

# BE Q4 2016



Year-end Report BE Group AB (publ) 2016 | Malmö, February 3, 2017

## Volume growth on main markets and improved operating result

### FOURTH QUARTER 2016

- Net sales decreased by 3 percent, to SEK 953 M (981).
- Tonnage excluding operations under restructuring increased by 4 percent.
- The underlying operating result amounted to SEK -7 M (-12).
- The operating result improved to SEK 4 M (-17).
- The result after tax was SEK -2 M (-23).
- Earnings per share amounted to SEK -0.20.

### FULL-YEAR 2016

- Net sales decreased by 7 percent to SEK 3,870 M (4,155).
- Tonnage excluding operations under restructuring increased by 2 percent.
- The underlying operating result increased to SEK 33 M (22).
- The operating result, impacted by non-recurring items of SEK -45 M (-124), amounted to SEK 16 M (-114).
- The result after tax was SEK -20 M (-169).
- Cash flow from operating activities improved to SEK 78 M (-93).
- Earnings per share amounted to SEK -1.56.
- The Board of Directors proposes that no dividend to be paid for the financial year 2016.

### Results overview

	2016 Oct-Dec	2015 Oct-Dec	Change	2016 Jan-Dec	2015 Jan-Dec	Change
Tonnage, thousands of tonnes	85	97	-12	374	406	-32
Net sales, SEK M	953	981	-28	3,870	4,155	-285
Underlying operating result, SEK M	-7	-12	+5	33	22	+11
Operating result, SEK M	4	-17	+21	16	-114	+130
Profit/loss for the period, SEK M	-2	-23	+21	-20	-169	+149
Earnings per share, SEK <sup>1)</sup>	-0.20	-1.81	+1.61	-1.56	-13.02	+11.46
Cash flow from operating activities, SEK M	3	37	-34	78	-93	+171

<sup>1)</sup> Based on the average number of shares for Q4 2016. See page 13.

**BE Group**, which is listed on the Nasdaq Stockholm exchange, 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 2016, the Group reported sales of SEK 3.9 billion. BE Group has approximately 730 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](http://www.begroup.com).

## Statement from the CEO

We saw several positive signals from both the market and our internal work in the quarter. In general, the Distribution operations performed better than last year and showed improved results. In two of the Group's companies involved in project-related activities and advanced production the result trend was negative.

After several years of declining prices, which resulted in inventory losses, this year's upward price trend continued during the quarter, which led to inventory gains of SEK 11 M. This, together with an improved underlying performance, generated a positive operating result of SEK 4 M for the fourth quarter compared to SEK -17 M in the same period last year.

### Tonnage and sales growth in our principal markets

Sales growth of 12 percent in business area Finland & Baltics is a positive signal. For the year as a whole, growth in business area Sweden & Poland was not satisfactory and it is, therefore, gratifying to see an increase in tonnage for the last quarter of the year.

### Restructuring in the Czech Republic and Slovakia progressing as planned

The restructuring that was decided at the beginning of the year is almost completed. The work has progressed according to plan and at the estimated cost. The restructuring had a negative effect on consolidated net sales. During the fourth quarter, sales in the operations under restructuring decreased by SEK 70 M. The impact on sales will remain in the first half of 2017, when the cost savings will also reach their full effect.

### Cash flow

During the year, a cash flow of SEK 78 M was generated from operating activities. The majority of the improvement came from the result, and SEK 30 M has been released from working capital in the restructured operations. The positive cash flow has resulted in reduced net debt, which, in turn, will lead to continued lower financial expenses.

## New Group structure and organization implemented

During the year, the Group's structure has changed and now consists of two business areas: Sweden & Poland, and Finland & Baltics, with a business focus on the Group's main markets. Within each business area, an organization has been built up with separate business units that focus on Distribution and Production, respectively. The purpose of this split is to obtain greater focus and increased transparency to more easily identify and implement improvements.

Distribution operations generally had a good year with improved underlying profitability, while the Production operations have a way to go before delivering satisfactory results. In particular, there was a negative operating result in two of the Group's companies, Lecor Stålteknik and BE Group Produktion Eskilstuna, with a combined loss of SEK 12 M, which is SEK 8 M lower than in the same quarter last year. A number of measures taken in the second half of the year, to overcome the losses, have yet to take effect. During the quarter, Daniel Fäldt was recruited as new CFO and member of Group Management. Daniel will take over as CFO in early March.

### Outlook

Efforts to improve the Group's performance continue in many areas.

In our main markets we believe in a somewhat growing market in 2017. The price increase for steel products that we have seen during the year has provided a more sustainable situation. Current trade barriers, as well as anticipated future ones, make the market more regional, which should lead to a more stable price development.

We are continuing to work according to plan and market conditions are, after several years of negative growth, now brighter.

*Anders Martinsson, President and CEO*

## Bridge 2015-2016 operating result SEK M

	Q1	Q2	Q3	Q4	Jan-Dec
<b>Operating result 2015</b>	<b>10</b>	<b>10</b>	<b>-117</b>	<b>-17</b>	<b>-114</b>
Reversal of inventory gains (-)/losses (+)	2	2	3	5	12
Non-recurring items	-	-	124	-	124
<b>Underlying operating result 2015</b>	<b>12</b>	<b>12</b>	<b>10</b>	<b>-12</b>	<b>22</b>
Change in sales	-17	-8	-10	-3	-38
Change in underlying gross margin	7	16	5	10	38
Change in overhead costs	7	1	5	-2	11
<b>Underlying operating result 2016</b>	<b>9</b>	<b>21</b>	<b>10</b>	<b>-7</b>	<b>33</b>
Reversal of inventory gains (+)/losses (-)	-9	10	16	11	28
Non-recurring items	-45	-	-	-	-45
<b>Operating result 2016</b>	<b>-45</b>	<b>31</b>	<b>26</b>	<b>4</b>	<b>16</b>

## Comments on the report

### Group

The Group's business and result are reported according to revised segments as of the second quarter of 2016. Consequently, the 2015 segments have been restated to make them comparable.

#### Fourth quarter

Net sales decreased by 3 percent in the fourth quarter, compared with the previous year, and amounted to SEK 953 M (981). The decline is a result of a 13 percent decrease in the Group's shipped tonnage, attributed to restructuring of the Group's operations in the Czech Republic and Slovakia. Both business areas Sweden & Poland and Finland & Baltics showed increased tonnage in comparison with the previous year. Sales were positively impacted by price and mix effects of 8 percent and currency effects of 2 percent. Steel prices continued to rise during the quarter, which had a positive impact. The Group's average sale price was also positively affected by a lower share of sales in the Czech Republic and Slovakia. The Swedish krona weakened against the euro during the quarter, which led to positive currency effects when consolidating the Group's results.

Gross profit amounted to SEK 133 M (112), corresponding to a gross margin of 14 percent (11.4). Gross profit was positively effected by the rising price trend in the steel market, which resulted in inventory gains of SEK 11 M (-5) during the quarter. Underlying gross margin, adjusted for inventory gains and losses, also improved to 13.0 percent (12.0).

The improved gross margins were behind the increase in the operating result, to SEK 4 M (-17), and the underlying operating result to SEK -7 M (-12). The negative changes in overhead costs were explained by

higher costs in Business Area Finland & Baltics. Operating margin amounted to 0.4 percent (-1.7) and the underlying operating margin was -0.7 percent (-1.2).

#### Full-year 2016

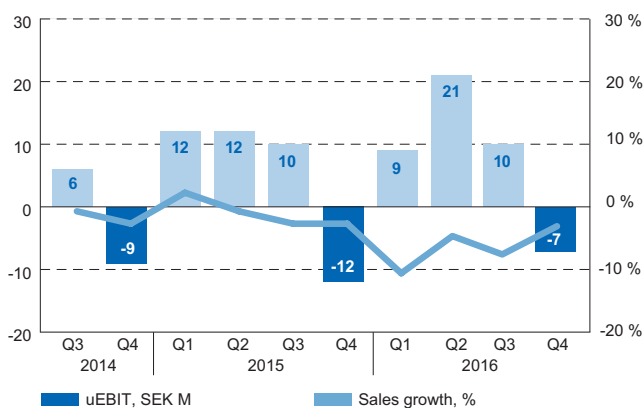
During the year, consolidated net sales decreased by 7 percent compared to the previous year and amounted to SEK 3,870 M (4,155). Tonnage fell 8 percent as a result of the restructuring of operations in the Czech Republic and Slovakia. In business areas Sweden & Poland and Finland & Baltics, tonnage was in-line with, or higher than, the previous year. The average sales price has gradually increased during the year and, for the full-year, is in line with the previous year. The positive price trend during the year has resulted in inventory gains of SEK 28 M (-12). Consolidated net sales were positively impacted by currency effects of 1 percent as a result of a stronger euro.

Gross profit, which was positively impacted by inventory gains, increased despite lower sales and amounted to SEK 561 M (524), corresponding to a gross margin of 14.5 percent (12.6). The underlying gross margin improved to 13.9 percent (12.9), corresponding to an unchanged underlying gross profit of SEK 536 M.

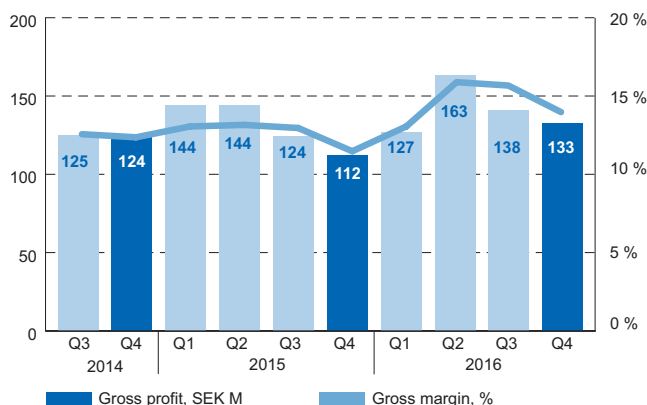
The operating result, which was affected by non-recurring items of SEK -45 M (-124), improved to SEK 16 M (-114). Adjusted for non-recurring items and inventory gains and losses, the underlying operating result increased to SEK 33 M (22). The improved underlying gross margin compensated for the lower sales. This, together with lower expenses, improved the underlying results.

The operating margin amounted to 0.4 percent (-2.8) and the underlying operating margin was 0.9 percent (-0.5).

The Group's underlying operating result and sales growth per quarter



The Group's gross profit and gross margin per quarter



### Business area Sweden & Poland

The business area includes the Group's operations in Sweden, consisting of the companies BE Group Sverige, BE Produktion Eskilstuna and Lecor Stålteknik as well as the Polish operations, BE Group Poland.

#### Fourth quarter

Net sales fell by 1 percent during the fourth quarter compared with last year, amounting to SEK 490 M (494). The operating result amounted to SEK 2 M (1) and, adjusted for inventory gains of SEK 4 M (-1), the underlying operating result amounted to SEK -2 M (2).

The Distribution business in Sweden increased tonnage in comparison with the same period last year, showing a significantly improved underlying operating result. Business unit Production Sweden and Poland showed a weaker result despite an increase in sales. The problems with the results were mainly linked to operations within BE Group Produktion Eskilstuna. The business area's project operations, which are run by the company Lecor Stålteknik, experienced deteriorating sales and a weaker result compared with the previous year. Overall, the operating result for BE Group Produktion Eskilstuna and Lecor Stålteknik decreased to SEK -12 M (-4) in the quarter.

#### Full-year 2016

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

The Distribution business in Sweden has a tonnage in line with the previous year and significantly improved earnings. The lower underlying earnings for the business area can be attributed, as in the fourth quarter, to the development in BE Group Produktion Eskilstuna and Lecor Stålteknik, in which the overall loss increased to

SEK -32 M (-12). New managers have been appointed for both businesses and measures have been initiated. The joint venture ArcelorMittal BE Group SSC AB is reported in accordance with the equity method, with BE Group's participation in earnings for the year amounting to SEK 8 M (2).

### Business area Finland & Baltics

The business area comprises the Group's operations in Finland and the three Baltic countries.

#### Fourth quarter

In comparison with the fourth quarter last year, net sales were 12 percent higher and amounted to SEK 455 M (407). The operating result improved to SEK 12 M (-7) and, adjusted for inventory gains and losses of SEK 7 M (-4), the underlying operating result improved to SEK 5 M (-3).

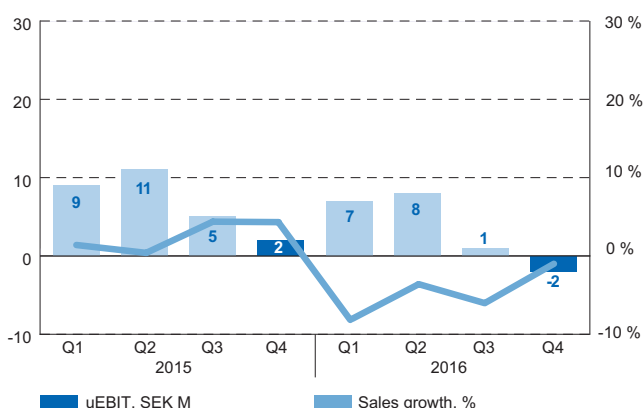
Tonnage increased by 5 percent compared with the previous year, which in combination with 2 percent higher average prices and a positive currency effect of 5 percent, increased sales. The increased sales combined with a higher underlying gross margin led to an improved underlying result. Expenses have increased as a result of the increased sales and also from currency effects when translating to SEK. The positive steel price trend led to inventory gains during the year, which further improved the operating result.

#### Full-year 2016

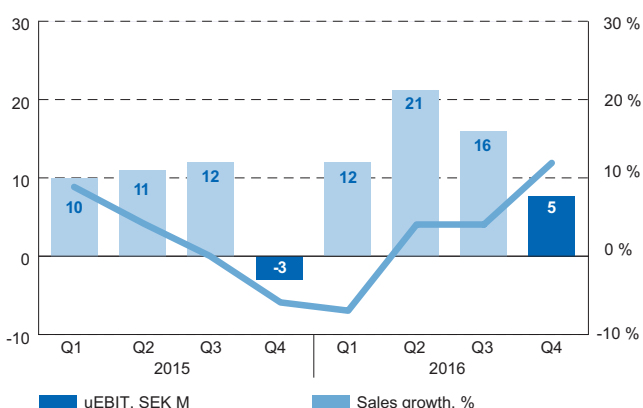
Net sales rose by 3 percent compared with previous year amounting to SEK 1,794 M (1,745). The operating result improved to SEK 68 M (21) and, adjusted for inventory gains and losses of SEK 16 M (-9) and non-recurring items of SEK -2 M (0), the underlying operating result increased to SEK 54 M (30).

Shipped tonnage increased during the period by 4 percent compared with the previous year. Sales, measured in SEK, were also positively affected by currency effects, while the average price was slightly lower than the previous year. The positive price trend and higher underlying gross margin contributed to the significantly improved operating result.

Business area Sweden & Poland, underlying operating result and sales growth per quarter



Business area Finland & Baltics, underlying operating result and sales growth per quarter



## Parent Company & consolidated items

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

The restructuring, on which the Board of BE Group decided in the first quarter of 2016, is proceeding according to plan. A sale of the company's property in the Czech Republic remains and the formal liquidation of the Slovakian company has commenced. No additional costs are expected to arise. The closure of the Group's production activities in Estonia was completed earlier in the year. The Group's distribution operations in Estonia are not affected.

In total, operations under restructuring had sales of SEK 14 M (84) during the fourth quarter with an operating result of SEK -2 M (-4). The underlying operating result amounted to SEK -2 M (-3). During the year, sales amounted to SEK 155 M (386). The operating result amounted to SEK -52 M (-32) and, adjusted for inventory losses and non-recurring items of SEK -41 M (-21), the underlying result was SEK -11 M (-11).

In the Parent Company BE Group AB (publ), fourth-quarter sales, which derives from intra-Group services, amounted to SEK 6 M (6). The operating result amounted to SEK -7 M (-6).

During the year, the Parent Company had sales of SEK 25 M (34) with an operating result of SEK -26 M (-23), of which SEK 1 M (0) were non-recurring items related to personnel reductions. Net financial items for the year amounted to SEK -50 M (-219). The result before tax amounted to SEK -67 M (-230) and the result after tax was SEK -57 M (-224). Investments in the Parent Company amounted to SEK 1 M (0). The Parent Company's cash and equivalents amounted to SEK 9 M (13)

## Net financial items and tax

Consolidated net financial items for the fourth quarter amounted to an expense SEK -6 M (-9), of which net interest expense accounted for SEK -4 M (-5). For the full-year, net financial items amounted to an expense of SEK -27 M (-48) and net interest expense to SEK -19 M (-26). On an annual basis, the Group's net interest expense corresponded to 3.4 percent (3.9) of the average interest-bearing net debt.

The tax for the fourth quarter amounted to SEK 0 M (3) and for the full-year to SEK -9 M (-7). The result after tax improved to SEK -2 M (-23) for the fourth quarter and to SEK -20 M (-169) for the full-year.

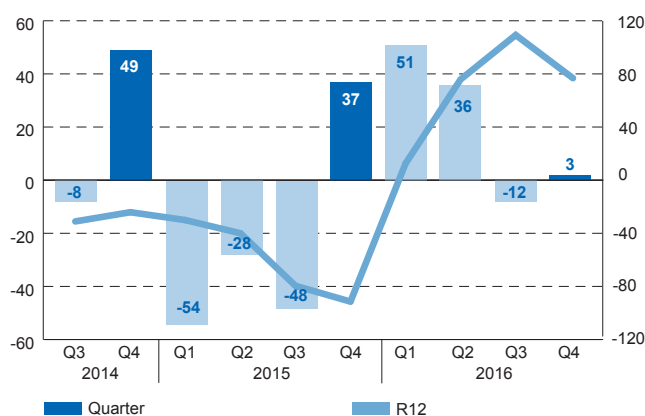
## Cash flow

Consolidated working capital at the end of the period amounted to SEK 506 M (525) and average working capital tied-up for the fourth quarter was 13.1 percent (14.0).

Cash flow from operating activities amounted to SEK 3 M (37) for the fourth quarter and to SEK 78 M (-93) for the full year. The positive cash flow was largely generated from the operating activities' results. The lower working capital, primarily an effect of a reduction in structural working capital from restructuring in the Czech Republic and Slovakia, contributed positively to the cash flow of SEK 34 M (-110).

Cash flow from investment activities amounted to SEK -3 M (-6) for the fourth quarter and SEK -10 M (-16) for the full-year. Cash flow after investments amounted to SEK 0 M (31) for the fourth quarter and SEK 68 M (-109) for the full-year.

The Group's cash flow from operating activities, SEK M



## Financial position and liquidity

At the end of the period consolidated cash and equivalents, including overdraft facilities, amounted to SEK 127 M (133) and the consolidated interest-bearing net debt amounted to SEK 562 M (609). The Group has, during the year, amortized SEK 66 M on external interest-bearing debt.

At the end of the period, equity amounted to SEK 771 M (785) and the net debt/equity ratio 73 percent (78).

## Organization, structure and employees

The number of employees decreased to 711 compared with 774 at the corresponding time last year. The decrease is due to ongoing restructuring. The average number of employees during the year was 739 (768).



## Significant events after the end of the period

No significant events occurred after the end of the period.

## Related-party transactions

No transactions took place between BE Group and related parties that had a material impact on the company's financial position and results.

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

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

## Annual General Meeting 2017

The Annual General Meeting of BE Group will be held on April 27, 2017, at 15:00 p.m. CET in Malmö, Sweden. Further information will be published on the company's website.

## Dividend

The Board of Directors proposes that no dividend be paid for the 2016 financial year.

## Significant risks and uncertainties

The financial risk exposure is explained in the 2015 Annual Report, which was published in March 2016. No new significant risks or uncertainties have arisen since that date.

## Accounting principles

The interim report was prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual

Accounts Act. The Parent Company's interim report was prepared in compliance with the Swedish Annual Accounts Act and RFR 2 Accounting for Legal Entities.

Refer to the 2015 Annual Report for details of the Group's accounting principles and definitions of certain terms. The principles applied are unchanged in relation to the Annual Report.

In other regards, the new standards and interpretations that have entered force from the financial year 2016 have not had any major impact on the financial reporting. BE Group uses a number of alternative performance measures in its report. The alternative performance measures that BE Group considers significant are the following:

- Underlying operating result, see Bridge 2015-2016 earnings trend on page 2.
- Net debt, see the condensed consolidated balance sheet on page 8
- Working capital, see the condensed consolidated balance sheet on page 8.
- Capital employed, see the condensed consolidated balance sheet on page 8.

## Future reporting dates

BE Group AB (publ) intends to publish financial information on the following dates:

- The Annual Report 2016 will be available in late March/ beginning of April 2017.
- The Interim Report for January-March will be published on 27 April, 2017.
- The Interim Report for January-June will be published on July 20, 2017.
- The Interim Report for January-September will be published on October 24, 2017.

Financial information is available in Swedish and English from BE Group's website and can be ordered by phone +46 (0) 40 38 42 00 or e-mail: [info@begroup.com](mailto:info@begroup.com)

*Malmö, February 3, 2017*

*BE Group AB (publ)*

**Anders Martinsson**  
*President and CEO*

*This report has not been reviewed by the company's auditors.*

### Question concerning this report may be directed to:

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This information is information that BE Group AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact persons set out above, at 7.45 am CET on February 3, 2017.

## Condensed consolidated income statement

(SEK M)	Note	2016 Oct-Dec	2015 Oct-Dec	2016 Full-year	2015 Full-year
Net sales		953	981	3,870	4,155
Cost of goods sold	1	-820	-869	-3,309	-3,631
<b>Gross profit</b>		<b>133</b>	<b>112</b>	<b>561</b>	<b>524</b>
Selling expenses	1	-104	-105	-395	-415
Administrative expenses	1	-28	-25	-111	-102
Other operating income and expenses	2	0	1	-47	-123
Participation in joint venture		3	0	8	2
<b>Operating profit/loss</b>		<b>4</b>	<b>-17</b>	<b>16</b>	<b>-114</b>
Financial items		-6	-9	-27	-48
<b>Profit/loss before tax</b>		<b>-2</b>	<b>-26</b>	<b>-11</b>	<b>-162</b>
Tax		0	3	-9	-7
<b>Profit/loss for the period</b>		<b>-2</b>	<b>-23</b>	<b>-20</b>	<b>-169</b>
Earnings per share <sup>1)</sup>		-0.20	-1.81	-1.56	-19.47
Earnings per share before and after dilution <sup>1)</sup>		-0.20	-1.81	-1.56	-19.47
Earnings per share based on average number of shares in Q4 2016 <sup>2)</sup>		-0.20	-1.81	-1.56	-13.02

<sup>1)</sup> Refers to the average number of shares. A 20:1 reverse share split was carried out in May 2016. Comparative figures for 2016 and 2015 have, therefore, been restated. See average number of shares on page 13.

<sup>2)</sup> If the average number of shares had been the same as in the comparison periods (see page 13) as in Q4 2016, the earnings per share, before and after dilution, would have been in accordance with the above table.

## Consolidated statement of comprehensive income

(SEK M)	2016 Oct-Dec	2015 Oct-Dec	2016 Full-year	2015 Full-year
<b>Profit/loss for the period</b>	<b>-2</b>	<b>-23</b>	<b>-20</b>	<b>-169</b>
<b>Other comprehensive income</b>				
<b>Items that have, or may be, reclassified to profit/loss for the period</b>				
Translation differences	-3	-13	20	-17
Hedging of net investments in foreign subsidiaries	2	11	-18	15
Tax attributable to items in other comprehensive income	-1	-2	4	-3
<b>Total other comprehensive income</b>	<b>-2</b>	<b>-4</b>	<b>6</b>	<b>-5</b>
<b>Comprehensive income for the period</b>	<b>-4</b>	<b>-27</b>	<b>-14</b>	<b>-174</b>

## Condensed consolidated balance sheet

(SEK M)	Note	2016 Dec 31	2015 Dec 31
Goodwill		562	558
Other intangible assets		18	29
Tangible assets		156	199
Investment in joint venture		87	79
Financial assets		0	0
Deferred tax assets		51	42
<b>Total non-current assets</b>		<b>874</b>	<b>907</b>
Inventories <sup>1)</sup>		527	546
Accounts receivables <sup>1)</sup>		442	409
Other receivables <sup>1)</sup>		49	66
Cash and equivalents <sup>2)</sup>		27	33
<b>Total current assets</b>		<b>1,045</b>	<b>1,054</b>
<b>Total assets</b>	3	<b>1,919</b>	<b>1,961</b>
<b>Equity</b>		<b>771</b>	<b>785</b>
Non-current interest-bearing liabilities <sup>2) 3)</sup>		527	565
Provisions		0	0
Deferred tax liability		43	41
<b>Total non-current liabilities</b>		<b>587</b>	<b>606</b>
Current interest-bearing liabilities <sup>2) 3)</sup>		63	77
Accounts payables <sup>1)</sup>		375	353
Other current liabilities <sup>1)</sup>		136	140
Other current provisions		4	0
<b>Total current liabilities</b>		<b>561</b>	<b>570</b>
<b>Total equity and liabilities</b>	3	<b>1,919</b>	<b>1,961</b>
<b>Contingent liabilities</b>		<b>17</b>	<b>21</b>

<sup>1)</sup> Components for calculating working capital.

<sup>2)</sup> Components for calculating net debt.

<sup>3)</sup> Components for calculating capital employed.



## Condensed consolidated cash-flow statement

(SEK M)	2016 Oct-Dec	2015 Oct-Dec	2016 Full-year	2015 Full-year
Profit/loss before tax	-2	-26	-11	-162
Adjustment for non-cash items	7	8	64	186
Income tax paid	-2	9	-9	-7
Change in working capital	0	46	34	-110
<b>Cash flow from operating activities</b>	<b>3</b>	<b>37</b>	<b>78</b>	<b>-93</b>
Investments in intangible assets	0	0	-2	0
Investments in tangible assets	-3	-6	-8	-16
<b>Cash flow after investments</b>	<b>0</b>	<b>31</b>	<b>68</b>	<b>-109</b>
Cash flow from financing activities	-8	-54	-74	71
<b>Cash flow for the period</b>	<b>-8</b>	<b>-23</b>	<b>-6</b>	<b>-38</b>
Exchange-rate difference in cash and equivalents	-1	-3	0	-2
<b>Change in cash and equivalents</b>	<b>-9</b>	<b>-26</b>	<b>-6</b>	<b>-40</b>

## Condensed statement of changes in equity

(SEK M)	2016 Oct-Dec	2015 Oct-Dec	2016 Full-year	2015 Full-year
<b>Equity at beginning of period</b>	<b>775</b>	<b>812</b>	<b>785</b>	<b>715</b>
Comprehensive income for the period	-4	-27	-14	-174
New share issue <sup>1)</sup>	-	-	-	244
<b>Equity at end of period</b>	<b>771</b>	<b>785</b>	<b>771</b>	<b>785</b>

<sup>1)</sup> After deduction of transaction costs.

## Notes

### Note 1 Amortizations and depreciations

(SEK M)	2016 Oct-Dec	2015 Oct-Dec	2016 Full-year	2015 Full-year
Amortization of intangible assets	2	3	10	18
Depreciation of tangible assets	11	11	40	44
<b>Total amortizations and depreciations</b>	<b>13</b>	<b>14</b>	<b>50</b>	<b>62</b>

### Note 2 Non-recurring items

(SEK M)	2016 Oct-Dec	2015 Oct-Dec	2016 Full-year	2015 Full-year
Restructuring expenses	-	-	-11	-
Write-down of assets	-	-	-34	-124
<b>Total non-recurring items</b>	<b>-</b>	<b>-</b>	<b>-45</b>	<b>-124</b>

### Note 3 Valuation of financial assets and liabilities

In all material respects fair value coincides with the carrying amount in the balance sheet for financial assets and liabilities.

The assessment of the fair value of the financial assets has been carried out in accordance with level 2 as defined by

IFRS 7.27 A, with the exception of cash and equivalents, which are valued in accordance with level 1. For additional information, see Note 31 in the 2015 Annual Report. No material changes have taken place in relation to the valuation as per December 31.

## Segment reporting <sup>1)</sup>

### Net sales per segment

(SEK M)	2016 Oct-Dec	2015 Oct-Dec	2016 Full-year	2015 Full-year
Sweden & Poland	490	494	1,941	2,042
Finland & Baltics	455	407	1,794	1,745
Parent Company and consolidated items	8	80	135	368
<b>Group</b>	<b>953</b>	<b>981</b>	<b>3,870</b>	<b>4,155</b>

### Shipped tonnage per segment (thousands of tonnes)

	2016 Oct-Dec	2015 Oct-Dec	2016 Full-year	2015 Full-year
Sweden & Poland	41	40	166	166
Finland & Baltics	45	43	185	178
Parent Company and consolidated items	-1	14	23	62
<b>Group</b>	<b>85</b>	<b>97</b>	<b>374</b>	<b>406</b>

### Operating profit/loss (EBIT) per segment

(SEK M)	2016 Oct-Dec	2015 Oct-Dec	2016 Full-year	2015 Full-year
Sweden & Poland	2	1	25	-79
Finland & Baltics	12	-7	68	21
Parent Company and consolidated items	-10	-11	-77	-56
<b>Group</b>	<b>4</b>	<b>-17</b>	<b>16</b>	<b>-114</b>

### Operating margin per segment

	2016 Oct-Dec	2015 Oct-Dec	2016 Full-year	2015 Full-year
Sweden & Poland	0.5%	0.1%	1.3%	-3.9%
Finland & Baltics	2.5%	-1.7%	3.8%	1.2%
Parent Company and consolidated items	neg	neg	neg	neg
<b>Group</b>	<b>0.4%</b>	<b>-1.7%</b>	<b>0.4%</b>	<b>-2.8%</b>

<sup>1)</sup> A new organizational structure was introduced in April 2016. Comparative figures have therefore been restated.

## Segment reporting <sup>1)</sup>

### Underlying operating profit/loss (uEBIT) per segment <sup>2)</sup>

(SEK M)	2016 Oct-Dec	2015 Oct-Dec	2016 Full-year	2015 Full-year
Sweden & Poland	-2	2	14	27
Finland & Baltics	5	-3	54	30
Parent Company and consolidated items	-10	-11	-35	-35
<b>Group</b>	<b>-7</b>	<b>-12</b>	<b>33</b>	<b>22</b>

<sup>2)</sup> Operating profit/loss (EBIT) adjusted for inventory gains and losses and non-recurring items. Inventory gains and losses are the differences between the cost of goods sold at acquisition value and the cost of goods sold at replacement cost. The Group's internal model is used to calculate inventory gains and losses and has not been subject for review by the Group's auditor.

### Underlying operating margin per segment <sup>3)</sup>

	2016 Oct-Dec	2015 Oct-Dec	2016 Full-year	2015 Full-year
Sweden & Poland	-0.4%	0.3%	0.7%	1.3%
Finland & Baltics	1.0%	-0.8%	3.0%	1.7%
Parent Company and consolidated items	neg	neg	neg	neg
<b>Group</b>	<b>-0.7%</b>	<b>-1.2%</b>	<b>0.9%</b>	<b>0.5%</b>

<sup>3)</sup> Underlying operating result (uEBIT) as a percentage of net sales.

### Depreciation per segment

(SEK M)	2016 Oct-Dec	2015 Oct-Dec	2016 Full-year	2015 Full-year
Sweden & Poland	6	5	22	23
Finland & Baltics	4	5	17	20
Parent Company and consolidated items	3	4	11	19
<b>Group</b>	<b>13</b>	<b>14</b>	<b>50</b>	<b>62</b>

### Investments in tangible and intangible assets per segment

(SEK M)	2016 Oct-Dec	2015 Oct-Dec	2016 Full-year	2015 Full-year
Sweden & Poland	2	4	6	7
Finland & Baltics	0	2	3	9
Parent Company and consolidated items	1	0	1	0
<b>Group</b>	<b>3</b>	<b>6</b>	<b>10</b>	<b>16</b>

<sup>1)</sup> A new organizational structure was introduced in April 2016. Comparative figures have therefore been restated.

## Key data

(SEK M unless otherwise stated)	2016 Oct-Dec	2015 Oct-Dec	2016 Full-year	2015 Full-year
Net sales	953	981	3,870	4,155
<b>Earnings measurements</b>				
Gross profit/loss	133	112	561	524
Underlying gross profit/loss	124	117	536	536
Operating profit/loss (EBIT)	4	-17	16	-114
Underlying operating result (uEBIT)	-7	-12	33	22
<b>Margin measurements</b>				
Gross margin	14.0%	11.4%	14.5%	12.6%
Underlying gross margin	13.0%	12.0%	13.9%	12.9%
Operating margin	0.4%	-1.7%	0.4%	-2.8%
Underlying operating margin	-0.7%	-1.2%	0.9%	0.5%
<b>Capital structure</b>				
Net debt	562	609	562	609
Net debt/equity ratio	73%	78%	73%	78%
Working capital at end of period	506	525	506	525
Working capital (average)	499	551	488	505
Capital employed (average)	1,368	1,473	1,383	1,523
Working capital tied-up	13.1%	14.0%	12.6%	12.2%
<b>Return</b>				
Return on capital employed	1.2%	-4.6%	1.2%	-7.5%
<b>Per share data<sup>2)</sup></b>				
Earnings per share (SEK) <sup>1)</sup>	-0.20	-1.81	-1.56	-19.47
Earnings per share after dilution (SEK) <sup>1)</sup>	-0.20	-1.81	-1.56	-19.47
Equity per share (SEK)	59.41	60.44	59.41	60.44
Cash flow from operating activities per share (SEK) <sup>1)</sup>	0.21	2.84	5.99	-7.14
Shares outstanding at period end (thousands)	12,983	12,983	12,983	12,983
Number of shares (thousands) before and after dilution <sup>1)</sup>	12,983	12,983	12,983	8,681
<b>Growth</b>				
Sales growth	-3%	-3%	-7%	-1%
– of which organic tonnage growth	-13%	1%	-8%	-1%
– of which price and mix changes	8%	-4%	0%	-2%
– of which currency effects	2%	0%	1%	2%
<b>Other</b>				
Average number of employees	715	776	739	768
Inventory gains and losses	11	-5	28	-12
Shipped tonnage (thousands of tonnes)	85	97	374	406

<sup>1)</sup> Refers to average number of shares.

<sup>2)</sup> A 20:1 reverse share split was carried out in May 2016. Comparative figures for 2016 and 2015 have been restated for this.

## Condensed parent company income statement

(SEK M)	2016 Oct-Dec	2015 Oct-Dec	2016 Full-year	2015 Full-year
Net sales	6	6	25	34
Administrative expenses	-14	-12	-51	-57
Other operating income and expenses	0	0	0	0
<b>Operating profit/loss</b>	<b>-8</b>	<b>-6</b>	<b>-26</b>	<b>-23</b>
Financial items	-24	-220	-50	-219
<b>Profit/loss after financial items</b>	<b>-32</b>	<b>-226</b>	<b>-76</b>	<b>-242</b>
Appropriations	9	12	9	12
<b>Profit/loss before tax</b>	<b>-23</b>	<b>-214</b>	<b>-67</b>	<b>-230</b>
Tax	-1	-3	10	6
<b>Profit/loss for the period, or comprehensive income for the period</b>	<b>-24</b>	<b>-217</b>	<b>-57</b>	<b>-224</b>

## Condensed parent company balance sheet

(SEK M)	2016 Dec 31	2015 Dec 31
Intangible assets	15	21
Tangible assets	0	0
Financial assets	1,083	1,109
<b>Total non-current assets</b>	<b>1,098</b>	<b>1,130</b>
Current receivables	207	181
Cash and equivalents	9	13
<b>Total current assets</b>	<b>216</b>	<b>194</b>
<b>Total assets</b>	<b>1,314</b>	<b>1,324</b>
<b>Equity</b>	<b>558</b>	<b>615</b>
<b>Non-current liabilities</b>	<b>515</b>	<b>546</b>
<b>Current liabilities</b>	<b>241</b>	<b>163</b>
<b>Total equity and liabilities</b>	<b>1,314</b>	<b>1,324</b>
<b>Pledged assets</b>	<b>1,166</b>	<b>1,156</b>
<b>Contingent liabilities</b>	<b>52</b>	<b>46</b>



## Key data – multi-quarter summary

(SEK M unless otherwise stated)	2016 Oct-Dec	2016 Jul-Sep	2016 Apr-Jun	2016 Jan-Mar	2015 Oct-Dec	2015 Jul-Sep	2015 Apr-Jun	2015 Jan-Mar	2014 Oct-Dec
Net sales	953	892	1,047	978	981	966	1,104	1,104	1,009
<b>Earnings measurements</b>									
Gross profit/loss	133	138	163	127	112	124	144	144	124
Underlying gross profit/loss	124	123	153	136	117	128	145	146	126
Operating profit/loss (EBIT)	4	26	31	-45	-17	-117	10	10	-30
Underlying operating result (uEBIT)	-7	10	21	9	-12	10	12	12	-9
<b>Margin measurements</b>									
Gross margin	14.0%	15.4%	15.5%	13.0%	11.4%	12.9%	13.1%	13.0%	12.3%
Underlying gross margin	13.0%	13.8%	14.6%	13.9%	12.0%	13.2%	13.2%	13.2%	12.5%
Operating margin	0.4%	2.9%	2.9%	-4.6%	-1.7%	-12.1%	1.0%	0.9%	-3.0%
Underlying operating margin	-0.7%	1.1%	2.0%	1.0%	-1.2%	1.0%	1.1%	1.1%	-0.9%
<b>Capital structure</b>									
Net debt	562	563	540	565	609	649	590	804	754
Net debt/equity ratio	73%	73%	71%	77%	78%	80%	63%	113%	105%
Working capital at end of period	506	493	454	464	525	575	512	486	426
Working capital (average)	499	473	459	495	551	544	499	456	452
Capital employed (average)	1,368	1,381	1,375	1,395	1,473	1,560	1,563	1,534	1,567
Working capital tied-up	13.1%	13.3%	11.0%	12.6%	14.0%	14.1%	11.3%	10.3%	11.2%
<b>Return</b>									
Return on capital employed	1.2%	7.6%	9.0%	-12.8%	-4.6%	-30.1%	2.7%	2.5%	-7.8%
<b>Per share data<sup>2)</sup></b>									
Earnings per share (SEK) <sup>1)</sup>	-0.20	1.25	1.47	-4.07	-1.81	-10.23	-2.46	0.00	
Earnings per share after dilution (SEK) <sup>1)</sup>	-0.20	1.25	1.47	-4.07	-1.81	-10.23	-2.46	0.00	
Equity per share (SEK)	59.41	59.67	58.19	56.54	60.44	62.56	72.63	191.62	
Cash flow from operating activities per share (SEK) <sup>1)</sup>	0.21	-0.89	2.76	3.91	-2.84	-3.65	-2.14	-14.66	
Shares outstanding at period end (thousands)	12,983	12,983	12,983	12,983	12,983	12,983	12,983	3,709	
Number of shares (thousands) before and after dilution <sup>1)</sup>	12,983	12,983	12,983	12,983	12,983	12,983	5,049	3,709	
<b>Growth</b>									
Sales growth	-3%	-8%	-5%	-11%	-3%	-3%	-1%	2%	-3%
– of which organic tonnage growth	-13%	-13%	-3%	-5%	1%	-3%	-1%	-1%	-11%
– of which price and mix changes	8%	5%	-2%	-6%	-4%	-1%	-1%	0%	6%
– of which currency effects	2%	0%	0%	0%	0%	1%	1%	3%	2%
<b>Other</b>									
Average number of employees	715	729	747	765	776	770	762	764	766
Inventory gains and losses	11	16	10	-9	-5	-3	-2	-2	-1
Shipped tonnage (thousands of tonnes)	85	81	105	103	97	93	108	108	97

<sup>1)</sup> Refers to average number of shares.

<sup>2)</sup> A 20:1 reverse share split 1:20 was carried out in May 2016. Comparative figures for 2016 and 2015 have been restated for this.

## Definitions of key data

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### Adjusted results measurements

Underlying gross profit/loss                      The underlying gross profit/loss is the reported gross profit adjusted for inventory gains and losses (deductions for gains and additions for losses).

Underlying operating profit/loss (uEBIT)                      Operating profit/loss (EBIT) before non-recurring items adjusted for inventory gains and losses (deductions for gains and additions for losses).

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### Adjusted margin measurements

Underlying gross margin                      Underlying gross profit/loss as a percentage of net sales.

Underlying operating margin                      Underlying operating profit/loss (uEBIT) as a percentage of net sales.

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### Capital structure

Net debt                      Interest-bearing liabilities less cash and equivalents and financial assets.

Net debt/equity ratio                      Net debt divided by equity.

Working capital                      Inventories and current receivables less current liabilities, excluding provisions and interest-bearing liabilities.

Working capital (average)                      Inventories and current receivables less current liabilities, excluding provisions and interest-bearing liabilities. This measure represents an average for each period based on quarterly data.

Capital employed                      Equity plus interest-bearing liabilities.

Capital employed (average)                      Equity plus interest-bearing liabilities. This measure represents an average for each period based on quarterly data.

Working capital tied-up                      Average working capital, as a percentage of annually adjusted net sales.

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### Return on capital

Return on capital employed                      Annually adjusted operating result, as a percentage of average capital employed.

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### Per share data

Earnings per share                      Profit/loss for the period divided by the average number of shares outstanding during the period.

Equity per share                      Equity divided by the number of shares outstanding at the end of the period.

Cash flow per share from operating activities                      Cash flow from operating activities divided by the average number of shares for the period.

Shares outstanding at the end of the period                      Shares outstanding at the end of the period adjusted for rights issues and share splits.

Average number of shares                      Weighted average number of shares outstanding during the period, adjusted for rights issued and share splits.

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### Growth

Sales growth                      Change in net sales from the preceding period in percent.

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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 at replacement cost.

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**Please refer to the 2015 annual report for other definitions of key data.**