

ANNUAL REPORT 2008



BE GROUP

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*Cover photo:
Gas and plasma cutting are used for high
precision, flexible cutting of metals into finished
components for the manufacturing industry.
BE Group does the job at its sites in Gdynia,
Lahti, Lapua, Norrköping, Prerov and Turku.*



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

All figures are expressed in SEK thousands unless otherwise stated. Figures in parentheses refer to 2007 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. The official annual report is published in Swedish and is translated to English.

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

REPORTING DATES IN 2009

Interim report January-March: April 24
Interim report April-June: July 16
Interim report July-September: October 22
Year-end report 2009: February 2010

FINANCIAL REPORTS

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

ANNUAL GENERAL MEETING

The Annual General Meeting of shareholders in BE Group will be held Wednesday, May 13, 2009 at 4:00 p.m. at Luftkastellet in Malmö. Notices concerning registration for the meeting and the agenda will be provided in press releases and published well in advance of the meeting on the BE Group website (www.begroup.com).

BE Group's audited annual accounts will be available on the website and at the head office on Spadegatan in Malmö after April 9, 2008. Shareholders whose holdings are nominee registered must temporarily register their shares under their own names ("direct registration") by May 7, 2009. Shareholders should request the custodian to temporarily change the registration well in advance of the meeting.

REGISTRATION

The company must receive notice of intent to attend the general meeting by May 7, 2009, preferably before 12:00 p.m. Notice may be made online at www.begroup.com or by phone on +46 (0) 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.

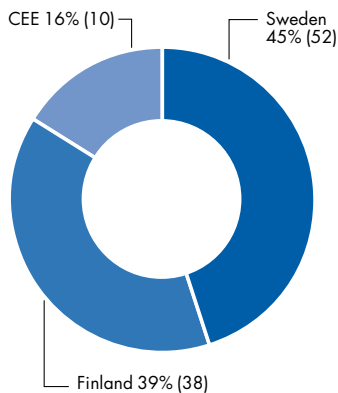
DIVIDEND

The record date for eligibility to receive dividends is May 18 and dividends are scheduled for distribution on May 22. The Board of Directors and Chief Executive Officer are proposing a distribution to shareholders of SEK 1 per share in cash, corresponding to 13% of profit after tax.

PRESENTING BE GROUP



SALES PER BUSINESS AREA



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

The company has about 10,000 customers within the construction and engineering industries. The company's sales in 2008 were SEK 7.7 billion.

BE Group has three geographically organized business areas: Sweden, Finland and CEE (Central and Eastern Europe, which includes Estonia, Latvia, Lithuania,

Poland, Slovakia, Czech Republic and Denmark).

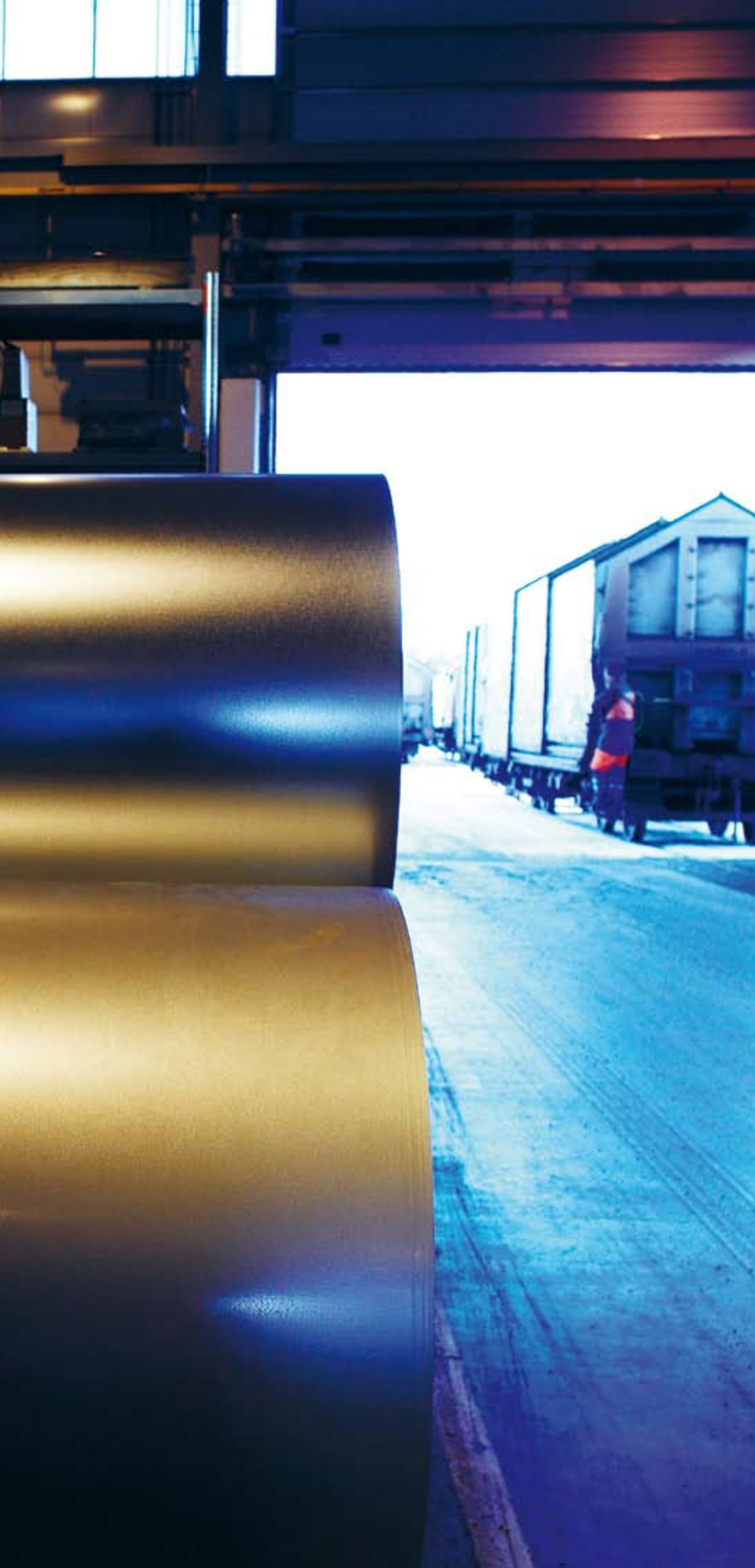
BE Group also has a presence in the Asian market, with a representation and purchasing office in Shanghai, China.

Sweden and Finland are BE Group's largest markets, but operations in CEE have grown for several years and now account for 16% of sales. BE Group has about 1,000 employees and the head office is in Malmö, Sweden.

The history of BE Group began with the Finnish company Starckjohann & Co, founded in 1868, and the Swedish Bröderna Edstrand, founded in 1885. Bröderna Edstrand was listed on the Stockholm Stock

Exchange for ten years in the 1970s and 1980s. The Trelleborg Group bought the company from the Edstrand family in 1988. In 1999, the Trelleborg Group also acquired parts of the Finnish company Starckjohann Oy. The foundations of BE Group's current structure were laid with the two companies and their subsidiaries. Nordic Capital became the majority shareholder the same year, and took over the Trelleborg Group's interest in the company in 2004.

BE Group was listed on the Stockholm Stock Exchange (now NASDAQ OMX Stockholm) on November 24, 2006. The Group has been operating since spring 2007 in all markets under the name BE Group.

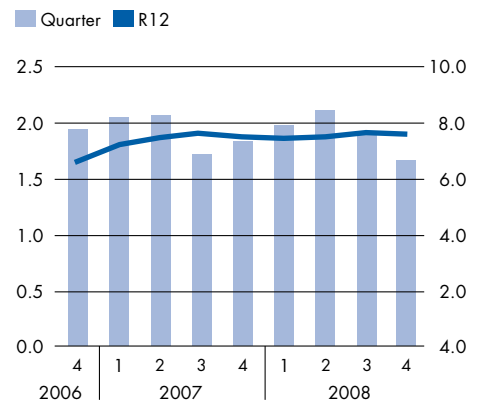


HIGHLIGHTS

FINANCIAL PERFORMANCE

- After several years of robust growth, a steep downturn in demand had negative impact on the Group in the latter part of the year.
- Net sales rose 0.8% compared to 2007, to SEK 7,713M (7,650). Shipped tonnage declined by 0.6%.
- Operating profit increased by 4.4% to SEK 532M (510).
- Underlying EBITA decreased by 16.8% to SEK 459M (552) and the underlying EBITA margin decreased to 6.0% (7.2).
- Earnings per share after dilution increased to SEK 7.58 (7.06) and underlying earnings per share after dilution declined to SEK 6.17 (7.58).
- Proposed dividend to shareholders of SEK 1.00 per share (3.50).

NET SALES, SEK Bn
QUARTERLY AND ROLLING 12 MONTHS



“Underlying” refers to the outcome excluding exceptional items and adjusted for inventory gains/losses. The information about underlying earnings has not been reviewed by the company’s auditors. See definitions on pages 92-93.

SIGNIFICANT EVENTS PER QUARTER

First quarter

- Corporate product supply was centralized in early 2008 to strengthen supplier relationships, enhance technical expertise and streamline product flows and capital management.
- BE Group carried out its first acquisition in Eastern Europe in January with the purchase of the Czech company, Czechprofil.
- Development of the corporate IT platform was begun with a view to implementing a new corporate business system, which is ongoing and will be finished in 2010.

Second quarter

- BE Group formed a joint venture with ArcelorMittal in the Swedish thin plate market. The company began operating in June.

- BE Group has decided to concentrate operations in Finland from five sites to three, which will be accomplished over the next few years.

Third quarter

- The Czech company Ferram Steel was acquired. The acquisition, finalized in July, strengthens BE Group’s sales and market position in CEE, combined with the previously acquired Czechprofil.

Fourth quarter

- In response to the weaker market trend, BE Group initiated a cost savings programme. The objective is to lower BE Group’s

total annual costs by approximately SEK 100M within 12-15 months. The savings programme will begin having an impact during the first half of 2009 and will be fully effective during the first quarter of 2010.

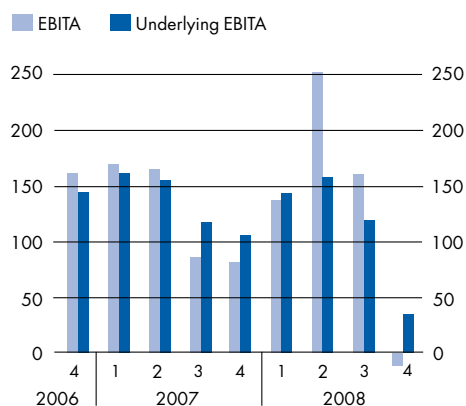
- BE Group decided to close operations at its facility in St Petersburg, Russia. The business will be closed during the first half of 2009, which will affect a total of 13 employees.

- One-time costs for the cost savings programme and the closure of operations in St Petersburg amount to SEK 26M in total and were charged against earnings in the fourth quarter of 2008.

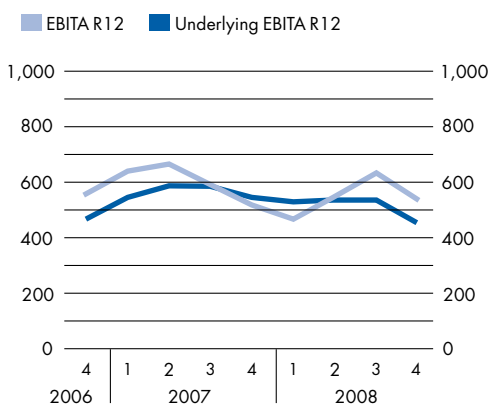
Significant events after the end of the year

- Lars Bergström was appointed the new President and CEO of BE Group, effective March 2009.

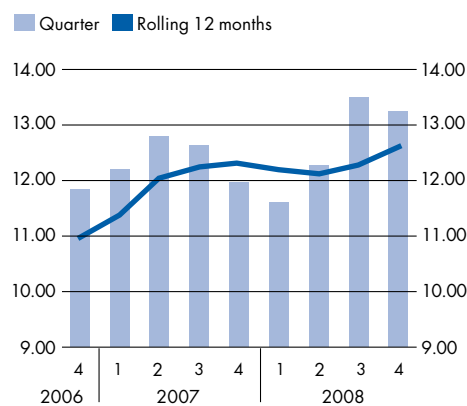
EBITA, SEK M
QUARTER



EBITA, SEK M
QUARTERLY AND ROLLING 12 MONTHS



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



MESSAGE FROM THE CEO

BE Group has followed a strategy over the last five years that has doubled sales and multiplied earnings levels. In a nutshell, the strategy states that BE Group will use a larger and increasingly sophisticated service proposition to develop the business and achieve growth through acquisitions.

As the new president and CEO of BE Group, effective March 2009, I would like to emphasize that the strategy is strongly supported by the shareholders and will continue to govern operations in future. I would also like to say that I am looking forward with pleasure to leading BE Group, even as I am humbled at the prospect of the vast expertise and professionalism of the Group, the foundation of our success in the market now and in the future.

ENHANCING THE SERVICE PROPOSITION

The basis for BE Group's strategy is that the Group will grow and strengthen profitability by expanding the value proposition within production service and develop new types of services. The target is for service, within a few years, to generate 50 percent of consolidated sales, including the value of component materials.

Strengthening the Group's aggregate skills and leadership is a key task in this context. Not least importantly, this will involve developing and recruiting managers capable of leading an increasingly multinational business with a large share of added-value services.

As part of this evolution, BE Group initiated a major skills enhancement programme during the year, BEST, which is aimed at raising overall skills. Three hundred BE Group employees will be trained to sell and provide service to specific customer segments in the market.

The training is a strategically important initiative that the company will maintain in 2009 despite cutbacks in many other areas. Planned investments in production service equipment will also continue, but in order to protect cash flow, certain measures will be postponed until the second half of 2009 and others further in the future.

ACQUISITION-DRIVEN GROWTH

BE Group will strengthen organic growth through acquisitions to enhance the presence in CEE and to broaden the service proposition. The company is also interested in engineering companies, primarily in Sweden and Finland, that can expand the production service proposition and strengthen skills in materials flows, processing and other areas related to production.

BE Group finalized two acquisitions in the Czech Republic during the past year, which markedly increased the company's presence in this market.

It is entirely possible that the weak economy may provide new opportunities to acquire interesting businesses. By extension, it is in BE Group's interests to participate in the structural transformation of the European market, where trade and service companies must evolve to meet the growing needs of customer companies for qualified suppliers.

THE PAST YEAR

As everyone knows, a multi-year global trend of growing demand and rising prices for steel and most other metals ended in the latter part of 2008. This also had adverse impact on BE Group's markets and development. On the bright side, 2008 as a whole became one of the best years ever for BE Group and consolidated operating



Lars Bergström took over as president and CEO of BE Group in March 2009. Prior to joining BE Group, he was with HTC Group, and succeeds Håkan Jeppsson, who left the company after the end of the financial year.

profit rose compared to 2007. Nevertheless, the full year figures obscure the dramatic change in the latter part of the year, when a sustained upturn in the first half suddenly reversed into a steep decline in all markets as the global economy put on the brakes. In Sweden, the market cooled and falling volumes were recorded somewhat earlier in the year during the third quarter. Demand in Finland resisted the general downturn longer, but cooled that much faster in the fourth quarter.

High underlying growth prevailed in Central and Eastern Europe for most of the year, which was buoyed for BE Group by the two acquisitions. As a result, CEE delivered growth of 58 percent to an annualized level equal to about 20 percent of consolidated sales, compared to 10 percent in 2007. However, the growth was achieved to a certain extent at the expense of

“BE Group will expand its markets through a larger and increasingly sophisticated service proposition”

profitability, which did not meet expectations. The rapid downturn in purchase prices in the second half also created stiffer price competition in the region, due to high inventory levels when the economic downturn began.

EFFICIENCY AND COST SAVINGS

Constantly improving efficiency is a key task for all companies. BE Group has taken several actions in recent years to develop operations around the world into an integrated, efficient corporation. This has included creating a common brand, centralizing the product supply function and successively implementing a corporate business system. The Swedish business was also restructured, while the concentration of operations in Finland will be completed in 2009.

In response to the sharp downturn in demand in late 2008, BE Group immediately implemented a cost savings programme to adapt the business to the sudden change in market conditions. The objective is to lower total annual costs by approximately SEK 100M within 12-15 months. The savings programme will begin having an impact during the first half of 2009 and will be fully effective during the first quarter of 2010. BE Group has also decided to close operations in St Petersburg during the first half of 2009. Russia remains an interesting market from the long-term perspective, but at present, resources in CEE will be focused on other regions in Central and Eastern Europe. It is unfortunate that the savings will also affect BE Group employees, as more than 10 percent of the workforce will be made redundant. However, I would like to emphasize that in the company's judgement, these actions are essential so that we can continue developing the business

while maintaining competitiveness going forward. BE Group will also maintain readiness to take further action if so required.

SIGNIFICANT PROGRESS

Despite the unfortunate conclusion to 2008, the Group made significant progress in several areas and I would like to mention the most important:

- The joint venture for thin plate processing formed with ArcelorMittal is commercially and strategically important to BE Group. The company, which is the third-largest in the Swedish market, is also giving BE Group valuable knowledge about the efficient operation of large production units.
- The acquisitions of Czechprofil and Ferram Steel have strengthened BE Group's presence in the Czech Republic, where it is now the fourth-largest company in the distribution market. The acquisitions have been successfully integrated, thus setting the stage for more efficient operations in CEE.
- BE Group has continued increasing the service component of total sales from 31 percent to 33 percent. Due to the higher margins of service sales, this made a positive contribution to profit for the year.

OUTLOOK 2009

From the short-term perspective, the world steel market is characterized by uncertainty stemming from the global financial crisis and economic trend.

There has been widespread caution among steel industry customers, which combined with inventory reductions at several levels has exacerbated uncertainty about underlying demand and price trends.

BE Group is forecasting weak develop-

ment for the full year of 2009, with poorer demand and lower margins than in 2008. The company expects lower purchase prices and thus most likely lower selling prices in 2009 compared to 2008. However, growth should continue in Central and Eastern Europe, buoyed by the acquisitions BE Group carried out in 2008.

BE Group is responding to the overall weaker trend with the previously mentioned cost savings programme, which will reduce costs and quickly generate positive effects during the first half of 2009.

In line with the strategy, BE Group will also continue increasing the service component of sales in 2009. This will involve continued investments in processing and new skills to create higher value for BE Group and its customers. Additionally, BE Group is continuing the effort to identify acquisition opportunities with the aim of carrying out strategic acquisitions.

Malmö, March 2009



*Lars Bergström
President and Chief Executive Officer*



THE BE GROUP SHARE

BE Group AB has been listed on the NASDAQ OMX Stockholm since November 24, 2006.

SHARE CAPITAL

BE Group has 50,000,000 shares. Each share conveys one vote. BE Group had share capital of SEK 102.0M (102.0) at December 31, 2008.

OWNERSHIP STRUCTURE

BE Group had 10,218 shareholders on December 31, 2008. Nordic Capital through Trenor Holding Ltd was the largest shareholder. Other principal shareholders are listed in the table on the following page.

KEY DATA	2008	2007
<i>(SEK unless otherwise stated)</i>		
Earnings per share	7.58	7.06
Underlying earnings per share	6.17	7.58
Diluted earnings per share	7.58	7.06
Underlying earnings per share after dilution	6.17	7.58
Equity per share	22.17	17.02
Proposed dividend per share	1.00	3.50
Direct return, %	5.1	6.1
Price quoted on Dec. 30, last price paid	19.60	57.75
P/E ratio, multiple	2.6	8.2

Total institutional ownership (legal persons) was 79.6% on December 31, 2008. At year-end, 39.4% of BE Group was owned by foreign shareholders. Ownership structure data was obtained from Euroclear Sweden (formerly VPC).

SHARE PERFORMANCE

The price quoted for the BE Group share on the last trading day of the year, December 30, 2008 was SEK 19.60 (57.75). The last price paid in 2006 was SEK 70.50. The highest price paid in 2008 was SEK 76.75 (104.00), noted on May 30. The lowest price paid was noted on November 21 at SEK 16.40 (48.80). The price quoted on February 27, 2009 was SEK 21.60, corresponding to an increase of 10.2% since January 1. During 2008, 53 million shares in BE Group were traded on the NASDAQ OMX Stockholm, corresponding to 106% of total issued capital. Average daily trading volume was 209,855 shares or SEK 11M, based on the average daily price.

INCENTIVE SCHEME

The 2008 AGM voted in favour of the Board's proposal to establish a share savings scheme ("Share Savings Scheme 2008") for about 30 key executives. Aimed at enabling BE Group AB's provision of

"matching shares" in accordance with the Share Savings Scheme, the AGM also resolved to authorize the Board to decide, on one or more occasions prior to the 2009 AGM, to acquire and transfer a maximum of 430,000 treasury shares.

During the year, BE Group repurchased 144,300 shares at an average price of SEK 26.46 as part of Share Savings Scheme 2008. BE Group owned a total of 264,300 treasury shares at year-end.

DIVIDEND POLICY

According to BE Group's dividend policy, the Group will distribute at least 50% of profit after tax, over time. In BE Group's judgement, this is a balanced level with consideration given to the Group's net debt/equity ratio, the operative risks associated with the business, consolidated cash flow and the acquisitions strategy. Dividends will be distributed if justified by BE Group's financial position and outlook. For the 2008 financial year, the Board of Directors and CEO are proposing a cash dividend to shareholders of SEK 1.00 per share (3.50), corresponding to 13% of profit after tax.

ANALYST COVERAGE

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

PRINCIPAL SHAREHOLDERS on December 31 2008

NAME	SHARES:	(%)
Trenor Holding	10,300,764	20.6
IF Skadeforsäkring	2,498,600	5.00
JP Morgan Chase Bank	1,609,732	3.22
Livförsäkringsaktiebolaget Skandia	1,502,600	3.01
Aktie-Ansvar Graal	1,058,400	2.12
AMF Pensionsförsäkring	1,000,000	2.00
Swedish Fourth National Pension Fund	885,517	1.77
Odin Funds, Nordea Bank Norway	849,875	1.70
Handelsbanken Pension Fund	750,000	1.50
Fonden Zenit	682,100	1.36
<hr/>		
TOTAL, 10 principal shareholders (grouped by shareholder)	21,137,588	42.28
TOTAL, other shareholders	28,862,412	57.72
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TOTAL SHARES OUTSTANDING	50,000,000	100.00

SHARE DISTRIBUTION on December 31 2008

SHAREHOLDING	SHARE-HOLDERS	SHARES:	% SHARE CAPITAL
1 – 500	6,358	1,510,239	3.02
501 – 1,000	1,827	1,581,663	3.16
1,001 – 5,000	1,546	3,834,531	7.67
5,001 – 10,000	203	1,608,137	3.22
10,001 – 15,000	60	768,469	1.54
15,001 – 20,000	43	796,000	1.59
20,001 –	181	39,900,961	79.80
<hr/>			
TOTAL	10,218	50,000,000	100.00

SHAREHOLDERS BY CATEGORY on December 31 2008

CATEGORY	SHARES HELD	% OF ISSUED CAPITAL
Financial firms	13,740,635	27.48
Banks	8,617	0.02
Securities firms and fund brokers	207	0.00
Fund managers	6,580,703	13.16
Insurance companies and pension institutions	6,276,200	12.55
Pension funds	874,908	1.75
Other financial firms	3,800	0.01
Social insurance funds	1,078,829	2.16
Swedish government	318,300	0.64
Local government sector	60,100	0.12
Swedish municipalities	29,500	0.06
Swedish county councils	30,600	0.06
Interest organizations	999,113	2.00
Humanitarian and trade union organizations	964,253	1.93
Religious communities	34,860	0.07
Other Swedish legal persons	3,744,209	7.49
Non-categorized legal persons	190,517	0.38
Foreign ownership	19,673,740	39.35
Swedish physical persons	10,190,757	20.38
<hr/>		
TOTAL	50,000,000	100.00

SHARE PERFORMANCE

■ Share price (SEK) ■ Trading volume (trading per month, millions of shares)





MISSION, OBJECTIVES AND STRATEGIES

MISSION STATEMENT

BE Group's mission is to create value and increase competitiveness for its customers. BE Group accomplishes this by streamlining goods flows, reducing the number of business contacts and supplying a customer-oriented range of products and excellent service. The service proposition is distilled in the phrase "Excellent service," expressed as a wide product range, fast delivery and various forms of simple and more advanced production service, combined with unique, tailor-made customer solutions.

VISION

BE Group's vision is to become the leader in the European steel industry by delivering excellent service.

OBJECTIVES

BE Group's overriding business objective is to maximize return on operating capital, which requires both a good operating margin and efficient use of capital. Five financial targets, presented on page 19, are linked to this main objective.

STRATEGIC OBJECTIVES

Aimed at meeting set targets, BE Group works according to a number of strategic ambitions:

Outperform market growth through:

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

Offer the best service in the market through:

- Understanding customer production processes
- Developing the value proposition in production services
- Introduction of new value-adding services

Generate coordination gains through:

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

Developing distinct, results-oriented leadership through:

- Recruiting, retaining and developing effective managers with a wide range of skills

MARKET

Driven by strong economic growth in virtually all countries, the world steel market has grown rapidly in volume during recent years. The robust demand has entailed high order influx to producers and sharply increased prices for steel and most other metals. Another price accelerator has been the shortage of raw materials such as iron ore, coal/coke and iron scrap caused by a production lag behind the demand for steel. Shortages of transport capacity and rising energy costs also contributed to high steel prices. The trend was broken in the latter part of the financial year when a swift and powerful global economic downturn occurred, which lowered demand and pushed prices down.

A global consolidation was begun in recent years among leading steel producers. This entailed sharper focus on capital efficiency and volume production among suppliers. The parallel trend among industrial users of steel has been increasing concentration on core business, leading users to demand increasingly specialized products or to outsource some production processes.

The recently ended economic boom, with strong demand for steel and higher prices, benefited steel and metals trading and service operations. BE Group and other trading and service companies have also met the more specialized needs of steel users through more extensive product processing and service development.

STEEL MARKET DEVELOPMENT

The primary source of information about the market trend is the World Steel Association, WSA (formerly the International Iron and Steel Institute), a global steel industry organization.

The WSA reports that global steel

production in 2008 was down from 2007 by 1.2% to 1,330 million tonnes. However, the figure for the full year obscures the sharp downturn in September–December in the wake of lower demand. Global steel production in December declined by 24% compared to December 2007 and prices for commercial steel and scrap fell in the fourth quarter, despite production cutbacks.

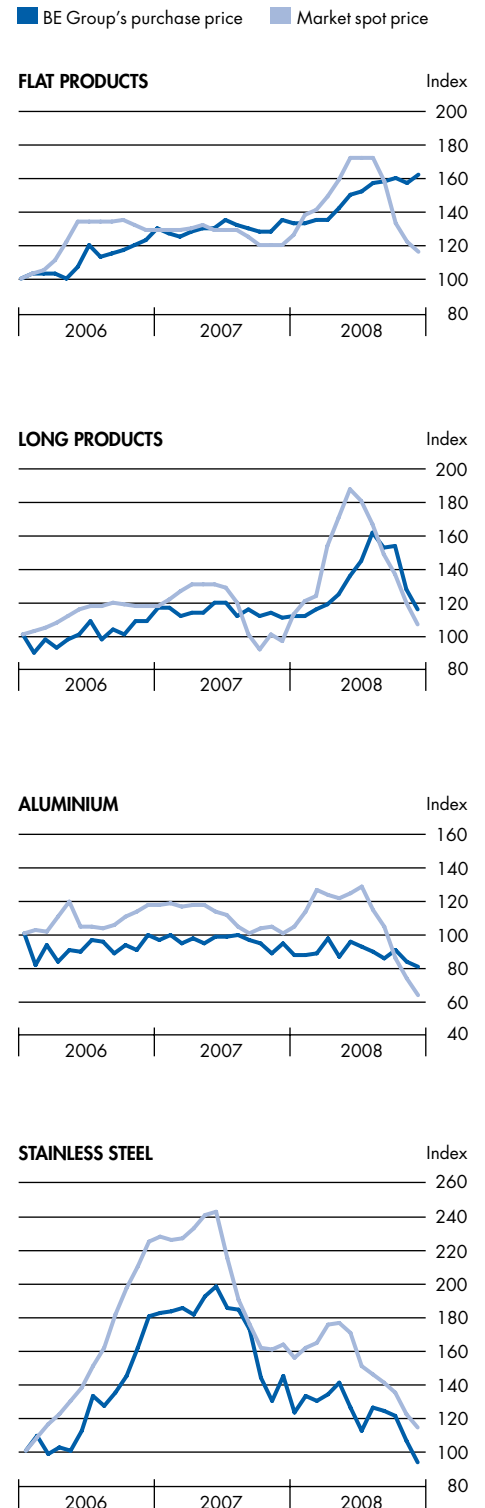
BE Group’s purchase prices are normally less volatile than the market spot price (see the chart at right). Towards the end of the year, purchasing volumes were reduced to lower inventory levels. The purchasing reductions referred mainly to base products, which shifted the product mix towards costlier products. With respect to flat products, this resulted in a significantly higher than normal average purchase price.

From the short-term perspective, the world steel market is characterized by uncertainty stemming from the global financial crisis and economic trend. There has been widespread caution among steel industry customers, which combined with forceful measures to reduce inventories at several levels has exacerbated uncertainty about underlying demand and price trends in the near future. The WSA responded by postponing its short-term forecast from early October 2008 to April 2009. The WSA issued a statement in October 2008 that it expects demand for steel to grow in 2009 and long-term growth to outperform GDP growth.

BE GROUP’S MARKETS

BE Group operates in nine countries including its largest markets, Sweden and Finland. The other markets include Denmark and six countries in Central and Eastern Europe.

PRICE TREND





Total steel tonnage in BE Group's geographical markets was approximately 28 million tonnes in 2007 (complete figures for 2008 unavailable when the annual report went to press). The value of service provided by trading and service operations is in addition to the sales value represented by these volumes.

The estimated worth of the service market in BE Group's geographical markets is SEK 120-175 billion, including customer production of standardized products that can potentially be performed by trading and service companies.

Average tonnage growth in BE Group's markets was 5.8% per year for 2003-2008. CEE is included in the calculation with figures for 2002-2007. Steel prices rose considerably during the period and growth was substantially higher in terms of market worth.

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 co-varies

with growth rates for GDP and industrial production.

The development towards an increasing percentage of processed products with a higher service component also suggests that sales for trading and service operations sales may increase faster than steel consumption.

There are significant differences between BE Group's geographical markets with respect to the factors that drive growth. The Eastern European economies, and thus demand, are in a long-term growth phase, while more mature economies are to a greater extent demanding services and more sophisticated products, such as aluminium and stainless steel.

Purchases of steel and other metals represent a major portion of the costs of trading and service companies and the price of steel has considerable impact on margins and earnings. Sales of services typically generate higher margins than inventory sales, while creating the conditions for higher growth and profitability. BE Group's concentration on increasing the service

component of sales is also aimed at reducing the Group's sensitivity to steel price variations while setting the stage for higher profitability through higher margins.

Market 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. The price of stainless steel consists of a base price for the primary steel product and an alloy surcharge based on the component alloy metals, primarily nickel. BE Group is affected seasonally by overall trends, primarily in the engineering and construction sectors, as well as calendar effects. Profitability is thus usually strongest in the second quarter, due to high construction activity and high number of working days.

PERFORMANCE IN 2008

Business performance during the year in BE Group's markets reflects the changes in the general economy. The favourable trend for the majority of the year was followed

by a slump in the autumn, which accelerated towards the end of the year. In Sweden, the market cooled and falling volumes were recorded somewhat earlier, in the third quarter. Demand in Finland resisted the general downturn longer, but cooled down that much faster in the fourth quarter. Demand in CEE weakened during the fourth quarter. The rapid downturn in purchase prices also created price competition in the region due to the high inventory levels when the economic downturn began.

Commercial steel accounted for 76% (68) or SEK 5,893M (5,193) of total consolidated sales. The percentage of net sales generated by long products increased to 33% (29), and flat products increased to 36% (33).

Stainless steel generated 17% (25) of total consolidated sales, equal to SEK 1,290M (1,889). The alloy surcharge with no mark-up accounted for SEK 372M (763) or 5% (10) of total sales.

Aluminium sales were SEK 473M (510) or 6% (7) of total net sales.

At SEK 12.57 (12.40), BE Group's average sales price per kg was up 1.4% compared to 2007.

COMPETITION

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

There are several major players in the European market, both trading and service operations owned by steel producers and independent companies. Notable among the latter are Klöckner, Germany; IMS, France; and BE Group, which are all listed, multinational companies.

A number of players of varying size are

doing business in the Nordic market. Several of the largest trading and service operations are integrated with steel producers, while BE Group is the largest of the independents.

The Eastern European markets are highly fragmented. Several local and regional firms compete in these markets along with multinational trading and service companies and steel producers with their own distribution companies. BE Group has long enjoyed a very strong and established position and maintained stable market shares in its two main markets, Sweden and Finland. Market shares in CEE vary from country to country.

CUSTOMERS

BE Group has a large customer base and had about 10,000 active customers in 2008. The ten largest customers generated 9% of sales during the year.

BE Group's customers are primarily industrial companies in a wide variety of sectors. The largest customer categories are the engineering sector at 44%, the construction sector at 23% and dealers, at 7%. Other customers are found primarily in the process industry, transport, energy and power, heating and ventilation, and mining and telecommunications sectors. BE Group also partners with dealers in its various geographical markets.

The market is developing towards increasingly complex customer needs, which is boosting demand for more highly processed products and sophisticated services. Aimed at focusing marketing towards specific needs, BE Group carried out an extensive project during the year to segment the Group's markets. The outcome was identification of four customer groups in

BE Group's markets:

- *Project business* – Project-based customers in sectors including construction and civil works.
- *Original Equipment Manufacturers* – Customers with in-house production and their supplier partners (such as machinery and equipment suppliers and the heavy vehicle and process industry).
- *Retail - Dealers*.
- *Pre-processing companies* – Processing companies (contract manufacturers).

Specific value propositions and sales arguments have been developed for each customer group, along with targeted training modules for sales representatives and other employees. The segments are being implemented successively and will be fully traceable in 2009.

SUPPLIERS

BE Group is one of the biggest buyers of steel, stainless steel and aluminium in the Nordic Region. The Group has close and strong relationships with several of the world's leading steel producers but is not dependent on any of them.

Consequently, the company can achieve competitive prices and favourable purchase terms and conditions. A large portion of BE Group's purchases are made from steel producers in western Europe, but the Group also buys from other regions, including Asia. BE Group works with some 200 suppliers, about 70 of them frequently. The ten largest account for 50% of shipments to BE Group. These include several world-leading steel producers like ArcelorMittal, Outokumpu, SSAB, Corus and Beltrame.

BE GROUP IS A VITAL LINK IN THE VALUE CHAIN

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



1 FEWER AND LARGER PRODUCERS

BE Group's suppliers are steel producers. Steel production is capital-intensive and the sector has traditionally been relatively fragmented and margins slim. A global concentration among steel producers has begun in recent years to improve profitability. With a view to improving efficiency and creating greater price stability, the producers are growing in size, but shrinking in number.

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

PRODUCER TRENDS

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

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

2 AN ATTRACTIVE PARTNER TO PRODUCERS

BE Group becomes an attractive partner to producers through providing:

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

3 PRODUCTS AND SERVICES: BE GROUP'S CUSTOMER PROPOSITION

BE Group's customer proposition covers everything from brokering metal products to production services and other services. Added value and margins differ considerably between these segments, and how sales are distributed among them has significant impact on the Group's profitability.

Steel, stainless steel and aluminium products are the basis of BE Group's customer proposition. The Group buys and ships products made of these materials, with various degrees of processing.

Production service is a central component of BE Group's strategy and is a growing part of sales. Accordingly, BE Group performs certain production steps using own materials and supplies processed products, often at regular intervals and tailored to the customer's production process.

In addition to supplying products, BE Group is increasingly selling services related to the company's vast expertise in steel and metals. This includes services in the areas of logistics, advice, recycling and customer-specific warehousing.

THREE MAIN SALES CHANNELS

BE Group's sales are through three channels: inventory sales, service sales and direct sales. BE Group's inventory sales involve purcha-



sing, warehousing, selling and distributing products to users. A high inventory turnover rate is essential to profitability here.

Service sales takes BE Group further along the value chain. The company delivers production services and other services with higher added value and higher margins through this distribution channel.

In practice, direct sales involves BE Group acting as a materials broker between the producer and the user. BE Group does not handle the materials, which are shipped directly to the customer from the producer, and margins are lower than in the other two sales channels.

GREATER SCOPE FOR BUSINESS

As the steel producers are becoming less flexible by reason of larger volumes and standardized production, the trend is the reverse at the other end of the value chain. Demands for flexibility and specialized products are rising among steel users.

BE Group's multinational, coordinated operations gives it the size and capacity required to do business with the major steel producers. At the same time, efficient logistics and production make it possible to offer excellent service to customers. Thus, BE Group integrates further along in the value chain through both investing in production capacity and acquiring or partnering with other companies.

4 ADDED VALUE FOR CUSTOMERS

BE Group is adding value for customers through:

- More efficient supplier contacts by means of a uniform interface towards producers.
- Economies of scale in purchasing, enabling cost reductions.
- Greater flexibility in the production process by means of shorter, more flexible delivery times.
- Considerably more reliable deliveries than most steel producers can offer.
- Complete handling of materials processing and logistics to save time, costs and capital for customers.
- Professional advice and coordination concerning product choice and other technical issues.

5 MORE SPECIALIZED CUSTOMERS

The bulk of BE Group's customers are in the construction and manufacturing sectors. Both are fiercely competitive industries and companies are working hard to keep costs under control. Optimal utilization of machinery and capital is crucial. For these reasons, companies are specializing more on their core business and are often outsourcing production phases they used to perform in-house. Internal economies of scale equip companies like BE Group to perform these production operations more efficiently.

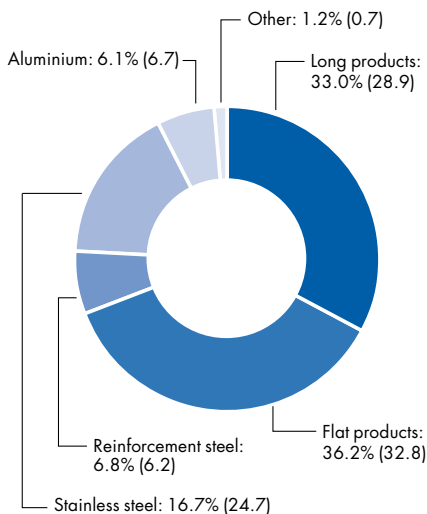
CUSTOMER TRENDS

Heightened competition is moving the trend among BE Group's customers towards:

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

BE GROUP'S VALUE PROPOSITION

SALES PERCENTAGES FOR MAIN PRODUCTS



BE Group supplies a wide range of commercial steel, stainless steel and aluminium, along with an extensive range of services and processed products made of those materials. The objective is to deliver the greatest possible value to BE Group's customers and enhance their competitiveness through products and services that boost productivity and profitability.

PRODUCTS

BE Group's range covers some 20,000 standard products. Commercial steel is the largest product segment, with a wide selection of flat and long products. Flat products include hot-rolled plate and hot and cold-rolled thin plate. Long products include beams, profiles and steel bars. Other key steel products are steel tubes, reinforcement steel and engineering steel.

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

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

The sales percentages for the main products are shown in the chart at left.

BE Group adds value by integrating its expertise on materials, production and customer needs in the most efficient way possible.

SERVICE

The large and sophisticated service proposition differentiates BE Group from more conventional wholesalers. Primarily, this involves expanded production service, meaning that BE Group processes material 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 business and thus reduce costs and capital tied-up. The Group also partners with other companies to offer additional forms of production service, such as welding and galvanizing.

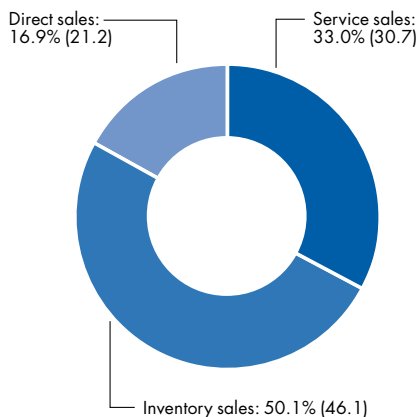
The Group also provides a growing range of services within logistics, customer-specific warehousing, advice, recycling and financing. Among else, BE Group deploys its own warehouse and distribution system to offer customers complete logistics solutions. BE Group also provides advisory services in the form of technical support related to materials, streamlining flows, support to the sales organization and training the customer's personnel. Customers are also offered collection and recycling of surplus and used materials, as well as financing of working capital, in some cases.

BE Group is committed to a long-term effort to increase the service component of sales by improving industrial skills and investing in sites dedicated to a variety of production services. In the past four years, the company has increased service sales, including the value of component materials, by an average of 14% a year. The percentage of total sales has increased from 28 to 33%.

LOGISTICS

BE Group has developed a cost-effective organization with high earnings per employee. BE Group's high inventory turnover rate, compared to the industry norm, and efficient logistics contribute to efficient capital utilization. BE Group has 34 sites for sales, production and warehousing. The Group maintains high product availability and on-time delivery. The result is shorter lead-times, more reliable

SALES PER DISTRIBUTION CHANNEL



BE GROUP'S PRODUCT AND SERVICE PROPOSITION

PRODUCT SEGMENTS

Commercial steel

- Long products
 - Long products
 - Tubes
 - Engineering steel

- Flat products
 - Hot-rolled plate
 - Thin plate

- Reinforcement steel

Stainless steel

Aluminium

Other

PRODUCTION SERVICE

- Cutting of long products
- Sawing of aluminium and other service
- Shot blasting and painting
- Drilling/hole-punching, 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, etc.)
- Customer-specific and repeatedly shipped sets of processed products

OTHER SERVICES

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

Long steel products, such as beams, square tubes and bars are processed by cutting-to-length and drilling at the BE Group site in Norrköping.



delivery and just-in-time delivery capacity, which cuts the cost of capital for our customers. A large percentage of orders ship within 24 hours.

DISTRIBUTION CHANNELS

BE Group's sales are made through three distribution channels: inventory sales, service sales and direct sales. Direct sales involve sales of products shipped directly to BE Group's customers from materials producers.

Generally, margins are highest in the more advanced segment of service sales and lowest in direct sales. The Group intends to increase the service component of sales to 50% within the next three to four

years. Sales percentages by distribution channel are shown in the diagram on page 16.

A STRONGER BRAND

BE Group has been building a strong brand and close customer relationships for many years. Under current accounting rules, such values are measured only in conjunction with acquisitions.

QUALITY

BE Group's quality management system includes full-coverage procedures, high-precision processes, a structured organization and skilled employees. Operational quality involves both precision and production tolerance limits, as well as

delivering the right product at the right time to the right place. BE Group has a quality management system to manage both general and specific customer requirements, from order to delivery, and to maintain meticulous control over machine capacity and employee skills.



Flat products – Thin plate



Long products – Beams and bars



Aluminium – Tubes



Pre-processing of reinforcement steel



Aluminium cutting



Gas cutting

BE GROUP OVERVIEW

BE Group's earnings for 2008 outperformed 2007 and the year was one of the best in the company's history. The Group benefited from strong demand during most of the year, but this was followed by an autumn slump that accelerated towards the end of the year. BE Group acquired two companies in the Czech Republic during the year and the thin plate business in Sweden was transferred to a joint venture with ArcelorMittal.

FINANCIAL TARGETS

BE Group has five financial targets for operations, which are measured over a rolling 12-month period. The outcomes for growth, profitability and return will be measured over an economic cycle, while capital structure targets refer to a normal situation. Temporary deviations may occur, for instance in conjunction with acquisitions.

FINANCIAL TARGETS		
	Figures	Outcome 2008
Underlying sales growth	>5%	neg
Underlying EBITA margin	>6%	6.0%
Underlying return on operating capital	>40%	39.5%
Net debt/total equity	<150%	91.2%
Net debt/underlying EBITDA	<3 (multiple)	2.0 (multiple)

The underlying sales growth target was not met in 2008, due to the weak economic trend in the second half. Operating capital increased due to finalized structural transactions and higher working capital, which had negative impact on underlying return on operating capital, for which the outcome was slightly below target. The

other targets were met during the last year, including the capital structure target.

The 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. BE Group applies an internal calculation model, which has not been reviewed by the auditors.

NET SALES AND EARNINGS

BE Group is reporting an overall increase in consolidated net sales in 2008 of 0.8% compared to 2007, to SEK 7,713M (7,650). Sales benefited primarily from the acquisitions in the Czech Republic.

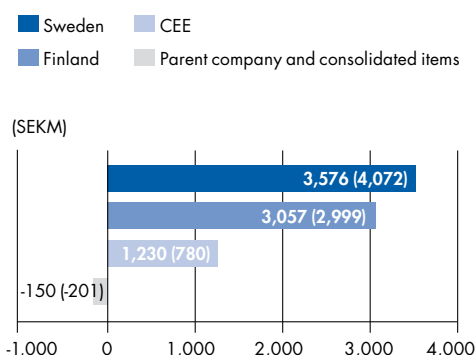
Consolidated gross profit increased to SEK 1,238M (1,167). Reported gross profit includes inventory gains of SEK 46M (-40). The gross margin improved to 16.1% (15.3).

EBITA rose to SEK 538M (512) and underlying EBITA declined to SEK 459M (552). EBITA was affected by net exceptional items of SEK 33M. These items consist of a capital gain of SEK 59M in connection with the joint venture with ArcelorMittal and one-time costs for the cost savings programme of SEK 26M.

The EBITA margin improved to 7.0% (6.7) and the underlying EBITA margin declined to 6.0% (7.2). The underlying EBITA margin was 5.9% (7.1) for comparable units.

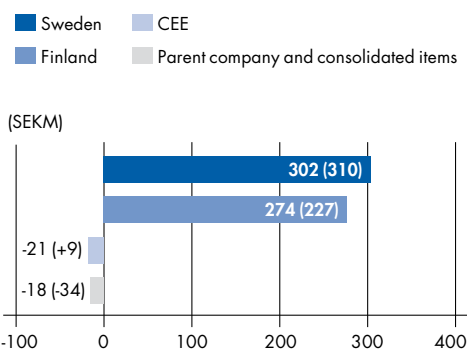
Performance per business area is discussed on pages 20-26.

NET SALES PER BUSINESS AREA



Growth during the year was highest in CEE, where BE Group acquired two companies in the Czech Republic. Annualized pro forma sales in CEE amounted to SEK 1,480M in 2008.

EBITA PER BUSINESS AREA



Sweden and Finland delivered good earnings in 2008, but CEE's performance was weakened by factors including strong general price pressure.



BUSINESS AREA SWEDEN

The Swedish market accounts for almost half of BE Group's sales and is thus the Group's largest market.

Operations in Sweden include warehousing and production in Malmö and Norrköping and sales offices in ten locations. The business area also cooperates with a nationwide dealer network. Sweden had 369 employees (411) as of December 31.

MARKET

Generally speaking, the Swedish steel market is well-developed and relatively stable. The trading and service market is growing, with a larger share of commercial steel, stainless steel and aluminium channelled via trading and service companies. The development towards an increasing percentage of processed products suggests that sales for trading and service operations may increase faster than steel consumption.

The Swedish economy has demonstrated healthy growth for several years. The market for steel and other metals, expressed in tonnage, grew by an average of 4% per year between 2003 and 2008. During the same period, sales of steel and other metals by trading and service companies grew an average of 4.9% according to industry statistics.

The upward sales trend of recent years was broken in the fourth quarter of 2008 consequent upon the general economic downturn. As a result, steel consumption during the year was about 4.3 million tonnes, which was slightly lower than in 2007.

BE Group's integrated machinery for cutting and drilling can streamline processes, for instance with regard to total assembly time. Shown here, assembly work at the Rya Combined Heat and Power Plant in Göteborg.

CUSTOMERS

BE Group's customers are a relatively good reflection of the Swedish industrial structure. Accordingly, a large percentage of the business area's customers are in the engineering industry, although they vary in size and business direction. Construction and civil works companies are another large customer group wherein BE Group has a strong position, which also holds true for dealers of steel and other metals.

COMPETITION

There is a relatively high number of competing trading and service companies devoted to commercial steel, stainless steel and aluminium in Sweden. BE Group's main competitors are Tibnor, a company in the SSAB Group; Ruukki Sweden, a company in the Ruukki Group; and Stena Steel, part of the Stena Group. Tibnor and Ruukki Sweden are thus integrated with steel producers, while BE Group and Stena are independent of producers in terms of ownership.

Market shares have been judged as stable over recent years, but niche players have entered the stainless steel and aluminium markets, contributing to greater price competition.

Growth in the service component of sales was sustained during the year and amounted to 31.7% (28.6) of total sales, including materials. Other sales are distributed between inventory sales at 46.0% (49.0) and direct sales, at 22.3% (22.3).

SALES AND BUSINESS PERFORMANCE

Demand remained high in the Swedish market for the first half of the year. A cool-down with falling tonnage began during the third quarter and accelerated towards

the end of the year. The downturn brought a steep decline in prices, especially for long products.

The stainless steel market continued to weaken during the year, but volumes stabilized somewhat during the autumn, although price pressure did not let up.

Net sales decreased by 12.2% to SEK 3,576M (4,072). The sales decrease for comparable units was 8.6%. EBITA declined to SEK 302M (310). Underlying EBITA declined to SEK 254M (327). The EBITA margin was 8.4% (7.6) and the underlying EBITA margin was 7.1% (8.0).

EBITA was affected by net exceptional items of SEK 46M related to the capital gain of SEK 59M in connection with establishing the joint venture with ArcelorMittal and costs of SEK 13M for the savings programme.

SIGNIFICANT EVENTS

BE Group formed a joint venture during the year with ArcelorMittal for processing and sales of thin plate in the Swedish market. The objectives with the joint venture include increasing processing and achieving higher production efficiency within the framework of a larger structure.

BE Group's former operations in Borlänge and ArcelorMittal's equivalent operations in Karlstad, which each generated sales of about SEK 400M in 2007, have been transferred to the joint venture company. The new company, ArcelorMittal BE Group SSC AB, is now the third-largest company in the Swedish thin plate processing market, with a market share of 20% and sales of about SEK 800M. Integration of the two businesses proceeded during the second half of the year and was successful. The work to structure operations has been initiated.

In line with its strategy, BE Group is continuing to increase the service component of total sales. Toward that end, the company has begun partnerships with various companies, which makes it possible for BE Group to offer expanded production service in steel tube processing.

As part of the Group's adjustment to the weaker economy, the Business area Sweden began implementing a cost savings programme in December 2008.

FUTURE DEVELOPMENT

A new sales organization will be implemented in early 2009 to further coordinate and focus marketing on specific customer groups in the business area. The new organization is divided into three divisions: Construction, Industry South and Industry North.

Positive effects of the cost savings programme have already been recorded in the first quarter of 2009.

Efforts to develop the business area's service proposition are continuing. Toward that end, BE Group Sweden is also endeavouring to acquire operations that will augment the business area with new types of service for the construction, civil works and engineering sectors.



Henrik Fries, Acting Business Area Manager.

KEY DATA	2008	2007
Net sales, SEKM	3,576	4,072
<i>Growth, %</i>	-12.2	12.0
EBITA, SEKM	302	310
<i>EBITA margin, %</i>	7.1	7.6
Underlying EBITA, SEKM	254	327
<i>Underlying EBITA margin, %</i>	7.1	8.0
Investments, SEKM	16	24
Average number of employees	386	407

BUSINESS AREA FINLAND

Finland is BE Group's second-largest market and generates about 40% of consolidated sales. It is also the market where the Group has the highest service component of sales.

During the year, Finland had five warehousing and production sites, two in Lahti, two in Lapua and one in Turku. The two divisions in Lahti will be combined in 2009.

The sales organization is divided into two geographical areas with one organization for Southern and Eastern Finland and one for Western and Northern Finland. There are sales offices in ten locations and the business area had 387 employees (379) at the end of the year.

MARKET

The Finnish market has a high export share and continued to benefit from the flourishing global economy throughout most of the year. Beginning in the fourth quarter, large segments of the industrial sector met with a rapid cooldown in demand. Estimated Finnish steel consumption in 2008 was 2.5 million tonnes (2.5). Average annual volume growth was 3.0% for the period of 2003-2008.

Trading and service companies handled 0.8 million tonnes (0.8) of steel and stainless steel in 2008. The average tonnage growth rate in the trading and service market for steel and other metals and the Business

area Finland was 2.5% between 2003 and 2008, but year-on-year figures varied widely. Value growth for the trading and service market is believed to have been higher due to successive increases in the service component of sales.

CUSTOMERS

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

The Finnish industrial structure is such that BE Group has a higher percentage of large companies among its customers in

SKSTöijala Works assembles forest machinery for Kalmar Industries. The picture shows a log stacker, which has a lifting capacity of 30 tonnes and is used in sawmills and pulp mills. BE Group supplies products including bent and laser-cut components from the site in Lapua, Finland.



the Finnish market than in the Swedish market. Larger companies are often more open to outsourcing production than smaller companies are, which has contributed to growing demand for production service.

COMPETITION

There is a relatively high number of competing trading and service companies in the steel, stainless steel and aluminium sector in Finland. The largest player in the market is Ruukki, part of the steel-producing Rautaruukki Group, followed by BE Group. Measured in tonnage, Kontino is the third largest but still significantly smaller than BE Group, while the Finnish company Tibnor is the third largest in terms of sales, due to a higher percentage of stainless steel and aluminium. Like BE Group, Kontino is an independent supplier with no links to steel producers, but SSAB owns a majority interest in Tibnor.

SALES AND BUSINESS PERFORMANCE

The Finnish market was characterized for most of the year by high activity in the engineering and construction sectors. BE Group's sales also benefited from the business area's capacity expansion in production service. However, demand for stainless steel remained weak. Sparked by the general economic trend, there was a swift and marked downturn in demand and successively lower prices in the fourth quarter.

Finland is reporting sales of SEK 3,057M (2,999), an increase of 1.9%. EBITA was SEK 274M (227). Underlying EBITA was SEK 238M (249). The EBITA margin improved to 9.0% (7.6) and the underlying EBITA margin declined to 7.8% (8.3).

SIGNIFICANT EVENTS

Finland has continued to strengthen its service proposition, including by investing in new production equipment and increasing capacity at its sites.

The service component of sales of total sales, including materials, could thus be increased to 46.4% (45.0) during the year. Inventory sales accounted for 43.1% (44.9) and direct sales for 10.5% (13.1).

As part of the Group's adjustment to the weaker economy, the Business area Finland began implementing a cost savings programme in December 2008.

Over the next few years, Finland will concentrate production from five to three units in Lahti, Lapua and Turku. The first phase will be undertaken in 2009, when the two units in Lahti will be combined. Additional investments in machinery will be made in conjunction with the restructuring, primarily for processing stainless steel and aluminium. The investments will also include equipment to increase delivery capacity for finished commercial steel components.

The BEST training programme began at the end of the year and will continue dur-



Matti Tiira, Business Area Manager.

ing the first half of 2009. The programme is aimed at supporting service sales and ensuring consistency in customer relationships. All sales representatives and production personnel who come into contact with customers, a total of 135 people, will participate in the training.

FUTURE DEVELOPMENT

Efforts to develop the business area's service proposition are continuing. Positive effects of the cost savings programme have already been recorded in the first quarter of 2009.

Acquisitions may also be made to further the continued expansion of production service in the Finnish market.

KEY DATA	2008	2007
Net sales, SEKM	3,057	2,999
<i>Growth, %</i>	<i>1.9</i>	<i>13.5</i>
EBITA, SEKM	274	227
<i>EBITA margin, %</i>	<i>9.0</i>	<i>7.6</i>
Underlying EBITA, SEKM	238	249
<i>Underlying EBITA margin, %</i>	<i>7.8</i>	<i>8.3</i>
Investments, SEKM	25	32
Average number of employees	392	369

BUSINESS AREA CEE

BE Group has been operating since the mid-1990s in Denmark and six countries in Central and Eastern Europe. In line with the strategy of further growth in these markets, BE Group acquired two companies in the Czech Republic during the year. This increased CEE's annualized sales on a pro forma basis to approximately 20% of consolidated sales.

The Business area CEE, whose name is an acronym for Central and Eastern Europe, has inventory and sales in 10 locations and production facilities in Poland and the Czech Republic. CEE had 261 employees (158) at the end of the year.

MARKET

The total market for steel in Central and Eastern Europe is very large. Total steel consumption in CEE's markets was 21 million tonnes in 2007 (2008 figures not available when the annual report went to press). The largest of these markets are Poland (8 million tonnes) and the Czech Republic (5 million tonnes). Over the five-year period of 2002-2007, steel consumption grew by an average of 6-7% a year, measured in tonnes.

Sustained high growth was recorded in Central and Eastern Europe with favourable trends in the industrial and construction sectors. Demand was weaker during the latter part of the year. Combined with the

At its factory in Gdynia, Poland, Dellner Couplers Group has manufactured train carriage couplers used in the region of Sydney, Australia. The couplers must meet stringent standards for strength and manufacturing precision. BE Group has supplied components of stainless steel and heavy plate for the mechanical parts of the couplers.



decline in producer prices for steel during the fourth quarter, this triggered much tougher price competition among distributors. The strongest growth was recorded in the Czech Republic, but Slovakia also performed well. Development was weak in the Baltic countries and Denmark. For the year as a whole, CEE's growth was substantially reinforced by the two acquisitions carried out in the Czech Republic.

CUSTOMERS

The CEE customer base is made up primarily of local companies in the engineering sector and companies in the construction and process sectors.

Multinational corporations, which have increasingly set up operations in Central and Eastern Europe, are an important and growing customer segment for BE Group. They are often distinguished by strong focus on core business and demand for advanced products and expansive production service.

COMPETITION

The Central and Eastern European markets are highly fragmented among a large number of competing trading and service companies. Generally speaking, these companies generate a larger percentage of steel sales than is the case in Sweden and Finland.

Most of BE Group's competitors operate in only one country, but there are companies doing business in several countries, such as the Czech Feron, Slovakian Raven and Polish Zlomrex.

Also active in the market are the major steel producers Thyssen-Krupp, Ruukki and ArcelorMittal, which have their own distribution companies in several markets, along with the trading companies Klöckner,

IMS and several other western European players.

BE Group has a relatively large number of competitors in Denmark. Two of the largest are Sanistål and LMG Stål.

SALES AND BUSINESS PERFORMANCE

The first half was characterized by favourable growth in most countries in CEE, but demand fell in the second half. Despite the economic downturn, CEE is reporting high growth, which is related in all material respects to acquisitions. Sales increased by 57.8% to SEK 1,230M (780).

The general weakening of the market has triggered heavy price pressure, which has hampered the business area's progress towards demonstrating satisfactory profitability, which has not yet been achieved.

EBITA declined to a loss of SEK 20M (9). Underlying EBITA declined to a loss of SEK 14M (10). The EBITA margin was negative (-1.2), as was the underlying EBITA margin (-1.2). Earnings were affected by one-time costs of SEK 10M for closing operations in St Petersburg.

Service sales increased but the percentage of total sales declined, mainly due to acquisitions. Service accounted for 8.8% (9.1) of sales, including materials. Inventory sales accounted for 82.4% (69.3) and direct sales for 8.8% (21.6).

SIGNIFICANT EVENTS

In line with the strategy of growth in Central and Eastern Europe, BE Group has acquired all shares in two companies in the Czech Republic, Ferram Steel and Czechprofil.

With these acquisitions, BE Group has substantially strengthened its presence in the Czech Republic to become one of the four largest distributors in the country,



Per Gullstrand, Business Area Manager.

with annual pro forma sales of nearly SEK 750M. By comparison, BE Group's sales in the Czech Republic were approximately SEK 80M in 2007. The acquired companies made a positive contribution to BE Group's growth in 2008 and are generating cost and capital synergies in combination with the Group's pre-existing operations in the Czech Republic.

Ferram Steel, which concentrates on flat products, has sites in the cities of Ostrava, where the head office is located, and Opava. The site in Ostrava will be used as a logistics centre, which will create substantial opportunities for further margin improvements and growth in the Czech Republic, Slovakia and southern Poland. The company was consolidated in the

Group as of July 15. There were 52 employees as of acquisition.

Czechprofil does business in the market for both flat and long steel products. The company has an expansive service business and is a good complement to BE Group's product range. Operations include a combined production and warehouse site in Prerov, where BE Group is already represented.

The company was consolidated in the Group as of January 23. There were 40 employees as of acquisition date.

An efficiency programme was initiated in summer 2008, aimed at taking advantage of synergy opportunities arising from the acquisitions. Accordingly, operations in the Baltic countries were organized under joint management during the year.

Efficiency in the Czech operations will be improved by concentrating production in the country to the site in Prerov, which will also become the head office in the Czech Republic. Moreover, the site in Ostrava will be developed into a logistics centre for the Czech Republic and nearby markets in Poland and Slovakia.

The changes, which will be finalized in 2009, will lower costs and capital tied-up

and create opportunities for lower purchase prices for steel and other metals.

As part of the Group's adjustment to the weaker economy, CEE decided in December 2008 to implement further cost savings. Among else, there will be reductions in force, primarily in Poland and Latvia. In addition, the site in St Petersburg, Russia will be closed in 2009. Russia remains an interesting market for BE Group from the long-term perspective.

FUTURE DEVELOPMENT

CEE is forecasting continued growth in its markets, buoyed by the acquisitions BE Group carried out in 2008. Strong emphasis in the next year will be put on strengthening profitability within the framework of the initiated efficiency programmes.

A development towards fewer and larger suppliers is ongoing in Central and Eastern Europe and BE Group intends to participate actively in the consolidation process. Companies operating in distribution and logistics, as well as production service, are of interest and the search also extends to countries in which BE Group is not yet doing business.

PRO FORMA SALES

	Actual outcome 2008	Pro forma 2008
Sales (SEKM)	1,230	1,480
EBITA (SEKM)	-20	0

The pro forma figures were calculated as if the year's acquisitions had taken place on January 1, 2008.

KEY DATA	2008	2007
Net sales, SEKM	1,230	780
Growth, %	57.8	24.4
EBITA, SEKM	-20	9
EBITA margin, %	neg.	1.2
Underlying EBITA, SEKM	-14	10
Underlying EBITA margin, %	neg.	1.2
Investments, SEKM	223	7
Average number of employees	224	151



SUSTAINABLE BUSINESS

The effort to create sustainable business over the long term is a vital aspect of BE Group's operations. Internal environmental objectives are set based on identified environmental aspects, the requirements set out in environmental laws, available technology and local conditions. The objectives are broken down into local action plans at each unit. Environmental status is regularly measured and followed up to ensure that objectives are met. BE Group employees are given environmental training to ensure that the environmental perspective is an integrated component of all processes.

SUSTAINABLE SUPPLIERS

BE Group's operations consist mainly of warehousing and trading, along with the growing segment of production service. As a result, environmental impact from the company's own operations is relatively minor. For that reason, putting pressure on suppliers is the most effective way to reduce harmful environmental effects. BE Group imposes stringent standards on suppliers to maintain sustainable operations. Sustainability plays a key role in the company's purchasing processes, primarily through requiring supplier certification according to ISO 14001 and ISO 9001, which is followed up twice a year. The quality of the suppliers' work is also of vital importance. On-time deliveries of the right products of the right quality reduce the number of transports and materials consumption.

THE FOUNDATION IS ISO 14001

BE Group Sweden and BE Group Finland have been certified under the ISO 14001 environmental management system for some years. Operations in Latvia and Poland were also certified in 2008. As a result,

88% of BE Group's sales volume is achieved in compliance with ISO 14001 standards. Efforts are ongoing to certify all units within CEE according to ISO 14001. Special efforts are being devoted in that regard to bring the companies acquired in the Czech Republic in 2008 up to the same standards as other units.

ISO 14001 contains a large number of requirements, which are regularly followed up. BE Group uses this information to ensure continuity and continuous improvements in the Group's sustainability efforts.

BE Group's operations are already certified under the ISO 9001 quality management system in Sweden, Finland, Poland, Latvia and Lithuania. Efforts are in progress to certify all units within CEE, which is expected to be accomplished during 2009.

MAKING A DIFFERENCE IN FOUR AREAS

BE Group's relatively limited environmental impact can be categorized into four areas: transport, energy consumption, process emissions and waste management, which are the focus of efforts to limit the environmental impact of operations.

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

A decision was taken during the year in Finland to reduce the number of sites from five to three, which will streamline the product flow and sharply reduce internal transports.

The acquisition of Ferram Steel in the Czech Republic has given BE Group the opportunity to establish a logistics centre in Ostrava. It will contribute to more efficient logistics and substantially reduce transport distances for BE Group's

operations in Central Europe. As the rail network is very good in the region, rail can be used for most remaining transports.

In Sweden, all transport vehicles run on biodiesel and serious efforts are made to optimize load capacity for outbound shipments of products with a view to reducing the total number of vehicles used and mileage driven. The company's heavy goods drivers are also trained in eco-driving, a technique that reduces fuel consumption. BE Group requires contracted carriers to comply with ISO 14001 environmental standards.

Energy consumption – As with transports, energy consumption is carefully monitored in all operations and actions are being taken to reduce consumption.

The Norrköping site in Sweden switched to district heating during the year, which has eliminated heating-related emissions from the site. For instance, emissions of carbon dioxide have been reduced by 440 tonnes a year, nitrous oxide by 300 kg a year and sulphur dioxide by 150 kg a year. BE Group is studying the feasibility of installing district heating at its other sites.

Warehouse facilities in Poland have been fitted with a new natural gas-based heating system and office premises with new energy control equipment, which has helped reduce energy consumption.

In Finland, a recirculation system has been installed on the plasma cutting machine in Turku, which also reduced energy consumption. One of the two sites in Lahti has implemented energy efficiency measures and thereby reduced energy used for heating by 15%.

Process emissions – The emissions caused by BE Group's operations arise mainly in



production operations that perform painting and shot blasting. These sites are in Lahti, Malmö, Norrköping and Turku. Solvents (VOC) from painting facilities are purified in a special process system and particle filters are used to eliminate particulate emissions from shot blasting and cutting machinery. The purification system is efficient and further improvements are made on a continuous basis.

Process optimizations in Finland have made increased paint separation possible, contributing to further reductions in VOC emissions. Investments in new water tables for gas cutting machinery have also reduced emissions of particulates to air. BE Group also takes active part in local environmental initiatives, as in Lahti where the company is involved in a programme to monitor air

quality and groundwater in the city.

BE Group is engaged in operations at two sites in Sweden for which environmental permits are required.

Operations in two locations in Finland require environmental permits. Group companies have obtained special permits to engage in operations in the countries where such permits are required.

Waste management – Most residual products are reused or sorted and recycled. BE Group continually monitors its recycling contractors to ensure efficient performance. A goal-oriented and long-term effort to achieve more efficient waste management has resulted in a dramatic decline in the amount of waste sent to landfills. Scrap is sorted into several categories for more efficient recycling: easily recyclable

packaging materials are used for outbound shipments; and investments in new painting equipment have reduced paint consumption and waste in the painting process.

SERVICE FOR SUSTAINABILITY

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

EMPLOYEES AND ORGANIZATION

The service component of BE Group's sales is continually increasing, accentuating the need for production skills to supplement the company's traditional and substantial trading expertise. BE Group puts particular emphasis on recruiting employees who have experience in and understand the customers' business concepts and production processes, but the company is also investing in internal skills enhancement projects. These skills equip BE Group to develop its service proposition and be a valuable partner to its customers.

THE ORGANIZATION'S VALUES

BE Group has compiled a number of values that reflect the spirit of the company and which all employees should be able to identify with. The values are the foundation of the business and provide every employee with guidance in their day-to-day work. Those values are:

Customer understanding – We understand our customers and contribute to their success.

Profit – We are cost-effective and together we generate profit for our customers and ourselves.

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

Responsibility – We accept responsibility and keep our promises.

Transparency – We are open, honest and unambiguous.

LEADERSHIP A CRITICAL SUCCESS FACTOR

Distinctive and objectives-oriented leadership is essential so that BE Group can develop the business and strengthen the organization's market position.

Leadership is a central, high-priority issue company-wide and is one of BE Group's four strategic ambitions.

BE Group's managerial standards are very high and the company has defined leadership values that all managers are expected to work towards. For instance, managers are expected to set clear objectives, take decisions and stand by them. They must also be open, accessible and show compassion, but also be motivators who demand outstanding performance from their employees.

BE Group initiated the corporate BE Executive programme in 2007 aimed at identifying talented people and preparing them to run heavier projects and fill senior management positions in the future. Participants are trained by external training providers and mentored by members of Group management, who participate in every training session. The contents of training are oriented to subjects including communication, intercultural leadership, and leadership in change processes.

The training method includes professional role playing and group projects. Important networks between different countries within BE Group are also created through the regular programme meetings.

BE Group managers at every level are continuously trained and their skills developed. A two-day seminar for the 40 highest-ranking managers at BE Group was held during the year. The seminar focused on skilled management through change processes, which was linked to the personal profiles of the participants. The Group holds an annual internal managerial conference, which among else gives employees an opportunity to transfer knowledge between different markets and countries.

All managers have individual targets so that their performance can be evaluated and improved. This also provides an opportunity to swiftly gain insight into potential problems in the organization. Attainment of set objectives is measured against a leadership index. Scores are followed up individually every year. Outcomes have steadily improved in all business areas, showing that BE Group's systematic approach to enhancing leadership in the Group is delivering results.

Managerial training courses are held regularly in Sweden, concentrating on subjects including coaching and presentation techniques. One such course was concluded in spring 2008 and the next is planned for spring 2009.

CONTINUOUS SKILLS DEVELOPMENT

By tradition, BE Group is a company with a strong business orientation. The company's business skills are continually developed through training and recruiting. In parallel, other skills are being added to the sales organization in a variety of ways. For instance, BE Group is focusing more on hiring sales representatives with technical training and backgrounds.

During the year, BE Group carried out a comprehensive customer segmentation project at the corporate level. The project is strengthening skills in service sales throughout the Group. The primary outcome was the development of BEST – an interactive sales tool for all sales representatives who are in contact with customers. Among else, BEST helps sales representatives understand the customer's needs and ask the right questions to promote sales. For instance, the tool contains segment-adapted customer cases and templates for

estimating and illustrating the financial efficiency of including various service alternatives from BE Group in the customer's production.

In order to spread knowledge about BEST and skills in service sales, about 50–60 sales managers from all over BE Group will be trained in BEST on three occasions each and taught to be “trainers” by internal and external training experts. These individuals will subsequently continuously train their own employees. The initiatives began in late 2008 and will continue in 2009.

All BE Group employees in Sweden underwent a one-day training seminar called “Ethics and Employee-ship.” The seminar was held on 20 occasions in groups of 20 people. The contents were oriented mainly towards BE Group's values, but spreading knowledge about the company's strategy was also a key aspect.

SAFETY AND EQUAL OPPORTUNITY IN THE WORKPLACE

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

While the steel industry is traditionally male-dominated and currently only 18% (17) of the workforce are women, BE Group is working actively to change this through recruitments and other measures. For instance, there is a comparable work evaluation system in Sweden to ensure gender-equal pay structures.

BE Group is also working proactively to be an attractive employer and increase workforce diversity. As an example, the Swedish company is participating in the MINE diversity project in Malmö and has participated in several activities during the

year for primary and secondary school students.

REINFORCING THE ORGANIZATION

Subsidiary purchasing organizations were centralized as of January 1, 2008 into a Corporate Product Supply function. The new organization's responsibilities include contract negotiations, developing BE Group's product range and acting as a corporate centre of technical and production excellence. This is equipping BE Group to more efficiently manage the development towards larger steel suppliers. An organizational change was implemented in CEE, whereby operations in the Baltic countries were regionalized, which has improved efficiency.

THE WORKFORCE IN FIGURES

BE Group had a total workforce of 1,038 (959) on December 31, 2008.

BE Group Sweden had 369 employees (411), 54% of whom work in production, warehousing and distribution. In addition, the parent company had 21 (14) employees. Thin plate operations in Sweden were deconsolidated during the year and transferred to a joint venture with ArcelorMittal, which reduced the workforce by 29 people.

BE Group Finland had 387 (379) employees, about 72% of whom work in production, warehousing and distribution.

The corresponding figures for CEE were 261 (158), with 43% working in production, warehousing and distribution. The acquisitions of Ferram Steel and Czechprofil increased the workforce in CEE during the year by 92 people.

The company decided during the year to take a number of actions that will reduce BE Group's workforce by about 130 people.



All employees in Sweden participated in a one-day training seminar during the year called “Ethics and Employee-ship.” Focus was on BE Group's values and strategy.

MANAGEMENT REPORT

OPERATIONS

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

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

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

MARKET AND BUSINESS ENVIRONMENT

The global economic slowdown in late 2008 brought a steep downturn in demand for steel and other metals. This broke the multi-year trend of increasing demand and sharply rising steel prices that had characterized much of the financial year.

The World Steel Association (WSA) reports that global steel production in 2008 was down from 2007 by 1.2% to 1,330 million tonnes. However, the figure for the full year obscures the sharp downturn in September-December in the wake of lower demand. Global steel production in December declined by 24% compared to December 2007. Prices for commercial steel and scrap fell in the fourth quarter, despite production cutbacks.

Developments during the year in BE Group's markets reflect the changes in the general economy. The favourable trend for the majority of the year was followed by an autumn slump that accelerated towards the end of the year. In Sweden, the market cooled and falling volumes were recorded somewhat earlier, in the third quarter. Demand in Finland resisted the general downturn longer, but cooled down that much faster in the fourth quarter.

Demand in Central and Eastern European markets also weakened after summer. The rapid downturn in purchase prices also created price competition in the region due to the high inventory levels when the economic downturn began.

SALES AND BUSINESS PERFORMANCE

BE Group is reporting an overall increase in consolidated net sales for 2008 of 0.8% compared to 2007, to SEK 7,713M (7,650). The increase was distributed mainly among acquired growth of 4.3 percentage points, positive currency effects of 2.3 percentage points and price and mix changes of 0.6 percentage points. These increases were offset by a tonnage decline of 4.0 percentage points for comparable units and deconsolidation of thin plate operations in Sweden, which reduced sales by 2.4 percentage points. The sales decrease for comparable units was 1.2%.

At SEK 12.57 (12.40), the average sales price per kg was up 1.4% compared to 2007.

Consolidated gross profit increased to SEK 1,238M (1,167). Reported gross profit includes inventory gains of SEK 46M (-40). The gross margin improved to 16.1% (15.3).

EBITA rose to SEK 538M (512) and underlying EBITA declined to SEK 459M (552). EBITA was affected by net exceptional items of SEK 33M. These items included a capital gain of SEK 59M in connection with the joint venture with ArcelorMittal and one-time costs for the cost savings programme of SEK 26M. The EBITA margin improved to 7.0% (6.7) and the underlying EBITA margin declined to 6.0% (7.2). The underlying EBITA margin was 5.9% (7.1) for comparable units.

COST SAVINGS PROGRAMME

BE Group initiated a cost savings programme in December 2008 in response to weaker demand and the market outlook, which is difficult to assess. The objective is to lower BE Group's total annual costs by approximately SEK 100M within 12-15 months. BE Group expects a reduction in force of approximately 120 people. The reductions will be mainly in Sweden, Finland, Poland and Latvia, but other markets will also be affected. The savings programme will begin having an impact in the first half of 2009 and will be fully effective during the first quarter of 2010.

BE Group has decided to discontinue operations at its facility in St Petersburg, Russia. Operations were begun in 2006 and sales in 2008 were SEK 16M and resulted in negative EBITA of SEK 5M. The business will be closed during 2009 and will affect a total of 13 employees. Russia remains an interesting market for BE Group from the long-term perspective, but at present, resources in the Business area CEE will be focused on other regions in Central and Eastern Europe.

One-time costs for the cost savings programme and the closure of operations in St Petersburg amount to SEK 26M in total and were charged against earnings in 2008.

DISTRIBUTION CHANNELS

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

The largest distribution channel is inventory sales, which accounted for 50% (48) of total sales. The tonnage share for direct sales declined progressively during the year to 17% (21). The service component of sales (including materials) increased compared to 2007 to 33% (31), the highest percentage ever recorded.

BE Group is striving to increase the service component of sales by improving industrial skills and investing in sites dedicated to a variety of production services. The Group intends to increase the service component of sales to 50% within the next few years.

COMMERCIAL STEEL TREND

Net sales of commercial steel increased by 13.5% compared to 2007 and tonnage increased by 0.3%. Long products increased to 33% (29) of net sales and flat products increased to 36% (33) of net sales.

STAINLESS STEEL AND ALUMINIUM TREND

The purchase price of stainless steel consists of a base price for the primary steel product and an alloy surcharge. Prices to customers for the majority of BE Group sales are based on the base price and no profit margin is taken on the alloy surcharge. Stainless steel generated 17% (25) of total consolidated sales for the full year 2008, or SEK 1,290M (1,889). The alloy surcharge with no mark-up accounted for SEK 372M (763) or 5% (10) of total sales.

Aluminium sales for the full year 2008 were SEK 473M (510) or 6% (7) of total net sales.

BUSINESS AREAS

Sweden

Demand in the Swedish market remained high during the first half of the year, accompanied by rising selling prices. A cooldown and decline in volumes began

during the third quarter and accelerated towards the end of the year.

Sweden is reporting sales of SEK 3,576M (4,072), a decrease of 12.2%. The sales decrease for comparable units was 8.6%. EBITA declined to SEK 302M (310). Underlying EBITA declined to SEK 254M (327). The EBITA margin was 8.4% (7.6) and the underlying EBITA margin was 7.1% (8.0). EBITA was affected by net exceptional items of SEK 46M related to the capital gain of SEK 59M in connection with establishing the joint venture with ArcelorMittal and costs of SEK 13M for the savings programme.

Finland

The Finnish market was characterized for most of the year by high activity in the engineering and construction sectors. BE Group's sales also benefited from the business area's capacity expansions in production service. Sparked by the general economic trend, there was a swift and marked downturn in demand and successively lower sales prices in the fourth quarter.

Finland is reporting sales of SEK 3,057M (2,999), an increase of 1.9%. EBITA was SEK 274M (227). Underlying EBITA was SEK 238M (249). The EBITA margin improved to 9.0% (7.6) and the underlying EBITA margin declined to 7.8% (8.3).

CEE

The first half was characterized by favourable growth in most countries in CEE, but demand fell in the second half. Despite the economic downturn, CEE is reporting high growth, which is related in all material respects to acquisitions.

Sales increased by 57.8% to SEK 1,230.0M (780), with the increase related mainly to acquisitions. EBITA declined to a loss of SEK 20M (9). The business area is not yet demonstrating satisfactory profitability, in part due to the general weakening of the market, which has triggered heavy price pressure. Underlying EBITA declined to a loss of SEK 14M (10). The EBITA margin was negative for the full year (1.2), as was the underlying EBITA margin (1.2). Earnings during the year were affected by one-time costs of SEK 10M for closing operations in St Petersburg.

NET FINANCIAL ITEMS AND TAX

The Group is reporting net finance expense for 2008 of SEK 30M (expense: 23) including net interest expense of SEK 44M (expense: 32). This corresponds to 5.6% (4.9) of net interest-bearing liabilities, which averaged SEK 796M (655) in 2008. Based on current rate forecasts, BE Group estimates that interest expense for the full year 2009 will be approximately 3%. Tax expense for the year was SEK 124M (134), equal to 24.7% (27.5) of profit before tax. The lower tax percentage is due mainly to the non-taxable capital gain originating from the formation of the joint venture in Sweden. Profit after tax outperformed 2007 and amounted to SEK 378M (353). Earnings per share after dilution were SEK 7.58 (7.06). Underlying earnings per share after dilution were SEK 6.17 (7.58).

CAPITAL, INVESTMENTS AND RETURN

BE Group had working capital of SEK 1,050.0M (728) at year-end. The increase is attributable to growth in CEE and higher inventories in Finland. Average working capital tied-up during the year increased to 11.6% (9.6). The increase is due to acquisitions and higher inventories. Working capital is at a seasonal low at year-end.

Capital expenditures of SEK 282M (63) during the year were allocated as follows: acquisitions of non-current assets in acquired companies, SEK 218M (-); other tangible assets, SEK 44M (62); other intangible assets, SEK 20M (0). Capital expenditures for non-current assets refer primarily to production service equipment and investments in conjunction with ongoing development of the corporate IT platform.

Return on operating capital (excluding intangible assets) declined to 46.2% (58.6). The investment in the joint venture with ArcelorMittal, acquisitions in the

Czech Republic and higher working capital combined to increase average operating capital. BE Group decided during the year to invest about SEK 57M in production service machinery, mainly in Lapua and Lahti, Finland, but also in Sweden. Some of the investments have been postponed as part of the savings programme and are now expected to be completed in 2010.

FINANCIAL POSITION AND LIQUIDITY

As of December 31, BE Group had cash and cash equivalents of SEK 125M (259). As of year-end, the Group had unutilized credit facilities of SEK 235M and SEK 342M in unutilized credit facilities earmarked for acquisitions.

As of December 31, consolidated net interest-bearing liabilities were SEK 1,006M (593). The increase is primarily attributable to higher working capital financing and new loans raised in connection with acquisitions. BE Group's total credit facilities amount to SEK 1,685M. The annual amortization is about SEK 29M at the prevailing exchange rate. The maturity date for 91% of the credit facility is December 2011.

Net debt/underlying EBITDA was a multiple of 2.0 (1.0) at year-end.

Consolidated equity as of December 31 was SEK 1,103M (849) while the net debt/equity ratio was 91.2% (69.8).

The consolidated balance sheet includes goodwill of SEK 651M related to the Swedish and Finnish operations and the companies acquired in the Czech Republic during the year. In connection with impairment testing, the recoverable amount was assessed as higher than the carrying amount.

CASH FLOW

BE Group had negative cash flow of SEK 141M (-38) in 2008. The change is attributable mainly to acquisitions. Cash flow from operating activities improved slightly to SEK 222M (215). Working capital, excluding tax, has increased by SEK 61M since December 31, 2007. Cash flow from investing activities was negative at SEK 258M (-58), including SEK 199M in cash used for acquisitions. Cash flow from financing activities was negative at SEK 105M (-196). Cash used in the amount of SEK 175M for the dividend to shareholders and SEK 4M for buyback of treasury shares was offset by a net change in interest-bearing liabilities of SEK 74M.

ACQUISITIONS

Czech acquisitions

In line with the strategy of growth in Central and Eastern Europe, BE Group acquired two companies in the Czech Republic during the year. With the acquisitions of Ferram Steel and Czechprofil BE Group has multiplied turnover in the Czech Republic tenfold to become one of the four largest distributors in the country, with annual pro forma sales of nearly SEK 750M. BE Group's sales in the Czech Republic totalled SEK 80M in 2007. The acquired companies made a positive contribution to BE Group's growth in 2008 and are generating cost and capital synergies in combination with the Group's pre-existing operations in the Czech Republic.

In BE Group's judgement, the acquisitions would have affected net sales by approximately SEK 250M and EBITA by about SEK 20M during the year if they had been finalized on January 1, 2008. This is due to Ferram's strong earnings trend during the first half of 2008.

Acquisition of Czechprofil

BE Group has acquired all shares in Czechprofil s.r.o. in the Czech Republic. The company was consolidated in the Group as of January 23, 2008. BE Group paid SEK 40M for the shares and the total purchase consideration including acquisition costs was SEK 46M.

Acquisition of Ferram Steel

BE Group has acquired all shares in the Czech company Ferram Steel s.r.o., which

was consolidated in the Group as of July 15, 2008. The company, which concentrates on flat products, has sites in the cities of Opava and Ostrava, where the head office is located. BE Group paid SEK 156M for the shares and the total purchase consideration including acquisition costs was SEK 167M.

Joint venture with ArcelorMittal in thin plate

BE Group has acquired a 50% interest in ArcelorMittal SSC AB and a joint venture aimed at selling and processing thin plate in the Swedish market was started up on June 2. BE Group paid the purchase consideration by transferring the thin sheet business in Borlänge in a non-cash issue, along with cash consideration of SEK 15M.

The deconsolidation of BE Group's former operations generated a capital gain of SEK 59M.

ORGANIZATION, STRUCTURE AND EMPLOYEES

BE Group's purchasing organizations were merged as of January 2008 into a corporate product supply function. The new organization's responsibilities include contract negotiations and developing BE Group's product range. It will also act as a corporate centre of technical and production excellence. The new organization has strengthened BE Group's capacity for coordinated action vis-à-vis suppliers and streamlined product flows and capital management.

The average number of employees during the year was 1,023 (940). BE Group had 1,038 employees (959) as of December 31. The increase is primarily attributable to acquisitions in the Czech Republic. The initiated savings programme is expected to bring a reduction in force of about 130 people in 2009.

OUTLOOK FOR 2009

From the short-term perspective, the world steel market is characterized by uncertainty stemming from the global financial crisis and economic trend. There has been widespread caution among steel industry customers, which, combined with inventory reductions at several levels, has exacerbated uncertainty about underlying demand and price trends in the near future. As a result, the WSA postponed its short-term forecast from early October 2008 to April 2009. The WSA issued a statement in October that it expects demand for steel to grow in 2009 and long-term growth to outperform GDP growth.

The price downturn in the fourth quarter has continued in early 2009. Consequently, BE Group has been affected by inventory losses and the continuing low demand has also squeezed the underlying margin.

BE Group expects weak development for the full year of 2009, with poorer demand and lower margins than in 2008. The company expects lower purchase prices and thus most likely lower selling prices for the full year of 2009 compared to 2008. However, BE Group expects continued growth in Central and Eastern Europe, reinforced by the acquisitions carried out in 2008.

The Group is responding to the overall weaker trend with the cost savings programme initiated in late 2008. The positive effects will be successively realized through the first quarter of 2010.

BE Group will maintain its strategy of increasing the service component of sales in 2009. This will involve continued investments in processing and new skills to create higher value for BE Group and its customers. Another key task will be to carry out strategic acquisitions, and the effort to identify acquisition opportunities is ongoing.

RISK AND UNCERTAINTY FACTORS

Impact of steel prices on operations

The price trend for steel in particular is critical to trading and service companies since purchases of steel constitute a major portion of costs. That naturally applies to BE Group, and steel prices have considerable impact on the company's margins

and earnings. This effect has two primary elements. The first is inventory gains and losses and involves a temporary increase or decline in the gross margin due to changes in the replacement price while the purchased material remains in inventory. The reason for this is that selling prices for trading and service companies are usually based on the current replacement price. However, the products sold have often been purchased earlier. If prices went up in the interval, a gross margin improvement is realized on the sale, corresponding to the difference between the historical cost and the current replacement price, provided that trading and service companies can pass on the price increases to the customer. The second element is that steel prices affect BE Group since it receives larger contributions to cover costs when steel prices are high, given stable gross margins over time.

Financial risks

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

BE Group is also exposed to refinancing and liquidity risks as well as credit and counterparty risks. The Board of Directors adopts risk management policies. The main task of the Corporate Finance Department at BE Group is to manage financial risk. Corporate Finance is responsible for identifying and effectively limiting the Group's financial risks. Corporate Finance reports to the CEO, who reports to the Board. See Note 39 for further information about financial risks and risk management.

Currency risk

Currency risk is the risk that movements in exchange rates will adversely affect consolidated earnings. BE Group conducts operations outside Sweden and has a large share of its cash flow in currencies other than SEK, notably EUR. Currency risk may be split up into transaction exposure and translation exposure. See Note 39 for a more detailed explanation of currency risks.

Credit and counterparty risk

Credit and counterparty risk is the risk that a counterparty will default on its obligations to BE Group, leading to a loss for the company. In the company's judgement, BE Group has no major credit risks in relation to individual customers or any other counterparty, or in relation to a particular geographic region or product segment. Time to payment is longer in CEE than in BE Group's other main markets and the company is monitoring developments. See Note 39 for a more detailed explanation of credit and counterparty risk.

Interest risk

Interest rate risk is the risk of adverse impact on Group profits consequent on movements in interest rates. See Note 39 for a more detailed explanation of interest rate risks.

Sector risks

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

NON-FINANCIAL PERFORMANCE INDICATORS

Environment

The effort to create sustainable business over the long term is a vital aspect of BE Group's operations. Internal environmental objectives are set based on identified

environmental aspects, the requirements set out in environmental laws, available technology and local conditions. The objectives are broken down into local action plans at each unit. Environmental status is regularly measured and followed up to ensure that objectives are met. BE Group employees are given environmental training to ensure that the environmental perspective is an integrated component of all processes.

BE Group's operations have impact on the environment mainly in the four areas of transport, energy consumption, process emission and waste management, which are the focus of the Group's efforts to limit the environmental impact of operations.

In Sweden, BE Group is engaged in operations at two sites for which environmental permits are required. Operations in two locations in Finland require environmental permits. 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 are certified under the ISO 14001 environmental management system. Operations in Latvia and Poland were also certified in 2008. Efforts are ongoing to certify the remaining units within CEE.

Quality

BE Group is certified under the ISO 9001 quality management system in Sweden, Finland, Poland, Latvia and Lithuania. Efforts are in progress to certify the remaining units within CEE, which is expected to be accomplished during 2009.

Equal opportunity, work environment and skills development

The service component of BE Group's sales is continually increasing, accentuating the need for production skills to supplement the company's traditional and substantial trading expertise. BE Group puts particular emphasis on recruiting employees who have experience in and understand the customers' business concepts and production processes, but the company is also investing in internal skills enhancement projects. These skills equip BE Group to develop its service proposition and be a valuable partner to its customers.

BE Group's initiatives during the year included a two-day training programme for the Group's 40 highest-ranking executives. The main focus of training was skilled management through change processes, which was linked to the personal profiles of participants. Training for all BE Group sales managers and sales representatives was commenced in 2008, aimed at strengthening skills in service sales. Additional training to enhance skills has been provided at the corporate and business area levels.

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

While the steel industry is traditionally male-dominated and currently only 18% (17) of the workforce are women, BE Group is working actively to change this through recruitments and other measures. For instance, there is a comparable work evaluation system in Sweden to ensure gender-equal pay structures.

BE Group is also working proactively to be an attractive employer and increase workforce diversity. As an example, the Swedish company is participating in the MINE diversity project in Malmö and has participated in several activities during the year for primary and secondary school students.

SHARE-RELATED INFORMATION

Ownership structure

The company was listed on the Stockholm Stock Exchange, now the NASDAQ OMX Stockholm, on November 24, 2006. BE Group had 10,218 shareholders at year-end. Nordic Capital Funds through Trenor Holding Limited, Jersey, was the largest shareholder with an equity interest of 20.6%. No other shareholders controlled more than 10% of voting rights at the end of the financial year.

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

Share capital, shares outstanding and rights

Share capital in the company was SEK 102,040,816 (102,040,816) at December 31, 2007, allocated among 50,000,000 fully paid shares, each with a quotient value of SEK 2.04. Under the Articles of Association, minimum share capital is SEK 100,000,000 and maximum share capital 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.

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

Resolutions to distribute profits are taken by the Annual General Meeting. The right to dividends accrues to shareholders who are recorded in the share register as of record day and entered in the CSD register. Record day for entitlement to dividends and the date dividends shall be distributed are determined by the Annual General Meeting or by the Board of Directors upon authorization by the AGM. Cash dividends are distributed through Euroclear Sweden.

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

Shareholders have pre-emptive rights to subscribe new shares in proportion to the number of shares they own unless the Annual General Meeting, or the Board of Directors upon authorization by the Annual General Meeting, resolves a non-cash issue or new share issue with waiver of shareholders' pre-emptive rights, or this is consequent upon terms and conditions announced in conjunction with a previous issue of warrants or convertible instruments.

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

Board authorizations

The 2008 AGM voted in favour of the Board's proposal on "Share Savings Scheme 2008" for members of Group management and business area executive teams. Aimed at enabling BE Group AB's provision of "matching shares" in accordance with the Share Savings Scheme, the AGM also resolved to authorize the Board to decide, on one or more occasions prior to the 2009 AGM, to acquire and transfer a maximum of 430,000 treasury shares. Finally, the AGM resolved to authorize the Board to decide to transfer treasury shares based on resolutions on Share Savings Scheme 2007.

The Board was further authorized to decide to acquire treasury shares to enable adjustment of the company's capital structure and financing of acquisitions. The maximum number of shares acquired, including shares used and held within the framework of Share Savings Schemes 2007 and 2008 is limited and the company's total shareholding may not exceed 10% of total equity in BE Group, which corresponds to 5,000,000 shares.

During the year, BE Group repurchased 144,300 shares at an average price

of SEK 26.46 as part of Share Savings Scheme 2008. The buyback corresponds to 0.29% of registered shares. As of year-end, BE Group owned a total of 264,300 treasury shares.

CORPORATE GOVERNANCE

A report on corporate governance and the work of the Board of Directors in 2008 is provided on pages 81-85.

EXECUTIVE REMUNERATION POLICIES

The 2008 Annual General Meeting adopted executive remuneration policies as follows.

1. Scope of the policy

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." Seven individuals make up Group management: the President and Chief Executive Officer; the Chief Financial Officer; the Business Area Managers for Sweden, Finland and CEE; the Senior Vice President, Marketing and Business Development; 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 favourable, market-based terms is required to achieve these ends, as well as an attractive performance-based remuneration model that rewards wholehearted 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 of Directors shall consider whether or not a stock or share-performance related incentive programme shall be proposed to the Annual General Meeting.

3. Principles for various types of remuneration

Base pay

Base 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 have a predefined limit. The maximum bonus for executives shall be 50% of base pay. In addition to the above, remuneration may from time to time originate with adopted long-term incentive programmes as explained in item 2 above.

Pension benefits

Pension payments for the CEO shall be made equal to a maximum of 35% of fixed annual salary plus a maximum of 20% of the average bonus in the three preceding years. In respect to other members of Group management, pension payments

shall essentially follow the collectively agreed ITP plan, but with consideration given to the maximum tax-deductible amount. Pensionable salary shall be comprised of the fixed annual salary plus average bonus during the three preceding years. Executives who reside outside Sweden may be offered pension solutions that are competitive in the country of residence.

Terms of notice

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

Other benefits

A company car and private health insurance may be provided to the extent deemed justified by market conditions for executives in equivalent positions in the labour market where the executive works. 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 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 2009 Annual General Meeting that the policies set out above shall apply until the close of the next AGM with the following amendments, consequent upon the CFO having also been appointed the Deputy CEO, and upon the appointment of the new CEO, who took over in March 2009. The Deputy CEO/CFO shall have the same terms for pension payments and terms of notice as the CEO. Those terms are that pension payments shall equal a maximum of 35% of fixed annual salary plus a maximum of 20% of the average bonus for the last three years, and upon termination of employment by BE Group, the individual shall be entitled to a total term of notice and right to severance pay equal to a maximum of twenty-four months' fixed salary. Where applicable, severance pay shall be reduced by such income the CEO or Deputy CEO/CFO earns through other employment or other business activities. Terms of notice shall be the same upon voluntary resignation: all members of Group management shall be required to provide six months' notice of resignation and shall not be entitled to severance pay. An exception to this rule shall apply to the CEO and the Deputy CEO/CFO upon voluntary resignation due to significant change in ownership of the company, whereupon it shall be permitted to pay severance pay up to a maximum of twelve months' fixed salary. Finally, Group management is now comprised of six persons because the Senior Vice President, Marketing and Business Development is no longer a member of Group management.

Departures from the preceding year's policies

In conjunction with the appointment of the CFO as Deputy CEO in autumn 2008, the Board of Directors has, within the framework of its authorization, departed from last year's policies by resolving that pension payments for the Deputy CEO/CFO shall be made to a maximum of 25% of fixed annual salary plus a maximum

of 25% of the average bonus for the last three years. In the Board's judgement, the departure is justified by the new position as Deputy CEO. The specified terms are within the framework of the policies the Board of Directors is proposing for adoption to the Annual General Meeting.

Furthermore, in January 2009 and within the framework of its authorization, the Board of Directors departed from the policies in effect the previous year with regard to entering into a new employment contract with the new President and Chief Executive Officer, including 12 months' notice of termination by BE Group and, in addition to fixed salary and other benefits during the period of notice, severance pay equal to 12 months' fixed salary. The employment contract also stipulates that upon the CEO's resignation due to a significant change in ownership, severance pay equal to 12 months' fixed salary shall be paid provided certain conditions are met. In the Board's judgement, the departure from the policies in effect last year were justified in order to ensure the order of succession in connection with the former CEO's resignation. In connection with the appointment of the CFO as Deputy CEO in autumn 2008, the Board of Directors has also departed from last year's policies, within the framework of its authorization, and approved fifteen months' term of notice for the Deputy CEO/CFO with no entitlement to severance pay. The specified terms are within the framework of the policies the Board of Directors is proposing for adoption to the Annual General Meeting.

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

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

SIGNIFICANT AGREEMENTS

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

CONTINGENT LIABILITIES

BE Group has contingent liabilities of SEK 362M (362), unchanged since December 31, 2007.

SIGNIFICANT EVENTS AFTER THE END OF THE YEAR

New President and Chief Executive Officer

President and Chief Executive Officer Håkan Jeppsson left his position with BE Group effective February 15, 2009 to take up the equivalent position with Inwido, a company in the Ratos Group.

The Board of Directors of BE Group appointed Lars Bergström the new President and CEO of BE Group. Mr Bergström began his employment March 11, 2009. Mr Bergström has many years of experience in the Swedish engineering industry, including several positions within the ABB Group. He was also the President and CEO of KMT, Karoline Machine Tools, then a listed company, for five years. Immediately prior to joining BE Group, he was the President and CEO of HTC Group.

THE PARENT COMPANY

The parent company BE Group AB (publ) is reporting sales, which consist of internal Group services, of SEK 54M (16) for the year. The parent company is reporting an operating loss of SEK 36M (-36). Net financial income totalled SEK 263M (131) due to exchange rate gains and distributed dividends from subsidiaries.

Profit before appropriations and tax was SEK 227M (95) and profit after tax was SEK 254M (115). The parent company invested SEK 215M (15) in shares in subsidiaries during the year related to the acquisitions of Czechprofil and Ferram in the Czech Republic, and SEK 18M (-) in intangible assets. At the end of the period, the parent company had cash and cash equivalents of SEK 50M (200).

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 48-55 for a more detailed explanation of accounting principles.

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

The Board of Directors has proposed that the 2009 general meeting resolve a distribution of profits to shareholders in a cash dividend of SEK 1.00 per share. The company has 49,735,700 shares outstanding and the distribution of profit thus totals SEK 49,735,700. By reason of the proposed distribution of profit, the Board of Directors provides the following statement as required by the chapter 18, section 4 of the Swedish Companies Act (2005:551).

In the Board's judgement, equity in the company and the Group will be adequate in relation to the nature, scope and risks of the business after the proposed distribution of profits. In its assessment, the Board considered factors including historical and budgeted performance for the company and the Group as well as the general economy. The Board has assessed the financial position and capacity to meet short-term and long-term obligations of the company and the Group. The proposed distribution of profits constitutes a total of 6.8% of equity in the company and 4.7% of consolidated equity. Shareholders' equity has not increased or decreased as a result of measurement of assets or liabilities according to chapter 4 section 14 of the Annual Accounts Act. The equity/assets ratio as of December 31, 2008 was 31.3% for the company and 36.5% for the Group after the distribution of profits. The Board finds that the company and the Group have the necessary prerequisites to take future business risks and withstand potential losses. The distribution of profits will not impair the long-term capacity of the company and the Group to implement additional investments as planned by the Board. The proposed distribution of profits will not impair the capacity of the company and the Group to meet future payment obligations. In the judgement of the Board of Directors, the company and the Group have good access to short-term and long-term credits available on short notice. Accordingly, the Board judges that the company and the Group are well prepared to manage changes in liquidity as well as unforeseen events. In addition to that stated, the Board considered other known conditions that may be significant to the financial position of the company and the Group. No circumstance emerged in that analysis indicating that the proposed distribution of profits is not justifiable.

Distributable funds

Retained earnings	SEK 345,305,005
Profit for the year	SEK 253,442,253
Total	SEK 598,747,258

The Board of Directors and Chief Executive Officer propose:

Distribution to shareholders of SEK 1.00 per share	SEK 49,735,700
Retained	SEK 549,011,558
	SEK 598,747,258

FINANCIAL STATEMENTS 2008

CONSOLIDATED INCOME STATEMENT

Amounts in SEK thousands	Note	2008	2007
Net sales	1	7,713,067	7,650,170
Cost of goods sold	2	-6,474,551	-6,483,142
Gross profit		1,238,516	1,167,028
Selling expenses	2	-567,074	-497,761
Administrative expenses	2	-170,252	-156,411
Share in earnings of joint venture	23	9,435	-
Other operating revenue	10	62,723	1,211
Other operating expenses	2, 11	-41,180	-4,198
Operating profit	3, 4, 5, 6	532,168	509,869
Financial income	8	27,696	19,281
Financial expense	9	-57,949	-42,255
Profit before tax		501,915	486,895
Tax ^{1,2}		-123,967	-134,015
Profit for the year	13	377,948	352,880
Basic earnings per share	13	7.58	7.06
Earnings per share after dilution	13	7.58	7.06

CONSOLIDATED BALANCE SHEET

Amounts in SEK thousands	Note	2008-12-31	2007-12-31
ASSETS			
Non-current assets			
<i>Intangible assets</i>			
Goodwill	14	651,350	544,464
Customer relationships	15	25,532	–
Software and licenses	16	5,193	4,482
Advance payments for intangible assets	17	17,494	–
		699,569	548,946
<i>Tangible assets</i>			
Buildings and land	18	93,304	13,064
Plant and machinery	19	180,407	168,806
Equipment, tools, fixtures and fittings	20	70,185	64,897
New construction in progress and advance payments for tangible assets	21	11,536	1,489
		355,432	248,256
Investment in joint venture	23	138,166	–
		138,166	–
<i>Financial assets</i>			
Other securities held as non-current assets	24	2,384	1,942
Non-current receivables	25	1,216	144
		3,600	2,086
Deferred tax assets	33	7,021	4,150
		7,021	4,150
Total non-current assets		1,203,788	803,438
Current assets			
<i>Inventory, etc.</i>			
Goods for resale	27	1,269,738	942,600
		1,269,738	942,600
<i>Current receivables</i>			
Trade receivables		710,578	690,904
Tax assets		27,083	671
Other receivables		9,565	4,333
Prepaid expenses and deferred income	28	62,628	62,756
		809,854	758,664
<i>Cash and cash equivalents</i>			
Short-term placements	37	76	39
Cash and bank balances		124,873	258,486
		124,949	258,525
Assets held for sale	30	–	86,753
Total current assets		2,204,541	2,046,542
TOTAL ASSETS		3,408,329	2,849,980

Consolidated balance sheet, cont.

Amounts in SEK thousands	Note	2008-12-31	2007-12-31
EQUITY AND LIABILITIES			
Equity	29		
Share capital		102,041	102,041
Other capital contributions		10,973	10,973
Translation reserve		56,249	3,464
Retained earnings including profit for the year		933,276	732,409
Issued capital attributable to equity holders of the parent		1,102,539	848,887
Non-current liabilities			
Other non-current interest-bearing liabilities	34, 39	1,041,180	840,342
Provisions for pensions	31	295	407
Other provisions	32	12,180	571
Deferred tax liability	33	84,628	71,542
		1,138,283	912,862
Current liabilities			
Current interest-bearing liabilities	34, 35, 39	93,141	13,118
Trade payables		781,164	743,181
Tax liabilities		13,396	66,106
Other liabilities		137,522	99,694
Accrued expenses and deferred income	36	99,722	108,510
Provisions	32	42,562	16,709
Liabilities associated with assets held for sale	30	–	40,913
		1,167,507	1,088,231
TOTAL EQUITY AND LIABILITIES		3,408,329	2,849,980

PLEGGED ASSETS AND CONTINGENT LIABILITIES – GROUP

Amounts in SEK thousands	Note	2008-12-31	2007-12-31
Pledged assets	34	2,056,710	1,913,215
Contingent liabilities	34	362,000	362,000

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in SEK thousands	Share capital	Other capital contributions	Translation reserve	Retained earnings	Total equity
2007					
Equity on January 1, 2006	102,041	10,973	-11,202	562,362	664,174
Exchange differences	-	-	27,013	-	27,013
Hedging of net investments in foreign subsidiaries after tax	-	-	-12,347	-	-12,347
Total transactions recognized directly in equity	-	-	14,666	-	14,666
Profit for the year	-	-	-	352,880	352,880
Total changes in assets excluding transactions with owners	-	-	-	352,880	352,880
Dividend	-	-	-	-175,000	-175,000
Acquisition of treasury shares	-	-	-	-9,438	-9,438
Share Savings Scheme	-	-	-	1,605	1,605
Equity at December 31, 2007	102,041	10,973	3,464	732,409	848,887
2008					
Equity on January 1, 2006	102,041	10,973	3,464	732,409	848,887
Exchange differences	-	-	96,473	-	96,473
Hedging of net investments in foreign subsidiaries after tax	-	-	-43,688	-	-43,688
Total transactions recognized directly in equity	-	-	52,785	-	52,785
Profit for the year	-	-	-	377,948	377,948
Total changes in assets excluding transactions with owners	-	-	-	377,948	377,948
Dividend	-	-	-	-174,580	-174,580
Acquisition of treasury shares	-	-	-	-3,828	-3,828
Share Savings Scheme	-	-	-	1,327	1,327
Equity at December 31, 2008	102,041	10,973	56,249	933,276	1,102,539

CONSOLIDATED CASH FLOW STATEMENT

Amounts in SEK thousands	Note	2008	2007
Operating activities	37		
Profit before tax		501,915	486,895
Adjustments for non-cash items		-17,038	24,557
		484,877	511,452
Income tax paid		-201,196	-142,337
Cash flow from operating activities before changes in working capital		283,681	369,115
<i>Cash flow from changes in working capital</i>			
Increase (-)/decrease(+) in inventory		-91,925	-52,210
Increase (-)/decrease (+) in operating receivables		133,759	112,741
Increase (+)/decrease (-) in operating liabilities		-103,109	-214,455
Cash flow from operating activities		222,406	215,191
Investing activities			
Acquisitions of subsidiaries		-183,327	-
Acquisition of interest in joint venture		-16,000	-
Acquisition of intangible assets		-19,512	-700
Acquisition of tangible assets		-45,310	-60,721
Divestment of tangible assets		7,163	3,677
Investments in financial assets		-1,031	-
Divestment/reduction of financial assets		-	-114
Cash flow from investing activities		-258,017	-57,858
Financing activities			
Acquisition of treasury shares		-3,828	-9,438
New loans		155,821	-
Amortization of loan debt		-82,593	-11,281
Dividends paid		-174,580	-175,000
Cash flow from financing activities		-105,180	-195,719
Net cash flow for the year		-140,791	-38,386
Cash and cash equivalents at January 1		258,525	289,339
Exchange rate difference in cash and cash equivalents		7,215	7,572
Cash and cash equivalents at December 31		124,949	258,525

PARENT COMPANY INCOME STATEMENT

Amounts in SEK thousands	Note	2008	2007
Net sales	1	53,685	16,217
		53,685	16,217
Administrative expenses		-79,749	-52,488
Other operating expenses	11	-10,040	-
Operating profit	3, 4, 5, 6	-36,104	-36,271
Net profit from investments in Group companies	7	332,944	168,000
Other interest income and similar income items	8	28,828	18,920
Interest expense and similar loss items	9	-99,098	-55,939
Profit before tax		226,570	94,710
Tax	12	26,872	20,480
Profit for the year		253,442	115,190

PARENT COMPANY BALANCE SHEET

Amounts in SEK thousands	Note	2008-12-31	2007-12-31
ASSETS			
Non-current assets			
<i>Intangible assets</i>			
Advance payments for intangible assets	17	17,494	–
		17,494	–
<i>Tangible assets</i>			
Equipment, tools, fixtures and fittings	20	655	698
		655	698
<i>Financial assets</i>			
Investments in Group companies	22	1,259,343	1,054,607
Interest-bearing receivables, Group companies	26	30,073	8,526
Deferred tax assets	33	–	241
		1,289,416	1,063,374
Total non-current assets		1,307,565	1,064,072
Current assets			
<i>Current receivables</i>			
Current interest-bearing receivables, group companies		388,718	110,965
Receivables, Group companies		125,923	247,444
Tax assets		749	–
Other receivables		915	2,210
Prepaid expenses and deferred income	28	46,269	13,712
		562,574	374,331
Cash and bank balances	37	50,295	200,002
Total current assets		612,869	574,333
TOTAL ASSETS		1,920,434	1,638,405

Parent company balance sheet, cont.

Amounts in SEK thousands	Note	2008-12-31	2007-12-31
EQUITY AND LIABILITIES			
Equity	29		
<i>Restricted equity</i>			
Share capital		102,041	102,041
Statutory reserve		30,973	30,973
<i>Unrestricted equity</i>			
Retained earnings		345,305	334,551
Profit for the year		253,442	115,190
		731,761	582,755
Non-current liabilities			
Non-current interest-bearing liabilities	34, 39	1,016,687	823,339
Provisions	32	107	148
		1,016,794	823,487
Current liabilities			
Current interest-bearing liabilities	34, 39	28,883	12,138
Current interest-bearing liabilities, group companies	39	75,722	198,636
Trade payables		5,844	7,930
Liabilities to group companies		44,855	1,385
Tax liabilities		–	1,756
Other liabilities		3,029	1,049
Accrued expenses and deferred income	36	13,546	9,269
		171,879	232,163
TOTAL EQUITY AND LIABILITIES		1,920,434	1,638,405

PLEGGED ASSETS AND CONTINGENT LIABILITIES – PARENT COMPANY

Amounts in SEK thousands	Note	2008-12-31	2007-12-31
Pledged assets	34		
<i>For own debt and provisions</i>			
Promissory notes receivable		248,911	215,634
Shares in subsidiaries		1,014,723	1,013,793
Total pledged assets		1,263,634	1,229,427
Contingent liabilities	34		
Guarantees on behalf of subsidiaries		11,684	27,902
Total contingent liabilities		11,684	27,902

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

Amounts in SEK thousands	Share capital	Statutory reserve	Retained earnings	Profit (-loss) for the year	Total equity
2007					
Equity at January 1, 2007	102,041	30,973	87,707	372,077	592,798
Group contribution	-	-	80,000	-	80,000
Tax consequences of Group contribution	-	-	-22,400	-	-22,400
Retained earnings	-	-	372,077	-372,077	-
Total transactions recognized directly in equity	-	-	429,677	-372,077	57,600
Profit for the year	-	-	-	115,190	115,190
Total changes in assets excluding transactions with owners	-	-	-	115,190	115,190
Dividend	-	-	-175,000	-	-175,000
Acquisition of treasury shares	-	-	-9,438	-	-9,438
Share Savings Scheme	-	-	1,605	-	1,605
Equity at December 31, 2007	102,041	30,973	334,551	115,190	582,755
2008					
Equity at January 1, 2008	102,041	30,973	334,551	115,190	582,755
Group contribution	-	-	100,000	-	100,000
Tax consequences of Group contribution	-	-	-28,000	-	-28,000
Retained earnings	-	-	115,190	-115,190	-
Total transactions recognized directly in equity	-	-	187,190	-115,190	72,000
Profit for the year	-	-	-	253,442	253,442
Total changes in assets excluding transactions with owners	-	-	-	253,442	253,442
Dividend	-	-	-174,580	-	-174,580
Acquisition of treasury shares	-	-	-3,828	-	-3,828
Share Savings Scheme	-	-	1,972	-	1,972
Equity at December 31, 2008	102,041	30,973	345,305	253,442	731,761

PARENT COMPANY CASH FLOW STATEMENT

Amounts in SEK thousands	Note	2008	2007
Operating activities	37		
Profit after net financial items		226,570	94,710
Adjustments for non-cash items		-112,162	-155,683
		114,408	-60,973
Income tax paid		-3,392	-1,128
Cash flow from operating activities before changes in working capital		111,016	-62,101
Cash flow from changes in working capital			
Increase (+)/decrease (-) in operating receivables		250,259	284,392
Increase (+)/decrease (-) in operating liabilities		47,641	73,565
Cash flow from operating activities		408,916	295,856
Investing activities			
Acquisitions of subsidiaries		-213,475	-14,247
Acquisition of intangible assets		-17,494	-
Acquisition of tangible assets		-149	-497
Investments in financial assets		-175,294	-78,997
Cash flow from investing activities		-506,412	-93,741
Financing activities			
Acquisition of treasury shares		-3,828	-9,438
New loans		158,639	187,943
Amortization of loan debt		-132,442	-11,159
Dividends paid		-174,580	-175,000
Cash flow from financing activities		-152,211	-7,654
Net cash flow for the year		-149,707	194,461
Cash and cash equivalents at January 1		200,002	5,541
Cash and cash equivalents at December 31		50,295	200,002

ACCOUNTING PRINCIPLES AND NOTES TO THE FINANCIAL STATEMENTS

Amounts stated in SEK thousands unless specified otherwise.

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

CONSOLIDATED ACCOUNTING PRINCIPLES

Compliance with laws and norms

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

The parent company applies the same accounting principles as the Group except where specified under "Parent company accounting principles." Differences between parent company and Group accounting principles are attributable to restrictions to application of IFRS by the parent company based on the Swedish Annual Accounts Act, the Swedish Safeguarding of Pension Commitments Act and, in certain cases, for tax reasons. BE Group also applies the Swedish Financial Accounting Standards Council's (FASC) recommendation RR 1.1 Supplementary Rules for Consolidated Financial Statements.

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 2008

The Group's influence on the new and revised standards and interpretations adopted by the IASB and approved by the EU to enter into force in 2008 is reported below.

IFRIC 11, IFRS 2 – Group and Treasury Share Transactions, for which the Group elected early application in 2007. Only the parent and subsidiaries of the parent are affected by the new interpretation. The consolidated financial statements are not affected. Parent company accounting principles are described below.

IFRIC 12 – Service Concession Arrangements and IFRIC 14 IAS 19, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, have no effect on the consolidated financial statements.

IAS 39 & IFRS 7 Reclassification of Financial Assets – the amended standards permit reclassifications if a financial asset is no longer held for the purpose of selling or repurchasing it in the near term. The revision has no effect on the consolidated financial statements.

New IFRS and interpretations not yet applied

Certain new or revised standards and new interpretations will not take effect until the 2009 financial year (see the specification of amendments approved by the EU below). BE Group has not elected early application of any new or revised standards and new interpretations when preparing these financial statements. In BE Group's judgment, application of these new standards will have no material effect on the

consolidated accounts, but the revision of IAS 1 Presentation of Financial Statements will affect the presentation of BE Group's financial statements.

- Revision to IAS 23 Borrowing Costs
- Revision to IFRS 2 Share-based Payment
- IFRIC 13 Customer Loyalty Programmes
- Revision to IAS 1 Presentation of Financial Statements
- Revision to IAS 31 Financial Reporting of Interests in Joint Ventures and IAS 1 Presentation of Financial Statements
- Revision to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements
- IFRS 8 Operating Segments

Conditions applied to parent company and consolidated financial statements

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

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

Management's assessments in connection with application of IFRS that have significant effect on the financial statements and estimates that may cause material adjustments to the financial statements of subsequent years are described in greater detail below under "Significant estimates and assessments" and in Note 38, Significant estimates and assessments.

Basis for consolidation

Subsidiaries

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

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

Subsidiaries are accounted for using the acquisition cost method. When the acquisition cost method is applied, acquisitions of subsidiaries are regarded as a transaction by which the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. The cost of a business combina-

tion is determined through an acquisition analysis performed in conjunction with the combination. The analysis determines the cost of the acquired investment or business as well as the fair value, at the date of exchange, of acquired identifiable assets and assumed liabilities and contingent liabilities. The cost of shares in the subsidiary or the business is measured as the fair value, at the date of exchange, of assets, incurred or assumed liabilities and equity instruments issued by the acquirer in exchange for the acquired net assets plus transaction costs directly attributable to the combination.

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

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 in the consolidated accounts using the equity method of accounting. In the equity method of accounting, the consolidated carrying amounts of investments in the joint venture correspond to the Group's share in the joint venture's equity, consolidated goodwill and any other remaining consolidated gains and losses. The Group's share in the earnings of the joint venture attributable to the owners of the parent company are adjusted for amortization, impairments and reversals of acquired goodwill and negative goodwill, respectively. These shares in earnings less any dividends received from joint ventures comprise the main change in the carrying amount of interests in joint ventures. When the Group's share of recognized losses in joint ventures exceeds the carrying amount of the Group's investments, the value of the investment is reduced to zero. Losses are also set off against non-current unsecured financial transactions whose financial substance constitutes part of the investor's net investment in the joint venture. Additional losses are not recognized unless the Group has incurred legal or constructive obligations to cover losses arising in the joint venture. The equity method is applied until the date that significant influence ceases.

Elimination of intragroup transactions

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

Transactions eliminated upon consolidation

Intragroup receivables and liabilities, revenues or costs and unrealized gains or losses arising from intragroup transactions between Group companies are eliminated in full when the consolidated accounts are prepared. Unrealized gains arising from transactions with associate companies and joint ventures are eliminated pro rata to the Group's interest in the company. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent there has been no impairment.

Foreign currency

Transactions in foreign currency

Transactions in foreign currency are translated to the functional currency at the date of the transaction. The functional currency is the currency of the primary economic environment in which companies operate. Monetary assets and liabilities in foreign currency are translated to the functional currency at the

exchange rate in effect on balance sheet date. Exchange differences arising in translation are recognized in profit and loss. Non-monetary assets and liabilities carried at historical cost are translated to the exchange rate at transaction date. Exchange differences referring to 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.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and other consolidated gains and losses, are translated at the closing rate from the functional currency of the foreign operation to SEK, BE Group's presentation currency. Revenues and costs in a foreign operation are translated to SEK at an average rate that is an approximation of the rates prevailing on the various dates of transaction. Exchange differences arising from currency translation of foreign operations are recognized directly in equity as a translation reserve. Exchange differences arising in connection with the translation of a foreign net investment and consequences related to hedging net investments are recognized directly in equity in the translation reserve. When a foreign operation is disposed of, accumulated exchange differences relating to the operation are recognized in consolidated profit and loss, net of any movements in related hedging instruments. Accumulated exchange differences are classified in a separate component of equity and include exchange differences accumulated as of January 1, 2004. Accumulated exchange differences arising prior to January 1, 2004 are allocated among other components of equity and are not disclosed separately.

Classification

Non-current assets and non-current liabilities in the parent company and the Group consist in all material respects of amounts expected to be recovered or paid later than twelve months after balance sheet date. Current assets and current liabilities in the parent company and the Group consist in all material respects only of amounts expected to be recovered or paid within twelve months of 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 acquisition and the fair value of acquired assets, assumed liabilities and contingent liabilities. After the acquisition, goodwill is reported at cost less any impairment losses.

Goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is allocated to cash generating units and is tested for impairment at least once a year. See Note 14 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 relationships

Customer relationships are comprised of acquired assets arising primarily in connection with acquisitions of shares in subsidiaries. Customer relationships 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, goodwill 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 in profit and loss 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 recognized as an expense when they arise.

Amortization rates for customer relationships and other intangible assets

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

	Useful life	
	Group	Parent
<i>Acquired intangible assets</i>		
Licenses	3-10 years	3-10 years
Software	3-10 years	3-10 years
Customer relationships	6-10 years	–

Tangible assets

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

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

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

Depreciation rates for tangible assets

Depreciation is recognized on a straight-line basis over the estimated useful life of the asset. Land is not depreciated. Leased assets are also depreciated over the estimated useful life of the asset or the agreed term of the lease, whichever is shorter.

	Useful life	
	Group	Parent
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. The carrying amounts for the exempted assets are measured according to the respective standards. Assets held for sale and disposal groups are tested in accordance with IFRS 5.

Identifying impairments of tangible and intangible assets and investments in subsidiaries

If there is an indication of impairment, the recoverable amount of the asset is measured according to IAS 36 as the 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 recognized in profit and loss.

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

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

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

Impairment testing for 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. Impairments are recognized in profit and loss. Such impairments are not reversed. Please see the relevant note for disclosures concerning impairments of other financial assets.

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

Reversal of impairments

Impairment losses on assets within the scope of IAS 36 are reversed if there is both indication that the impairment no longer exists and there has been a change in the assumptions on which the recoverable amount was measured. However, impairments of goodwill are 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 recognized on receivables carried at amortized cost are reversed if a subsequent increase of the recoverable amount

can be related objectively to an event occurring after the impairment loss was recognized. Impairment losses recognized in profit or loss for available-for-sale equity securities cannot be reversed through profit or loss.

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

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 investments made up of equity instruments are categorized as financial assets available for sale. Holdings of unlisted fixed-income securities are classified as loan receivables. Fair value changes, including impairment losses, are reported in net financial income except for fair value changes that, as above, must be recognized directly in equity.

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 cash equivalents

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

Assets held for sale

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

A gain is recognized in profit and loss for every increase of fair value less costs to sell, to the extent that the gain does not exceed the total of previously recognized impairment losses.

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

Non-current assets held for sale and assets and liabilities included in a disposal group are recognized separately as current assets and current liabilities on the balance sheet.

Trade payables and other financial liabilities

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

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

Warranties

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

Restructuring

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

Onerous (loss-making) contracts

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

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 and loan debts are recognized in liabilities.

A financial asset or financial liability is recognized in the balance sheet when the company becomes a party according to the contractual terms of the instrument. Trade receivables are recognized in the balance sheet when invoiced. 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. A financial liability or part thereof is derecognized when contractual obligations are met or otherwise extinguished. 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 are initially recognized at a cost corresponding to the fair value of the instrument including transaction costs for all financial instruments except financial assets measured at fair value through profit or loss, which are measured at fair value excluding transaction costs. Financial instruments are subsequently measured depending on how the financial instruments were classified. The measurement categories BE Group uses are as follows:

Valuation

The fair value of publicly traded financial assets corresponds to the quoted market price for the asset on balance sheet date. The fair value of financial assets for which there is no active market is 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 through profit or loss

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

Loans and receivables

Loans and receivables are non-derivative financial assets with determined or determinable payments that are not quoted in an active market. Assets in this category are measured at amortized cost. Amortized cost is determined based on the effective interest rate calculated as of date of acquisition. Trade receivables are recognized at the amounts expected to be recovered, that is, after deductions for doubtful receivables.

Available-for-sale financial assets (AFS)

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

Financial liabilities measured at fair value through profit or loss

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

Financial liabilities

Financial liabilities are classified as "other financial liabilities" and measured at

amortized cost. Loans and other financial liabilities, such as trade payables, are included in this category. The liabilities are measured at amortized cost. The categories to which BE Group's financial assets and liabilities have been assigned are specified in Note 39 Financial risk management. Recognition of financial income and expense is explained below under "Revenue items" in the section "Financial income and expense."

Derivatives and hedge accounting

Derivative instruments are primarily currency forwards used to cover risks for movements in exchange rates.

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

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

Investments in foreign subsidiaries (net assets including goodwill) have been hedged for currency risk to a certain extent through borrowing in the same currency as the investments. At balance sheet date, these currency loans are reported at the closing rate and the hedge effectiveness of exchange differences for the period is recognized directly in equity as the translation reserve. When hedging is ineffective, the hedge ineffectiveness is recognized in profit and loss.

Net gain/loss

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

REVENUE ITEMS

Revenues

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 upon 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.

Equity-related benefits

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 on 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 must be paid in proportion to the value of the employee benefit. This value is generally based on the market value of the shares on matching date. Provisions are made for these estimated social 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. If there is no active market for such corporate bonds, the market rate for government bonds with a corresponding maturity is used instead. The calculation is performed by a qualified actuary using the Projected Unit Credit Method. The fair value of any assets under management is also calculated as of reporting date.

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

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

Termination benefits

When the company terminates employment, benefits to the employee are recognized as an ongoing expense for as long as the employee performs work for the company. When the employee is immediately discharged from duty, the

entire benefit amount is immediately recognized as an expense. Provisions are recognized in connection with terminations only if the company is demonstrably obligated to terminate employment prior to the normal date or when compensation is offered to encourage voluntary departure and it is likely that the offer will be accepted and 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 expense on liabilities is measured using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability. The interest component in financial lease payments is recognized in profit and loss using the effective rate method. Interest income includes accrual of transaction costs and any discounts, premiums and other differences between the original value of the receivable and the amount received upon maturity.

Interest expense is recognized as an expense in the period incurred regardless of how borrowed funds were used. The Group does not capitalize interest on the cost of assets.

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

Gains or losses on 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 tax and deferred tax.

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

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

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 leases

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 profit and loss on a straight-line basis over the lease term. Incentives for the agreement of a new or renewed operating lease are recognized in profit and loss on a straight-line basis over the lease term. Variable payments are recognized as an expense in the period they arise.

Finance leases

Leases of assets where the financial risks and rewards normally associated with ownership of the asset are transferred to BE Group are classified as finance leases. The lease asset is recognized as a tangible asset, with the same depreciation rates applied as for tangible assets owned by the company, and the future obligation to the lessor is recognized as a liability in the balance sheet. 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 period they arise.

Segment reporting

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

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

Earnings per share

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

Cash flow statement

The cash flow statement is prepared using the indirect method. Reported cash flow covers only transactions that result in incoming and outgoing payments.

Cash and bank balances as well as short-term placements with maturity of less than three months are classified as cash and cash equivalents.

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 2.1, Accounting for Legal Entities and the SIC and IFRIC included in that recommendation, as well as statements from the FASC Emerging Issues Task Force.

Changed accounting principles effective 2008

The parent company's influence on the new and revised standards and interpretations adopted by the IASB and approved by the EU to enter into force in 2008 is reported below to the extent it differs from the influence of the consolidated financial statements.

BE Group elected early application of IFRIC 11 Group and Treasury Share Transactions in 2007. Accordingly, the subsidiaries recognize the costs of the Share Savings Scheme attributable to their employees as a capital contribution from the parent. The parent recognizes the corresponding amounts as investments in the respective subsidiaries. However, "recharge agreements" were drawn up in 2008, whereupon the costs of the Share Saving Scheme for employees of subsidiaries are invoiced to the respective subsidiary. The costs for 2007 have also been invoiced, which entailed reversal in 2008 of capital contributions in subsidiaries and investments in Group companies in the parent company. The costs are reported as of 2008 as internal Group transactions.

Classification and presentation

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

Investments in Group companies

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

Group contributions and shareholder contributions

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

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

Financial instruments

Due to amended rules in the Swedish Financial Reporting Board's recommenda-

tion RR 1.1 and the connection between accounting and taxation, the rules on financial instruments and hedge accounting in IAS 39 are not applied in the parent company as a legal entity. IAS 39 will be applied only to the consolidated accounts in the future as well.

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

Tax

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

Leases

All leases in the parent company are 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 the company has an obligation for which payment will probably be required to settle the obligation.

NOTES

NOTE 1. SEGMENT REPORTING

Group

Primary segment – geographical areas

2008	Sweden	Finland	CEE	Parent/ Elimination	Group
External sales	3,496,787	3,007,876	1,208,404	–	7,713,067
Internal sales	79,429	48,738	21,774	-149,941	–
Net sales	3,576,216	3,056,614	1,230,178	-149,941	7,713,067
EBITA	302,177	273,949	-20,505	-18,172	537,449
Amortization of intangible assets	-690	-807	-3,784	–	-5,281
Operating profit	301,487	273,142	-24,289	-18,172	532,168
Net financial income (loss)					-30,253
Profit before tax					501,915
Tax					-123,967
Profit for the year					377,948
Operating assets	1,278,624	1,179,243	786,526	1,283	3,245,676
Other assets					162,653
Total assets					3,408,329
Operating liabilities	495,679	395,712	210,631	-28,872	1,073,740
Other liabilities					1,232,640
Total liabilities					2,305,790
Investments	16,135	25,316	222,602	17,643	281,696
Depreciation	19,311	21,910	10,310	192	51,723
Non-cash expenses	10,804	5,380	10,116	743	27,043
Non-cash revenues	-72,888	-2,652	-20,223	-41	-95,804
Total non-cash items	-42,773	24,638	203	894	-17,038
2007	Sweden	Finland	CEE	Parent/ Elimination	Group
External sales	3,953,980	2,932,443	763,747	–	7,650,170
Internal sales	117,956	67,002	15,943	-200,901	–
Net sales	4,071,936	2,999,445	779,690	-200,901	7,650,170
EBITA	309,597	226,671	9,090	-33,671	511,687
Amortization of intangible assets	-690	-888	-240	–	-1,818
Operating profit	308,907	225,783	8,850	-33,671	509,869
Net financial income (loss)					-22,974
Profit before tax					486,895
Tax					-134,015
Profit for the year					352,880
Operating assets	1,270,282	1,008,280	313,323	-6,664	2,585,221
Other assets					264,759
Total assets					2,849,980
Operating liabilities	562,838	398,133	118,893	-3,774	1,076,090
Other liabilities					925,003
Total liabilities					2,001,093

Note 1, cont.

2007	Sweden	Finland	CEE	Parent/ Elimination	Group
Investments	23,524	31,613	7,228	497	62,862
Depreciation	19,302	19,264	3,295	81	41,942
Non-cash expenses	8,895	4,497	2,646	747	16,785
Non-cash revenues	-22,187	-3,808	-8,175	-	-34,170
Total non-cash items	6,010	19,953	-2,234	828	24,557

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

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

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

Geographical segments

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

Sweden

BE Group's operations in Sweden are conducted under name BE Group Sverige AB. Most of the Group's products are offered in the Swedish market, such as commercial steel, aluminium and stainless steel. The company also provides a service proposition in the form of production service, that is, BE Group processes material in various production processes 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.

Finland

BE Group's operations in Finland are conducted under name BE Group Oy Ab. Most of the Group's products are offered in the Finnish market, such as commercial steel, aluminium and stainless steel. The company also provides a service proposition in the form of production service, that is, BE Group processes material in various production processes to meet specific customer requirements. 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

The Business area CEE encompasses BE Group's operations in, Estonia, Latvia, Lithuania, Poland, Russia, Slovakia, the Czech Republic and Denmark.

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 a service proposition, primarily in the form of 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.

Business segments

BE Group's product and service ranges are well integrated with each other. BE Group services are always linked to the Group's own products and materials flows. Accordingly, they are similar with respect to risks and returns and the Group operates in a single business segment. Secondary segment reporting thus coincides with reporting for the Group as a whole.

Parent	2008	2007
<i>Sales by geographical segment</i>		
Sweden	24,388	6,925
Finland	18,839	5,337
Other countries	10,458	3,955
	53,685	16,217

NOTE 2. SIGNIFICANT EXPENSES BY NATURE

Group	2008	2007
Materials	-6,138,469	-6,188,415
Employee expenses	-475,266	-422,320
Other external expenses	-559,419	-484,637
Scheduled depreciation	-51,723	-41,942
Other	-28,180	-4,198
	-7,253,057	-7,141,512

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

NOTE 3. EMPLOYEES, EMPLOYEE BENEFITS AND EXECUTIVE REMUNERATION

Average number of employees	2008	Male	2007	Male
Parent				
Sweden	21	76%	13	57%
Total for parent	21	76%	13	57%
Subsidiaries				
Sweden	386	81%	407	82%
Finland	392	88%	369	90%
Estonia	18	72%	18	72%
Latvia	20	85%	22	89%
Lithuania	13	85%	15	87%
Poland	59	67%	55	62%
Denmark	8	71%	9	78%
Slovakia	13	45%	9	45%
Czech Republic	81	75%	12	75%
Russia	12	92%	11	91%
Total for subsidiaries	1,002	82%	927	84%
Group total	1,023	82%	940	83%

Specification of gender distribution of executive management

Gender distribution, Group management	2008-12-31 Percentage women	2007-12-31 Percentage women
Parent		
Board	17%	17%
Other executives	0%	14%
Group total		
Board	17%	17%
Other executives	0%	14%

The average number of parent company employees during the financial year was 21 (13). The company does not disclose sickness absence rates because the information may be attributed to individuals.

Salaries, other remuneration and social security expenses

Group	2008	2007
Salaries and remuneration	350,588	315,335
Share Savings Scheme costs	1,972	1,605
Pension expense, defined-benefit plans	327	37
Pension expense, defined-contribution plans	39,691	37,942
Social security expenses	80,334	73,754
	472,912	428,673¹⁾

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

Parent	2008		2007	
	Salaries and remuneration	Social security expenses	Salaries and remuneration	Social security expenses
Parent	21,554	14,028	15,263	9,266
(of which pension expense) ¹⁾		(5,285)		(3,443)

¹⁾ Of the parent company's pension expenses, SEK 2,569,000 (2,220,000) refers to executives. The company's outstanding pension commitments to these individuals is - (-).

Salaries and other remuneration distributed between the parent and subsidiaries and between executives and other employees¹⁾

Parent	2008		2007	
	Executives ¹⁾	Other employees	Executives ¹⁾	Other employees
Sweden	10,787	10,767	10,687	4,576
(of which bonuses and similar)	(669)	(410)	(1,265)	(400)
Subsidiaries	12,491	307,596	8,039	284,179²⁾
(of which bonuses and similar)	(1,570)	(9,808)	(1,420)	(11,129)
Group total	23,278	318,363	18,726	288,755
(of which bonuses and similar)	(2,239)	(10,218)	(2,685)	(11,529)

¹⁾ "Executives" include directors, members of Group management and company presidents.

²⁾ The amounts above include salary expenses related to restructuring within the Group, for which provisions were made in 2005.

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 R4, benefits must not be included in "salaries and remuneration," but are classified as such according to IAS 1 p 93.

Note 3, cont.

Executive remuneration

The following tables provide details of remuneration and other benefits paid in the 2008 and 2007 financial years to directors, the CEO and other executives, who are defined as "other members of Group management."

Remuneration and benefits 2008

	Base pay/ directors' fees	Variable pay	Other benefits	Pension expense	Share Sav- ings Scheme	Other rem- uneration	Total	Pension commitments
Chairman of the Board								
Carl-Erik Ridderstråle	420	–	–	–	–	5	425	–
Directors								
Roger Bergqvist	200	–	–	–	–	2	202	–
Lars Olof Nilsson	220	–	–	–	–	–	220	–
Cecilia Edström	220	–	–	–	–	–	220	–
Lars Spongberg	220	–	–	–	–	–	220	–
Joakim Karlsson	240	–	–	–	–	–	240	–
CEO								
Håkan Jeppsson	3,294	324	91	1,203	-224	–	4,688	–
Deputy CEO								
Torbjörn Clementz ¹⁾	1,800	135	93	415	220	3	2,666	–
Other executives (5 individuals)	7,230	818	408	2,306	385	–	11,147	295
Total	13,844	1,277	592	3,924	381	10	20,028	295
Recognized as an expense in the parent company	9,889	669	440	2,569	219	10	13,796	–

Other executives in 2008 were three individuals employed by the parent company (Per Horstmann, Ylva Berg and Per Gullstrand) and the sitting presidents of the Swedish and Finnish subsidiaries (Matti Tiira, Bo Söderqvist (3 months), Magnus Rosén (1 month) and Henrik Fries (4 months), who are employees of the respective subsidiaries. Lars Bergström began as president and Chief Executive Officer in the parent company after the end of the financial year and was not been paid any remuneration or benefits in 2008.

¹⁾ Deputy CEO effective September 1. Served as an "other executive" during the rest of the year. All remuneration and benefits paid in 2008 are reported here.

Remuneration and benefits 2007

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

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

Note 3, cont.

Share Savings Scheme

The 2007 Annual General Meeting approved a share savings scheme (Share Savings Scheme 2007) for members of Group management, business area executive teams and other key individuals within the company. The 2008 AGM resolved to implement a similar scheme (Share Savings Scheme 2008). Both schemes are structured in the same way and run for three years. 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:

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

	Share Savings Scheme 2007	Share Savings Scheme 2008	Total
Allotment date	June 2007	May 2008	
Vesting period	32 months	33 months	
Allotment of matching shares	Feb 2009	Feb 2010	
Number of participants ¹⁾	19	28	
Number of savings shares ¹⁾	23,370	44,356	
Maximum number of matching shares ²⁾	58,425	110,890	169,315
Number of matching shares used in the accounts	35,055	110,890	145,945
Estimated cost of matching shares ³⁾	3,225	7,796	11,021
- charged against earnings for 2008	260	1,713	1,973
<i>Recognized as an expense in the parent company</i>	-2	674	672
<i>Recognized as an expense in the parent company</i>	262	1,039	1,301
Provision for social security expenses ⁴⁾	83	96	179
- charged against earnings for 2008	-157	96	-61

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

²⁾ 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. In the accounts, the costs of the scheme have been based on an expected distribution of 1.5 matching shares.

³⁾ The calculations are based on the market price per share of the company's stock as of valuation date. That price is SEK 92 for matching shares in Share Savings Scheme 2007 and SEK 70.30 for Share Savings Scheme 2008.

⁴⁾ The provision for social security expenses was made based on the market price per share as of balance sheet date, which was SEK 19.60. Final social security expenses will be calculated based on the market price per share when matching shares are allotted.

The company acquired 120,000 treasury shares in the financial year 2007 and 144,300 treasury shares in the financial year 2008 to financially hedge the obligation to allot matching shares under the Share Savings Schemes. Hedging measures must also cover the cost of social security expenses.

Under current assumptions, CEO Håkan Jeppsson had earned 0 (2,438)

matching shares as of the date his employment ended in February 2009. Deputy CEO Torbjörn Clementz had earned 4,102 (1,244) shares and other executives had earned a total of 11,088 (4,672) shares as of balance sheet date.

Board remuneration

The chairman and other directors are paid directors' fees as resolved by the annual general meeting. As resolved by the AGM in 2008, directors' fees totalling SEK 1,520,000 (1,520,000) will be distributed among the directors as follows: SEK 400,000 (400,000) to the chairman and SEK 200,000 (200,000) to each of the other non-executive directors elected by the AGM as a director's fee. As remuneration for committee service, SEK 40,000 (40,000) will be paid to the chairman of the Audit Committee, SEK 20,000 (20,000) to the other members of the Audit Committee, and SEK 20,000 (20,000) each to members of the Remuneration Committee. 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 CEO

Remuneration

Total remuneration to the CEO consists of base pay, bonuses, pension and other benefits. Remuneration to the CEO was set by the Chairman of the Board for 2008 at SEK 4,688,000 (4,817,000). The maximum bonus payable to the CEO is 40% of base pay. Whether or not bonuses are distributed and bonus amounts are determined based on BE Group's growth, return on operating capital and personal performance. The CEO was paid a bonus in 2008 of SEK 324,000 (665,000).

Term of notice and severance pay

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

Pension benefits

The CEO is entitled to retire at age 65. Pension contributions are made at 35% of fixed annual salary, which constitutes pensionable pay. The ITP plan under collective agreement must be utilized first, with the remainder allocated among other pension insurance plans. Total premiums in 2008 were SEK 1,203,000 (997,000). BE Group AB's commitment is limited to paying the annual premium. Pension rights are not conditional on future employment.

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 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 members of Group management is 40% of base pay. Whether or not bonuses are distributed and bonus amounts are determined by the CEO based on attainment of financial targets (60% of total bonus) and individual targets (40% of total bonus). Financial targets are linked to growth and return on operating capital for BE Group and the relevant subsidiary/business area, and personal performance. Bonuses paid to executives in 2008 amounted to SEK 953,000 (1,178,000).

Note 3, cont.

Term of notice and severance pay

Members of Group management are entitled to twelve months' notice of termination by the company, other than the Deputy CEO, who is entitled to fifteen months' notice, and are required to give six months' notice of resignation. During the term of notice, members of Group management are entitled to full pay and other benefits of employment. 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 Tiira 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 Deputy CEO and pension contributions are made at 25% 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 AB's commitment is limited to paying the annual premium. Pension rights are not conditional on future employment. Pensionable pay consists of fixed annual salary plus average bonus for the last three years. Pension contributions are made for Finnish members of Group management equal to 18% of pensionable pay. Total premiums in 2008 were SEK 2,721,000 (1,876,000).

Remuneration Committee

Please see the Corporate Governance Report on pages 81-85 for more information about BE Group's preparation and decision process regarding executive remuneration.

NOTE 4. FEES AND REIMBURSEMENT TO AUDITORS

Group	2008	2007
<i>KPMG</i>		
Audit assignments	3,120	2,019
Other assignments	1,515	610
	4,635	2,629
Parent	2008	2007
<i>KPMG</i>		
Audit assignments	995	450
Other assignments	962	548
	1,957	998

NOTE 5. OPERATING LEASE PAYMENTS

The Group's operating lease expenses for the year were SEK 85,994,000 (78,101,000), of which SEK 914,000 (322,000) refers to the parent company.

Operating lease liabilities mature as follows:

	Group		Parent	
	Minimum lease payments	Minimum lease payments	Minimum lease payments	Minimum lease payments
	2008	2007	2008	2007
Within one year	80,768	85,479	529	707
One to five years	258,267	224,388	315	340
Later than five years	640,100	410,467	93	-
	979,105	720,334	937	1,047

	Group		Parent	
	Minimum lease payments	Variable payments	Minimum lease payments	Variable payments
Buildings and land	75,477	-	-	-
Other	10,505	12	914	-
Total lease payments	85,982	12	914	-

Significant leases

Most Group operating leases refer to leases of operating sites. The leases have no variable portion of rent other than the adjustment to the CPI, reported above as variable payments. The increase in the future commitment is related to new and renewed leases in Finland.

NOTE 6. DEPRECIATION/AMORTIZATION OF TANGIBLE/INTANGIBLE ASSETS

Group	2008	2007
<i>Scheduled depreciation/amortization by asset</i>		
Customer relationships	-3,468	-
Software and licenses	-1,815	-1,819
Buildings and land	-2,055	-959
Plant and machinery	-28,409	-24,627
Equipment, tools, fixtures and fittings	-15,976	-14,537
	-51,723	-41,942
<i>Scheduled depreciation/amortization by function</i>		
Cost of goods sold	-26,493	-22,836
Selling expenses	-18,128	-11,665
Administrative expenses	-7,102	-6,962
Other	-	-479
	-51,723	-41,942
Parent	2008	2007
<i>Scheduled depreciation/amortization by asset</i>		
Equipment, tools, fixtures and fittings	-193	-81
	-193	-81
<i>Scheduled depreciation/amortization by function</i>		
Administrative expenses	-193	-81
	-193	-81

NOTE 7. PROFIT FROM INVESTMENTS IN GROUP COMPANIES

Parent	2008	2007
Dividend	172,944	–
Anticipated dividends	160,000	168,000
	332,944	168,000

NOTE 8. FINANCIAL INCOME

Group	2008	2007
Interest income credit institutions	4,176	3,657
Interest income other	6,982	6,032
Dividends received	77	–
Net movements in exchange rates	16,418	9,227
Other income	43	365
	27,696	19,281

Parent	2008	2007
Interest income, Group companies	26,066	17,124
Interest income other	2,762	1,796
	28,828	18,920

NOTE 9. FINANCIAL EXPENSES

Group	2008	2007
Interest expense credit institutions	-50,876	-37,755
Interest expense other	-3,969	-3,658
Other expenses	-3,104	-843
	-57,949	-42,255

Parent	2008	2007
Interest expense credit institutions	-48,101	-36,506
Interest income, Group companies	-14,212	-10,550
Net movements in exchange rates	-36,045	-8,220
Other expenses	-740	-663
	-99,098	-55,939

NOTE 10. OTHER OPERATING INCOME

Group	2008	2007
Capital gain on sale of capital contributed in kind to joint venture	58,512	–
Capital gains on sales of assets	1,636	390
Other	2,575	821
	62,723	1,211

NOTE 11. OTHER OPERATING EXPENSES

Group	2008	2007
Net movements in exchange rates on receivables/liabilities of an operating nature	-11,833	-3,475
Capital loss on sales of assets	-1,228	–
One-time costs related to restructuring programme	-15,742	–
Closure of operations in St Petersburg	-10,000	–
Other	-2,377	-723
	-41,180	-4,198

Parent	2008	2007
Impairment of shares in BE Group O.O.O.	-10,040	–
	-10,040	–

NOTE 12. TAX

Group	2008	2007
<i>Current tax expense (-)/tax asset (+)</i>		
Tax expense for the period	-134,083	-131,741
Adjustment of tax attributable to prior years	-316	-241
	-134,399	-131,982

<i>Deferred tax expense (-)/tax asset (+)</i>		
Deferred tax related to temporary differences	6,905	-4,152
Deferred tax arising from changes to tax rates	2,135	–
Deferred tax asset in tax value of capitalized loss carryforwards capitalized	2,775	2,119
Deferred tax expense consequent upon revaluation of the carrying amount of deferred tax assets	-1,383	–
	10,432	-2,033

Total tax expense for the Group **-123,967** **-134,015**

Parent	2008	2007
<i>Current tax expense (-)/tax asset (+)</i>		
Tax expense/tax asset for the period	27,121	20,245
Adjustment of tax attributable to prior years	-8	-6
	27,113	20,239

<i>Deferred tax expense (-)/tax asset (+)</i>		
Deferred tax related to temporary differences	-241	241
	-241	241

Total recognized tax assets for the parent **26,872** **20,480**

Note 12, cont.

Reconciliation of effective tax

Group	2008		2007	
	%	Amount	%	Amount
Profit before tax		501,915		486,895
Tax at prevailing rate for parent	28.0%	-140,536	28.0%	-136,331
Effect of other tax rates for foreign subsidiaries	-0.8%	3,918	-1.2%	5,624
Non-deductible expenses	1.8%	-9,002	1.0%	-5,092
Non-taxable revenues	-3.8%	18,847	-0.4%	2,146
Increase of loss carryforward without corresponding capitalization of deferred tax	1.1%	-5,729	0.2%	-1,006
Previously non-capitalized loss carryforwards	-0.6%	2,775	-0.3%	1,333
Tax attributable to prior years	0.1%	-316	0.0%	-241
Effect of changed tax rates and tax regulations	-0.4%	2,135	0.0%	-
Share in earnings of joint venture	-0.5%	2,642	0.0%	-
Other	-0.3%	1,299	0.1%	-448
Recognized effective tax	24.6%	-123,967	27.4%	-134,015

Parent	2008		2007	
	%	Amount	%	Amount
Profit before tax		226,570		94,710
Tax at prevailing rate for parent	28.0%	-63,440	28.0%	-26,519
Non-deductible expenses	1.3%	-2,903	0.1%	-48
Non-taxable revenues	-41.1%	93,224	-49.7%	47,053
Tax attributable to prior years	0.0%	-8	0.0%	-6
Recognized effective tax	-11.8%	26,872	-21.6%	20,480

Tax items recognized directly in equity

Group	2008	2007
Current tax, currency risk hedging in foreign operations	-16,990	4,802
Deferred tax, Share Savings Scheme	-645	-
Exchange difference, deferred tax	-7,216	-2,143
	-24,851	2,659

Parent	2008	2007
Current tax, Group contribution paid/received	-28,000	-22,400
	-28,000	-22,400

NOTE 13. EARNINGS PER SHARE

Group	2008	2007
Basic earnings per share (SEK)	7.58	7.06
Earnings per share after dilution (SEK)	7.58	7.06

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

Profit for the year

Profit for the year	377,948	352,880
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Weighted average outstanding ordinary shares, before dilution

Total ordinary shares at January 1	50,000,000	50,000,000
Effect of treasury share transactions	-146,855	-33,333

Weighted ordinary shares outstanding during the year, before dilution	49,853,145	49,966,667
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Weighted average outstanding ordinary shares, after dilution

Weighted average outstanding ordinary shares, before dilution	49,853,145	49,966,667
Effect of Share Savings Scheme	3,441	-

Weighted ordinary shares outstanding during the year, after dilution	49,856,586	49,966,667
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NOTE 14. GOODWILL

Cash-generating units with significant goodwill

Goodwill	Sweden	Finland	Czech Republic	Group total
<i>Accumulated cost</i>				
Balance at				
January 1, 2007	313,703	226,455	-	540,158
Exchange difference	-	4,306	-	4,306
Balance at				
December 31, 2007	313,703	230,761	-	544,464
Balance at				
January 1, 2008	313,703	230,761	-	544,464
Exchange difference	-	14,864	-	14,864
Acquisitions	-	-	92,022	92,022
Balance at				
December 31, 2008	313,703	245,625	92,022	651,350

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 "BE Group Sverige AB" constitutes the primary segment of Sweden and the cash generating unit "BE Group Oy Ab" constitutes the primary segment of Finland. The cash generating unit "Czech Republic" consists of BE Group s.r.o. and Ferram Steel s.r.o., which are included in the primary segment of CEE.

Note 14, cont.

The recovery value for cash generating units is based on their value in use. Discount factors were applied to the calculation of value in use of 11.2% before tax for Sweden, 11.1% for Finland and 12.3% 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 flows for subsequent years were extrapolated by assuming initial annual growth of 2% that subsequently declines by 10% per year for Sweden and Finland. Initial annual growth was assumed for the Czech Republic at 4%, subsequently declining by 10% per year.

Growth for BE Group is based on growth in sales volumes and purchase price development for the company's products. BE Group adjusts selling prices to offset changes in purchase prices, thus generating a stable gross margin. Assessed market growth, extrapolated using assumed annual growth of 2% for Sweden and Finland and 4% for the Czech Republic, is based on actual average annual growth of 9.6% for 2005-2008 for comparable units in the Group. BE Group's financial targets are based on annual future underlying sales growth (adjusted for market price changes) of more than 5% per year over a business cycle, of which a significant portion of growth is expected to be acquisition-driven. Organic growth will be generated primarily through increased processing of the company's products and continued growth outside Sweden and Finland, which are currently the largest markets. This is generating higher growth than the general growth rate in the distribution channel in the company's market. Forecast market shares, margins and expenses for employee benefits are consistent with prior experience.

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

NOTE 15. CUSTOMER RELATIONSHIPS

Group	2008-12-31	2007-12-31
<i>Accumulated cost</i>		
At January 1	-	-
Acquisitions of subsidiaries	29,000	-
At December 31	29,000	-
<i>Accumulated scheduled amortization</i>		
At January 1	-	-
Scheduled amortization for the year ¹⁾	-3,468	-
At December 31	-3,468	-
Carrying amount at end of period	25,532	-

¹⁾ Amortization for the year is recognized as a selling expense in profit and loss.

NOTE 16. SOFTWARE AND LICENSES

Group	2008-12-31	2007-12-31
<i>Accumulated cost</i>		
At January 1	28,259	26,422
Purchases	2,128	331
Acquisitions of subsidiaries	833	-
Sales and discards	-35	-
Reclassification	87	388
Exchange differences for the year	3,859	1,118
At December 31	35,131	28,259
<i>Accumulated scheduled amortization</i>		
At January 1	-23,777	-20,933
Acquisitions of subsidiaries	-710	-
Sales and discards	35	-
Reclassification	19	-
Scheduled amortization for the year ¹⁾	-1,815	-1,819
Exchange differences for the year	-3,649	-1,025
At December 31	-29,897	-23,777
<i>Accumulated impairment losses</i>		
At January 1	-	-
Reclassification	-41	-
At December 31	-41	-
Carrying amount at end of period	5,193	4,482

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

Cost of goods sold	-235	-259
Selling expenses	-173	-95
Administrative expenses	-1,407	-1,465
	-1,815	-1,819

NOTE 17. ADVANCE PAYMENTS FOR INTANGIBLE ASSETS

Group	2008-12-31	2007-12-31
At January 1	-	-
Investments	17,494	-
Carrying amount at end of period	17,494	-
Parent	2008-12-31	2007-12-31
Advance payments at January 1	-	-
Investments	17,494	-
Carrying amount at end of period	17,494	-

Advance payments refer to investments in a new corporate business system. The asset will be owned by the parent company.

NOTE 18. BUILDINGS AND LAND

Group	2008-12-31	2007-12-31
<i>Accumulated cost</i>		
At January 1	16,658	15,405
Purchases	–	1,187
Acquisitions of subsidiaries	79,430	–
Reclassification	2,836	–
Exchange differences for the year	1,573	66
	100,497	16,658
<i>Accumulated scheduled depreciation</i>		
At January 1	-3,594	-2,602
Acquisitions of subsidiaries	-998	–
Scheduled depreciation for the year	-2,055	-959
Exchange differences for the year	-226	-33
	-6,873	-3,594
<i>Accumulated impairment losses</i>		
At January 1	–	–
Acquisitions of subsidiaries	-284	–
Exchange differences for the year	-36	–
	-320	–
Carrying amount at end of period	93,304	13,064
Appraised tax value of buildings (Sweden)	12,456	12,456
Appraised tax value of land (Sweden)	–	–

Leases

Group	2008-12-31	2007-12-31
<i>Properties held under finance leases included at a carrying amount of</i>		
	10,216	11,152
Future minimum lease payments attributable to finance leases will mature as follows:		
Group	2008-12-31	2007-12-31
Within one year	2,119	2,118
One to five years	8,476	8,476
Later than five years	12,714	14,833
	23,309	25,427

See note 39 for disclosures concerning lease liabilities.

NOTE 19. PLANT AND MACHINERY

Group	2008-12-31	2007-12-31
<i>Accumulated cost</i>		
At January 1	338,003	290,004
Purchases	17,930	35,387
Acquisitions of subsidiaries	5,861	–
Sales and discards	-14,747	-11,198
Reclassification	2,522	14,565
Exchange differences for the year	36,014	9,245
	385,583	338,003
<i>Accumulated scheduled depreciation</i>		
At January 1	-167,211	-147,530
Acquisitions of subsidiaries	-1,071	–
Sales and discards	13,269	9,981
Reclassification	-716	–
Scheduled cost-based depreciation for the year	-28,409	-24,627
Exchange differences for the year	-20,508	-5,035
	-204,646	-167,211
<i>Accumulated impairment losses</i>		
At January 1	–	–
Impairment losses for the year	-530	–
	-530	–
Carrying amount at end of period	180,407	170,792
Of which recognized as assets held for sale	–	1,986
Of which recognized as plant and machinery	180,407	168,806

NOTE 20. EQUIPMENT, TOOLS, FIXTURES AND FITTINGS

Group	2008-12-31	2007-12-31
<i>Accumulated cost</i>		
At January 1	175,095	158,154
Purchases	14,759	24,550
Acquisitions of subsidiaries	12,156	–
Sales and discards	-22,262	-36,660
Reclassification	-48	26,953
Exchange differences for the year	5,651	2,098
	185,351	175,095
<i>Accumulated scheduled depreciation</i>		
At January 1	-110,198	-129,508
Acquisitions of subsidiaries	-2,608	–
Sales and discards	17,412	35,064
Reclassification	1,052	–
Scheduled cost-based depreciation for the year	-15,976	-14,537
Exchange differences for the year	-4,126	-1,217
	-114,444	-110,198

Note 20, cont.

Group	2008-12-31	2007-12-31
<i>Accumulated impairment losses</i>		
At January 1	–	-26
Impairment losses reversed during the year	–	25
Impairment losses for the year	-722	–
Exchange differences for the year	–	1
	-722	–
Carrying amount at end of period	70,185	64,897

Parent	2008-12-31	2007-12-31
<i>Accumulated cost</i>		
At January 1	1,015	518
Purchases	149	497
	1,164	1,015
<i>Accumulated scheduled depreciation</i>		
At January 1	-317	-236
Scheduled cost-based depreciation for the year	-192	-81
	-509	-317
Carrying amount at end of period	655	698

NOTE 21. CONSTRUCTION IN PROGRESS AND ADVANCES FOR NON-CURRENT ASSETS

Group	2008-12-31	2007-12-31
At January 1	1,489	42,216
Acquisitions of subsidiaries	4,175	–
Sales and discards	-282	-290
Reclassification	-5,711	-41,907
Investments	11,605	1,407
Exchange differences for the year	260	63
Carrying amount at end of period	11,536	1,489

NOTE 22. INVESTMENTS IN GROUP COMPANIES

Parent	2008-12-31	2007-12-31
<i>Accumulated cost</i>		
At January 1	1,054,607	1,039,469
Acquisitions	204,736	15,138
Carrying amount at end of period	1,259,343	1,054,607

Specification of parent and Group holdings of investments in Group companies

2008-12-31 Subsidiaries/Reg. No./Domicile	Participating Interests	Interest in % ¹⁾	Carrying amount
BE Group Sverige AB, 556106-2174, Malmö	20,000	100.0	866,415
Bröderna Edstrand Transporter AB, 556283-3763, Malmö	1,000	100.0	
BE Group Oy Ab, 1544976-7, Finland	204,000	100.0	148,309
BE Group AS, 10024510, Estonia	40	100.0	345
BE Group SIA, 000341-313, Latvia	100	100.0	27
UAB BE Group, V2.3, Lithuania	100	100.0	92
BE Group sp.z.o.o., RHB131-30, Poland	20,216	100.0	8,339
BE Group A/S, 6771-9514, Denmark	73	100.0	432
Bröderna Edstrand Fastighets AB, 556659-7877, Malmö	10,000	100.0	1,000
BE Group s.r.o., 269 16 347, Czech Republic		100.0	62,199
Ferram Steel s.r.o., 282 43 781, Czech Republic		100.0	167,687
BE Group Slovakia s.r.o., 36595659, Slovakia		100.0	4,498
BE Group O.O.O., Russia	1	100.0	–
			1,259,343

¹⁾ Percentage of equity ownership, which is equal to percentage of voting rights in relation to total issued capital.

Acquisitions, capital contributions and impairments during the year

	2008	2007
BE Group s.r.o., 269 16 347, Czech Republic ¹⁾	45,788	–
Ferram Steel a.s., 268 76 175, Czech Republic ²⁾	167,581	–
Izante Estates s.r.o., 282 43 781 Czech Republic ²⁾	106	–
BE Group O.O.O., Russia ³⁾	-10,040	10,013
BE Group Slovakia s.r.o., 36595659, Slovakia ³⁾	–	4,234
Share Savings Scheme	1,301	891
	204,736	15,138

¹⁾ Acquisition of Czechprofil s.r.o., subsequently merged with BE Group s.r.o. during the financial year.

²⁾ As of December 31, Ferram Steel was merged with Izante Estates s.r.o. whereupon the name of Izante Estates s.r.o was changed to Ferram Steel s.r.o.

³⁾ Impairment loss on the investment in 2008 and capital contribution in 2007.

Note 22, cont.

BE Group has acquired all shares in Czechprofil s.r.o. in the Czech Republic. The company was consolidated in the Group on January 23, 2008. Czechprofil does business in the market for both flat and long steel products and has an expansive service business. The company was merged on October 1 with BE Group's previously established company in the Czech Republic, BE Group s.r.o., and the operations are thus fully integrated.

BE Group has also acquired all shares in the Czech company Ferram Steel a.s. Ownership was transferred on July 15, 2008 and the company was consolidated in the Group as of that date. Ferram Steel concentrates mainly on flat products. In conjunction with the acquisition of Ferram Steel, BE Group also acquired a "ready-made" company, Izante Estates s.r.o., with which Ferram Steel was merged effective December 31, 2008. Izante Estates is included in the figures for Ferram stated below.

Acquisitions	Czechprofil			Ferram		
Purchase consideration	40,007			155,927		
Direct costs upon acquisition	5,781			11,759		
Fair value of acquired net assets	7,503			113,949		
Goodwill	38,285			53,737		
Acquired assets and liabilities	Carrying amount before acquisition	Fair value adjustment	Fair value, Group	Carrying amount before acquisition	Fair value adjustment	Fair value, Group
Intangible assets	100	20,000	20,100	23	9,000	9,023
Tangible assets	9,054	–	9,054	87,605	–	87,605
Deferred tax	1,008	–	1,008	–	–	–
Operating assets	56,776	–	56,776	183,623	–	183,623
Cash and cash equivalents	7,462	–	7,462	22,684	–	22,684
Interest-bearing liabilities	-42,253	–	-42,253	-101,451	–	-101,451
Operating liabilities	-40,444	–	-40,444	-77,940	–	-77,940
Deferred tax liability	–	-4,200	-4,200	-7,705	-1,890	-9,595
Total	-8,297	15,800	7,503	106,839	7,110	113,949
Of which cash and cash equivalents in acquired units			-7,462			-22,684
			-41			91,265
Profit after tax during period of ownership ¹⁾			-191			-2,042
Profit after tax in acquired units, January-December ¹⁾						8,261

¹⁾ Czechprofil was merged with BE Group s.r.o. effective October 1, 2008. It is therefore not practicable to specify profit and loss for the entire period. The information disclosed includes Czechprofil's profit and loss only through September 30, 2008.

The acquisition balance for Czechprofil above was finalized in December 2008. Compared to the preliminary analysis, this has been adjusted for additional acquisition costs and business assets in the opening balance. Recognized goodwill has increased by SEK 7M and adjustment of the opening balance enhanced earnings by SEK 0.4M. This was reported in full in the fourth quarter of 2008. The main reason for the adjustment was that Czechprofil had recognized prepaid expenses that do not meet IFRS standards for capitalization.

The acquisition balance for Ferram is preliminary and will be finalized in 2009.

NOTE 23. INTERESTS IN JOINT VENTURES

BE Group has acquired a 50% interest in ArcelorMittal SSC AB and a joint venture for sales and processing of thin plate in the Swedish market was started up on June 2. BE Group paid the purchase consideration by transferring the thin sheet business in Borlänge in a non-cash issue combined with cash consideration of SEK 15M. The interest in the joint venture company will be reported in the consolidated accounts as of June 2 using the equity method, by which 50% of profit after tax for the joint venture company will be reported as a share in earnings included in consolidated operating profit. The deconsolidation of BE Group's former operations generated a capital gain of SEK 59M during the year.

Earnings in joint venture 2008	ArcelorMittal BE Group SSC AB
Profit before tax	39,794
Tax	-11,142
Profit after tax	28,652
Dividends received	–

Note 23, cont.

Company	Reg. No.	Domicile	Equity share
<i>Indirectly owned</i>			
ArcelorMittal BE Group SSC AB	556192-8770	Karlstad	50%
Overview of income statements and balance sheet for the joint venture			2008
Net sales			620,616
Operating profit			40,107
Net financial income (loss)			-313
Tax			-11,142
Profit for the year			28,652
			2008-12-31
Non-current assets			178,773
Current assets			275,450
Total assets			454,223
			2008-12-31
Equity			290,530
Provisions			4,759
Interest-bearing liabilities			53,281
Other non-interest-bearing liabilities			105,653
Total equity and liabilities			454,223
Investment in the joint venture			2008
Opening balance, cost			-
Acquisitions			128,731
Share in earnings of joint venture			9,435
Carrying amount at year-end			138,166
Acquisition of investment in the joint venture			2008
Fair value, capital contributed in kind			187,000
Carrying amount, capital contributed in kind			-38,619
Gross capital gain			148,381
50% of gross capital gain			74,191
Less transaction expenses			-1,679
Less warranty provisions			-14,000
Recognized capital gain			58,512
Fair value of capital contributed in kind			187,000
50% of gross capital gain			-74,191
Purchase consideration for 3.8% of equity in the company			15,000
Acquisition costs			921
Total acquisition of investment in the joint venture			128,731

NOTE 24. OTHER SECURITIES HELD AS NON-CURRENT ASSETS

Group	2008-12-31	2007-12-31
<i>Accumulated cost</i>		
At January 1	1,942	1,856
New assets	142	-
Exchange differences for the year	300	86
Carrying amount at end of period	2,384	1,942

NOTE 25. OTHER NON-CURRENT RECEIVABLES

Group	2008-12-31	2007-12-31
<i>Accumulated cost</i>		
At January 1	144	27
New receivables	1,060	125
Settled receivables	-11	-9
Exchange differences for the year	23	1
	1,216	144

NOTE 26. INTEREST-BEARING RECEIVABLES, GROUP COMPANIES

Parent	2008-12-31	2007-12-31
<i>Accumulated cost</i>		
At January 1	8,526	11,494
New receivables	20,231	6,701
Settled receivables	-	-10,013
Exchange differences for the year	1,316	344
	30,073	8,526

NOTE 27. INVENTORIES

Group	2008-12-31	2007-12-31
<i>Obsolescence reserve, inventories</i>		
Carrying amount at January 1	-23,925	-10,687
Translation difference	-1,641	-357
Acquisitions, subsidiaries	-548	-
Change for the year	-11,029	-12,881
Carrying amount at end of period	-37,143	-23,925
Of which recognized as assets held for sale	-	-393
Of which recognized as inventory	-37,143	-23,532

NOTE 28. PREPAID EXPENSES AND DEFERRED INCOME

Group	2008-12-31	2007-12-31
Rent for premises	8,616	7,837
Supplier bonuses	37,489	37,143
Prepaid acquisition costs	-	10,415
Other items	16,523	10,979
	62,628	66,374

Note 28, cont.

Of which recognized as assets held for sale	–	3,618
Of which recognized as prepaid expenses and deferred income	62,628	62,756

Parent	2008-12-31	2007-12-31
Prepaid acquisition costs	–	10,415
Supplier bonuses	37,079	–
Other items	9,190	3,297
	46,269	13,712

NOTE 29. EQUITY

Share capital and shares outstanding

Group	2008-12-31	2007-12-31
Issued capital at January 1	50,000,000	50,000,000
Change	–	–
Issued capital at December 31	50,000,000	50,000,000

Authorized share capital at December 31, 2008 comprised 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

Refers to capital contributed by shareholders, including 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 in the translation reserve. This is comprised of exchange differences arising from the revaluation of liabilities recognized as hedging instruments of a net investment in a foreign operation. The amount is based on tax consequences.

Group	2008-12-31	2007-12-31
Carrying amount at January 1	3,464	-11,202
Exchange differences for the year	96,473	27,013
Hedging of net investments in foreign subsidiaries after tax	-43,688	-12,347
Carrying amount at end of period	56,249	3,464

Retained earnings including profit for the year

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

Treasury shares

Group	2008		2007	
	Number	Amount	Number	Amount
Balance at January 1	120,000	9,438	–	–
Acquisitions for the year	144,300	3,828	120,000	9,438
Balance at December 31	264,300	13,266	120,000	9,438

The acquisition of treasury shares was recognized directly in retained earnings. The shares will be used within the framework of Share Savings Scheme 2007 and Share Savings Scheme 2008, respectively.

Dividend

During the financial year, BE Group distributed total dividends of SEK 174,580,000 to shareholders at the Annual General Meeting held in May 2008, corresponding to SEK 3.50 per share. The Board is proposing to the 2009 Annual General Meeting a dividend of SEK 1.00 per share for a total distribution of SEK 49,736,000.

Capital management

BE Group has set five financial targets for operations. Three of the targets refer to growth, profitability and return, which are measured over an economic cycle. The other two targets refer to the capital structure and temporary deviations may occur, for instance in conjunction with acquisitions. The underlying sales growth target was not met in 2008, due to the weak economic trend in the second half. Operating capital increased due to finalized structural transactions and higher working capital, which has had negative impact on underlying return on operating capital. As a result, the outcome for underlying return on operating capital is slightly below target.

Underlying earnings and returns are measured to provide a clear view of business development. These adjusted measurements are recognized after adjustment for exceptional items and inventory gains/losses.

Financial targets	Figures	Outcome 2008	Outcome 2007
Underlying sales growth	>5%	Neg	1.1%
Underlying EBITA margin	>6%	6.0%	7.2%
Underlying return on operating capital	>40%	39.5%	63.2%
Net debt as a percentage of total equity	<150%	91.2%	69.8%
Net debt/underlying EBITDA	< 3 (multiple)	2.0 (multiple)	1.0 (multiple)

The Group has external claims on capital in the form of financial covenants in bank loan agreements, which are reported in Note 39, Financial risk management.

BE Group's objective is to distribute at least 50% of profit after tax to shareholders over time, if justified by the Group's financial position and outlook. For the 2008 financial year, the Board of Directors and CEO are proposing a cash dividend to shareholders of SEK 1.00 per share, corresponding to 13% of profit after tax. The dividend was reduced in response to the currently uncertain market position and the need to ensure that the Group has adequate access to liquidity over the short and long terms.

Parent

Restricted reserves

Dividends that reduce restricted reserves are prohibited.

Statutory reserve

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

Note 29, cont.

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 30. ASSETS HELD FOR SALE

BE Group engaged in structural discussion with ArcelorMittal in 2007, which led to a decision by BE Group in December 2007 to use the thin plate operations in the Business area Sweden as capital contributed in kind to acquire an interest in a joint venture. BE Group then entered into an agreement in January 2008 to acquire a 50% interest in ArcelorMittal SSC AB. Through this strategically important step, BE Group and ArcelorMittal have created a joint venture for processing and sales of thin sheet in the Swedish market. BE Group will pay the purchase consideration by transferring the thin sheet business in Borlänge in a non-cash issue combined with cash consideration of SEK 15M. The assets and liabilities attributable to the assets and liabilities in the non-cash issue have been classified as a disposal group. Assets and liabilities are recognized separately in the balance sheet. The final consideration will be based on the balance sheet as of the transfer date. The transaction was approved by the competition authorities and ownership was ultimately transferred to BE Group on June 2, 2008. See Note 23 for further disclosures about the formation of the joint venture. BE Group's thin plate business in the Business area Sweden generated sales of approximately SEK 400M in 2007.

Assets held for sale and liabilities associated with assets held for sale consist of the following components.

Assets held for sale	2008-12-31	2007-12-31
Plant and machinery	–	1,986
Inventories	–	36,241
Trade receivables	–	44,908
Prepaid expenses and deferred income	–	3,618
Total	–	86,753

Liabilities associated with assets held for sale	2008-12-31	2007-12-31
Trade payables	–	37,722
Other liabilities	–	185
Accrued expenses and deferred income	–	3,006
Total	–	40,913

NOTE 31. PROVISIONS FOR PENSIONS

Group	2008-12-31	2007-12-31
Provisions for pensions	295	407
	295	407
Pledged assets for pension commitments	None	None

Description of pension plans in Finland and Sweden, etc.

Defined benefit plans

Pension obligations for retirement pensions and survivors' pensions for white-collar employees in Sweden are secured through an insurance policy provided by Alecta. According to a statement (UFR 3) from the Swedish Financial Reporting Board, this is a multiple-employer defined benefit plan. The company has not had access to information that would permit recognition of the plan as a defined benefit plan. The ITP pension plan secured through insurance provided by Alecta is accordingly recognized as a defined contribution plan. The year's premium for pension insurance with Alecta is SEK 6.8M (7.2). Alecta's surplus may be allocated to policyholders and/or the insured persons. At year-end 2008, Alecta's surplus expressed as the collective funding ratio was 112.0% (152.0%). The collective funding ratio is comprised of the fair value of Alecta's assets as a percentage of insurance obligations computed according to Alecta's actuarial assumptions, which do not accord with IAS 19.

A very limited portion of the company's pensions are defined benefit plans. Provisions to these plans amount to SEK 0.3M (0.4). Outstanding pension commitments as of balance sheet date refer to a supplementary pension solution for executives in Finland, which provides benefits from the contractually agreed age of retirement until the individuals are eligible for government pension disbursements. Costs for this pension solution are recognized in their entirety as administrative expenses.

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

Paid contributions in 2009 are expected to amount to approximately SEK 30,000.

Defined contribution pension plans

The Group has defined contribution pension plans for workers in Sweden for which expenses are fully paid by the companies. There are defined contribution plans abroad for which the expenses are paid partially by the subsidiaries and partially by employee contributions. Payments are made regularly to these plans according to plan rules.

	2008	2007
Expenses for defined contribution plans	39,651	37,942
Inclusive expenses related to the ITP plan financed through Alecta	6,819	7,178

NOTE 32. OTHER PROVISIONS

Group	2008-12-31	2007-12-31
Restructuring costs	26,026	1,186
Guarantee commitments	26,958	15,000
Other	1,758	1,094
	54,742	17,280
<i>Of which:</i>		
Non-current	12,180	571
Current	42,562	16,709
	54,742	17,280

2008-12-31	Restructuring costs	Guarantee commitments	Other
Carrying amount at January 1	1,186	15,000	1,094
Translation difference	–	–	122
New provisions	26,026	11,958	1,028
Amount used during the period	-1,186	–	-485
Carrying amount at end of period	26,026	26,958	1,759

Expected date of outflow of resources

2009	25,391	16,223	948
2010–2012	635	10,735	811
2013 and later	–	–	–
	26,026	26,958	1,759

The provision for guarantee commitments 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, and partly to guarantees provided to the joint venture with ArcelorMittal.

Parent

The parent company's provision of SEK 107,000 (148,000) refers to social security expenses related to Share Savings Scheme 2007 and Share Savings Scheme 2008, which have an expected outflow of resources in 2010 and 2011, respectively.

NOTE 33. DEFERRED TAX ASSETS AND TAX LIABILITIES

2008-12-31	Deferred tax asset	Deferred tax liability	Net
Group			
Intangible assets	–	34,437	-34,437
Buildings and land	2,044	7,526	-5,482
Plant and machinery	–	16,194	-16,194
Inventory	766	270	496
Trade receivables	121	–	121
Other provisions	9,028	–	9,028
Tax allocation reserves	–	21,085	-21,085
Other	1,652	16,298	-14,646
Loss carryforwards	4,592	–	4,592
	18,203	95,810	-77,607
Offset	-11,182	-11,182	–
	7,021	84,628	-77,607

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

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 15.2M (19.1). The tax loss carryforwards relate to the subsidiary in Russia (last year also in the Czech Republic). BE Group has decided to close its operations in St Petersburg. As a result, there will be no opportunity to utilize the tax deductions for loss carryforwards in the Russian company.

Deferred tax assets have not been recognized for loss carryforwards primarily related to the Czech Republic, as the company has judged it probable that the Group will be able to offset them against taxable profits in the near term. The option to utilize loss carryforwards in the Czech Republic is limited to five years.

Note 33, cont.

Change of deferred tax in temporary differences and loss carryforwards

2008-12-31	Carrying amount at beginning of period	Recognized in profit and loss	Acquisitions, subsidiaries	Recognized in equity	Carrying amount at end of period
Group					
Intangible assets	-25,020	534	-6,090	-3,861	-34,437
Buildings and land	–	2,330	-7,705	-107	-5,482
Plant and machinery	-12,553	-3,287	-293	-61	-16,194
Inventory	441	36	–	19	496
Trade receivables	63	53	–	5	121
Other provisions	4,789	4,308	–	-69	9,028
Tax allocation reserves	-28,061	8,695	–	-1,719	-21,085
Other	-9,854	-3,812	1,302	-2,282	-14,646
Utilization of loss carryforwards	2,803	1,575	–	214	4,592
	-67,392	10,432	-12,786	-7,861	-77,607

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

Parent

The deferred tax asset of SEK 0 (241,000) is attributable to provisions related to Share Savings Scheme 2007.

NOTE 34. PLEDGED ASSETS AND CONTINGENT LIABILITIES**Pledged assets to credit institutions**

Group	2008-12-31	2007-12-31
Liens on assets	575,883	538,999
Shares in subsidiaries	1,480,827	1,374,216
	2,056,710	1,913,215
Parent	2008-12-31	2007-12-31
Promissory notes receivable	248,911	215,634
Shares in subsidiaries	1,014,723	1,013,793
	1,263,634	1,229,427

Financial assets pledged as collateral

The parent company has a promissory note receivable from BE Group Oy Ab pledged as collateral for external loan agreements. The carrying amount is equal to the amount reported as pledged collateral. Please see Note 39 Financial risk management with regard to significant terms and conditions of external loan agreements.

Contingent liabilities

Group	2008-12-31	2007-12-31
Warranties upon sale of real estate	362,000	362,000
	362,000	3362,000
Parent	2008-12-31	2007-12-31
Guarantees	11,664	27,902
	11,664	27,902

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

The parent company has provided payment guarantees on behalf of subsidiaries, primarily in the Business area CEE, for trade payables 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 35. CURRENT INTEREST-BEARING LIABILITIES

Group	2008-12-31	2007-12-31
<i>Overdraft facility</i>		
Credit limit	208,200	200,000
Unutilized component	-201,966	-200,000
Utilized credit amount	6,234	-
Other current interest-bearing liabilities	86,907	13,118
	93,141	13,118

Disclosures concerning collateral are provided in Note 34, Pledged assets and contingent liabilities.

NOTE 36. ACCRUED EXPENSES AND DEFERRED INCOME

Group	2008-12-31	2007-12-31
Accrued salaries	47,086	48,269
Accrued social security expenses	15,246	15,610
Bonuses to customers	8,768	11,785
Other items	28,622	35,852
	99,722	111,516

Of which recognized as liabilities associated with assets held for sale

Of which recognized as accrued expenses and deferred income

Parent	2008-12-31	2007-12-31
Accrued salaries	4,215	3,674
Accrued social security expenses	2,513	1,974
Accrued consultant expenses	2,067	1,249
Other items	4,751	2,372
	13,546	9,269

NOTE 37. SUPPLEMENTARY DISCLOSURES TO CASH FLOW STATEMENT

Group	2008	2007
Interest paid and dividends received		
Dividends received	77	-
Interest received	11,158	9,689
Interest paid	-54,845	-41,413
Adjustment for non-cash items		
Depreciation and impairments of assets	52,975	56,047
Unrealized exchange differences	-17,285	-11,819
Capital gain (loss) on disposals of non-current assets	467	-1,307
Capital gain (loss) on sale of capital contributed in kind to joint venture	-58,512	-
Share in earnings of joint venture	-9,435	-
Provisions for pensions	-155	-355
Other provisions and other income items not affecting liquidity	14,907	-18,009
	-17,038	24,557

Cash and cash equivalents

Cash and cash equivalents comprise the following components:

Cash and bank balances	124,873	258,486
Short-term placements comparable to cash and cash equivalents	76	39
	124,949	258,525

Parent	2008	2007
Interest paid and dividends received		
Dividends received	340,944	413,120
Interest received	28,828	18,920
Interest paid	-62,313	-47,056

Adjustment for non-cash items

Anticipated dividends from subsidiaries	-160,000	-168,000
Depreciation and impairments of assets	10,232	81
Unrealized exchange differences	36,976	11,374
Other provisions and other income items not affecting liquidity	630	862
	-112,162	-155,683

Cash and cash equivalents

Cash and cash equivalents comprise the following components:

Cash and bank balances	50,295	200,002
	50,295	200,002

See Note 22 for supplementary disclosures pertaining to acquired companies.

NOTE 38. TRANSACTIONS WITH RELATED PARTIES

Nordic Capital Funds owns the equivalent of 20.6% of equity in BE Group AB (publ) via Trenor Holding Ltd, Jersey, and Trenor Holding Ltd (Rev), Jersey. The ownership interest has not changed during the financial year.

BE Group and ArcelorMittal formed a joint venture in the Swedish thin plate market in 2008. Transactions with the joint venture in 2008 are disclosed below.

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

The Group has had the following related party transactions:

2008

As of December 31, 2008 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 3.50 per share resolved by the Annual General Meeting.

Transactions with joint venture 2008	ArcelorMittal BE Group SSC AB
Receivables due from joint venture	1,254
Debts owed to joint venture	19,112
Sales to joint venture	937
Purchases from joint venture	71,116

The Group has issued guarantees on behalf of ArcelorMittal BE Group SSC AB in connection with the sale of capital contributed in kind to the joint venture. The provision for these guarantees amounted to SEK 12M on balance sheet date.

Note 38, cont.

2007

As of December 31, 2007 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 3.50 per share resolved by the Annual General Meeting.

The parent company has control over its subsidiaries. See note 22.

The parent has had the following related party transactions:

	Nordic Capital Funds		Subsidiaries	
	2008	2007	2008	2007
Sales of services	–	–	53,685	16,200
Purchases of services	–	–	-13,467	-3,682
Interest income	–	–	26,066	17,100
Interest expense	–	–	-14,212	-10,500
Dividend received				
(+) or paid (-)	-36,050	-63,560	172,944	168,000
Claims on related parties				
on balance day	–	–	384,714	367,035
Debt to related parties				
on balance day	–	–	120,577	200,002

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 39. FINANCIAL RISK MANAGEMENT

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

Currency risk

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

BE Group's objective is to minimize the short-term and long-term impact of movements in foreign exchange rates on the company's profit and equity. Primarily, BE Group attempts to manage currency risk through efforts to modify

operational conditions in order to achieve a match between revenues and expenses in currencies other than SEK. When this matching cannot be achieved, BE Group sometimes utilizes forward contracts for currency hedging. All currency hedging is performed by the Corporate Treasury Department in the parent company. There were no outstanding forward contracts on balance sheet date.

Transaction exposure

Transaction exposure arises when the Group buys in one currency and sells in another. BE Group's purchases are denominated mainly in SEK and EUR, while sales are denominated in local currency.

BE Group had translation exposure against the euro of EUR 147,875,000 (131,913,000) in 2008. Translation exposure against other currencies was insignificant. Exposure arises primarily in Sweden, Poland and the Czech Republic. No exposure arises in the Baltic countries because the local currencies are tied to the euro. Translation exposure against other countries is immaterial. The Group has utilized forward contracts for currency hedging corresponding to approximately 39% (10%) of transaction exposure in 2008. However, there were no outstanding forward contracts at year-end.

Translation exposure

When the net assets of foreign Group companies are restated in SEK, translation differences arise in connection with exchange rate fluctuations that affect consolidated equity.

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

Amount, SEK thousands		
SEK	246,322	22%
EUR	655,728	59%
CZK	87,535	8%
Other	112,954	10%
	1,102,539	100%

The parent company, BE Group AB, has loans in EUR and CZK to reduce translation exposure arising from the Finnish and Czech operations, respectively. Loans were raised in CZK in connection with the acquisition of Ferram Steel. 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. An exchange rate loss after tax of SEK 43,688,999 was recognized in equity in 2008. The corresponding exchange rate loss after tax in 2007 amounted to SEK 12,347,000. 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.

Steel price risk

The Group's operations consist largely of purchasing, processing and reselling steel products. The price of steel can change between the purchase and sale date and price differences can affect earnings. According to corporate policy, inventory risk must be reduced through active efforts to improve the inventory turnover rate. Speculation on the steel price trend is not permitted. The carrying amount for

Note 39, cont.

inventory was SEK 1,269,738,000 (942,600,000) as of balance sheet date.

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

Interest risk

Interest risk consists primarily of price risk or cash flow risk that affects consolidated earnings and cash flow. Price risk is the risk that the fair value of financial instrument will vary in connection with fluctuations in market interest rates. The Group's price risk is insignificant because the Group's interest-bearing financial

assets consist mainly of receivables and liabilities subject to variable rates or with short fixed-rate terms. Cash flow risk is the risk that future cash flows on a financial instrument will vary in size. BE Group is exposed to interest risk in the form of cash flow risk through its net debt. BE Group's objective is to maintain the average fixed-rate term of one to twelve months. BE Group has elected to borrow at variable rates or with short fixed rate terms, and to not hedge cash flow risk associated with interest payments. The fixed rate term was deliberately shortened during the year and was approximately 3 months (6 months) as of balance sheet date.

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

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

2008		Nominal amount in original currency	Carrying amount (SEKK)	Effective rate, %	Fixed rate term, days	Maturity
Finance lease, SEK		16,939	16,939	6.28%	–	2019
Finance lease, CZK	CZKK	12,659	5,190	6.87% ¹⁾	–	2011
Accrued interest			–			
			22,129			
Current liability			3,835			
Factoring CZK	CZKK	11,210	4,596	5.54%	–	2010
Accrued interest			–			
			4,596			
Current liability			4,596			
Bank loan, CZK	CZKK	151,286	62,026	4.72% ²⁾	0-90	2009-2013
Accrued interest		–	–			
			62,026			
Current liability			55,828			
Parent¹⁾						
Bank loan, SEK		407,000	407,000	2.88%	90	2011
Bank loan, EUR	EURK	43,947	480,591	4.57%	90	2011
Bank loan, CZK	CZKK	385,315	157,979	4.43%	104	2011
Accrued interest			–			
Total interest-bearing liabilities, parent			1,045,570			
Current liability			28,883			
Total interest-bearing liabilities, Group			1,134,321			
Current liability			93,142			

¹⁾ Weighted average interest. Actual interest is in the range of 5.55-7.90%.

²⁾ Weighted average interest. Actual interest is in the range of 3.82-5.34%.

Note 39, cont.

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

2007		Nominal amount in original currency	Carrying amount (SEKK)	Effective rate, %	Fixed rate term, days	Maturity
Finance lease, SEK		17,983	17,983	6.28%	–	2019
Accrued interest			–			
Parent¹⁾						
Bank loan, SEK		413,000	413,000	4.51%	107	2011
Bank loan, EUR	EURK	44,595	422,477	4.79%	262	2011
Accrued interest			–	–		
Total interest-bearing liabilities, parent			835,477	4.65%	185	
Current liability			12,138			
Total interest-bearing liabilities, Group			853,460			
Current liability			13,118			

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

¹⁾ In addition to external interest-bearing liabilities, the parent company has an intragroup liability of EUR 2,700,000 (2,400,000), for which the carrying amount is SEK 29,526,000 (22,736,000). The loan accrues interest at a variable rate of 4.44% (4.10). Accrued interest as of balance sheet date amounted to EUR 31,000 (25,000) and the debt matures at December 31, 2009. In addition this liability, the parent has interest-bearing liabilities related to the intragroup cash pool. Liabilities to subsidiaries totalled SEK 46,192,000 (177,889,000) on balance sheet date. The liabilities accrue interest at 3.35% and there was no accrued interest on balance sheet date.

Significant terms and conditions of loan agreements

There are two financial covenants in the Group's bank loan agreements related to the interest coverage ratio and net debt as a percentage of EBITDA. The company fulfilled the covenants during the entire financial year. BE Group's loan agreements are denominated in SEK, but the company also borrows in other currencies.

Based on the depreciation of the Swedish krona, existing loans in EUR will need to be amortized, since the utilized amount exceeds the total credit limit. The amortization will occur on March 31, 2009 and will be an estimated SEK 70M. The final amount will be determined based on the exchange rate in effect when amortization is paid.

Sensitivity analysis for market risks

	Change of underlying EBITA, SEKM	Effect on equity, SEKM
+/- 5% of average steel price	+/- 53	+/- 39
+/- 5% in SEK/EUR exchange rate	+/- 38	+/- 28

	Change in net financial income/expense, SEKM	Effect on equity, SEKM
+/- 1% of interest rate	+/- 10	+/- 7

In the sensitivity analysis above, the steel price risk reflects BE Group's assessment of the effect of a 5% change on earnings (underlying EBITA), given volumes and underlying margins for the material. The analysis is adjusted for the components

of sales not dependent on the steel price, such as revenues from service operations and invoiced transport. Temporary effects such as inventory gains/losses are not included in the calculation. The exchange rate risk is the assessed net effect on earnings of transaction and translation exposure.

Refinancing and liquidity risks

The company's interest-bearing liabilities at year-end amounted to SEK 1,134 (853M). The maturity structure for loan debt is presented in the table above. The maturity structure for all financial liabilities is shown on the table below.

BE Group has an overdraft facility of SEK 208M, of which SEK 6M had been utilized as of December 31, 2008. See Note 35.

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

Maturity structure, financial liabilities

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

Financial liabilities	2008-12-31	2007-12-31
Maturity within 90 days	827,141	742,739
Maturity within 91-180 days	27	1,168
Maturity within 181-365 days	93,152	13,118
Maturity within 1-5 years	1,025,221	823,339
Maturity later than 5 years	15,959	17,003
Total	1,961,500	1,597,367

Note 39, cont.

Credit risks

Credit risks associated with trade receivables

Customer credit risk is the risk that the Group's customers will default, that is, risk that the company might not be paid for trade receivables. BE Group applies credit policies to manage this risk by limiting the outstanding credit extended and terms for various customers. Short credit terms and the absence of risk concentrations towards individual customers, sectors and geographical segments contribute to reducing credit risk in business area Sweden and business area Finland. Credit and payment terms are significantly longer in the Business area CEE than in other markets. BE Group is carrying out intensive efforts in CEE to ensure payment, which involve assessments of creditworthiness and negotiations about payment plans when payment is not timely. Credit insurance has been purchased to reduce the risk in this segment in the Business area CEE.

No single customer accounted for more than 2.9% (2.5) of sales in 2008. The ten largest customers combined generated about 9% (12) of sales. Accordingly, the spread of risk must be considered very good.

BE Group sales by customer segment:

Sales, SEK M	2008	%	2007	%
Construction sector	1,767	22.9%	1,724	22.5%
Engineering sector	3,416	44.3%	3,508	45.9%
Dealers	528	6.8%	528	6.9%
Other ¹⁾	2,002	26.0%	1,890	24.7%
Total	7,713	100.0%	7,650	100.0%

¹⁾ The "Other" group includes the automotive, process, mining and telecommunications sectors.

Provisions for customer credit losses are assessed individually, in addition to group-based assessment based on historical loss levels, which are regularly evaluated and updated. At December 31, 2008, provisions for customer credit losses were SEK 19.1 M (5.4), corresponding to 2.6% (0.7) of the gross of total trade receivables.

Time analysis of portfolio assets:

2008	Gross	Impairment
Trade receivables not yet due	517,952	-113
Unimpaired past due trade receivables		
< 30 days	134,682	
< 30-90 days	42,097	
< 90 days	9,627	
	186,406	
Impaired past due trade receivables		
< 30 days	5,600	-366
< 30-90 days	617	-437
< 90 days	19,150	-18,231
	25,367	-19,034
Gross trade receivables	729,725	
Impairment losses on trade receivables	-19,147	
Net trade receivables	710,578	

Time analysis of portfolio assets:

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

Provisions for doubtful receivables	2008	2007
Provision at January 1	-5,402	-4,849
Reserve for anticipated losses	-9,027	-397
Acquisitions of subsidiaries	-5,533	-
Confirmed losses/reversed losses	1,005	206
Exchange rate differences	-191	-362
Provision at December 31	-19,148	-5,402

Other counterparties

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

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

Fair value and carrying amount

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

Note 39, cont.

Asset class/ Measurement Category	Investments held to maturity	Loan and trade receivables	Available- for-sale financial assets	Financial liabilities measured at amortized cost	Other liabilities and trade payables	Total carrying amount	Fair value
2008							
Other securities held as non-current assets	–	–	2,384	–	–	2,384	2,384
Non-current receivables	1,216	–	–	–	–	1,216	1,216
Trade receivables	–	710,578	–	–	–	710,578	710,578
Other receivables	–	5,467	–	–	–	5,467	5,467
Interest-bearing liabilities	–	–	–	1,134,321	–	1,134,321	1,134,321
Trade payables	–	–	–	–	781,164	781,164	781,164
Other liabilities	–	–	–	–	46,014	46,014	46,014
TOTAL	1,216	716,045	2,384	1,134,321	827,178	2,681,144	2,681,144
2007							
Other securities held as non-current assets	–	–	1,942	–	–	1,942	1,942
Non-current receivables	144	–	–	–	–	144	144
Trade receivables	–	690,904	–	–	–	690,904	690,904
Other receivables	–	453	–	–	–	453	453
Interest-bearing liabilities	–	–	–	853,460	–	853,460	853,460
Trade payables	–	–	–	–	743,181	743,181	743,181
Other liabilities	–	–	–	–	726	726	726
TOTAL	144	691,357	1,942	853,460	743,907	2,290,810	2,290,810

The company 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 trade receivables, which are disclosed above under "Credit risks associated with trade receivables." 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 fair value below cost where fair value remains substantially below cost for financial investments classified as available-for-sale financial assets. A decline in value of 20% is classified as significant, and a decline in value is classified as prolonged when it lasts for more than 9 months.

Risk management and insurance

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

NOTE 40. INVESTMENT COMMITMENTS

As of the balance sheet date, December 31, 2008, the company had resolved the following investment commitments for the next financial year. The Group IT platform will be developed over the period of 2009-2011 through the implementation of a corporate business system. In addition, BE Group has also taken a decision to invest SEK 57M in production service equipment and operational efficiency improvements. The investment will be divided between Finland, SEK 48M, and Sweden, SEK 8M. The completion date for the investments is currently uncertain due to the general downturn in demand during the most recent quarters.

NOTE 41. KEY ESTIMATES AND ASSESSMENTS

Certain assumptions about the future and certain estimates and assessments as of balance sheet date are particularly significant to measurement of assets and liabilities in the balance sheet. According to management assessment, none of the asset and liability amounts reported are associated with 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. See note 14 for a description of impairment testing

and assumptions used in the process. Management's assessment is that no reasonably possible changes in key assumptions used for impairment testing of the cash generating units Sweden and Finland would cause the carrying amount to exceed the recoverable amount. With respect to the acquired operations in the Czech Republic, further deterioration of the market situation may entail risk of future impairment losses.

Inventory

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 42. EVENTS AFTER BALANCE SHEET DATE

President and Chief Executive Officer Håkan Jeppsson resigned his position with BE Group effective February 15, 2009 to take up the equivalent position with Inwido, a company in the Ratos Group.

After the end of the financial year, the board of directors of BE Group appointed Lars Bergström the new president and CEO of BE Group, and he began on March 11, 2009. Mr Bergström has many years of experience in the Swedish engineering industry, including several positions within the ABB Group. He was also the president and CEO of KMT, Karoline Machine Tools, then a listed company, for five years. Immediately prior to joining BE Group, he was the president and CEO of HTC Group.

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

The management reports for the Group and the parent company provide a true and fair view of the 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 accounts were approved for release by the board of directors on March 25, 2009 and will be presented for adoption by the Annual General Meeting on May 13, 2009.

Malmö, March 25, 2009
BE Group AB (publ)

Carl-Erik Ridderstråle
Chairman of the Board

Roger Bergqvist
Director

Cecilia Edström
Director

Joakim Karlsson
Director

Lars Olof Nilsson
Director

Lars Spongberg
Director

Thomas Berg
Employee Representative

Kerry Johansson
Employee Representative

Lars Bergström
President and CEO

Our audit report was submitted on March 26, 2009.
KPMG Bohlins AB

Alf Svensson
Authorized Public Accountant

The information in the annual report is such that BE Group AB (publ) is required to publish pursuant to the Swedish Securities Markets Act and/or the Swedish Financial Instruments Trading Act. The information was released for publication on April 9, 2009 at 9:00 a.m. CET.

AUDIT REPORT

To the Annual General Meeting of
shareholders in BE Group AB (publ)
Reg. no. 556578-4724

We have examined the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the Chief Executive Officer of BE Group AB (publ) for 2008. The annual accounts are included in the printed version of this document on pages 32-79. These accounts and the administration of the company, as well compliance with the Swedish Annual Accounts Act in preparing the annual accounts and compliance with International Financial Reporting Standards as adopted by the EU and the Swedish Annual Accounts Act in preparing the consolidated accounts, are the responsibility of the Board of Directors and the Chief Executive Officer. Our responsibility is to express our opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

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

member or the Chief Executive Officer has, in any other way, acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

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

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

Malmö, March 26, 2009

KPMG Bohlins AB

Alf Svensson
Authorized Public Accountant

CORPORATE GOVERNANCE REPORT

OPERATIONS

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

SHAREHOLDERS

Ownership and share capital

BE Group had 10,218 shareholders on December 31, 2008. The principal shareholder was Nordic Capital Funds through Trenor Holding Ltd (20.6% of share capital). Foreign investors owned 39.3% of share capital.

The ten largest shareholders had a total shareholding equal to 42.3% of share capital. Please refer to page 9 of the annual report for further details concerning shareholders as of December 31, 2008. BE Group’s share capital on December 31 amounted to SEK 102,040,816 allocated among 50,000,000 shares. All shares in the company convey equal rights in every respect. Please refer to page 8 of the annual report for disclosures concerning the company’s holdings of treasury shares as of December 31, 2008.

Annual general meeting

The shareholders’ rights to take decisions regarding the affairs of BE Group are exercised at the Annual General Meeting. Shareholders who are listed in the share register on record date and have registered to attend 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 quorum or a qualified voting majority concerning certain business.

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

Annual general meeting 2008

The 2008 AGM was held May 23, 2008. Chairman of the Board Carl-Erik Ridderstråle was elected chairman of the meeting. The AGM resolved to adopt the income statement and balance sheet as presented, to adopt the consolidated financial statements and to distribute the company’s retained earnings and profit for 2007 so that SEK 3.50 per share was distributed to shareholders. The AGM discharged the directors and the CEO of liability for the financial year and passed a resolution on directors’ fees. As proposed by the Nominating Committee, the AGM elected the following persons to the Board: Chairman Carl-Erik Ridderstråle (re-elected) and directors Cecilia Edström (re-elected), Joakim Karlsson (re-elected), Lars Olof Nilsson (re-elected), Lars Sponberg (re-elected) and Roger Bergqvist (re-elected). The term of office for all directors will end at the close of the next Annual General Meeting. It was noted in the record that the local trade unions had appointed Thomas Berg and Kerry Johansson as employee representatives to the Board of Directors, and Susanne Olsson and Tord Bengtsson as the alternates, for a term to end at the close of the next AGM.

The AGM also resolved to adopt executive remuneration policies. Please refer to pages 36–37 of the annual report for a more detailed presentation of the policies. The AGM also voted to implement Share Savings Scheme 2008 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 2008. Further disclosures about Share Savings Scheme 2008 are provided on page 36 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 Scheme 2007. Finally, the AGM resolved 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.

Nominating Committee

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

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

The members of the Nominating Committee prior to the 2009 AGM are: Ulf Rosberg (chairman), representing Nordic Capital; K.G. Lindvall, representing Swedbank Robur Fonder AB; Frank Larsson, representing Handelsbanken Fonder; Torbjörn Callvik, representing Livsförsäkringsaktiebolaget Skandia; and Carl-Erik Ridderstråle, chairman of BE Group AB.

The Nominating Committee is tasked with submitting to the Annual General Meeting 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 Annual General Meeting. The Nominating Committee is also charged with assessing the independence of directors in relation to the company and major shareholders and with certain other tasks pursuant to the Code.

The Nominating Committee has met four times between its formation and publication of the notice of the 2009 Annual General Meeting. As a basis for its proposals to the 2009 AGM, the Nominating Committee assessed whether the current Board is suitable for its purpose and meets the requirements on the Board of Directors that follow on 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.

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

THE BOARD OF DIRECTORS AND EXERCISE OF BOARD RESPONSIBILITIES

Membership

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 Annual General Meeting for a term that lasts until the first Annual General Meeting held after the year the director was appointed. The Articles of Association do not allow election of alternate directors.

BE Group's current Board is made up of six directors elected by the AGM held April 23, 2008: Carl-Erik Ridderstråle (chairman), Roger Bergkvist, Cecilia Edström, Joakim Karlsson, Lars Olof Nilsson and Lars Spongberg, along with two employee representatives, Thomas Berg and Kerry Johansson and their alternates, Tord Bengtsson and Susanne Olsson. Please refer to pages 86-87 of the annual report for a more detailed presentation of the directors.

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

Board charter

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

The Board has also adopted a charter for the CEO and a charter 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 is also responsible for adopting strategies and objectives, drafting special policies, taking decisions on significant business acquisitions and divestments, other significant investments and placements and loans in accordance with the finance policy, issuing financial reports, evaluating operational management and succession planning.

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

at meetings with the media, shareholders and financial institutions.

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

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

Board activities in 2008

According to the current charter, the Board must meet six times a year in addition to the statutory meeting. Beyond that, the Board must meet when required. There were thirteen Board meetings in 2008, including four held via teleconferencing.

Board activities during the year were oriented especially towards market communications, discussions of capital expenditures, investment processes, strategic discussions of the company's development over the next three years, and other issues consequent upon the market listing of the company. All resolutions were passed unanimously. The CEO attended all Board meetings and provided reports on Group development. In addition to the directors, other employees of BE Group attended Board meetings to provide reports on particular matters or if otherwise deemed appropriate. The CFO acted as recording secretary at Board meetings.

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

Director	Meetings attended
Carl-Erik Ridderstråle	13
Roger Bergqvist	13
Cecilia Edström	13
Joakim Karlsson	11
Lars Olof Nilsson	13
Lars Spongberg	12

Audit Committee

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

The Audit Committee is made up of Joakim Karlsson (Chairman), Lars-Olof Nilsson and Cecilia Edström. Committee activities are governed by a special charter adopted by the Board as part of the Board charter. The Audit Committee met five times in 2008 and once in 2009. All members were present at the meetings. Audit Committee meetings are minuted and reported orally at Board meetings.

Remuneration Committee

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

The Remuneration Committee is made up of Carl-Erik Ridderstråle (Chairman) and Lars Spongberg. Committee activities are governed by a special charter adopted by the Board as part of the Board charter. The Remuneration Committee met four times in 2008 and five times in 2009. Both members were present at the meetings. Committee members have also been in regular communication concerning new hires and other pay issues. Meetings of the Remuneration Committee are minuted and reported orally at Board meetings.

Board remuneration

Directors' fees for individual elected directors are resolved by the Annual General Meeting based on the Nominating Committee's proposal. Employee representatives to the Board of Directors do not receive directors' fees. A fee of SEK 400,000 was paid to the Chairman of the Board for the period from the 2008 AGM until the 2009 AGM. The other directors were each paid a director's fee of SEK 200,000 for the same term of office. Members of the

Remuneration Committee were paid a fee of SEK 20,000 each (40,000 total) for committee service. Members of the Audit Committee were paid fees of SEK 80,000 total, including SEK 40,000 to the Chairman and SEK 20,000 to each of the other members. Directors' fees were paid as resolved by the 2008 AGM. No directors' fees are paid to BE Group employees who sit on subsidiary Boards of directors.

REPORTING AND CONTROL

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

GROUP MANAGEMENT

For the majority of 2008, Group management consisted of six individuals: Håkan Jeppsson, President and Chief Executive Officer; Torbjörn Clementz, Chief Financial Officer and Deputy CEO; Per Horstmann, Vice President, Purchasing and Production; Per Gullstrand, Business Area Manager CEE; Henrik Fries, Business Area Manager Sweden and President of BE Group Sverige AB; and Matti Tiira, Business Area Manager Finland and President of BE Group Oy Ab. Håkan Jeppsson has resigned his position as President and Chief Executive officer of BE Group effective February 15, 2009, to take up the equivalent position with Inwido AB, a company in the Ratos Group. Lars Bergström was appointed the new President and CEO of BE Group. He took over the position on March 11, 2009. Please see pages 88-89 of the annual report for a more detailed presentation of the CEO and other members of Group management.

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

BE Group management reviews operations at monthly meet-

ings presided over by the CEO. The Group management team also holds weekly conference calls to discuss operations.

INTERNAL AUDITS

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

AUDITORS

The 2007 AGM reappointed the registered auditing firm of KPMG Bohlins AB as the company's independent auditor for a term of four years. Alf Svensson, authorized public accountant, is the principal auditor. The auditor is in regular communication with the Chairman of the Board, the Audit Committee and Group management. BE Group's auditor is tasked with auditing the annual report and accounting records as well as the management of the company by the CEO and the Board 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. Reporting took place during the course of the audit, including a final report in connection with adoption of the year-end report for 2008 on February 4, 2009. The auditor participates in the Annual General Meeting to describe the audit process and discuss observations in the audit report. The auditor has had certain consulting assignments during the year in addition to the audit, primarily concerning advice on accounting questions.

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

INTERNAL CONTROL AND RISK MANAGEMENT REGARDING THE FINANCIAL STATEMENTS FOR THE 2008 FINANCIAL YEAR

BE Group's Board of Directors complies with the Code. Accordingly, the Board provides a description of the key elements of the company's system for internal control and risk management with regard to financial reporting.

Aimed at giving the Board a basis for establishing the appropriate level of internal governance and control, BE Group carried out in 2007 an audit of internal control in a number of focus areas. External consultant services were used to perform the audit, which has been followed up at the Group and local levels. The follow-up resulted in a number of improvements to the internal control environment. The Board of Directors followed up in 2008 to ensure that improvements in the internal control environment were effective and will continually evaluate further reviews of

internal control and the future organization of the internal control function at the Group and local levels.

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

Control environment

BE Group has a simple legal and operational structure and an established governance and internal control system, enabling the organization to react quickly to market changes. Operational decisions are taken at the 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 Board charter and a charter for the CEO, which includes allocation of responsibilities within the Board as well as the responsibilities of the Chairman of the Board and the CEO. A charter has 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

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

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

Information and communications

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

Follow-up

The CEO is responsible for ensuring that internal control is organized and followed up in accordance with guidelines adopted by the Board. Financial management and control are performed by the Corporate Finance Department. Financial reporting is analysed monthly at the detailed level.

The Board has followed up financial reporting at Board meetings and BE Group's auditor has reported its observations to the Board. The Board has received monthly financial reports and the company's financial situation was discussed at every Board meeting.

The CEO is responsible for ensuring that independent, objective reviews are performed with a view to systematically evaluating and suggesting improvements to Group processes for management, internal control and risk management.

ARTICLES OF ASSOCIATION

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

POLICY DOCUMENTS

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

APPLICATION OF THE SWEDISH CODE OF CORPORATE GOVERNANCE

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

BE Group fully applied the Code in 2008 and has not departed from Code rules in any respect.

REVIEW

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

BOARD OF DIRECTORS



Carl-Erik Ridderstråle • Chairman

Born: 1942

Director since: 2002

Other directorships: Seco Tools AB, Sectra AB, DIAB International AB and Hultdins System AB.

Previous experience: President and CEO of BT Industries AB, ABB Business Area Manager and CEO of Kanthal AB.

Education: MSc Engineering, Swedish Royal Institute of Technology.

Shares held: 500,603



Roger Bergqvist • Director

Born: 1948

Director since: 2007

Other directorships: Stillfront AB, Tricorona AB.

Employer: Addtech AB.

Previous experience: CEO of Addtech AB.

Education: Diploma, Marketing and Communications.

Shares held: 1,000



Cecilia Edström • Director

Born: 1966

Director since: 2006

Employer: TeliaSonera AB, member of Group management and Group Vice President Communications.

Previous experience: Scania Group, Member of Group management, Head of Corporate Relations and Head of Strategy, Business and Brand Development; several positions within SEB.

Education: MSc Business Administration and Economics, Stockholm School of Economics.

Shares held: 400



Joakim Karlsson • Director

Born: 1971

Director since: 2004

Other directorships: BE Group Holding AB, Luvata International Oy and Motiv Stockholm AB.

Employer: NC Advisory AB.

Previous experience: CEO of Ahlsell Group AB (in connection with restructuring of the company) and Ahlsell Norden AB.

Education: MSc Economics, Stockholm School of Economics. Courses at the Darden Graduate Business School in Virginia, USA, and the Swedish Armed Forces Language Institute in Uppsala, Sweden.

Shares held: None


Lars Olof Nilsson • Director

Born: 1962

Director since: 2006

Other directorships: AGL Treasury Support AB, AGL Treasury Support FX AB, International Gold Exploration IGE AB, IGE Nordic AB, Lappland Goldminers AB, Kaptensbacken AB and PA Resources AB.

Employer: Consultant to NC Advisory AB.

Previous experience: Positions with the Trelleborg 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: Addtech AB, BE Group Holding AB, Cobolt AB, Cobolt Finans AB, Bikuben AB, Elos AB, Intervallor AB and Skyways Holding AB.

Employer: NC Advisory AB.

Previous experience: Positions with Spectra Physics AB, Autoliv AB, Svenska Handelsbanken AB, AB Electrolux and Swedish Match AB.

Education: LL.M., Stockholm University, BSc, Business Administration and Economics, Stockholm School of Economics.

Shares held: None


Thomas Berg • Employee Representative

Born: 1956

Director since: 2000

Education: Internal training courses in business and commercial law.

Shares held: None


Kerry Johansson • Employee Representative

Born: 1949

Director since: 2000

Education: Issues in Business Management, Swedish Trade Union Confederation College, Runö.

Shares held: None


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: None


Susanne Olsson • Employee Representative; Alternate

Born: 1954

Director since: 2004

Other directorships: Union branch board.

Education: Business Administration, Vocational School, Göteborg.

Shares held: None

GROUP MANAGEMENT



Lars Bergström • President and Chief Executive Officer

Effective March 11, 2009, Mr Bergström has succeeded Håkan Jeppsson, who stepped down as President and Chief Executive Officer of BE Group as of February 15, 2009

Born: 1958

Employed since: 2009

Previous experience: CEO of KMT, CEO of HTC Group and several positions within the ABB Group.

Education: MSc Engineering, Swedish Royal Institute of Technology; MBA, Uppsala University.

Shares held: 50,000



Torbjörn Clementz • Chief Financial Officer and Deputy Chief Executive Officer

Born: 1961

Employed since: 2003

Previous experience: Head of Business Development for Overseas Operations at Peab AB and Head of the Treasury Department at Perstorp AB.

Education: BSc Business Administration and Economics, Växjö University.

Shares held: 314,476 (own, private and through company, and closely affiliated)



Per Horstmann • Vice President Purchasing and Production

Born: 1956

Employed since: 2003

Previous experience: Positions including Vice President Purchasing and Logistics at Peab AB and Alfa Laval Flow AB.

Education: MSc Engineering, Faculty of Engineering at Lund University.

Shares held: 369,788



Henrik Fries • Acting Business Area Manager and President, BE Group Sverige

Born: 1953

Employed since: 1980

Previous experience: Various positions within BE Group.

Education: BSc Business Administration and Economics, Lund University; executive training programmes at IFL, Stockholm School of Economics.

Shares held: 8,000



Matti Tiira • Business Area Manager and President, BE Group 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: 264,760



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 and Regional Manager Asia at Svedala International AB.

Education: MBA from Henley Management College, United Kingdom.

Shares held: 218,903

FIVE-YEAR SUMMARY

FIVE-YEAR SUMMARY

(SEKM unless otherwise stated)	2008	2007	2006	2005	2004
Earnings measurements					
Sales	7,713.1	7,650.2	6,681.2	5,790.1	5,318.2
Gross profit	1,238.5	1,167.1	1,172.8	926.1	993.7
EBITA	537.5	511.7	551.9	267.0	307.6
Profit for the year	377.9	352.9	394.7	170.1	184.6
Margin measurements					
Gross margin	16.1%	15.3%	17.6%	16.0%	18.7%
EBITA margin	7.0%	6.7%	8.3%	4.6%	5.8%
Operating margin	6.9%	6.7%	8.2%	4.6%	5.7%
Cash flow					
Cash flow from operating activities	222.4	215.2	235.6	354.5	363.4
Net cash flow for the year	-140.8	-38.4	92.4	-107.1	276.9
Capital structure					
Equity	1,102.5	848.9	664.2	970.9	787.9
Total assets	3,408.3	2,850.0	2,876.0	2,341.6	2,546.4
Net debt	1,005.8	592.8	556.4	90.6	402.3
Net debt/equity ratio	91.2%	69.8%	83.8%	9.3%	51.1%
Working capital (average)	895.4	734.7	546.9	575.5	555.1
Operating capital (average)	1,789.2	1,421.1	1,199.7	1,271.1	1,657.9
Operating capital (excluding intangible assets) average	1,162.4	873.7	653.6	726.0	1,112.5
Working capital tied-up	11.6%	9.6%	8.2%	9.9%	10.4%
Return					
Return on operating capital	29.7%	35.9%	45.9%	20.9%	18.4%
Return on operating capital (excluding intangible assets)	46.2%	58.6%	84.4%	36.8%	27.6%
Return on equity	38.1%	46.1%	45.6%	18.6%	25.8%
Per share data					
Earnings per share (SEK)	7.58	7.06	7.90	3.41	3.76
Earnings per share after dilution (SEK)	7.58	7.06	7.60	3.24	3.70
Equity per share (SEK)	22.17	17.02	13.28	19.45	15.78
Cash flow from operating activities per share (SEK)	4.46	4.31	4.72	7.10	7.39
Average number of shares (thousands)	49,853	49,967	49,946	49,926	49,154
Average shares outstanding after dilution (thousands)	49,857	49,967	51,912	52,464	49,880
Dividends paid (SEK)	3.50	3.50	13.60*	-	-
Other					
Average number of employees	1,023	940	926	900	890

*Adjusted for split in 2006.

SUPPLEMENTARY DISCLOSURES

(SEKM unless otherwise stated)	2008	2007	2006	2005	2004
Growth					
Sales growth	0.8%	14.5%	15.4%	8.9%	27.6%
- organic volume growth	-4.0%	1.1%	8.5%	-10.4%	2.2%
- price and mix changes	0.6%	13.3%	7.0%	16.8%	21.6%
- currency effects	2.3%	0.1%	-0.1%	1.1%	0.2%
- acquisitions	4.3%	-	-	1.4	3.6%
- divested operations	-2.4%	-	-	-	-
Adjusted earnings measurements					
Underlying EBITA	459.0	551.9	473.7	395.6	303.2
Adjusted margin measurements					
Underlying gross margin	15.5%	15.8%	16.7%	16.5%	16.4%
Underlying EBITA margin	6.0%	7.2%	7.1%	6.8%	5.7%
Adjusted return					
Underlying return on operating capital (excluding intangible assets)	39.5%	63.2%	72.5%	54.5%	27.3%
Adjusted capital structure					
Net debt/underlying EBITDA (multiple)	2.0	1.0	1.1	0.2	1.1
Adjusted per share data					
Underlying earnings per share (SEK)	6.17	7.58	6.72	5.27	3.67
Underlying earnings per share after dilution (SEK)	6.17	7.58	6.46	5.01	3.61
Other					
Inventory gains and losses	45.7	-40.2	56.8	-27.8	119.5
Shipped tonnage (thousands of tonnes)	613.5	617.1	610.2	562.5	611.6
Average sales prices (SEK/kg)	12.57	12.40	10.95	10.29	8.69

DEFINITIONS OF KEY DATA**Earnings measurements**

EBITA	Earnings before interest, taxes and amortization.
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Margin measurements

Gross margin	Gross profit as a percentage of net sales.
EBITA margin	EBITA (operating profit before amortization of intangible assets) as a percentage of net sales.
Operating margin	Operating profit as a percentage of net sales.

Capital structure

Net debt	Interest-bearing liabilities less cash and cash equivalents and financial assets.
Net debt/equity ratio	Net debt divided by shareholders' equity.
Working capital	Inventories, trade receivables and other current receivables less trade payables and other current liabilities. The measure is an average for the period based on quarterly data.
Operating capital	Tangible assets, goodwill and other intangible assets, deferred tax assets, investments in joint venture and working capital less deferred tax liabilities, provisions (non-current and current) and other non-current liabilities. The measure is an average for the period based on quarterly data.
Operating capital (excluding intangible assets)	Operating capital less goodwill and other intangible assets. The measure is an average for the period based on quarterly data.
Working capital tied-up	Annualized average working capital as a percentage of net sales.

Return

Return on operating capital	Annualized operating profit as a percentage of average operating capital.
Return on operating capital (excluding intangible assets) (%)	Annualized EBITA as a percentage of average operating capital (excluding intangible assets).
Return on equity	Annualized net profit as a percentage of average equity.

Per share data

Earnings per share	Net profit for the period divided by average shares outstanding during the period.
Earnings per share after dilution	Net profit for the period divided by average shares outstanding after dilution during the period.
Equity per share	Shareholders' equity divided by shares outstanding at the end of the period.
Equity per share after dilution	Shareholders' equity divided by shares outstanding after dilution at the end of the period.
Cash flow from operating activities per share	Cash flow from operating activities divided by average shares outstanding during the period.
Shares outstanding at end of period	Shares outstanding in the company at the end of the period adjusted for share issues and share splits.
Shares outstanding at end of period after dilution	The number shares in the company at the end of the period adjusted for share issues and share splits. Possible dilution is taken into account.
Average shares outstanding	The weighted average number of shares in the company during the period adjusted for share issues and share splits.
Average shares outstanding after dilution	The weighted average number of shares in the company during the period adjusted for share issues and share splits. Possible dilution is taken into account.

Other

Average number of employees	The number of employees in the Group during the reporting period. New employees, part-time employees and paid overtime are restated as full-time equivalents. The number of employees is an average for the period.
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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 net sales from operations since the comparative period, measured as a percentage and adjusted for changes in market prices and currency effects.
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Adjusted earnings measurements

Underlying EBITA	EBITA before exceptional 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 is the reported gross profit 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 exceptional items and adjusted for 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 exceptional items and adjusted for inventory gains and losses (deductions for gains and additions for losses). EBITA is operating profit before amortization of intangible assets.
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Adjusted capital structure

Net debt/underlying EBITDA	Annualized net debt divided by underlying EBITDA. Underlying EBITDA is EBITDA before exceptional items and adjusted for inventory gains and losses (deductions for gains and additions for losses). EBITDA is operating profit before amortization.
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Adjusted per share data

Underlying earnings per share	Profit for the period before exceptional items adjusted for inventory gains and losses (deductions for gains and additions for losses) and including the tax effect of the adjustments divided by the average number of shares during the period.
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Underlying earnings per share after dilution	Profit for the period before exceptional items adjusted for inventory gains and losses (deductions for gains and additions for losses) and including the tax effect of the adjustments divided by the average number of shares after dilution during the period.
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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 volume	The weight of BE Group's products sold during the period in thousands of tonnes.
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Average sales prices	Net sales divided by shipped volume.
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