

BE Group Interim report January - June 2022

Second quarter

- Net sales increased to SEK 2,044 M (1,403)
- The underlying operating result increased to SEK 291 M (133)
- The operating result increased to SEK 313 M (158), including inventory gains of SEK 22 M (25)
- Result after tax increased to SEK 251 M (127)
- Cash flow from operating activities increased to SEK 127 M (81)
- Earnings per share increased to SEK 19.30 (9.74)
- The acquired assets of Hercules Rebar was taken over from Hercules Grundläggning AB
- Agreement was signed to acquire all shares in Goodtech Solutions Manufacturing AB with take-over on September 1 at the latest
- Lecor Stålteknik was sold with handover on July 1

Statement from the CEO

Continued high steel prices made the second quarter into a new record quarter with a sales growth of 46%, despite a decrease in delivered tonnage of 14%. The high sales in combination with good cost control led to an increased operating result of SEK 313 M (158). For the half year, net sales rose by 55% and the operating result increased to SEK 497 M (244).

Over the past 12 months, BE Group delivered an operating result of SEK 874 M, corresponding to an operating margin of 12.9 percent.

Steel price trend

The war in Ukraine initially led to sharply rising steel prices since both Russia and Ukraine are major producers of iron ore, steel and other input materials for steel production. The steel purchases BE Group made historically from Russian-controlled steel producers were immediately allocated to other suppliers with limited impact on customers.

From very high levels, steel prices have declined like a kind of slow leak in the second quarter. Demand is lower than normal due to high inventories following the wave of hoarding in connection with the invasion and continued disruptions in the supply chains. In the third quarter, we will probably see lower prices for some product types. At the beginning of July, we see that the price of scrap is rising again, which may indicate that the price of scrap-based products, such as beams, bars and rebar, may have bottomed out and are heading up again.

In the long term, there are many indications suggesting a continuation of high prices. High gas prices this winter might lead to high steel prices. The transition to sustainable steel production requires huge investments, which in turn require a sustainable price level. A sharp increase in the amount of defence spending and rearmament makes steel sought after and expensive. Furthermore, the reconstruction of Ukraine will most likely be paid for by the Western world which, when it happens, will require a considerable amount of materials.

Acquisitions and divestments

On May 1, possession was taken of the assets of Hercules Rebar acquired from Hercules Grundläggning AB, a subsidiary of NCC. The acquisition strengthens BE Group's rebar offering in Sweden and entails production and storage capacity being added close to the Norrköping facility.

On June 22, an agreement was signed to acquire all the shares in Goodtech Solutions Manufacturing AB. The take-over will take place on September 1 at the latest. The acquisition will strengthen BE Group's ready-to-weld offering and add competence and production capacity.

On June 30, Lecor Stålteknik was sold to EAB with handover on July 1. Lecor has developed positively in recent years but is significantly different from BE Group's core business. EAB is a long-standing partner to both BE Group and Lecor and, in connection with the transfer, a letter of intent was also signed regarding continued close and trusting cooperation.

Future outlook

The situation in the surrounding world makes it difficult to predict the future. What we know is that overall steel prices will be lower in Q3 than in Q2. This will entail a margin contraction, which we have already seen in the end of the quarter. However, for customers with six-month contracts, this entails the opposite. The most important thing for BE Group is to work with aspects we can affect. In addition to carefully monitoring developments and keeping our ears very close to the ground, we will continue to build on a good and long-term profitable company. Focus is on working with smaller, recurring improvements in every part of the company, with the main objective of improving the customer experience of doing business with us.

Finally, I would like to welcome all the new employees to BE Group and wish you a pleasant summer!

Peter Andersson, President and CEO

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BE Group AB (publ), 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 manufacturing industries. In 2021, the Group reported sales of SEK 5.4 billion. BE Group has approximately 630 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.