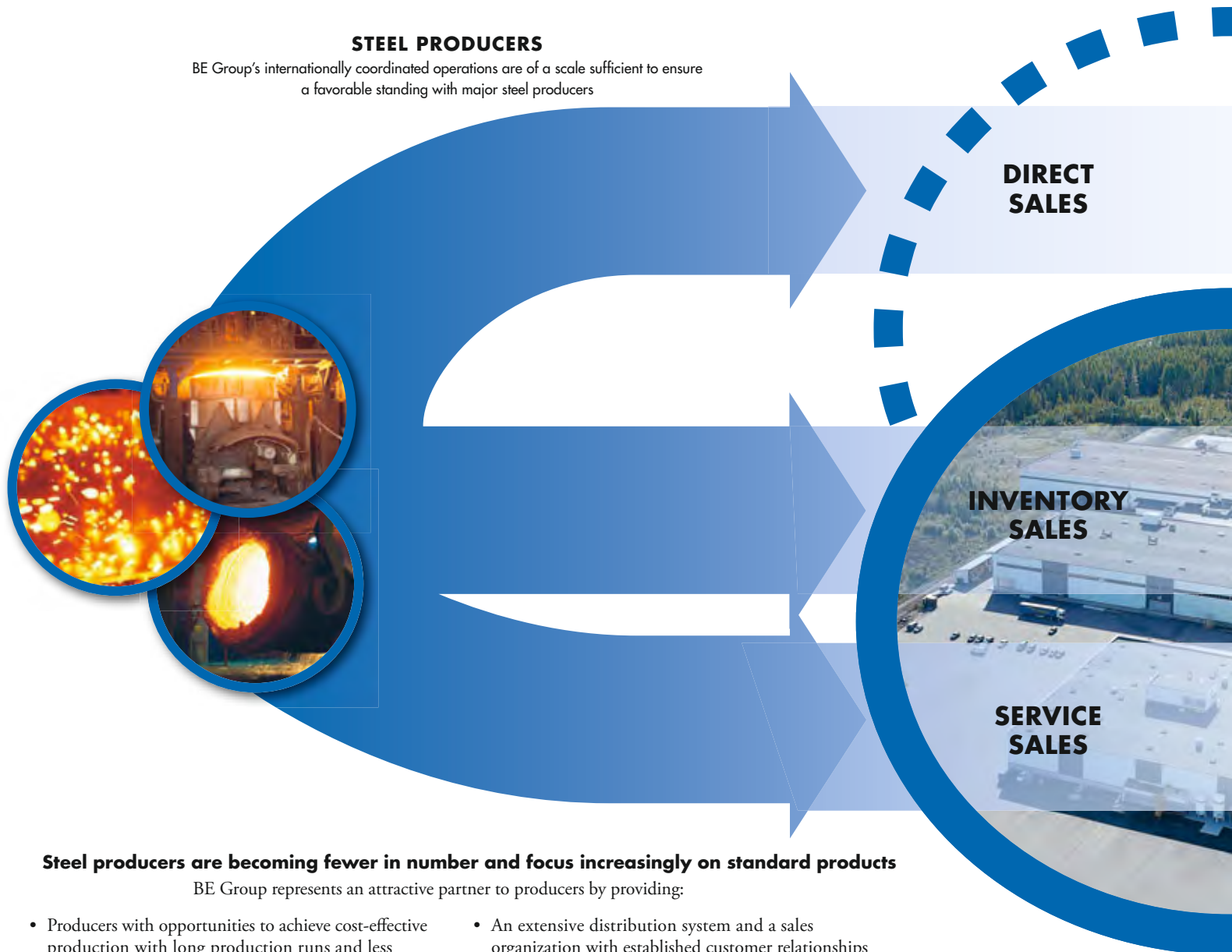
The financial targets are based on underlying earnings and return measurements to clearly illustrate the performance of the operational business. Underlying earnings comprise recognized profit/loss adjusted for nonrecurring items and inventory gains/losses (see definitions on page 93). The calculation is based on BE Group's internal model and has not been subject to review by the Company auditors.



## BE GROUP'S POSITION IN THE VALUE CHAIN

BE Group offers customers tailor-made all-inclusive solutions designed according to their needs. The solution may include inventory sales with short lead times, simpler or more advanced production services (whereby BE Group's own materials are processed in accordance with the customer's requirements) or direct sales by producers to end customers.

The value BE Group brings its customers includes more efficient supplier contacts, economies of scale in purchasing, flexible logistics solutions, enhanced reliability of delivery, complete handling of material processing and professional consultation and coordination on materials, products and other technical issues.



### STEEL PRODUCERS

BE Group's internationally coordinated operations are of a scale sufficient to ensure a favorable standing with major steel producers

**DIRECT SALES**

**INVENTORY SALES**

**SERVICE SALES**

### Steel producers are becoming fewer in number and focus increasingly on standard products

BE Group represents an attractive partner to producers by providing:

- Producers with opportunities to achieve cost-effective production with long production runs and less downtime while making it possible for them to reach customers who demand fast delivery and customized products.
- An extensive distribution system and a sales organization with established customer relationships and local market expertise. This improves access, particularly for low-volume customers, who would not otherwise receive such a high level of service.

- Well developed production services
- Efficient logistics solutions
- Close supplier and customer relations
- Strong business culture

**CUSTOMERS**

A large proportion of BE Group's customers are in the construction and manufacturing sectors.

Sourcing and distribution



Sourcing, warehousing and distribution



Processing of BE Group's own materials, offering a higher level of refinement combined with distribution



**Customers more specialized and focusing on their core operation**

For customers, BE Group adds value by offering tailor-made services.

Many industrial end customers find themselves in an increasingly complex reality with fierce competition and pressured margins. Cost efficiency is crucial, making BE Group's proposition an attractive one. Through BE Group, customers have access to consultancy services, products with a high service content and short delivery times even if they lack in-house purchasing expertise. Instead, customers are able to focus on their opportunities and to invest their resources in developing their core operations.



### **BE Group's offering**

BE Group's position as an independent trading and services company with close and well-developed relations with several of the world's leading steel producers makes it a significant player in the chain between steel producers and customers. Steel producers aim for enhanced efficiency at all levels and to raise minimum levels for direct deliveries to end-customers. This means that fewer customers are able to purchase directly from steel mills.

With its purchasing volumes and sector expertise, BE Group is an attractive partner to both global producers and smaller specialist steel mills. This role allows BE Group to balance producers' ambitions to achieve cost-efficient production of standard products with customers' demands for a more flexible purchasing process and products tailored to their specific needs.

### **Frequent and close customer contacts**

BE Group is in continuous contact with customers in various sectors and is thus able to communicate their requirements to the steel producers, providing them with useful knowledge on market requirements, thus enabling their development of new products. BE Group strives to develop its offering in pace with customer needs. BE Group's product mix and service content is adjusted in accordance with changes in demand for more advanced solutions, shorter lead times and specific advisory services.

The foundation continues to be the broad range of commercial steel, stainless steel and aluminium, in which BE Group has, over the years, amassed a broad competence. However, there is also a clear trend for customers to also view BE Group as a supplier of value-based services that contribute to their own competitiveness and that has the capacity to accompany them into new geographical markets.

For customers, the Group adds value by

**BE Group holds a central position in the value chain. As an independent trading and services company, BE Group represents a decisive link between producers and end customers. The Group creates value for the suppliers of commercial steel and other metals, as well as for customers of these materials.**





integrating materials know-how, production and customer needs in an optimum manner. Through its operations in Central and Eastern Europe and by making use of its logistics center in Ostrava, BE Group also has the opportunity to bring low cost products quickly and efficiently to new markets.

The Group's range is revised and updated on an ongoing basis and currently consists of about 20,000 standard items. The clearly largest product group is commercial steel. Commercial steel is the name used for low-alloy construction steel.

Within BE Group, commercial steel is divided into long and flat products, as well as reinforcement steel. Stainless steel is another major product group, including plate, bars, profiles and beams as well as tubes and tube sections. BE Group also supplies aluminium plate, tubes, profiles and bars.

**Broad service proposition gives a competitive advantage**

BE Group's sophisticated service proposition differentiates it from more conventional wholesalers. This primarily involves expanded production service, meaning that BE Group refines its own materials in various production processes to meet specific customer requirements. With access to materials and production capacity at its own sites, BE Group can provide fast, cost-effective processing that allows customers to focus on their core operations.

The Group also provides a range of services in logistics, customer-specific warehousing, consulting, recycling and financing. Among other things, BE Group deploys its own warehouse and distribution system to offer customers complete logistics solutions to ensure the highest possible level of operational efficiency and to aid smooth production control. In this way, logistics management can become a competitive advantage for customers.

The BE Online e-trading function was re-launched during 2011. Customers in Sweden are offered collection and recycling of surplus and used materials. In Finland, BE Group offers financing of working capital via external partners.

BE Group's ambition is to increase the service component of its total sales by reinforcing its industrial competence and investing in facilities dedicated to a variety of production services.

In 2010, service sales amounted to 27 percent (29) of total consolidated sales. The Finnish operations have maintained a high proportion of production services at 44 percent (47), by means of continued successful

processing of what, at times, has been a difficult market.

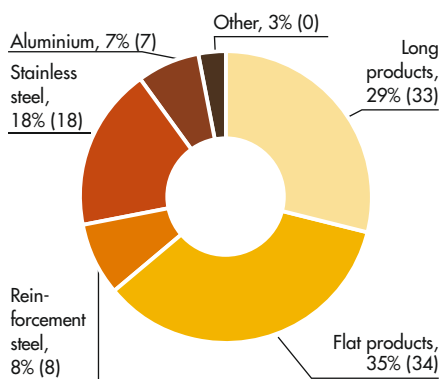
**Capacity to accompany customers into new markets**

For customers with or planning operations in several countries, BE Group's organization, with operations in nine European countries, offers a clear competitive advantage. By being able to offer the same qualified consulting services, secure deliveries and high level of service when customers expand internationally, BE Group creates new business opportunities.

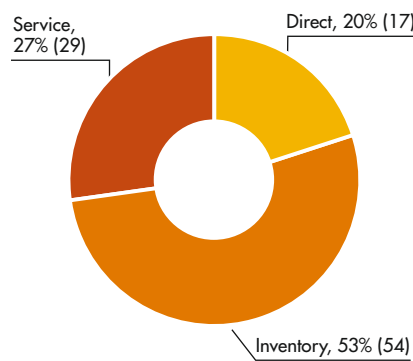
**DID YOU KNOW THAT**

- The world's first large-scale metal structure is Iron Bridge in East Shropshire, in England. The bridge was opened in 1779, has a span of 30 meters and is built of cast iron. It remains standing today and is now listed by UNESCO as a world heritage site
- Steel is an alloy based on the element iron with a carbon content of less than 2 percent, unlike cast iron, which has a higher carbon content – commonly 2–4 percent

**Sales percentage for main products**



**Sales per sales channel**



Many customers appreciate the security offered by using a supplier that already has an in-depth awareness of their operations as well as a familiarity with the local conditions of a new market.

Opportunities to procure materials in China are being assessed via BE Group's representation office in Shanghai.

**Logistics**

Many customers confirm that fast and reliable deliveries represent a business critical issue for their operations. This imposes considerable demands on BE Group's organization since the logistics management of the customer's products thus represents a decisive factor for their success in the market. BE Group maintains high product availability and precise deliveries.

Short lead times, high delivery reliability and just-in-time deliveries are characteristic of the Group's logistics process. A large percentage of orders are shipped within 24 hours

of being placed. This can be achieved thanks to BE Group's 30 strategically placed units in European markets.

An efficient logistics process is also a business critical issue for BE Group's own operations, particularly since deliveries from suppliers must also be fast, correct and secure. By maintaining a high turnover rate in its own inventories and efficient logistics, the Group provides conditions for efficient capital utilization.

**Sales in three channels**

BE Group's sales are conducted through three sales channels: inventory sales, service sales and direct sales (the proportion of total sales represented by each is shown in the diagram on page 17). Margins are generally highest in the more advanced segment of service sales and lowest in direct sales. One of BE Group's key targets is to increase the proportion of service sales to 50 percent of total sales.

**Well established brand in the European market**

BE Group is a respected and recognized player in the steel industry. The Group's strong brand and good reputation have been built up over the many years since Starckjohann & Co in Viborg and Bröderna Edstrand in Malmö commenced operations.

Since 2007, most Group companies have operated under the shared BE Group brand.

**Clear quality policy guides employees**

BE Group has worked actively with quality assurance since the early 1990s and has been certified in accordance with the SP quality management system for 15 years. Today, the Group meets the requirements imposed by the new SS-EN ISO 9001:2000. Work on quality focuses on increased customer benefit, continuous improvement and a process-oriented approach in daily efforts – to the benefit of

**BE GROUP'S COMBINED PRODUCT AND SERVICE OFFERING**

All of the products that BE Group delivers can be pre-processed to meet customer needs and to fit directly into production chains.

**PRODUCT SEGMENTS**

**Commercial steel**

Commercial steel is unalloyed or low-alloy structural steel. This material is used extensively in the engineering and construction sectors in, for example bridge structures, wind power plants, transport containers and various kinds of heavy equipment. BE Group's range includes: beams, hollow profiles, bars, plate and tubes.

**Reinforcement steel**

Ribbed steel bars are used to reinforce concrete. BE Group is a complete supplier of reinforcement and reinforcement accessories.

**Engineering steel**

This is the collective name for alloyed or micro-alloyed steel. BE Group offers structural and machine steel with various alloys and in various finishes.

**Stainless steel**

Stainless steel is resistant to corrosion because the steel has been alloyed with other metals such as nickel. BE Group offers a wide range including plate, strip, bars, beams, tubes and flanges.

**Aluminium**

BE Group's range includes plate, strip, tread plate, profiles, bars and tubes.

**PRODUCTION SERVICE**

- Cutting and sawing
- Surface treatment (shot blasting, painting, coating and galvanizing)
- Drilling/hole-punching and subsequent deburring and threading
- Gas, laser, plasma and water cutting
- Cutting-to-length and slitting of thin plate and hot-rolled steel
- Prefabricated reinforcing
- Finishing (deburring, vibratory finishing, grinding, crating)
- Customer-specific and repeatedly shipped sets of processed products

**OTHER SERVICES**

- Logistics
- Advisory service
- Customer-specific warehousing
- Financing of operating capital



all customers. The Group's quality ambitions also underscore its role as a reliable long-term partner. Customers' confidence in the organization's capacity to provide the highest possible level of service is often decisive. This is particularly true with customers increasingly demanding that goods be delivered directly to their production processes, which means that no quality shortcomings may exist that could cause disruptions in production.

Ultimately, however, quality is generated on a daily basis by employees and not by a control system. For this reason, the Group applies a quality policy that forms the basis for employees' quality management. The policy states that:

- BE Group shall be a reliable long-term partner.
- Products shall correspond well to customers' requirements and expectations.
- Requirements and expectations shall be met without exception by doing the right thing from the outset. This safeguards the "right quality".
- Personnel shall be able to meet customers' requirements and expectations by means of well-planned information efforts and competence development.
- All employees are to be involved in quality efforts. Achieving the "right quality" requires the participation and efficient collaboration of all personnel in the organization.
- The quality system shall be subject to ongoing assessment and revision. This enables continuous development of the "right quality".



Drilled beam



Construction tubes



Steel plate



Reinforcement steel

## A QUICK COURSE ON STEEL

### Steel

Steel is an alloy based on the element iron and has a carbon content of less than 2 percent, unlike cast iron, which has a higher carbon content – commonly 2–4 percent.

### Steel beams

Steel beams come in many shapes and finishes. Over the years, the construction sector has tried many different profiles – each offering its own advantages and disadvantages. With time, standardization processes have led to today's standard profiles, which comply with detailed specifications.

### Bars

Bars refer collectively to long products with simpler profiles and less robust dimensions than beams. Just as with beams, different bar profiles are named according to the appearance of their cross-section. Bar profiles have numerous areas of application in steel construction. For example, bars are used in the production of roof frames and other truss structures.

### Construction tubes

Construction tubes, or hollow profiles as they are also known, are construction components commonly used in welded steel structures with visible load-bearing components. Construction tubes are often used as columns.

### Steel plate

Steel plate is divided into three commonly occurring principal categories: Thin plate, hot-rolled steel and heavy plate. The latter two are those used most in load-bearing structures.

### Stainless steel

Stainless steel is made from iron that is alloyed with various substances – primarily chrome, nickel and molybdenum. Stainless steel is divided into various sub-categories (ferrites, austenites, martensites and duplex steels) depending on the alloy composition and microstructure of the steel. Primarily austenites and duplex stainless steels are used in steel construction.

### Reinforcement

A collective term for steel rods or meshes around which concrete is poured to produce reinforced concrete. Reinforcement steel consists of hot-rolled ridged or smooth steel rods.



# SUSTAINABLE DEVELOPMENT = SUSTAINABLE BUSINESS



BE Group has a strong commitment to apply high ethical standards in everything we do. This includes taking responsibility in building social and environmental sustainability. We will continue to take concrete action to improve – and to report on our efforts on an ongoing basis.

*Roger Johansson, President and CEO*

BE Group has a strong business culture built on sound, ethical principles of business and pervaded by five fundamental values:

- *Understanding of customers* – We understand our customers and contribute to their success.
- *Profit* – We are cost-efficient and together generate profit for our customers and ourselves.
- *Action* – We test new solutions and encourage creativity and action.
- *Responsibility* – We assume responsibility and keep our promises.
- *Openness* – We are open, straightforward and clear.

Right from the first interview with a potential new employee, these values are applied in assessing whether or not the individual fits the BE Group culture. On starting with us, all new employees are taken through the values to underscore their importance in all professional

relations, both internally as well as in contacts with, for example, customers and suppliers. Since BE Group operates in numerous locations and countries, the values also form the basis of a uniform culture regardless of workplace.

At least as important as recruiting new employees who meet BE Group's needs is retaining current personnel. For a long time, a success factor for BE Group has been its employees' close, long-term relations with customers, affording them an understanding of customers' business that can often be decisive. The overarching objective is for BE Group to have the right employees with the right expertise, knowledge and motivation, who are in the right place at the right time to help strengthen the competitiveness of the Group and its customers. Clear evidence that BE Group is an attractive workplace is provided by the fact that many recruits are in fact former employees who have returned to BE Group following a period with another employer.



### CLEAR GUIDELINES ENSURE EQUAL TERMS

For BE Group, correct and fair treatment of all employees is a matter of course. The Group's ethical guidelines cover all employees and entail that all shall be treated equally, fairly and with respect, regardless of race, gender, age, national origin, disability, cast, religion, sexual orientation, trade union membership or political affiliation.

Among other things, the guidelines are based on the UN Declaration on Human Rights, the UN Global Compact initiative and the ILO declaration on basic principles and rights at work. The steel industry is traditionally male-dominated and, despite efforts to achieve a more even gender distribution, currently only 19 percent of the Group's workforce are women.

Another priority for BE Group is maintaining a secure working environment. Continuous investments are made to ensure that potential security risks are prevented to the greatest possible extent.

### Clear targets means motivated employees

Over the year, many employees participated in an action-based development program. Among others, some 50 of the Group's most senior managers have participated, and with the Group's overarching targets and strategy as the point of departure, participants have made their own choice of activities and developed plans as to how these can make a concrete contribution to the areas of strategic focus.

### Competence development that generates results

All employees are to feel secure in the fact that opportunities for development and promotion

within the Group are equal regardless of workplace and position. The tools by which this is achieved include internal advertising of vacant positions, performance and leadership surveys, and individual development plans.

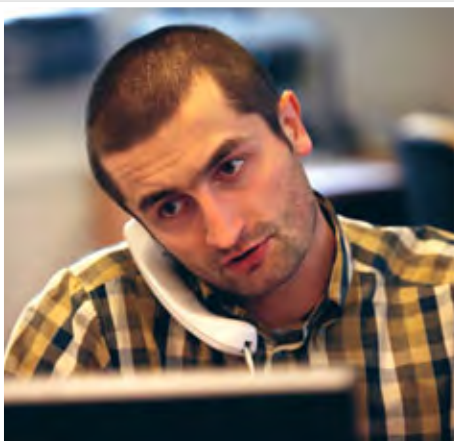
Leadership development is a key concept within BE Group. In a competitive industry and occasionally economically difficult times, clear and well trained leaders are needed in all positions. Consequently, BE Group continuously invests in strengthening and developing the competence of all leaders within the Group. All managers are expected to adhere to established leadership values and to set clear targets for employees. Managers must also be able to assume responsibility for their decisions and to be consistent in following the charted course. This also entails that, while demands are imposed on employees, managers must nonetheless remain sensitive, open and accessible. At the individual level, each

employee must also be informed about what is required to develop their full potential within the Group. Targets are assessed in accordance with a leadership index that is reviewed annually. The results show that BE Group's efforts to improve leadership within the Group yield results.

BE Group has been running its Group-wide BE Executive program since 2007. The purpose of the program is to identify talented individuals and prepare them to take on greater challenges in the future. Participants are trained with the help of external consultants and receive ongoing support from members of Group Management who are also actively involved in each training event. The program also helps participants establish crucial networks. Each year the Group also arranges an internal management conference where employees can, among other things, exchange experience between different markets and countries.



Petra Fransson heads a modern HR department at BE Group in Sweden. Together with her colleagues, she works to ensure that employees in the Swedish operations are motivated and committed.



Continued from page 21

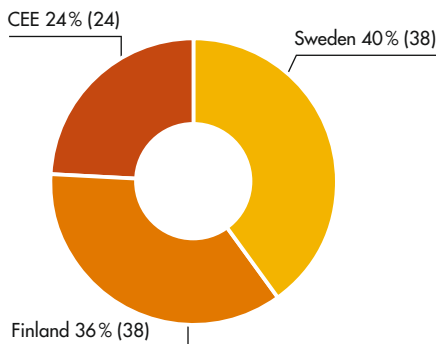
**Supply of new knowledge is business critical**

There is a continuous process of competence exchange within BE Group. This involves employees being encouraged to apply for new positions within the Company to gain new competencies and to be able to grow within the organization. BE Group's range of materials and its offering of qualified services impose new demands on employees, making competence development and exchange key tools.

To ensure that we provide our customers the best possible service, both now and in the future, employees in Sweden have access to the BE School. The BE School provides courses and training for all employees in several areas, including IT, product awareness, communication, sales and personal development. Numerous corporate courses are provided, from short courses in areas of day-to-day operations to more extensive leadership programs.

Two years ago, a training package, dubbed BEST, was introduced with the purpose of increasing efficiency and raising competence in service sales. By means of concrete customer cases and templates for calculations that demonstrate the financial benefit of BE Group's service concept for customers, BEST lays a solid foundation for all employees with sales functions.

**Number of employees**



**BE Group had a total of 910 (884) employees at the end of 2010.**

**With the environment in focus**

In recent years, BE Group has worked in a goal oriented manner to ensure that all Group employees understand the environmental consequences of their work and take these into account. Continuous training efforts, review and information on environmental efforts now form a natural part of daily life. Another important part of the process has been the completion of the ISO 14001 certification of the operations in the Czech Republic. The next stage is to enhance collaboration with suppliers on environmental aspects and to work further to reduce transport emissions.



**BE Group has tested vegetable-based additives for truck fuel – with promising results. These additives improve combustion considerably and clean the fuel system, decreasing particle emissions. Carbon dioxide and nitrogen compound emissions also decline radically. More testing must now be completed before the additives can be introduced on a broader scale. Pictured here are quality and environmental coordinator Mikael Fransén (left) and driver Kenith Larson.**

Although the environmental impacts of BE Group's own operations are relatively limited, proactive environmental efforts are a priority. In addition to continuous efforts to alleviate the local impact on the environment at the Group's facilities, it has grown increasingly important to influence suppliers to decrease the environmental impacts of their steel production.

A comprehensive environmental policy document guides BE Group's environmental work. In 2010, this document was updated and clarified to help employees understand how their efforts can mitigate environmental impacts. Regardless of country or position, all employees can easily access the environmental policy via the Group-wide intranet.

Crucial to the continued development of BE Group's environmental work is that all employees bear environmental considerations in mind in their daily activities. Continuous information and training help safeguard environmental commitment, although it is

equally important that the set environmental targets are broken down and made relevant to the individual employee. For this reason, key figures are in place for areas such as the proportion of purchasing, sales and transport conducted in accordance with ISO 14001, as well as the Group's energy consumption and its emissions and waste.

BE Group's environmental work is decentralized. For example, the Group's Environmental Manager is responsible for the coordination and review of the business areas' efforts, although each company/unit is responsible for the application of the policy and thus for environmental efforts being conducted in a uniform and correct manner. Clear, locally adapted targets are set based on identified environmental aspects, legislative requirements and available technology. Based on the specific needs and opportunities of each unit, concrete plans of action are set up, enabling regular review and the quantification of results. Reports on environmental work are



## OUR PRIORITY ENVIRONMENTAL AREAS

### Transports

Priority is given to transports by rail and ship and the objective is to continuously increase the proportion of materials delivered to BE Group via these modes of transport. In those instances where these transport alternatives are not feasible, deliveries from suppliers and to customers are made by truck. During 2010, to influence the environmental effects of road transports, BE Group increased the proportion of transports to customers via ISO 14001 certified transport companies. Currently 56 percent of all deliveries made by BE Group are made in accordance with ISO 14001. Leading the way are the Swedish operations where the equivalent figure is 83 percent. When it comes to deliveries received, a structure has been developed for data collection and the calculation of the proportion of ISO-14001-compliant transports. Initial assessments using this structure will take place in 2011.

In Sweden, all transport vehicles used environmental grade diesel. Tests have also been initiated to enhance fuel combustion by means of additives, thereby cutting emissions. Studies have been initiated based on emissions levels from delivery transports from BE Group with a view to improving operational targets for carbon dioxide emissions. Improved planning and optimization of deliveries from BE Group has also reduced the number of vehicles used and the total kilometers driven.

### Energy consumption

An ongoing process is underway within BE Group to monitor and enhance the efficiency of energy consumption in all operations. The Group's process of readjustment to decrease its use of oil and gas to instead favor district heating, which reduces greenhouse gas emissions, has been completed as planned. Energy consumption declined in 2010, due, not least, to the combining of the operations in Lahti, Finland and the environmental certification of the Czech operations. The Group's total energy consumption per tonne sold amounted to 55 kWh/tonne in 2010 (81).

then submitted to BE Group's environmental manager who, in turn, reports to Group Management.

The ambition to always learn more about suppliers' operations and opportunities also includes environmental work. The continuous dialog with suppliers on their environmental work and how this affects BE Group has grown increasingly important. Developments in the environmental field are an important issue and are communicated alongside other current general supply issues at the annual supplier conference arranged by BE Group. In several instances, increased cooperation on these issues has resulted in suppliers scheduling or commencing projects to introduce ISO 14001 in their operations.

### Clear progress in environmental work in 2010

During 2010, the project to environmentally certify the operations in Ostrava, in the Czech

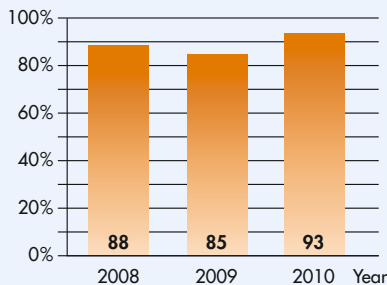
### Process emissions

All BE Group units with emissions have the necessary environmental permits. Emissions from operations are relatively limited and mainly occur at the production units in Malmö and Norrköping in Sweden and in Lahti and Turku in Finland where painting and blasting are carried out. Filtration processes to remove solvents (VOCs) from painting facilities and dust from blasting and cutting equipment are growing increasingly efficient as a result of the improvement measures being implemented on an ongoing basis.

### Waste management

BE Group has a well functioning system for residual materials, primarily metals, wood and cardboard accumulated in connection with its operations. These residual materials are sorted and recycled to the greatest possible extent. To minimize the Group's overall impact, the work of its recycling suppliers is carefully reviewed. In total, 0.031 tonnes of residual materials are accumulated per tonne of products sold, of which 97 percent is recycled.

### Share of sales made by ISO 14001-certified units



Republic, was completed. Together with the earlier certification of the operations in Prerov, this means that all BE Group units in the Czech Republic are now certified in accordance with ISO 14001. This marks the Group having attained a new level in its environmental work, with all operations in Sweden, Finland, Latvia, Poland and the Czech Republic now having been ISO 14001 certified. Currently, 93 (85) percent of BE Group's sales are delivered from environmentally certified units. This is a clear improvement on the preceding year.

The need for coordinated information has resulted in a summary version of BE Group's environmental report now being accessible via the intranet. In the report, employees can follow how the Group's environmental targets are assessed and they can see the status of their own unit.

**As further evidence** of the Group's successful environmental and sustainability work, Swedish mutual fund management company Robur has approved BE Group as an investment for its ethical funds. These funds impose clear requirements in terms of ethics, social responsibility and the environment. The funds invest in sector-leading companies and require that they have effective environmental processes and work to promote fair terms for employees, a good working environment and union membership rights, and that they do not accept discrimination or child labor.



## Fifteen years with Nordens Ark

BE Group has been involved with the Nordens Ark organization for many years. Nordens Ark is a foundation that works to rescue and maintain animal species that are threatened with extinction. This is no common zoo, although there are plenty of animals to see. Over the past 20 years, Nordens Ark has worked to rescue and maintain animals threatened with extinction. The facility is home to more than 100 species and breeds from climates similar to that of the Nordic region, as well as exotic wild mammals, birds and amphibians. Animals are bred, raised and, where possible, reintroduced to the wild. The organization also conducts research, training activities and information to engender an understanding of how necessary its work is.

BE Group has cooperated with Nordens Ark for 15 years, contributing to its work by providing steel for tiger and leopard enclosures, for example, as well as large amounts of reinforcement steel for the farmhouse built at the facility.

Further information: [www.nordensark.se](http://www.nordensark.se)

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# BOARD OF DIRECTORS' REPORT

The Board of Directors and the President and CEO of BE Group AB (publ) hereby present the annual accounts and consolidated annual accounts for the financial year January 1 – December 31, 2010.

The Company has its registered address in Malmö, Sweden and corporate identity number 556578-4724.

## OPERATIONS

BE Group AB is one of the leading trading and service companies for steel and other metals in Europe. BE Group has about 10,000 customers in a broad range of sectors. The Group offers a wide range of services related to the use of steel, stainless steel and aluminium.

BE Group operates in nine countries around the Baltic Sea and in Central and Eastern Europe. The largest markets are Sweden and Finland. Headquartered in Malmö, Sweden, BE Group has a total workforce of about 900 people.

BE Group's stock is listed on the Nasdaq OMX Stockholm Exchange. Read more about BE Group at [www.begroup.com](http://www.begroup.com)

## MARKET AND BUSINESS ENVIRONMENT

During 2010, global production of steel rose in comparison with 2009. According to statistics from the World Steel Association (WSA), global steel production amounted to 1,4 billion tonnes, representing an increase of 15 percent on 2009. China, which accounts for 44 percent of total production, showed a 9 percent increase. In the EU, production rose by 25 percent over the preceding year.

Sales in the European steel distribution sector rose in the first half of 2010 but, following the normal seasonal decline during the summer vacation period, returned to the level established in the second quarter and ended the year weakly.

Developments in BE Group's markets in 2010 essentially reflected the development in the European distribution market. Shipped tonnage per day increased in the second quarter and, taking into account seasonal declines during the summer and in December, remained largely at that level over the rest of the year. The decline in December, combined with a general downward trend in prices and an unfavorable sales mix, had a negative impact on the margin and resulted in a weak end to the year for BE Group.

## NET SALES AND BUSINESS PERFORMANCE

BE Group's net sales in 2010 rose by 19 percent to SEK 5,129M (4,308). Sales were affected by a 17 percentage point organic increase in tonnage, positive price and mix changes accounted for six percentage points and acquired sales accounted for one percentage point. These positive effects were offset by a negative currency effect of five percentage points.

The price trend over the year was volatile although, compared with the 2009 full-year, average sales prices remained virtually unchanged. The increase amounted to one percent, from SEK 10.36/kg to SEK 10.48/kg.

Consolidated gross profit rose to SEK 733M (367), resulting in a gross margin of 14.3 percent (8.5). Profits were affected favorably by inventory gains of SEK 23M (losses 255). The underlying gross margin was 13.9 percent (14.1). EBITA improved to SEK 110M (loss: 259) and underlying EBITA to SEK 87M (4). The improvement in profit is attributable to the higher tonnage. The EBITA margin improved to 2.2 percent (negative) while the underlying EBITA margin was 1.7 percent (0.1).

## DEVELOPMENT BY SALES CHANNEL

BE Group's sales are conducted through three sales channels: inventory sales, service sales and direct sales. In all channels, BE Group holds a central role as a strategic purchaser, meaning that the Group's customers have access to the knowledge and relations with the major steel producers that BE Group has built up.

Direct sales are an alternative mainly where orders involve major volumes or a limited number of simpler products that can be delivered directly from material producers to BE Group's customers.

BE Group's offering in inventory sales complements the purchasing function with warehousing and distribution, securing the customer's material flows by ensuring that products are delivered at times suited to the customer's production processes.

The Group's third sales channel consists of material deliveries complemented by production services. BE Group processes its own materials and refines them according to customer specifications. Margins are generally highest in the more advanced segment of service sales and lowest in direct sales.

The largest sales channel is inventory sales, which accounted for 53 percent (54) of total sales. The share of direct sales amounted to 20 percent (17). The share of service sales (including materials) declined compared with 2009 to 27 percent (29).

Over the long term, BE Group strives to increase the service component in its sales by improving industrial skills and investing in facilities dedicated to a variety of production services. The Group intends to increase the service component of sales to 50 percent within the next few years.

## COMMERCIAL STEEL TREND

Net sales of commercial steel rose by 16 percent compared with the preceding year, amounting to SEK 3,715M (3,200). Shipped tonnage rose 19 percent while the average sales price declined by two percent, amounting to SEK 8.22/kg (8.41).

Within the product group, flat products' share of net sales rose to 35 percent (34). In 2010, the proportion of long products decreased to 29 percent (33).

## STAINLESS STEEL AND ALUMINIUM TREND

BE Group's sales of stainless steel rose 16 percent over the year and amounted to SEK 887M (768). This is equivalent to 18 percent (18) of consolidated net sales. Shipped tonnage rose six percent and the average sales price rose by nine percent to SEK 37.09/kg (34.00).

Aluminium sales for the full-year rose 12 percent to SEK 352M (315), corresponding to 7 percent (7) of total net sales. Shipped tonnage rose by 17 percent and the average sales price fell by four percent.

## BUSINESS AREAS

BE Group's three business areas are presented on the following pages.



# BUSINESS AREA SWEDEN



**Stefan Eklund**  
Business Area Manager

## STRATEGIC AMBITIONS FOR 2011

- Continued development of offering to key customers in the construction and engineering sectors
- Continuous improvement in reliability of delivery
- Integration of acquired companies Lecor Stålteknik and RTS with the other operations of the business area

Business Area Sweden is BE Group's largest business area, accounting for 46 percent of total sales.

Over the year, operations were characterized by recovery in demand to a level that became established in the second quarter. The business area made a strategic investment during the year with its acquisition of Lecor Stålteknik. At the start of 2011, the Group's drive in production service was complemented with the acquisition of metal processing group RTS.

The Swedish operations consist of warehousing and production in Malmö and Norrköping, as well as sales offices in ten locations. There is also a nationwide network of retail dealers. The business area includes the joint venture Arcelor-Mittal BE Group SSC AB. Since January 2010, the Group's Danish operations, with a sales office in Copenhagen, also form part of this business area. Steel construction company Lecor Stålteknik in Kungälv, Sweden was acquired during the year and became part of the business area effective from the acquisition date in early October.

At the end of the year, the business area had 351 employees (313).

## Sales and business performance

Business Area Sweden reported sales of SEK 2,425M (2,120) – an increase of 14 percent attributable to increased tonnage.

EBITA amounted to SEK 74M (loss 23) and underlying EBITA to SEK 57M (49). Inventory gains totaling SEK 17M (losses 64) were realized.

Demand from customers in the construction sector was initially affected by the unusually cold winter although an increase in deliveries to the construction industry was noted in the second quarter, in accordance with a normal seasonal pattern. Demand from the engineering sector strengthened from late in the first quarter and through the second quarter, remaining at that level for the rest of 2010. The higher level of activity observed among major engineering customers has yet to be seen fully among smaller

engineering customers.

The participation in the profits of Arcelor-Mittal BE Group SSC AB, the joint venture thin plate processing company that BE Group co-owns with ArcelorMittal, amounted to SEK 10M (loss 5).

## Market

During the year, the market was characterized by a number of major construction and infrastructure projects such as the Norra länken road project in Stockholm, the national soccer arena in Solna and the Citytunneln rail project in Malmö. BE Group has delivered products to all of these, thereby reinforcing its position as a significant supplier in the Swedish market.

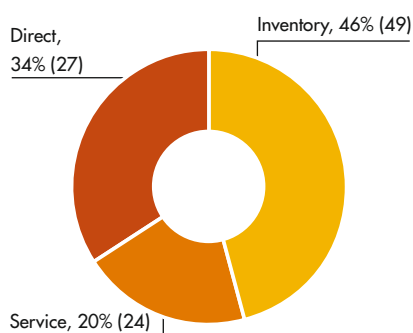
Gross deliveries of steel to the Swedish market in 2010 are calculated to have been 4.0 million tonnes (2.9), corresponding to an increase of 37.9 percent compared with 2009.

## Customers

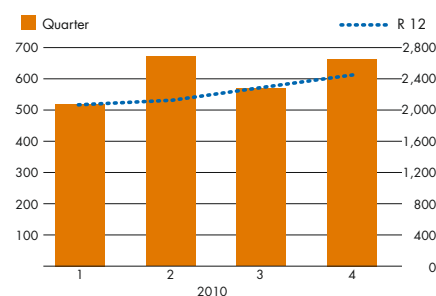
The business area has a broad customer structure reflecting that of the Swedish industrial sector. Consequently, it includes a large proportion of customers in the manufacturing sector, as well as construction and civil engineering companies. Another key group includes retail dealers of steel and other metals.

The acquisitions of Lecor Stålteknik (2010) and RTS (2011) help broaden BE Group's offering and open up new customer categories. The momentum this provides must be utilized, particularly given continued extensive interest in, and market for, production service that was

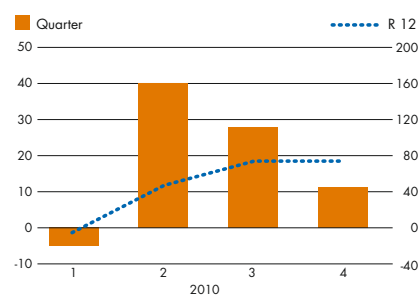
## Sales percentages by distributions channel



## Net sales, SEK M Quarterly and rolling 12-months



## EBITA, SEK M Quarterly and rolling 12-months



apparent in 2010. To keep pace with development, the business area strengthened its logistics processes during the year, both internally and towards customers, since customers increasingly demand deliveries adapted to their production processes.

Surveys show that customers appreciate the competence, attitude and service that BE Group displays in its interaction with them. Areas for improvement identified by customers mainly involve information regarding the Group's offerings in production services, deliveries and environmental efforts.

### Competition

BE Group is Sweden's leading independent trading and service company in steel and metals. A relatively large number of companies compete in this market, the largest including Tibnor, Ruukki and Stena Stål.

In 2010, the business area retained its strong market position despite the continued presence of single product-line suppliers in the market and the expansion of such players into other product lines, which led to certain competition in pricing.

As BE Group's total market offering grows, the Company is becoming an increasingly important and close partner for many customers. Its in-depth knowledge of customers' operations and well-developed relations gives BE Group a clear competitive advantage over both new and well-established players.

### Key events

In October 2010, steel construction company Lecor Stålteknik was acquired. The acquisition is in line with BE Group's strategy to strengthen and broaden its production service offering (see also separate fact box). A decision was made to invest SEK 36M in a new production facility in Kungälv. This is expected to enter operation during the third quarter of 2011. Lecor Stålteknik is a subsidiary and continues to operate within BE Group under its original name.

Over the year, substantial focus was placed on the implementation of the new business system introduced in early 2010. This process had a certain negative impact on earnings during the implementation period.

To further strengthen sales in the Swedish market, a new sales initiative has been launched. This serves to increase the frequency of contacts with new and existing customers and to provide BE Group's salespeople with enhanced opportunities to meet customers on-site.

### Continued development

The future focus of the business area will be on increasing its market share more proactively through its sales efforts, particularly towards key customers, and on increasing the proportion of production services. The ambition is also to secure the supply of materials from low-cost countries. Ongoing efforts are also in progress to improve reliability of delivery to become an

even more attractive supplier in the view of customers. One of BE Group's clear strengths is that the Company is the only player in the Swedish market with the geographical coverage and capacity to follow its customers into the international market and to continue to be a reliable partner there.

The process initiated to integrate Lecor Stålteknik and RTS will be prioritized to utilize the inherent impetus generated by the acquisitions. Besides ensuring that the companies quickly become part of BE Group, this work also entails the transfer of key knowledge between the business area's units.

KEY FIGURES	2010	2009	2008
Net sales, SEK M	2,425	2,120	3,756
Change, %	14.4	-40.7	-12.2
EBITA, SEK M	74	-23	302
EBITA margin, %	3.0	neg.	8.4
Underlying EBITA, SEK M	57	49	253
Underlying EBITA margin, %	2.4	2.3	7.1
Investments, SEK M	76	6	16
Average number of employees	342	327	386

As of 2010, the Danish operations are reported as part of Business Area Sweden rather than Business Area CEE. As a result, segment data for 2009 has been recalculated.

The investments involve tangible and intangible fixed assets, including company acquisitions.

## New subsidiary creates a unique offering

**In October 2010, BE Group took a further important step in the development of its production service offering. Through the acquisition of its new subsidiary Lecor Stålteknik the Group has generated opportunities for competitive deliveries of advanced steel structures.**



Lecor Stålteknik is a leader among steel engineering companies with an impressive array of well-known steel projects in its reference list. The company has been involved in the construction of the new ski jump tower and ramp at Holmenkollen in Oslo, Norway, and the roof of the Nya Ullevi soccer stadium in Gothenburg, Sweden.

BE Group's customers' needs for complete and ready-made components are increasing steadily. The BE Group and Lecor Stålteknik constellation creates new opportunities for competitive deliveries of advanced steel structures to meet steadily growing imports of ready-made steel construction materials.

One of the first concrete examples of the synergies between BE Group and Lecor Stålteknik is currently under construction in Kungälv, Sweden. A state-of-the-art production facility for construction steel will soon be ready to come on-line there.

"With this new facility, we are creating a completely unique offering for construction steel contractors who build steel skeletons for the construction industry. The production process will be entirely new for Sweden, with automated production lines for competitive deliveries of prefabricated steel," says Thore Andersson who is responsible for BE Group Sweden's business development in the construction industry.

### Facts about Lecor Stålteknik:

Founded in 1965 and operated by three generations of the family that started the company. Over the past year of operations, Lecor achieved sales of SEK 146M. Major customers include the Swedish Transport Administration, large construction companies and process industry businesses.

The information in this fact box has not been subject to review by BE Group's auditors. Additional information in Note 16, on page 66.

# BUSINESS AREA FINLAND



**Matti Tiira**  
Business Area Manager

### STRATEGIC AMBITIONS FOR 2011

- Continued development of the production service offering
- Completion of the approved investments in equipment at the Lahti facility
- Further deepening of cooperation with customers to allow BE Group to offer more specially adapted solutions and to increase production service sales

BE Group's Business Area Finland is the Group's second-largest, accounting for 35 percent of sales.

Development in 2010 was characterized by recovery in demand from the steep decline that began in late 2008 and worsened during 2009. The recovery was particularly evident among the Group's customers in the heavy engineering segment.

Operations in Finland comprise four facilities providing warehousing and production, two of which are located in Lappeenranta, one in Lahti and one in Turku. The sales organization is geographically structured with one organization for southern and eastern Finland and one for western and Northern Finland. There are sales offices in ten locations, providing good geographical coverage and proximity to key customers.

At the end of the year, the business area had 325 employees (340).

### Sales and business performance

Sales for Business Area Finland amounted to SEK 1,846M (1,491) – an increase of 24 percent. Shipped tonnage rose by 27 percent.

EBITA rose to SEK 82M (loss 111) and underlying EBITA to SEK 78M (6). The improvement in earnings is primarily attributable to increased tonnage. Inventory gains amounted to SEK 4M, compared with inventory losses of SEK 117M for the year-earlier period.

Compared with 2009, demand improved tangibly from the end of the first quarter and over the rest of the year. The principal cause is the higher level of activity in the Finnish engineering sector which, after a sharp decline, recovered to more normal levels.

The cost savings program implemented in 2009 had a positive impact on cost levels over the year.

### Market

The Finnish economy recovered well during 2010. The size of the Finnish market means that many companies are dependent on exports although the recovery in the global economy also benefited domestic demand.

Steel consumption in Finland is estimated to have been about 2 million tonnes (1.6). This represents a recovery by about 25 percent compared with 2009.

### Customers

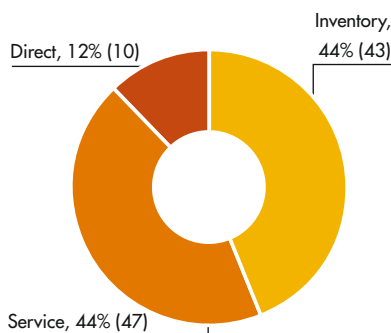
The business area's customers operate mainly within the engineering, construction and civil engineering sectors.

Other important customer segments are companies in the electronics, electrotechnology and process industry sectors.

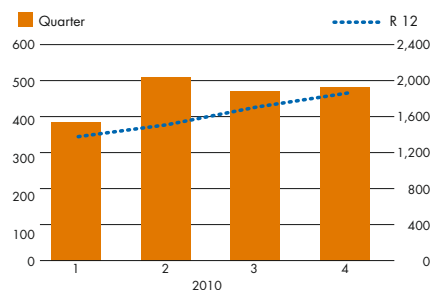
Compared with BE Group's other business areas, customers in Finland seek production services to a greater extent. This is not a new trend but rather a situation that has existed for a number of years. Business Area Finland's sales of production services were somewhat lower than in 2009 and accounted for 44 percent (47) of total sales.

Customers' demand for increasingly advanced production services remains strong. Over the year, the business area therefore strengthened and extended the department that provides technical support for customers. Through highly active sales efforts, whereby salespeople and technical personnel visit customers together, it is possible to propose concrete products and solutions on-site at customers' facilities.

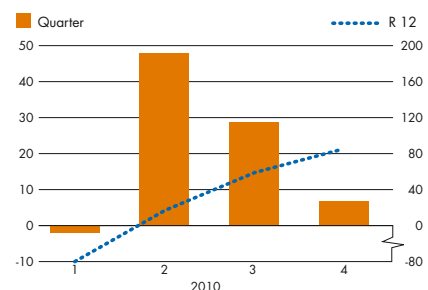
Sales percentages by distributions channel



Net sales, SEK M  
Quarterly and rolling 12-months



EBITA, SEK M  
Quarterly and rolling 12-months





### Competition

The Finnish market is dominated by a small number of players. BE Group is the second-largest player with an unchanged market position in 2010. The largest player is still Rautaruukki Oyj (Ruukki). However, its operations are broader than BE Group's, including, for example, roofing and siding materials. The third-largest player in terms of tonnage is Kontino, whose sales are of a level comparable to Tibnor's. Tibnor, which is majority-owned by SSAB, is the fourth-largest player in the Finnish market.

### Key events

The development of the Set Package solution for customers has progressed well. With initial drawings having been received in advance, this service option entails BE Group processing materials to produce a customer-specific solution that is then packaged as a unit for onward just-in-time delivery directly to the customer's production line, for example.

Over the year, work continued to upgrade the business area's equipment. These investments form part of the Group's drive to extend its capacity and offering in production services. At the end of 2009, operations in Lahti were coordinated, with two facilities being

merged into one. Efforts to develop synergies continued to develop well in 2010. Progress was particularly good in extending capacity for the various kinds of processing and advanced production services sought by large and medium-sized customers.

To generate synergies throughout the business area, the transfer of knowledge between sales, technical support and production has been prioritized. This provides a foundation for the continued development of new services and production service solutions.

### Continued development

For the near future, the business area's focus will be on efficiency enhancement in

production and warehousing.

Continued control of the cost base is also prioritized. Efforts to increase the proportion of production service continue with the target of bringing this up to 55 percent in 2012.

The process of investment in the business area's equipment will continue in 2011. In the fourth quarter, a decision was made to increase production service capacity at the Lahti facility. The investment totals SEK 14M, with the improvements being brought on-line at the end of the second quarter. Modern and flexible equipment is essential in being able to increase service sales while maintaining a high level of service to customers.

KEY FIGURES	2010	2009	2008
Net sales, SEK M	1,846	1,491	3,057
Change, %	23.8	-51.2	1.9
EBITA, SEK M	82	-111	274
EBITA margin, %	4.4	neg.	9
Underlying EBITA, SEK M	78	6	238
Underlying EBITA margin, %	4.2	0.4	7.8
Investments, SEK M	7	20	25
Average number of employees	328	351	392

The investments involve tangible and intangible fixed assets, including company acquisitions.

## A facility of top-notch European standard



Finland's eighth-largest city, Lahti, has a central location in the southern part of the country. The city, which is considered part of the region surrounding the capital, is a major road and rail junction from which it takes only 50 minutes to reach Helsinki by train.

The city is also home to one of BE Group's facilities. The plant covers slightly more than 27,000 square meters and employs about 100 people. In recent years, the plant has been modernized and extended to become one of Europe's best.

In 2009, a major investment was made to enhance production and warehousing efficiency through improvements including a new automated high-bay storage unit. And a further investment was approved at the end of 2010. This time, the intention is to meet the Finnish market's demand for increasingly advanced production service, including plasma cutting, laser cutting and bending. The investment amounts to SEK 14M and also represents a step towards meeting increasing demand for the Set Package solution that has been developed by BE Group in Finland (see also page 11). Set Package provides customers with the steel products they need for their production in a single package, delivered on pallets according to an agreed schedule and ready to be used immediately in the customer's manufacturing process.

The information in this fact box has not been subject to review by BE Group's auditors.

# BUSINESS AREA CEE



**Per Gullstrand**  
Business Area Manager

### STRATEGIC AMBITIONS FOR 2011

- Continue work to establish a sustainable long-term profit level
- Develop the concept of the Ostrava logistics center
- Continuous efficiency enhancement of product supply to the different markets

BE Group's Business Area CEE accounts for 19 percent of the Group's sales.

The markets in Central and Eastern Europe have continued to recover from the steep decline that began in late 2008 and that intensified during 2009.

Business Area CEE consists of operations in Central and Eastern Europe – Poland, the Czech Republic, Slovakia, Estonia, Latvia and Lithuania. The business area maintains warehousing and sales facilities in ten locations, as well as production facilities in the Czech Republic and Poland. In the Baltic States, Estonia acts as the engine for BE Group's operations.

At the end of the year, the business area had 215 employees (213).

### Sales and business performance

Sales for Business Area CEE rose by 25 percent over the year to SEK 981M (782). Shipped tonnage rose by 18 percent and the average sales price by 15 percent compared with 2009.

EBITA improved to a loss of SEK 18M (113) and underlying EBITA to a loss of SEK 20M (39). Inventory gains of SEK 2M (losses 74) were realized.

Credit risks and the availability of liquidity among customers continue, to a certain extent, to be a limiting factor for the business area's growth opportunities. The market is also fragmented in nature, with numerous competitors and volatility in purchase prices for steel contributing to fierce competition.

### Market

The largest CEE markets are characterized by a high level of steel consumption, with Poland being the leading nation in this regard.

Consumption rose in 2010 as a consequence of a general rise in demand in most sectors.

Markets in Central and Eastern Europe continued to recover over the year and are now at a higher and more stable level than in 2009. However, the steel price trend was volatile over the year. The price level was affected by the steel producers having raised their rate of production faster than demand has increased. Towards the end of the year, development was weaker than expected, mainly due to uncertainty among customers regarding future steel price trends.

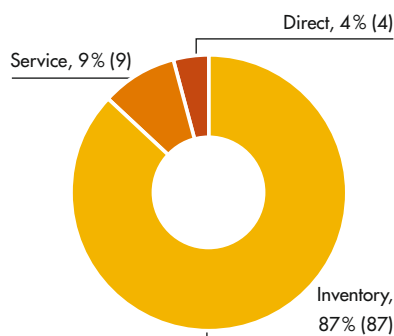
The total market in the areas where the business area operates is estimated to have totaled approximately 17 million tonnes. Actual demand for steel in 2010 rose by about 4 percent compared with 2009. If inventory build-up at all levels is also included, estimates suggest that demand rose by about 21 percent. The discrepancy is explained by market players having to build up inventories with distributors and customers as they saw an increasing demand in 2010, following the steep decline in 2009. Distribution sales are estimated to have grown 15 percent in 2010.

In 2011, the industry association Eurometal assumes that the balance will improve and demand is hence expected to fluctuate less. Forecasts suggest that demand will increase by about 4 percent over the year.

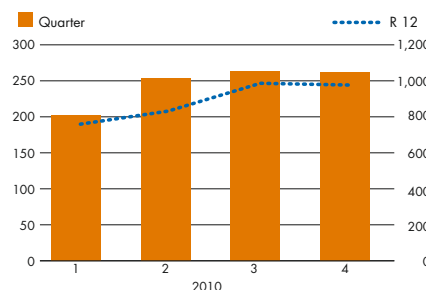
### Customers

Compared with Western Europe, the customer structure in Central and Eastern Europe is still pervaded by numerous small, local companies in the engineering, construction and process industries. The BE Group brand is well known

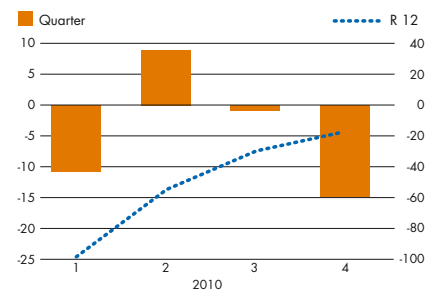
Sales percentages by distributions channel



Net sales, SEK M  
Quarterly and rolling 12-months



EBITA, SEK M  
Quarterly and rolling 12-months



in many markets, which is important in generating confidence among customers who value having a stable, long-term supplier.

For BE Group, international companies with units in several of the countries where the Group maintains operations represent a key customer group. These customers are attracted by BE Group's offering as a strong, reliable supplier in all of its markets. Customers in all markets receive rapid deliveries through the business area's operations in nine locations, including the centrally located logistics center in Ostrava.

### Competition

The markets of Central and Eastern Europe are fragmented and characterized by a large number of players. Few companies have BE Group's capacity to operate in several countries and each individual market is characterized by numerous trading and services companies with relatively local customer groups.

In the Czech Republic and Slovakia, BE Group is one of the largest players in the distribution market. Following the successful integration of acquired companies, and intensive market development efforts, BE Group has increased its market share and strengthened its position with customers.

Competitors in the Czech Republic and Slovakia are primarily Feron of the Czech Republic and Raven of Slovakia. There are also a number of established distribution companies that are subsidiaries of major steel producers such as Thyssen Krupp, Ruukki and ArcelorMittal. Distribution companies, such as Klöckner and IMS Group are also established in these markets. Specific for the Slovakian market is the large number of car manufacturers, which affects the structure of the sector.

In Poland the situation is somewhat different with the market partly undergoing a consolidation phase and being dominated by a number of larger players among whom the four largest competitors are Thyssen Krupp, Cognor, ArcelorMittal Distribution and Konsorcjum Stali. BE Group is still a small player in Poland but achieved a position among the 30 largest in 2010. In the Baltic States, BE Group is among the six leading companies. Its competitors are ELME Metal, Frelok and Levadia Group.

### Key events

Over the year, the logistics center established in 2009 in Ostrava, in the Czech Republic developed in line with expectations and it now contributes to improved capital management in the business area, with inventory management in particular developing very positively.

The logistics center is now also an important component in the supply chain and customer offering of the Group as a whole by enhancing accessibility and the level of service while decreasing the amount of capital tied up.

During the year, the operations in St Petersburg, Russia were phased out.

### Continued development

The business area has a clear plan for continued development in Central and Eastern

Europe. Priorities include establishing a sustainable level of profitability, enhancing the efficiency of product supply and continuing to develop the Ostrava operation in terms of production and distribution both within the business area's markets and beyond.

BE Group is carefully monitoring the consolidation process in progress among suppliers in the market and continuously assesses opportunities to strengthen the Group's market position in Central and Eastern Europe.

KEY FIGURES	2010	2009	2008
Net sales, SEK M	981	782	1,230
Change, %	25.4	-36.5	57.8
EBITA, SEK M	-18	-113	-21
EBITA margin, %	neg.	neg.	neg.
Underlying EBITA, SEK M	-20	-39	-14
Underlying EBITA margin, %	neg.	neg.	neg.
Investments, SEK M	1	3	223
Average number of employees	222	216	224

As of 2010, the Danish operations are reported as part of Business Area Sweden rather than Business Area CEE. As a result, segment data for 2009 has been recalculated. The figures for 2008 are excluding the Danish operations. The investments involve tangible and intangible fixed assets, including company acquisitions.

## Efficient logistics solutions in a central location

**BE Group's logistics center is located in Ostrava, the third largest city in the Czech Republic. The city is strategically located only 10 respectively 50 kilometers from the Polish and Slovakian borders and close to a number of major steel producers.**



Some seven million people live within a radius of 150 kilometers and in recent years the location of the region and the availability of sub-suppliers and qualified labor has attracted a number of major international companies. For example, several major car manufacturers maintain plants in the area, with a total production of about two million cars per year.

BE Group's facility in Ostrava covers an area equivalent to a little more than 15 soccer pitches (100,000 square meters) and has direct connections to the rail network and key highways. The facility is currently being extended and two areas

were developed during 2010 for the warehousing and management of a selection of flat products. Plans for 2011 include extending the range with several new products, including long products and aluminium.

For BE Group, the Ostrava operation is a strategically important link between Central and Eastern Europe and northern areas of Europe. The opportunities for centralized purchasing, short warehousing times, a high level of service through fast deliveries and production at lower cost for distribution to customers throughout BE Group are competitive advantages that are becoming increasingly evident.

The information in this fact box has not been subject to review by BE Group's auditors.



## NET FINANCIAL ITEMS AND TAXES FOR BE GROUP

Consolidated net financial items for the year amounted to an expense of SEK 56M (56), of which the net interest expense accounted for SEK 34M (40). Net interest corresponds to 4.1 percent (4.4) of net debt, which averaged SEK 828M (908). Net financial items were negatively impacted by exchange-rate differences in the amount of SEK 5M (10).

Net financial items were also affected negatively by other financial expenses of SEK 16M (7), mainly incurred through the refinancing process completed in the second quarter of the year.

The tax expense for the year amounted to SEK 13M (income 73), equivalent to 31 percent (23) of earnings before tax. The higher tax rate is a consequence of a larger proportion of consolidated profit being generated in countries with higher tax rates, while operations in countries with lower tax rates reported losses.

## CASH FLOW

During the year, cash flow before changes in net debt was negative in the amount of SEK 110M (positive 240). Cash flow from operating activities was negative in the amount of SEK 57M (positive 282). The decline was mainly due to the accumulation of working capital over the year. The cash flow effect of the increase in working capital amounted to a negative SEK 126M (positive 545).

Cash flow from investing activities was a negative SEK 53M (42), of which acquisition effects amounted to SEK 16M (-). Cash flow from financing activities was SEK 4M (negative 177). The improvement was mainly due to amortization of financial liabilities and the payment of a dividend in the preceding year.

## CAPITAL, INVESTMENTS AND RETURN

Consolidated working capital amounted to SEK 519M (461) at the end of the year. Working capital tied-up improved to 10 percent (17) due to lower average working capital and higher sales over the year.

Of the year's investments, totaling SEK 108M (58), investments in intangible assets amounted to SEK 24M (29), investments in tangible assets accounted for SEK 16M (29) and investments in non-current assets in acquired companies amounted to SEK 68M (-). Investments mainly involved the ongoing development of the Group's IT platform and the restructuring of the operation in Lahti, Finland and the first part of the planned investments in new machinery for Lecor Stålteknik.

Return on operating capital (excluding intangible assets) improved, amounting to 12 percent (neg). Average operating capital has been reduced compared with the preceding year, primarily due to the decline in the average working capital.

## FINANCIAL POSITION AND LIQUIDITY

Consolidated cash and equivalents were SEK 80M (197) at year-end. On December 31, 2010, the Group had unutilized credit facilities totaling SEK 355M.

Consolidated interest-bearing net debt amounted to SEK 842M (777) at year-end. BE Group's total credit facilities amounted to SEK 1,264M. The maturity date for 95 percent of the credit facility is May 2013.

At year-end, consolidated equity totaled SEK 787M (798), while the net debt/equity ratio amounted to 107 percent (97).

## ORGANIZATION, STRUCTURE AND EMPLOYEES

The number of employees rose to 910 compared with 884 at the beginning of the year. The average number of employees during the year amounted to 909 (912).

## NON-FINANCIAL PERFORMANCE INDICATORS

### Environment

In Sweden, BE Group is engaged in operations at two sites for which environmental permits are required. Operations in one location in Finland require environmental permit. Group companies have obtained special permits to engage in operations in the countries where such permits are required.

BE Group Sweden and BE Group Finland, as well as the operations in Latvia and Poland, are certified under the ISO 14001 environmental management system. During the year, the operations in the Czech Republic were also certified.

### Quality

BE Group is certified under the ISO 9001 quality management system in Sweden, Finland, Poland, Latvia, Lithuania and Czech Republic.

### Equal opportunity, work environment and skills development

During the year, BE Group carried out a training program of in total four days for its 50 highest-ranking executives. The main focus of training was skilled management through change processes, and how to ensure the commitment of each co-worker.

BE Group must be a safe and secure workplace. Continual investments are made in all three business areas to uphold high standards for safety, and the workplace environment.

The steel industry is traditionally male-dominated and currently only 19 percent (19) of the workforce are women. BE Group is undertaking efforts to recruit more women.

## 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 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 or Group Management on an ongoing basis. The Board of BE Group AB (publ) bears an overriding responsibility for identifying, following up and managing risks.

The most important risks and factors of uncertainty for BE Group can be divided between

- Sector and market risks (economy and steel price trend)
- Strategic and operational risks (suppliers, customers, personnel and legal)

### Sector and market risks

The dramatic developments in the global financial markets that began in the autumn of 2008 and that were followed by a steep recession have entailed increased general uncertainty, which also implies risks and uncertainty in operations.

### Economy

As for nearly all other businesses, the general economic trend affects BE Group and its customers.

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, which could cause falling prices and inventory losses on existing inventories.

BE Group's strategy regarding inventory levels is to primarily warehouse products based on estimated customer demand. This demands good customer contacts and accurate forecasting. 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 strongly influenced by economic developments. As a consequence, steel price trends are volatile and are affected by cost trends for steel producers' input materials and the balance between the production offering and demand for steel along the value chain.

The price trend for steel is of great significance to a trading and service company such as BE Group, since purchasing prices for steel represent a considerable proportion of the cost base.

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 meaning that BE Group is affected financially by inventory gains and losses that are realized at the time of sale. Inventory gains realized in 2010 amounted to SEK 23M. This should be compared with inventory losses of SEK 255M in 2009. To limit these inventory effects, BE Group strives to achieve the lowest possible number of inventory days while maintaining its level of service towards customers.

#### **Sensitivity analysis**

Since the Group's operations primarily consist of purchasing, processing, forward sales and distribution of steel products, the price of steel and demand for the material have a considerable influence on the Group's earnings. The table below shows the estimated effect on underlying EBITA<sup>1)</sup> of changes in steel prices and sold tonnage. The analysis is based on the outcome for 2010 and assumes a constant underlying gross margin.

	<b>Change</b>	<b>Effect on profit</b>
Steel price	5%	SEK 30M
Tonnage	5%	SEK 30M

<sup>1)</sup> For definition, see page 92

#### **Strategic and operational risks**

BE Group's operations are influenced by a number of factors in various areas that can each affect development over the year.

#### **Suppliers**

BE Group's products consist of materials from several different suppliers. The Group strives to establish relations with the world's best steel producers and to maintain sustainable, long-term cooperation. To safeguard access to materials, the Group seeks to always maintain relations with several suppliers in each product group. In total, BE Group cooperates with as many as 200 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 disruption to deliveries by any one of them need not therefore entail long-term consequences for operations. No single supplier accounts for more than six percent of the Group's purchasing and all major suppliers can be substituted if necessary.

#### **Customers**

BE Group's operations are conducted in several different markets and to numerous customer categories. In 2010, the ten largest customers accounted for about 11 percent (10) of total sales. BE Group is not dependent on any individual customer and therefore has a good spread of risk in this regard.

#### **Human Resources**

BE Group depends on competent employees for its continued success. The ability to recruit, retain and develop qualified employees is an important prerequisite for success. Consequently, a key success factor involves being an attractive employer. The effect on the Group's operations would be negative if key individuals were to quit without it being possible to recruit suitable replacements.

BE Group has compiled a number of values that reflect the spirit of the Group. Among other areas, these values shall pervade the Group's 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.

#### **Legal**

Since BE Group maintains operations in several countries, it is exposed to different laws, regulations, agreements and guidelines. 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.

For an account of financial risks, see Note 32.

### **SHARE-RELATED INFORMATION**

#### **Ownership status**

The Company's shares have been listed on Nasdaq OMX Stockholm since 2006. BE Group had 11,129 shareholders at the end of the financial year. Swedbank Robur funds was the largest shareholder with a holding of 9.7 percent. The ownership structure is described in greater detail on pages 6–7.

#### **Share capital, shares outstanding and rights**

No new share issues, bonus issues or similar were implemented during the year. Consequently, the number of shares outstanding is still 50,000,000.

Share capital in the Company was SEK 102,040,816 at December 31, 2010 (102,040,816), allocated among 50,000,000 fully paid shares, each with a quotient value of SEK 2.04. Under the Articles of Association, minimum share capital in the Company is SEK 100,000,000 and maximum share capital SEK 400,000,000, with a minimum of 40,000,000 and a maximum of 160,000,000 shares. Share capital is determined in Swedish kronor.

All shares convey equal rights to a percentage of the Company's 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 pages 6–7 of this Annual Report.

**Board authorizations**

The AGM in April approved the Board's proposal for the introduction of Share Savings Plan 2010 for about 40 members of Group Management Team and the management teams of the business areas, encompassing at most 600,000 BE Group shares, corresponding to 1.20 percent of the total number of shares and votes in the Company.

This gave the participants in Share Savings Plan 2010 the opportunity to acquire, with personal funds, shares in BE Group (savings shares) at market rates via the Nasdaq OMX Stockholm exchange for a sum equivalent to at most 16 percent of each participant's gross annual fixed salary for 2010. On the condition that the savings shares are kept for three years and that the participant continue his/her employment within the Group over this period, each savings share will then entitle to holder to receive, without payment, half a share in BE Group (matching shares).

Participants in the Share Savings Plan 2010 will be able to receive up to two additional shares in BE Group (performance shares) for each savings share held, depending on the profit trend in BE Group and with the proviso that at most 500,000 shares be transferred.

As part of Share Savings Plan 2010, the AGM resolved to authorize the Board to decide on one or more occasions prior to the 2010 AGM on the acquisition and transfer of at most 600,000 treasury shares via the stock exchange. To provide the above-mentioned matching and performance shares, the AGM approved the transfer of at most 500,000 shares in BE Group. For further information, please refer to Note 3.

The AGM also resolved to authorize the Board to decide, on one or more occasions before the 2011 AGM, on the transfer of at most 71,742 treasury shares via the stock exchange to cover social security contributions resulting from the resolutions regarding Share Savings Plan 2008 and 2008.

Finally, the Board was authorized to decide, on one or more occasions before the 2011 AGM, to acquire treasury shares to enable adjustment of the Company's capital structure and financing of acquisitions. Including shares used and held within the framework of the ongoing share savings schemes, the total number of shares held by the Company may not at any time exceed 10 percent of the total shares in BE Group, which corresponds to 5,000,000 shares. During the year, 244,100 shares were repurchased. In addition, 12,952 shares were sold in connection with Share Savings Plan 2007. BE Group held a total of 495,448 treasury shares at year-end.

**CORPORATE GOVERNANCE**

Supported by Chapter 6, Section 8 of the Annual Accounts Act, BE Group has elected to prepare its Corporate Governance Report as a separate document from the Annual Report. 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 pages 82–84.

**EXECUTIVE REMUNERATION POLICIES**

The 2010 AGM adopted executive remuneration policies as follows. The actual remunerations agreed during the year are detailed in Note 3.

**1. Scope of the policies, etc**

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, collectively referred to hereinafter as executives.

Six individuals make up Group management: the President and CEO, the Executive Vice President (also the CFO), the Business Area

Managers for Sweden, Finland and CEE and the Senior Vice President, Purchasing and Production.

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

**2. Fundamental principles and forms of remuneration**

Access to skilled and enthusiastic employees is critical to ensuring the successful development of BE Group. The purpose of these policies is to secure access to these employees, so that the Company can both hire and retain qualified employees. A remuneration structure with favorable, market-based terms is required to achieve these ends, as well as an attractive performance-based remuneration model that rewards whole-hearted efforts, both short and long term.

Executive remuneration shall consist of fixed base pay, bonus, pension benefits and other benefits. The total remuneration level shall be reviewed annually.

Each year, the Board shall consider whether or not a share or share-performance related incentive program shall be proposed to the Annual General Meeting.

**3. Principles for various types of remuneration****Fixed pay**

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

**Variable pay**

Variable pay may be paid in the form of bonuses related to the degree of attainment of annual, predefined targets. Bonuses shall be subject to a predefined ceiling. The maximum bonus for executives shall be 50 percent of base pay. In addition to the variable remuneration above, long-term incentive programs may also be added from time to time in accordance with item 2 above.

**Pension benefits**

Pension payments for the President (and CEO) and Executive Vice President (and CFO) shall be made equal to a maximum of 35 percent of fixed annual salary plus a maximum of 20 percent of the average bonus over the past three years. In respect to other members of Group management resident in Sweden, pension payments shall essentially follow the collectively agreed ITP plan, but with consideration given to the maximum tax-deductible amount. Pensionable salary shall be comprised of the fixed annual salary plus average bonus over the past three years.

Executives not resident in Sweden may be offered pension solutions that are competitive in their countries of residence.

**Terms of notice**

Where notice of termination is issued by BE Group, the President (and CEO) and Executive Vice President (and CFO) are entitled to a total period of notice and severance pay equivalent to at most 24 months' fixed pay with severance pay being reduced, where applicable, by an amount equivalent to the President or Executive Vice President's earnings from other employment or business activities.

For all senior executives, where notice of termination is issued by the employee, a period of notice of six months shall apply with no right to



severance pay. However, in the event that the resignation of the President or Executive Vice President is the result of significant changes in ownership, severance pay equivalent to 12 months' fixed pay may be payable.

#### **Other benefits**

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

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

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

#### **The Board of Directors' proposal on new executive remuneration policies**

The Board of Directors will propose to the 2011 AGM that the above policies on executive remuneration shall apply until the 2012 AGM.

#### **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 AGM for the period extending until the close of the first AGM after that at which they were elected, and amendments to the Articles of Association are determined by resolution of a General Meeting of Shareholders.

#### **SIGNIFICANT AGREEMENTS**

The Company is not party to any significant agreements that will take effect, be altered, or become null if control over the Company changes due to a public takeover bid. Nor are there any agreements between the Company and directors or employees which require compensation if such persons resign, are terminated without reasonable cause, or their employment is terminated due to a public takeover bid in respect to shares in the company.

#### **CONTINGENT LIABILITIES**

The Group's contingent liabilities amounted to SEK 146M, unchanged since December 2009.

#### **SIGNIFICANT EVENTS AFTER YEAR-END**

Significant events after year-end are described in Note 35.

#### **PARENT COMPANY**

Sales by the Parent Company, BE Group AB (publ) amounted to SEK 45M (50) for the year and derived from intra-Group services. The operating loss amounted to SEK 39M (16).

Net financial items were negative in the amount of SEK 44M (positive 226). The weakening is the result of the impairment of holdings

in subsidiaries and of the dividends received from subsidiaries in the preceding year. The loss before tax amounted to SEK 83M (profit 210) and the loss after tax amounted to SEK 78M (profit 217).

The Parent Company invested SEK 24M (29) in intangible assets during the year. At the end of the year, the Parent Company's cash and equivalents were SEK 25M (140).

The proposed distribution of earnings is presented on page 77.

#### **ACCOUNTING PRINCIPLES**

As of January 2005, BE Group applies International Financial Reporting Standards (IFRS) to the consolidated accounts, as adopted by the European Commission for application within the European Union. Please see pages 47-55 for a more detailed explanation of accounting principles.

#### **OUTLOOK FOR 2011**

In its latest forecast, published in October 2010, the World Steel Association (WSA) foresaw continued recovery in the steel market in 2010. Apparent steel consumption (that is, including inventory build-up among manufacturers and distributors) in the global market is forecast to rise by five percent. In the EU, the increase is expected to be six percent.

In 2011, based on forecast activity levels among customers, BE Group expects an improvement in demand from the fourth quarter level. Purchasing prices have risen in early 2011. BE Group forecasts sales price increases in 2011. Currently, the increase is mainly the result of substantially raised prices for raw materials among steel producers. The longer-term price trend is dependent on the continued demand trend combined with the steel producers' production levels.

#### **APPROPRIATION OF EARNINGS**

For the Board of Directors' proposal for the disposition of the Company's earnings, please refer to page 77.



# FINANCIAL STATEMENTS

## Consolidated Income Statement – Group

Amounts in SEK M	Note	2010	2009
Net sales	1	5,129	4,308
Cost of goods sold	2	-4,396	-3,941
<b>Gross profit/loss</b>		<b>733</b>	<b>367</b>
Selling expenses	2	-495	-497
Administrative expenses	2	-155	-132
Participation in earnings of joint venture	17	10	-5
Other operating income	7	9	12
Other operating expenses	2, 8	-4	-11
<b>Operating profit/loss</b>	3, 4, 5, 14, 15	<b>98</b>	<b>-266</b>
Financial income	9	2	9
Financial expenses	10	-58	-65
<b>Profit/loss before tax</b>		<b>42</b>	<b>-322</b>
Tax	11	-13	73
<b>Profit/loss for the year attributable to Parent Company shareholders</b>	12	<b>29</b>	<b>-249</b>
Earnings per share before dilution	12	0.58	-5.00
Earnings per share after dilution	12	0.58	-5.00

## Consolidated Statement of Comprehensive Income

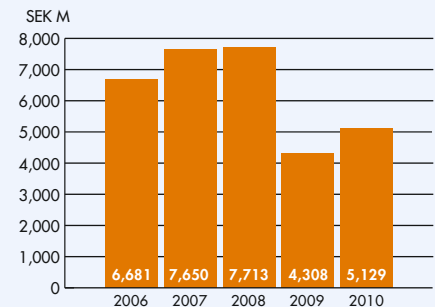
Amounts in SEK M	2010	2009
<b>Profit/loss for the year</b>	<b>29</b>	<b>-249</b>
<b>Other comprehensive income</b>		
Translation differences	-80	-20
Hedging of net investments in foreign subsidiaries	61	20
Tax attributable to items in other comprehensive income	-14	-5
<b>Total other comprehensive income</b>	<b>-33</b>	<b>-5</b>
<b>Comprehensive income for the year attributable to Parent Company shareholders</b>	<b>-4</b>	<b>-254</b>

## Non-recurring items

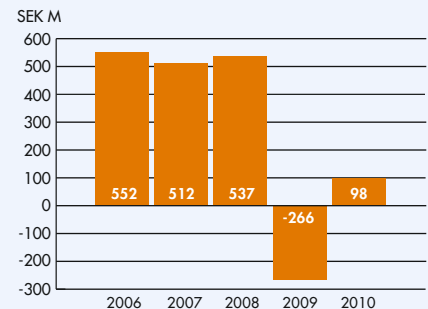
Amounts in SEK M	2010	2009
Non-recurring costs related to cost-savings program <sup>1)</sup>	-	-8
<b>Total non-recurring items</b>	<b>-</b>	<b>-8</b>

1) Recognized in other operating expenses

## Net sales, Group

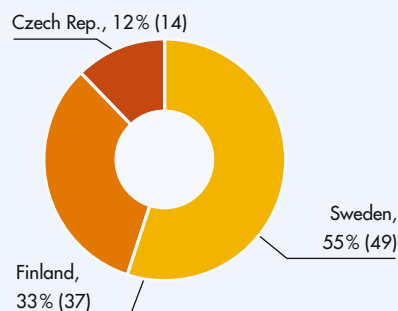


## Operating profit/loss, Group

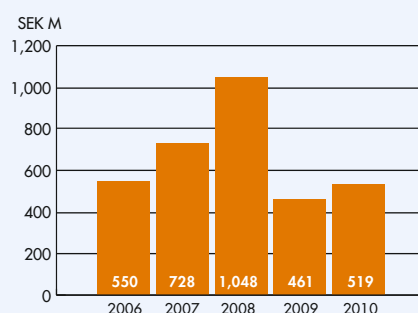




## Goodwill by cash generating unit



## Working capital trend



## Consolidated Balance Sheet – Group

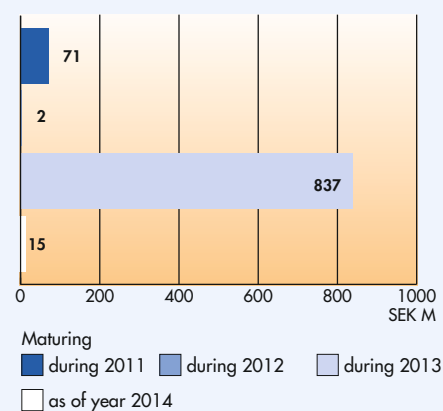
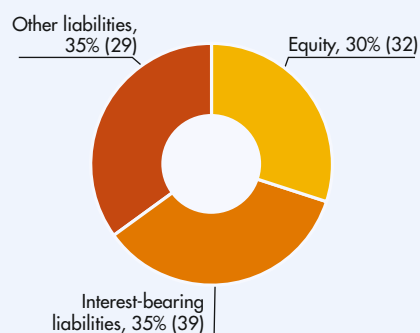
Amounts in SEK M	Note	2010	2009
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Intangible assets</i>			
Goodwill	13	692	647
Other intangible assets	14	81	72
		<b>773</b>	<b>719</b>
Tangible assets	15	267	321
		<b>267</b>	<b>321</b>
Participations in joint venture	17	129	119
		<b>129</b>	<b>119</b>
<i>Financial assets</i>			
Other securities held as non-current assets	18	2	2
Non-current receivables	19	0	0
		<b>2</b>	<b>2</b>
Deferred tax assets	26	34	46
		<b>34</b>	<b>46</b>
<b>Total non-current assets</b>		<b>1,205</b>	<b>1,207</b>
<b>Current assets</b>			
<i>Inventories, etc</i>			
Goods for resale	21	683	604
		<b>683</b>	<b>604</b>
<i>Current receivables</i>			
Accounts receivable		575	435
Tax receivables		26	3
Other receivables		28	25
Prepaid expenses and accrued income	22	33	40
		<b>662</b>	<b>503</b>
<i>Cash and equivalents</i>			
Current investments	30	0	0
Cash and bank balances		80	197
		<b>80</b>	<b>197</b>
Assets held for sale		2	–
		<b>2</b>	<b>–</b>
<b>Total current assets</b>		<b>1,427</b>	<b>1,304</b>
<b>TOTAL ASSETS</b>		<b>2,632</b>	<b>2,511</b>

**(continued) Consolidated Balance Sheet – Group**

Amounts in SEK M	Note	2010	2009
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	23		
Share capital		102	102
Other capital contributions		11	11
Translation reserve		18	51
Retained earnings including profit/loss for the year		656	634
<b>Equity attributable to Parent Company shareholders</b>		<b>787</b>	<b>798</b>
<b>Non-current liabilities</b>			
Non-current interest-bearing liabilities	27, 32	854	892
Provisions for pensions	24	–	0
Other provisions	25	16	15
Deferred tax liability	26	62	53
		<b>932</b>	<b>960</b>
<b>Current liabilities</b>			
Current interest-bearing liabilities	27, 28, 32	71	84
Accounts payable		598	512
Tax liabilities		1	0
Other liabilities		151	62
Accrued expenses and deferred income	29	75	72
Provisions	25	17	23
		<b>913</b>	<b>753</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,632</b>	<b>2,511</b>

**Pledged assets and contingent liabilities – Group**

Amounts in SEK M	Note	2010	2009
<b>Pledged assets</b>	27	<b>1,751</b>	<b>1,661</b>
<b>Contingent liabilities</b>	27	<b>146</b>	<b>146</b>

**Maturity structure, interest-bearing liabilities, at December 31, 2010****Total equity and liabilities**

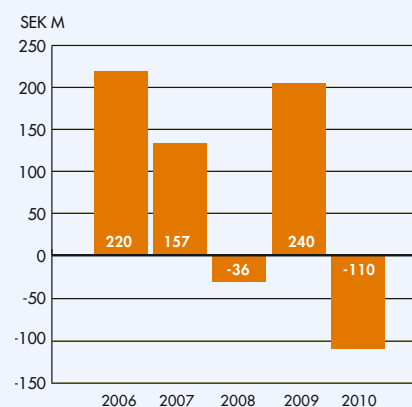
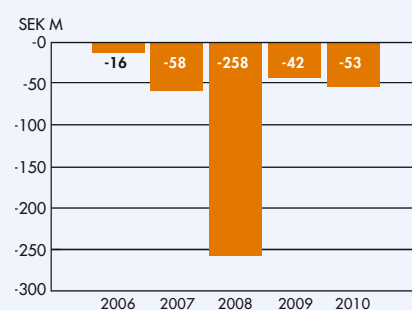
**Changes in consolidated equity – Group**

<i>Amounts in SEK M</i>	<b>Share capital</b>	<b>Other capital contributions</b>	<b>Translation reserve</b>	<b>Accumulated profit/loss</b>	<b>Total equity</b>
<b>2009</b>					
<b>Equity, opening balance, January 1, 2009</b>	102	11	56	934	1,103
Profit/loss for the year	–	–	–	-249	-249
Other comprehensive income	–	–	-5	–	-5
<b>Comprehensive income for the year</b>	–	–	-5	-249	-254
Dividend	–	–	–	-50	-50
Share Savings Scheme	–	–	–	-1	-1
<b>Equity, closing balance, December 31, 2009</b>	102	11	51	634	798
<b>2010</b>					
<b>Equity, opening balance, January 1, 2010</b>	102	11	51	634	798
Profit/loss for the year	–	–	–	29	29
Other comprehensive income	–	–	-33	–	-33
<b>Comprehensive income for the year</b>	–	–	-33	29	-4
Change, treasury shares	–	–	–	-10	-10
Share Savings Scheme	–	–	–	3	3
<b>Equity, closing balance, December 31, 2010</b>	102	11	18	656	787



**Consolidated Cash Flow Statement – Group**

<i>Amounts in SEK M</i>	Note	2010	2009
<b>Continuing operations</b>	30		
Profit/loss before tax		42	-322
Adjustment for non-cash items		53	49
		<b>95</b>	<b>-273</b>
Income tax paid		-26	10
<b>Cash flow from continuing operations before changes in working capital</b>		<b>69</b>	<b>-262</b>
<i>Cash flow from changes in working capital</i>			
Increase(-)/decrease(+) in inventories		-121	647
Increase(-)/decrease(+) in operating receivables		-147	248
Increase(-)/decrease(+) in operating liabilities		142	-350
<b>Cash flow from continuing operations</b>		<b>-57</b>	<b>282</b>
<b>Investing activities</b>			
Acquisitions of subsidiaries		-16	0
Acquisition of participations (-)/dividend received from joint venture (+)		-	14
Acquisitions of intangible assets		-24	-29
Acquisitions of tangible assets		-15	-29
Divestments of tangible assets		2	1
Investments in financial assets		0	-
Divestments/decrease of financial assets		0	1
<b>Cash flow from investing activities</b>		<b>-53</b>	<b>-42</b>
<b>Cash flow before change in net debt</b>		<b>-110</b>	<b>240</b>
<b>Financing activities</b>			
Acquisition/divestments of treasury shares		-10	-
Loans raised		899	8
Amortization of loan liabilities		-885	-135
Dividends paid		-	-50
<b>Cash flow from financing activities</b>		<b>4</b>	<b>-177</b>
<b>Cash flow for the year</b>		<b>-106</b>	<b>63</b>
<b>Cash and equivalents at January 1</b>		<b>197</b>	<b>125</b>
<b>Exchange-rate difference in cash and equivalents</b>		<b>-11</b>	<b>9</b>
<b>Cash and equivalents at December 31</b>		<b>80</b>	<b>197</b>

**Cash flow before change in net debt****Cash flow from investing activities**

**Income Statement – Parent Company**

<i>Amounts in SEK M</i>	<b>Note</b>	<b>2010</b>	<b>2009</b>
Net sales	1	45	50
		<b>45</b>	<b>50</b>
Administrative expenses		-84	-68
Other operating income	7	0	2
<b>Operating profit/loss</b>	3, 4, 5	<b>-39</b>	<b>-16</b>
Profit/loss from participations in Group companies	6	-40	235
Other interest income and similar profit/loss items	9	71	42
Interest expense and similar profit/loss items	10	-75	-51
<b>Profit/loss before tax</b>		<b>-83</b>	<b>210</b>
Tax	11	5	7
<b>Profit/loss for the year</b>		<b>-78</b>	<b>217</b>

**Statement of Comprehensive Income – Parent Company**

<i>Amounts in SEK M</i>	<b>2010</b>	<b>2009</b>
Profit/loss for the year	-78	217
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>
<b>Comprehensive income for the year</b>	<b>-78</b>	<b>217</b>

<b>Balance Sheet – Parent Company</b>			
<i>Amounts in SEK M</i>	<b>Note</b>	<b>2010</b>	<b>2009</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>			
	14		
Capitalized expenditure for development work and similar		59	–
Advance payments for intangible assets		5	46
		<b>64</b>	<b>46</b>
<b>Tangible assets</b>			
Equipment, tools, fixtures and fittings	15	0	1
		<b>0</b>	<b>1</b>
<b>Financial assets</b>			
Participations in Group companies	16	1,381	1,333
Interest-bearing receivables from Group companies	20	54	84
		<b>1,435</b>	<b>1,417</b>
<b>Total non-current assets</b>		<b>1,499</b>	<b>1,464</b>
<b>Current assets</b>			
<b>Current receivables</b>			
Current interest-bearing receivables from Group companies	20	251	323
Receivables from Group companies		55	64
Tax receivables		3	2
Other receivables		2	8
Prepaid expenses and accrued income	22	15	26
		<b>326</b>	<b>423</b>
Cash and bank balances	30	25	140
		<b>25</b>	<b>140</b>
<b>Total current assets</b>		<b>351</b>	<b>563</b>
<b>TOTAL ASSETS</b>		<b>1,850</b>	<b>2,027</b>



**(continued) Balance Sheet – Parent Company**

<i>Amounts in SEK M</i>	<b>Note</b>	<b>2010</b>	<b>2009</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	23		
<i>Restricted equity</i>			
Share capital		102	102
Statutory reserve		31	31
		<b>133</b>	<b>133</b>
<i>Non-restricted equity</i>			
Profit brought forward		795	567
Profit/loss for the year		-78	217
		<b>717</b>	<b>784</b>
<b>Total equity</b>		<b>850</b>	<b>917</b>
<b>Non-current liabilities</b>			
Non-current interest-bearing liabilities	27, 32	837	877
Provisions		1	0
		<b>838</b>	<b>877</b>
<b>Current liabilities</b>			
Current interest-bearing liabilities	27, 32	–	28
Current interest-bearing liabilities to Group companies	32	69	159
Accounts payable		9	9
Liabilities to Group companies		19	24
Other liabilities		56	1
Accrued expenses and deferred income	29	9	12
		<b>162</b>	<b>233</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,850</b>	<b>2,027</b>

**Pledged assets and contingent liabilities – Parent Company**

<i>Amounts in SEK M</i>	<b>Note</b>	<b>2010</b>	<b>2009</b>
<b>Pledged assets</b>	27	<b>1,310</b>	<b>1,250</b>
<b>Contingent liabilities</b>	27	<b>95</b>	<b>34</b>

## Statement of Changes in Equity – Parent Company

Amounts in SEK M

	Share capital	Statutory reserve	Profit brought forward	Profit/loss for the year	Total equity
<b>2009</b>					
<b>Equity, opening balance, January 1, 2009</b>	102	31	346	253	732
Group contributions	–	–	28	–	28
Tax effect from Group contributions	–	–	-7	–	-7
Profit/loss brought forward from preceding year	–	–	253	-253	–
<b>Total transactions reported directly in equity</b>	–	–	<b>274</b>	<b>-253</b>	<b>21</b>
Profit/loss for the year	–	–	–	217	217
Other comprehensive income	–	–	–	–	–
<b>Comprehensive income for the year</b>	–	–	–	<b>217</b>	<b>217</b>
Dividend	–	–	-50	–	-50
Share Savings Scheme	–	–	-1	–	-1
<b>Equity, closing balance, December 31, 2009</b>	<b>102</b>	<b>31</b>	<b>567</b>	<b>217</b>	<b>917</b>
<b>2010</b>					
<b>Equity, opening balance, January 1, 2010</b>	102	31	567	217	917
Group contributions	–	–	25	–	25
Tax effect from Group contributions	–	–	-7	–	-7
Profit/loss brought forward from preceding year	–	–	217	-217	–
<b>Total transactions reported directly in equity</b>	–	–	<b>235</b>	<b>-217</b>	<b>18</b>
Profit/loss for the year	–	–	–	-78	-78
Other comprehensive income	–	–	–	–	–
<b>Comprehensive income for the year</b>	–	–	–	<b>-78</b>	<b>-78</b>
Change, treasury shares	–	–	-10	–	-10
Share Savings Scheme	–	–	3	–	3
<b>Equity, closing balance, December 31, 2010</b>	<b>102</b>	<b>31</b>	<b>795</b>	<b>-78</b>	<b>850</b>

### Cash Flow Statement – Parent Company

<i>Amounts in SEK M</i>	<b>Note</b>	<b>2010</b>	<b>2009</b>
<b>Continuing operations</b>	30		
Profit/loss after financial items		-83	210
Adjustment for non-cash items		29	-14
		-54	196
Income tax paid		-2	-2
<b>Cash flow from continuing operations before changes in working capital</b>		<b>-56</b>	<b>194</b>
<i>Cash flow from changes in working capital</i>			
Increase(-)/decrease(+) in operating receivables		52	108
Increase(-)/decrease(+) in operating liabilities		-8	-23
<b>Cash flow from continuing operations</b>		<b>-12</b>	<b>279</b>
<b>Investing activities</b>			
Capital contributions/acquisitions of subsidiaries		-32	-4
Acquisitions of intangible assets		-24	-29
Acquisitions of tangible assets		-	0
Investments in financial assets		-2	-77
Divestments of financial assets		65	-
<b>Cash flow from investing activities</b>		<b>7</b>	<b>-110</b>
<b>Financing activities</b>			
Acquisition of treasury shares		-10	-
Loans raised		884	84
Amortization of loan liabilities		-984	-113
Dividends paid		-	-50
<b>Cash flow from financing activities</b>		<b>-110</b>	<b>-79</b>
<b>Cash flow for the year</b>		<b>-115</b>	<b>90</b>
<b>Cash and equivalents at January 1</b>		<b>140</b>	<b>50</b>
<b>Cash and equivalents at December 31</b>		<b>25</b>	<b>140</b>



# ACCOUNTING PRINCIPLES AND NOTES TO THE FINANCIAL STATEMENTS

## 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. The deviations arising between the principles applied by the Parent Company and the Group are caused by limitations to the opportunities to apply IFRS in the Parent Company as a consequence of the Annual Accounts Act and the Pension Obligations Vesting Act (Tryggandelagen) and, in certain cases, tax considerations.

### 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 consolidated accounting principles have also been consistently applied by Group companies, with regard to associated companies through harmonization with Group principles where required.

### Changed accounting principles effective from 2010

Detailed first below are the new and revised standards and statements adopted by the IASB and approved by the EU that came into effect in 2010 and that had a significant impact on the Group's financial statements. Following that, the remaining new and revised standards are detailed that have not had any significant impact on the Group's financial statements.

### Business combinations and consolidated accounts

Effective from January 1, 2010, the Group applies the revised IFRS 3 Business combinations and the amended IAS 27 Consolidated and separate financial statements. Among other effects, these changed accounting principles entail: a change in the definition of operations, transaction costs for business combinations being expensed, conditional purchase sums being determined at fair value at the time of acquisition and the effects of reassessments of liabilities related to conditional purchase sums being reported as a revenue or expense in profit/loss for the year. Other changes include there being two alternative ways to report holdings lacking decisive influence and goodwill, either at fair value, that is, goodwill is included in holdings lacking decisive influence or, alternatively, with holdings lacking decisive influence being included in net assets. The choice between these two methods is made individually for each acquisition. Additional acquisitions made after decisive influence is achieved are considered to be owner transactions and are reported directly in equity,

which represents a change in the Company's former principle, which was to report excess amounts as goodwill.

The changes to the principles have had no retroactive effect on the Company's financial reports, which means that no amounts have been adjusted in the financial reports. The changes to the standards have entailed some adjustments to the disclosure requirements, affecting Note 16 Participations in Group companies for the current year. Furthermore, transaction costs related to the year's acquisitions are reported in the Income Statement.

### Other new and revised standards and statements

Accounted for below are the remaining new and revised standards that have not had any significant impact on the Group's financial statements.

Standards/statements	Comment as to why the change has no material effect
Changes to IFRS 2 Share-based payment mainly entail a clarification as to how Group-internal payments settled in cash are to be reported.	In the Share Savings Schemes carried out by BE Group, payment is settled in shares rather than cash. The Parent Company's reporting is therefore not affected by this clarification.
Changes to IAS 39 Financial instruments: recognition and measurement deals with items eligible for hedge accounting and clarifies the application of the principles for hedge accounting in connection with the hedging of cash flow.	BE Group has not used hedge accounting for cash flow hedges.
IFRIC 12 Service concession arrangements.	BE Group has no public service concessions.
IFRIC 15 Agreements for the construction of real estate.	BE Group is not constructing any real estate.
IFRIC 16 Hedges of a net investment in a foreign operation states, among other things, that only the risk in the functional currencies of the Parent Company and each foreign operation may be hedged. Furthermore, the hedge instrument may exist if hedge accounting is applied and if the consolidation method affects the amount that is reclassified to profit/loss for the year, that is, in connection with step-by-step or straight-line consolidation. The interpretation is applied prospectively to financial years commencing July 1, 2009 or later (IFRIC 16 states October 1, 2008 as the latest date for application, while the EU states July 1, 2009 in its approval).	The hedging instruments held and used by BE Group meet these requirements and IFRIC 16, consequently has had no effect on the Group's financial statements.

Standards/statements	Comment as to why the change has no material effect
IFRIC 17 Distributions of non-cash assets to owners addresses questions arising where dividends are paid in assets other than cash.	No dividends have been paid to owners.
IFRIC 18 Transfers of assets from customers addresses questions including how the recipient should report agreements settling cases where customers transfer tangible assets to the Company, which is then used to either connect the customer to a network or to provide the customer ongoing access to goods, services or both. The interpretation also deals with cases where the Company, in accordance with an agreement, receives cash from a customer to manufacture or acquire tangible assets used for the same purpose. The interpretation is applied prospectively from financial years commencing November 1, 2009 or later.	BE Group has not received any tangible assets from customers or cash to acquire such assets.

### New IFRS and interpretations yet to be applied

Certain new or revised standards and new interpretations will not take effect until future financial years (see the specification below of amendments approved by the EU and that are expected to have a material impact on the Group's financial statements). None of these have been applied early when preparing these financial statements. Remaining new or revised standards and statements coming into effect from future financial years and that have been approved by the EU are not expected to have any material effect on the Group's accounts.

IFRS 9 Financial instruments is intended to replace IAS 39 Financial instruments: recognition and measurement from 2013 at the latest. IASB has published the first of at least three sections that combined will form IFRS 9. This first section deals with the classification and measurement of financial assets. The categories of financial assets currently included in IAS 39 will be replaced by two categories, whereby assets are assessed at fair value or accrued cost. Accrued cost is used for instruments held according to a business model designed to receive the contractual cash flows; which shall consist of payments of capital sums and interest on those capital sums on specified dates. Other financial assets are reported at fair value and the opportunity to apply a fair value option, as in IAS 39, is retained. The effects on BE Group will, however, be limited since assets that can be sold, which are currently measured at cost and not fair value, had a book value of SEK 2M (2) on the balance sheet date. There is no change for the category of investments held to maturity, which amounted to SEK 0M (0) on the balance sheet date. Changes on derivatives used in hedge accounting are not affected by this section of IFRS 9 and are reported in accordance with IAS 39 until further notice. On the balance sheet date, the carrying amount of derivatives measured at fair value in profit/loss for the period was negative in the amount of SEK 1M (pos 5). The Company has not yet decided whether it will apply the new principles prospectively or from 2013.

The following changes in accounting principles for future application are not expected to have any effect on the consolidated accounts:

- Amendments to IAS 24 Related party disclosures, mainly pertaining to disclosures for government-related companies but also with regard to the definition of related parties
- Amendments to IAS 32 Financial instruments: classification regarding new share issues
- Amendments to IFRS 7 Financial instruments: new disclosure requirements for completely or partially derecognized financial assets

- Amendments to IFRIC 14 IAS 19 – The limitation of a defined-benefit asset, the lowest consolidation requirement and the interaction between the two regarding advance payments to meet the lowest consolidation requirement
- IFRIC 19 Extinguishing financial liabilities with equity instruments
- Annual improvements to IFRS that are not yet applicable, primarily those published in May 2010

### 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 measured at fair value consist of derivatives and financial assets classified as financial assets at fair value through profit/loss for the period or financial assets held for sale. With certain exceptions, assets and divestment groups held for sales are reported, from their classification as such assets until such time as they are reclassified, at the carrying amount or fair value less sales costs, whichever is lower.

#### Assessments and estimates

Preparation of the financial accounts 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 and costs. The estimates and assumptions are based on historical experience and other factors that seem reasonable under current conditions. The results of these estimates and assumptions are 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 a 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 34, Key estimates and assessments.

#### Basis for consolidation

##### Subsidiaries

Subsidiaries are companies over which the Parent Company has a controlling influence. Controlling influence entails a direct or indirect right to determine a company's financial and operational strategies with the purpose of benefiting financially. The assessment of whether a controlling influence prevails takes into account potential voting shares that can be exercised or converted without delay.

##### Acquisitions made after January 1, 2010

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. The cost of the holding in the subsidiary or of the operations consists of the total fair value on the acquisition date of the assets paid, liabilities incurred or assumed, and issued equity instruments submitted as payment for the acquired net assets. With the exception of transaction expenses attributable to issues of equity or debt instruments, incurred transaction expenses are charged directly against profit/loss for the period.

In business combinations where payment exceeds the fair value of the acquired assets, liabilities and contingent liabilities (or, in the case of gradual combinations, where holdings lacking decisive influence exceed the fair value of the former holding), the difference is reported as goodwill. Where the difference is negative (low-price acquisition), it is reported directly against profit/loss for the period. 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 acquisition does not include payments settling prior business transactions. Settlements of this type are made against profit/loss for the period.

#### **Acquisitions made between January 1, 2004 and December 31, 2009**

For acquisitions made between January 1, 2004 and December 31, 2009, where the acquisition cost exceeds the fair value of the acquired assets, liabilities and contingent liabilities reported separately, the difference is reported as goodwill. Where the difference is negative, it is reported directly against profit/loss for the year.

With the exception of transaction expenses attributable to issues of equity or debt instruments, incurred transaction expenses have been included in the acquisition cost.

#### **Acquisitions made before January 1, 2004**

Following impairment testing, goodwill on acquisitions made before January 1, 2004 has been reported at an acquisition value corresponding to the carrying amount in accordance with the earlier accounting principles. The classification and accounting of business acquisitions that took place before January 1, 2004 has not been reassessed in accordance with IFRS 3 in the determination of the consolidated opening balance on January 1, 2004 in accordance with IFRS.

#### **Joint ventures**

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 the earnings of associated companies states the Group's share of joint ventures' net earnings after tax and minority interests and 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. Where the Group's share of losses reported by the joint venture exceeds the carrying amount of the Group's holdings, the value of the holdings is reduced to zero. Losses are also offset against long-term balances without security, the financial significance of which forms part of the owning company's net investment in the joint venture. Continued losses are not recognized unless the Group has given guarantees to cover losses arising in the

joint venture. The Group's participation of the comprehensive income from a joint venture is reported under separate items in the consolidated Income Statement. Any difference at the time of the acquisition between purchase value of the holdings and the proprietor's share of the fair value, net of identifiable assets and liabilities in joint venture, is reported by the same principles as acquisitions of subsidiaries.

With the exception of transaction expenses attributable to issues of equity or debt instruments, incurred transaction expenses will be included in the acquisition cost. The equity method is applied until the time the significant influence ceases.

#### **Transactions eliminated on consolidation**

Intragroup receivables and liabilities, income and expenses and unrealized gains or losses arising from intragroup transactions between Group companies are eliminated in full when preparing the consolidated accounts. Unrealized gains arising from transactions with associated companies and joint ventures are eliminated to a degree corresponding to the Group's ownership of those companies. Unrealized losses are eliminated in the same way as unrealized gains, but 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 at the exchange rate in force on the transaction 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 to the functional currency at the exchange rate in force 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 operating profit, while exchange rate movements referring to financial assets and liabilities are recognized in net financial income.

##### **Financial statements of foreign operations**

Assets and liabilities in foreign businesses, including goodwill and other groupwise surplus or deficit values, are translated from the foreign operation's functional currency into the Group's reporting currency, SEK, at the exchange rate applicable on the balance sheet date. Income and expenses in a foreign operation are translated into SEK 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 the net investments are recognized under other comprehensive income and are accumulated in a separate equity component entitled 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. In those cases where a divestment is made but a decisive influence is retained, a proportional share of accumulated translation differences is transferred from other comprehensive income to holdings lacking decisive influence. Accumulated translation differences are classified in a separate component of equity and include exchange differences accumulated as of January 1, 2004. Accumulated translation differences before January 1, 2004 are distributed among other categories of equity and are not reported separately.

### Classification

Non-current assets and liabilities essentially consist of amounts that are expected to be recovered or paid more 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.

## BALANCE SHEET ITEMS

### 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 13 Goodwill.

With regard to goodwill in acquisitions prior to January 1, 2004, the Group did not apply IFRS retroactively in connection with the transition to IFRS; as of that date, the carrying amount corresponds to the Group's cost, after impairment testing.

#### Customer relations

Customer relations consist of acquired assets arising primarily in connection with acquisitions of shares in subsidiaries. Customer relations are measured at fair value as of acquisition date, which is regarded as equal to cost and reduces the goodwill item in a business acquisition. After the acquisition, customer relations is recognized at cost less accumulated amortization and impairment losses.

#### Other intangible assets

Other intangible assets acquired by the Group comprise software and licenses and are recognized at cost less accumulated amortization (see below) and impairment losses.

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

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 depreciated are depreciated from the date on which they are available for use. The useful lives of assets are reassessed on an ongoing basis and at least once per year. The estimated useful lives are:

	Useful life	
	Group	Parent Company
<i>Acquired intangible assets</i>		
Licenses	3–10 years	3–10 years
Software	3–10 years	3–10 years
Customer relations	6–10 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 costs for shipping and handling, installation, legal title, consultant services and legal services.

The cost for qualifying non-current assets produced in-house includes loan expenses while these are not included for non-qualifying assets but are instead expensed on an ongoing basis in the period in which they are incurred. However, BE Group does not have any qualifying non-current assets produced in-house.

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 rates for tangible assets

Depreciation is recognized on a straight-line basis over the estimated useful life of the asset. Land is not depreciated. Depreciation methods used and the residual value and useful life of assets are reviewed at the end of each financial year.

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

### Impairment losses

The carrying amounts for the Group's assets are reviewed at each balance sheet date to test whether there is any indication of impairment. IAS 36 is applied to identify impairments for assets other than financial instruments 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 accordance with IFRS 5. The carrying amounts for the exempted assets are measured according to the respective standards.

### Impairment testing of tangible and intangible assets, shares in subsidiaries and participations in joint ventures

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

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

When testing for impairment, if it is not possible to connect significant



independent cash flows to an individual asset, the assets must be grouped at the smallest identifiable group of assets where cash inflows that are largely independent from the cash inflows of other assets or groups of assets can be identified, which is known as a cash-generating unit. An impairment loss is recognized in profit/loss for the period when the carrying amount of the asset or the cash generating unit exceeds the recoverable amount.

Impairments of assets attributable to a cash-generating unit or group of cash generating units are allocated primarily to goodwill.

Subsequent impairment is applied pro rata to the other assets in the unit or group of units.

#### **Impairment testing of financial assets**

At each balance sheet date, the Company assesses whether there is objective evidence that a financial asset or group of assets is impaired. Objective evidence is made up of two components: observable events that impair the capacity to recover the cost of the asset and significant or prolonged decline in fair value below cost, where fair value remains substantially below cost for financial investments classified as available-for-sale financial assets. For unlisted equities and investments classified as financial assets available for sale, the impairment is measured as the difference between the carrying amount of the financial asset and the present value of estimated future inflows discounted by the current market return for a comparable financial asset. Any impairment is charged against profit/loss for the period. Please see the relevant note for disclosures concerning impairments of other financial assets.

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

#### **Reversal of impairment**

Impairment losses on assets within the scope of IAS 36 are reversed if there is both an 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 never reversed. Impairment losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been recognized, less depreciation where applicable, if no impairment was recognized.

Impairment losses on trade receivables reported at accrued cost are reversed if the former grounds for impairment no longer apply and full payment from the customer is expected.

Impairment losses on equity instruments classed as financial assets held for sale that were previously reported in profit/loss for the year are not reversed through profit/loss for the year but in other comprehensive income. The impaired value is the value upon which subsequent revaluations are made, which are recognized directly in other comprehensive income.

Impairments of interest-bearing instruments classified as financial assets held for sale are reversed via profit/loss for the period if the fair value increases and the increase can be objectively related to an event that occurred after the impairment loss was recognized.

#### **Other securities held as non-current assets and short-term placements**

Financial investments are either financial assets reported as Other securities held as non-current assets or as short-term placements, depending on the purpose of the investment. If the maturity or expected duration of the holding is longer than one year, they are financial assets

and if shorter than one year, they are short-term placements. Financial placements consisting of shares are classified as financial assets held for sale. Holdings of unlisted interest-bearing securities are classified as loan receivables. Changes in value, including impairment losses, are reported in net financial income except for changes in value that, as above, shall be recognized directly in other comprehensive income.

#### **Inventories**

Inventories are measured at the lower of cost and net sales value. The cost of inventories includes costs 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 costs based on normal capacity.

Net sales value is the estimated selling price in current operations less the estimated costs to make the asset ready for sale and to effect a sale. Net sales value is estimated based on estimates of the current market price.

#### **Trade receivables and other financial receivables**

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

#### **Cash and equivalents**

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

#### **Trade payables and other financial liabilities**

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

#### **Provisions**

Provisions differ from other liabilities in the uncertainty that prevails regarding the time of payment or the amount required to settle the provision. Appropriations are recorded in the Balance Sheet when the group has an existing legal or informal obligation as a result of an event occurring, and 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.

**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.

**Restructuring**

A provision for restructuring is reported once the Group has prepared a detailed and informal restructuring plan, and the restructuring has either commenced or been publicly announced. No provisions are made for future operating costs.

**Onerous contracts**

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

**MEASUREMENT CATEGORIES****Financial instruments**

Financial instruments recognized as assets in the Balance Sheet include cash and cash equivalents, loan receivables, trade receivables and financial investments. Trade payables, loan debts and derivatives are recognized in liabilities.

A financial asset or financial liability is recognized in the Balance Sheet when the Company becomes party to the instrument's contractual terms. Accounts receivable are recognized in the Balance Sheet when the invoice has been sent. Liabilities are recognized once the counterparty has completed its task and there is a contractual obligation to pay, even though an invoice may not yet have been received. Trade payables are recognized when invoices are received. A financial asset or part thereof is derecognized when the contractual rights are realized, mature or no longer under the Company's control. This also applies for parts of a financial asset.

A financial liability or part thereof is derecognized 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. Financial instruments which are not derivatives are initially recognized at a cost corresponding to the instrument's fair value with an addition for transaction expenses. Exceptions are those categorized as financial assets recognized at fair value through the Income Statement, which are initially recognized at fair value excluding transaction expenses. Financial instruments are subsequently measured depending on how the financial instruments were classified. The measurement categories BE Group uses are presented in the next column.

**Valuation**

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

**Financial assets measured at fair value in profit/loss for the period**

This category consists of financial assets held for trading, i.e., derivatives with positive fair value. These assets are measured, on an ongoing basis, at fair value, with changes in value recognized in profit/loss for the period. Derivatives and embedded derivatives are classified as held for trading except when used for hedge accounting.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with determined or determinable payments that are not quoted in an active market. Assets in this category are measured at amortized cost. Accrued historical cost is determined from the effective interest 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.

**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 shall be 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 assets 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.

**Financial liabilities valued at fair value via profit/loss for the period**

This category consists of financial liabilities held for trading, i.e., derivatives with negative fair value except derivatives that have been determined as effective hedging instruments. Fair value changes are recognized in profit/loss for the period.

**Other financial liabilities**

Financial liabilities are classified as other financial liabilities and measured at amortized cost. Loans and other financial liabilities, such as trade payables, are included in this category. The categories to which BE Group's financial assets and liabilities have been assigned are specified in Note 32 Financial risk management. Recognition of financial income and expense is explained below under Income Statement items in the section Financial income and expense.

**Derivatives and hedge accounting**

The Group's derivative instruments have been acquired to financially hedge its interest and exchange exposures. An embedded derivative is disclosed unless closely related to the host contract. Derivative instruments are initially recognized at fair value, which means that any transaction expenses are charged against profit/loss for the period. After the initial recognition, derivative instruments are valued at fair value and their changes in value are reported as described below.

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. Profits and losses regarding hedge instruments are recognized in profit/loss for the year at the same time as profits and losses for the hedged items.

Currency forwards are used to hedge assets or liabilities against currency risk. Hedge accounting is not applied for protection against currency risk since financial hedging is reflected in the statements with both the underlying asset or liability and the hedge instrument being reported at the closing rate and exchange rate fluctuations being reported in profit/loss for the period.

Exchange differences referring to operating assets and liabilities are recognized in operating profit, while exchange rate fluctuations referring to financial assets and liabilities are recognized in net financial income.

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. On the balance sheet date, these currency loans are reported at the closing rate and the effective portion of the exchange differences for the period is recognized in other comprehensive income and the accumulated changes are classified in equity as the translation reserve. When hedging is ineffective, the ineffective portion is recognized in profit/loss for the period.

#### **Net gain/loss**

The net gain/loss on financial assets and liabilities consists of realized and unrealized fair value changes.

## INCOME STATEMENT ITEMS

### **Income**

Income from the sale of goods is recognized in profit/loss for the year when significant risks and rewards associated with the ownership of the goods are transferred to the buyer. Income from service assignments is recognized in profit/loss for the year on the basis of the degree of completion on the balance sheet date. The degree of completion is determined on the basis of the expenses hitherto incurred for the assignment in relation to the total calculated expenses for the assignment. Only expenses corresponding to work that has been carried out may be included in the expenses incurred as per the balance sheet date. The Company measures revenue at the fair value of consideration received or receivable. Accordingly, the Company measures revenue at nominal value (invoice amount) if the Company receives consideration in cash or cash equivalents upon delivery on customary credit terms. Discounts provided are deducted. Revenue arising from the sale of goods by the Company is recognized when all the following criteria have been satisfied: the Company has transferred to the buyer the significant risks and rewards of ownership; the Company retains neither continuing managerial involvement nor effective control over the goods sold; the amount of revenue can be measured reliably; it is probable that the economic benefit associated with the transaction will flow to the Company; and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

### **Employee benefits**

#### **Short-term employee benefits**

Short-term employee benefits such as wages and salaries, including bonuses when the underlying parameters can be reliably estimated, paid leave, sick leave, etc., and social security benefits are recognized

in the period in which the employee has performed services in exchange for the benefit.

### **Share-related remunerations**

#### **Share Savings Scheme**

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

#### **Pensions**

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

#### **Defined contribution plans**

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 cost to be recognized in the period is the contribution payable in exchange for service rendered by employees during the period.

#### **Defined benefit plans**

The Group's net commitment in respect to defined benefit plans other than those secured through insurance provided by Alecta is calculated separately for each plan by estimating the future compensation earned by the employees through their employment in the current and earlier periods. The compensation is discounted to present value. The discount rate is the interest rate as of balance day for an investment grade corporate bond with a maturity corresponding to the Group's pension commitments. The calculation is performed by a qualified actuary using the Projected Unit Credit Method. The fair value of any assets under management is also calculated as of reporting date.

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

Pension obligations for retirement pensions and survivors' pensions for white collar employees in Sweden are secured through an insurance policy provided by Alecta. According to a statement (UFR 3) from the Swedish Financial Reporting Board, this is a multiple-employer defined benefit plan. The Company has not had access to information that would permit recognition of the plan as a defined benefit plan. The ITP pension plan secured through insurance provided by Alecta is accordingly recognized as defined contribution plan.

**Termination benefits**

When the Company terminates employment, benefits to the employee are recognized as an ongoing expense for as long as the employee performs work for the Company. When the employee is immediately discharged from duty, the entire benefit amount is immediately recognized as an expense. Provisions are recognized in connection with terminations only if the Company is demonstrably obligated to terminate employment prior to the normal date or when compensation is offered to encourage voluntary departure and it is likely that the offer will be accepted and 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, dividend income, exchange differences and unrealized and realized gains on financial investments.

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

Interest expenses are charged against profit/loss for the period in which they are incurred with the exception of interest expenses activated in qualifying non-current assets.

Transaction costs for raised loans and credits are accrued over the life of the loans and credits.

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

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

**Tax**

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

Income taxes are recognized in profit/loss for the period except where the 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 base. 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 observed in consolidated goodwill or differences attributable to investments in subsidiaries that are not expected to be taxed within the foreseeable future. Untaxed reserves in legal entities are recognized including deferred tax liability. However, in the consolidated financial statement untaxed reserves are divided into deferred tax liabilities and equity.

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

**Underlying earnings**

BE Group's financial targets are based on underlying earnings and return measurements in order to clearly illustrate the operational trend. Underlying earnings correspond to reported earnings after adjustment for exceptional items and inventory gains/losses. These constitute the difference between the cost of goods sold at cost and the cost of goods sold where the goods have been measured at replacement price.

BE Group applies an internal calculation model. The model has not been reviewed by the Company's auditors.

**OTHER****Leases – lessee**

Leases are classified in the consolidated accounts as finance leases or operating 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 financial leases. The lease asset is recognized as a tangible asset, with the same depreciation rates applied as for tangible assets owned by the Company, and the future obligation to the lessor is recognized as a liability in the Balance Sheet. Leased assets are also depreciated over their estimated useful life or over the agreed lease term, whichever is shorter. Future obligations to lessors have been apportioned between non-current and current liabilities. Minimum lease payments are apportioned between the finance charge and amortization of the outstanding liability. The finance charge is allocated so as to produce a constant periodic rate of interest on the remaining balance of the liability. Variable payments are recognized as an expense in the 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 costs, including intragroup transactions, and whose operating profit 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 basis for identifying segments is geographical areas. Internal management is based primarily on reporting and follow-up of returns from the Group's geographical areas. The geographical areas are grouped by country or group of countries, based on similarities with regard to risks and returns. For additional information on operating segments, please see Note 1 on Operating segments.

**Earnings per share**

The calculation of earnings per share is based on the profit for the



year within the Group which is attributable to the Parent Company's shareholders and on the weighted average number of outstanding shares during the year. Earnings per share after dilution are calculated by adjusting the earnings and average number of shares for the consequences of dilutive potential ordinary shares, which during the reported periods arise from options issued to employees.

### Cash flow analysis

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

## PARENT COMPANY ACCOUNTING PRINCIPLES

The Parent Company's financial statements are prepared in compliance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities and the SIC and IFRIC included in that recommendation, as well as statements from the Swedish Financial Reporting Board regarding listed companies.

### Changed accounting principles effective from 2010

Unless otherwise stated below, the accounting principles applied for the Parent Company were changed in 2010 in accordance with the changes detailed above regarding the consolidated accounts.

With regard to transaction expenses and conditional purchase sums, the changed accounting principles in the consolidated accounts with regard to the revised IFRS 3 Business combinations and the amended IAS 27 Consolidated and separate financial statements do not entail the same changes in the accounting principles for the Parent Company – see below under Participations in subsidiaries.

### 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 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 costs, assets and equity.

### Tangible assets

In the Parent Company, tangible assets are stated at cost less accumulated depreciation and possible impairment. Unlike the consolidated accounts, borrowing costs are not included in the cost for qualifying non-current assets produced in-house. These costs are recognized in profit/loss for the period in which they arise in accordance with the exception to IAS 23 Borrowing costs detailed in RFR 2 Accounting for legal entities.

### 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.

### Group and shareholder contributions

BE Group reports Group and shareholder contributions in accordance with statement UFR 2 from the Swedish Financial Reporting Board.

Shareholders' contributions are taken directly to the equity of the recipient and are capitalized as shares and participations by the payer, insofar as impairment losses are not required. Group contributions are reported according to their financial substance. This means that Group contributions made so as to minimize the Group's total tax are charged directly to retained earnings less its current tax effect. Group contributions, the equivalent of shareholder contributions, are charged directly to profits for the recipient, taking into consideration current tax effect. The provider recognizes the contribution after deductions for its current tax consequence as an investment in Group companies, to the extent impairment is not required.

### Financial instruments

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 amortized cost. Contingent derivative assets are measured at the lower of cost and fair value, while contingent derivative liabilities are measured at the higher of cost and fair value.

### 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.

**Note 1 Operating segments****Operating segments – Geographic areas**

2010	Sweden	Finland	CEE	Parent Company/ Eliminations	The Group
External sales	2,378	1,796	955	–	5,129
Internal sales	47	50	26	-123	–
<b>Net sales</b>	<b>2,425</b>	<b>1,846</b>	<b>981</b>	<b>-123</b>	<b>5,129</b>
Participations in earnings of joint venture	10	–	–	–	10
<b>EBITA</b>	<b>74</b>	<b>82</b>	<b>-18</b>	<b>-28</b>	<b>110</b>
<b>Operating profit/loss</b>	<b>73</b>	<b>81</b>	<b>-22</b>	<b>-34</b>	<b>98</b>
Net financial items					-56
<b>Profit/loss before tax</b>					<b>42</b>
Taxes					-13
<b>Profit/loss for the year</b>					<b>29</b>
<b>Working capital</b>	<b>198</b>	<b>158</b>	<b>195</b>	<b>-32</b>	<b>519</b>
Operating assets	1,220	728	547	53	2,549
Other assets					83
<b>Total assets</b>					<b>2,632</b>
Operating liabilities	470	248	195	7	920
Other liabilities					925
<b>Total liabilities</b>					<b>1,845</b>
<b>Investments</b>	<b>76</b>	<b>7</b>	<b>1</b>	<b>24</b>	<b>108</b>
Amortization of intangible assets	0	0	5	7	12
Depreciation, tangible assets	18	22	7	0	47
Non-cash revenues	-17	-4	-6	-2	-29
Non-cash expenses	2	8	6	7	23
<b>Total non-cash items</b>	<b>3</b>	<b>26</b>	<b>12</b>	<b>12</b>	<b>53</b>

2009	Sweden	Finland	CEE	Parent Company/ Eliminations	The Group
External sales	2,084	1,465	759	–	4,308
Internal sales	36	26	23	-88	–
<b>Net sales</b>	<b>2,120</b>	<b>1,491</b>	<b>782</b>	<b>-88</b>	<b>4,308</b>
Participations in earnings of joint venture	-5	–	–	–	-5
<b>EBITA</b>	<b>-23</b>	<b>-111</b>	<b>-113</b>	<b>-12</b>	<b>-259</b>
<b>Operating profit/loss</b>	<b>-24</b>	<b>-112</b>	<b>-118</b>	<b>-12</b>	<b>-266</b>
Net financial items					-56
<b>Profit/loss before tax</b>					<b>-322</b>
Taxes					73
<b>Profit/loss for the year</b>					<b>-249</b>
<b>Working capital</b>	<b>89</b>	<b>133</b>	<b>223</b>	<b>16</b>	<b>461</b>
Operating assets	1,003	692	549	68	2,312
Other assets					199
<b>Total assets</b>					<b>2,511</b>
Operating liabilities	423	196	145	-28	736
Other liabilities					977
<b>Total liabilities</b>					<b>1,713</b>
<b>Investments</b>	<b>6</b>	<b>20</b>	<b>3</b>	<b>29</b>	<b>58</b>
Amortization, intangible assets	1	1	5	–	7
Depreciation, tangible assets	18	23	9	0	50
Non-cash revenues	-20	-13	-1	-8	-42
Non-cash expenses	5	2	27	0	34
<b>Total non-cash items</b>	<b>4</b>	<b>13</b>	<b>40</b>	<b>-8</b>	<b>49</b>

Effective as of 2010, the Danish operations are reported within Business Area Sweden rather than CEE. Consequently, segment data for 2009 have been recalculated.

BE Group offers trade, distribution and production services in steel, stainless steel and aluminium independently of the companies that produce those materials. Part of the Group's strategy is to process and refine materials at its own facilities through various types of production services. The Group's basic products are of a similar nature, regardless of the customers or markets to which they are distributed. Customers are primarily in the construction and engineering sectors. However, the Group's risks and opportunities vary between the different geographical markets to which its products are distributed. For that reason, the Group has chosen geographical areas as its operational segments. The operating structure and internal reporting to Group management and the Board of Directors are based primarily on reporting of geographical business areas.

Segment profits, assets and liabilities include operating items attributable to the ongoing activities of the segment. The allocation of assets and liabilities per segment is based on the location of the business and includes directly attributable items and items that can be allocated by segment in a reasonably reliable manner. The assets and liabilities allocated by segment are intangible and tangible fixed assets, participations in joint ventures, operating receivables, operating liabilities and provisions attributable to operations. Current and deferred tax liabilities have not been divided between the business areas but are instead reported as a Group elimination. Nor have financial assets and liabilities been divided by segment but are reported as other assets/liabilities. Capital expenditures for the segment include investments in intangible and tangible assets, including assets included in acquisitions. The financial information per segment presented above is based on the same accounting principles as those that apply for the Group.

Internal prices between the Group's segments are set according to the arm's length principle, i.e. between mutually independent parties who are well informed and have vested interest in the transactions concerned. Prices of goods are based on current purchase prices plus an internal markup margin.

### Geographical segments

The group encompasses three business areas: Sweden, Finland and CEE.

#### Sweden

BE Group's operations in Sweden are conducted under the names BE Group Sverige AB and Lecor Stålteknik AB. The Danish operations also form part of business area Sweden. BE Group Sverige AB offers sales and distribution of products such as commercial steel, aluminium and stainless steel. The company also provides production services in the form of various production processes that process and refine materials 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 sophisticated logistics solutions, advisory services and recycling. Lecor Stålteknik AB provides steel construction solutions to customers in the Swedish construction sector. The Danish operations are of a smaller scale.

#### Finland

BE Group's operations in Finland are conducted under the name BE Group Oy Ab. Sales and distribution of the Group's products, such as commercial steel, aluminium and stainless steel, are offered in Finland. The Finnish company also provides production services to a greater extent than the Swedish company does. Examples include cutting to length, shot blasting, painting, drilling and cutting in various forms. In addition, BE Group offers its customers sophisticated logistics solutions, advisory services and financial services.

### CEE

Business area CEE encompasses BE Group's operations in, Estonia, Latvia, Lithuania, Poland, Slovakia and the Czech Republic. The operations in Russia were phased out during the year and the Company has commenced a liquidation process that is scheduled for completion during 2011.

At present, BE Group offers a selection of the product range in the commercial steel, aluminium and stainless steel segments in the CEE market. BE Group also provides production services. In addition, BE Group offers advisory services and logistics solutions. BE Group's product and service proposition varies from country to country in CEE. In 2009, a Group-internal logistics center was established within the framework of the operations in Ostrava in the Czech Republic. Its purpose is to supply all other Group companies, primarily within Business Area CEE but also to some extent in Sweden and Finland, with a range of flat products.

### DISTRIBUTION OF GROUP SALES

Sales per product group	2010	2009
Long products	1,478	1,404
Flat products	1,829	1,441
Reinforcement steel	408	355
Stainless steel	887	768
Aluminium	352	315
Other	175	25
<b>Total</b>	<b>5,129</b>	<b>4,308</b>

Parent Company	2010	2009
<i>Sales by geographical market:</i>		
Sweden	19	16
Finland	14	17
Other countries	12	17
<b>Total</b>	<b>45</b>	<b>50</b>

### Note 2 Significant costs

Group	2010	2009
Material costs	-4,106	-3,678
Personnel costs	-416	-398
Other external costs	-465	-442
Amortization/depreciation according to plan	-59	-57
Other	-4	-6
<b>Total</b>	<b>-5,049</b>	<b>-4,581</b>

The specification of significant cost categories refers to items included in costs of goods sold, sales costs, administration costs and other operating costs in the Income Statement.

### Note 3 Employees, personnel costs and executive remuneration

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

Average number of employees	of which		2009	of which	
	2010	men		2009	men
<b>Parent Company</b>					
Sweden	17	65%	18	67%	
<b>Total in the Parent Company</b>	<b>17</b>	<b>65%</b>	<b>18</b>	<b>67%</b>	
<b>Subsidiaries</b>					
Sweden	334	81%	319	81%	
Finland	328	88%	351	87%	
Estonia	17	76%	16	75%	
Latvia	8	75%	11	82%	
Lithuania	11	82%	11	82%	
Poland	41	68%	52	69%	
Denmark	8	75%	8	88%	
Slovakia	20	65%	18	38%	
Czech Republic	117	73%	97	74%	
Russia	8	88%	11	91%	
<b>Total for subsidiaries</b>	<b>892</b>	<b>82%</b>	<b>894</b>	<b>81%</b>	
<b>Group total</b>	<b>909</b>	<b>81%</b>	<b>912</b>	<b>81%</b>	

#### Specification of gender distribution of executive management

Gender distribution, Group management	2010	2009
	Percentage women	Percentage women
<b>Parent Company</b>		
Board	29%	14%
Other executives	0%	0%
<b>Group total</b>		
Board	29%	14%
Other executives	0%	0%

The average number of Parent Company employees during the financial year was 17 (18). The Company does not disclose sickness absence rates because the information may be attributed to individuals.

#### Salaries, other remuneration and social security expenses

Group	2010	2009
Salaries and remuneration	310,059	295,581
Share Savings Scheme costs	2,467	-1,476
Pension expense, defined-benefit plans	-181	-234
Pension expense, defined-contribution plans	34,495	36,407
Social security contributions	69,003	64,992
	<b>415,843</b>	<b>395,270</b>

Parent Company	2010		2009	
	Salaries, other remunerations	Social security costs	Salaries, other remunerations	Social security costs
Parent Company	21,009	12,655	19,668	12,018
(of which, pension expense) <sup>1)</sup>		(4,817)		(4,671)

<sup>1)</sup> Of the Parent Company's pension expenses, SEK 2,624 thousand (2,554) refers to executives. The Company has no outstanding pension commitments to these individuals.

#### Salaries and other remuneration distributed between the Parent Company and its subsidiaries and between executives and other employees<sup>1)</sup>

	2010		2009	
	Senior executives <sup>1)</sup>	Other employees	Senior executives <sup>1)</sup>	Other employees
Parent Company, Sweden	10,867	10,142	9,197	10,471
(of which, bonuses, etc.)	(506)	(808)	(463)	(764)
Subsidiaries	11,739	268,688	10,841	253,530
(of which, bonuses, etc.)	(1,084)	(3,096)	(699)	(5,793)
<b>Total, Group</b>	<b>22,606</b>	<b>278,830</b>	<b>20,038</b>	<b>264,001</b>
(of which, bonuses, etc.)	(1,590)	(3,904)	(1,162)	(6,557)

<sup>1)</sup> Senior executives include directors, members of Group Management and company presidents.

The presentation complies with the Annual Accounts Act 5:19-20 and Swedish Accounting Standards Board recommendation BFN R4. The difference compared to the preceding table showing salaries and remuneration for the Group, which was prepared in compliance with IAS 1, p 93, is constituted of employee benefits. According to BFN R 4, benefits must not be included in salaries and remuneration but are classified as such according to IAS 1 p93.



**Executive remuneration**

Total remuneration to the President and CEO and other members of Group Management consists of base pay, variable remuneration, pension and other benefits. These remuneration components are based on the guidelines for executive remuneration adopted by the 2010 Annual General Meeting and which is detailed in the Board of Directors' Report on page 34. The note below details the actual agreed remunerations and terms for senior executives.

The following tables provide details of remuneration and other benefits paid in the 2010 and 2009 financial years to directors, the President and CEO, the CFO and Deputy President and CEO and other executives, who are defined as other members of Group management.

<b>Remuneration and benefits 2010</b>	<b>Basic salary/ director's fees</b>	<b>Variable pay</b>	<b>Other benefits</b>	<b>Pension expenses</b>	<b>Share Savings Scheme</b>	<b>Other remuneration</b>	<b>Total</b>	<b>Pension commit- ments</b>
<i>Chairman of the Board</i>								
Carl-Erik Ridderstråle	407	–	–	–	–	0	407	–
<i>Directors</i>								
Roger Bergqvist	200	–	–	–	–	2	202	–
Lars Olof Nilsson	253	–	–	–	–	–	253	–
Cecilia Edström	227	–	–	–	–	0	227	–
Lars Spongberg	207	–	–	–	–	0	207	–
Joakim Karlsson	227	–	–	–	–	–	227	–
Roger Johansson	200	–	–	–	–	–	200	–
Marita Jaatinen	133	–	–	–	–	–	133	–
<i>President and CEO</i>								
Lars Bergström	3,552	150	136	1,216	-48	4	5,010	–
<i>CFO and Executive Vice President</i>								
Torbjörn Clementz	2,012	170	88	619	288	5	3,182	–
<i>Other executives</i> (4 individuals)	5,631	453	275	1,174	501	6	8,040	-144
<b>Total</b>	<b>13,048</b>	<b>773</b>	<b>499</b>	<b>3,009</b>	<b>741</b>	<b>18</b>	<b>18,088</b>	<b>-144</b>
Recognized as an expense in the Parent Company	9,807	506	375	2,624	540	14	13,866	–

Other executives in 2010 were two individuals employed by the Parent Company (Per Horstmann and Per Gullstrand) and the sitting presidents of the Swedish and Finnish subsidiaries (Stefan Eklund and Matti Tiira), who are employees of the respective subsidiaries.

<b>Remuneration and benefits 2009</b>	<b>Basic salary/ director's fees</b>	<b>Variable pay</b>	<b>Other benefits</b>	<b>Pension expenses</b>	<b>Share Savings Scheme</b>	<b>Other remuneration</b>	<b>Total</b>	<b>Pension commit- ments</b>
<i>Chairman of the Board</i>								
Carl-Erik Ridderstråle	280	–	–	–	–	1	281	–
<i>Directors</i>								
Roger Bergqvist	133	–	–	–	–	2	135	–
Lars Olof Nilsson	160	–	–	–	–	1	161	–
Cecilia Edström	147	–	–	–	–	–	147	–
Lars Spongberg	147	–	–	–	–	–	147	–
Joakim Karlsson	147	–	–	–	–	–	147	–
Roger Johansson	133	–	–	–	–	–	133	–
<i>President and CEO</i> <sup>1)</sup>								
Lars Bergström	2,746	188	111	864	48	1	3,958	–
Håkan Jeppsson <sup>2)</sup>	435	–	15	194	–	–	644	–
<i>CFO and Deputy President and CEO</i>								
Torbjörn Clementz	2,342	126	84	644	-124	4	3,076	–
<i>Other executives</i> (4 individuals)	5,057	349	324	1,548	-347	12	6,943	32
<b>Total</b>	<b>11,727</b>	<b>663</b>	<b>534</b>	<b>3,250</b>	<b>-423</b>	<b>21</b>	<b>15,772</b>	<b>32</b>
Recognized as an expense in the Parent Company	8,987	463	368	2,448	-265	12	12,013	–

Other executives in 2009 were two individuals employed by the Parent Company (Per Horstmann and Per Gullstrand) and the sitting presidents of the Swedish and Finnish subsidiaries (Henrik Fries, 11 months, and Matti Tiira), who were employees of the respective subsidiaries.

<sup>1)</sup> Håkan Jeppsson served as President until February 15, 2009. Torbjörn Clementz subsequently took over as acting President until Lars Bergström assumed the post of President on March 11, 2009.

<sup>2)</sup> In connection with Håkan Jeppsson concluding his employment, he received vacation allowance amounting to SEK 814 thousand corresponding to vacation earned but not utilized.

**Note 3 continued****Share Savings Scheme**

At the end of the year, three share savings schemes were in progress, the Share Savings Schemes 2010, 2009 and 2008 respectively. During the year, Share Savings Scheme 2007 was concluded. The introduction of each Share Savings Scheme has been approved by the AGM for the relevant year. The offer to participate in the schemes has been extended to members of Group management, business area executive teams and other key individuals within the company. All of the programs run for a period of three years. The structure and terms of the Share Savings Schemes 2007, 2008 and 2009 are identical. The terms of the Share Savings Scheme 2010 differ somewhat - see below. Each participant in the scheme is eligible for a maximum of 2.5 matching shares. The matching shares are allotted against no consideration if the following conditions are met:

**Terms of Share Savings Schemes 2007, 2008 and 2009**

- Half a share if the individual remains in his or her employment or equivalent employment within the Group during the vesting period.
- One additional share if BE Group's underlying earnings per share for the financial years of 2007-2009 (Share Savings Scheme 2007), 2008-2010 (Share Savings Scheme 2008) or 2009-2011 (Share Savings Scheme 2009), increase by an average of at least 5 percent per year compared with the relevant preceding financial year; or two additional shares if BE Group's underlying earnings per share for the financial years 2007-2009 (Share Savings Scheme 2007), 2008-2010 (Share Savings Scheme 2008) or 2009-2011 (Share Savings Scheme 2009) increase by an average of at least 15 percent per year compared to the relevant preceding financial year.

**Terms of Share Savings Scheme 2010**

- Half a share if the individual remains in his or her employment or equivalent employment within the Group during the vesting period.
- One additional share if BE Group's earnings per share for the 2012 financial year increase by SEK 1.50 compared with earnings of SEK 1.00 per share; or two additional shares if BE Group's earnings per share for the 2012 financial year increase by SEK 4.50.

	<b>Share Savings Scheme</b>				
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>Total</b>
Allotment date	June 2007	May 2008	June 2009	May 2010	
Vesting period	32 months	33 months	32 months	33 months	
Allocation of matching shares	Feb. 2010	Feb. 2011	Feb. 2012	Feb. 2013	
Number of participants <sup>1)</sup>	18	26	23	26	
Number of savings shares <sup>1)</sup>	22,070	42,656	78,643	62,308	
Maximum number of matching shares <sup>1)</sup>	55,175	106,640	196,608	155,770	514,193
Number of matching shares used in the accounts <sup>2)</sup>	11,035	21,328	39,322	155,770	227,455
Estimated cost of matching shares <sup>3)</sup>	1,015	1,499	1,275	7,633	11,423
- Of which, charged against earnings for 2010	-2	-488	-321	-1,670	-2,481
<i>Recognized as an expense in the Parent Company</i>	-19	-190	-140	-875	-1,224
<i>Recognized as an expense in subsidiaries</i>	17	-298	-181	-795	-1,257
Provision for social security fees <sup>4)</sup>	-	173	184	403	760
- Of which, charged against earnings for 2010	-	66	98	403	567

<sup>1)</sup> Adjustments have been made for individuals who have left the company or who had, as of the balance sheet date, confirmed that they will end their employment before the scheme expires.

<sup>2)</sup> In the accounts, the cost of the Share Savings Scheme 2010 has been based on the maximum allocation of 2.5 matching shares per savings share. For the 2008 and 2009 schemes, the cost has been based on 0.5 matching shares per savings share being allocated. Management does not judge it likely that the maximum distribution of 2.5 matching shares per savings share will occur, based on the earnings trend in the company.

<sup>3)</sup> The calculations are based on the market price per share of the company's stock as of the valuation date. That price is SEK 92.00 for matching shares in Share Savings Scheme 2007, SEK 70.30 for Share Savings Scheme 2008, SEK 32.43 for Share Savings Scheme 2009 and SEK 49.00 for Share Savings Scheme 2010.

<sup>4)</sup> The provision for social security expenses was made based on the market price per share of SEK 45.30 as of the balance sheet date. Final social security expenses will be calculated based on the market price per share when matching shares are allotted.

At December 31, 2010, the Company held a total of 495,448 treasury shares to financially hedge its commitment to provide matching shares in accordance with the Share Savings Schemes. Hedging measures must also cover the cost of social security expenses. At the time of publication of this Annual Report, matching shares for the Share Savings Scheme 2008 have been delivered. In addition, shares have been sold to cover the social security fees. The Company subsequently holds 409,862 treasury shares.

Lars Bergström, who was President and CEO during the financial year earned 0 (0) matching shares as his employment terminated in December 2010. Current President and CEO Roger Johansson has not participated in any Share Savings Scheme. The Executive Vice President Torbjörn Clementz has earned 8,025 (3,132) shares and other executives have earned a total of 12,994 (5,675) shares as of the balance sheet date.

Detailed below are the agreed terms for remuneration to the Board, the President and CEO and other senior executives. For details of the guidelines adopted by the Annual General Meeting, see page 34.

### Board remuneration

The chairman and other directors are paid directors' fees as resolved by the annual general meeting. As resolved by the AGM in 2010 (2009), directors' fees totaling SEK 1,920 thousand (1,720) will be distributed among the directors as follows: SEK 400 thousand (400) to the Chairman and SEK 200 thousand (200) to each of the other non-executive directors elected by the AGM as a director's fee. As remuneration for committee service, SEK 60 thousand (40) will be paid to the chairman of the Audit Committee and SEK 40 thousand (20) to the other members of the Audit Committee. Effective from 2010, no additional fees are paid to members of the Remunerations Committee. In 2009, each member of the Remunerations Committee received SEK 20 thousand in fees. Other remuneration has been paid in the form of taxable travel expense reimbursements. No directors' fees are paid to BE Group employees who sit on subsidiary boards of directors.

### Remuneration to the President and CEO during 2010 Remuneration

Total remuneration to the President and CEO consists of base pay, bonuses, pension and other benefits. Remuneration to the President and CEO for 2010 (2009) was set by the Board at SEK 5,010 thousand and CEO (4,602). Maximum variable remuneration payable to the President and CEO is 40 percent of base pay. Whether or not bonuses are to be distributed and the amounts payable are determined based on BE Group's growth, return on operating capital and personal performance. For 2010 (2009) the President and CEO was paid a bonus of SEK 150 thousand (188).

### Term of notice and severance pay

The President and CEO is entitled to 12 months' notice of termination by the company and is required to give six months' notice if he resigns. If the President and CEO resigns due to significant change of ownership in the company, he is required to give 12 months' notice with no obligation to work during the term of notice. During the term of notice, the President and CEO is entitled to full pay and other benefits of employment, regardless of whether or not he is obligated to work. The President and CEO is entitled to severance pay corresponding to 12 months' base pay.

### Pension benefits

The President and CEO is entitled to retire at age 65. 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. The ITP plan according to collective agreement must be utilized first, with the remainder then being allocated among other pension insurance plans. Total premiums in 2010 (2009) were SEK 1,216 thousand (1,058). BE Group AB's commitment is limited to paying the annual premium. The pension is nonforfeitable.

### Executive remuneration

#### Remuneration

Members of Group management who are employed by the Company or its subsidiaries are paid by the respective Group company. Remuneration is set by the President and CEO after consultation with the Remuneration Committee. Remuneration consisted of base pay, bonuses in certain cases, pensions and other benefits. The maximum bonus payable to other members of Group management is 40 percent of base pay. Whether or

not bonuses are distributed and bonus amounts are determined by the President based on attainment of financial targets (60 percent of total bonus) and individual targets (40 percent of total bonus). Financial targets are linked to growth and return on operating capital for BE Group and the relevant subsidiary/business area, and personal performance. Bonuses paid to other members of Group Management in 2010 (2009) amounted to SEK 623 thousand (475).

### Term of notice and severance pay

Other members of Group Management are entitled to 12 months' notice of termination by BE Group (with the exception of Torbjörn Clementz who is entitled to 15 months) and are required to give six months' notice if resigning. During the term of notice, members of Group management are entitled to full pay and other benefits of employment. Members of Group management are not entitled to severance pay.

### Pension benefits

Other members of Group management are entitled to retire at age 65, except for Matti Tiiras who is entitled to retire at 60. Pension benefits for Swedish members of Group management are in accordance with the Group ITP plan, with consideration given to the maximum tax-deductible amount. An exception is made for the Executive Vice President and pension contributions are made at 25 percent of pensionable salary. The ITP plan according to collective agreement must be utilized first, with the remainder allocated among other pension insurance plans. BE Group's commitment is limited to paying the annual premium. Pension rights are not conditional on future employment. Pensionable pay consists of fixed annual salary plus average bonus for the past three years. For Finnish members of Group management, pension contributions are corresponding to approximately 18 percent of pensionable pay. For all members of Group Management other than the President, pension premiums for 2010 (2009) amounted to SEK 1,793 thousand (2,192).

### Remuneration Committee

Please see the Corporate Governance Report on pages 82–83 for more information about BE Group's preparation and decision process regarding executive remuneration.

## Note 4 Fees and reimbursement to auditors

Group	2010	2009
<b>KPMG</b>		
Audit assignments	2	2
Audit activities in addition to the audit assignment	0	0
Consultation on taxation	0	–
Other services	1	1
<b>Total fees and cost compensation</b>	<b>3</b>	<b>3</b>
<b>Parent Company</b>		
<b>KPMG</b>		
Audit assignments	1	1
Audit activities in addition to the audit assignment	0	0
Consultation on taxation	–	–
Other services	0	0
<b>Total fees and cost compensation</b>	<b>1</b>	<b>1</b>

**Note 5 Operating lease payments**

The Group's operating lease expenses for the year were SEK 83M (91), of which SEK 0M (1) refers to the Parent Company.

SEK M	Group		Parent Company	
	2010		2010	
	Minimum lease fees	Variable fees	Minimum lease fees	Variable fees
Buildings and land	73	0	-	-
Other	10	0	0	-
<b>Total lease payments</b>	<b>83</b>	<b>0</b>	<b>0</b>	<b>-</b>

Operational lease liabilities fall due for payment as follows:

Future maturities of minimum lease fees	Group		Parent Company	
	2010	2009	2010	2009
	Within one year	84	87	0
One to five years	228	292	0	-
Later than five years	666	676	-	-
<b>Total</b>	<b>978</b>	<b>1 055</b>	<b>0</b>	<b>0</b>

**Significant leases**

Most Group operating leases refer to leases of operating sites. The leases have no variable portion of rent.

**Note 6 Profit/loss from participations in Group companies**

Parent Company	2010	2009
Dividend	-	235
Impairment of shares in subsidiaries	-40	-
<b>Total</b>	<b>-40</b>	<b>235</b>

**Note 7 Other operating income**

Group	2010	2009
Capital gain on sales of non-current assets	1	1
Net movements in exchange rates on receivables/liabilities of an operating nature	5	-
Change in guarantee reserve	-	8
Other	3	3
<b>Total</b>	<b>9</b>	<b>12</b>
Parent Company	2010	2009
Exchange gains	0	2
<b>Total</b>	<b>0</b>	<b>2</b>

**Note 8 Other operating expenses**

Group	2010	2009
Net movements in exchange rates on receivables/liabilities of an operating nature	-	0
Capital loss on sales of non-current assets	0	-1
Non-recurring costs related to cost-savings program	-	-8
Other	-4	-2
<b>Total</b>	<b>-4</b>	<b>-11</b>

**Note 9 Financial income**

Group	2010	2009
Interest income from credit institutions	0	1
Other interest income	2	3
Dividends received	0	0
Change in value of financial instruments	-	5
Other	-	0
<b>Total</b>	<b>2</b>	<b>9</b>

Parent Company	2010	2009
Interest income, Group companies	25	30
Other interest income	0	0
Net movements in exchange rates	46	12
<b>Total</b>	<b>71</b>	<b>42</b>

**Note 10 Financial expenses**

Group	2010	2009
Interest expense to credit institutions	-32	-40
Other interest expense	-3	-2
Net exchange-rate difference	-5	-15
Change in value of financial instruments	-1	-
Other expenses	-16	-8
<b>Total</b>	<b>-58</b>	<b>-65</b>

Parent Company	2010	2009
Interest expense to credit institutions	-31	-38
Interest income, Group companies	-9	-10
Impairment of receivables from Group companies	-21	-
Other expenses	-14	-3
<b>Total</b>	<b>-75</b>	<b>-51</b>

**Note 11 Tax**

Group	2010	2009
<i>Current tax expense (-)/tax asset (+)</i>		
Tax expense for the period	11	12
Adjustment of tax attributable to prior years	0	0
<b>Total current tax expense (-)/tax asset (+)</b>	<b>11</b>	<b>12</b>

<i>Deferred tax expense (-)/tax asset (+)</i>		
Deferred tax related to temporary differences	1	15
Deferred tax in for the year capitalized tax value in tax-loss carryforwards	5	46
Deferred tax expense attributable to utilization of previously capitalized tax value in tax-loss carryforwards	-29	-
Adjustment of tax attributable to prior years	-1	-
<b>Total deferred tax expense (-)/tax asset (+)</b>	<b>-24</b>	<b>61</b>
<b>Total consolidated reported tax expense (-)/tax asset (+)</b>	<b>-13</b>	<b>73</b>



Parent Company	2010	2009
<i>Current tax expense (-)/tax asset (+)</i>		
Tax expense/tax asset for the period	5	7
Adjustment of tax attributable to prior years	0	0
<b>Total current tax expense (-)/tax asset (+)</b>	<b>5</b>	<b>7</b>
<i>Deferred tax expense (-)/tax asset (+)</i>		
Deferred tax related to temporary differences	0	0
<b>Total deferred tax expense (-)/tax asset (+)</b>	<b>0</b>	<b>0</b>
<b>Total reported tax expense Parent Company</b>	<b>5</b>	<b>7</b>

Reconciliation of effective tax	2010		2009	
	Percent	Amount	Percent	Amount
<b>Group</b>				
Profit/loss before tax		42		-322
Tax at prevailing rate for the Parent Company	26.3%	-11	26.3%	85
Effect of different tax rates for foreign subsidiaries	3.1%	-1	-3.1%	-10
Non-deductible expenses	17.3%	-7	-0.7%	-2
Non-taxable revenues	-13.2%	5	0.7%	2
Increase in tax-loss carryforwards without corresponding capitalization of deferred tax		7.0%	-3	0.4%
Taxes attributable to previous years		1.4%	-1	0.0%
Share in earnings of joint venture		-6.1%	3	-0.4%
Other		-4.7%	2	-0.6%
<b>Recognized effective tax</b>	<b>31.0%</b>	<b>-13</b>	<b>22.5%</b>	<b>73</b>

Parent Company	2010		2009	
	Percent	Amount	Percent	Amount
Profit/loss before tax		-83		210
Tax at prevailing rate for the Parent Company	26.3%	22	26.3%	-55
Non-deductible expenses	-20.5%	-17	-0.1%	0
Non-taxable revenues	0.0%	-	-29.5%	62
<b>Recognized effective tax</b>	<b>5.8%</b>	<b>5</b>	<b>-3.2%</b>	<b>7</b>

#### Tax items recognized in other comprehensive income

Group	2010	2009
Current tax, currency risk hedging in foreign operations	14	5
<b>Total tax in other comprehensive income</b>	<b>14</b>	<b>5</b>

#### Tax items recognized directly in equity

Group	2010	2009
Current tax, Group contributions	-	-7
Deferred tax, Group contributions	-	7
Deferred tax, Share Savings Scheme	0	0
<b>Tax items recognized directly in equity</b>	<b>0</b>	<b>0</b>
Parent Company	2010	2009
Current tax on Group contributions received	-7	-7
<b>Tax items recognized directly in equity</b>	<b>-7</b>	<b>-7</b>

#### Note 12 Earnings per share

Group	2010	2009
Earnings per share before dilution (SEK)	0.58	-5.00
Earnings per share after dilution (SEK)	0.58	-5.00

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

Profit/loss for the year	2010	2009
Profit/loss for the year (SEK M)	29	-249

#### Weighted average number of common shares outstanding before dilution (individual shares)

Total ordinary shares at January 1	50,000,000	50,000,000
Effect of treasury share transactions	-343,743	-264,300

<b>Weighted ordinary shares outstanding during the year, before dilution</b>	<b>49,656,257</b>	<b>49,735,700</b>
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#### Weighted average number of common shares outstanding after dilution (individual shares)

Weighted average ordinary shares outstanding, before dilution	49,656,257	49,735,700
Effect of Share Savings Scheme	47,647	12,874

<b>Weighted ordinary shares outstanding during the year, after dilution</b>	<b>49,703,904</b>	<b>49,748,574</b>
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#### Note 13 Goodwill

##### Cash-generating units with significant goodwill

Goodwill	Czech Republic			Total, Group
	Sweden	Finland	Republic	
<i>Accumulated acquisition value</i>				
Opening balance, January 1, 2009	314	245	92	651
Exchange difference	-	-5	1	-4
<b>Closing balance, December 31, 2009</b>	<b>314</b>	<b>240</b>	<b>93</b>	<b>647</b>
Opening balance, January 1, 2010	314	240	93	647
Exchange difference	-	-14	-8	-22
Acquisitions	67	-	-	67
<b>Closing balance, December 31, 2010</b>	<b>381</b>	<b>226</b>	<b>85</b>	<b>692</b>

Consolidated goodwill consists of strategic business value arising in connection with acquisitions of businesses and assets/liabilities.

##### Impairment testing for cash generating units containing goodwill

The cash generating unit Sweden consists of BE Group Sverige AB and Lecor Stålteknik AB, which constitute the segment Sweden and the cash generating unit Finland consists of BE Group Oy Ab. The cash generating unit Czech Republic consists of BE Group s.r.o. and BE Group Logistics CZ s.r.o., which are included in the segment CEE.

The recovery value for cash generating units is based on their value in use. In the calculation of value in use, a discount factor of 10.71 percent before tax has been applied for Sweden, 10.68 percent for Finland and 9.73 percent for the Czech Republic. The estimates on which measurement of value in use were based on management's cash flow forecasts for a period of five years. Cash flow for the ensuing years has been extrapolated using an assumed initial annual growth rate of two percent that subsequently declines by 10 percent annually for Sweden and Finland. For the Czech Republic, initial annual growth of three percent is assumed, subsequently declining by 10 percent annually.

**Note 13 continued**

Growth for BE Group is based on growth in sales volumes and purchase price development for the company's products. BE Group offsets changes in its purchase prices through adjustments in its sales prices, which in normal case, would generate a relatively stable gross margin over time. Assessed market growth, extrapolated using assumed annual growth of two percent for Sweden and Finland and three percent for the Czech Republic. The applied rate of market growth is assessed to follow general growth in each country. Organic growth will be generated primarily

through increased processing of the company's products and continued growth outside Sweden and Finland, which are currently the largest markets. This is generating higher growth than the general growth rate in the distribution channel in the company's market. Forecast market shares, margins and expenses are consistent with prior experience.

**Note 14 Other intangible assets**

Group	Customer relations		Software and licenses		Advance payments for intangible assets		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
<i>Accumulated cost</i>								
At January 1	30	29	34	35	46	17	110	81
Purchases	-	-	20	0	4	29	24	29
Disposals and scrappings	-	-	0	-	-	-	0	-
Reclassification	-	-	46	-	-46	-	-	-
Exchange differences for the year	-3	1	-4	-1	-	-	-7	-
<b>Total accumulated cost</b>	<b>27</b>	<b>30</b>	<b>96</b>	<b>34</b>	<b>4</b>	<b>46</b>	<b>127</b>	<b>110</b>
<i>Accumulated scheduled amortization</i>								
At January 1	-8	-3	-30	-30	-	-	-38	-33
Disposals and scrappings	-	-	0	-	-	-	0	-
Scheduled amortization for the year	-4	-5	-8	-2	-	-	-12	-7
Exchange differences for the year	1	0	3	2	-	-	4	2
<b>Total accumulated amortization</b>	<b>-11</b>	<b>-8</b>	<b>-35</b>	<b>-30</b>	<b>-</b>	<b>-</b>	<b>-46</b>	<b>-38</b>
<i>Accumulated impairment</i>								
At January 1	-	-	-	-	-	-	-	-
Impairment losses for the year	-	-	-	-	-	-	-	-
<b>Total accumulated impairment</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Carrying amount at year-end</b>	<b>16</b>	<b>22</b>	<b>61</b>	<b>4</b>	<b>4</b>	<b>46</b>	<b>81</b>	<b>72</b>
<i>Amortization for the year is reported under the following items in the Income Statement</i>								
Selling expenses	-4	-5	-1	-2	-	-	-5	-7
Administrative expenses	-	-	-7	0	-	-	-7	0
<b>Total</b>	<b>-4</b>	<b>-5</b>	<b>-8</b>	<b>-2</b>	<b>-</b>	<b>-</b>	<b>-12</b>	<b>-7</b>
<b>Parent Company</b>								
<i>Accumulated cost</i>								
At January 1	-	-	-	-	46	18	46	18
Purchases	-	-	20	-	4	29	24	29
Reclassification	-	-	46	0	-46	0	-	-
<b>Total accumulated cost</b>	<b>-</b>	<b>-</b>	<b>66</b>	<b>0</b>	<b>4</b>	<b>46</b>	<b>70</b>	<b>46</b>
<i>Accumulated scheduled amortization</i>								
At January 1	-	-	-	-	-	-	-	-
Scheduled amortization for the year	-	-	-7	-	-	-	-7	-
<b>Total accumulated amortization</b>	<b>-</b>	<b>-</b>	<b>-7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-7</b>	<b>-</b>
<b>Carrying amount at year-end</b>	<b>-</b>	<b>-</b>	<b>59</b>	<b>-</b>	<b>4</b>	<b>46</b>	<b>63</b>	<b>46</b>
<i>Amortization for the year is reported under the following items in the Income Statement</i>								
Selling expenses	-	-	-	-	-	-	-	-
Administrative expenses	-	-	-7	-	-	-	-7	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-7</b>	<b>-</b>

## Not 15 Tangible assets

Group	Buildings and land		Plant and machinery		Equipment, tools, fixtures and fittings		New construction in progress and advance payments for tangible assets		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
<i>Accumulated cost</i>										
At January 1	96	100	389	386	185	185	0	12	670	683
Purchases	2	-	11	23	3	6	1	-	17	29
Acquisitions of subsidiaries	-	-	1	-	-	-	-	-	1	-
Disposals and scrappings	-	-	-4	-13	-4	-6	-	-	-8	-19
Reclassification	-	-	-	8	-	3	0	-12	0	-1
Exchange differences for the year	-7	-4	-36	-15	-6	-3	0	0	-49	-22
<b>Total accumulated cost</b>	<b>91</b>	<b>96</b>	<b>361</b>	<b>389</b>	<b>178</b>	<b>185</b>	<b>1</b>	<b>0</b>	<b>631</b>	<b>670</b>
<i>Accumulated scheduled amortization</i>										
At January 1	-10	-7	-226	-204	-111	-114	-	-	-347	-325
Acquisitions of subsidiaries	-	-	0	-	-	-	-	-	0	-
Disposals and scrappings	-	-	4	12	3	6	-	-	7	18
Reclassification	-	-	-	-12	-	12	-	-	-	-
Scheduled amortization for the year	-3	-3	-29	-31	-15	-16	-	-	-47	-50
Exchange differences for the year	0	0	21	9	4	1	-	-	25	10
<b>Total accumulated amortization</b>	<b>-13</b>	<b>-10</b>	<b>-230</b>	<b>-226</b>	<b>-119</b>	<b>-111</b>	<b>-</b>	<b>-</b>	<b>-362</b>	<b>-347</b>
<i>Accumulated impairment</i>										
At January 1	0	0	-1	-1	-1	-1	-	-	-2	-2
Impairment losses for the year	-	-	-	-	-	0	-	-	-	0
Exchange differences for the year	0	0	0	-	0	-	-	-	0	0
<b>Total accumulated impairment</b>	<b>0</b>	<b>0</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>-</b>	<b>-</b>	<b>-2</b>	<b>-2</b>
<b>Carrying amount at end of period</b>	<b>78</b>	<b>86</b>	<b>130</b>	<b>162</b>	<b>58</b>	<b>73</b>	<b>1</b>	<b>0</b>	<b>267</b>	<b>321</b>
Tax assessment value, buildings (in Sweden)	12	12								
Tax assessment value, land (in Sweden)	-	-								

### Leasing

#### The Group

Assets held under financial leases.

Carrying amount:	11	9	-	-	1	-	-	-	-	-
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See Note 32, Financial risk management, for disclosures concerning lease liabilities.

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

#### Group

Within one year	2	2	-	-	0	-	-	-	-	-
One to five years	8	8	-	-	1	-	-	-	-	-
Later than five years	11	11	-	-	-	-	-	-	-	-
<b>Total</b>	<b>21</b>	<b>21</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Parent Company	Equipment, tools, fixtures and fittings	
	2010	2009
<i>Accumulated cost</i>		
At January 1	1	1
Purchases	-	0
<b>Total accumulated cost</b>	<b>1</b>	<b>1</b>
<i>Accumulated scheduled amortization</i>		
At January 1	0	0
Scheduled amortization for the year	-1	0
<b>Total accumulated amortization</b>	<b>-1</b>	<b>0</b>
<b>Carrying amount at year-end</b>	<b>0</b>	<b>1</b>

**Note 16 Participations in Group companies**

Parent Company	2010	2009
<i>Accumulated cost</i>		
At January 1	1,343	1,269
Acquisitions and capital contributions	88	74
<b>Total accumulated cost</b>	<b>1,431</b>	<b>1,343</b>
<i>Accumulated impairment</i>		
At January 1	-10	-10
Impairment losses for the year	-40	-
<b>Total accumulated impairment</b>	<b>-50</b>	<b>-10</b>
<b>Carrying amount at end of period</b>	<b>1,381</b>	<b>1,333</b>

**Specification of parent and Group holdings of investments in Group companies**

December 31, 2010 Subsidiaries/Reg. No./Domicile	Number interests	Interests in % <sup>1)</sup>	Carrying amount
BE Group Sverige AB, 556106-2174, Malmö, Sweden	20,000	100	866
Bröderna Edstrand Transporter AB, 556283-3763, Malmö, Sweden	1,000	100	
BE Group Oy Ab, 1544976-7, Finland	204,000	100	147
BE Group AS, 10024510, Estonia	40	100	0
BE Group SIA, 000341-313, Latvia	100	100	0
UAB BE Group, V2.3, Lithuania	100	100	0
BE Group sp.z.o.o, RHB 131-30, Poland	20,216	100	8
BE Group A/S, 6771-9514, Denmark	73	100	2
Bröderna Edstrand Fastighets AB, 556659-7877, Malmö, Sweden	10,000	100	1
BE Group s.r.o., 269 16 347, Czech Republic		100	102
BE Group Logistics CZ s.r.o, 282 43 781, Czech Republic		100	168
BE Group Slovakia s.r.o., 36595659, Slovakia		100	2
BE Group O.O.O., Russia	1	100	-
Lecor Stålteknik AB, 556584-6382, Kungälv, Sweden	1,000	100	85
			<b>1,381</b>

**Acquisitions, capital contributions and impairments during the year**

	2010	2009
BE Group s.r.o., 269 16 347, Czech Republic <sup>1)</sup>	-	40
BE Group Logistics CZ s.r.o, 282 43 781, Czech Republic <sup>2)</sup>	-	0
BE Group Slovakia s.r.o., 36595659, Slovakia <sup>3)</sup>	-33	31
BE Stål & Metal AS, 6771-9514, Denmark <sup>4)</sup>	-2	4
Lecor Stålteknik AB, Kungälv, Sweden	85	-
Share Savings Plan	-1	-1
	<b>48</b>	<b>74</b>

<sup>1)</sup> Pertains to capital contributions in 2009 through conversion of internal loans.<sup>2)</sup> Pertains to additional acquisitions costs in 2009 for acquisitions made in 2008.<sup>3)</sup> Pertains to impairment of shares in 2010 and a capital contribution through conversion of internal loans in 2009.<sup>4)</sup> Pertains to a capital contribution of SEK 5M and an impairment of SEK 7M in 2010 and a capital contribution in 2009.**Acquisition 2010**

In October 2010, BE Group acquired all of the shares in steel construction company Lecor Stålteknik AB, with 26 employees in Kungälv, Sweden. The acquisition is in line with BE Group's strategy to strengthen and broaden its production service offering. Lecor Stålteknik's vision is to develop as Sweden's leading producer of prefabricated steel structures and it is well-known for its quality and capacity to deliver. Lecor Stålteknik's know-how in design, production, project management and technology strengthens BE Group's market position and the acquisition will create new opportunities for competitive deliveries of advanced steel structures. The purchase consideration for the shares totaled SEK 84M, of which SEK 28M was paid in cash in connection with the transfer of operations, with the remainder being divided equally and paid in the first and third quarters of 2011. The acquisition was financed within BE Group's existing credit facilities. The acquisition costs amount to SEK 1M and have been reported as an administrative cost in the consolidated accounts. In the Parent Company's accounts, they have been included in the cost of the shares.

**Acquisition of Lecor Stålteknik AB**

Fair value of acquired net assets	17
Goodwill	67
<b>Purchase consideration, Group cost</b>	<b>84</b>
Acquisition costs	1
<b>Cost for Parent Company</b>	<b>85</b>

Acquired assets and liabilities	Carrying amount before acquisition	Fair value adjustment	Fair value Group
Intangible assets	0	67	67
Tangible assets	1	0	1
Deferred tax assets	0	2	2
Operating assets	31	-1	30
Cash and equivalents	12	0	12
Interest-bearing liabilities	0	0	0
Operating liabilities	-20	-6	-26
Deferred tax liability	-2	0	-2
<b>Total</b>	<b>22</b>	<b>62</b>	<b>84</b>

**Lecor during period of ownership in 2010**

Sales	36
Profit after tax	4

Sales and profits after tax for the complete 2010 financial year were not available as Lecor Stålteknik applied a split financial year ending on June 30. The closing accounts as per that date were prepared in accordance with the Annual Accounts Act and the general advice of the the Swedish Accounting Standards Board and does not, consequently, provide figures comparable with IFRS.

The above acquisition balance for Lecor Stålteknik AB is preliminary and will be finalized in 2011. The goodwill item of SEK 67M is attributable to the company's market position and is not tax deductible. Of the above operating assets, SEK 27M consists of receivables, on which no impairment has been recognized. The Company expects that all receivables will be settled.



**Note 17 Participations in joint venture**

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 profit of BE Group.

<b>Earnings in joint venture</b>		
<b>ArcelorMittal BE Group SSC AB</b>	<b>2010</b>	<b>2009</b>
Profit/loss before tax	26	-13
Tax	-7	3
<b>Profit after tax</b>	<b>19</b>	<b>-10</b>
Dividends received	-	14
<b>Overview of income statements and balance sheets for the joint venture</b>	<b>2010</b>	<b>2009</b>
Net sales	577	526
Operating profit/loss	26	-13
Net financial items	0	0
Tax	-7	3
Profit/loss for the year	19	-10
	<b>2010</b>	<b>2009</b>
Non-current assets	171	174
Current assets	175	174
<b>Total assets</b>	<b>346</b>	<b>348</b>
Equity	251	252
Provisions	8	-
Interest-bearing liabilities	28	15
Other non-interest-bearing liabilities	59	81
<b>Total equity and liabilities</b>	<b>346</b>	<b>348</b>
<b>Participations in joint venture</b>	<b>2010</b>	<b>2009</b>
Opening balance, cost	119	138
Dividends received	-	-14
Share in earnings of joint venture	10	-5
<b>Carrying amount at year-end</b>	<b>129</b>	<b>119</b>
<b>Transactions with joint venture ArcelorMittal BE Group SSC AB</b>	<b>2010</b>	<b>2009</b>
Receivables due from joint venture	-	-
Debts owed to joint venture	11	14
Sales to joint venture	-	2
Purchases from joint venture	114	95
Dividends received	-	14

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

**Note 18 Other securities held as non-current assets**

<b>Group</b>	<b>2010</b>	<b>2009</b>
<i>Accumulated cost</i>		
At January 1	2	2
Exchange differences for the year	0	0
<b>Carrying amount at year-end</b>	<b>2</b>	<b>2</b>

**Note 19 Other non-current receivables**

<b>Group</b>	<b>2010</b>	<b>2009</b>
<i>Accumulated cost</i>		
At January 1	0	1
New receivables	-	-
Settled receivables	-	-1
Exchange differences for the year	0	0
<b>Carrying amount at year-end</b>	<b>0</b>	<b>0</b>

**Note 20 Interest-bearing receivables from Group companies**

<b>Parent Company</b>	<b>2010</b>	<b>2009</b>
<i>Accumulated cost</i>		
At January 1	407	247
New receivables	8	329
Settled receivables	-97	-147
Exchange differences for the year	-13	-22
<b>Carrying amount at end of period</b>	<b>305</b>	<b>407</b>
<i>Of which recognized as non-current</i>	<i>54</i>	<i>84</i>
<i>Of which recognized as current</i>	<i>251</i>	<i>323</i>

**Note 21 Inventories**

<b>Group</b>	<b>2010</b>	<b>2009</b>
<i>Obsolescence reserve, inventory</i>		
Carrying amount at January 1	-22	-37
Translation difference	2	1
Acquisitions, subsidiaries	-	-
Change for the year	3	14
<b>Total obsolescence reserve, inventory</b>	<b>-17</b>	<b>-22</b>

**Note 22 Prepaid expenses and deferred income**

<b>Group</b>	<b>2010</b>	<b>2009</b>
Rent for premises	9	9
Supplier bonuses	12	14
Other items	12	17
<b>Total prepaid expenses and accrued income</b>	<b>33</b>	<b>40</b>
<b>Parent Company</b>	<b>2010</b>	<b>2009</b>
Supplier bonuses	12	14
Other items	3	12
<b>Total prepaid expenses and accrued income</b>	<b>15</b>	<b>26</b>

**Note 23 Equity****Share capital and shares outstanding**

Group	2010	2009
Issued capital at 1	50,000,000	50,000,000
Change	-	-
<b>Issued capital at December 31</b>	<b>50,000,000</b>	<b>50,000,000</b>

At December 31, 2010, registered share capital amounted to 50,000,000 (50,000,000) ordinary shares. The quotient value of shares is approximately SEK 2.04 (2.04). Holders of ordinary shares are entitled to dividends, the amount of which is set each financial year and shareholdings convey voting rights at the general meeting of one vote per share. All shares convey equal rights to the company's remaining net assets.

**Other capital contributions**

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

**Reserves****Translation reserve**

The translation reserve comprises all exchange differences arising from 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 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	2010	2009
Carrying amount at January 1	51	56
Exchange difference for the year	-73	-20
Hedging of net investment in foreign subsidiary after tax	40	15
<b>Carrying amount at end of period</b>	<b>18</b>	<b>51</b>

**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**

Group	2010		2009	
	Number	Amount	Number	Amount
Balance at January 1	264,300	13	264,300	13
Divestments for the year	-12,952	0	-	-
Acquisitions for the year	244,100	10	-	-
<b>Closing balance at end of period</b>	<b>495,448</b>	<b>23</b>	<b>264,300</b>	<b>13</b>

The acquisition of treasury shares was recognized directly in retained earnings. The shares are intended for use within the framework of the Share Savings Plans.

**Dividend**

According to BE Group's dividend policy, the Group will distribute at least 50 percent of profit after tax, over time. BE Group's financial position and future prospects shall be taken into account in determining the payment of dividends. In accordance with the decision by the Annual General Meeting in April 2010, the Company did not pay any dividends to shareholders during the financial year. The Board's proposal to the 2011 Annual General Meeting is that no dividend be paid. The proposal is motivated by the year's results and to maintain financial flexibility.

**Capital management**

The Group has set four financial business targets that are measured over a rolling 12-month period. The financial targets are based on underlying earnings and return measurements to clearly illustrate the performance of the operational business. Underlying earnings comprise recognized profit/loss adjusted for nonrecurring items and inventory gains/losses (see definitions on page 93). BE Group applies an internal calculation model. The model has not been reviewed by the company's auditors. The outcomes for growth, profitability and return are measured over an economic cycle, while the capital structure target relates to a normal situation.

Financial targets	Targets	Outcome 2010	Outcome 2009
Underlying sales growth	>5%	17.3%	neg
Underlying EBITA margin	>6%	1.7%	0.1%
Underlying return on operating capital	>40%	9.8%	0.3%
Net debt/equity ratio	<125%	107.0%	97.4%

The Group's bank loan agreements include financial covenants as detailed in Note 32 Financial risk management.

**Parent Company****Restricted reserves**

Dividends that reduce restricted reserves are prohibited.

**Statutory reserve**

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

**Non-restricted equity****Retained earnings**

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

**Share premium reserve**

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

**Note 24 Provisions for pensions**

Group	2010	2009
Provisions for pensions	0	0
<b>Carrying amount at end of period</b>	<b>0</b>	<b>0</b>
Pledged assets for pension commitments	None	None

**Description of pension plans in Finland and Sweden****Defined benefit plans**

Pension obligations for retirement pensions and survivors' pensions for white-collar employees in Sweden are secured through an insurance policy provided by Alecta. According to a statement (UFR 3) from the Swedish Financial Reporting Board, this is a multiple-employer defined benefit plan. The company has not had access to information that would permit recognition of the plan as a defined benefit plan. The ITP pension plan secured through insurance provided by Alecta is accordingly recognized as a defined contribution plan. The year's premium for pension insurance with Alecta is SEK 6.7M (6.6). Alecta's surplus can be distributed to the policyholders and/or the insured persons. At the end of 2010, Alecta's surplus expressed as the collective funding ratio was 143 percent (141). The collective funding ratio is comprised of the fair value of Alecta's assets as a percentage of insurance obligations computed according to Alecta's actuarial assumptions, which do not accord with IAS 19.

A very limited portion of the company's pensions are defined benefit plans. As per the balance sheet date, a receivable of SEK 0.1M (provision SEK 0.1M) was recognized relating to this pension. Outstanding pension commitments as of the balance sheet date refer to a supplementary pension solution for executives in Finland, which provides benefits from the contractually agreed age of retirement until the individuals are eligible for government pension disbursements. Costs for this pension solution are recognized in their entirety as administrative expenses. Paid contributions in 2010 are expected to amount to approximately SEK 0.0M.

**Defined contribution pension plans**

The Group has defined contribution pension plans for workers in Sweden for which expenses are fully paid by the companies. Pension plans in Finland are treated as defined contribution plans. Under defined contribution plans, pension contributions are paid to a pension insurance company and are 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.

	2010	2009
Expenses for defined contribution plans	34	36
Inclusive expenses related to the ITP plan financed through Alecta	7	7

**Note 25 Other provisions**

Group	2010	2009
Restructuring costs	9	22
Guarantee commitments	19	15
Other	5	1
<b>Total, other provisions</b>	<b>33</b>	<b>38</b>
<i>Of which:</i>		
Non-current	16	15
Current	17	23
	<b>33</b>	<b>38</b>

2010	Restructuring costs	Guarantee commitments	Other
Carrying amount at January 1	22	15	1
Translation difference	-	-	0
Company acquisitions	-	4	3
New provisions	-	-	1
Amount used during the period	-13	-	-
<b>Carrying amount at end of period</b>	<b>9</b>	<b>19</b>	<b>5</b>

*Expected date of outflow of resources:*

	Restructuring costs	Guarantee commitments	Other
2011	9	3	5
2012 – 2014	-	16	-
	<b>9</b>	<b>19</b>	<b>5</b>

The provision for guarantee commitments at the start of 2010 refers partly to compensation to be paid to the landlord for the impairment in value and loss of rental income upon demolition of the property designated Malmö Värmet 3. The increase over the year refers to provisions for customer guarantees in the acquired company Lecor Stålteknik.

**Parent Company**

The Parent Company's provision of SEK 562 thousand (194) refers to social security expenses related to Share Savings Schemes which have an expected outflow of resources in 2011, 2012 and 2013.

**Note 26 Deferred tax receivables and liabilities recognized**

2010	Deferred tax asset	Deferred tax liability	Net
<b>Group</b>			
Intangible assets	-	26	-26
Buildings and land	2	6	-4
Machinery and equipment	1	26	-25
Inventory	1	0	1
Accounts receivable	3	-	3
Other provisions	7	-	7
Tax allocation reserves	-	2	-2
Other	2	15	-13
Loss carryforwards	31	-	31
	<b>47</b>	<b>74</b>	<b>-28</b>
Offset	-13	-13	-
<b>Net deferred tax liability</b>	<b>34</b>	<b>62</b>	<b>-28</b>

## Note 26 continued

2009

Group	Deferred tax asset	Deferred tax liability	Net
Intangible assets	-	31	-31
Buildings and land	2	6	-4
Machinery and equipment	1	29	-28
Inventory	1	-	1
Accounts receivable	2	-	2
Other provisions	8	-	8
Other	2	15	-13
Loss carryforwards	58	-	58
	<b>74</b>	<b>81</b>	<b>-7</b>
Offset	-28	-28	-
<b>Net deferred tax liability</b>	<b>46</b>	<b>53</b>	<b>-7</b>

Of the Group's capitalized deferred tax assets on tax loss carryforwards, assets of SEK 22M (21) are limited to a period of five years. These assets pertain to Poland, the Czech Republic and Slovakia.

**Unrecognized deferred tax assets**

Deferred tax assets have not been recognized in profit and loss or the Balance Sheet for tax loss carryforwards in the amount of SEK 30M (20). The tax loss carryforwards pertain primarily to the subsidiary in Russia. The Russian company is currently in the process of liquidation and consequently it will not be possible to exercise the tax loss carryforwards in that company.

Deferred tax assets have been recognized for loss carryforwards in all countries, except Russia, as the company has judged it probable that the Group will be able to offset them against taxable profits in the near term.

**Change of deferred tax in temporary differences and loss carryforwards**

Group 2010	Carrying amount at beginning of period	Recognized in profit or loss	Acquisitions of subsidiaries	Recognized in equity <sup>1)</sup>	Carrying amount at end of period
Intangible assets	-31	1	-	4	-26
Buildings and land	-4	0	-	-	-4
Machinery and equipment	-28	1	-	2	-25
Inventory	1	0	-	-	1
Accounts receivable	2	1	-	-	3
Other provisions	8	-2	2	-1	7
Tax allocation reserves	-	-	-2	-	-2
Utilization of loss carryforwards	58	-24	-	-3	31
Other	-13	-1	-	1	-13
	<b>-7</b>	<b>-24</b>	<b>0</b>	<b>3</b>	<b>-28</b>
2009	Carrying amount at beginning of period	Recognized in profit or loss	Acquisitions of subsidiaries	Recognized in equity <sup>1)</sup>	Carrying amount at end of period
Intangible assets	-35	2	-	2	-31
Buildings and land	-6	0	-	2	-4
Machinery and equipment	-16	-12	-	0	-28
Inventory	1	0	-	0	1
Accounts receivable	-	2	-	0	2
Other provisions	9	-2	-	1	8
Tax allocation reserves	-21	21	-	-	-
Utilization of loss carryforwards	5	50	-	3	58
Other	-15	-	-	2	-13
	<b>-78</b>	<b>61</b>	<b>-</b>	<b>10</b>	<b>-7</b>

<sup>1)</sup> Includes translation differences on deferred tax.

**Note 27 Pledged assets and contingent liabilities****Pledged assets to credit institutions**

Group	2010	2009
Liens on assets	627	661
Property mortgages	65	-
Accounts receivable	64	52
Shares in subsidiaries	995	948
	<b>1,751</b>	<b>1,661</b>
Parent Company	2010	2009
Promissory notes receivable	297	236
Shares in subsidiaries	1,013	1,014
	<b>1,310</b>	<b>1,250</b>

**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 32 Financial risk management with regard to significant terms and conditions of external loan agreements.



## Note 27 continued

**Contingent liabilities**

Group	2010	2009
Warranties upon sale of real estate	146	146
	<b>146</b>	<b>146</b>

BE Group provided customary seller's warranties to the buyer in connection with the sale of real estate owned by the Group. The original warranties are limited under the contracts to SEK 362M, however maximum SEK 146M remained as per the balance sheet date. In the best judgment of the Board of Directors and Group management, it is unlikely the Group will be required to pay compensation under the warranties.

Parent Company	2010	2009
Guarantee obligations for the benefit of subsidiaries	95	34
	<b>95</b>	<b>34</b>

The Parent Company has provided payment guarantees on behalf of subsidiaries, primarily in Business Area CEE, for accounts payable owned 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 28 Current interest-bearing liabilities**

Group	2010	2009
<i>Overdraft facility</i>		
Credit limit	200	200
Unutilized component	-200	-200
<b>Utilized credit amount</b>	<b>-</b>	<b>-</b>
Other current interest-bearing liabilities	71	84
<b>Total current interest-bearing liabilities</b>	<b>71</b>	<b>84</b>

Collateral is disclosed in Note 27 Pledged assets and contingent liabilities.

**Note 29 Accrued expenses and deferred income**

Group	2010	2009
Accrued salaries	40	36
Accrued social security expenses	12	11
Bonuses to customers	8	7
Other items	15	18
<b>Total accrued expenses and deferred income</b>	<b>75</b>	<b>72</b>

Parent Company	2010	2009
Accrued salaries	3	4
Accrued social security expenses	2	3
Accrued consultant expenses	1	3
Other items	3	2
<b>Total accrued expenses and deferred income</b>	<b>9</b>	<b>12</b>

**Note 30 Supplementary disclosures to Cash Flow Statement**

Group	2010	2009
<b>Interest paid and dividends received</b>		
Dividends received	-	14
Interest received	2	4
Interest paid	-35	-42

**Adjustment for non-cash items**

Depreciation and impairment of assets	58	57
Unrealized exchange differences	16	5
Capital gain/loss on sale of fixed assets	-1	0
Share in earnings of joint venture	-10	5
Provisions for pensions	0	0
Other provisions and other income items not affecting liquidity	-10	-18
<b>Total</b>	<b>53</b>	<b>49</b>

**Cash and equivalents**

*Cash and equivalents comprise the following components:*

Cash and bank balances	80	197
Current placements comparable to cash and equivalents	0	0
<b>Total cash and equivalents</b>	<b>80</b>	<b>197</b>

Parent Company	2010	2009
<b>Interest paid and dividends received</b>		
Dividends received	-	235
Interest received	20	30
Interest paid	-37	-48

**Adjustment for non-cash items**

Depreciation and impairment of assets	68	0
Unrealized exchange differences	-38	-14
Other provisions and other income items not affecting liquidity	-1	0
<b>Total</b>	<b>29</b>	<b>-14</b>

**Cash and equivalents**

*Cash and equivalents comprise the following components:*

Cash and bank balances	25	140
<b>Total cash and equivalents</b>	<b>25</b>	<b>140</b>

See Note 16 for supplementary disclosures pertaining to companies acquired in 2010.

**Note 31 Related party transactions****Group**

Through Trenor Holding Ltd, Jersey, and Trenor Holding Ltd (Rev), Jersey, Nordic Capital Funds held the equivalent of 20.6 percent of shares in BE Group AB in 2009 and up until November 19, 2009 when it divested all of its holdings.

Pricing for transactions with related parties are at market prices, terms and conditions.

**Nordic Capital Funds**

As of December 31, 2010 (2009) there were no transactions between the Group and Nordic Capital Funds and there were no transactions with the company during the financial year other than the dividend of SEK 0.00 (1.00) per share resolved by the Annual General Meeting.

**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	2010	2009
Sales of services	45	50
Purchases of services	-17	-18
Interest income	25	30
Interest expense	-9	-10
Dividend Received (+)/ or paid (-)	-	235
Claims on related parties on balance day	360	470
Debt to related parties on balance day	88	183

There have been no transactions with Nordic Capital Funds except dividends approved by the 2009 AGM. No director or key management personnel has or has had any direct or indirect participation in any business transactions between the individual and the company that is or was unusual in nature with regard to terms and conditions in the current or preceding financial year. The Group has not extended loans, provided warranties, or provided financial guarantees for any director or key management personnel.

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

**Note 32 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 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.

**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 risk comprises

both transaction exposure and translation exposure.

BE Group's objective is to minimize the short-term and long-term impact of movements in foreign exchange rates on the company's profit and equity. This is mainly achieved by matching revenues and expenses in business transactions with currencies other than Swedish kronor. 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.

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 Swedish kronor and euro, while sales are denominated in local currency. Exposure arises primarily in Sweden, Poland and the Czech Republic. In other countries, the exposure is not significant, either because the EUR is used as the local currency or the local currency is pegged to the EUR.

In 2010, BE Group's transaction exposure in EUR amounted to EUR 91M (56), consisting of the difference between actual purchasing and sales in EUR. The real effect of the transaction exposure affected operating profit /loss by SEK 5M (0). Based on income and expenses in foreign currency for 2010, it is estimated that a five percent strengthening of the SEK or CZK against the EUR would entail a positive effect of about SEK 2M or SEK 1M respectively on operating profit.

The Group utilized forward contracts for currency hedging corresponding to approximately 40 percent (34) of transaction exposure in 2010. At year-end, there was a small number of outstanding forward contracts relating to transaction exposure. The combined value of these at year-end was negative in the amount of SEK 1M.

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

Amounts in SEK M		
SEK	222	28%
EUR	330	42%
CZK	166	21%
Other	69	9%
<b>Total</b>	<b>787</b>	<b>100%</b>

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 Group's earnings are affected by the currencies used in the translation of the results of its foreign units. Based on conditions in 2010, it is estimated that a five percent strengthening of the SEK against the EUR would entail a negative effect of SEK 3M on operating profit in the translation of the earnings of foreign units.

The Parent Company, BE Group AB, has loans in EUR and CZK to reduce translation exposure arising from the Finnish and Czech operations, respectively. Hedge accounting is applied in the consolidated accounts according to principles for hedging net investments in foreign currencies for the aforementioned loans, but hedge accounting was not applied in the Parent Company. Loans totaling EUR 37M have been used to currency hedge net assets of a corresponding amount and loans of CZK 310M have been used to currency hedge net assets of CZK 468M. An exchange gain after tax of SEK 45M (18) has been recognized in other comprehensive income. The carrying amount constitutes a good approximation of the fair value, as the loans have a short fixed-rate term.

Translation exposure for other countries has been judged immaterial and accordingly not hedged. See also Accounting principles concerning management of hedge accounting for net investments.

### Interest risk

Interest risk is attributable to fluctuations in market interest rates and their effect on the Group's loan portfolio. The fair value of financial instruments varies as market interest rates fluctuate. The risk of changes in fair value is insignificant for BE Group since its consolidated interest-bearing receivables and liabilities are subject to variable interest or only short terms of fixed interest. The Group's objective is to maintain the average fixed rate term of one to twelve months. The fixed rate term was kept short during the year and was approximately 3 months (3) as of the balance sheet date.

At the end of the year, the total interest-bearing loan debt was SEK 925M. Interest-bearing assets in the form of cash and bank balances amounted to SEK 80M.

A change in interest rates of 1 percent would affect consolidated net financial items by approximately SEK 8M and consolidated equity by approximately SEK 6M. 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, 2010.

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

2010 (SEK M)		Nominal amount in original currency		Carrying amount (SEK M)		Effective rate %		Fixed interest terms Number of days		Maturity	
		2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Financial lease, SEK	SEK M	15	16	15	16	6.28%	6.28%	–	–	2019	2019
Financial lease, EUR	EUR M	0	0	2	0	2.50%	2.20%	–	–	2013–2016	2014
Financial lease, CZK	CZK M	1	6	1	2	6.8%–10.0%	7.33%	–	–	2011	2010
<i>accrued interest</i>				–	–						
<b>Total financial leasing liability</b>				<b>18</b>	<b>18</b>						
<i>Of which, current liability</i>				2	3						
Factoring CZK	CZK M	15	4	5	1	3.05%	2.79%	–	–	2011	2010
<i>accrued interest</i>				–	–						
<b>Total factoring liability</b>				<b>5</b>	<b>1</b>						
<i>Of which, current liability</i>				5	1						
Bank loan, CZK	CZK M	180	133	64	52	3.15%	2.89%	30	31	2011	2010
<i>accrued interest</i>				–	–						
<b>Total external bank loans in subsidiaries</b>				<b>64</b>	<b>52</b>			<b>30</b>			
<i>Of which, current liability</i>				64	52						
<b>Parent Company*)</b>											
Bank loan, SEK	SEK M	397	397	390	397	4.20%	3.98%	90	90	2013	2011
Bank loan, EUR	EUR M	38	37	338	387	3.27%	4.21%	90	90	2013	2011
Bank loan, CZK	CZK M	310	308	110	121	3.47%	5.38%	90	14	2013	2011
<i>accrued interest</i>				–	–						
<b>Total interest-bearing liabilities, Parent Company</b>				<b>838</b>	<b>905</b>			<b>90</b>	<b>80</b>		
<i>Of which, current liability</i>				0	28						
<b>Total interest-bearing liabilities, Group</b>				<b>925</b>	<b>976</b>						
<i>Of which, current liability</i>				71	84						

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

\*) In addition to its external interest-bearing liabilities, the Parent Company has internal liabilities amounting to EUR 4M (3) and DKK 6M (2). The recognized amount totals SEK 41M (36). Accrued interest as of the balance sheet date amounted to EUR 0M (0) and the debt matures at December 31, 2011. In addition to these liabilities, the Parent Company has interest-bearing liabilities related to the intragroup cash pool. Liabilities to subsidiaries totaled SEK 69M (159) on the balance sheet date. The liabilities accrue interest within an interval of 0.19-1.04 percent and there was no accrued interest on the balance sheet date.

**Note 32 continued****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. 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 actively to maintain satisfactory payment capacity by means of unutilized credit facilities and through active control of its working capital, which is the foremost item affecting the scope of the Group's liquidity.

BE Group was refinanced in 2010. The total credit facility amounts to SEK 1,300M and matures in its entirety in May 2013.

**Significant terms and conditions of loan agreements**

The Group's financing agreements, which are valid until May 2013, include three financial covenants. The key figures measured are net debt/equity ratio, the minimum equity level and interest coverage ratio. These covenants are assessed quarterly. The interest coverage ratio is based on underlying EBITDA and the trend over the preceding 12-month period. At December 31, 2010, the Group complied with all applicable covenant terms. The maturity structure for all financial liabilities is shown on the table below. BE Group has an overdraft facility of SEK 200M, which was unutilized as of December 31, 2010 (see Note 28).

**Maturity structure, financial liabilities**

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

	Derivative liabilities		Other financial liabilities		Total	
	2010	2009	2010	2009	2010	2009
Maturity within 90 days	0	0	639	525	639	525
Maturity within 91-180 days	1	0	3	0	4	0
Maturity within 181-365 days	0	0	99	84	99	84
Maturity within 1-5 years	0	0	842	878	842	878
Maturity later than 5 years	0	0	12	15	12	15
<b>Total</b>	<b>1</b>	<b>0</b>	<b>1,594</b>	<b>1,502</b>	<b>1,595</b>	<b>1,502</b>

**Credit risk**

On entering new business relations and extending existing ones, BE Group makes a commercial assessment. The financial crisis and the ensuing recession in 2008 and 2009 impacted BE Group's credit risks negatively. In 2010, a certain improvement in the business climate was noted.

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 and business area Finland. Credit and payment terms are normally significantly longer in business area CEE than in other markets. Intensive efforts are being made here to ensure payment, which involve assessments of creditworthiness and negotiations about payment plans when payment has not been timely.

The spread of risk among the customer base is satisfactory as no individual customer accounted for more than 3.0 percent (2.9) of sales in 2010. The ten largest customers combined generated about 11 percent (10) of sales.

Provisions for credit losses have been assessed on an individual basis.

The total cost of bad debt in 2010 was SEK 13M, and at December 31, 2010, provisions for credit losses amounted to SEK 38M (35), corresponding to 6.2 percent (7.4) 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		Impairment		Net	
	2010	2009	2010	2009	2010	2009
<b>Not yet due</b>	475	347	-19	-15	456	332
<b>Unimpaired, past due</b>						
< 30 days	70	51	-	-	70	51
30-90 days	17	17	-	-	17	17
>90 days	5	6	-	-	5	6
<b>Total</b>	<b>93</b>	<b>75</b>	<b>-</b>	<b>-</b>	<b>93</b>	<b>75</b>
<b>Impaired past-due accounts receivable</b>						
< 30 days	2	1	-2	-1	0	0
30-90 days	0	1	0	-1	0	2
>90 days	43	46	-17	-19	26	27
<b>Total</b>	<b>45</b>	<b>48</b>	<b>-19</b>	<b>-20</b>	<b>26</b>	<b>27</b>
<b>Total</b>	<b>613</b>	<b>470</b>	<b>-38</b>	<b>-35</b>	<b>575</b>	<b>435</b>
<b>Provisions for doubtful receivables</b>					<b>2010</b>	<b>2009</b>
Provision at January 1					-35	-19
Reserve for anticipated losses					-10	-7
Confirmed losses/reversed losses					3	1
Exchange rate differences					4	1
Reversal of provision					0	-10
<b>Provision at December 31</b>					<b>-38</b>	<b>-35</b>



### 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. Total carrying amounts and fair value per asset class are shown in the table below:

#### Group Asset class/Measurement category

- A** Financial assets and liabilities valued at fair value via profit or loss for the period
- B** Investments held to maturity
- C** Loan receivables and accounts receivable
- D** Financial assets available for sale
- E** Financial liabilities measured at amortized cost
- F** Other liabilities and accounts payable

2010	Group						Total carrying amount	Fair value
	A	B	C	D	E	F		
Other securities held as non-current assets	-	-	-	2	-	-	2	N/A
Non-current receivables	-	0	-	-	-	-	0	0
Accounts receivable	-	-	575	-	-	-	575	575
Other receivables	1	-	23	-	-	-	24	24
Interest-bearing liabilities	-	-	-	-	-925	-	-925	-925
Accounts payable	-	-	-	-	-	-598	-598	-598
Other liabilities	-1	-	-	-	-	-72	-73	-73
<b>Total</b>	<b>0</b>	<b>0</b>	<b>598</b>	<b>2</b>	<b>-925</b>	<b>-670</b>	<b>-995</b>	<b>-997</b>
<b>2009</b>								
Other securities held as non-current assets	-	-	-	2	-	-	2	N/A
Non-current receivables	-	0	-	-	-	-	0	0
Accounts receivable	-	-	435	-	-	-	435	435
Other receivables	5	-	18	-	-	-	23	23
Interest-bearing liabilities	-	-	-	-	-976	-	-976	-976
Accounts payable	-	-	-	-	-	-512	-512	-512
Other liabilities	-	-	-	-	-	-13	-13	-13
<b>Total</b>	<b>5</b>	<b>0</b>	<b>453</b>	<b>2</b>	<b>-976</b>	<b>-525</b>	<b>-1,041</b>	<b>-1,043</b>

For assets in the valuation category Financial assets valued at fair value via profit/loss for the period, fair value has been determined in accordance with level 2 as defined by IFRS 7.27B. The Group owns shares/investments in unlisted companies, which are included in the 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. Otherwise refer to Financial instruments under Accounting principles regarding measurement of financial assets and liabilities at fair value.

### Impairment losses

The company has recognized impairment losses on accounts receivable, which are disclosed above under Credit risks associated with accounts receivable. The company has otherwise recognized no impairment losses on financial assets.

At each balance sheet date, the company assesses whether there is objective evidence that a financial asset or group of assets is impaired. Objective evidence is made up of two components: observable events that impair the capacity to recover the cost of the asset and significant or prolonged decline in fair value below cost, where fair value remains substantially below cost 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 nine 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 33 Investment commitments**

At the end of the year, the Group had investment commitments for the ensuing financial year. These pertain in part to Lecor Stålteknik's investment in a new production facility for prefabricated construction steel in Kungälv, Sweden to meet increasing demand from the construction industry for steel frameworks for major projects. The investment is expected to amount to SEK 36M, of which SEK 6M was paid in 2010.

In addition, a decision has been made to invest SEK 14M in increased production service in Finland. By further augmenting and modernizing its equipment, BE Group will be able to meet the Finnish market's demands for increasingly advanced production services. The investment is scheduled to be completed by the end of the second quarter of 2011.

**Note 34 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. 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.

Management's current assessment is that there are no quantifiable changes in key assumptions used for impairment testing that would cause the carrying amount to exceed the recoverable amount.

In general there is a higher rate of uncertainty regarding the future market conditions in the Czech Republic, as these have been more volatile than in Sweden and Finland.

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 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 are two agreements that have been classified as financial and the recognized value of these amounted to SEK 11M on the balance sheet date.

**Inventories**

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

**Note 35 Events after the balance sheet date****Company acquisitions**

After the end of the reporting period, BE Group secured an agreement to acquire all shares in the Swedish metal processing group RTS. RTS maintains operations in Eskilstuna, Sweden and Rapla, Estonia, as well as a smaller-scale trading operation in Romania. RTS is calculated to generate annual sales of about SEK 90M and has 35 employees. The acquisition strengthens BE Group's production service offering to major engineering customers and represents an additional step in BE Group's strategy to advance its business along the value chain.

The acquisition is a combined net asset and equity transaction for which the net debt effect for BE Group amounts to SEK 20M. BE Group took control of the operations in February 2011.

The acquisition is consolidated as of the date on which BE Group took possession and is expected to have a positive effect on the earnings of BE Group's Business Area Sweden in 2011. The purchase consideration totals SEK 9M. Of the purchase consideration, SEK 3M represents payment for shares in RTS Holding AB, of which SEK 1M entailed cash payment upon transfer of control and SEK 2M in the form of shares in BE Group AB. In other regards, the purchase consideration consists SEK 4M in cash payment for the acquisition of assets/liabilities and SEK 2M for fixed assets transferred to RTS in connection with the acquisition. The acquisition was financed within existing credit facilities. A preliminary balance sheet in connection with the transfer will be set during the second quarter of 2011.

Following the acquisition, RTS Holding AB has changed its name to RTS Produktion AB.

**New President and CEO of BE Group**

Roger Johansson was appointed President and CEO of BE Group. He took up the position at the beginning of January 2011.

Roger Johansson was a member of the Board of BE Group AB during the period April 2009–December 2010 and joins the company from Trelleborg AB where he has held the position of Business Area President, Trelleborg Automotive. He brings extensive experience of the engineering industry, having previously been employed as Vice President of General Motors Powertrain Europe and General Motors Purchasing Europe, among other positions.

**Denmark**

BE Group's operations in Denmark, which consist of a sales office in Copenhagen and seven employees, will be phased out during 2011. The decision to phase out the operations in Denmark was made in March and was motivated by the negative profit trend in recent years. The phasing out of the operations in Denmark has commenced and the total cost for the phasing out process is estimated at about SEK 4M.

# APPROPRIATION OF EARNINGS

## Board of Directors' proposal for the disposition of the Company's earnings

The Board of Directors and CEO propose to the Annual General Meeting that no dividend (-) be paid for the 2010 financial year. The proposal to not pay a dividend is motivated by the year's results.

According to BE Group's dividend policy, the Group will distribute at least 50 percent of profit after tax, over time. In BE Group's judgment, this is a balanced level based on the Group's net debt/equity ratio, operating risks associated with the business, consolidated cash flow and the acquisitions strategy.

### Distributable funds

Profit brought forward	794,898,158 SEK
Profit for the year	-77,548,417 SEK
<b>Total</b>	<b>717,349,741 SEK</b>
The Board of Directors propose that the following dividend be paid to shareholders	
	- SEK
Carried over to new account	717,349,741 SEK
<b>Total</b>	<b>717,349,741 SEK</b>

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

The Annual Report and consolidated financial statements were approved for release by the Board of Directors on March 16, 2011 and will be presented for adoption by the Annual General Meeting on April 28, 2011.

Malmö, March 16, 2011

  
Carl-Erik Ridderstråle  
Chairman of the Board

  
Roger Bergqvist  
Director

  
Cecilia Edström  
Director

  
Marita Jaatinen  
Director

  
Joakim Karlsson  
Director

  
Lars Olof Nilsson  
Director

  
Lars Spongberg  
Director

  
Thomas Berg  
Employee Representative

  
Kerry Johansson  
Employee Representative

  
Roger Johansson  
President

Our Audit Report was submitted on March 28, 2011

KPMG AB

  
Alf Svensson  
Authorized Public Accountant

The information in the Annual Report is such that BE Group AB (publ) is required to publish pursuant to the Swedish Securities Markets Act and/or the Swedish Financial Instruments Trading Act. The information was released for publication on March 31, 2011 at 8 a.m. CET.

# AUDIT REPORT

To the annual meeting of the shareholders of BE Group AB (publ)

Corporate identity number 556578-4724

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the Chief Executive Officer of BE Group AB (publ) for the year 2010. The annual accounts and the consolidated accounts of the company are included in the printed version of this document on pages 24–77. The Board of Directors and the Chief Executive Officer are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

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

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

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

Malmö, March 28, 2011

(signature on original document)

KPMG AB

Alf Svensson

*Authorized Public Accountant*





# CORPORATE GOVERNANCE REPORT

## OPERATIONS

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

## SHAREHOLDERS

### *Ownership and share capital*

At the end of 2010, BE Group had 11,129 shareholders. The principal owners of the Company were Swedbank Robur fonder (9.7 percent of share capital) and IF Skadeförsäkring AB (6.5 percent of share capital). At the end of 2010, foreign investors owned 12.4 percent of share capital. The ten largest shareholders had a total shareholding equal to 40.5 percent of share capital. Please refer to page 7 of the Annual Report for further details concerning shareholders as of December 31, 2010.

The Company's share capital on December 31 amounted to SEK 102,040,816 allocated among 50,000,000 shares. All shares in the Company convey equal rights in every respect and, as is explained in the Board of Directors' Report on page 33, no limit is imposed regarding the number of votes a shareholder may exercise at the Annual General Meeting. Please refer to page 6 of the Annual Report for disclosures concerning the Company's holdings of treasury shares as of December 31, 2010.

### *Annual General Meeting*

The shareholders' rights to take decisions regarding the affairs of BE Group are exercised at the AGM. Shareholders who are listed in the share register on the record date and have registered to attend by the deadline stated on the notice of meeting are entitled to participate in the AGM, in person or by proxy.

Resolutions at the AGM are normally passed by simple majority. The Swedish Companies Act requires a specific attendance to achieve a quorum or a qualified voting majority concerning certain business. The AGM must be held within six months of the end of the financial year.

The AGM considers business including dividends; adoption of the Income Statement and Balance Sheet; discharge of liability for directors and the CEO; election of directors and, when applicable, appointment of auditors; approval of fees to the members of the Board and auditors, adoption of executive remuneration guidelines; and, when applicable, adoption of principles for appointing the Nominating Committee. Shareholders are given the opportunity at the AGM to ask questions about the Company and business performance for the relevant year. All directors, management and the auditors are normally present at the meeting to answer such questions.

### *2010 Annual General Meeting*

The 2010 AGM was held on April 27. The Chairman of the Board Carl-Erik Ridderstråle was elected Chairman of the AGM. The AGM resolved to adopt the Income Statement and Balance Sheet and the Consolidated Income Statement and Balance Sheet as presented, that no dividend would be paid to shareholders and that the Company's retained profits, along with the profits for 2009, be carried forward.

The meeting discharged the members of the Board and the CEO from responsibility and approved the fees to be paid to the members of the Board and the auditor. As proposed by the Nominating Committee, the following persons were elected to the Board for the period concluding with the next AGM: Chairman Carl-Erik Ridderstråle (re-elected) and

directors Roger Bergqvist (re-elected), Cecilia Edström (re-elected), Joakim Karlsson (re-elected), Lars Olof Nilsson (re-elected), Lars Spongberg (re-elected) Roger Johansson (re-elected) and Marita Jaatinen (newly elected). It was noted in the record that the local trade unions had appointed Thomas Berg and Kerry Johansson as employee representatives to the Board of Directors, and Susanne Olsson and Tord Bengtsson as their alternates.

The 2010 AGM also resolved to adopt executive remuneration policies. Please refer to pages 34 of the Annual Report for a more detailed presentation. The AGM also voted to implement Share Savings Scheme 2010 for key Group personnel, and in that connection resolved to authorize the Board to acquire and transfer treasury shares in the open market and transfer acquired treasury shares to participants in Share Savings Scheme 2010. Further disclosures about Share Savings Scheme 2010 are provided on page 34 of the Annual Report.

The AGM also resolved to authorize the Board of Directors to decide to transfer treasury shares by reason of the resolution on Share Savings Schemes for 2008 and 2009 and to authorize the Board of Directors to decide on the acquisition and transfer of treasury shares to allow BE Group to adjust the Company's capital structure and enable financing of acquisitions. Further details of the authorization are given in the Board of Director's Report on page 33.

### *Nominating Committee*

As resolved by the 2007 AGM, the Nominating Committee must consist of five members: the Chairman of the Board and one representative each of the four largest shareholders in the Company in terms of voting rights, as of August 31 each year.

The names of the four shareholder representatives and the shareholders they represent shall be announced as soon as the Nominating Committee has been appointed and at least six months before the AGM. Unless the members agree otherwise, the member who represents the largest shareholder in terms of voting rights shall be Chairman of the Nominating Committee. If a member of the Nominating Committee resigns before the process is complete, a substitute nominated by the same shareholder may take that member's place. If there is a significant change in the ownership structure of the Company after August 31, but before the date that falls two months prior to the next AGM, and a shareholder who thus became one of the four largest shareholders in terms of voting rights requests a seat on the Nominating Committee, the Nominating Committee shall provide a seat to the shareholder, either by resolving that the shareholder shall replace the shareholder with the least percentage of voting rights after the change in ownership or by resolving to increase the Nominating Committee by one additional member, on the condition that the Committee shall consist of no more than six members.

The Nominating Committee ahead of the 2011 Annual General meeting consists of KG Lindvall (Swedbank Robur Fonder), Chairman, Tomas Ramsälv (Odin Funds), Thomas Ehlin (Nordeas Funds), Anders Oscarsson (AMF Pension and AMF Funds), and Carl-Erik Ridderstråle (Chairman of the Board of BE Group).

The Nominating Committee is tasked with submitting to the AGM its nominations for Chairman of the Board and other directors accompanied by a justified statement regarding the proposal; proposing fees and other remuneration for Board assignments for each director, including any remuneration for committee service; proposing nominations for independent auditors and their fees (if applicable); and nominating an individual to serve as the chairman of the AGM. The Nominating Committee is also charged with assessing the independence of directors in relation to the Company and major shareholders and with certain other tasks pursuant to the Code.

NAME	REPRESENTING	OWNERSHIP SHARE IN BE GROUP, %
KG Lindvall	Swedbank Robur Fund	9.7
Tomas Ramsälv	Odin Funds	5.0
Anders Oscarsson	AMF Pension and AMF Funds	4.4
Thomas Ehlin	Nordeas Funds	2.5
Carl-Erik Ridderstråle	Chairman of the Board	1.0
<b>Total:</b>		<b>22.6</b>

The Nominating Committee has met four times between its formation and publication of the notice of the 2011 AGM. As a basis for its proposals to the 2011 AGM, the Nominating Committee assessed whether the current Board is suitable for its purpose and meets the requirements on the Board of Directors imposed by the Company's position and future direction. The assessment was based on material including relevant sections of the evaluation of Board activities performed under the Chairman's guidance.

New recruitments to the Board are based on a list of qualifications adopted by the Nominating Committee.

## THE BOARD AND ITS WORK

### Composition

Under the Articles of Association, the Board of Directors of BE Group must consist of at least three and no more than ten directors elected by the AGM for a term that lasts until the first AGM held after the year the director was appointed. The Articles of Association do not allow

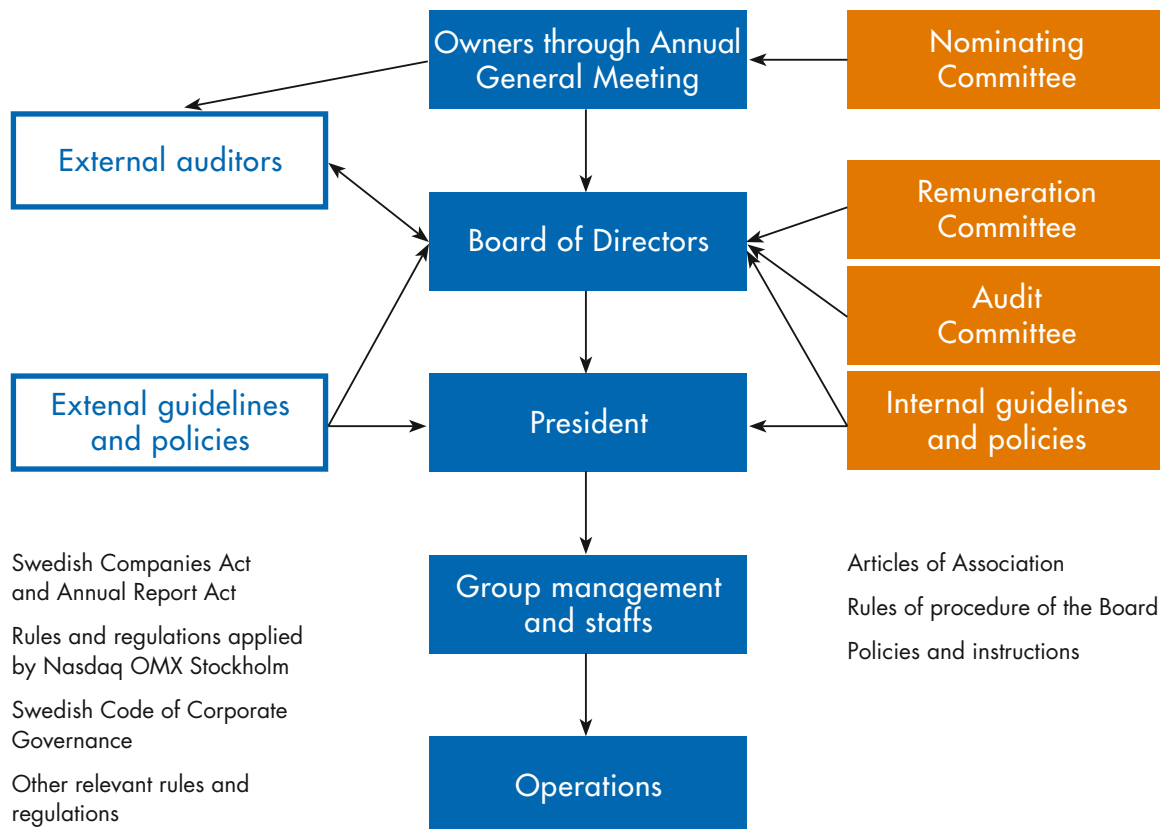
election of alternate directors and lack provisions on the appointment and discharge of directors, as well as on the amendment of the Articles of Association.

Until December 31, 2010, the Board of the Company consisted of eight members elected by the AGM of April 27, 2010. Carl-Erik Ridderstråle (Chairman), Roger Bergkvist, Cecilia Edström, Marita Jaatinen, Roger Johansson, Joakim Karlsson, Lars Olof Nilsson and Lars Spongberg, along with two employee representatives, Thomas Berg and Kerry Johansson and their alternates, Tord Bengtsson and Susanne Olsson. In connection with Roger Johansson assuming the position of President of BE Group on January 1, 2011, he resigned his membership of the Board.

Please refer to pages 86–87 of the Annual Report for a more detailed presentation of the directors. All eight directors elected by the AGM are independent in relation to BE Group and executive management according to the terms of the Code. All members re-elected by the AGM are considered independent in relation to BE Group's principal owners.

### Rules of procedure of the Board

Each year, the Board adopts written rules of procedure that clarify its responsibilities and regulate the division of labor within the Board and its committees including the role of the Chairman, decision-making procedures, meeting schedules, procedures for calling Board meetings, agendas and minutes, as well as the Board's work in connection with accounting, auditing and financial reporting. The rules of procedure also govern how the Board will obtain information and documentation as a basis for exercising its responsibilities and to enable it to make well-founded decisions. The Board has also adopted sets of instructions for the CEO and for financial reporting to the Board and has adopted other special policies.





The Board's responsibilities include monitoring the CEO's work by means of regular follow-up of operations during the year, checking that the organization, management and guidelines for managing BE Group's affairs are appropriate and ensuring the existence of adequate internal control.

The Board's responsibilities also involve setting strategies and targets, developing special policies, making decisions regarding large-scale acquisitions and divestments of operations, making decisions on other major investments, determining investments and loans in accordance with the Group's finance policy, issuing financial reports, evaluating operational management and planning succession.

The Board safeguards the quality of financial reporting, in part through adopted guideline documents such as the instructions to the CEO, the instructions for financial reporting to the Board and the information and insider policy and in part by dealing with reports from the Audit Committee in the form of formal minutes and observations, recommendations and proposals for resolutions and measures.

The Board also safeguards the quality of financial reporting through the careful examination of interim reports, the annual accounts and the year-end report at Board meetings. The Board has delegated to management responsibility for assuring the quality of press releases with financial content and presentation material used at meetings with the media, shareholders and financial institutions.

The Chairman of the Board, Carl-Erik Ridderstråle, organizes and presides over the activities of the Board to ensure compliance with the Swedish Companies Act, other laws and regulations, regulations applicable to publicly traded companies (including the Code) and the Board's internal guidelines.

The Chairman monitors operations through ongoing contacts with the CEO and is responsible for ensuring that the other members of the Board receive satisfactory information and data on which to make decisions. The Chairman ensures that directors regularly update and deepen their understanding of BE Group and otherwise are given the training required for the efficient exercise of Board responsibilities. The Chairman also ensures that Board performance is evaluated annually and that relevant sections of the assessments are provided to the Nominating Committee. The Chairman represents BE Group in matters of ownership.

The Board has a Remuneration Committee and an Audit Committee. The purpose of Board committees is to ensure in-depth and efficient Board performance and to prepare items of business in their respective areas. The committees have no authority to make decisions. The members of the committees are appointed annually by the Board at its statutory meeting following its election/re-election by the AGM. Instructions to the Audit Committee are included in the agenda of the Board.

#### *Work of the Board in 2010*

According to the current rules of procedure, the Board shall meet on six occasions per year, in addition to its statutory meeting. Additional meetings shall be held as necessary. The Board held a total of 11 meetings in 2010, of which four were held over the telephone and two per capsulam.

Over the year, the work of the Board focused in particular on strategy discussions regarding the development of the Company over the next three years, issues relating the general economic situation and related matters involving cost savings, acquisitions, investments, financial issues and market communications.

The CEO and CFO were present at all Board meetings and reported on the development of the Group. Apart from the members of the Board, other officers of BE Group participated in Board meetings to present reports on particular issues and when otherwise deemed appropriate. Attorney Hans Petersson acted as secretary at the Board meetings.

The following table provides a report of attendance by elected directors at the six meetings prior to the AGM and the five meetings after the AGM. As shown, attendance at Board meetings during the year was excellent.

MEMBER	BOARD OF DIRECTORS	REMUNERATION COMMITTEE	AUDIT COMMITTEE
Carl-Erik Ridderstråle	11/11	5/5	
Roger Bergqvist	11/11		
Cecilia Edström	11/11		6/6
Marita Jaatinen <sup>1)</sup>	4/5		
Roger Johansson	11/11		
Joakim Karlsson	10/11		5/6
Lars Olof Nilsson	11/11		6/6
Lars Spongberg	11/11	5/5	

<sup>1)</sup> Elected to the Board by the AGM in April 2010.

#### *Audit Committee*

The Audit Committee is tasked with supervising accounting, financial reporting and internal control procedures. Each year, the Company's auditors, in consultation with the Company's CFO, formulate a proposed audit policy and presents this to the Audit Committee. Once the proposal has been reviewed and commented on by the Committee, a final proposal is submitted for approval by the Board.

Committee activities are oriented towards assuring the quality and accuracy of financial accounting and reporting, internal financial control efforts, Group compliance with applicable regulations and, where applicable, transactions between the Group and related parties. The Committee also works to comprehend and optimize the management of the Company's financial and operational risks.

The Audit Committee also maintains regular contact with BE Group AB and the Group's auditor to generate a continual exchange of opinions and information between the Board and the auditor concerning audit issues, assessing audit performance and adopting guidelines for services other than audits that BE Group is permitted to procure from BE Group's auditor. The Audit Committee consists of Lars Olof Nilsson (Chairman), Joakim Karlsson and Cecilia Edström and meets the legal requirements imposed in terms of expertise in accounting or auditing.

The work of the Committee is regulated by a special set of instructions adopted by the Board as part of its agenda. The Audit Committee met six times in 2010 and once in 2011. The meetings of the Audit Committee are minuted and reported orally at Board meetings.

#### *Remuneration Committee*

In 2010, the duties of the Remuneration Committee mainly dealt with matters related to salaries and other terms of employment, pension benefits and the bonus system for the CEO and the managers reporting directly to him, as well as remuneration issues of a policy nature.

In addition, the Committee prepared decision input in certain other remuneration issues that are of a policy nature or otherwise of material significance, such as incentive and profit sharing schemes. The Remuneration Committee was also tasked with drafting executive remuneration policies the Board will present to the AGM for resolution.

In 2010, the Remuneration Committee's assignment was adapted to comply with the rules concerning such committees in the revised Code that came into effect on July 1, 2010. As a consequence, following that date, the Committee has also been tasked with monitoring and assessing variable remuneration programs for senior executives that were ongoing or terminated during the year and with monitoring and assessing the application of the guidelines for remunerations for senior executives that shall, by law, be adopted by the AGM, as well as current remuneration structures and levels in the Company.

The Remuneration Committee consists of Carl-Erik Ridderstråle (Chairman) and Lars Spongberg. The work of the Committee is regulated by a special set of instructions adopted by the Board as part of its agenda. The Remuneration Committee met five times in 2010, at which both

members were present. Committee members have also been in regular communication concerning new hires and other salary issues.

Meetings of the Remuneration Committee are minuted and reported orally at Board meetings.

#### *Board remuneration*

The fees for the directors elected by the AGM are determined by the AGM on the basis of the Nominating Committee's proposal. Employee representatives to the Board of Directors do not receive directors' fees. In accordance with a resolution by the 2010 AGM, a fee of SEK 400,000 was paid to the Chairman of the Board for the period extending from the 2010 AGM until the 2011 AGM. The other directors were each paid a fee of SEK 200,000 for the same term of office.

In addition, the members of the Audit Committee were paid fees totaling SEK 120,000, of which SEK 60,000 was paid to the Chairman of the Committee and SEK 30,000 each to the other members. No fees were paid to the members of the Remuneration Committee. No directors' fees are paid to BE Group employees who sit on subsidiary Boards of directors.

MEMBER SEK	BOARD OF DIRECTORS	REMUNERATION COMMITTEE	AUDIT COMMITTEE
Carl-Erik Ridderstråle	400,000	–	–
Roger Bergqvist	200,000	–	–
Cecilia Edström	200,000	–	30,000
Marita Jaatinen	200,000	–	–
Roger Johansson	200,000	–	–
Joakim Karlsson	200,000	–	30,000
Lars Olof Nilsson	200,000	–	60,000
Lars Spongberg	200,000	–	–
<b>Total:</b>	<b>1,800,000</b>	<b>–</b>	<b>120,000</b>

#### **GROUP MANAGEMENT**

For most of 2010, BE Group's management consisted of six individuals: Lars Bergström, President and CEO, Torbjörn Clementz, CFO and Deputy CEO, Per Horstmann, Vice President, Purchasing and Production, Per Gullstrand, Business Area Manager CEE, Matti Tiira, Business Area Manager Finland and President of BE Group Oy Ab and Stefan Eklund,

Business Area Manager Sweden and President of BE Group Sverige AB.

Lars Bergström left his assignment as President and CEO effective from December 31, 2010 and was succeeded on January 1, 2011 by Board member Roger Johansson, who simultaneously left the Board. A more detailed presentation of the CEO and other members of Group Management is given on page 88 of the Annual Report.

The President leads operations in accordance with the Companies Act and within the parameters set by the Board. In consultation with the Chairman of the Board, the President prepares the data and materials the Board requires to make its decisions, presents matters and explains proposed decisions. The President is also responsible for BE Group's commercial, strategic and financial development, leading and coordinating daily operations in line with the Board's guidelines and decisions.

The President also appoints the members of Group Management in consultation with the Chairman of the Board. BE Group Management reviews operations at monthly meetings presided over by the President. The Group Management team also holds weekly conference calls to discuss operations.

#### **AUDITORS**

At the 2007 AGM, the KPMG Bohlins AB firm of auditors was elected auditor for BE Group for a period of four years. Alf Svensson, authorized public accountant, is the principal auditor.

The auditor maintains regular contact with the Chairman of the Board, the Audit Committee and Group Management. BE Group's auditor is tasked with auditing the Annual Report and accounting records as well as the management of the Company by the President and the Board of Directors. The auditor works according to an audit plan, into which the opinions of the Board have been incorporated, and has reported its observations to the Board. Reports have been submitted during the progress of the audit and in connection with the adoption of the 2010 Year-end Report on February 8, 2011.

The auditor also participates in the AGM, where he outlines the audit process and his observations in an audit report. Over the year, the auditor has also performed certain consulting assignments outside the scope of the audit – these have mainly involved advice on accounting matters. The external audit is conducted in accordance with the generally accepted accounting principles in Sweden. The auditing of documentation for the Annual Report for legal units outside Sweden is conducted in accordance with legal requirements and other applicable regulations in the relevant countries, in accordance with generally accepted accounting principles and accompanied by audit reports where so required by local legislation.





## INTERNAL CONTROL AND RISK MANAGEMENT REGARDING THE FINANCIAL STATEMENTS FOR THE 2010 FINANCIAL YEAR

BE Group's Board of Directors complies with the Annual Accounts Act and the Code and accordingly provides a description of the key elements of the Company's system for internal control and risk management with regard to financial reporting.

The Board and its Audit Committee monitor the quality of the financial reports and BE Group's internal control systems and review BE Group's risk scenario. This is achieved by issuing instructions to the CEO, setting requirements for the contents of regular reports on financial conditions to the Board, and through reviews conducted together with the Board and auditors. The Board and Audit Committee review and assure the quality of financial reports, including year-end and annual reports and have delegated responsibility for assuring the quality of press releases of a financial nature and presentation materials used in meetings with the media, shareholders and financial institutions.

Aimed at giving the Board a basis for establishing the appropriate level of internal governance and control, BE Group carried out an audit of internal control in a number of focus areas in 2007. External consultant services were used to perform the audit, which has been followed up at the Group and local levels, resulting in a number of improvements in internal control. In 2008, 2009 and 2010, follow-ups were conducted in these areas as part of the external audit.

To further strengthen the internal audit environment, the Board resolved, towards the end of 2009, to appoint an Internal Audit Council tasked with systematically identifying areas for review and monitoring and reviewing the Group's internal control. The Internal Audit Council is headed by the Group's CFO and reports to the Board's Audit Committee. This has been done to strengthen the internal control function at both the Group and local level for the future.

The Internal Audit Council began its work during 2010. Within the framework of its efforts, a review was performed of the areas requiring auditing and a schedule set. The year's examination focused primarily on adherence to instructions regarding attestation, as well as on local and Group-wide requirements in relation to company law.

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

### *Control environment*

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

Clear regulations on delegation of authority and responsibilities are followed within BE Group, which follow Group structure. The foundations for internal control of financial reporting are the control environment and its organization, decision paths, documented and communicated authority and responsibilities and the culture that is the basis for the communications and activities of the Board and Group Management. There is an established set of instructions for the Board, which includes the distribution of duties within the Board as well as the tasks of the Chairman. There is, in addition, a set of instructions regulating the duties and authority of the President. Instructions have also been prepared for all business area managers and the presidents of all subsidiaries. Managers at various levels in the Company are responsible for continual internal control within their areas of responsibility.

### *Risk assessment*

Risk assessment is based on a comprehensive risk analysis performed in connection with preparations for applying for listing on the Stockholm

Stock Exchange (now Nasdaq OMX, Stockholm). The general financial risks are defined and observed when the Group's financial targets are set.

### *Control activities*

The risks identified with regard to financial reporting are managed through the Company's control activities, such as authorization controls in IT systems and signature authentication.

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

### *Information and communication*

The Group maintains channels of information and communication that serve to safeguard completeness and accuracy in financial reporting. Policies, manuals and job descriptions are available on the Company intranet and/or in printed form.

### *Follow-up*

The President is responsible for internal control being organized and followed up in accordance with the guidelines adopted by the Board. Financial control is exercised by the Corporate Finance Department. Financial reporting is analyzed monthly at the detailed level. The Board has followed up financial reporting at Board meetings and BE Group's auditor has reported its observations to the Board. The Board has received monthly financial reports and the Company's financial situation was discussed at every Board meeting.

The President is responsible for ensuring that independent and objective reviews are conducted with the aim of systematically assessing and proposing improvements to the Group's processes for governance, internal control and risk management.

### *Internal audit*

BE Group has a simple legal and operational structure and an established governance and internal control system. The Board and the Audit Committee follow up BE Group's assessment of internal control by means including discussions with BE Group's auditors. Given the above, the Board has elected not to maintain a special internal audit unit.

## ARTICLES OF ASSOCIATION

The Articles of Association establish matters including the object of BE Group's business, the number of directors and auditors, how notice to attend the AGM must be provided, how the agenda will be dealt with during the AGM and where meetings will be held. The current Articles of Association were adopted by the extraordinary meeting of shareholders held September 13, 2009 and are available on BE Group's website at [www.begroup.com](http://www.begroup.com).

## POLICY DOCUMENTS

The Board has adopted several guidelines and policies to safeguard BE Group's internal control. These include an Information and Insider Policy, an Executive Remuneration Policy, Ethical Guidelines, an Environmental Policy, an Internet and IT Policy and a Treasury Policy.

## APPLICATION OF THE SWEDISH CODE OF CORPORATE GOVERNANCE

The Code is based on the "comply or explain" principle, which means a company may depart from the provisions of the Code provided that such departures can be explained in a satisfactory manner. BE Group fully applied the Code during the 2010 financial year and has not departed from Code rules in any respect.

## REVIEW

This Corporate Governance Report has been prepared as an independent document in relation to the Annual Report and has been reviewed by BE Group's auditors in accordance with Chapter 6, paragraph 9 of the Annual Accounts Act. The Auditor's statement is enclosed with the Report.

# AUDITORS' REPORT OF THE CORPORATE GOVERNANCE STATEMENT

To the annual meeting of the shareholders in BE Group AB (publ)  
Corporate identity number 556578-4724

It is the Board of Directors who is responsible for the Corporate Governance Statement for the year 2010 on pages 80–84 and that it has been prepared in accordance with the Annual Accounts Act.

As a basis for our opinion that the Corporate Governance Statement has been prepared and is consistent with the annual accounts and the consolidated accounts, we have read the Corporate Governance Statement and assessed its statutory content based on our knowledge of the company.

In our opinion, the Corporate Governance Statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Malmö, March 28, 2011  
KPMG AB

Signature on Swedish original

Alf Svensson  
*Authorized Public Accountant*

# BOARD OF DIRECTORS

## ELECTED AT THE ANNUAL GENERAL MEETING

### Carl-Erik Ridderstråle Chairman

**Born:** 1942

**Director since:** 2002  
(Chairman since 2002)

**Other directorships:** Seco Tools AB, Sectra AB, DIAB International AB and Hultdins System AB

**Previous experience:** President and CEO of BT Industries AB, Business Area Manager within ABB and CEO of Kanthal AB

**Education:** MSc Engineering, Swedish Royal Institute of Technology, Stockholm

**Shares held:** 520,603

### Roger Bergqvist Director

**Born:** 1948

**Director since:** 2007

**Other directorships:** Proact IT Group AB, Cybercom Group AB, Stockholm Byggplåt AB and Stillfront AB

**Previous experience:** President and CEO of Addtech AB, Bergman and Beving AB Business Area Manager

**Education:** Diploma, Marketing and Communications

**Shares held:** 1,000

### Cecilia Edström Director

**Born:** 1966

**Director since:** 2006

**Employer:** TeliaSonera AB, Senior Vice President, Head of Group Communications  
**Previous experience:** Member of the Group management, Head of Corporate Relations as well as Head of Strategy, Business and Brand Development for the Scania Group and several positions within SEB

**Education:** MSc Business Administration and Economics, Stockholm School of Economics

**Shares held:** 400

### Marita Jaatinen Director

**Born:** 1961

**Director since:** 2010

**Other directorships:** Paccor Finland Oy

**Employer:**

General Manager of Paccor Finland Oy

**Previous experience:** Senior positions in the Metso, Valmet and Huhtamaki Groups

**Education:** Graduate engineer in the field of industrial economics

**Shares held:** 0

### Joakim Karlsson Director

**Born:** 1971

**Director since:** 2004

**Other directorships:** Luvata Oy and Motiv Stockholm AB

**Employer:** NC Advisory AB

**Previous experience:** Directorships within the Ahlsell AB Group, Marioff Oy Group, C Moore Group AB, etc

**Education:** MSc Economics, Stockholm School of Economics. Courses at the Darden Graduate Business School in Virginia, USA, and the Swedish Armed Forces Language Institute in Uppsala, Sweden

**Shares held:** 0

### Lars Olof Nilsson Director

**Born:** 1962

**Director since:** 2006

**Other directorships:** Chairman of Lapland Goldminers AB and of Kaptensbacken AB (own company), Director in PA Resources AB, AGL Treasury Support AB and AGL Transaction Services AB

**Employer:** Advisor for Evli Bank and Nordic Capital

**Previous experience:** Positions with the Trelleborg AB Group, including SVP and Head of Corporate Treasury and Head of Corporate Business Development

**Education:** BSc Economics, Umeå University.

**Shares held:** 12,500

### Lars Spongberg Director

**Born:** 1945

**Director since:** 2000

**Other directorships:** Cobolt AB, Addtech AB, Intervallor AB, Elos AB and Bikuben AB.

**Previous experience:** Positions with Spectra Physics AB, Autoliv AB, Svenska Handelsbanken AB, AB Electrolux and Swedish Match AB

**Education:** LL.M., Stockholm University, BSc Business Administration and Economics, Stockholm School of Economics

**Shares held:** 0



Carl-Erik Ridderstråle  
Chairman



Roger Bergqvist  
Director



Cecilia Edström  
Director



**Marita Jaatinen**  
Director



**Lars Spongberg**  
Director



**Joakim Karlsson**  
Director



**Thomas Berg**  
Employee Representative



**Lars Olof Nilsson**  
Director



**Kerry Johansson**  
Employee Representative

## EMPLOYEE REPRESENTATIVES

### Thomas Berg Employee Representative

**Born:** 1956

**Director since:** 2000

**Education:** Internal training courses in business and commercial law

**Shares held:** 0

### Kerry Johansson Employee Representative

**Born:** 1949

**Director since:** 2000

**Education:** Issues in Business Management, Swedish Trade Union Confederation College, Runarö

**Shares held:** 0

### Tord Bengtsson Employee Representative, Alternate

**Born:** 1971

**Director since:** 2007

**Other directorships:** Chairman, The Commercial Employees' Union, branch 16, Linköping  
Member of Söderköping Municipal Council

**Shares held:** 0

### Susanne Olsson Employee Representative, Alternate

**Born:** 1954

**Director since:** 2004

**Other directorships:** Union branch board  
**Education:** Business Administration, Vocational School, Göteborg

**Shares held:** 0

### Auditors KPMG AB

**Alf Svensson**  
Authorized Public Accountant,  
Auditor in Charge since 2007

**Born:** 1949

**Other significant assignments:** Auditor in Charge in Höganäs AB, Midsona AB, Nederman Holding AB, Nolato AB and Peab AB

**Shares held:** 0

Changes in Board of Directors: Roger Johansson left the Board on December 31, 2010, to assume the position as President and CEO of BE Group as of January 2011.

Details of shareholdings in BE Group include direct holdings, holdings through companies and/or related parties as per December 31, 2010. For updated details of Board members' shareholdings, please refer to [www.begroup.com](http://www.begroup.com) > About BE Group > Organisation.



## GROUP MANAGEMENT

### **Roger Johansson** **President and CEO**

**Born:** 1965

**Employed since:** 2011

**Previous experience:** President Trelleborg Automotive, Vice President General Motors Powertrain Europe, Vice President General Motors Purchasing Europe

**Education:** Master of Business and economic science, University of Gothenburg

**Shares held:** 5,000



### **Torbjörn Clementz** **Chief Financial Officer,** **Executive Vice President**

**Born:** 1961

**Employed since:** 2003

**Previous experience:** Several positions within the Peab Group (1993-1996, 2001-2003) and Perstorp Group (1997-2001)

**Directorship:** Precise Biometrics AB

**Education:** BSc Business Administration and Economics, Växjö University

**Shares held:** 315,701



### **Per Horstmann** **Senior Vice President** **Purchasing and Production**

**Born:** 1956

**Employed since:** 2003

**Previous experience:** Positions including Vice President Purchasing and Logistics at Peab AB (2001-2003) and Alfa Laval Flow AB (1999-2001)

**Education:** MSc Engineering, Faculty of Engineering at Lund University

**Shares held:** 365,638



**Stefan Eklund**  
Business Area Manager, Sweden

**Born:** 1957

**Employed since:** 2010

**Previous experience:** President of Skanska Installation (2003-2009), Deputy President of ABB Building Systems (2000-2003) and President of ABB Fläkt Industri AB (2000).

**Education:** BSc Business Administration and Economics

**Shares held:** 10,500



**Matti Tiira**  
Business Area Manager, Finland

**Born:** 1952

**Employed since:** 1975

**Previous experience:** Various positions within BE Group

**Education:** Degree from the Commercial College in Lahti, Finland and completion of the Management in European Finland programme at the Finnish Institute of Management (LIFIM)

**Shares held:** 268,685



**Per Gullstrand**  
Business Area Manager, CEE

**Born:** 1967

**Employed since:** 2006

**Previous experience:** Sandvik Rock Processing AB, responsible for the business segment's sales operations in Asia and the Middle East (2001-2005) and Regional Manager Asia at Svedala International AB (1995-2001)

**Education:** MBA from Henley Business School at the Reading University, United Kingdom

**Shares held:** 219,670



**CHANGES IN GROUP MANAGEMENT**

Roger Johansson became the new President and CEO of BE Group effective from January 2011. He succeeds Lars Bergström in this role.

Details of shareholdings in BE Group include direct holdings, holdings through companies and/or related parties as per December 31, 2010. For updated details of Group Management's shareholdings, please refer to [www.begroup.com](http://www.begroup.com) > About BE Group > Organization.

# MULTI-YEAR SUMMARY

(SEK M unless otherwise stated)	2010	2009	2008	2007	2006	2005
<b>Earnings measurements</b>						
Sales	5,129	4,308	7,713	7,650	6,681	5,790
Gross profit	733	367	1,238	1,167	1,173	926
EBITA	110	-259	537	512	552	267
Profit/loss for the year	29	-249	378	353	395	170
<b>Margin measurements</b>						
Gross margin (%)	14.3	8.5	16.1	15.3	17.6	16.0
EBITA margin (%)	2.2	-6.0	7.0	6.7	8.3	4.6
Operating margin (%)	1.9	-6.2	6.9	6.7	8.2	4.6
<b>Cash flow</b>						
Cash flow from continuing operations	-5.7	282	222	215	236	354
Cash flow before change in net debt	-110	240	-36	157	220	314
Cash flow for the year	-106	63	-141	-39	92	-107
<b>Capital structure</b>						
Equity	787	798	1,103	849	664	971
Total assets	2,632	2,511	3,409	2,850	2,876	2,342
Net debt	842	777	1,006	593	556	91
Net debt/equity ratio (%)	107.0	97.4	91.2	69.8	83.8	9.3
Working capital (average)	528	751	895	735	547	576
Operating capital (average)	1,619	1,834	1,789	1,421	1,200	1,271
Operating capital (excluding intangible assets), average	893	1,125	1,162	874	654	726
Working capital tied-up (%)	10.3	17.4	11.6	9.6	8.2	9.9
<b>Return</b>						
Return on operating capital (%)	6.0	-14.5	29.7	35.9	45.9	20.9
Return on operating capital (excluding intangible assets) (%)	12.4	-23.0	46.2	58.6	84.4	36.8
Return on equity (%)	3.7	-26.9	38.1	46.1	45.6	18.6
<b>Per share data</b>						
Earnings per share (SEK)	0.58	-5.00	7.58	7.06	7.90	3.41
Earnings per share after dilution (SEK)	0.58	-5.00	7.58	7.06	7.60	3.24
Equity per share (SEK)	15.90	16.05	22.17	17.02	13.28	19.45
Cash flow from operating activities per share (SEK)	-1.15	5.67	4.46	4.31	4.72	7.10
Average number of shares outstanding (thousands)	49,505	49,736	49,853	49,967	49,946	49,926
Average number of shares outstanding after dilution (thousands)	49,704	49,749	49,857	49,967	51,912	52,464
Dividend paid (SEK)	-	1.00	3.50	3.50	13.60*	-
<b>Other</b>						
Average number of employees	909	912	1,023	940	926	900

\* The split implemented in 2006 has been taken into account.

## SUPPLEMENTARY DISCLOSURES

(SEK M unless otherwise stated)	2010	2009	2008	2007	2006	2005
<b>Growth</b>						
Sales growth (%)	19.1	-44.1	0.8	14.5	15.4	8.9
of which, organic volume growth (%)	17.3	-32.3	-4.0	1.1	8.5	-10.4
of which, price and mix changes (%)	5.8	-15.9	0.6	13.3	7.0	16.8
of which, currency effects (%)	-4.8	4.8	2.3	0.1	-0.1	1.1
of which, acquisitions (%)	0.8	1.5	4.3	-	-	1.4
of which, divested operations (%)	0.0	-2.2	-2.4	-	-	-
<b>Adjusted earnings measurements</b>						
Underlying EBITA	87	4	459	552	474	396
<b>Adjusted margin measurements</b>						
Underlying gross margin (%)	13.9	14.1	15.5	15.8	16.7	16.5
Underlying EBITA margin (%)	1.7	0.1	6.0	7.2	7.1	6.8
<b>Adjusted return</b>						
Underlying return on operating capital (excluding intangible assets) (%)	9.8	0.3	39.5	63.2	72.5	54.5
<b>Adjusted capital structure</b>						
Net debt/underlying EBITDA (multiple)	6.3	14.5	2.0	1.0	1.1	0.2
<b>Adjusted per share data</b>						
Underlying earnings per share (SEK)	0.24	-0.99	6.17	7.58	6.72	5.27
Underlying earnings per share after dilution (SEK)	0.24	-0.99	6.17	7.58	6.46	5.01
<b>Other</b>						
Inventory gains and losses	23	-255	46	-40	57	-28
Shipped tonnage (thousands of tonnes)	489	416	613	617	610	563
Average sales prices (SEK/kg)	10.48	10.36	12.57	12.40	10.95	10.29



# FINANCIAL DEFINITIONS

## Earnings measurements

EBITA	Operating profit/loss before amortization of intangible assets.
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## Margin measurements

Gross margin	Gross profit/loss as a percentage of net sales.
EBITA margin	Operating profit/loss before amortization of intangible assets (EBITA) as a percentage of net sales.
Operating margin	Operating profit as a percentage of net sales

## Capital structure

Net debt	Interest-bearing liabilities less cash and equivalents and financial assets.
Net debt/equity ratio	Net debt divided by equity.
Working capital	Inventories, accounts receivable and other operating receivables less accounts payable and other current liabilities. This measure represents an average for each period based on quarterly data.
Operating capital	Tangible assets, goodwill and other intangible assets, deferred tax assets, participations in joint venture and working capital less deferred tax liabilities, provisions (current and non-current) and other non-current liabilities. This measure represents an average for each period based on quarterly data.
Operating capital (excluding intangible assets)	Operating capital less goodwill and other intangible assets. 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 operating capital	Annually adjusted operating profit/loss, as a percentage of average operating capital.
Return on operating capital (excluding intangible assets), %	Annually adjusted EBITA, in of (average) operating capital (excluding intangible assets).
Return on shareholders' equity	Annually adjusted net profit/loss as a percentage of equity.

## 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.
Equity per share after dilution	Equity divided by the number of shares outstanding at the end of the period after dilution.
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 new share 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 new share 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 new share issues and share splits.
Average number of shares after dilution	Weighted average number of shares outstanding during the period, adjusted for new share issues and share splits. Any dilution has been taken into account.

## Other

Average number of employees	Average number of employees in the Group during the reporting period. Newly recruited employees, part-time employees and paid overtime are recalculated in terms of full-time jobs. The number of employees denotes an average for the period.
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## SUPPLEMENTARY DISCLOSURES

**Growth**

Sales growth	Change from the preceding period as a percentage of net sales.
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**Adjusted growth**

Underlying sales growth	Change in percent in net sales by operations from the comparison period, adjusted for fluctuations in market prices and currency effects.
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**Adjusted earnings measurements**

Underlying EBITA	EBITA before non-recurring items, adjusted for inventory gains and losses (deductions for gains and additions for losses).
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**Adjusted margin measurements**

Underlying gross margin	Underlying gross profit as a percentage of net sales. The underlying gross profit/loss is the reported gross profit/loss adjusted for inventory gains and losses (deductions for gains and additions for losses).
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Underlying EBITA margin	Underlying EBITA as a percentage of net sales. Underlying EBITA is EBITA before non-recurring items and adjusted for inventory gains and losses (deductions for gains and additions for losses).
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**Adjusted return**

Underlying return on operating capital (excluding intangible assets)	Annualized underlying EBITA as a percentage of average operating capital excluding goodwill and other intangible assets. Underlying EBITA is EBITA before non-recurring items and adjusted for inventory gains and losses (deductions for gains and additions for losses). EBITA is operating profit/loss before amortization of intangible assets.
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**Adjusted capital structure**

Net liabilities/underlying EBITDA	Net liabilities divided by annually adjusted underlying EBITDA. Underlying EBITDA is EBITDA before non-recurring items and adjusted for inventory gains and losses (deductions for gains and additions for losses). EBITDA is operating profit before amortization.
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**Adjusted per share data**

Underlying earnings per share	Profit/loss for the period before non-recurring items adjusted for inventory gains and losses (deductions for gains and additions for losses) and including the tax effect of the adjustments divided by the average number of shares outstanding during the period.
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Underlying earnings per share after dilution	Profit/loss for the period before non-recurring items adjusted for inventory gains and losses (deductions for gains and additions for losses) and including the tax effect of the adjustments divided by the average number of shares outstanding during the period.
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**Other**

Inventory gains and losses	The difference between the cost of goods sold at acquisition value and the cost of goods sold where the goods have been valued at replacement price.
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Shipped volumes	Volume of BE Group products sold during the period in thousands of tonnes.
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Average sales prices	Net sales divided by shipped volumes.
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## BE GROUP HAS ITS ROOTS IN BOTH FINLAND AND SWEDEN

A hundred and twenty five years have passed since Bröderna Edstrand, today's BE Group, was founded in Malmö by Jöns Theodor and Hans Edstrand. What began as a small wholesale business has become a listed group with operations in nine countries. However, the roots of today's BE Group can also be traced to Finland.

# 1868



**1868** Starckjohann & Co begins operations as a hardware dealer in Viborg, Finland.

**1885** Bröderna Edstrand is founded in Malmö, Sweden.

**1974-1987** Bröderna Edstrand is listed on the Stockholm Stock Exchange.

**1987** The Edstrand family submits an offer for all shares and in November 1987, Bröderna Edstrand is de-listed from the Stockholm Stock Exchange. In October of the following year, the Trelleborg Group acquires the company and the Edstrand family leaves the company after four generations spanning 103 years.

# 1885



**1999** Parts of Starckjohann of Finland are acquired by the Trelleborg Group. Alongside Bröderna Edstrand these operations form the foundation of today's BE Group.

**1999** Nordic Capital becomes the majority shareholder in Bröderna Edstrand.

**2003** BE Group continues its European expansion in the Czech Republic.

**2004** The Trelleborg Group sells its remaining holding to Nordic Capital.

**2006** Start of trading in BE Group shares on the Stockholm Stock Exchange, now Nasdaq OMX Stockholm.

**2007** The shared name, BE Group, is used in all markets where the Group operates.

**2008** The acquisitions of the Czech companies, Ferram Steel and Czechprofil strengthen BE Group's position in Central Europe. BE Group forms a joint venture in thin plate processing in the Swedish market together with the world's largest steel producer, ArcelorMittal.

# 2006



**2009** Nordic Capital divests its remaining holding.

**2010** Lecor Stålteknik is acquired, strengthening the Group's production service offering to customers in the construction sector.

# 2010



**2011** The metal processing group RTS is acquired, complementing the Group's production capacity and generating assignments for customers in the heavy engineering segment.







## LECOR BUILDS ON KNOW-HOW

BE Group acquired Lecor Stålteknik in October 2010. Lecor Stålteknik is one of Sweden's leading producers of prefabricated steel structures. Even as the acquisition was being made, plans were under way for a new production facility close to the existing unit in Kungälv, Sweden.

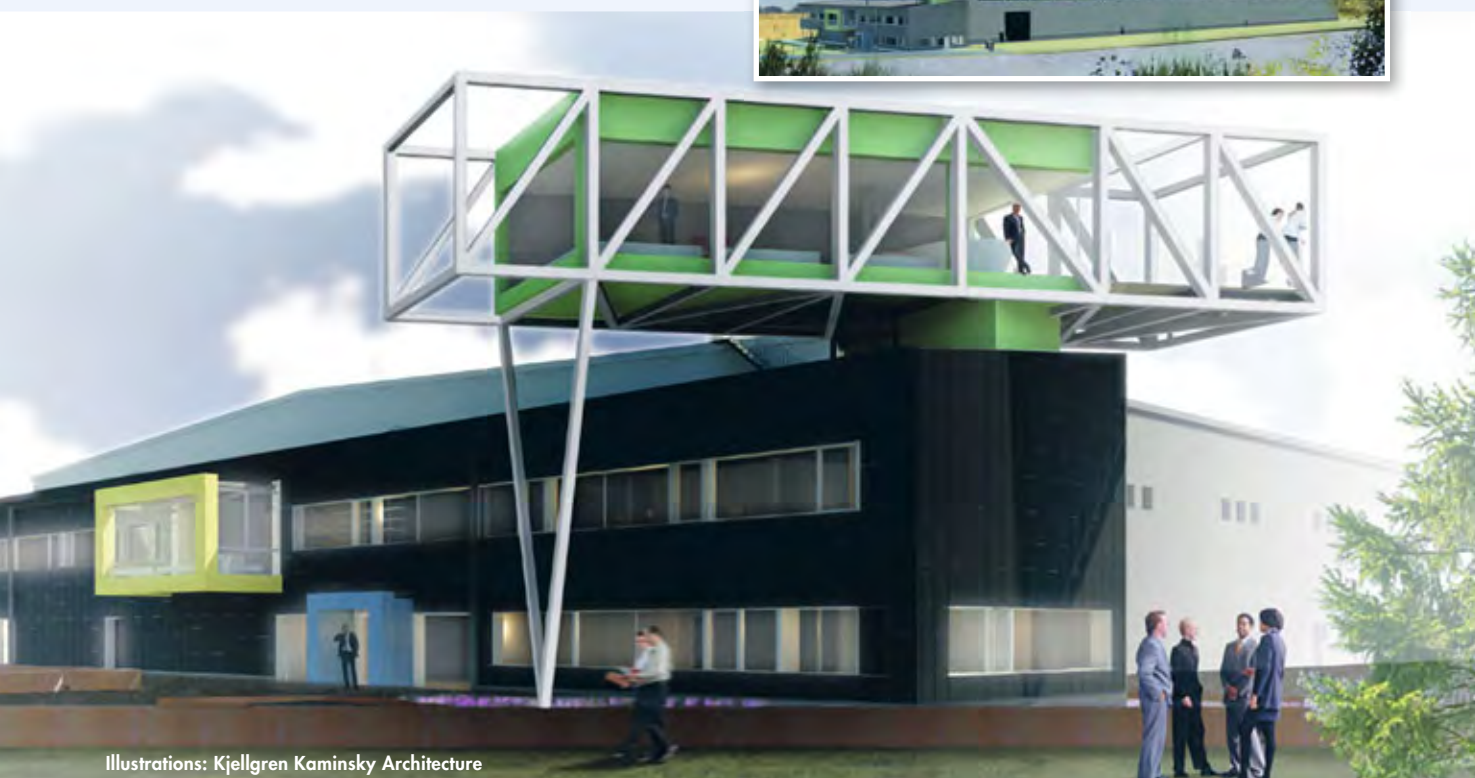
BE Group has a clear ambition to expand in the area of production service and the wholly-owned subsidiary Lecor represents an important part of these efforts. To develop Lecor Stålteknik, BE Group has decided to invest a total of SEK 36M in a modern and functional automated production line. The new building has a total floor space of about 6,700 square meters, designed specifically for the company's operations.

The assembly hall has a new set of machines to facilitate work and enhance efficiency. The new production line provides considerable flexibility in the production of bridges and construction steel, allowing the company to offer ready-made, prefabricated steel structures for all types of construction-related and industrial projects requiring advanced steel structures. The facade of the new building is clad with dark green facade cassettes in a repetitive pattern. To underscore the plant's function, certain rooms extend from the facade as glass cubes framed in steel. The conference room of steel and glass floats above the rest of the building – a clear reference to the expertise housed within.

# LECOR

A BE GROUP COMPANY

[www.lecor.se](http://www.lecor.se)



Illustrations: Kjellgren Kaminsky Architecture



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