

BE Group Q2 2016 – improved earnings and continued strong cash flow

- Net sales decreased by 5 percent to SEK 1,047 M (1,104).
- The underlying operating result improved to SEK 21 M (12).
- The operating result improved to SEK 31 M (10).
- The result after tax was SEK 19 M (-13).
- Cash flow from operating activities was SEK 36 M (-28).
- The number of shares was reduced following a reverse share split based on one new share for every 20 existing shares.
- Earnings per average number of shares amounted to SEK 1.47.

CEOs Message

Comments on the period

The effects of both rising prices and underlying margin improvements were seen in the second quarter of 2016. The sharp decline in prices that affected the market at the end of 2015 resulted in a lower average price level compared with the same period last year. This had a negative impact on sales, but a higher underlying gross margin resulted in an improvement in the underlying operating result to SEK 21 M (12). In addition to the improvements in margins, the Group's results also increased as a result of the recovery in prices during the year. The gradual rise in prices had positive inventory effects in the form of inventory gains of SEK 10 M (-2) in the quarter, leading to the operating result improving to SEK 31 M (10).

Market demand is assessed to have been stable or slightly up. Business area Sweden & Poland's shipped tonnage was in level with the same period last year, while business area Finland & Baltics showed volume growth of a significant 11 percent. Growth in volumes in business area Finland & Baltics was so strong that, despite lower average prices, net sales for the business area grew by 4 percent. However, the Group's total tonnage was negatively affected by developments in the Czech Republic and Slovakia, where the ongoing restructuring process led to a halving of shipped tonnage. Overall, consolidated net sales decreased by 5 percent to SEK 1,047 M (1,104).

The positive result and good control of working capital has led to continued positive cash flow. Cash flow from operating activities improved in the quarter to SEK 36 M (-28), which means the corresponding figure for the last 12 months is SEK 76 M.

Structural and organizational changes

The previously announced structural process to close unprofitable units in the Czech Republic and Slovakia is continuing according to plan. The operations in Slovakia are being closed, along with sales of flat carbon steel and aluminium on the Czech market.



The inventories concerned sold out in the quarter, and the number of employees was reduced. The employees affected have in an exemplary way, contributed to a successful process. The restructuring, for which costs of SEK -45 M impacted the first quarter, will be completed in the second half of 2016.

During the second quarter a new Group structure- and organization based on the Group's business models was launched. As a result of this and the ongoing restructuring of the Group's operations in the Czech Republic and Slovakia, the Group is now operating according to the structure set out below:

- Business area Sweden & Poland comprises the Group's operations in Sweden and Poland and is operated in two business units focused on distribution and production, respectively.
- Business area Finland & Baltics comprises the Group's operations in Finland and the Baltic States and is operated across three business units; distribution Finland, distribution Baltics and production Finland.
- While the Group's operations in the Czech Republic and Slovakia are undergoing restructuring, these operations are reported under the Parent Company and Consolidated Items segment.

In the second quarter, BE Group recruited a new Sourcing director who will be part of Group Management and responsible for the implementation of the Group's purchasing strategy.

Outlook

Steel prices are expected to continue to increase slightly in the third quarter, while demand is expected to remain at the current level, accounting for vacation effects in July and August. The restructuring and improvement measures relating to the new organizational structure are expected to proceed according to plan and gradually improve consolidated earnings.

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Today, at 9:00 a.m., Anders Martinsson and Andreas Karlsson will comment on developments in a press and analyst conference. The conference may be followed via webcast or by phone (see information below).

If you wish to participate via webcast and/or ask questions at the press conference, please copy and paste the following link into your web browser to register online. Please be certain to copy the full link.

<http://edge.media-server.com/m/p/ukqsydzi>

The following telephone numbers can be used to participate in the presentation:

Sweden:	+46 8 505 564 74
UK:	+44 20 336 453 74
US:	+1 855 753 22 30

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BE Group, listed on Nasdaq Stockholm, is a trading and service company in steel, stainless steel and aluminium. BE Group offers efficient distribution and value-adding production services to customers primarily in the construction and engineering sectors. In 2015, the Group reported sales of SEK 4.2 billion. BE Group has about 750 employees, with Sweden and Finland as its largest markets. The head office is located in Malmö, Sweden. Read more about BE Group at www.begroup.com.