

**BYGG**

**max<sup>®</sup>**

*only affordable  
building materials*



**2011  
ANNUAL REPORT**

# BUSINESS DESCRIPTION

Byggmax in brief	4
The year in summary	5
President's comments	6
Vision, concept, targets and strategy	8
Operations	10
Byggmax's responsibilities	20
The Byggmax share	27
Multi-year overview	29

# FINANCIAL REPORTS

Administration report	31
Consolidated income statement	35
Consolidated balance sheet	36
Consolidated statement of changes in shareholders' equity	38
Consolidated statement of cash flows	39
Parent Company income statement	40
Parent Company balance sheet	41
Changes in parent company's shareholders' equity	43
Parent Company cash flow statement	44
Accounting policies and notes	45
Auditors' report	70
Byggmax Group management	71
Byggmax Board of directors	72
Chairman's comments	73
Corporate governance report	74
Auditor's statement on the corporate governance report	78
Definitions	79
Distribution of annual report	79
Content index including standard GRI disclosures	80
Byggmax GRI profile	90

# HOW WE CAN SET A BYGGMAX PRICE ON HIGH-QUALITY GOODS:

## A FOCUSED RANGE

A product range limited to 1,300 items simplifies administration and procurement.

## ECONOMICAL STORE LOCATIONS

Out of town stores that are easily accessible for customers in vehicles provide low rents.

## DRIVE-IN AT ALL STORES

Staff costs can be kept low when customers load their vehicles themselves.

## CONSTANT IMPROVEMENTS

Continuous enhancement of the efficiency of each process and procedure.

## STRONG CORPORATE CULTURE

The entrepreneurial spirit in each store forms the foundation for our will to succeed.

## BLOCKWORK

Mortar. Building Blocks



**47<sup>45</sup>**

25 KG

**18<sup>95</sup>**

9x19x59cm, 8KG

## DECKING

Pressure-treated wood, NTR/AB

**79<sup>00</sup>**

STAINLESS STEEL DECK  
SCREW

4,2x42mm, Quantity 250

**16<sup>95</sup>**  
/M

LUMBER FOR  
STUDWORK 45x95

**8<sup>95</sup>**  
/M

DECKING LUMBER 26x110

3

# BYGGmax®

Byggmax has always kept true to one simple base concept: To sell high-quality basic building materials at the lowest price possible. We aim to do this in as simple and accessible a manner as possible in all of our 86 stores in the Nordic region. We will therefore remain true to our pricing model, meaning: No campaigns, no sales and no discounts. At Byggmax the same low price applies for every customer.

## ONLINE STORE

In the spring of 2009, Byggmax launched its online store. The service comprises home delivery of all products in the range, which is unique when it comes to heavy construction materials. The goods are picked from the closest Byggmax store to the customer and the only additional costs are for picking and freight. In the majority of cases, delivery is the day following order.



## 3D HOUSE AT BYGGMAX.SE

In June 2011, Byggmax launched its, true-to-scale, 3D house that provides detailed instructions for a number of popular construction projects. The proper methods are described utilizing sample designs with the help of 3D animations and a narrator's voiceover. All information provided has been produced in collaboration with experts and based on the Swedish construction standard Hus AMA1. New projects are continuously added to the database.



## ONLINE GOODS

In 2011, the range of products available to order from Byggmax Online was increased by over 1,200 new items. These products are only sold online, which enables us to offer Byggmax prices on an increased number of products without increasing store costs. The main focus of the website is ease of use, which makes it just as easy to shop online as

# 2011



2011 Sweden: Ängelholm, Lidköping, Norrtälje, Enköping, Avesta and Bollnäs. Norway: Trondheim Syd, Arendal and Lillehammer. Finland: Borgå, Reso, Vanda and Björneborg.

2010 Sweden: Ystad, Värnamo, Karlshamn, Trollhättan and Partille. Norway: Ski, Kristiansand, Stavanger, Fredrikstad and Haugesund. Finland: Jyväskylä.

2009 Sweden: Piteå, Falkenberg, Kungsängen, Bromma and Borlänge. Norway: Trondheim. Finland: Vasa.

2008 Sweden: Motala, Västervik, Örnköldsvik, Hässleholm, Kungsbacka and Nyköping. Norway: Sarpsborg, Sandefjord, Drammen, Ulensaker and Bærum. Finland: Åbo.

2007 Sweden: Åkersberga (Stockholm) and Visby. Norway: Hamar, Skien, Abildsø, Gjøvik and Kongsvinger.

2006 Hudiksvall, Skellefteå, Skövde, Eskilstuna, Gävle, Uppsala, Varberg and Länna (Stockholm).

2005 Örebro and Karlskrona.

2004 Växjö, Norrköping, Falun, Östersund, Vellinge (Malmö) and Uddevalla.

2003 Linköping, Kalmar, Sundsvall, Tumba (Stockholm), Luleå and Karlstad.

2002 Kristianstad

2001 Borås and Löddeköping (Malmö)

1999 Jönköping

2000 Källered (Göteborg)

1998 Hisings Backa (Göteborg, Upplands Väsby (Stockholm) and Umeå

1997 Helsingborg

1996 Staffanstorps (Malmö)

1993 Täby (Stockholm), Halmstad and Västerås

## STOCK EXCHANGE LISTING

On June 2, 2010, Byggmax was listed on the NASDAQ OMX Stockholm exchange.

## BYGGMAX IN FINLAND

Byggmax opened in Åbo on February 28, 2008. A strong DIY tradition exists in Finland and customers like the new contender, Byggmax. Byggmax receives much publicity in the media since all our low prices are published on the website.



## TV COMMERCIALS IN SWEDEN

In 2008, Byggmax airs its first TV commercial in Sweden. The commercials aim to demonstrate that building is enjoyable and even more enjoyable when one buys from Byggmax. You get a lot for your money and can afford to go the extra mile.

## BYGGMAX IN NORWAY

On March 23, 2007, Byggmax opened its first store in Hamar, 140 Kms north of Oslo. During the year, four additional stores were opened in the southern part of Norway.



## BYGGMAX CUSTOMER SERVICE CENTER OPENS

Byggmax opens a central customer service center in 2000 to answer customer questions seven days a week. Customer service has the ambition to answer all calls within three minutes.



## DIY PROGRAMS ON TV MAKE A BREAKTHROUGH

The DIY trend takes Sweden by storm in 1997. Many realize that building is not as hard as they thought and substantial sums are there to be saved. The building materials industry is at full capacity and Byggmax establishes operations in many locations.

## ALTOR BECOMES THE NEW OWNER

On January 1, 2006, the venture capital firm Altor 2003 Fund became the new majority shareholder. Altor believes in the Byggmax concept and wants to continue expanding in Sweden and abroad.



## RENAMED BYGGMAX

Since it was founded in 1993, the company's names were Gunnars Byggnetto, Byggnetto and Netto-Netto. In 1999, all the stores changed their name to Byggmax to establish a new, clear and unified profile. The logo, the name and the graphical profile are intended to convey the message that we have optimized the relationship between price and quality for basic building materials.



## BYGGMAX SELLS PRESSURE-TREATED DECKING LUMBER FOR SEK 3.95 A METER

In parallel with Byggmax's opening in Staffanstorps in 1996, we started to sell pressure-treated decking lumber for SEK 3.95 a meter. Other companies were selling the same lumber for between SEK 8.00 and 13.00 a meter. The lines were long and success was cemented.



## THE BYGGMAX-CARD IS LAUNCHED

The Byggmax-card was launched in 2002. Both companies and consumers could get between 30 and 60 days cost-free credit. Today, one can use a PIN code and get a specified invoice sent home.



## THE BYGGMAX BUSINESS CONCEPT FROM THE START

Byggmax opened its first stores in 1993 to sell high-quality basic building materials at low prices. The description of the product range is Lumber, Construction, Flooring and Paint. The idea from the start is for customers to be able to drive their vehicles in and load the products themselves.

Byggmax never has sales, discounts or campaigns. The range is of high quality and comes from Swedish suppliers. The entire range is subject to the same low prices and all stores have the same prices. To earn customer confidence, Byggmax becomes the first DIY retailer to offer a Lowest-Price Guarantee. All customers can borrow a trailer at no cost.

## concept

- Low prices
- Price guarantee
- High quality
- Fixed range
- Drive-in
- Free trailer



<sup>1</sup>Reference document for producing descriptions and for the construction of the agreed house building project.

# THE YEAR IN BRIEF

In 2011, Byggmax generated sales of approximately SEK 3.0 billion, up 7.7 percent compared with 2010. The EBITA margin amounted to just over 9.3 percent. At year-end, the company had 86 stores and 527 employees (average full-time equivalents in 2011). During the year, 13 new stores opened.

## KEY EVENTS FIRST QUARTER

Net sales totaled SEK 369.5 M (324.5), an increase of 13.9 percent.

Operating profit amounted to SEK -13.1 M (-11.1) and the EBITA margin to -3.5 percent (-3.4).

Three stores opened: Lidköping (Sweden), Borgå and Björneborg (Finland).

## KEY EVENTS SECOND QUARTER

Net sales totaled SEK 899.3 M (856.2), an increase of 5.0 percent.

Operating profit amounted to SEK 83.7 M (82.6) and the EBITA margin to 9.3 percent (9.6).

Five stores opened: Ängelholm, Enköping, Bollnäs and Avesta (Sweden) and Reso (Finland).

During the quarter, a number of key personnel subscribed for warrants pursuant to the incentive program adopted by the Annual General Meeting.

An expanded range of products, which may only be ordered through the website, was launched in April 2011.

## KEY EVENTS THIRD QUARTER

Net sales totaled SEK 1,100.0 M (1,043.2), an increase of 5.4 percent.

Operating profit amounted to SEK 156.6 M (165.4) and the EBITA margin to 14.2 percent (15.9).

Five stores opened; Norrtälje (Sweden), Lillehammer, Arendal and Tiller/Trondheim (Norway) and Vanda (Finland).

In the third quarter, the company Byggmax Fastighetsutveckling 5 AB (comprising a property in Norrtälje, Sweden) was sold. This transaction had no impact on earnings.

The company made an announcement that the target number of stores to be opened in existing markets had been raised from 110-130 to 155.

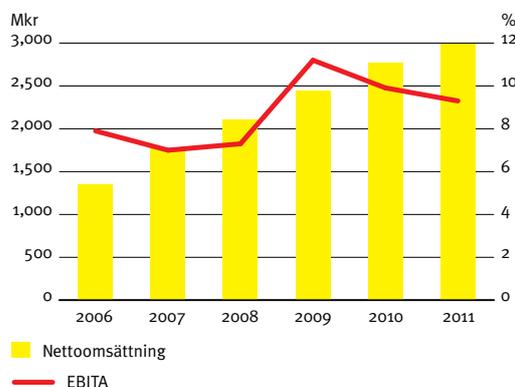
## KEY EVENTS FOURTH QUARTER

Net sales totaled SEK 618.3 M (549.1), an increase of 12.6 percent.

Operating profit amounted to SEK 50.3 M (37.9) and the EBITA margin to 8.1 percent (6.9).

The Group's two distribution hubs were merged into one in Lysekil.

## NET SALES / EBITA-MARGIN



	2011	2010	2009
Net sales, SEK M	2,987	2,773	2,444
Gross margin, %	30.1	29.7	29.8
EBITA, SEK M	278	275	273
EBITA, SEK M, excl. listing costs	278	292	273
EBITA-margin, %	9.3	9.9	11.2
EBITA-margin, %, excl. listing costs	9.3	10.5	11.2
Profit after tax, SEK M	182	172	161
Cash flow from operations per share	1.5	3.4	2.9
Number of stores at year end	86	73	61
Stores opened during the period	13	12	7

# PRESIDENT'S COMMENTS

***”Byggmax’s corporate culture is based on entrepreneurship and pride. This keeps us on top of costs and prioritizing earnings.”***



## **WEAK MARKET TREND IN 2011**

The market trend was weaker than expected in 2011. Consumption declined as a consequence of increased concern about the future and higher interest rates as well as other costs such as electricity. At the same time, low-price concepts such as Byggmax are favored in a tougher economic climate and we are taking market shares in the consumer market.

## **COMMERCIAL STRATEGY – CONTINUED EXPANSION WITH STORES, MARKETING AND RANGE**

In late 2008 and early 2009, Byggmax directed efforts at warding off any impact on the building materials market from the financial crisis. Instead, over the past year, we have been able to focus efforts on expansion through thirteen new stores. In 2012, Byggmax will continue to expand with an additional 10 to 15 stores, increased efforts with the online store and sales to the building profession.

For the second consecutive year, the marketing consultancy, Indikat, has selected Byggmax for the most effective marketing among Swedish DIY retailers. Customers have the leading role in Byggmax's marketing concept, in television commercials, direct mail, advertisements and on the website, and in addition, all advertising is produced internally.

We perceive our website as an extension of our stores and customer service. It should comprise an efficient, fun and inspiring tool for finding information about building and building supplies. The website supplements the stores with another type of service, such as enabling customers to peruse the entire range and gather clear price information at their own pace. While online, customers can also utilize the website's other tools such as inspirational films and planning tools. In the stores themselves, customers can obtain professional service and expert assistance.

We are now entering the fourth year for Byggmax with online shopping from every store and have supplemented the in-store range with online goods. This comprises an increase in the range with products shipped directly to customers from the supplier. In 2011, it became possible to purchase completely new types of building supplies at Byggmax prices via the online store.

## **SUSTAINABILITY AT BYGGMAX**

Since 2009, an annual environmental report has been produced on Byggmax's environmental impact. This year's report shows a reduction in carbon emissions per ton of materials sold; the single most important explanation for this is the increase in the proportion of goods using rail and sea freight. Since 2009, carbon emissions per ton of materials sold have declined, and were down 11 percent in 2010 and 2 percent

in 2011. This means we are well on the way to reaching our goal of a 25 percent reduction by 2020.

As of 2011, Byggmax reports its sustainability initiatives in line with the Global Reporting Initiative's (GRI) framework for sustainability reporting.

In 2011, the Byggmax set of values, the Byggmax spirit, was more clearly defined. In addition, we have set out a new vision: to be the world's best retailer of building materials. According to the panel of Swedish magazine, Vi-i-Villa, we are already the first choice for the majority of Swedish home owners and now we want to be even better.

## **FUTURE PROSPECTS – GROWTH CONTINUES WITH NEW INVESTMENTS**

It is gratifying to have continued our growth and maintained healthy profitability. It shows the strength inherent in the concept and the increasing trend towards choosing the low-price alternative when purchasing building supplies – irrespective of the situation in the economy. Many people dream of renovating their home themselves. We make it quick, simple and inexpensive to carry out large or small-scale construction projects. Naturally, we continue to see great potential in growing in the three countries where we currently have operations, and in the long term to also start looking further afield. During the year, we have also revised the number of stores we believe we can establish in our existing markets in Sweden, Finland and Norway, from 110-135 to 155.

When we look ahead towards 2012, we foresee a number of areas with positive development potential. These initiatives include opening new stores, increased marketing efforts for online goods via the online store and more training for our employees. Byggmax has a sound financial situation, which enables us to invest in several initiatives in parallel.

In conclusion, I would like to thank all of our employees who were involved in helping us achieve our strong performance and all of our customers who show their confidence in us every day.



Solna, February 2012  
Magnus Agervald

# VISION, BUSINESS CONCEPT, TARGETS AND STRATEGY

The Bygghmax vision is to be the world's best DIY retailer. Read more about how we will achieve it.

## BUSINESS CONCEPT AND THE BYGGMAX CONCEPT

The business concept is to sell high-quality building materials at the lowest possible price.

Below is a description of the Bygghmax concept:

- **Low prices and a focused range:** Bygghmax sells high-quality building supplies at the lowest possible price. We have no sales, discounts, campaigns or imperfect items. All customers receive the same low price. A limited range of 1,300 products simplifies administration and procurement.

- **Drive-in and inexpensive store locations:** In our drive-in facilities, customers pack their goods directly into their vehicles thus lowering our costs. The stores are located in suburbs, in locations with easy access for customers with vehicles.

- **Constant improvement:** We challenge every process to enhance efficiency and to improve operating profits in all our areas of operation.

- **Strong corporate culture and cost focus:** The foundation of Bygghmax's corporate culture is a genuine entrepreneurial spirit. The store managers and all employees feel pride in their own areas of responsibility. This entails staying on top of costs and maintaining a focus on key ratios to perform well. One of Bygghmax's catchphrases is "One for all and all for one." As part of strengthening ties to store operations, every member of the head office staff works in one of the stores at least one day per year.

## VISION

The Bygghmax vision is to be the world's best DIY retailer.

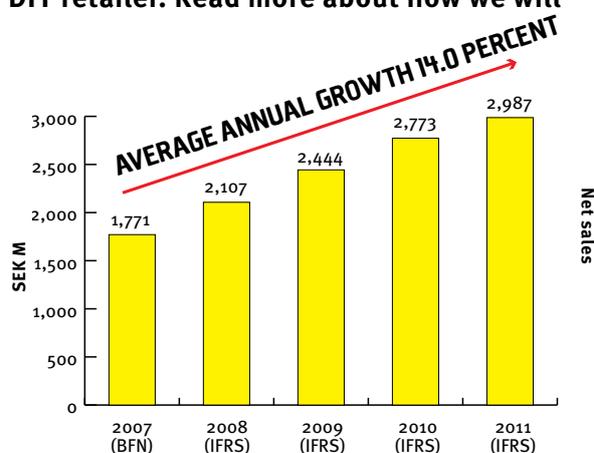
## GOALS AND STRATEGIES

Bygghmax's financial targets are:

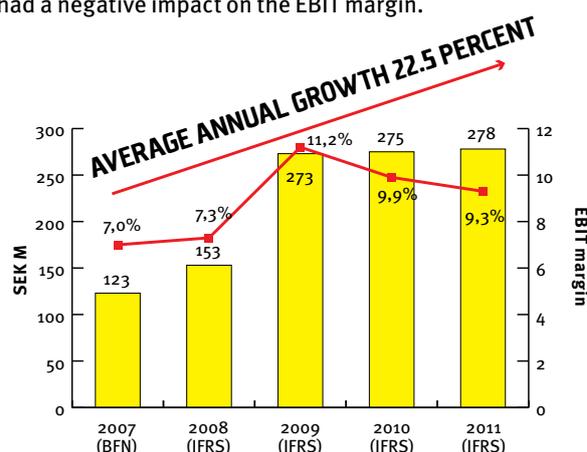
- to achieve organic growth in excess of 15 percent of net sales per year by expanding the chain of stores and increasing sales in comparable stores, and
- to maintain an EBIT margin in relation to net sales over 11 percent.

### Follow-up of goals

During the 2011 fiscal year, Bygghmax achieved a growth in net sales of 7.7 percent. Sales were negatively affected by the downturn in the consumer market.



Bygghmax has had an average annual growth rate of 14.0 percent since 2007. In 2011, the EBIT margin was 9.3 percent. The sales trend, as illustrated above, has had a negative impact on the EBIT margin.



Bygghmax has experienced average annual growth in operating profit of 22.5 percent over the past five years. The EBIT margin has improved over time through measures including an improved pricing method and procurement process and the effects of international expansion. The EBIT margin in 2007 and 2008 was impacted by the establishment of operations in Norway and Finland respectively. In 2010, the EBIT margin was impacted by listing costs.

## STRATEGY

- Expansion of the store network
- Operational excellence
- Business development

## GOAL

- to achieve organic growth in excess of 15 percent of net sales per year by expanding the chain of stores and increasing sales in comparable stores, and
- to maintain an EBIT margin in relation to net sales over 11 percent.

To achieve these financial goals, Byggmax has defined the following strategies to expand the store network, improve its operations and develop the business.

### **Store network expansion**

Over time, Byggmax will increase its presence in Sweden by up to 85 stores, in Norway to 45 stores and in Finland to 25 stores in economically attractive locations. Byggmax performs ongoing analysis of opportunities for establishment in new markets but as yet no decision has been made.

### **Operational excellence**

Byggmax will improve the operations by further expanding its use of economies of scale at its purchasing function by handling larger product volumes and through procurement from low-cost countries. The organization will enhance its resource-efficiency by implementing continuing business process improvements and reducing costs. Furthermore, Byggmax will capitalize on newly opened stores becoming profitable once they reach maturity and on increasing sales in already well-established stores.

### **Business development**

Byggmax works continuously with internal business development. IT support and, in particular, the website are developed every year in the majority of projects with the customer in focus. Procurement, sales procedures and marketing undergo ongoing development in respect of private and professional customers. The online store was launched in late 2008, delivering from the store to the customer and substantial focus has been placed on developing this service. In 2011, the online store was expanded with the addition of online goods with direct delivery to the customers from the suppliers. In addition, Byggmax is adjusting the range to seasonal variations to boost sales in the first and fourth quarters.

## **VALUE DRIVERS**

Value drivers are factors that affect the development of Byggmax in the short and long-term. The following constitute those that the management assesses as having most relevance. Many factors impact operations in both the short and long-term and as such are listed under the category where they are considered to exert most influence.

### **Short-term factors**

- Trends in purchasing prices – purchasing prices affect Byggmax's margins. Historically, the market has passed on adjustments in purchasing prices to the customer.
- Competitors' pricing – Byggmax pricing strategy is

based on underpricing the competition with the aim of being the cheapest. Therefore the competition's pricing affects margins.

- Short-term trends in the DIY market – Byggmax operates in the DIY market and is thus affected by trends in the DIY market.
- Weather – Byggmax sells a substantial amount of products for outdoor use, which is why sales are impacted by weather conditions. Seasonal variations are clearly reflected in the significantly increased sales reported in the spring, summer and early autumn.
- The availability of attractive store locations – the establishment of new stores forms a key portion of Byggmax's strategy both in the short and long-term, and therefore the availability of new store locations is important.

### **Long-term factors**

- The ability to maintain the strong corporate culture – the Byggmax culture has played an important role in the company's success, and retaining this culture is a key factor.
- The ability to implement the company's strategy and business concept – maintaining stringency throughout the range and pricing, as well as continuously tuning the organization through constant improvement are a few of the keys to success.
- The ability to renew concepts and strategies when needed – the Byggmax concept has remained true to the original from 1993. However, the concept has developed over time and new ideas have been tested and incorporated or discarded.
- Long-term development of the DIY market – Byggmax operates in the DIY market and thus long-term trends in the DIY market are important.
- Trends in the attractiveness of the low-price segment of the building supplies market – Byggmax's strategy is to become the largest operator in the low-price segment in the Nordic region. Trends in the long-term development of this sector are therefore important.
- The strategies of the competition and their implementation thereof – Byggmax operates in a competitive market and the actions of the competition affect the company.

# OPERATIONS

Since the company was founded in 1993, the Byggmax concept has been essential to the development of operations. The concept is based on a focused product range, a resource-efficient organization, a strong corporate culture and consistent pricing strategy. When combined with long-term favorable trends in the DIY market, Byggmax is well positioned to continue to grow.

## BUSINESS MODEL – POSSIBLY THE SIMPLEST IN THE WORLD

Byggmax offers affordable high-quality products for the most common maintenance and DIY projects. The primary target group is consumers and the range of products encompasses basic building supplies such as lumber, insulation, sheets and board as well as paint – at the same low price regardless of whether the customer is a professional or a private consumer. With its focused range, Byggmax handles large volumes and can secure economies of scale in purchasing

and logistics. Since the company was founded in 1993, its operations have been conducted in accordance with the Byggmax concept, which has been essential to the company’s development. The concept is based on a focused product range, a resource-efficient organization, a strong corporate culture and effective pricing strategy, as well as the characteristic design of the stores. Today, Byggmax has a strong market position, an extensive store network and a popular brand.

## BUDGET-CRUIISING

Here we are painting the brewhouse and when we’ve finished, we will begin with the outhouse. We’re using red distemper to paint with as one doesn’t have to scrape the panels or flip them over, just brush off before painting.

**Moa:** And then I like English gardens so we are buying a lot of concrete from Byggmax. Concrete blocks and pavers look so nice. The aim is to create paths in the lawn.

**Ola:** The feeling you get from making something look nice is enough in itself. It’s fun to change small things around and maybe come up with one’s own solution that is more of a one-off. And it often leads to new insights and ideas.

We also invest in cars and have just bought a ‘59 Impala, which has a tendency to be expensive. So if we are going to be able to afford to do all the projects we have to buy from the right source. Both when buying vehicles and when buying building materials.

**Moa:** But Byggmax essentially never has any special offers; they always have these low prices on their stuff. It feels like you’ve got more money in your pocket. It makes you happy.

see the full report  
on [Byggmax.se](http://Byggmax.se)



Byggmax advertising circular in Sweden, April 2011





# OPERATIONS CONT.

## FOR SEVERAL YEARS, BYGGMAX HAS BEEN NAMED THE WINNER IN PRICE SURVEYS OF DIY RETAILERS IN SWEDEN”

Byggmax does not own its own factories and instead purchases goods from independent suppliers, primarily in the Nordic region, but also from other European countries and Asia. Byggmax does not own its own stores either; it leases store premises from international and local landlords.

All of the operations are managed from the head office in Solna. The company’s business model serves as a platform to generate continued organic growth through both the expansion of the store network and increased comparable sales per store.

### MARKET – POTENTIAL FOR CONTINUED ORGANIC GROWTH

Byggmax conducts business activities in the Swedish, Norwegian and Finnish DIY markets. The European DIY market generates sales totaling approximately EUR 92.9 billion according to Mintel<sup>1</sup> and is expected to grow by about 2 percent annually over the next five years compared with an average annual growth between 2005 and 2009 of 0.9 percent. Corresponding numbers for the same period for Sweden, Norway and Finland show an average annual growth that has outperformed many other European markets since 2002. Sweden, Norway and Finland jointly represent almost one-tenth of the European market, with Norway accounting for the highest DIY sales per capita in Europe.

Given Byggmax’s average annual growth rate of 14 percent between 2007 and 2011, the growth potential in Sweden, Norway and Finland is assessed as remaining high. The building supplies market is fragmented and the housing market has a high turnover rate. It is relatively expensive to use professional carpenters and there is a long tradition of doing the work oneself. Interest in home renovation and interior design has grown markedly in the Nordic region since the mid-1990s, which can be seen in the large number of DIY/ home decorating television programs and the range of interior-design publications.

Byggmax’s competitors are other store chains, purchasing organizations, independent stores and

<sup>1</sup> Mintel International Group – provider of market knowledge and analysis within the DIY sector – retail.



wholesalers. The Swedish market has been dominated by Beijer and local DIY retailers, but the international chains and, above all others, Byggmax are the companies growing rapidly. Many international chains are expending, for example Bauhaus and K-rauta. The Norwegian market is dominated by a few strong chains with Byggmax as the market leader. These chains sell to private consumers and professionals and other competitors include Maxbo, Coop Bygg, Optimera, Bygger’n, XL Bygg and Neumann Bygg. The Market in Finland has been dominated by Rautakesko with its two concepts K-rauta and Rautia. In later years, the only international chain to establish operations in Finland has been Bauhaus. Other competitors in Finland include Starkki, sGruppen and Kesko.

### OFFERING SIMPLICITY AND LOW PRICES

The typical Byggmax customer is aged between 25 and 60 and the owner of a detached house, who wants to repaint the house, build a terrace or put up a fence. Most customers are consumers, although about a fifth comprises professional carpenters. Byggmax’s offering includes the materials needed for building a house and carrying out the most common repairs, maintenance or DIY projects.

Byggmax’s offering is based on simplicity and low prices – customers should focus less on their purchases and more on their DIY projects. Prices and stock availability are available from the website and stores have drive-in facilities, where customers do more themselves and the stores require fewer employees. By having a focused product range, Byggmax can maintain high volumes of sales for most of its products. In addition, the range primarily contains products that require a lower level of assistance and

## A FOCUSED PRODUCT RANGE ALLOWS US TO OFFER THE LOWEST PRICES.”

technical support, for example, sawn timber, insulation, doors and windows.

Practically all Byggmax stores have an identical range of products, which assists customers in their purchase planning. The range consists of the most in-demand building supplies and includes about 1,300 products, which is far fewer than the industry norm where large retailers may have up to 100,000 products. The range in the stores only changes marginally from year to year since demand for products for repairs, maintenance and DIY projects is relatively stable. Demand and customer requests for specific new products are followed up by store personnel and the purchasing department based on close and regular contact. In 2011, the range was expanded with online goods that were delivered directly from the supplier to the customer.

### Pricing

Byggmax's pricing strategy is primarily based on setting prices lower than competitors' rather than making specific mark-ups on its own purchases. In addition, Byggmax continuously analyzes pricing and takes measures to secure competitiveness as well as profitability. The company also has a "lowest price guarantee," which means that a customer who finds an item at a lower price from a competitor will receive the lower price plus a discount of the difference. Another element of Byggmax's pricing strategy is to always offer low pricing instead of applying seasonal sales or campaign discounts.

Prices are set centrally, which enables rapid reaction to changes in market conditions. Byggmax aims to adjust prices no more than once a year. However, the company is sometimes forced to alter its prices slightly more often due to external factors.

For several consecutive years, Byggmax has been named the winner in price comparisons of various players in the building sector. According to the publication Vi-i-Villa's "villa panel", Byggmax continues to have a strong position among Sweden's house owners. Some 47 percent of men and 32 percent of women planned to shop at Byggmax according to the 2011 report.

### PURCHASING, DISTRIBUTION AND LOGISTICS – EFFICIENCY AT EVERY STAGE

Byggmax purchases its products from approximately 150 carefully selected suppliers, of which three quarters are located in the Nordic countries. To an increasing extent, Byggmax sources products locally,



for example, more than 80 percent of lumber is procured locally. Byggmax defines locally as within one country, except for Sweden, which due to its size is divided into two parts; North and South. A delivery is deemed local if its origin in the same country or part of a country as its destination. The company avoids being dependent on a single supplier by having at least two suppliers per product category. With its product strategy, Byggmax is one of the largest purchasers in its geographic market and can negotiate attractive contractual terms and discounts. Byggmax has a smaller distribution center and the majority of products are delivered by the supplier directly to the stores, in full truckloads. Byggmax imposes strict requirements on its suppliers in such areas as delivery conditions, product quality, price, order confirmation and invoicing procedures, which are monitored using the company's integrated IT system (ERP – Enterprise Resource Planning system).

The high inventory turnover places major demands on efficient distribution and logistics. Presently, two-thirds of the orders from suppliers are handled automatically in the ERP system and the company strives to further automate its supply chain. Using the system, the purchasing department can identify inventory shortages in all of the stores at any one time and place an order. Furthermore, the purchasing department communicates closely and regularly with store personnel to pinpoint sales trends and activities not identified by the ERP system.

It can often be difficult as a retailer to get the opportunity to participate in and influence the lifecycle of a product. As regards Byggmax's major product group, lumber, this is the product group where Byggmax is sometimes able to collaborate with suppliers and influence the development of the product concept, its manufacture and production, marketing, distribution

and use as well as scrapping and recycling.

In regard to the evaluation of health and safety issues over a product lifecycle, for the above product categories, Bygghem has evaluated all stages in the product lifecycle with the exception of research and development as well as license application and approval, since the company in its capacity as retailer has no direct opportunity to evaluate and influence. Bygghem elects not to reveal the mark-ups utilized for the various product and service categories for reasons of business confidentiality.

## SALES – WINNING STORE CONCEPT AND SUCCESSFUL ONLINE SHOPPING

Since 2003, the store network has expanded from 19 stores to a total of 86 stores, of which 59 are located in Sweden, 19 in Norway and eight in Finland. By owning and operating the individual stores itself, Bygghem can control every aspect of the daily operations and ensure that the concept is fully applied throughout the chain. The performance of store managers is measured by a few key ratios that the managers, themselves, are able to directly affect. The store managers compare their performance with stores generating comparable sales and exchange experiences to meet their key performance ratios. Since 2009, part of the stores' day is to process the online store orders that are sent from store to customer. Since 2011, store personnel have provided information about and sold the new range of online goods that are sent directly to the customer from the supplier.

### Stores

Bygghem's stores have a standardized design for store communication, interior fittings and display of merchandise. Even if stores can vary in size and design, you always recognize a Bygghem store. In principle, all stock is located in the area or directly adjacent to the area where sales are made. The stores are designed to enable customers to drive into and around the site, and to allow customers to quickly load goods into

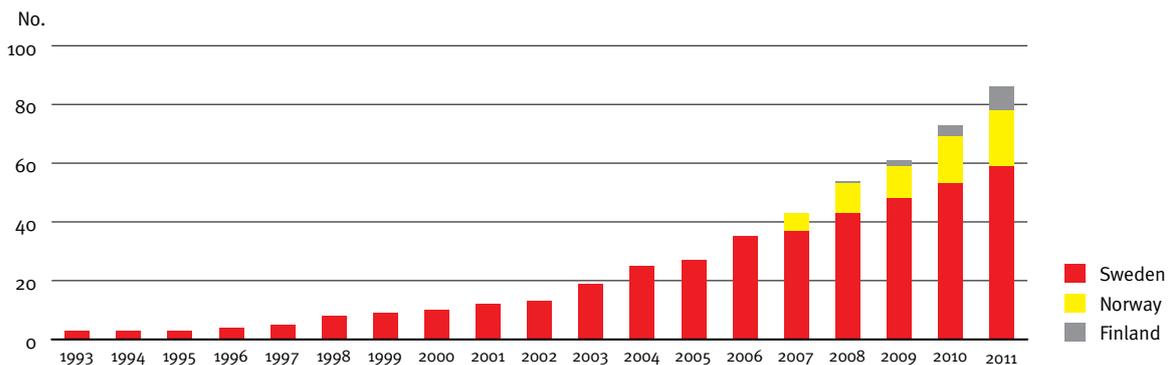
their vehicles. All stores have a number of trailers that customers can borrow free of charge. All products are clearly labeled with prices and this facilitates driving between open storage and storage racks used outside for displaying merchandise. Inside, in the heated area of the store, products are located according to product category. As an inventory is regularly taken of the entire stock and all stock is procured centrally by head office, the shelves and store are rarely out of stock. The stores are sparsely manned and the main task of store employees is to organize the store's inventory, receive deliveries, assist customers and manage payment transactions

### New store openings

Bygghem continuously evaluates its store network and seeks new locations in which to establish outlets. A proven method for identifying attractive store sites exists with access to the store, and the demographics and disposable income in an area among the key criteria in determining the location of a new store. Bygghem also offers rewards to people who assist the company in identifying suitable plots or properties that are available. The method has proven effective and popular. As recently as at the opening of the store in Arendal, Norway, in July 2011, a finder's reward of NOK 100,000 was presented to the company that provided information about the site.

The costs of opening a new store are limited and a new outlet is expected to contribute to profitability after one year, and reach full sales maturity within two to three years. After a new rental lease is signed and the property made ready for occupancy, it normally takes Bygghem four to six weeks to open a store. The aim is to open new outlets immediately before or in conjunction with the hectic summer season. During the past four years, Bygghem has opened an average of ten new stores every year. To date, the company has not closed any of its stores, indicating that both the underlying analysis and expansion model works well.

## NUMBER OF STORES





# EMPLOYEES

**Byggmax's business model is based on a solid corporate culture, with the focus on freedom of action and clearly defined areas of responsibility for employees.**

## **SOLID CORPORATE CULTURE – THE BYGGMAX SPIRIT**

Byggmax's solid corporate culture – the Byggmax spirit – is a prerequisite for the successful application and development of the company's business model. The corporate culture highlights freedom of action and clearly defined areas of responsibility for employees, in addition to a flat and communicative organization, cost awareness, continuously improved business processes and efficiency in daily operations.

Consultants are seldom used, and regional managers are normally recruited internally – primarily through the promotion of store managers. As a result, the organization is characterized by efficient decision-making processes and a distinct entrepreneurial spirit.

The corporate culture is maintained by means of robust and integrated business methods, continuous internal communication and through the presence of corporate culture bearers in all areas of operations. All head office personnel work at least one day per year out in the stores to maintain their links to store operations.

## **ORGANIZATION – FUNCTION-CONTROLLED MANAGEMENT**

Byggmax has a resource-efficient organization with the majority of business activities centrally managed. Aside from the sales force, which is based in Byggmax stores, most business processes are managed function-wide across all stores by the head office in Solna, near Stockholm. Thus, there are no local offices - a feature that contributes to the efficiency and economies of scale that characterize the Byggmax concept.

Store operations are organized around two main areas of responsibility, namely, regional and store management. Regional managers are responsible for the management, operation and financial performance of a number of stores in a specific region and for identifying appropriate new locations for additional outlets. Currently, there are seven regional managers in Sweden, Norway and Finland. The regional managers are responsible for a number of store managers in their respective region, who in turn manage the

day-to-day operations.

## **WORKFORCE – 527 “BYGGMAXERS”**

During 2011, Byggmax had an average of 527 full-time employees, with store personnel accounting for the majority of the workforce. Due to significant seasonal variations, the operations require flexible store manning, which is achieved by having a substantial proportion of part-time employees. The relatively high degree of personal freedom of action for employees in combination with clearly defined areas of responsibility have created a highly motivated organization. Work attendance vis-à-vis normal working hours was 97 percent during the year.

Investments in store personnel are made on an ongoing basis through regular internal training courses in product knowledge, sales and customer service. In addition, the company uses mystery shoppers each month to evaluate stores in terms of customer service, appearance, work environment and safety.

No written rules are in place as regards employing locally. However, established practice and the nature of business activities with operations in many smaller communities means the store staff, including the manager, are recruited locally.

Of the Group management, 100 percent reside in Sweden. Of other individuals in senior positions in the remainder of the organization (regional managers), six of seven (88 percent) are local employees. At the next management level down, 100 percent of store managers in Sweden and Finland are locally employed and the corresponding figure for Norway is 70 percent.

Byggmax receives subsidies for the employment of certain members of staff who are participating in various state-funded employment measures to promote employment. The total amount received in such subsidies totaled SEK 4.0 M in 2011 and SEK 2.8 M in 2010.

## **SYSTEMATIC WORK ENVIRONMENT PROGRAM**

Since 2008, Byggmax has had an extensive systematic work environment program, in which all accidents and incidents are reported pursuant to a unified standard and followed up.

In fiscal year 2011, the distribution of reported work accidents was as follows.

Work-related injuries	2011	2010
Number of personal injuries, employees	15	14
Fatalities	0	0
No. of lost time injuries (LTIs)	5	4
Total number of days absent (calendar days) due to work-related injuries <sup>1</sup>	242	39
Number of accidents	2,88	3,15
Number of working days lost	46,3	8,77

## TRAINING

The following table specifies the estimated number of hours training per category of staff. Variation in the number of hours is attributable to the individual's level of previous experience and knowledge. The lower number of hours is specified for individuals with substantial previous experience of the company and similar positions.

	Introduction, number of hours	Annual repetition, number of hours
Pickers	10	-
Store employees	42-66	8-16
Store managers	72-160	72
Regional managers	-	24

The proportion of external training amounts to between 25 percent and 35 percent of the total number of hours of training, depending on whether it is calculated on the higher or lower number of hours per personnel category.

## EQUAL TREATMENT

Byggmax strongly distances itself from any form of discrimination. Written policies and procedures, in the form of an equality policy, personnel policy, ethical standpoint, HR strategy and an Action plan for cases of abusive treatment are all contained in the Byggmax personnel manual, which is available to

all Byggmax employees. The equality policy is also published on the Byggmax website.

In 2011, an incident was dealt with and concluded that concerned discrimination. For reasons of privacy and sensitivity, Byggmax elects not to reveal further details of the incident other than that the organization has investigated and dealt with the incident in line with policies and the action plan.

On comparison within the same personnel category, women have somewhat higher salary levels than men at Byggmax. Base data comprised the closing basic salaries for store employees in Norway and Sweden as of December 31, 2011.

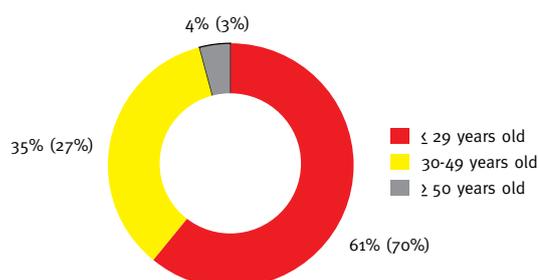
	2011	2010
Women's salaries as a percentage of men's	100,4%	100,6%

Gender	Staff turnover
Men	23%
Women	30%

Age	Staff turnover
<30	26%
30-40	19%
40-50	27%
50+	17%
<b>Total</b>	<b>24%</b>

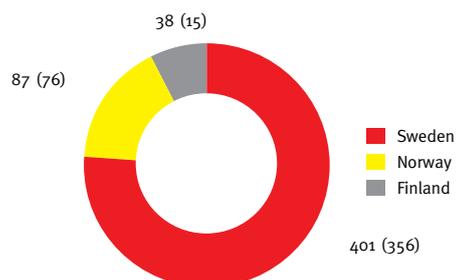
The above table illustrates staff turnover by age group and gender. The high total level of staff turnover is attributable to the seasonal nature of Byggmax's operations and the corresponding large increase in temporary staff during the summer. The higher turnover of female staff to male is partially attributable to the total gender distribution in the company, insofar as if one woman leaves this has a greater percentage impact than if one man leaves. Estimates have been made pursuant to the GRI standard but are shown according to gender and age due to insufficient basic data for statistical certainty.

## WORKFORCE, AGE DISTRIBUTION



<sup>1</sup>The substantial increase in days lost to LTIs is attributable to two of the five accidents resulting in longer periods of reporting absent due to illness than in 2010.

## WORKFORCE, EMPLOYEES BY COUNTRY



## THE BYGGMAX SPIRIT

### Take responsibility

I take responsibility for my duties and for the company's best. My behavior at Byggmax reflects my valuing Byggmax as if it were my own.

### One for all, all for one

We show each other respect and help one another succeed. We are open and give each other trust and responsibility. This means that we have a common set of values and policies that we follow.

### Customer first

Whether an internal customer or the end customer, the customer is always in focus. This does not always mean that the customer is right, but our goal is for the customer to always be satisfied.

### Low costs

Keeping low prices/costs for the customer is the key to our offering, and to be able to do so we keep our costs at Byggmax as low as possible.

### Fast and fun at Byggmax

We want to have fun at Byggmax to feel happy and we want our customers to have fun when they come to us. We have as much fun as possible throughout our working day. With our flat organization, everyone can participate and influence, and we are quick to reach a decision.

### Develop together

We are stubborn and want to be the best at what we do. We want to evolve, both as individuals and as a company. We want to learn more and become even better, and that includes trying new things. Part of the above is that we always want to recruit internally, when we have the competence within the company.

## BYGGMAX ORGANIZATION

### Stores

Responsible for store operations, customer service, establishment of new stores and training.

### Accounting and finance

Responsible for accounting, financial controlling, HR & payroll.

### Purchasing

Responsible for strategic purchases, supplies, pricing, product range and logistics.

### Marketing and IT

Responsible for market strategy, production of advertising materials, website, and operation and development of the IT environment.



# A STORE MANAGER'S WORKING-DAY

After working as a travelling salesman, Stefan wanted to change jobs and have the opportunity to operate his own store. The Bygghmax concept that encourages an entrepreneurial spirit appealed to him and for a while now he has been the Store Manager of Bygghmax in Täby.

“I wanted to be responsible for myself and work in an environment where you can deal with things on your own. There is a lot of freedom at Bygghmax and I like that. It is in my nature to want to fix things and this job has led to a lot more DIY.”

Becoming a store manager means that you suddenly have a workforce to motivate. Stefan has a simple recipe for creating a positive work atmosphere.

“It is important to create a team in which no one individual is more important than another. A store manager at Bygghmax doesn't exactly walk around in a suit and tie; a store manager works on the shop floor side by side with all the others. I also try to create an informal atmosphere and am prepared to laugh at myself. The other day I happened to break a window on the forklift and I dare say we will laugh about that event all week.”

Keeping the customer in focus is one of Bygghmax's key values and as entrepreneurs, store managers develop their own methods in their efforts to reach overriding goals.

“It is important to listen to customers; you can get feedback on a daily basis if you only want to. My goal is to make life as simple as possible for customers. If they experience their visit as smooth, I am satisfied. Despite the store being small and cramped, we often receive positive feedback on just that point. If I hear somebody honking their horn at the drive-in-system then something is not working properly.”

At Bygghmax, a lot of the administration is performed by the head office in Solna to free up the store managers for other tasks. Office work is not part of day-to-day operations.

“I would say that I spend perhaps 10 percent of my time sitting in the office. All accounting is performed at the head

office, which is very relaxing for those of us working in the stores. Otherwise, I would not have as much time to work on the floor and stand at the register. There is a reason for working at Bygghmax; because you like physical work and close contact with customers.”

Another key component of the Bygghmax concept is close collaboration between store managers and the regional manager. Regular visits make it simple to brainstorm ideas that lead to the development of the store.

“Regular meetings with the Regional Manager, Johan, are very important, in part to discuss how business is progressing, and in part to talk and vent a bit. It is positive to get an outsider's view on certain events and it leads to new ideas. A proposal that you have not even thought of may become an obvious solution two minutes later. As long as you do not forget to have fun, if you talk about something serious one minute you should laugh about something else the next.”

With recurring visits and numerous phone calls it is no surprise that with time there is a rather relaxed atmosphere between the regional manager and store managers. And this is one of Bygghmax's key guidelines lying close to hand: Have fun at work.

“We often invite Johan to join us for coffee, if he is nice and doesn't have too much of a go at us he gets coffee with milk, otherwise I tell him the coffee machine is broken. Though I am a little concerned he might see through that one next year.”

How could one summarize the Bygghmax spirit? Though relatively new to the company, Stefan believes he has an impression of the organization's soul.

“What I perceive as the Bygghmax spirit is that it feels as though we are one team. No one is more important than anyone else. We all pitch in together and respect one another. That is my opinion.”

Bygghmax's constant growth is a fact, from what Stefan has experienced thus far in his time at the company, he sees the future as fairly bright. He delivers his future vision shortly and concisely before disappearing out into the store again.

“Making life simple and easy for customers is a powerful concept. I think there is no limit to how large we can be.”



# REGIONAL MANAGER ON THE BALL

**Regional Manager Johan Sperling turns up at the Byggmax store in Täby. The store is going to be expanded and the aim of the visit is to tour the premises together with the Store Manager, Stefan. With responsibility for 11 stores, Johan gets to see most things during his regular visits. One thing all visits have in common is building a strong relationship with the store manager.**

“My job is primarily to coach the store managers to help them succeed. I provide them with help and support and, of course, correction when needed to ensure we reach the goals. It is incredibly important to be a safe and solid support as well as to ensure that everyone knows what they need to do to achieve their goals. But primarily, my job is to be consistently cheerful. For me, Byggmax is a way of life and it is a way of life I really like.”

As Regional Manager, Johan is heavily involved in staff recruitment, which gives him a keen eye for the qualities of a typical store manager.

“The store managers are entrepreneurial souls that would like to get started the same afternoon. Posing a lot of sensible questions tends to be a good sign.”

Close collaboration between store manager and regional manager is a key element of the Byggmax corporate culture, which is characterized by short decision-making paths. Over the years, Johan has developed a good grip over what makes the teamwork move forward as smoothly as possible.

“You have to understand that it is better to listen than to talk. I give my store managers plenty of freedom so that they feel that they are in full charge of their own stores. After the customers, the store managers are the second most important component, so it is crucial for me to understand their issues and then in partnership with them come to a solution. Despite lots of talking there is still a substantial element of physical work in the daily work of a regional manager. By always keeping his work clothes in the boot of the



*Johan Sperling, Regional Manager for Stockholm and the surrounding area.*

car he can, when needed, jump in and push a broom or drive the forklift.”

“When I visit the sites I try hard to get into the mindset of a customer and then I will quickly notice if things are working smoothly. If there are any problems, I discuss these with the store manager and jump in and help, if needed. At the same time, it is an excellent opportunity to meet the staff and get their opinions of how things work.”

Johan’s region posts healthy results as does all of Byggmax. According to the Regional Manager, who was himself a regular Byggmax customer, the company’s success is not just a matter of coincidence.

“It is about us never letting go of our concept, which is about being the cheapest and still maintaining high quality. Over the years, we have trained and developed solid routines that mean that we continuously strive to be as efficient as possible. It is simple to be our customer.”

Byggmax is a constantly expanding company with several store openings every year. Johan, who also functions as a store hunter is constantly on the alert when it comes to tracking down suitable plots and premises. This is work that requires a healthy dose of Byggmax spirit.

“Byggmax has the potential to grow substantially due to our cost awareness and adaptability. We are a bit of a chameleon and can open a store in anything from specially designed premises to old engineering workshops as long as the functionality is the same. This gives us tremendous scope for expansion in Sweden and elsewhere in Europe. We have a mentality, which means that we are never satisfied and never stop developing.”



# OUR RESPONSIBILITY

**Bygghmax's policy for social responsibility comprises a code of conduct for suppliers, ethical guidelines, work environment policy and equality policy. All policy documents are available in their entirety on Bygghmax's website.**

"It is important for Bygghmax to contribute to sustainable development in society. We started a few years ago by producing our environmental report and are continuing now with a more general report on sustainable development.

In the short-term it is important for us to be able to measure major parts of our impact on society, which we are achieving through the production of a sustainability report that follows the GRI framework for sustainability reporting. We believe that reporting pursuant to an internationally accepted framework is important to enable evaluation and comparison of various companies' impact on society. In the mid to long-term, increased efforts with development and improvement are prioritized.

Environmental impact and the greenhouse effect are issues of continued importance. Bygghmax's first report on sustainable development focused on the environment. This is also an area where Bygghmax can make a direct and indirect impact.

In 2011, work has continued on reducing environmental impact, and carbon emissions per ton of goods carried declined. Even refuse disposal at stores improved in 2011 and the proportion of waste sorted increased from 80 percent to 84 percent.

The goal for the next few years is to continue to produce a sustainability report pursuant to the GRI guidelines and to continue improvement in the prioritized areas. In 2012, this applies primarily to the environmental area, where we have a measurement method that has been established over a number of years and can therefore can shift focus to improvements."

**Magnus Agervald, President**

Bygghmax's policy for social responsibility comprises a code of conduct for suppliers, ethical guidelines, work environment policy and equality policy. All policy documents are available in their entirety at Bygghmax's website.

Bygghmax's policy documents are based on the Global Compact and the OECD's guidelines for multinational companies. Below is a review of the OECD's guidelines for multinational companies, with reference to the documents and policies where the guidelines have been incorporated into Bygghmax's operations

## HUMAN RIGHTS

Policy 1: To support and respect international human rights within the sphere of the company's influence (Code of Conduct for suppliers).

Policy 2: Ensure that their own companies are not, in any manner, involved in the violation of human rights (Work environment policy, Equality policy).

## LABOR LAW

Policy 3: Uphold Freedom of Association and recognize the right to collective bargaining (Code of Conduct for suppliers).

Policy 4: Eliminate all forms of forced labor (Code of Conduct for suppliers).

Policy 5: Eliminate child labor (Code of Conduct for suppliers).

Policy 6: Eliminate discrimination with respect to recruitment and work assignments (Work environment policy, Equality policy and Code of Conduct for suppliers).

## THE ENVIRONMENT (ENVIRONMENTAL POLICY)

Policy 7: Support preventative measures to counter environmental problems.

Policy 8: Take the initiative to promote greater environmental awareness.

Policy 9: Encourage the development of green technology.

## COUNTERACT CORRUPTION

Policy 10: Companies are to work actively to eliminate all forms of corruption, including blackmail and bribes (Code of Conduct for suppliers and Ethical guidelines).

In addition to the above documents is the Bygghmax set of values. All of these documents form part of the Bygghmax work environment process, which ensures that these documents remain relevant for the organization.

## BYGGMAX IMPACT

Bygghmax impacts society in a number of ways. The company has greatest impact through its suppliers, and in particular, through transport to stores and the climate impact of such transport. Since Bygghmax performs a minor portion of its procurement in Asia, about 5 percent, the risks associated with such

procurements are less than if the proportion had been higher, even if the risks are not negligible. The greatest opportunity for Byggmax to make an impact is through the environmental side, specifically, the transport of goods to stores.

### MEASURING METHOD AND REVIEW

The Annual Report contains various numerical measurements applicable to the company's impact on society. The measuring methods used are primarily the aggregate of actual outcomes at stores. Sometimes tracking is performed on an aggregate level, when it is impractical to track outcomes per store. In some cases, a product category has been selected for tracking, this has been in cases which require one to be a relatively large buyer to be able to influence various behaviors and, thus, not all product categories are relevant.

To reconcile and support the measuring methods utilized, Byggmax has examined this first compilation and report based on the guidelines for sustainability reporting G3.1, produced by the international stakeholder organization Global Reporting Initiative (GRI). This examination was performed by Tyréns, an external consulting firm.

### INTRESSEENTER

Byggmax maintains contact with a number of stakeholder groups. These include customers, suppliers, employees, politicians, property owners, neighbors and shareholders to name but a few. The policy applied to select which stakeholders Byggmax will communicate within a systematic fashion has been to select those parties with which communication is frequent at present. A description follows of how Byggmax communicates with key stakeholders:

Customers: Through advertising, the website,

customer service, employees in the store and Byggla. This communication is conducted on a daily basis.

Suppliers: Through the head office and purchasing. This communication is conducted on a daily basis.

Employees: Via intranet, through the company's management structure and through training. This communication is conducted on a daily basis. In addition, an employee survey was performed in 2011.

Politicians: In general, Byggmax has little contact with the various politicians. The company is a member of a European collaboration, EDRA, which has a number of contacts at EU level. EDRA has meetings two to four times per year at which Byggmax participates.

Owners: Byggmax submits financial reports every quarter. In addition, the company participates in seminars three to five times per year and meets investors in conjunction with the interim reports and the annual general meetings.

Core issues for Byggmax stakeholders are defined as follows:

Customers: the core issues are product quality and price.

Suppliers: The stability of Byggmax as a customer.

Employees: The stability and attractiveness of Byggmax as an employer.

Politicians: The stability of Byggmax as an employer and our contribution to society as a whole.

Owners: Future dividends from Byggmax.

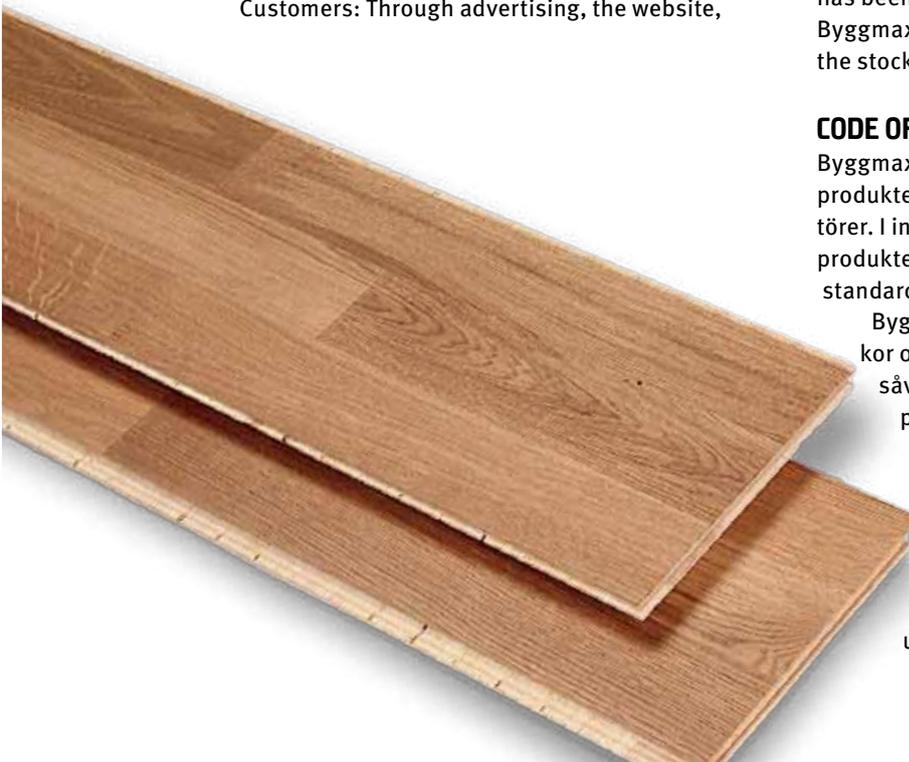
Over the past year, Byggmax has produced a structured environmental report. This was included in the Annual Report and extracts from it have been displayed on signs in stores.

The performance of a more complete review of the impact of Byggmax in line with the GRI framework, has been proposed as desirable by a number of Byggmax's owners who invested in conjunction with the stock exchange listing of Byggmax in 2010.

### CODE OF CONDUCT FOR SUPPLIERS

Byggmax har ingen egen tillverkning utan köper sina produkter från cirka 150 noggrant utvalda leverantörer. I inköpsarbetet strävar Byggmax efter att hitta produkter som har god kvalitet och följer relevanta standarder.

Byggmax har riktlinjer som omfattar arbetsvillkor och samhällsansvar i den egna verksamheten såväl som i relationerna med leverantörer av produkter och tjänster. Uppförandekoden följer FN:s Global Compact och OECD:s riktlinjer för multinationella bolag. Leverantörerna ansvarar själva för att deras verksamhet bedrivs i enlighet med uppförandekoden och ska på förfrågan förse Byggmax med information om sina underleverantörer.



## OUR RESPONSIBILITY CONT.

### ETHICAL GUIDELINES

Byggmax's employees must fulfill their undertakings in a manner that does not abuse the company's confidence. This means, for example, that employees must not abuse corporate information, act in matters in which they are partial, or permit their personal undertakings to take precedence over their duty and responsibility to Byggmax.

In their capacity as employees at Byggmax, personnel must not offer, request or accept inappropriate gifts, payments or trips for themselves or for relatives. Under no circumstances are employees at Byggmax to participate in any cartel or act in a manner that improperly curtails free competition.

### ENVIRONMENTAL POLICY

Using active environmental programs, Byggmax promotes sustainable social development. Byggmax primarily impacts the environment through product transport, the environmentally hazardous content of packaging and products, printing and distribution of brochures, and through the energy consumption of business activities. The company takes environmental considerations into account in all decisions and at all levels of operations and endeavors to comply with applicable legislation and other environmental requirements.

Environmental programs are based on a lifecycle perspective and thus take into account the environmental impact throughout the product's entire value chain. The company pursues continuous dialog with suppliers and entrepreneurs and imposes relevant requirements. Byggmax also seeks to raise employee awareness of environmental issues and stimulates participation in environmental work. In addition, the share of green products will increase, supplemented by improvements in environmental information for customers. Environmental programs are based on an environmental policy with concrete objectives and measures for priority areas. The programs are assessed each year in an environmental report that measures the status and development in each area. The goal is to achieve improvement in priority areas from year to year.

### WORK ENVIRONMENT POLICY

The goals of Byggmax's systematic work environment programs are to prevent occupationally related illnesses and promote a good physical and psychosocial work environment. These efforts encompass the study of working conditions, risk assessment, implementation of preventive measures and the monitoring of activities. To facilitate these programs, considerable efforts are made to ensure that all the company's

executives undergo training in work environment-related programs and fire safety.

The company endeavors to handle work environment issues locally in the organization and make them a natural part of day-to-day activities. The CEO has primary responsibility for work environment programs and fire safety in the organization. The regional managers are responsible for ensuring that store managers in their region have undergone training and that the established procedures are complied with. All store managers are responsible for safety, fire safety and the work environment at their facilities and must ensure that all employees have received basic training in these issues, as well as access to current legislation and regulations in addition to the opportunity to participate in work environment programs.

### EQUALITY POLICY

Byggmax seeks to create an environment in which women and men - both as groups and individuals - jointly and equally create range and totality in operations. The company endeavors to create an awareness of gender and equality that permeates the entire organization and which forms a natural part of internal and external recruitment, pay setting and pay negotiations. Women and men have equal rights, obligations and opportunities within the framework of their employment at Byggmax. This applies both to the physical and psychosocial work environment.

### BYGGMAX GRI PROFILE

The Byggmax GRI profile is available on page 80 with page references. Byggmax reports pursuant to level A+ according to the GRI.

## BYGGMAX ENVIRONMENTAL REPORT 2011

### Introduction

During 2009, Byggmax initiated its environmental program through the creation of an environmental policy with environmental goals. As a consequence of this policy, an environmental report has been produced and efforts to continuously achieve improvements commenced to reduce Byggmax's negative impact on the environment.

Byggmax's main impact on the environment is defined in the environmental policy as follows:

- transportation of products from manufacturer to store or warehouse and from store to customer
- the products' contents of environmentally hazardous substances and the products' packaging
- printing and distribution of brochures
- energy consumption in business activities.

Byggmax's environmental policy stipulates yearly measurement of the status and trends in the aforementioned items, in the form of measures implemented and quantitative measurement. The aim is to achieve improvement in the above specified areas every year.

The calculation methods utilized and the format of the report is checked by an external consultant.

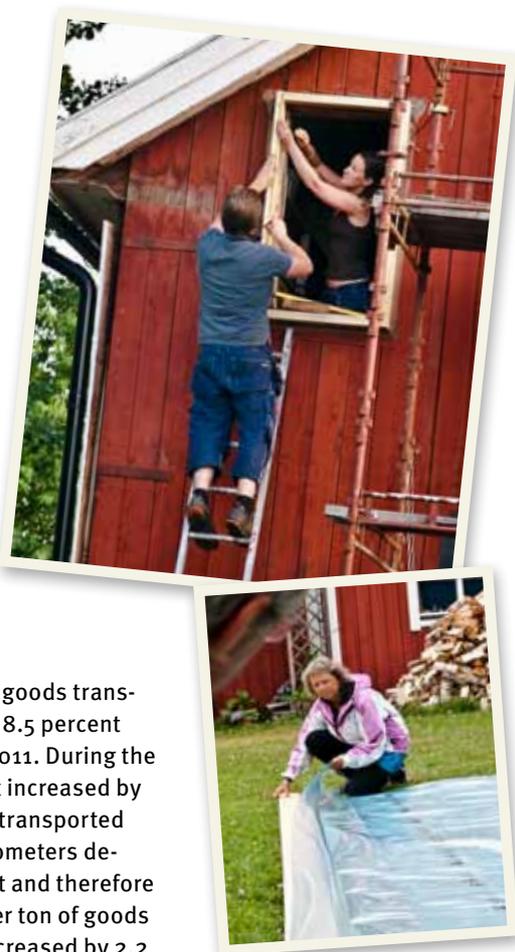
### Transportation

In the third and fourth quarter of 2011, Byggmax consolidated existing warehouse operations in Gothenburg and Uddevalla into one combined picking

and bulk warehouse in Lysekil. This enables more efficient transport solutions and a greater degree of goods deliveries to stores by full truck loads. A clear majority of goods purchased are still delivered direct to the store without intermediate storage.

The total tonnage of goods transported increased by 8.5 percent between 2010 and 2011. During the same period, freight increased by 6.2 percent. Freight transported measured in ton-kilometers declined by 2.2 percent and therefore carbon emissions per ton of goods transported also decreased by 2.2 percent.

Marine freight declined by 3.3 percent over the year due to the reorganization of suppliers thus increasing road freight. Rail freight, which started in 2010, increased but still accounts for a relatively minor proportion of total freight.



	2009	2010	2011	Trend 2010-2011
Transported goods (thousand tons)	396.0	470.0	510.1	8.5%
Freight (million ton-kilometers)	271.9	323.7	343.6	6.2%
Of which marine (million ton-kilometers)	47.0	93.5	90.4	-3.3%
Share marine	17%	29%	26%	-8.9%
Of which rail (million ton-kilometers)	0.0	2.9	3.8	32.6%
Share rail	0%	1%	1%	24.9%
Of which road (million ton-kilometers)	224.9	227.3	249.4	9.7%
Share road	83%	70%	73%	3.4%
Freight per ton (ton-kilometers/ton)	687	689	674	-2.2%
Carbon emissions per ton of goods transported (kg)	35	31	30	-2.2%
Absolute carbon emissions	13,803	14,517	15,407	6.1%

Table 1, compilation of key transport ratios. Emissions per ton-kilometer are taken from [www.ntmcalc.se](http://www.ntmcalc.se).

The emissions calculations did not include the transport of online goods and home deliveries. At present, such transportation comprises a relatively small portion of the company's total goods freight. An increasing element of online goods and home deliveries reduces freight and emissions, in part through optimizing freight to end customers, and in part through customers ordering online and not utilizing their vehicles to go shopping.

Emissions of other greenhouse gases and environmentally hazardous substances per ton of goods transported have changed as illustrated in table 2, on the right.

	2009	2010	2011	Trend 2010-2011
NOx (g/ton)	297	275	266	-3.2%
CO (g/ton)	76	66	65	-1.3%
HC (g/ton)	12.8	11,9	11,6	-3.1%
Particles (g/ton)	7.0	7,0	6,9	-4.3%
NOx (ton)	117.5	129.2	135.8	5.1%
CO (ton)	30.0	30.9	33.1	7.2%
HC (ton)	5.1	5.6	5.9	5.1%
Particles (ton)	2.8	3.3	3.4	3.8%

Table 2, emissions of other greenhouse gases and environmentally hazardous substances per ton of goods transported and in absolute measures. This category includes nitrogen oxides (NOx), carbon (CO) and small particles. Emissions per ton-kilometer are taken from [www.ntmcalc.se](http://www.ntmcalc.se).

# BUILDING THAT PAYS BACK

We've been married since 2007 and bought an old house that was built in 1923 and needs considerable renovation. Thus far, we have painted a fence and built a small extension. Now we are painting the façade. It's a matter of painting, painting and more painting.

**Elin:** We're using Falu Red Paint since it is easy to paint over with and because it breathes.

**Andreas:** We buy a lot of material at Bygghmax and we don't have to try and bargain down the price since we know that the prices are great. The money we save can be used to buy even more material. When it comes to the planning, I suppose it's Elin who comes up with the ideas...

**Elin:** And you who carry them out. Though I am quite nice actually, you got a nail gun the other day.

**Andreas:** Yes that's true, I get a few small things sometimes – if you buy building material and things to renovate a home you get a payback. And it's cheaper to build it on your own than to pay someone else to do it.

Get Elin and Andreas's full story on [byggmax.se](http://byggmax.se)



Bygghmax advertising circular in Sweden, June 2011



**Products and packaging**

Products and packaging affect the environment directly and indirectly. They do this through the raw materials they contain, the energy they consume in their manufacture and in use, and to the extent to which they are recycled or reused at the end of their service life.

Byggmax works actively to promote the use of wood and thus reduce the use of less environmentally friendly material including concrete, cement and hard plastic. Byggmax only retails NTR labeled pressure-treated wood that complies with the environmental goals set by the Swedish Wood Preserving Association and the Nordic Wood Preservation Council. Lumber is procured from Nordic suppliers and in full loads directly from sawmills to minimize environmental impact.

All parquet flooring sold is labeled FSC, Forest Stewardship Council, the international environmental labeling that aims to promote sustainable forestry.

Through membership in REPA<sup>1</sup>, we shoulder our responsibility as a producer for packaging on all brought-in and imported goods. Byggmax handles goods with a low proportion of packaging. Only 10 percent of articles sold are in consumer packaging. Otherwise, products have varying degrees of transport packaging for protection. Transport packaging is recycled in partnership with recycling centers and pallets are reused in the pallet exchange system of the major freight forwarders and in the building pallet

exchange system.

In Sweden, Byggmax has a broad collaboration with Ragn-Sells in respect of energy and material recovery of as much of the stores' waste as possible. The aim is to minimize the amount of waste that goes to dumps and achieve a zero degree of mixed waste. In 2011, sorting of waste increased in scope but the proportion of waste sent to dumps increased somewhat.

Sorted waste was categorized slightly differently in 2011 compared with preceding years, which means that direct comparison is difficult to perform. Those categories that are comparable show that the proportion of combustible waste including wood increased and the proportion of paper, wood/plastic and corrugated board has diminished.

Type of waste	2009	2010	2011	Difference 2010-2011
Mixed waste	11.3%	10.9%	9.4%	-1.5%
Dump unsorted	5.9%	6.2%	6.5%	0.3%
Sorted	82.8%	82.8%	84.1%	1.3%

Table 3, division of waste by type 2009, 2010 and 2011.

<sup>1</sup>The producer part of the Packaging and Newspaper Collection Service tasked with ensuring that packaging and newspapers in Sweden are collected and recycled.

### Printed matter

The printed matter we produce and distribute is an important and often ignored part of our environmental impact. In 2011, the total amount of printed advertising went from 1,212 tons to 1,028 tons. This is a reduction of 15 percent, which should be seen in relation to the number of new stores we have opened. Efforts to optimize distribution of advertising continue on an ongoing basis since the new stores established are often located in existing distribution areas.

The printers that Byggmax uses for direct mail have been awarded the Nordic ecolabel, which means their printing process uses low amounts of environmentally hazardous and health impairing chemicals in paper and printing ink.

Printed matter	2009	2010	2011	Difference 2010-2011
Printed, direct mail (tons)	1,100	1,212	1,028	-15.2%

Table 4, volume of printed matter 2009, 2010 and 2011

### Energy consumption

Byggmax endeavors to achieve energy efficiency and the new stores that are constructed surpass the building regulations imposed. Sandwich elements in facades and thermopane glass in the buildings' windows contribute to high levels of insulation. Newly built stores have heat recycling in the ventilation system and do not just rely on direct heating.

The direct energy used by Byggmax principally comprises fuel in the form of diesel and gasoline used in the organization's vehicles. These comprise diesel forklifts and gasoline-powered cars used for work.

Direct energy use (Gj)	2010	2011
Diesel	9,473	9,025
Gasoline	1,505	177
<b>Total</b>	<b>10 978</b>	<b>9,203</b>

Table 5, direct energy use by energy source for 2010 and 2011.

All new fork-lift trucks that are procured are of environmental class III in accordance with the European Parliament directive 97/68/EU and electric/diesel hybrids. The possibility of changing to biodiesel has been examined but the volumes of diesel that Byggmax buys are too small for such a change to be financially viable at present.

The indirect energy used by Byggmax per primary energy source primarily comprises electricity and heat. The figures for 2011 and the figures for Finland in 2010 were not available at the time this report was

produced. Byggmax has procured electricity with a Nordic electricity production mix, which explains the high proportion of fossil fuel. In 2010, total carbon emissions attributable to electricity consumption amounted to 650 tons, which can be compared with transport emissions of 14,927 tons

	Total (Gj)	Of which, renewable energy	Of which, nuclear	Of which, fossil fuel
Sweden	18,285	60.3%	16.4%	23.3%
Norway	15,775	100.0%	0.0%	0.0%

Table 6, indirect energy use per primary energy source for Sweden and Norway 2010. The data for Sweden regards only those stores for which electricity is not included in the rental agreement.

### Responsible establishment

A review was performed of Byggmax stores and their locations in relation to valuable areas of nature. The county administrative boards' GIS-database was used to provide basic data including the layers of data available that applied to areas of valuable and protected nature. The supporting data differs between the various counties but the most common types of nature protection are the same for all counties, areas of national interest and Natura 2000, nature reserves and national parks. In Norway, basic data has been collected from the Norwegian government site [www.environment.no](http://www.environment.no).

As to the question of whether Byggmax impacts protected or valuable areas of nature, only one store is deemed to be located in a critical location. This is the store in Karlstad, which is located in an area earmarked for the performance of a wetland inventory of biological diversity and is located in the vicinity of valuable water resources (meriting protection for fish and birds, water catchment, Natura 2000 and natural environment of national interest). The store, which is located in a heavily developed area, has no impact on biological diversity in the area designated for the wetland inventory.

### Risks and opportunities attributable to climate change

Senior management has taken climate change and the risks and opportunities this entails for the organization into consideration. The major risks comprise physical changes (seasonal changes, floods etc.) and regulations. Opportunities include the chance to better communicate the environmental efforts being made and to create an environmental profile towards the customer as well to launch products that are better from an environmental perspective than current products.

<sup>1</sup>Prefabricated wall and ceiling panels comprising an outer sheathing, an insulating core and an inner sheathing.

# THE BYGGMAX SHARE

The Byggmax share was listed on June 2, 2010, on NASDAQ OMX Stockholm on the Mid Cap list.

## TRADING IN THE SHARE AND SHARE PRICE TRENDS, 2011

The last price paid on December 31, 2011 was SEK 26.50, corresponding to a market capitalization for Byggmax of SEK 1,610 million. The highest price noted for the share during this period was SEK 61.80 and the lowest notation was SEK 23.70.

## SHARE CAPITAL

The share capital in Byggmax Group AB (publ) amounted to SEK 20,245,682 divided among 60,737,045 shares with a quotient value of SEK 0.33 per share. Only one class of share exists and all shares have the same rights.

## SHAREHOLDERS

At December 31, 2011, the number of shareholders in Byggmax was 4,748 according to Euroclear. The ten largest shareholders owned shares amounting to 68.4 percent of the votes and capital in the company. The percentage of non-Swedish ownership amounted to 70.9 percent.

## STOCK MARKET INFORMATION

Byggmax endeavors to furnish the stock market with clear and current information. Financial information is provided primarily in the Annual Report, the year-end report and in three interim reports. Before publication of the reports Byggmax maintains a quiet period of 30 days. Byggmax's annual report is only distributed via the Group's website, where it is possible to subscribe to the company's financial reports.

Byggmax President, Magnus Agervald, rings in the stock exchange listing together with Byggmax Board Member Stefan Linder from Altor Equity Partners AB, at NASDAQ OMX Stockholm on June 2, 2010.

## INCENTIVE SCHEME

The 2011 Annual General Meeting resolved to introduce an options program for about 20 senior executives and other key staff at Byggmax. The term for the options was set at 3.5 years and they can be exercised in the final six months. A total of 565,000 warrants were issued, corresponding to nearly 1 percent in dilution. The warrants are priced at market value (SEK 6.77 per warrant) and the valuation was made by an independent party. Each warrant will entitle its holder to subscribe for one share in the company at a price of SEK 63.90. The participants of the warrants program have entered into a pre-emption agreement.

## DIVIDEND POLICY

Byggmax policy is for dividends to amount to at least 50 percent of Byggmax's net profits for the preceding fiscal year, subject to Byggmax's need for capital, its EBIT, financial position, capital requirements and economic conditions.

## PROPOSED DIVIDEND

The Board of Directors proposes to the Annual General Meeting a dividend of SEK 1.80 per share for 2011, equivalent to 60 percent of the company's profit after tax for the year.



## SHARE PERFORMANCE

	2011	2010
Earnings per share, SEK	3.0	2.8
Equity per share, SEK	13.9	12.3
Dividend per share, SEK	1.8	1.5
Cash flow from operating activities per share, SEK	1.5	3.4
Number of outstanding shares, thousands	60,737	60,737
Average number of shares, thousands	60,737	58,457
Dividend as a percentage of profit after tax	60%	53%
Number of shareholders	4,748	4,279
Share price at December 31	26.5	57.8
Direct return	6.8%	2.6%

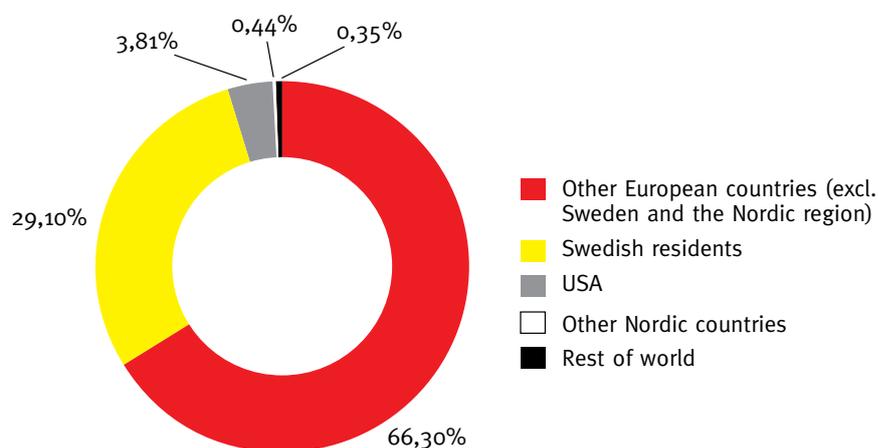
## TEN LARGEST SHAREHOLDERS

Name	Number of shares	Holding (%)
Altor 2003 Sarl	21 720 908	35.76%
Lannebo fonder	4 997 227	8.23%
Zamgate Investments (Stig Notlöv)	3 078 042	5.07%
Schroder Investment Management North America, Inc	2 795 000	4.60%
Jarrton Management (Göran Peterson)	2 381 296	3.92%
Handelsbankens fonder	1 973 715	3.25%
Uslane Holdings (Lars Lindberg)	1 363 910	2.25%
Schroder Investment Management Ltd	1 141 000	1.88%
Swedbank Robur fonder	1 043 926	1.72%
GAM Londin Ltd	1 033 150	1.70%
<b>Total of the ten major shareholders</b>	<b>41 528 174</b>	<b>68.37%</b>
Total other shareholders	19 208 871	31.63%
<b>Total at December 31, 2011</b>	<b>60 737 045</b>	<b>100.00%</b>

Source: Euroclear

For non-Swedish shareholders, the above information is based on available information.

## SHAREHOLDER CATEGORIES



# MULTI-YEAR OVERVIEW

SEK M	2011 IFRS	2010 IFRS	2009 IFRS	2008 IFRS	2008 BFN	2007 BFN
<b>Results</b>						
Net sales	2,987.1	2,773.0	2,443.5	2,107.0	2,107.0	1,771.1
EBITDA	323.0	314.0	306.7	181.6	163.5	134.7
EBITA	277.5	274.8	272.7	153.0	148.3	123.2
EBIT	277.5	274.8	272.7	153.0	86.3	61.2
Profit/loss before tax	251.6	237.4	203.9	51.8	1.6	-11.8
Income tax	-69.5	-65.2	-42.7	-11.6	-15.5	-12.9
<b>Profit/loss for the year</b>	<b>182.2</b>	<b>172.2</b>	<b>161.2</b>	<b>40.2</b>	<b>-13.9</b>	<b>-24.7</b>
Net sales growth, %	7.7	13.5	16.0	19.0	19.0	30.8
Like-for-like (LFL) sales growth, %	-1.9	2.7	6.0	1.3	1.3	9.4
Gross margin, %	30.1	29.7	29.8	28.2	28.2	27.0
EBITDA margin, %	10.8	11.3	12.5	8.6	7.7	7.6
EBITA margin, %	9.3	9.9	11.2	7.3	7.0	7.0
Operating (EBIT) margin, %	9.3	9.9	11.2	7.3	4.1	3.5
Interest coverage ratio, %	19.7	13.3	8.2	-	-	-
<b>Balance sheet</b>						
<b>Assets</b>						
Fixed assets	1,218.2	1,207.4	1,181.6	1,186.4	1,064.8	1,138.7
Inventories	424.9	350.5	295.0	232.7	232.7	193.7
Other current assets	99.8	70.0	98.0	55.8	57.0	49.3
Cash and cash equivalents	22.8	34.1	31.6	124.6	124.6	19.4
<b>Total assets</b>	<b>1,765.8</b>	<b>1,662.0</b>	<b>1,606.3</b>	<b>1,599.5</b>	<b>1,479.0</b>	<b>1,401.1</b>
<b>Shareholders' equity and liabilities</b>						
Shareholders' equity	844.4	748.5	337.8	174.5	86.9	97.4
Long-term interest bearing liabilities	130.0	239.3	765.3	926.5	1,009.7	1,034.6
Long-term non-interest bearing liabilities	100.8	53.6	58.4	41.0	21.9	18.1
Current interest bearing liabilities	344.0	240.0	71.3	106.8	0.0	23.3
Accounts payable	268.9	268.9	285.6	302.2	302.2	172.6
Other current interest bearing liabilities	77.7	111.7	88.0	48.5	58.4	55.0
<b>Total liabilities and shareholders' equity</b>	<b>1,765.8</b>	<b>1,662.0</b>	<b>1,606.3</b>	<b>1,599.5</b>	<b>1,479.0</b>	<b>1,401.1</b>
Operating capital	1,332	1,194	1,143	1,083	972	1,136
Operating capital less goodwill	281	143	98	39	-10	91
Net debt	488	445	805	909	885	1 039
Return on operating capital, %	22.0	23.5	24.3	-	14.1	10.7
Return on operating capital less goodwill, %	131.0	228.2	347.2	-	366.8	162.7
Return on equity, %	22.9	31.7	62.9	29.6	-15.1	-22.6
Net debt/EBITDA, debt/equity ratio/multiple	1.5	1.4	2.6	5.0	5.4	7.7
Average net working capital, % of net sales	-1.5	-3.0	-2.8	-2.4	-2.4	-2.0
Equity/assets ratio/risk-bearing capital, %	47.8	45.0	49.5	37.1	36.5	36.6
<b>Per share data</b>						
Equity per share	13.9	12.3	6.1	3.2	1.6	1.8
Dividend per share	1.8	1.5	-	-	-	-
Cash flow from operating activities per share, SEK	1.5	3.4	2.9	3.6	2.6	1.7



# THE HOTSPOT OF THE SUMMER

We built a pool patio that has become our own private paradise. Meanwhile, we became very popular among our friends, many of whom are now more than happy to come over for a spa evening, which we think is great! Kersti and Jörgen

*Kersti och Jörgen*



**39<sup>95</sup>**  
/M<sup>2</sup>

**PLASTIC ROOFING**  
0,8x1040x2500mm

**44<sup>95</sup>**  
/M  
95x95

**DECKING CROSS BEAM** Treated, NTR/AB.

**DECKING LUMBER**

**16<sup>95</sup>**  
/M  
45x95

**25<sup>85</sup>**  
/M  
45x145

Treated, NTR/AB.

**14<sup>95</sup>**  
/M

**28x120, BROWN**

**11<sup>85</sup>**  
/M  
28x120

**5<sup>85</sup>**  
/M  
22x95

**8<sup>95</sup>**  
/M  
26x110

**79<sup>00</sup>**  
/ST

**STAINLESS STEEL  
DECKING SCREW**  
4,2x42mm, Quantity 250



# ADMINISTRATION REPORT

The Board of Directors and President of Byggmax Group AB (publ), corporate identity number 556656-3531, with its registered office in Stockholm and head office in Solna, Stockholm, hereby submits its Annual Report for the fiscal year January 1, 2011 to December 31, 2011. Unless otherwise specified, all information applies to the Group. Information in brackets refers to the preceding year. All amounts are given in SEK millions unless otherwise specified.

## Operations in general

The Byggmax Group conducts sales of building supplies. The business concept is to retail high-quality building supplies at the lowest possible price. Business activities are conducted in Sweden, Norway and Finland. On December 31, 2011, there were 86 stores, of which 59 were in Sweden, 19 in Norway and eight in Finland.

## The share and ownership structure

Byggmax Group AB's (publ) share is listed on NASDAQ OMX Stockholm. The principal shareholder in the company is Altor 2003 Sarl, which owns 35.8 percent of the shares and capital. A list of the ten largest shareholders is available on page 28.

Byggmax Group AB's (publ) share capital was SEK 20,245,682 and consists of 60,737,045 shares with a quotient value of SEK 0.33 per share. All shares have equal voting rights. The Articles of Association contain no pre-emption rights or other limitations on the share's assignability. No circumstances exist of the type the company has an obligation to report in accordance with the provisions in the Annual Accounts Act, chapter 6, section 2a paragraphs 4-11.

## Net sales and profit

The Byggmax Group, five-year summary, SEK M

	2011*	2010*	2009*	2008*	2008**	2007**
Net sales	2,987.1	2,773.0	2,443.5	2,107.0	2,107.0	1,771.1
EBIT before depreciation	323.0	314.0	306.7	181.6	163.5	134.7
EBIT before goodwill amortization	323.0	314.0	306.7	181.6	148.5	123.4
Equity/assets ratio <sup>1)</sup>	47.8%	45.0%	49.5%	37.1%	36.5%	36.6%
Indebtedness, multiple <sup>2)</sup>	1.5	1.4	1.1	2.7	2.9	4.7

1) (Adjusted shareholders' equity + subordinated shareholder loans)/total assets

2) (Interest-bearing debt excluding shareholder loan – cash)/EBIT before depreciation

\* Prepared according to IFRS

\*\* Prepared according to the former BFN accounting policies

## Subsidiaries

The Byggmax Group's retail sales in Norway are conducted by the subsidiary Byggmax Norge and in Finland by the subsidiary Byggmax AB Finland.

## Significant events during the fiscal year

During the year, 13 new stores were opened, six of which were in the Swedish market (Ängelholm, Avesta, Enköping, Bollnäs, Lidköping and Norrtälje), three in the Norwegian market (Lillehammer, Arendal and Tiller/Trondheim) and four in the Finnish market (Borgå, Björneborg, Reso and Vanda).

A number of key staff subscribed for options under the incentive scheme resolved on by the 2011 Annual General Meeting.

An expanded product range that is exclusively available online was launched in April 2011.

The Byggmax Fastighetsutveckling 5 AB company (including one property in Norrtälje, Sweden) was divested. This transaction had no impact on earnings.

The company announced that the target for the number of stores that can be opened in existing markets was raised to 155 from between 110 and 130.

The Group's two distribution warehouses were merged into one in Lysekil, Sweden, in October.

### Sales and earnings

Net sales amounted to SEK 2,987.1 M, compared with SEK 2,773.0 M in the preceding year, which was an increase of 7.7 percent. The increase in net sales in like-for-like stores was 1.9 percent measured in local currency and currency effects on sales were a negative 0.6 percent.

The gross profit margin amounted to 30.1 percent, compared with 29.7 percent for the preceding year. Personnel and operating expenses increased by SEK 67.2 M. This was primarily due to costs of SEK 69.2 M incurred for stores that were not open in the year-earlier period. Costs related to the company's IPO (SEK 16.7 M) were charged to the first half of 2010. In addition, costs increased SEK 10.4 M due to higher year-on-year marketing costs, which were primarily attributable to costs related to TV commercials in Finland and the production of commercials.

EBIT before depreciation amounted to SEK 323.0 M (314.0), an improvement of 2.9 percent year-on-year. EBIT was negatively affected by a weaker consumer market. The operating margin excluding depreciation was 10.8 percent (11.3).

### Cash flow and financial position

Cash flow from operations amounted to SEK 92.5 M (208.4), down SEK 115.9 M year-on-year. This was primarily due to lower accounts payable as a result of the Group making more cash payments than in the preceding year. Taxes paid were SEK 40.2 M higher than in the preceding year due to higher debited preliminary taxes during the year. On December 31, 2011, inventory amounted to SEK 424.9 M (350.5). Compared with the same period in the preceding year, 13 new stores were added, and inventory in the new stores amounted to SEK 56.4 M. Distribution inventory was SEK 26.1 M higher than in the year-earlier period, due to more products being distributed through the distribution hub. Inventory turnover was a multiple of 5.4 (6.0) during the fiscal year. Investments during the year (including financial leasing) totaled SEK 62.5 M (46.7).

Consolidated shareholders' equity amounted to SEK 844.4 M (748.5) on December 31, 2011. The net debt of the Group was SEK 487.5 M (445.1) and increased SEK 42.4 M compared to the preceding year. Indebtedness amounted to a multiple of 1.5 (1.4). The equity/assets ratio amounted to

47.8 percent (45.0).

### Risk factors and risk management

Just as in any other business, Byggmax's business activities are associated with risks. The management of risks is of fundamental significance for the Group's success. Some of the risk factors and significant relationships that are assessed as being of significance for Byggmax's business activities, financial position and performance are shown below.

#### Market

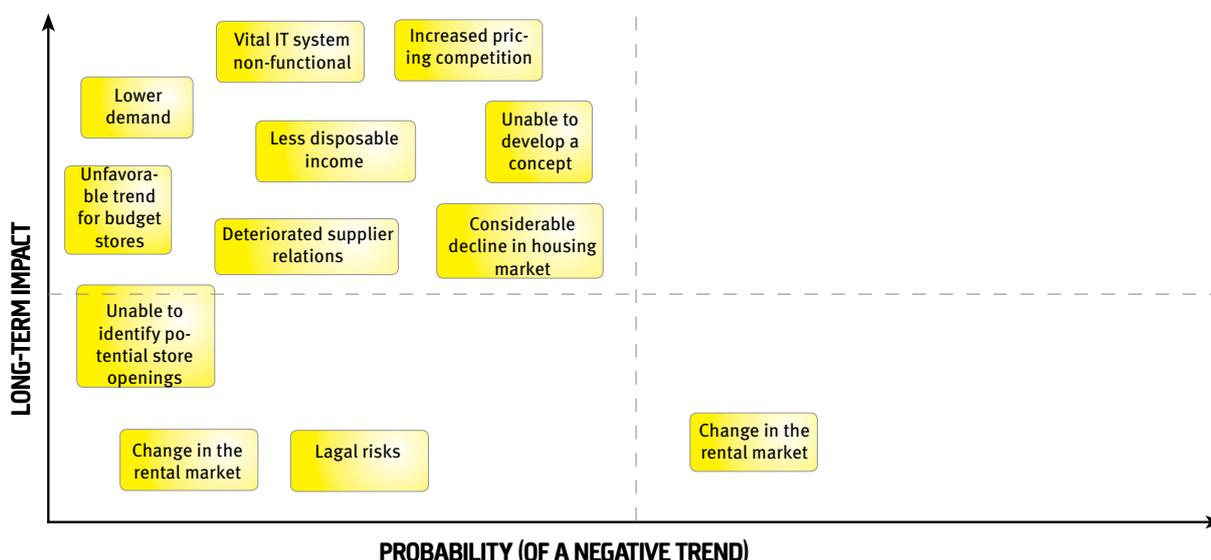
- Changes in sales levels in the housing market
- Changes in households' disposable income
- Consumer demand for building supplies. The Group's business is very seasonal. (see below)
- Changes in prices of raw materials
- The competitions' pricing
- The trend in the low-price segment in the DIY market.

#### Operations

- Expansion of the chain of stores is greatly dependant on the ability to locate plots and properties that are suitable for Byggmax.
- Interference or faults in the IT-system
- Changes in the rental market and in the terms and conditions of existing lease agreements for stores
- The ability to identify and develop relations with qualified suppliers
- The ability to renew and develop the concept.

### Sensitivity analysis operational risks

	Change (percentage point), all other factors unchanged	Effect on profit (SEK M) after tax 2011
Cost price	+1%	-15.4
Personnel costs	+1%	-1.8



### Financial risks

- Meeting the need for working capital
- Obligations in credit agreements
- Currency risk
- Interest risk
- Legal risks such as those related to customs handling

Risk management is performed by the finance department in accordance with the finance policy set annually by the Board of Directors. A more detailed description of the Group's financial risks and risk management is available in Note 3 among supplementary disclosures.

### Seasonal variations

Consumer demand for basic building supplies and the Group's business activities are strongly affected by seasonal variations. Due to the weather's effect on demand, Byggmax sales and cash flow are normally higher during the second and third quarters when approximately two-thirds of Byggmax's sales are generated and subsequently decline in the fourth and first quarters. While seasonal variations do not normally affect Byggmax's EBITs and cash flow from year-to-year, they can be affected in a year with abnormally harsh or mild weather conditions, or with abnormal amounts of precipitation. Byggmax strives to balance the seasonal effects by launching new products throughout the year that are not as susceptible to seasonal variations.

### Number of employees

The average number of employees, (full-time employees) totaled 527 (447). Further information about employees can be found in Note 9 of the Annual Report.

### Expectations regarding future development

Operations will continue to expand through the opening of new stores in Sweden, Norway and Finland and through the refinement and enhancement of existing stores. Over time, Byggmax will increase its presence in Sweden with up to a total of 85 stores, in Norway up to a total of 45 stores and in Finland up to a total of 25 stores in financially attractive locations. The Board of Directors expects a continued positive sales trend. Byggmax does not provide forecasts for competitive reasons.

### Environmental information

Byggmax mainly affects the environment through transportation of products from manufacturers to stores or warehouses and from stores to customers, through products containing substances that impact the environment and through product packaging. Byggmax strives to minimize its impact on the environment and comply with environmental requirements according to Swedish legislation. The environmental effort is conducted through such measures as a continuous dialog on environmental issues with our suppliers and contractors in which relevant demands are made. Byggmax works to increase the proportion of environmentally friendly products and to improve environmentally oriented information to customers. Byggmax's environmental report is included in the Annual Report (see page 23).

### Guidelines for compensation to senior executives

#### Guidelines

Pursuant to a motion to the 2012 Annual General Meeting, the Board proposes that the following guidelines apply until the 2013 Annual General Meeting. The guidelines are to apply

for employee agreements that are entered into after the Meeting's resolutions and in cases in which amendments are made to existing agreements after the Meeting's resolutions.

The overriding principles for compensation to leading executives are to be based on position, individual performance and the Group's EBIT. Compensation must be competitive in the country of employment. Total compensation to senior executives consists of fixed salary, variable salary in the form of Short-Term Incentives based on annual performance targets, Long-Term Incentives based on performance over several years, pension and other benefits. In addition, there are conditions relating to termination and severance pay. Fixed salaries should be set below market averages. However, overall remuneration, including Short-Term Incentives and Long-Term Incentives, entails that the market average may be exceeded. The combined remuneration must be reviewed annually to ensure that it is in line with the market and competitive. When making comparisons, position, the company's size, salary and the person's experience must be taken into consideration.

#### Fixed salaries

Fixed salaries form the basis for total compensation. Fixed salaries must be related to the relevant market and reflect the scope of responsibility that the work entails.

#### Variable salary, Short-Term Incentives (STIs)

In addition to fixed salary, senior executives are able to receive STIs for results that exceed one or more predefined performance levels during a fiscal year. Compensation from the STI program can amount to a maximum of 100 percent of the fixed salary for the President and 30 percent of fixed salaries for the remaining management, thus enabling Byggmax to calculate maximum levels of remuneration. STIs are determined by both qualitative and quantitative measures.

#### Long-Term Incentives, (LTIs)

The 2011 Annual General Meeting resolved to introduce a warrant-based incentive scheme, which is described in Note 9.

#### Pension

Where possible, pension agreements should be premium-based and formulated in accordance with the levels and practices applicable in the country where the senior executive is employed.

#### Other benefits

Other benefits may be provided in accordance with the conditions that apply in the country where the senior executive is employed. However, the extent of such benefits must be limited as much as possible and may not comprise a major portion of the total compensation.

#### Notice period and severance pay

Senior executives are to be offered terms of employment according to the prevailing legislation and practices in the country in which the senior executive is employed. During the notice period, the senior executive is prohibited from working for a competing business. In certain cases, a prohibition of competition may be applied in exchange for continued remuneration for a maximum of 24 months after the end of the notice period. Currently, the longest notice period in the Byggmax Group is 12 months and no contract includes severance pay.

The Board has the right to deviate from the aforementioned guidelines if the Board deems that it is motivated in specific

cases.

Refer to Note 9 for further information on senior executives.

#### Corporate governance report

In compliance with the Swedish Annual Accounts Act, chapter 6, section 8, Byggmax prepares a separate corporate governance report.

#### Significant events after the balance-sheet date

No significant events occurred after the balance-sheet date.

#### Parent Company

Byggmax Group AB is a holding company. Operations are conducted in the subsidiary Byggmax AB (corp. reg. no. 556645-6215), in the subsidiary Byggmax Fastighetsutveckling AB (corp. reg. no. 556726-8593), in a subsidiary to that company Byggmax Fastighetsholding AB (corp. reg. no. 556726-8601) and in Svea Distribution AB (corp. reg. no. 556602-5895). Byggmax Group AB did not have any employees during the year.

#### PROPOSED DISTRIBUTION OF EARNINGS

Byggmax's dividend policy is presented in greater detail under the "Byggmax share" on page 27.

Earnings brought forward	336 561 103
Loss for the year	-942
<b>TOTAL</b>	<b>336 560 161</b>

The Board of Directors and the President propose that these earnings be distributed such that:

Dividend to shareholders (1.80 SEK per share)	109 326 681
To be carried forward	227 233 480
<b>TOTAL</b>	<b>336 560 161</b>

#### Statement by the Board of Directors pursuant to the Swedish Companies Act, Chapter 18, Section 4

Byggmax Group AB's (publ) aim is that dividends to shareholders comprise a minimum of 50 percent of the net profit for the year, subject to Byggmax's need for capital, its EBIT, financial position, capital requirements and the prevailing economic conditions.

The Board has examined the Parent Company's and the Group's financial positions and finds, after close consideration, that a dividend in accordance with the Board's proposal is justifiable in respect of the prudence concept in chapter 17, section 3, second and third paragraphs of the Swedish Companies Act (2005:551). The opinion of the Board is that the character, scope and risks of the business are currently of such an extent that the proposed dividend does not affect the above assessment.

After payment of the proposed dividend, the Parent Company and the Group will still retain a healthy equity/assets ratio, which in the opinion of the Board corresponds with those requirements that can be set at present for the industry in which the Group operates. After payment of the proposed dividend, the liquidity of the Parent Company and Group is deemed satisfactory and their consolidation needs as met.

The Board of Directors is of the opinion that the proposed distribution of profits will not lead to any material limitation of the Company's or Group's ability to make any necessary investments or to meet their obligations in the short and long term. Nor is the proposed value transfer expected to impact the company's ability to make any necessary investments.

On overall assessment of the Parent Company's and the Group's financial positions, the Board finds no obstacles to the proposed distribution of profits, in accordance with the Board's proposal.



## CONSOLIDATED INCOME STATEMENT

Amounts in SEK millions (SEK M)	Note	2011	2010
Net sales	5	2,987.1	2,773.0
Other operating income	6, 12, 18	5.0	3.1
<b>Total operating income</b>		<b>2,992.1</b>	<b>2,776.1</b>
<b>Operating expenses</b>			
Goods for resale	34	-2,088.0	-1,948.2
Other costs	7, 8, 12, 18, 33, 34	-333.9	-299.1
Personnel costs	9, 29	-247.1	-214.7
Depreciation, amortization and impairment of tangible and intangible fixed assets	13, 14	-45.6	-39.2
<b>Total operating expenses</b>		<b>-2,714.6</b>	<b>-2,501.3</b>
<b>EBIT</b>		<b>277.5</b>	<b>274.8</b>
Financial income	12	7.0	13.0
Financial expenses	12	-32.9	-50.4
<b>Loss from financial items</b>	10	<b>-25.8</b>	<b>-37.4</b>
<b>Profit before tax</b>		<b>251.6</b>	<b>237.4</b>
Income tax	11	-69.5	-65.2
<b>Profit for the year</b>		<b>182.2</b>	<b>172.2</b>
<b>Earnings per share before dilution, SEK<sup>1</sup></b>		<b>3.0</b>	<b>2.8</b>
<b>Earnings per share after dilution, SEK<sup>1</sup></b>		<b>3.0</b>	<b>2.8</b>
<b>Average number of shares, thousands<sup>1</sup></b>		<b>60,737</b>	<b>58,458</b>
<b>Number of shares outstanding at end of period<sup>1</sup></b>		<b>60,737</b>	<b>60,737</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK millions (SEK M)	Note	2011	2010
Profit for the year		182.2	172.2
<b>Other comprehensive income for the year</b>			
Exchange-rate differences		0.9	-3.2
<b>Total other comprehensive income for the year</b>		<b>0.9</b>	<b>-3.2</b>
<b>Total comprehensive income for the year</b>		<b>183.1</b>	<b>169.0</b>

The profit and the total comprehensive income for the year are attributable in their entirety to Parent Company shareholders.

<sup>1</sup> Comparative figures adjusted for the 1:3 share split completed on June 2, 2010.

# CONSOLIDATED BALANCE SHEET

Amounts in SEK millions (SEK M)	Note	2011-12-31	2010-12-31
<b>ASSETS</b>			
<b>Fixed assets</b>			
Capitalized expenses for development work	5, 13	21.6	13.2
Goodwill	5, 13	1,051.0	1,051.0
Buildings and land	5, 14	6.7	11.5
Land improvements on another party's property	5, 14	4.3	3.9
Equipment, tools and installations	5, 14	129.5	110.6
Work in progress on new facilities		0.0	0.0
Deferred tax assets	28	4.0	16.1
Other long-term receivables		1.1	1.1
<b>Total fixed assets</b>		<b>1,218.2</b>	<b>1,207.4</b>
<b>Current assets</b>			
Inventories	21	424.9	350.5
Work in progress on behalf of another party	21	0.0	0.2
Prepayments to suppliers	21	0.0	0.0
Accounts receivable	20, 34	3.8	1.5
Derivatives	19	0.6	3.5
Other receivables	22	63.3	40.6
Prepaid expenses and accrued income	23	32.0	24.1
Cash and cash equivalents	24	22.8	34.1
<b>Total current assets</b>		<b>547.5</b>	<b>454.6</b>
<b>TOTAL ASSETS</b>		<b>1,765.8</b>	<b>1,662.0</b>

## CONSOLIDATED BALANCE SHEET, CONT.

Amounts in SEK millions (SEK M)	Note	2011-12-31	2010-12-31
<b>SHAREHOLDERS' EQUITY</b>			
<b>Capital and reserves that can be attributed to the Parent Company's owners</b>			
Share capital	25	20.2	20.2
Other capital contributions	25	441.0	441.0
Reserves	26	-1.0	-2.0
Earnings brought forward including profit for the year		384.1	289.2
<b>Total shareholders' equity</b>		<b>844.4</b>	<b>748.5</b>
<b>LIABILITIES</b>			
<b>Long-term liabilities</b>			
Borrowing from credit institutions	27	166.3	239.3
Derivative instruments	19, 27	0.0	0.0
Deferred tax liabilities	28	64.5	53.6
<b>Total long-term liabilities</b>		<b>230.8</b>	<b>292.9</b>
<b>Current liabilities</b>			
Borrowing from credit institutions	27	344.0	240.0
Accounts payable	34	268.9	268.9
Current income tax liabilities		4.5	42.4
Derivative instruments	19	0.0	4.9
Other liabilities	30	12.6	8.3
Accrued expenses and prepaid income	31	60.6	56.1
<b>Total current liabilities</b>		<b>690.6</b>	<b>620.6</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>1,765.8</b>	<b>1,662.0</b>
<b>Pledged assets - shares in subsidiaries</b>		<b>845.6</b>	<b>658.7</b>
<b>Pledged assets - chattel mortgages</b>		<b>120.0</b>	<b>120.0</b>
<b>Pledged assets - blocked bank funds</b>		<b>12.3</b>	<b>13.2</b>
<b>Contingent liabilities</b>		<b>Inga</b>	<b>Inga</b>

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Amounts in SEK millions (SEK M)	Attributable to shareholders in Parent Company					Total Shareholders' equity
	Note 25, 26	Share capital	Other capital contributions	Reserves	Earnings brought forward	
<b>Opening balance at January 1, 2010</b>		<b>18 .4</b>	<b>208 .4</b>	<b>1 .2</b>	<b>109 .8</b>	<b>337 .8</b>
Profit for the year					172 .2	172 .2
<b>Other comprehensive income</b>						
Exchange-rate differences				-3 .2		-3 .2
<b>Total comprehensive income</b>		<b>0.0</b>	<b>0.0</b>	<b>-3 .2</b>	<b>172 .2</b>	<b>169 .0</b>
New issue		0.0	1.5	0.0		1.5
Non-cash issue			9.0			9.0
Offset issue, reversal of discount		1.8	222.2		7.2	231.0
<b>Total transactions with shareholders</b>		<b>1.8</b>	<b>232.7</b>	<b>0.0</b>	<b>7.2</b>	<b>241.5</b>
<b>Closing balance on December 31, 2010</b>		<b>20 .2</b>	<b>441 .0</b>	<b>-2.0</b>	<b>289 .2</b>	<b>748 .5</b>
<b>Opening balance at January 1, 2011</b>		<b>20 .2</b>	<b>441 .0</b>	<b>-2.0</b>	<b>289 .2</b>	<b>748 .5</b>
Profit for the year					182.2	182.2
<b>Other comprehensive income for the year</b>						
Exchange-rate differences				0.9		0.9
<b>Total comprehensive income</b>		<b>0.0</b>	<b>0.0</b>	<b>0.9</b>	<b>182.2</b>	<b>183.1</b>
New issue/share premium reserve					3.8	3.8
Dividend					-91.1	-91.1
<b>Total transactions with shareholders</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-87.3</b>	<b>-87.3</b>
<b>Closing balance on December 31, 2011</b>		<b>20.2</b>	<b>441.0</b>	<b>-1.1</b>	<b>384.1</b>	<b>844.4</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in SEK millions (SEK M)	Note	2011	2010
<b>Cash flow from operating activities</b>			
EBIT		277.5	274.8
Non-cash items			
– Depreciation/amortization of tangible and intangible fixed assets		45.6	38.9
– Capital gains from divestment of subsidiaries		0.0	0.0
– Other non-cash items <sup>1</sup>		2.3	-1.8
Interest received		6.0	6.8
Interest paid		-33.7	-32.3
Tax paid		-84.5	-44.8
<b>Cash flow from operating activities before changes in working capital</b>		<b>213.1</b>	<b>241.6</b>
<b>Changes in working capital</b>			
Increase/decrease in inventories and work in progress	21	-93.0	-53.8
Increase/decrease in other current receivables	22	-43.4	34.0
Increase/decrease in other current liabilities	30	15.8	-13.4
<b>Cash flow from operating activities</b>		<b>92.5</b>	<b>208.4</b>
<b>Cash flow from investing activities</b>			
Divestment of subsidiaries	18	26.8	0.0
Investment in intangible fixed assets		-13.7	-7.0
Investment in tangible fixed assets		-23.0	-24.5
Divestment of tangible fixed assets		-0.1	0.9
Investment in other financial fixed assets		0.9	-10.4
Investment in subsidiaries		-0.2	6.2
<b>Cash flow from investing activities</b>		<b>-9.2</b>	<b>-34.7</b>
<b>Cash flow from financing activities</b>			
New issue	25	3.8	0.0
Change in overdraft facility		99.1	174.2
Borrowings		0.0	249.7
Dividend to Parent Company's shareholders		-91.1	0.0
Amortization of loans		-105.5	-605.0
<b>Cash flow from financing activities</b>		<b>-93.7</b>	<b>-181.1</b>
<b>Cash flow for the year</b>		<b>-10.4</b>	<b>-7.4</b>
Cash and cash equivalents at the beginning of the period	24	20.9	28.2
<b>Cash and cash equivalents at the end of the period<sup>2</sup></b>	24	<b>10.5</b>	<b>20.9</b>

<sup>1</sup> Other non-cash items pertains to exchange-rate differences

<sup>2</sup> Note that cash and cash equivalents in the cash flow is adjusted for blocked funds deposited with banks

## PARENT COMPANY INCOME STATEMENT

Amounts in SEK millions (SEK M)	Note	2011	2010
<b>Operating income</b>			
Net sales		0.0	0.0
Other operating income		0.3	0.3
<b>Total operating income</b>		<b>0.3</b>	<b>0.3</b>
<b>Operating expenses</b>			
Other external expenses	8, 9	-4.1	-18.9
Personnel costs	9	-0.4	-0.3
<b>Total operating expenses</b>		<b>-4.5</b>	<b>-19.2</b>
<b>Operating loss</b>		<b>-4.2</b>	<b>-18.8</b>
Interest income and similar items		25.9	40.3
Interest expenses and similar items		-21.7	-23.3
<b>Profit from financial items</b>	10	<b>4.2</b>	<b>17.0</b>
<b>Profit/loss before tax</b>		<b>0.0</b>	<b>-1.9</b>
Tax on profit/loss for the year	11	0.0	0.5
<b>Profit/loss for the year</b>		<b>0.0</b>	<b>-1.4</b>

## PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK millions (SEK M)	2011	2010
<b>Profit/loss for the year</b>	<b>0.0</b>	<b>-1.4</b>
<b>Other comprehensive income for the year</b>		
Exchange-rate differences	0.0	0.0
<b>Total other comprehensive income for the year</b>	<b>0.0</b>	<b>0.0</b>
<b>Total comprehensive loss for the year</b>	<b>0.0</b>	<b>-1.4</b>

The comparative period was changed as a result of new accounting policies concerning Group contributions. Group contributions are now recognized in profit or loss.

# PARENT COMPANY BALANCE SHEET

Amounts in SEK millions (SEK M)	Note	2011-12-31	2010-12-31
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Financial fixed assets</b>			
Participations in Group companies	15	358.0	358.0
Receivables from Group companies		354.0	354.0
<b>Total fixed assets</b>		<b>712.1</b>	<b>712.1</b>
<b>Current assets</b>			
<b>Current receivables</b>			
Receivables from Group companies		14.3	0.0
Other receivables		0.0	0.1
Prepaid expenses and accrued income		0.9	1.5
		<b>15.2</b>	<b>1.7</b>
<b>Cash and cash equivalents</b>		<b>0.0</b>	<b>11.9</b>
<b>Total current assets</b>		<b>15.2</b>	<b>13.6</b>
<b>TOTAL ASSETS</b>		<b>727.3</b>	<b>725.7</b>

## PARENT COMPANY BALANCE SHEET, CONT.

Amounts in SEK millions (SEK M)	Note	2011-12-31	2010-12-31
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
<b>Restricted equity</b>			
Share capital	25	20.2	20.2
<b>Total restricted equity</b>		<b>20.2</b>	<b>20.2</b>
<b>Unrestricted equity</b>			
Share premium reserve		418.7	418.7
Earnings brought forward		-91.1	1.4
Group contributions received/paid		0.0	0.0
Shareholders' contribution received		9.0	9.0
Profit/loss for the year		-0.0	-1.4
<b>Total unrestricted equity</b>		<b>336.6</b>	<b>427.7</b>
<b>Total shareholders' equity</b>		<b>356.8</b>	<b>447.9</b>
<b>Provisions</b>			
Deferred tax liability		0.0	0.0
<b>Total provisions</b>		<b>0.0</b>	<b>0.0</b>
<b>Long-term liabilities</b>			
Liabilities to credit institutions		130.0	210.0
<b>Total long-term liabilities</b>		<b>130.0</b>	<b>210.0</b>
<b>Current liabilities</b>			
Borrowing from credit institutions		237.7	62.0
Accounts payable		0.0	0.0
Current income tax liabilities		0.0	0.0
Other liabilities	30	0.0	0.5
Accrued expenses and prepaid income	31	2.8	5.0
<b>Total current liabilities</b>		<b>240.5</b>	<b>67.5</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>727.3</b>	<b>725.7</b>
<b>Pledged assets</b>	32	358.0	358.0
<b>Contingent liabilities</b>	32	none	none

## CHANGES IN PARENT COMPANY'S SHAREHOLDERS' EQUITY

Amounts in SEK millions (SEK M)	Notes 25, 26	Restricted sharehol- ders' equity		Unrestricted share- holders' equity		Total share- holders' equity
		Share capital	Share premium reserve	Earnings brought forward	Loss for the year	
<b>Shareholders' equity on January 1, 2010</b>		<b>18.4</b>	<b>167.5</b>	<b>51.7</b>	<b>-30.1</b>	<b>207.6</b>
Carried forward				-30.1	30.1	0.0
Loss for the year					-1.4	-1.4
Other comprehensive income						0.0
<b>Total comprehensive income/loss</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-1.4</b>	<b>-1.4</b>
New issue		0.0	1.5			1.5
Non-cash issue				9.0		9.0
Offset issue including reversal of discounting effect		1.8	249.7	-20.3		231.2
<b>Total transactions with shareholders</b>		<b>1.8</b>	<b>251.2</b>	<b>-11.3</b>	<b>0.0</b>	<b>241.7</b>
<b>Shareholders' equity on December 31, 2010</b>		<b>20.2</b>	<b>418.7</b>	<b>10.3</b>	<b>-1.4</b>	<b>447.9</b>
<b>Shareholders' equity on January 1, 2011</b>		<b>20.2</b>	<b>418.7</b>	<b>38.4</b>	<b>-29.4</b>	<b>447.9</b>
Carried forward				-29.4	29.4	0.0
Profit/loss for the year					0.0	0.0
Other comprehensive income						0.0
<b>Total comprehensive income</b>						<b>0.0</b>
Dividend				-91.1		-91.1
<b>Total transactions with shareholders</b>				<b>-91.1</b>		<b>-91.1</b>
<b>Shareholders' equity on December 31, 2011</b>		<b>20.2</b>	<b>418.7</b>	<b>-82.1</b>	<b>0.0</b>	<b>356.8</b>

# PARENT COMPANY CASH FLOW STATEMENT

Note	2011	2010
<b>Cash flow from operating activities</b>		
EBIT	-4.2	-18.8
Adjustment for non-cash items		
– Group contributions received/paid and write-up of shares in subsidiaries	0.0	0.0
– Other non-cash items	14.3	0.0
Interest received	12.8	2.3
Interest paid	-24.5	-3.8
Tax paid	0.0	0.0
<b>Cash flow from operating activities before changes in working capital</b>	<b>-1.6</b>	<b>-20.9</b>
<b>Changes in working capital</b>		
Operating receivables	-12.7	-1.5
Operating liabilities	-2.1	1.2
<b>Cash flow from operating activities</b>	<b>-16.5</b>	<b>-20.9</b>
<b>Cash flow from investing activities</b>		
Investments in subsidiaries	0.0	-1.0
<b>Cash flow from investing activities</b>	<b>0.0</b>	<b>-1.0</b>
<b>Cash flow from financing activities</b>		
New issue	0.0	0.0
Borrowings	0.0	249.1
Repayment of debt	-80.0	-242.0
Dividend	-91.1	0.0
Changes in short-term financial liabilities	175.7	22.1
<b>Cash flow from financing activities</b>	<b>4.6</b>	<b>29.1</b>
<b>Cash flow for the year</b>	<b>-11.9</b>	<b>7.2</b>
Cash and cash equivalents on the opening date	11.9	4.7
<b>Cash and cash equivalents on the balance-sheet date</b>	<b>0.0</b>	<b>11.9</b>

# ACCOUNTING POLICIES AND NOTES

## 1 GENERAL INFORMATION

The Byggmax Group conducts sales of building supplies and is established in 59 locations in Sweden, 19 locations in Norway and eight locations in Finland. Byggmax's business concept is to sell high-quality building supplies at the lowest possible price.

The Parent Company is a limited-liability company registered in Sweden with its registered office in Solna, Stockholm. The address of the head office is Armégatan 40, SE-17 171 Solna.

The company is listed on NASDAQ OMX Stockholm.

On February 22, 2012, the Board of Directors approved these consolidated accounts and the annual report for publication. The income statement and balance sheet will be presented to the Annual General Meeting on April 20, 2012.

All amounts are recognized in SEK millions (SEK M) unless otherwise specified. Amounts in brackets represent the preceding period.

## 2 SUMMARY OF IMPORTANT ACCOUNTING POLICIES

### 2.1 Basis for preparing reports

The consolidated accounts of Byggmax Group AB were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, recommendation RFR 1.3 Supplementary Accounting Rules for Groups issued by the Swedish Financial Reporting Board and the Annual Accounts Act.

The consolidated accounts were prepared according to the acquisition method with the exception of derivative instruments, which are recognized at fair value in profit or loss.

The most important accounting policies applied in preparing the consolidated accounts are described below. These policies were applied consistently for all years presented, unless otherwise specified.

The Parent Company's accounts were prepared in accordance with recommendation RFR 2.3 Accounting for Legal Entities issued by the Swedish Financial Reporting Board and the Annual Accounts Act. In cases where the Parent Company applies other accounting policies than the Group, this is specified separately at the end of this note.

Preparing reports in accordance with IFRS requires the

application of some significant estimates for accounting purposes. Furthermore, it requires management to make certain assessments in the application of the Group's accounting policies. The areas that include a high degree of complex assessment or that are areas in which assumptions and estimates are of material importance for the consolidated accounts are presented in Note 4.

2.1.1 The standards, amendments and interpretations that came into legal effect in 2011

None of the IFRS or IFRIC interpretations that first became mandatory for the fiscal year that commenced on January 1, 2011, have had any significant impact on the consolidated financial statements.

- IAS 24 (revised) "Related Party Disclosures," published in November 2009. The new standard clarifies and simplifies the definition of a related party.

- IAS 36 (amendment), clarifies that the largest cash-generating unit (or group of units) to which goodwill will be allocated in the aim of testing impairment requirements, is an operating segment under the definition in item 5 in IFRS 8, "Operating segments."

2.1.2 New standards and interpretations that have not come into legal effect

Several new standards and supplements to standards have not yet come into effect for the fiscal year that ended on December 31, 2011, and were thus not taken into account when preparing the consolidated financial statement.

A preliminary assessment of the impact that the implementation of these standards and statements may have on the Byggmax Group's financial statements is listed below:

- IAS 19 "Employee benefits". The Group aims to apply the amended standard for the fiscal year that commences on January 1, 2013. The standard will not impact the Group since the "corridor method" for actuarial gains and losses is not applied.

- IFRS 9 "Financial instruments" addresses the classification, valuation and recognition of financial assets and liabilities. IFRS 9 replaces the elements of IAS related to the classification and valuation of financial instruments. The Group aims to apply the new standard not later than for the fiscal year commencing on January 1, 2015, and has yet to evaluate the effects. The standard has yet to be adopted by the EU.

- IFRS 10 "Consolidated Financial Statements". The Group aims to apply the standard for the fiscal year commencing on January 1, 2013, and has yet to evaluate the full impact on the financial statements. The standard has yet to be adopted by the EU.

- IFRS 12 encompasses disclosure requirements for sub-

sidiaries, associated companies and joint ventures. The Group aims to apply the standard for the fiscal year commencing on January 1, 2013, and has yet to evaluate the full impact on the financial statements. The standard has yet to be adopted by the EU.

•IFRS 13 aims to make valuations at fair value more consistent and less complex by assigning the standard a precise definition. The Group aims to apply the standard for the fiscal year commencing on January 1, 2013, and has yet to evaluate the full impact on the financial statements. The standard has yet to be adopted by the EU.

None of the other IFRS or IFRIC interpretations that have yet to come into legal effect are expected to have any significant impact on the consolidated financial statements.

## 2.2 Consolidated accounts

### *Subsidiaries*

Subsidiaries are all the companies in which the Group has the right to formulate financial and operative strategies in a manner that normally results from a shareholding exceeding 50 percent of the voting rights of the shares or participations or in which the Group through an agreement is the sole party exercising a controlling influence. Subsidiaries are included in the consolidated accounts from the date on which the controlling influence was transferred to the Group. They are eliminated from the consolidated accounts as of the date the controlling influence ceases.

The acquisition method is applied in recognizing the Group's acquisitions of subsidiaries. The cost of an acquisition corresponds to the fair value of the assets received as compensation, issued shareholders' equity instruments and liabilities arising or assumed on the acquisition date. Expenses directly attributable to the acquisition should be recognized in profit or loss. Identifiable acquired assets and assumed liabilities and contingent liabilities in an acquisition of a business are initially measured at fair value on the acquisition date, regardless of any minority interest. The surplus that corresponds to the difference between the cost and the fair value of the Group's share of identifiable acquired assets, liabilities and contingent liabilities is recognized as goodwill. If the cost is less than the fair value of the acquired subsidiary's assets, liabilities and contingent liabilities, the difference is recognized directly in profit or loss.

Intra-group transactions and balance-sheet items, as well as unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated, although losses are considered an indication that a need for impairment may exist. The accounting policies for subsidiaries were changed as appropriate to guarantee consistent application of the Group's policies.

## 2.3 Segment reporting

Operating segments are recognized in a manner that corresponds to the internal reporting submitted to the chief operating decision maker (CODM). The CODM is the function that is responsible for the allocation of resources and assessment of the operating segments' results. In the Group, this function was identified as the Board of Directors. Byggmax has only one identified operating segment, which

is the Nordic segment.

## 2.4 Translation of foreign currency

### *Functional currency and reporting currency*

Items included in the financial reports for the various units in the Group are measured in the currency used in the economic environment in which each company is primarily active (functional currency). In the consolidated accounts, Swedish kronor (SEK) is used, which is the Parent Company's functional currency and reporting currency.

### *Transactions and balance-sheet items*

Transactions in foreign currency are translated to the functional currency according to the exchange rate prevailing on the transaction date. Exchange-rate gains and losses arising in payment of such transactions and in translation of monetary assets and liabilities in foreign currencies at the closing-date rate are recognized in profit or loss. Exchange-rate differences in accounts payable and accounts receivable are recognized among EBIT. Other exchange-rate differences are recognized in net financial items.

### *Consolidation of foreign subsidiaries and branches*

The assets and liabilities of foreign subsidiaries and branches are translated at the closing-date rate, while all items in profit or loss are translated monthly at the month's average rate.

## 2.5 Intangible assets

Capitalized expenses for development and similar work. Capitalized expenses for development and similar work, primarily capitalized investments in the Group's business system and website, are recognized at historical cost reduced by accumulated amortization and any impairment. Amortization is applied on a straight-line basis over the estimated economic lifetime, which is five years.

Costs for maintenance of proprietary development work are expensed as they arise. Development costs attributable to development and testing of identifiable products and systems are recognized as an intangible fixed asset when the criteria for recognizing an intangible asset are satisfied.

### *Goodwill*

Goodwill corresponds to the amount by which the cost exceeds the fair value of the Group's share of an acquired subsidiary's identifiable net assets on the acquisition date. Goodwill from the acquisition of subsidiaries is recognized as an intangible asset.

Goodwill, which is recognized separately, is tested annually to identify possible impairment needs and is recognized at cost less accumulated impairments. Impairment of goodwill is not reversed. Gains or losses from the divestment of a unit include the remaining recognized value of the goodwill attributable to the divested unit.

Goodwill is distributed among the cash-generating units that existed when the goodwill item arose, when assessing possible impairment needs. The distribution is based on the cash-generating units or groups of cash generating units that are expected to benefit from the acquisition of opera-

tions that resulted in the goodwill item. The Byggmax Group distributes the original goodwill to the operating segments existing on the date when the original goodwill arose. Additional goodwill is distributed to the units deemed to benefit from the acquisition of operations.

As of January 1, 2009, the revised standard, IAS 23 Borrowing Costs is applied, meaning that, as of January 1, 2009, the Group capitalizes borrowing costs that are directly attributable to the purchase, construction or production of an asset that takes a substantial period of time to complete for its intended use or sale as part of the cost of the asset. For periods prior to January 1, 2009, the principle was to immediately expense all borrowing costs. During 2011, the Group did not capitalize borrowing costs, since there were no assets during the period that required a substantial period of time for completion for use or for sale.

## 2.6 Tangible fixed assets

All tangible fixed assets are recognized at cost reduced by depreciation. The cost includes fees that can be directly attributed to acquisition of the asset.

Additional fees are added to the asset's recognized value or recognized as a separate asset, depending on what is most appropriate, only if it is probable that the future economic benefits associated with the asset will accrue to the Group and the asset's cost can be measured in a reliable manner. The recognized value for the replaced portion is eliminated from the balance sheet. All other forms of repairs and maintenance are recognized as costs in profit or loss during the period in which they arise. There is no depreciation on land. Depreciation of other assets to reduce their cost to the estimated residual value over the estimated useful lifetime is linear according to the following:

Renovations and land maintenance	20 years
Fittings, tools and installations	5 years
Computers and IT-related equipment	5 years

The residual values of assets and their economic lifetimes are reviewed every balance-sheet date and adjusted as necessary. An asset's carrying amount is immediately written down to its recovery value if the asset's carrying amount is greater than its recovery value.

Gains and losses from divestments are established by comparing the sale proceeds with the recognized value and are recognized under other operating income or other operating expenses in profit or loss.

Properties that the Group owns are sold when the building is ready for use. Thus depreciation does not arise on Byggmax's properties, which are sold directly after construction. All properties are classified as operating properties.

As of January 1, 2009, the revised standard IAS 23 Borrowing Costs is applied, meaning that the Group as of January 1, 2009 capitalizes borrowing costs that are directly attributable to purchase, construction or production of an asset that takes a substantial period of time to complete for its

intended use or sale as part of the cost of the asset. For periods prior to January 1, 2009, the principle was to immediately expense all borrowing costs. During 2011, the Group did not capitalize borrowing costs, since there were no assets during the period that required a substantial period of time for completion for use or for sale.

## 2.7 Impairment of non-financial fixed assets

Assets that have an indeterminate economic lifetime, such as goodwill, are not depreciated but instead tested annually for the need for impairment. Tangible fixed assets that are depreciated and such intangible assets that are amortized are assessed with respect to decline in value whenever events or changes in circumstances indicate that the asset's recognized value exceeds its recovery value. Impairment is recognized in an amount corresponding to the amount by which the asset's recognized value exceeds the recovery value. The recovery value is the higher of the asset's fair value reduced by sales costs and its useful value. In assessing impairment needs, assets are grouped at the lowest level for which separate cash flows can be identified (cash-generating units). For tangible and intangible assets

that have been depreciated or amortized, an assessment is made on each balance-sheet date as to whether a reversal should take place. Amortization of goodwill is not reversed.

## 2.8 Financial instruments

The Group classifies its financial assets in the following categories: financial assets and liabilities measured at fair value in profit or loss, loan receivables and accounts receivable, financial assets held until maturity, financial assets available for sale and other financial assets. This classification depends on the purpose for which the financial asset was acquired. Management establishes the classification of the financial assets on the first reporting date and reassesses this decision on every reporting date. At present, the Group has no financial assets that are classed as financial assets held until maturity or financial assets available for sale.

Financial assets and liabilities measured at fair value in profit or loss are financial instruments held for sale. A financial asset or a financial liability is classified in this category if it was primarily acquired to be sold within a short period. Derivatives are classified as held for sale unless they are identified as hedges. The Group holds derivative instruments in the form of interest swaps and currency forwards. The Byggmax Group does not apply hedge accounting according to IAS 39, meaning that all derivative instruments are measured at fair value in profit or loss. Changes in value of derivative instruments attributable to borrowing are recognized under financial expenses. Other changes in value of derivative instruments are recognized as financial income or expenses.

### *Loan receivables, accounts receivable and other receivables*

Loan receivables, accounts receivable and other receivables are financial assets which are not derivatives, which have payments that are established or can be established and which are not listed on an active market. They are included in current assets with the exception of items with maturity

dates greater than 12 months from the balance-sheet date, which classifies them as fixed assets. Loan receivables, accounts receivable and other receivables are recognized as accounts receivable, other receivables and long-term receivables in the balance sheet. Cash and cash equivalents are also included in this category. An impairment of accounts receivable and other receivables is recognized in profit or loss under other external costs.

#### Other financial liabilities

The Group's borrowing (which includes borrowing from credit institutions, borrowing from related parties and other long-term borrowing in the balance sheet) and accounts payable are classified as other financial liabilities. See the description of accounting policies 2.14 and 2.15 below.

#### General policies

Purchases and sales of financial assets are recognized on the transaction date, which is the date on which the Group pledged to purchase or sell the asset or liability. Financial assets and liabilities are initially recognized at fair value in the balance sheet. Financial assets and liabilities are thereafter measured at fair value in profit or loss. Financial assets are removed from the balance sheet when the right to receive cash flows from the instrument has expired or been transferred and the Group has transferred virtually all risks and benefits associated with ownership rights. Financial liabilities are removed from the balance sheet when the contractual obligation has been fulfilled or in some other manner extinguished.

Financial assets and liabilities measured at fair value in profit or loss and financial assets available for sale are recognized after the acquisition date at fair value. Loan receivables, accounts receivable and other receivables and financial assets held until maturity and other financial liabilities are recognized after the acquisition date at accrued cost with application of the effective-interest method.

The fair value of currency forward contracts is established using listed prices for currency forwards on the balance-sheet date. Fair value for interest swaps is calculated as the current value of estimated cash flows. Fair value for borrowing is calculated for information purposes by discounting future contracted cash flow at the current market interest rate available to the Group for similar financial liabilities.

On each balance-sheet date, the Group considers whether there is objective evidence that a need for impairment exists for a financial asset or a group of financial assets, such as the closure of an active market or the probability that a debtor will not be able to meet its obligations. Impairments of equity instruments, which are recognized in profit or loss, are not reversed in profit or loss. Impairment assessment of accounts receivable is described in Note 2.10 below.

### 2.9 Inventories

Inventories are recognized at the lower of cost and net sales value. The cost is established using the weighted-average method. The cost of goods for resale corresponds to the purchasing cost for the goods. Borrowing costs are not included. Inventory consists of building supplies sold in

Bygghuset stores. The net sales value is the estimated sales price in ongoing operations reduced by applicable variable sales costs. Provisions required for obsolescence were made.

### 2.10 Accounts receivable

Accounts receivable are initially recognized at fair value and thereafter at accrued cost with application of the effective-interest method reduced by any provisions for decline in value. The recognized value for accounts receivable, after any impairments, is assumed to correspond to the actual value, since this item is short-term by nature. Reserves for a decline in value are made when there is objective evidence that the Group will not be able to receive all amounts due according to the original terms of the receivable. Significant financial difficulties for the debtor, probability that the debtor will be declared bankrupt or undergo financial reconstruction and missing or late payments (due for more than 90 days) are considered indicators that a need for impairment of an account receivable may pertain. Both losses relating to accounts receivable and recovered and previously impaired accounts receivable are recognized under the item Sales costs in profit or loss.

### 2.11 Other receivables

Other receivables are initially recognized at fair value and thereafter at accrued cost with application of the effective-interest method less any provisions for decline in value. The recognized value for other receivables, after any impairments, is assumed to correspond to the fair value, since this item is short-term by nature. Provisions for a decline in value are made when there is objective evidence that the Group will not be able to receive all amounts due according to the original terms of the receivable. Significant financial difficulties for the debtor, probability that the debtor will be declared bankrupt or undergo financial reconstruction and missing or late payments (due for more than 90 days) are considered indicators that a need for impairment of other receivables may pertain. Both losses relating to other receivables and recovered and previously impaired other receivables are recognized under the item Sales costs in profit or loss.

### 2.12 Cash and cash equivalents

In the Group's report on financial position, cash and cash equivalents correspond to cash, bank balances, other short-term investments with maturity dates within three months from the acquisition date and blocked bank holdings that are expected to be settled within 12 months after the balance-sheet date. The overdraft facility is recognized as borrowing among current liabilities.

Cash and cash equivalents in the cash-flow statement do not agree with the definition of cash and cash equivalents in the balance sheet. In the cash-flow statement, we have excluded blocked accounts, since they are expected to be settled later than three months from the acquisition date.

### 2.13 Share capital

Common shares are classified as shareholders' equity. Transaction costs that can be directly attributed to new share issues are recognized in net amounts after tax in

shareholders' equity as a deduction from the issue proceeds.

## 2.14 Accounts payable

Accounts payable are initially recognized in the balance sheet at fair value and then at accrued cost with application of the effective-interest method. The recognized value of accounts payable is assumed to correspond to their fair value, since this item is short-term by nature.

## 2.15 Borrowing

Borrowing is recognized initially at fair value net after transaction costs. Borrowing is subsequently recognized at accrued cost, and any difference between the amount received (net after transaction costs) and the repayment amount is recognized in profit or loss distributed over the term of the loan with application of the effective-interest method.

Loans from related parties, which deviate from market terms, are initially measured at fair value by applying an estimated market rate for an equivalent loan. This amount is recognized as a liability at the accrued cost in following periods. The remainder of the received amount is recognized as a capital contribution net after tax in shareholders' equity.

Borrowing is classified as current liabilities unless the Group has an unconditional right to defer payment of the debt for at least 12 months after the balance-sheet date.

## 2.16 Current and deferred tax

The tax cost for the year comprises current and deferred tax. Tax is recognized in the profit or loss, except when tax regards items that are recognized in other comprehensive income or directly in shareholders' equity. In such cases, tax is recognized in other comprehensive income and shareholders' equity respectively.

The current tax cost is calculated based on the tax regulations that are in effect or in practice approved in the countries in which the Parent Company's subsidiaries are active and generate taxable income. Management actively evaluates the claims that are made in tax returns regarding situations where tax regulations are subject to interpretation and allocates reserves where appropriate for amounts that are likely to be paid to tax authorities.

Deferred tax is recognized in its entirety according to the balance-sheet method on all temporary differences arising between the value for tax purposes of assets and liabilities and their carrying amounts in the consolidated accounts. The deferred taxes are not recognized, however, if they arise as a result of the initial recording of goodwill. Additionally, the deferred taxes are not recognized if they arise as a result of a transaction for an asset or liability being recognized for the first time that is not an operating acquisition and which on the acquisition date does not affect recognized or taxable earnings. Deferred income tax is calculated by applying tax rates and laws that have been approved or announced on the balance-sheet date and which are expected to apply when the deferred tax asset is realized or when the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future surpluses for tax purposes will be available to offset temporary differences.

Deferred tax is calculated on the basis of temporary differences arising in participations in subsidiaries except in cases where reversal of the temporary differences can be controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

When there is an intent to settle balances through net payments, deferred tax assets and liabilities are offset when a legal right of offset exists for current tax assets and tax liabilities and when the deferred tax assets and liabilities can be attributed to taxes debited by one and the same tax authority and apply to the same tax subject or different tax subjects.

## 2.17 Compensation to employees

### *Pension obligations*

The Group companies only have defined-contribution pension plans with the exception of Alecta, which is a defined-benefit plan that for the time being can be treated as a defined-contribution plan.

For defined-contribution plans, Bygghmax pays a fee to a publicly or privately administered pension insurance plan on a contractual or voluntary basis. The Group has no further payment obligations when the fees have been paid. The fees are recognized as personnel costs in profit or loss at the rate in which they are earned by employees performing services for the company during a period. Prepaid fees are recognized as an asset to the extent that cash payment or a reduction of future payments will accrue to the Group.

### *Compensation on termination of employment*

Compensation on termination of employment is paid when employment is terminated by Bygghmax prior to the normal pension age or when the employee accepts a voluntary termination in exchange for such compensation. The Group recognizes severance pay when the Group is demonstrably obligated either to terminate employment according to a detailed formal plan without any option for recall or to provide compensation in a case of termination of employment as a result of an offer made to encourage voluntary resignation. Benefits that are due more than 12 months after the balance-sheet date are discounted to current value.

### *Bonus plans*

The Group recognizes a liability and an expense for bonuses. The Group recognizes a provision when there is a legal obligation or an informal obligation due to previous practice.

## 2.18 Provisions

Provisions are recognized when the Group has a legal or an informal obligation due to previous events, it is probable that an outflow of resources will be required to regulate the obligation and the amount has been calculated in a reliable manner. Management regularly estimates the need for provisions for future guarantee requirements. No reserves for

guarantees were made, since Byggmax is not deemed to be charged with significant amounts with respect for guarantee undertakings. No reserves were made for future operating losses.

Provisions are measured at the current value of the amount that is expected to be required to settle the obligation. In so doing, a discounted interest rate before tax is applied that reflects the current market assessment of the value of money over time and the risks associated with the provision. The increase in provisions due to the passing of time is recognized as an interest expense.

## 2.19 Income recognition

### *Sale of goods*

The Group's income is generated from the sale of goods that are included in the Byggmax product range. Sales are primarily to private customers, although there are some sales to companies. There is no production or development of products within the Group. Sales recognized are net of intra-Group sales.

Income includes the fair value of what has been received or will be received for goods sold in the Group's ongoing operations. Income is recognized in net amounts with deductions for VAT, returns and discounts. The Group recognizes income when its amount can be measured in a reliable manner and it is probable that future economic benefits will accrue to the company. This date coincides with delivery of the goods to the customer.

### *Interest income*

Interest income is recognized at the rate in which it is earned.

### *Sale of properties*

The Group builds properties which after completion are sold to a leasing company (see also 2.20 Leasing below with respect to Sale-and-leaseback transactions). Income from the sale of the property is recognized when risks and benefits associated with ownership are transferred to the leasing company, which normally coincides with the transfer date.

## 2.20 Leasing

Leasing in which a significant portion of the risks and benefits of ownership are retained by the lessee is classified as operational leasing. Payments made during the leasing period are expensed in profit or loss linearly over the leasing period.

Leasing of fixed assets in which Byggmax in all significant respects has the economic risks and benefits associated with ownership is classified as financial leasing. At the beginning of the leasing period, financial leasing is recognized in the balance sheet at the lower of the leasing object's fair value and the current value of the minimum leasing fees. Each leasing payment is distributed between amortization of the debt and financial expenses to achieve a fixed interest rate for the recognized liability. The corresponding payment obligations, after deduction of financial expenses, are included in the balance sheet under borrowing from credit institutions. The interest portion of financial expenses is

recognized in profit or loss and distributed over the leasing period so that an amount is recognized in every reporting period that corresponds to a fixed interest rate for the recognized liability during the respective period. Fixed assets held according to financial leasing contracts are amortized over the shorter of the periods for the asset's useful life and the leasing period.

### *Sale-and-leaseback transactions*

A sale-and-leaseback transaction comprises sale of an asset and subsequent leasing of the same asset according to a leasing contract. When Byggmax builds a property, it is sold after completion to an external party, whereby the property is leased back to Byggmax for its operations. In assessing the terms of the sales transaction and the leasing contract, we consider if the sale price is on market terms and if the leasing fee that we pay is based on market levels.

All sale-and-leaseback transactions are considered to be operational leasing contracts, and the sale is considered to be based on market terms, meaning that the leasing fee was not subject to adjustments. The leasing fee is expensed linearly over the period of the leasing contract and in accordance with the contract.

## 2.21 Dividends

Dividends to the Parent Company's shareholders are recognized as a liability in the consolidated financial accounts in the period in which the dividend is approved by the Parent Company's shareholders.

## 2.22 Parent Company accounting policies

The Parent Company has prepared its Annual Report in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board, RFR 2:3 Reporting for legal entities. This entails that in interim reporting for legal entities, the Parent Company is to apply all IFRSs and interpretations approved by the EU as far as possible within the framework of the Swedish Annual Accounts Act and take into account the connection between accounting and taxation. The recommendation specifies the exceptions and supplements that are to be applied from IFRS. The Parent Company applies different accounting policies than the Group as specified below.

### **Presentation form for the income statement and the balance sheet**

The Parent Company applies the presentation forms specified in the Annual Accounts Act, which means in part that another presentation of shareholders' equity is applied and that provisions are recognized under a separate heading in the balance sheet.

### **Shares in subsidiaries**

Shares in subsidiaries are recognized at cost after deduction of any impairment. Received dividends are recognized as income, whereupon an assessment is made of the possible need for an impairment of shares in subsidiaries.

When there is an indication that shares and participations in subsidiaries have declined in value, a calculation of the recovery value is performed. If that value is lower than the carrying amount, impairment is recognized. Impairments

are recognized under Income from participations in Group companies.

#### Group contributions and shareholder contributions

The Parent Company applies RFR 2 for Group contributions. This entails that Group contributions that the Parent Company receives from subsidiaries are recognized as financial income and that Group contributions that are paid to the Parent Company from subsidiaries are recognized as an increase in the participation in a subsidiary. The tax on Group contributions received/paid is recognized in accordance with IAS 12 in profit or loss.

Group contributions are recognized in accordance with their financial content. This means that a Group contribution paid or received in order to reduce the Group's total tax is recognized directly in earnings brought forward after deduction for the effect of current tax. Group contributions received that correspond to dividends are recognized as a dividend from Group companies in profit or loss. Group contributions paid that correspond to shareholder contributions are recognized according to the policy described above for shareholder contributions after consideration of current tax effects.

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

Through its operations, the Group is exposed to various financial risks, market risk (including currency and interest risk), credit risk and liquidity risk.

The Group's overriding financial policy is intended to identify and minimize the effects of financial risk. Practical risk management is handled by Byggmax's central finance department according to the financial policy established each year by the Board of Directors. The financial hedging relations established by the Group as part of its risk management do not qualify for hedge accounting according to the rules in IAS 39.

The Board of Directors continuously receives reports in respect of cash flows, debt levels and fulfillment of the terms of financial agreements, together with comparisons with budgets and forecasts.

The Parent Company Byggmax Group AB is deemed to have limited risk exposure, meaning that the descriptions below primarily relate to the Group as a whole. The described risks can thus affect the Parent Company indirectly in that the asset item Participations in Group companies may be positively or negatively affected by how the risks described below are handled.

#### a) Market risk

##### (i) Currency risk

Although Byggmax's consolidated accounts are stated in SEK, the Group has operations in Sweden, Norway and Finland and purchases some goods in other currencies than SEK. This means that the Group is exposed to currency risks in that unfavorable changes in exchange rates can have a

negative effect on cash flow, EBIT and shareholders' equity.

#### Transaction exposure in commercial flows

Payment flows in the form of accounts receivable and accounts payable in foreign currency result in currency exposure for the Group. Byggmax has currency exposure in NOK, some exposure resulting from the purchase of goods in USD and in EUR (for which there is a natural hedge in sales in EUR in the Finnish market).

#### Sensitivity analysis for 2011

	Change in (percentage points) all other factors unchanged	Effect on EBIT (SEK M) 2011	Effect on EBIT (SEK M) 2010
NOK	+/- 10%	+/- 1.5	+/- 1.5
EUR	+/- 10%	+/- 0.3	+/- 0.2

Byggmax hedges currency positions greater than SEK 10 M on an annual basis each quarter by hedging 50 percent for the coming 12 months and 25 percent for the coming quarter, meaning that 75 percent is hedged.

#### Transaction exposure in consolidation of units outside Sweden

The Group's EBIT is also affected by currency effects arising due to exchange-rate trends in the local currencies of the various foreign subsidiaries and branches against SEK. Translation effects also arise for the Group's net assets in consolidation of the balance sheets of foreign companies and branches. This risk is not hedged.

#### (ii) Interest risk

The Group's interest risk arises primarily through long-term borrowing. The Group's borrowing carries variable interest, thus resulting in exposure. Borrowing that is subject to variable interest exposes the Group to interest risk with respect to cash flow. To reduce the interest risk, the Group has as its policy that interest shall be fixed for 50 percent of the remaining bank loans for at least two years. Byggmax uses interest derivatives for interest hedging, and there is an exposure for changes in fair value. If interest on the Group's borrowing in SEK had been 1.0 percentage point higher/lower during 2011 with all other variables constant and consideration taken to interest swaps, the consolidated profit after tax for the fiscal year would have been SEK 2.2 M higher/lower, primarily as an effect of higher interest costs for borrowing with variable interest. Byggmax continuously monitors the interest risk by examining the effect of loans with variable interest on the EBIT for the year.

#### Sensitivity analysis for 2011

	Change in (percentage points) all other factors unchanged	Effect on EBIT (SEK M) 2011	Effect on EBIT (SEK M) 2010
Interest rate	+ 1%	-2.2	-2.6

### b) Credit risk

Byggmax has very low credit risk in relation to the Group's customers in that the majority of sales are in cash and since the Group does not invoice external customers. Credit exposure primarily comprises accrued but as yet unpaid bonuses from suppliers.

### c) Liquidity risk

Byggmax policy in respect of liquidity risk is to ensure the Group has sufficient cash and cash equivalents to finance operating activities. The Board of Directors manages the liquidity risk exposure through ensuring that Byggmax has sufficient credit facilities in place to satisfy the future needs of the business. The need is established through continuous follow up of forecast and actual cash flows with consideration taken to the tenors of financial assets and liabilities in the balance sheet. Byggmax's primary credit facility is provided by Handelsbanken through a credit agreement.

The size of the credit facility available is reviewed regularly and drawn up to cover forecast peaks in the gross debt level with a healthy margin.

On December 31, 2011, the Group had cash and cash equivalents totaling SEK 22.8 M (34.1) and an unutilized credit facility of SEK 70.2 M (175.3).

The table below shows the non-discounted cash flows that arise from the Group's liabilities in the form of financial instruments based on the contracted remaining periods on the balance-sheet date. Amounts in foreign currencies and amounts to be paid are based on variable interest and were estimated by using the exchange and interest rates prevailing on the balance-sheet date.

<b>Group (SEK M)</b>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>More than 5 years</b>
<b>On December 31, 2011</b>				
Borrowing	46.3	133.0		
Liabilities relating to financial leasing	30.2	22.8	13.6	
Net regulated derivative instruments (interest swaps)	0.0			
Gross regulated derivative instruments (currency forwards)	0.6			
Accounts payable	268.9			
<b>Total</b>	<b>346.1</b>	<b>155.8</b>	<b>13.6</b>	<b>0.0</b>
<b>On December 31, 2010</b>				
Borrowing	49.0	49.4	175.3	
Liabilities relating to financial leasing	25.3	17.9	11.4	
Net regulated derivative instruments (interest swaps)	0.0			
Gross regulated derivative instruments (currency forwards)	1.5			
Accounts payable	268.9			
<b>Total</b>	<b>344.7</b>	<b>67.3</b>	<b>186.7</b>	<b>0.0</b>
<b>Parent Company (SEK M)</b>				
<b>On December 31, 2011</b>				
Borrowing	46.3	133.0		
<b>Total</b>	<b>46.3</b>	<b>133.0</b>	<b>0.0</b>	<b>0.0</b>
<b>On December 31, 2010</b>				
Borrowing	49.0	49.4	175.3	
<b>Total</b>	<b>49.0</b>	<b>49.4</b>	<b>175.3</b>	<b>0.0</b>

### 3.2 Handling of financing/capital risk

The Byggmax Group works to reduce its capital/financing risk by:

- establishing sufficient credit facilities well in advance of foreseeable needs
- monitoring due dates for the total debt in order to match amortization to anticipated cash flow
- satisfying key ratios according to financing contracts. The key ratios are the interest-coverage ratio, debt/equity ratio and the equity ratio/ risk bearing capital
- optimizing working capital within the Group.

While Byggmax has no specified goal for the equity ratio, there is a dividend target.

## 4 IMPORTANT ESTIMATES AND ASSUMPTIONS

### Important estimates and assumptions for accounting purposes

The Group makes estimates and assumptions regarding the future to be able to prepare the accounts in accordance with generally accepted accounting practices. Estimates and assumptions are evaluated regularly and are based on historical experience and other factors, including expectations regarding future events that are considered reasonable under the prevailing circumstances. The actual outcome

may differ from the estimates and assumptions made. The estimates and assumptions made in the final accounts on December 31, 2011, are not considered to be able to significantly affect the Group's EBIT and financial position for the coming fiscal year.

### Assumption of need for impairment of goodwill

The Group determines each year if there is any need to recognize an impairment of goodwill, in accordance with the accounting policy described in Note 2.7. Impairment of non-financial fixed assets. The estimates and assumptions made in respect of expected cash flows and the discount rate are described in Note 13.

Group management does not consider that the carrying amount can be affected by any reasonably possible change in the assumptions on which the cash flow generating units' recovery value is based on, such that this value exceeds the recovery value. The accounting policy described in Note 2.7. Impairment of non-financial fixed assets. The estimates and assumptions made in respect of expected cash flows and the weighted average cost of capital (WACC) are described in Note 13.

## 5 SEGMENT INFORMATION

Information by geographic area	2011	2010
Net sales Sweden	2,269.0	2,202.3
Net sales other countries	718.0	570.7
<b>Total sales</b>	<b>2,987.1</b>	<b>2,773.0</b>

Tangible fixed assets and intangible fixed assets	2011	2010
Assets in Sweden	1,166.6	1,144.5
Assets in other countries	46.5	45.7
<b>Total tangible and intangible fixed assets</b>	<b>1,213.1</b>	<b>1,190.2</b>

Byggmax has only identified one operating segment, which is the Nordic segment as described in Note 2.3. The Parent Company has no net sales.

## 6 OTHER OPERATING INCOME

Group	2011	2010
Exchange-rate differences	3.8	2.3
Gain from divestment of equipment	0.0	0.4
Profit from participations in Group companies	0.0	0.0
Other	1.2	0.4
<b>Total other operating income</b>	<b>5.0</b>	<b>3.1</b>

## 7 OTHER EXTERNAL COSTS

Group	2011	2010
Exchange-rate differences	-3.9	-4.7
Loss from divestment of equipment	0.0	-0.6
<b>Total other external costs</b>	<b>-4.0</b>	<b>-5.3</b>

## 8 AUDITORS' FEES

Auditing assignments include reviews of the Annual Report and financial statements, as well as administration by the Board of Directors and the President, other work assignments that are the responsibility of the company's auditors, and guidance and assistance occasioned by observations in conjunction with such reviews or the completion of such other work assignments. Everything else is other assignments.

Group	2011	2010
Öhrlings PricewaterhouseCoopers AB		
Auditing assignments	0.9	0.9
Other assignments	0.0	1.8
Tax consultancy	0.1	0.2
Other services	0.2	0.1
<b>Total auditors' fees</b>	<b>1.2</b>	<b>3.0</b>

Parent Company	2011	2010
Öhrlings PricewaterhouseCoopers AB		
Auditing assignments	0.3	0.3
Other assignments	0.0	1.8
Tax consultancy	0.0	0.0
Other services	0.1	0.1
<b>Total auditors' fees</b>	<b>0.4</b>	<b>2.2</b>

## 9 EMPLOYEE BENEFITS

Group	2011	2010
Salaries and other compensation	184.7	163.3
Social costs	43.2	38.1
Pension costs	9.2	7.6
Other personnel costs	10.0	5.8
<b>Total employee benefits</b>	<b>247.1</b>	<b>214.7</b>

## 9 EMPLOYEE BENEFITS, CONT.

Salaries and other compensation plus social costs (SEK M)	2011			2010		
	Salaries and other compensation	Social costs (of which pension costs)	Number	Salaries and other compensation	Social costs (of which pension costs)	Number
<b>Group</b>						
Board members, President and other senior executives	7.9	3.8 (1.3)	11	6.5	2.9 (0.9)	11
Other employees	176.8	52.4 (7.9)	516	156.8	42.8 (6.7)	436
<b>Total</b>	<b>184.7</b>	<b>56.2 (9.2)</b>	<b>527</b>	<b>163.3</b>	<b>45.7 (7.6)</b>	<b>447</b>
<b>Parent Company</b>						
Board members, President and other senior executives	1.3	0.4 (0.0)	7	0.9	0.3 (0.0)	7
Other employees	0.0	0.0 (0.0)	0	0.0	0.0 (0.0)	0
<b>Total</b>	<b>1.3</b>	<b>0.4 (0.0)</b>	<b>7</b>	<b>0.9</b>	<b>0.0 (0.0)</b>	<b>7</b>

The guidelines for determining compensation to senior executives that were adopted by the 2011 Annual General Meeting correspond, in all material respects, with the guidelines that are being proposed to the 2012 Annual General Meeting. Information about these guidelines is available in the Administration Report on page 31. Compensation to senior executives was paid in accordance with previous resolutions and the guidelines that were adopted at the Annual General Meeting.

	2011		2010	
	Average number of employees	Of whom men	Average number of employees	Of whom men
<b>Subsidiaries</b>				
Sweden	402	81%	356	78%
Norway	87	90%	76	92%
Finland	38	82%	15	85%
<b>Total in subsidiaries</b>	<b>527</b>	<b>83%</b>	<b>447</b>	<b>82%</b>
<b>Group total</b>	<b>527</b>	<b>83%</b>	<b>447</b>	<b>82%</b>

	2011		2010	
	Number on the balance-sheet date	Of whom men	Number on the balance-sheet date	Of whom men
<b>Group (including subsidiaries)</b>				
Board members	8	75%	8	75%
President and other senior executives	5	80%	5	80%
<b>Group total</b>	<b>13</b>	<b>85%</b>	<b>13</b>	<b>85%</b>
<b>Parent Company</b>				
Board members	6	83%	6	83%
President and other senior executives	1	100%	1	100%
<b>Parent Company total</b>	<b>7</b>	<b>86%</b>	<b>7</b>	<b>86%</b>

## 9 EMPLOYEE BENEFITS, CONT.

Absenteeism due to sickness, %	2011	2010
Total absenteeism due to sickness	3.1	3.2
Long-term absenteeism due to sickness	11.7	24.9
Absenteeism due to sickness, men	2.6	2.9
Absenteeism due to sickness, women	5.7	4.4
Employees aged 29 and under	3.0	2.9
Employees aged 30-49	3.3	3.3
Employees aged 50 and over	3.1	7.7

Compensation to senior executives (SEK M)	Base salary/Board fee	Variable compensation	Other benefits	Pension costs	Other compensation	Total
<b>2011</b>						
Chairman of the Board – Fredrik Cappelen	0.5					0.5
Board member – Anders Moberg	0.3					0.3
Board member – Johannes Lien	0.0					0.0
Board member - Lottie Svedenstedt	0.3					0.3
Board member – Stig Notlöv	0.3					0.3
Board member – Stefan Linder	0.0					0.0
President	2.0	0.5	0.0	0.4		2.9
Other senior executives (four persons, of whom one woman)	3.8	0.3	0.0	0.9		5.0
<b>Total</b>	<b>7.1</b>	<b>0.8</b>	<b>0.0</b>	<b>1.3</b>	<b>0.0</b>	<b>9.2</b>
<b>2010</b>						
Chairman of the Board – Fredrik Cappelen	0.5					0.5
Board member – Anders Moberg	0.3					0.3
Board member – Johannes Lien	0.0					0.0
Board member - Lottie Svedenstedt	0.2					0.2
Board member – Stig Notlöv	0.0					0.0
Board member – Stefan Linder	0.0					0.0
President	1.7	0.6	0.0	0.3		2.6
Other senior executives (four persons, of whom one woman)	3.2	0.3	0.0	0.6		4.1
<b>Total</b>	<b>5.8</b>	<b>0.9</b>	<b>0.0</b>	<b>0.9</b>	<b>0.0</b>	<b>7.6</b>

There are no agreements concerning severance pay for the CEO or Group management. The period of notice for the CEO in the event of termination by the company or by the CEO is three months.

### Options program

The 2011 Annual General Meeting resolved to introduce an options program for about 20 senior executives and other key staff at Bygghmax. The term for the options was set at 3.5 years and they can be exercised in the final six months. A total of 565,000 warrants were issued, corresponding to nearly 1 percent in dilution. The warrants are priced at market value (SEK 6.77 per warrant) and the valuation was made by an independent party. Each warrant will entitle its holder to subscribe for one share in the company at a price of SEK 63.90. The participants of the warrants program have entered into a pre-emption agreement.

## 10 INCOME/LOSS FROM FINANCIAL ITEMS

Group	2011	2010
<b>Financial income</b>		
Exchange-rate differences	4.9	3.7
Changes in fair value – interest swaps and currency derivatives	2.1	8.5
Interest income, Group companies	0.0	0.4
Interest income	0.0	0.4
Other financial income	0.0	0.0
<b>Total</b>	<b>7.0</b>	<b>13.0</b>
<b>Financial expenses</b>		
Exchange-rate losses	-13.6	-8.6
Changes in fair value – interest swaps	0.0	0.0
–interest expenses, bank loans	-16.4	-23.5
–interest expenses, loans from related parties	0.0	-14.1
–interest expenses, reversal of discounting effect on loans from related parties	0.0	-1.9
–financial leasing, reversal of discounting effect	-2.1	-2.0
Other financial expenses	-0.7	-0.2
<b>Total</b>	<b>-32.9</b>	<b>-50.4</b>
<b>Loss from financial items</b>	<b>-25.8</b>	<b>-37.4</b>
<b>Parent Company</b>	<b>2011</b>	<b>2010</b>
<b>Interest income and similar items</b>		
Exchange-rate differences	0.1	0.0
Group contributions	14.4	38.0
Interest income	11.4	2.3
<b>Total</b>	<b>25.9</b>	<b>40.3</b>
<b>Interest expenses and similar items</b>		
Exchange-rate losses	-0.1	0.0
Interest expenses	-21.6	-21.4
Interest expenses, reversal of discounting effect on loans from related parties	0.0	-1.9
<b>Total</b>	<b>-21.7</b>	<b>-23.3</b>
<b>Income from financial items</b>	<b>4.2</b>	<b>17.0</b>

## 11 INCOME TAX

Group	2011	2010
Current tax for the year	-46.6	-50.4
Current tax attributable to previous years	0.0	-2.0
Tax effect of capitalized tax-loss carry-forwards	0.0	2.4
Deferred tax expense relating to temporary differences	-23.6	-16.4
Deferred tax income relating to temporary differences	0.7	1.2
<b>Total</b>	<b>-69.5</b>	<b>-65.2</b>

## 11 INCOME TAX, CONT.

<b>Parent Company</b>	2011	2010
Current tax for the year	0.0	0.5
<b>Total</b>	<b>0.0</b>	<b>0.5</b>

The difference between recognized tax expense and the estimated tax expense based on prevailing tax rates was as follows:

<b>Group</b>	2011	2010
Profit before tax	251.6	237.5
Income tax calculated according to the Group's prevailing tax rate	-66.2	-62.5
Non-taxable income	0.5	0.0
Non-deductible costs	-1.6	-0.2
Tax effect of interest on the tax allocation reserve	0.0	-0.8
Deficits for tax purposes for which no deferred tax asset is recognized	0.0	2.4
Effect of foreign tax rates	-2.1	-1.8
Adjustment of current tax relating to previous years	0.0	-2.0
Other	0.0	-0.4
<b>Tax expense</b>	<b>-69.5</b>	<b>-65.2</b>

<b>Parent Company</b>	2011	2010
Profit/loss before tax	0.0	-1.9
Income tax calculated according to prevailing tax rate 26.3 percent (26.3)	0.0	0.5
<b>Tax expense</b>	<b>0.0</b>	<b>-1.4</b>

Weighted average tax rate within the Group: 27.61% 27.45%

The prevailing tax rate for income tax within the Group and the Parent Company is 26.3 (26.3) percent.

## 12 EXCHANGE-RATE DIFFERENCES

Exchange-rate differences were recognized in profit or loss according to the following:

<b>Group</b>	2011	2010
Other operating income	3.8	2.3
Other external costs	-3.9	-4.7
Financial income	4.1	3.7
Financial expenses	-13.3	-8.6
<b>Total exchange-rate differences</b>	<b>-9.4</b>	<b>-7.3</b>

Exchange-rate differences on Group-internal transactions are recognized in net amounts.

## 13 INTANGIBLE FIXED ASSETS

Capitalized expenses for development work		
<b>Group</b>	2011	2010
Cost on the opening date	27.6	20.7
Increase through acquisition of operations	13.7	7.1
Exchange-rate differences	0.0	-0.2
<b>Accumulated cost on the balance-sheet date</b>	<b>41.3</b>	<b>27.6</b>
Amortization on the opening date	-14.4	-9.8
Amortization for the year	-5.3	-4.7
Exchange-rate differences	0.0	0.1
<b>Accumulated amortization on the balance-sheet date</b>	<b>-19.7</b>	<b>-14.4</b>
<b>Carrying amount on the balance-sheet date</b>	<b>21.6</b>	<b>13.2</b>

Capitalized development costs relate to development of business systems and the website.

<b>Goodwill</b>	2011	2010
Cost on the opening date	1 051.0	1 044.6
Goodwill on acquisition of Svea Distribution AB	0.0	6.4
Accumulated cost on the balance-sheet date	1 051.0	1 051.0
<b>Carrying amount on the balance-sheet date</b>	<b>1 051.0</b>	<b>1 051.0</b>

### Testing of impairment need for goodwill

Under IFRS 3 Business Combinations, the carrying amount for goodwill is to be tested on an annual basis. If there is an indication of a decline in value, it must be impairment tested in accordance with IAS 36. During the fourth quarter of each year, the Group assesses whether or not there is any impairment need for goodwill.

Recognized goodwill of SEK 1,051.0 M is entirely attributable to the Swedish element of the business, which is considered the cash-generating unit (CGU).

The reversible amount for the CGU is determined on the basis of calculations of useful life, which are based on cash flows after tax that are generated during the unit's remaining lifetime, assuming that it has unlimited lifetime.

The calculation is based on estimated future cash flows before tax based on the 2012 business plan and forecasts for the year from 2013 to 2016 that were prepared by Group management and approved by the Board. The forecasts are based on a number of principal assumptions concerning future growth and operating margins. The calculated reversible amount is compared with the carrying amount. Cash flows beyond the five-year period, meaning after 2016, are extrapolated using an estimated growth of 2 percent, which corresponds to a weighted average growth under Riksbanken's (the Swedish Central Bank) inflation targets. In the corresponding calculations for 2010, an estimated growth of 2 percent was used.

When discounting expected future cash flows, a weighted average cost of capital (WACC) before tax was used, which is currently 7 percent. The WACC was based on the following assumptions:

- Risk-free interest rate: Ten-year treasury bond rate
- Market risk premium: 4.5 percent
- Beta value: fixed beta value for Byggmax

Testing indicates that the recoverable value, which is calculated on the basis of fair value based on discounted cash flows, exceeds the carrying amount.

Sensitivity analyses show that a rise in the discount rate of 4 percent or a decline in cash flow of 10 percent would not affect the results of the test.

## 14 TANGIBLE FIXED ASSETS

### Equipment, tools and installations

Group	2011	2010
Cost on the opening date	232.4	190.0
Purchases	62.5	46.7
Sales and scrapping	-4.3	-1.8
Increase through corporate acquisitions	0.0	0.0
Reclassifications	0.0	0.0
Exchange-rate differences	-0.1	-2.4
<b>Accumulated cost on the balance-sheet date</b>	<b>290.5</b>	<b>232.4</b>
Depreciation on the opening date	-121.8	-90.0
Sales and scrapping	0.3	0.4
Increase through corporate acquisitions	0.0	0.0
Depreciation for the year	-39.5	-33.6
Reclassifications	0.0	0.0
Exchange-rate differences	0.1	1.3
<b>Accumulated depreciation on the balance-sheet date</b>	<b>-161.0</b>	<b>-121.8</b>
<b>Carrying amount on the balance-sheet date</b>	<b>129.5</b>	<b>110.6</b>

The item Equipment, tools and installations includes leasing objects that the Group holds according to financial leasing contracts in the following amounts:

Group	2011	2010
Cost – capitalized financial leasing	162.6	127.3
Accumulated depreciation	-88.9	-65.2
<b>Carrying amount</b>	<b>73.7</b>	<b>62.1</b>

Byggmax leases a large portion of the Group's equipment, and there are a relatively large number of financial leasing contracts relating to such equipment as store fittings and fork-lift trucks. Byggmax signs leasing contracts for three to five years, and there is an option to purchase the contract after the contract period.

### Buildings and land

Group	2011	2010
Cost on the opening date	12.3	7.9
Purchases	0.0	4.4
Sales and scrapping	-4.4	0.0
Exchange-rate differences	0.0	0.0
<b>Accumulated cost on the balance-sheet date</b>	<b>7.9</b>	<b>12.3</b>
Depreciation on the opening date	-0.8	-0.4
Sales and scrapping	0.0	0.0
Depreciation for the year	-0.4	-0.4
Exchange-rate differences	0.0	0.0
<b>Accumulated depreciation on the balance-sheet date</b>	<b>-1.2</b>	<b>-0.8</b>
<b>Carrying amount on the balance-sheet date</b>	<b>6.7</b>	<b>11.5</b>

## 14 TANGIBLE ASSETS, CONT.

### Land improvements on another party's property

Group	2011	2010
Cost on the opening date	5.3	5.4
Purchases	0.8	0.0
Sales and scrapping	0.0	-0.1
Exchange-rate differences	0.0	-0.1
<b>Accumulated cost on the balance-sheet date</b>	<b>6.0</b>	<b>5.3</b>
Depreciation on the opening date	-1.3	-1.0
Sales and scrapping	0.0	0.0
Depreciation for the year	-0.4	-0.4
Exchange-rate differences	0.0	0.0
<b>Accumulated depreciation on the balance-sheet date</b>	<b>-1.7</b>	<b>-1.3</b>
<b>Carrying amount on the balance-sheet date</b>	<b>4.3</b>	<b>3.9</b>

## 15 PARTICIPATIONS IN GROUP COMPANIES

Parent Company	2011	2010
Cost on the opening date	358.0	307.1
Investments	0.0	13.0
Capital contributions	0.0	38.0
<b>Carrying amount on the balance-sheet date</b>	<b>358.0</b>	<b>358.0</b>

The Parent Company has participations in the following Group companies:

Name	Corporate registration number	Registered office	Share of capital	Number of shares	Carrying amount	
					2011	2010
<b>Companies owned by Byggmax Group AB (publ)</b>						
Byggmax AB	556645-6215	Halmstad	100%	100 000	345.0	345.0
Svea Distribution AB	556602-5895	Eslöv	100%	200	13.0	13.0
Byggmax Fastighetsutveckling AB	556726-8593	Stockholm	100%	1 000	0.1	0.1
					<b>358.0</b>	<b>358.0</b>
<b>Övriga koncernbolags innehav</b>						
Byggmax i Karlstad AB	556616-8141	Halmstad	100%			
Byggmax International Purchasing AB	556757-2473	Stockholm	100%			
Byggmax Fastighets Holding AB	556726-8601	Stockholm	100%			
Byggmax Fastighetsutveckling 6 AB	556751-4442	Stockholm	100%			
Byggmax Fastighetsutveckling 7 AB	556757-3133	Stockholm	100%			
Byggmax Fastighet 2 AS	991 127 895	Oslo	100%			
Byggmax Fastighet 3 AS	991 127 917	Oslo	100%			
Byggmax Finland Fastighetsholding 1 Oy	2186417-4	Helsinki	100%			
Byggmax Finland Fastighet 1 Oy	2186407-8	Helsinki	100%			
Byggmax Finland Fastighetsholding 2 Oy	2186507-0	Helsinki	100%			

## 16 DISCLOSURES ON THE ACQUISITION OF SVEA DISTRIBUTION AB

Svea Distribution AB was acquired during the first quarter of 2010 in a transaction that was finalized in March 2011. The supplementary purchase consideration of SEK 0.5 M (the acquisition calculation included this amount) has been settled.

## 17 FINANCIAL INSTRUMENTS BY CATEGORY

The Group's financial assets and liabilities are measured at accrued cost with the exception of derivative instruments, which are measured at fair value in profit or loss. Derivative instruments are recognized separately in a separate item in the balance sheet. For a more detailed description of Byggmax's derivative instruments, refer to Note 19.

As of January 1, 2009, the Group applies an amendment of IFRS 7 for financial instruments measured at fair value in profit or loss. Information is thus required on valuation at fair value per level in the following fair-value hierarchy:

- Listed prices (unadjusted) on active markets for identical assets or liabilities (level 1)
- Other observable data for the asset or liability than listed prices included in level 1, either direct (i.e. like price quotations) or indirect (i.e. derived from price quotations) (level 2).
- Data for the asset or liability that is not based on observable market data (i.e. non-observable data) (level 3).

Byggmax only holds derivative instruments measured at fair value in its financial statements. These instruments are measured at fair value in profit or loss. The value is based on observable data for the asset or liability, i.e. level 2. No reclassifications between the various levels took place.

## 18 DIVESTMENT OF SUBSIDIARIES

In 2011, the subsidiary Byggmax Fastighetsutveckling 5 AB was divested. This transaction did not entail any impact on earnings.

## 19 DERIVATIVE INSTRUMENTS

<b>Group December 31, 2011</b>	<b>Assets</b>	<b>Liabilities</b>
Derivative instruments		
Interest swaps – held for sale	0.0	0.0
Currency forwards - held for sale	1.5	0.8
<b>Total</b>	<b>1.5</b>	<b>0.8</b>

<b>Group December 31, 2010</b>	<b>Tillgångar</b>	<b>Skulder</b>
Derivative instruments		
Interest swaps – held for sale	0.0	0.0
Currency forwards - held for sale	3.5	4.9
<b>Summa derivatinstrument</b>	<b>3.5</b>	<b>4.9</b>

Derivative instruments held for sale are classified as current assets or current liabilities. The nominal amount for outstanding currency forwards was SEK 179.2 M (226.6) on the balance-sheet date. The nominal amount for outstanding interest swaps was SEK 125.0 M (125.0) on the balance-sheet date.

The maximum exposure to credit risks on the balance-sheet date was the fair value of the derivative instruments recognized as assets in the balance sheet.

## 20 ACCOUNTS RECEIVABLE

Group	2011	2010
Accounts receivable	3.8	2.1
Provisions for doubtful receivables	0.0	-0.6
<b>Total accounts receivable</b>	<b>3.8</b>	<b>1.5</b>

The fair value of the Group's accounts receivable corresponds with the carrying amount.

## 21 INVENTORIES

Group	2011	2010
Completed goods and goods for resale	424.9	350.5
Work in progress on behalf of another party	0.0	0.2
Prepayments to suppliers	0.0	0.0
<b>Total inventories</b>	<b>424.9</b>	<b>350.7</b>

Inventories consist in their entirety of goods for resale.

## 22 OTHER RECEIVABLES

	2011	2010
Bonus receivables from suppliers	54.0	37.4
Other receivables	9.3	3.3
<b>Total other receivables</b>	<b>63.3</b>	<b>40.6</b>

Most bonus receivables are in SEK. As of December 31, 2011, no Other receivables were considered doubtful. In respect of existing bonus receivables, the majority of the items have a corresponding entry in accounts payable.

## 23 PREPAID EXPENSES AND ACCRUED INCOME

Group	2011	2010
Prepaid rent	26.6	18.7
Prepaid leasing fees	0.4	0.4
Accrued interest income	0.0	0.0
Other items	5.1	5.0
<b>Total prepaid expenses and accrued income</b>	<b>32.0</b>	<b>24.1</b>

## 24 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the balance sheet and the cash-flow statement include the following:

Group	2011	2010
<b>Balance sheet</b>		
Cash and bank	10.5	20.9
Blocked funds	12.3	13.2
<b>Total</b>	<b>22.8</b>	<b>34.1</b>

## 24 CASH AND CASH EQUIVALENTS, CONT.

### Cash-flow statement

Cash and bank	10.5	20.9
Short-term investments	0.0	0.0
<b>Total</b>	<b>10.5</b>	<b>20.9</b>

Blocked funds refer to rent deposits of SEK 4.8 M, a customs credit of SEK 7.0 M and a deposit bank account of SEK 0.5 M.

## 25 SHARE CAPITAL AND OTHER CAPITAL CONTRIBUTIONS

The specification of changes in shareholders' equity is presented in the report Changes in shareholders' equity directly after the Balance sheet.

Group	No. of shares (000s)	Share capital	Other capital contributions	Total
On December 31, 2010	60.7	20.2	441.0	461.3
On December 31, 2011	60.7	20.2	441.0	461.3

The shares have a quotient value of SEK 0.33 per share (SEK 0.33 per share). Each share represents one vote. All registered shares were paid in full on the balance sheet date.

## 26 RESERVES

The category Reserves within shareholders' equity consists in its entirety of exchange-rate differences arising in the translation of foreign subsidiaries.

## 27 BORROWING

Group	2011	2010
<b>Long-term</b>		
Liabilities to credit institutions	130.0	210.0
Liabilities related to financial leasing	36.3	29.3
<b>Total</b>	<b>166.3</b>	<b>239.3</b>
<b>Short-term</b>		
Liabilities to credit institutions	40.0	40.0
Overdraft facilities	273.8	174.7
Liabilities related to financial leasing	30.2	25.3
<b>Total</b>	<b>344.0</b>	<b>240.0</b>
<b>Total borrowing</b>	<b>510.3</b>	<b>479.3</b>

All borrowing within the Group is in SEK.

All external loans have an interest period of three months, meaning that the carrying amount closely corresponds to fair value.

## 27 BORROWING CONT.

There are pledged assets for these loans. See Note 32.

The Group's borrowing will be amortized during the years 2011 to 2013.

The Group has the following unutilized credit facilities:

<b>Group</b>	2011	2010
Overdraft facility	76.2	175.3
<b>Total</b>	<b>76.2</b>	<b>175.3</b>

Of the above available overdraft facilities, SEK 7 M is a customs credit.

### Financial leasing

Gross debt relating to financial leasing

<b>Group</b>	2011	2010
Within one year	38.2	26.7
Later than one year but within five years	31.8	30.4
Later than five years	0.0	0.0
<b>Total</b>	<b>70.1</b>	<b>57.1</b>

Future financial expenses for financial leasing	-3.5	-2.5
Present value of liabilities relating to financial leasing	66.6	54.6

In the balance sheet item Borrowing from credit institutions, financial leasing is included as follows:

<b>Group</b>	2011	2010
Within one year	30.2	25.3
Later than one year but within five years	36.3	29.3
Later than five years	0.0	0.0
<b>Total</b>	<b>66.6</b>	<b>54.6</b>

## 28 DEFERRED TAX

<b>Group</b>	2011	2010
<b>Deferred tax liabilities</b>		
Untaxed reserves	62.6	51.6
Leasing	1.9	2.0
<b>Total deferred tax liabilities</b>	<b>64.5</b>	<b>53.6</b>
<b>Deferred tax assets</b>		
Derivatives	-0.2	0.4
Valuation of loss carry-forwards	4.2	15.7
Other	0.0	0.0
<b>Total deferred tax assets</b>	<b>4.0</b>	<b>16.1</b>
<b>Deferred tax liabilities, net</b>	<b>60.4</b>	<b>37.5</b>

## 28 DEFERRED TAX, CONT.

Gross changes relating to deferred taxes are as follows:

Group	2011	2010
On the opening date	37.5	33.1
Reversal of discount effect	0.0	-7.4
Recognition in profit or loss	22.9	12.8
Acquired deferred tax liability	0.0	0.9
Adjustment from current receivable to deferred tax asset	0.0	-2.0
Exchange-rate differences	0.0	0.0
<b>On the balance-sheet date</b>	<b>60.4</b>	<b>37.5</b>

Deferred tax assets are recognized as loss carry-forwards for tax purposes insofar as it is probable that they can be offset by future taxable profits. The Group recognized deferred tax assets of SEK 4.0 M (16.1). Of these, SEK 2.3 (13.7) is in respect of losses amounting to SEK 8.7 M (51.6) that can be offset against future taxable profits. SEK 0.5 M pertains to taxes on internal gains of SEK 1.6 M (0.0), a negative SEK 0.2 M (0.4) to derivatives and SEK 1.4 M (2.0) to blocked amounts for foreign tax.

## 29 PENSIONS

### Pension insurance in Alecta

Obligations for retirement and family pensions for salaried employees in Sweden are secured via insurance with Alecta. According to statement UFR 6 from the Swedish Financial Reporting Board, this is a defined-benefit plan that includes several employers. For the 2011 fiscal year, the Group did not have access to information that would enable it to be recognized as a defined-benefit plan. The pension plan according to ITP that is secured through insurance in Alecta is therefore recognized as a defined-contribution plan. The year's fees for pension insurance issued by Alecta amounted to SEK 3.1 M (3.0). Alecta's surplus can be distributed to policy holders and/or insured persons. On December 31, 2011, Alecta's surplus in the form of the collective consolidation level amounted to 113 percent (146). The collective consolidation level corresponds to the market value of Alecta's assets as a percentage of pension obligations as calculated according to Alecta's actuarial assumptions, which are not in agreement with IAS 19.

## 30 OTHER LIABILITIES

Group	2011	2010
VAT liabilities	0.9	0.9
Personnel-related liabilities	4.1	3.5
Other	7.6	3.9
<b>Total other liabilities</b>	<b>12.6</b>	<b>8.3</b>
<b>Parent Company</b>		
Other	0.0	0.5
<b>Total other liabilities</b>	<b>0.0</b>	<b>0.5</b>

## 31 ACCRUED EXPENSES AND PREPAID INCOME

<b>Group</b>	2011	2010
Accrued salaries	16.2	14.1
Accrued vacation pay	24.1	20.7
Accrued social fees	6.5	6.2
Other	13.8	15.0
<b>Total accrued expenses and prepaid income</b>	<b>60.6</b>	<b>56.1</b>
<b>Parent Company</b>		
Other	2.8	5.0
<b>Total accrued expenses and prepaid income</b>	<b>2.8</b>	<b>5.0</b>

## 32 PLEDGED ASSETS AND CONTINGENT LIABILITIES

### Pledged assets

<b>Group</b>	2011	2010
For own debts and provisions:		
Shares in subsidiaries	845.6	658.7
Blocked bank funds	12.3	13.2
Chattel mortgages	120.0	120.0
<b>Total pledged assets and contingent liabilities</b>	<b>977.9</b>	<b>791.9</b>
<b>Parent Company</b>		
Shares in subsidiaries	358.0	358.0
<b>Total pledged assets and contingent liabilities</b>	<b>358.0</b>	<b>358.0</b>

### Contingent liabilities

<b>Group</b>	2011	2010
Capital coverage guarantee on behalf of Group companies	none	none

## 33 OBLIGATIONS

### Obligations relating to operational leasing

The Group leases rental premises, as well as miscellaneous small equipment, according to terminable operational leasing contracts.

Future leasing fees for non-terminable operational leasing contracts fall due for payment according to the following:

<b>Group</b>	2011	2010
Within one year	114.2	92.7
Later than one year but within five years	403.3	338.1
Later than five years	326.2	277.3
<b>Total</b>	<b>843.7</b>	<b>708.1</b>

Most of the above amounts relate to the rent for premises. In other respects, most of the Group's leasing contracts are classified as financial leasing. Information on financial leasing is presented in Note 27.

## 34 TRANSACTIONS WITH RELATED PARTIES

A related party is defined as a party that exercises a controlling influence (owns more than 50 percent) or that has a substantial influence (owns more than 20 percent). The Byggmax Group is 35.8 percent owned by the Altor 2003 Fund, which thus has controlling influence over the Group.

Altor has controlling influence over Senzum AB (a subsidiary of Lindorff Group AB and is owned by the Altor 2003 fund and Altor Fund II), Carnegie Investment Bank (owned by Altor Fund III) and Dustin Financial Services AB (owned by Altor Fund II).

### Purchases of goods and services

During the year, Byggmax purchased call-center services from Senzum AB, which is a subsidiary of Lindorff Group AB. Total costs during 2011 amounted to SEK 3.0 M (1.8).

During the year, Byggmax purchased consultant services from Carnegie Investment Bank. Total costs during 2011 amounted to SEK 0.0 M (0.5).

During the year, Byggmax purchased IT equipment from Dustin Financial Services. Total costs during 2011 amounted to SEK 0.7 M (0.6).

### Receivables and liabilities on Dec. 31, 2011 as a result of sales and purchases of goods and services

<b>Liabilities to related parties:</b>	2011	2010
- Carnegie Investment Bank	0.0	0.4
<b>Total</b>	<b>0.0</b>	<b>0.4</b>

<b>Receivables to related parties:</b>	2011	2010
	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>0.0</b>

Receivables from related parties are primarily the result of sales transactions and fall due for payment one month after the sale date. The Group has no collateral for these receivables. No interest is charged. Liabilities to related parties are primarily the result of purchase transactions and fall due for payment one month after the purchase date. These liabilities carry no interest.

## 35 EVENTS AFTER THE BALANCE-SHEET DATE

There were no significant events after the balance-sheet date.

The Board of Directors and President hereby affirm that the consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and provide an accurate portrayal of the Group's position and EBIT. The Annual Report has been prepared in accordance with the generally accepted accounting practice in Sweden and accurately reflects the Parent Company's position and EBIT. The Administration Report for the Group and the Parent Company provides an accurate overview of trends in the Group's and Parent Company's operations, positions and EBITs, as well as describing significant risks and instability factors faced by the Parent Company and companies in the Group.

The Parent Company's income statement and balance sheet and the Group's consolidated income statement and balance sheet will be presented to the Annual General Meeting on April 20, 2012 for adoption.

Stockholm, February 22, 2012

FREDRIK CAPPELEN  
Chairman of the Board

ANDERS MOBERG  
Board member

JOHANNES LIEN  
Board member

LOTTIE SVEDENSTEDT  
Board member

STEFAN LINDER  
Board member

STIG NOTLÖV  
Board member

MAGNUS AGERVALD  
President

Our auditors' report was submitted on March 1, 2012  
Öhrlings PricewaterhouseCoopers AB

ANNA-CARIN BJELKEBY  
Authorized Public Accountant

# AUDITORS' REPORT

To the annual meeting of the shareholders of Bygghmax Group AB (publ), corporate identity number 556656-3531

## Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Bygghmax Group AB (publ) for the year 2011. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 31-69.

### *Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts*

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinions*

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2011 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by

the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

## Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Bygghmax Group AB (publ) for the year 2011.

### *Responsibilities of the Board of Directors and the Managing Director*

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

### *Auditor's responsibility*

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Opinions*

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm March 1, 2012  
Örhlings PricewaterhouseCoopers AB

Anna-Carin Bjelkeby  
Authorized Public Accountant

# BYGGMAX GROUP MANAGEMENT



Mikael Bengtsson, Magnus Agervald, Pär Petersson, Pernilla Walfridsson and Jacob Notlöv.

## MAGNUS AGERVALD

**PRESIDENT SINCE 2008 (EMPLOYED SINCE 2006). BORN 1975. EDUCATION: B. SC. STOCKHOLM SCHOOL OF ECONOMICS AND GRADUATE ENGINEER KTH ROYAL INSTITUTE OF TECHNOLOGY. BACKGROUND: FORMERLY WORKED AS A CONSULTANT AT MCKINSEY & COMPANY AND ANALYST AT IDI AB AND FOUNDER OF ICOMERA. OTHER ASSIGNMENTS: NO OTHER ASSIGNMENTS. SHAREHOLDING: 550,000 SHARES AND 250,000 WARRANTS.**

## MIKAEL BENGTSSON

Business Manager since 2008 (employed since 1999). Born 1966. **Education:** Social educationist Jönköping University. **Background:** Formerly department head of Obs Byggmarknad. **Other assignments:** No other assignments. **Shareholding:** 96,000 shares and 50,000 warrants.

## JACOB NOTLÖV

Marketing Manager since 2007, IT Manager since 2004 (employed since 2001). Born 1980. **Other assignments:** Partner and Board member of Adtraction Marketing AB and Board member of LLJ Property AB. **Shareholding:** 256,000 shares and 50,000 warrants.

## PÄR PETERSSON

Purchasing Manager since 2007 (employed since 2000). Born 1961. **Education:** Technology studies in the sales field. **Background:** Formerly sales representative and district manager of Pääls Bagerier. **Other assignments:** No other assignments. **Shareholding:** 72,000 shares and 50,000 warrants.

## PERNILLA WALFRIDSSON

CFO since 2005. Born 1973. **Education:** Master of Science in Business and Economics, Växjö University. **Background:** Formerly CFO of consumer electronics chain Power, Business Controller of IKEA Russia and Controller at IKEA AB. **Other assignments:** No other assignments. **Shareholding:** 240,000 shares and 50,000 warrants.

## REVISORER

Byggmax's auditor is Öhrlings PricewaterhouseCoopers AB, with Anna-Carin Bjelkeby as auditor in charge since 2007. Anna-Carin Bjelkeby is an authorized public accountant and a member of FAR SRS. The address of Öhrlings PricewaterhouseCoopers AB's offices is Torsgatan 21, SE-113 97 Stockholm, Sweden.

# BYGGMAX BOARD OF DIRECTORS



Fredrik Cappelen



Anders Moberg



Johannes Lien



Lottie Svedenstedt



Stefan Linder



Stig Notlöv

## FREDRIK CAPPELEN

Chairman of the Board since 2008. Born 1957. **Education:** Graduate in Business Administration and studies in political science at Uppsala University. **Background:** Formerly President and CEO, as well as board member, of Nobia AB and board member of Danske Træløst. **Other assignments:** Chairman of the Board of Munksjö AB, Sanitec OY and Dustin AB, board member of Securitas AB, Carnegie Investment Bank AB and Granngården AB. **Shareholding:** Owns no shares, but is exposed to 700,000 shares through his endowment insurance and to 200,000 Byggmax shares through an associated company.

## ANDERS MOBERG

Board member since 2006. Born 1950. **Background:** Formerly board member of Velux A/S and ICA AB and CEO of the IKEA Group, Royal Ahold N.V. and Majid Al Futtaim Group LLC. **Other assignments:** Anders is Chairman of the Board of Clas Ohlson AB, OBH Nordica AB and Biva A/S, as well as a Board member of DFDS A/S, Husqvarna AB, ZetaDisplay AB, Hema B.V., ITAB AB, Rezidor AB, Amor GMBH and Ahlstrom OY. **Shareholding:** Does not own any shares but is exposed to 800,000 shares in Byggmax through his endowment insurance.

## JOHANNES LIEN

Board member since 2009, deputy Board member since 2007. Born 1977. **Education:** M. Sc. from the Norwegian School of Economics **Background:** Previously a consultant at McKinsey & Company, formerly Board member of SPT Group AS and deputy board member of SiteTel Sweden AB. **Other assignments:** Johannes is also a director at Altor Equity Partners AB, board member of Elixia Holding IV AS, Helly Hansen Group AS, Navico Holding AS, Ketlav Invest AS and N Holding AB. He is also a partner and board member of Cretum Invest AB.

**Shareholding:** Does not own any shares but is exposed to 20,000 shares in Byggmax through his endowment insurance.

## LOTTIE SVEDENSTEDT

Board member since 2010. Born 1957 **Education:** Lawyer from Uppsala University. **Background:** Former Regional Manager for H&M, President Inter Ikea Systems A/S, Business Area Manager Ikea of Sweden, CEO Kid Interiør A/S. **Other assignments:** Chairman of the Management Institute in Lund (MIL). Board member of Clas Ohlson AB, Swedavia AB, mktmedia ab, Global Health Partner AB, Thule Group AB, Vanna Ab, Stampen AB, Liberala Tidningar i Mellansverige AB, Mediebolaget Promedia i Mellansverige AB and ITAB Shop Concept AB. **Shareholding:** 10,000 shares.

## STEFAN LINDER

Board member since 2006. Born 1968. **Education:** B. Sc. Stockholm School of Economics. **Background:** Board member of Industri Kapital and works in the field of investment banking at Morgan Stanley in London. **Other assignments:** Stefan is partner and Board member of Altor Equity Partners AB, Chairman of EuroCater A/S, Board member of ApoPharm AB, CTEK Holding AB, and Dustin Group AB. **Shareholding:** 0 shares.

## STIG NOTLÖV

Board member of the current company since 2006, Board member of former Parent Company since 1993. Born 1947. **Background:** Formerly President of Byggmax. **Other assignments:** No other assignments. **Shareholding:** 3,078,042 shares through companies.

# CHAIRMAN'S COMMENTS

It has been an extremely intensive year for Byggmax, with a weak market trend, the opening of 13 new stores and the launch of a new online product range. These events have naturally influenced the work of the Board and affected the financial situation.

## THE BOARD'S WORK

Byggmax has a well-composed Board with members of varying and supplementary backgrounds and skills. The Board held ten meetings during the year. Important resolutions taken during the year included:

- Resolution on the implementation of a long-term incentive program
- Revision and adoption of the company's policies
- Opening of new stores in all three countries
- Continued work on improving operating activities. A more structured approach was taken to the work on the LEAN management system and a new distribution center was commissioned.
- Launch of a mail-order product range

Clarification of Byggmax's values, the Byggmax spirit

The evaluation of the Board's work concluded that it is effective and goal-oriented.

## COMMENTS ON THE CORPORATE GOVERNANCE REPORT

As made evident in the Corporate Governance Report, Byggmax applies the Swedish Code of Corporate Governance. In a few specific areas the Board has elected to diverge from specific rules and explain why instead. This applies to internal auditing, where the Board has elected to not have a specific internal audit since the company has a straightforward legal and operational structure, and comprehensive management and internal control systems. The Audit Committee follows up the company's assessment of the internal audit through contact with the company's auditors.

## FINANCIAL SITUATION

Through its budget concept, Byggmax has historically strengthened its market position in a weaker economy. At year-end 2011, Byggmax held a strong position. Net profit increased to SEK 182 M (172). Shareholders' equity had increased from SEK 748 M to SEK 844 M at December 31, 2011. Interest expenses declined significantly as a direct result of the redemption of the shareholder loan by a bank loan at a lower interest rate and through an injection of equity.



Byggmax's financial strength is important as it enables us to invest in the future. You can read more about our investments in the President's Comments. I am very enthusiastic regarding the investments being made, with more stores in all of the countries and the launch of the new online product range.

Finally, I would like to show my appreciation to our Group management and all employees for a job well done in 2011!

Fredrik Cappelen  
Chairman of the Board

# CORPORATE GOVERNANCE REPORT

Byggmax is a Swedish public limited liability company listed on NASDAQ OMX Stockholm. Byggmax applies the Swedish Code of Corporate Governance and hereby submits its Corporate Governance Report for the fiscal year January 1, 2011 to December 31, 2011. Byggmax Group AB (publ) has prepared the Corporate Governance Report in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Code of Corporate Governance. The guidelines for the Swedish Code of Corporate Governance are available from the website of the Swedish Corporate Governance Board ([www.bolagsstyrning.se](http://www.bolagsstyrning.se)).

Corporate governance regards the rules and regulations as well as the existing structure for managing and leading business activities in a limited company with an efficient and controlled approach. Ultimately, corporate governance aims to meet shareholder requirements in respect of return and to provide all stakeholders with adequate and correct information about the company and its development.

The Byggmax Group AB (publ), hereinafter called Byggmax or the Company, is listed on NASDAQ OMX Stockholm and applies the Swedish Code of Corporate Governance (the Code) from the date of its listing, which was June 2, 2010. The Code builds on the principle "comply or explain" which means that companies that apply the Code can deviate from specific rules but must explain the underlying reasons behind the deviation. Byggmax Group AB (publ) has made the following deviations from the Code:

- The Board has elected to not have a specific internal audit since the company has a straightforward legal and operational structure, and comprehensive management and internal control systems

## SHAREHOLDERS

The share capital in Byggmax amounted to SEK 20,245,682 M divided among 60,737,045 shares. Only one class of shares exists and all shares have equal rights to participation in the company's assets and profits. The number of shareholders on December 31, 2011 was 4,748. Altor 2003 fund is the largest shareholder and has a holding equivalent to 35.8 percent. Non-Swedish owners accounted for ownership of approximately 70.9 percent of the shares. For further information regarding the share and shareholders please see pages 27-28 and the Byggmax website.

## ANNUAL GENERAL MEETING

Shareholders exercise their influence over the company at the Annual General Meeting (AGM) which constitutes the company's highest decision making body.

## 2011 Annual General Meeting

The 2011 AGM was held on April 1, 2011, at Infracity in Upplands Väsby (Stockholm). At the AGM, 55 shareholders representing 67 percent of the votes were present either in person or via representatives. Fredrik Cappelen was elected Chairman of the AGM.

The main resolutions passed were as follows:

- Amendment of the Articles of Association concerning a notice to the General Meeting of Shareholders.
- Resolution on an incentive program comprising a private placement and the transfer of warrants.
- Reelection of board members Fredrik Cappelen, Johannes Lien, Stefan Linder, Anders Moberg, Stig Notlöv and the election of Lottie Svedenstedt
- Policies for compensation and terms of employment for the President and other senior executives.
- Policies for the appointment of the Nomination Committee

## Proposal for 2012 AGM

The next AGM for shareholders in Byggmax will be held on Friday, April 20, 2012, at the Primus conference center in Stockholm from 11:30 a.m. For further information regarding the AGM visit the Byggmax website.

## NOMINATION COMMITTEE

The AGM on April 1, 2011, resolved that a Nomination Committee would be appointed for the AGM 2012. The Chairman will convene the three largest directly registered owner-categorized shareholders of the company – according to Euroclear Sweden AB as of August 31 – who will subsequently each be entitled to appoint a member to the Nomination Committee. The composition of the Nomination Committee will be published not later than six months prior to the AGM.

The Nomination Committee is to prepare and submit proposals to the General Meeting of Shareholders concerning a Chairman for the AGM, the Chairman of the Board of Directors and other members of the company's Board. The Nomination Committee is also tasked with submitting proposals for directors' fees that are to be allocated among the Chairman and other members, the election of (where applicable) and fees to auditors, as well as decisions on principals concerning the appointment of the Nomination Committee's members.

## BOARD OF DIRECTORS

Each year the Byggmax Board of Directors adopts a formal work plan and written instructions in respect of financial reporting and allocation of duties between the Board and the President. The formal work plan regulates the Board's

obligations, division of work among board members, the minimum number of board meetings per year, notice of and documents before board meetings and the preparation of the minutes of board meetings.

Written instructions regulate the reporting system that exists to enable the Board to continuously assess the Company's and the Group's financial situations and the allocation of work between the Board and the President.

#### Independence of the Board

The Board's assessment of the individual board members relation to the Company and the shareholders is defined in the table "Composition and attendance of Board meetings". As is made evident, Byggmax meets the Code's requirement that the majority of the elected board members are independent of the Company and the Group management and that at least two of these are independent of the Company's major shareholders.

#### Composition and attendance of Board meetings

A detailed description of the Board members is available on page 72.

#### The Board's work in 2011

The Board held ten meetings in 2011. Important issues addressed by the Board in 2011, in addition to the adoption of the Annual Report and interim reports, and the business plan and attendant budget, include the following: Beslut om aktieutdelning för 2010 med 1,5 kr per aktie

- Resolution concerning a dividend of SEK 1.5 per share for 2010

- Resolution concerning the implementation of a long-term incentive program
- Revision and adoption of the company's policies
- Opening of new stores in all three countries

The Group's President, Magnus Agervald and CFO, Pernilla Walfridsson, participate at board meetings. Other employees may also participate in Board meetings as reporters for specific issues.

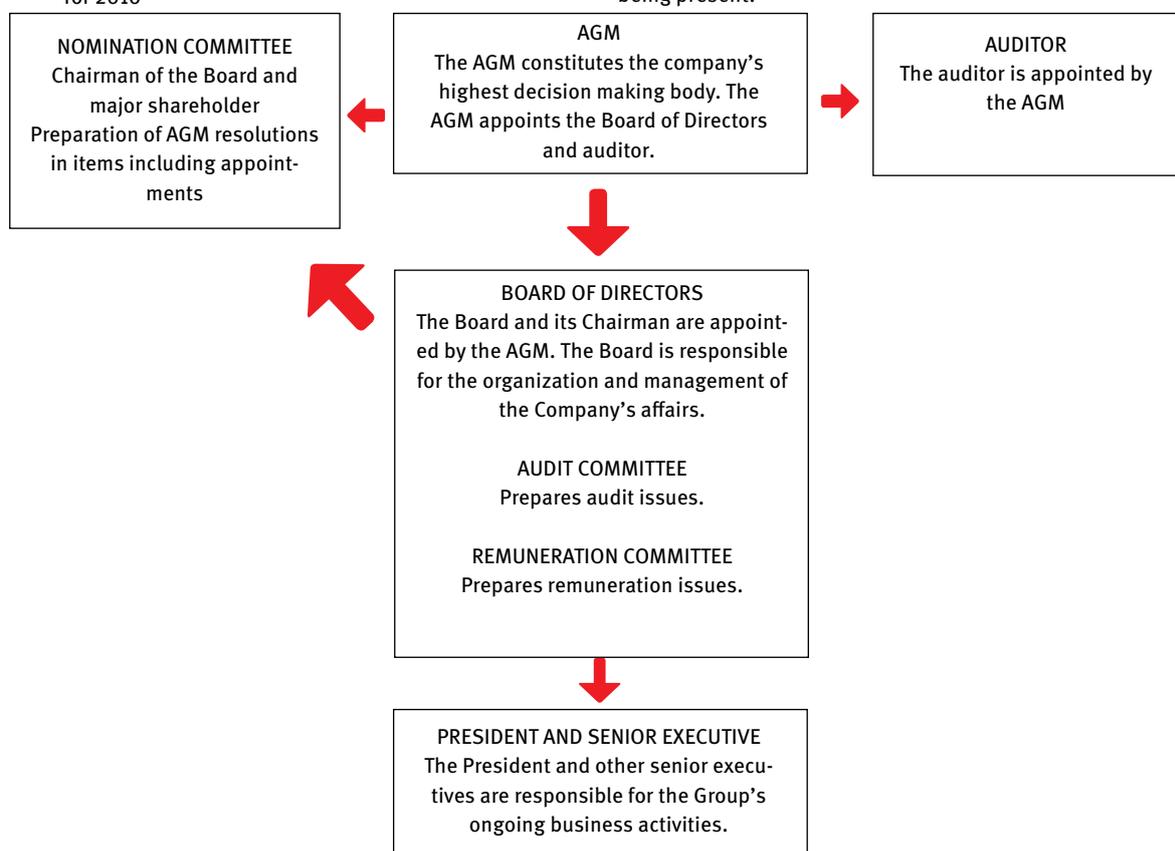
#### Evaluation of the work of the Board of Directors in 2011

The Chairman of the Board is responsible for evaluating the work of the Board including the input of the individual board members. The evaluation focuses on the supply and demand of specific competence and ways of working. The evaluation of the work of the Board has concluded that the work is efficient and goal oriented.

#### Board committees

The Board currently has no remuneration committee, audit committee or any other committee. It is the Board's belief that the tasks that would otherwise be performed by committees can be carried out more effectively by the Board in its entirety.

The Board, as a whole, prepares and addresses issues regarding remuneration and other employment terms for senior executives. The audit committee is comprised by the Board in its entirety. The committees/Board meet the Company's auditors twice yearly to discuss matters including audit plans and audit reports. At meetings with the Company's auditors, the committees/Board are given the opportunity to meet with the auditor without the President being present.



## PRESIDENT AND SENIOR EXECUTIVES

President, also CEO, is tasked with managing the ongoing operation of the Company in accordance with the written instructions adopted by the Board.

Magnus Agervald has been the President and CEO of Byggmax since January 1, 2008. He has no shareholding or partnership in any company that the Company has a significant business relationship with.

The Byggmax Group management comprises five members including the President. A description of the management is available under the heading "Byggmax Group Management" (page 71).

## REMUNERATION GUIDELINES

For information concerning salaries and other remuneration to the President and other senior executives see Note 9, page 54.

## AUDITORS

The AGM appoints the auditor for the Company every four years. Öhrlings PriceWaterhouseCoopers, hereinafter called PWC, was elected by the AGM 2010 for a mandate period of

four years. PWC has appointed Authorized Public Accountant Anna-Carin Bjelkeby as principal auditor for the audit. In addition to the audit assignment, Byggmax has consulted PWC on taxes and other accounting issues. PWC is obligated to test its independence prior to accepting independent advisory assignments in addition to its auditing assignments for Byggmax. Information in respect of the fees paid to the auditing company is provided in Note 8.

According to the Code, the Company's Board should ensure that the interim report in respect of the second or third quarter is reviewed by the auditors. Byggmax's auditors conducted a basic review of the company's nine-month interim report.

## INTERNAL AUDIT

The Company has a simple legal and operative structure and a comprehensive management and internal control system. The Audit Committee follows up the Company's assessment of the internal audit through contact with the Company's auditors. In view of the aforementioned, the Board has opted not to have a separate Corporate Internal Audit.

## THE BOARD'S COMPOSITION AND ATTENDANCE AT MEETINGS

Name	Function	Elected	Board attendance	Director fees	Independence of the Company's management and major shareholder
Fredrik Cappelen	Chairman of the Board	2006	10/10	500 000 SEK	No
Anders Moberg	Board member	2006	10/10	250 000 SEK	No
Johannes Lien	Board member	2009	9/10	Inget	Yes
Lottie Svedenstedt	Board member	2010	10/10	250 000 SEK	No
Stefan Linder	Board member	2006	10/10	Inget	Yes
Stig Notlöv	Board member	2006	10/10	250 000 SEK	Yes

## INTERNAL CONTROL

The Board's responsibility for internal control is regulated in the Swedish Companies Act and in the Swedish Code of Corporate Governance that contain requirements in respect of yearly external disclosure regarding the organization of internal control regarding financial reporting.

The Board has overriding responsibility for internal control at Byggmax. The President has the ongoing responsibility for maintaining internal steering and controls. The ultimate aim of internal control is to ensure that Byggmax's financial reports are prepared in accordance with the law, applicable accounting policies and other requirements that apply to listed companies in addition to protecting Byggmax's assets. Byggmax has elected to use COSO's definition of internal control as the foundation for its work with internal control. According to COSO, internal control comprise five different parts; the control environment, risk assessment, control activities, information and communication and follow-up. These various parts are described briefly below.<sup>1</sup>

### Control environment

The control environment forms the basis for the internal control and builds on the culture that the Board of Directors and management communicate and work by. It primarily comprises values, competence, management philosophy, organizational structure, responsibility and authorizations as well as policies and routines. A key component of the control environment is the clear definition and communication of decision paths, authorizations and responsibility between differing levels in the organization and that steering documents in the form of internal policies and guidelines include all material areas and that these provide guidance to the various employees of Byggmax.

A key component of the Board's work is the preparation and approval of a number of policies including the rules of procedure for the Board of Directors, the President's instructions, financial policy, IT policy, information policy and the logbook and insider policy. The aim of these policies

<sup>1</sup> COSO (Committee of Sponsoring Organizations of the Treadway Commission), which is the framework that has the widest spread and international acceptance, and which takes a particular position on the definition of accepted internal control.

includes creating the foundation for acceptable internal control. All policies are reported annually and adopted by the Group management or Board.

Byggmax's accounting process is documented in an accounting manual.

#### **RISKASSESSMENT**

All business activities are linked to a certain degree of risk taking. A structured risk assessment enables the identification of significant risks. Byggmax operates an ongoing process of risk analysis in which the risks of errors in the financial reporting of significant income statement and balance sheet items are analyzed. Other risks in conjunction with the financial reporting include the risk of fraud, loss or misappropriation of assets. The Board of Byggmax continuously assess the Company's risk management. This includes assessing the preventative measures taken to reduce the Company's risks, which entails ensuring the Company is appropriately insured and that the Company has the requisite policies and guidelines in place.

#### **Control activities**

The Group' control structure is designed to handle the risks the Board assesses as being significant for the internal control of financial reporting. In Byggmax, the control structures comprise an organization with clear roles that enables an efficient, and from an internal control perspective, suitable allocation of responsibilities, and additionally of specific control activities that are aimed at identifying or safeguarding from the risks of errors in the reporting. Byggmax has

a systematic modus operandi to minimize the risk of fraud and/or theft, this includes efforts to minimize waste in the stores.

#### **Information and communication**

Byggmax has an information policy that includes guidelines for internal and external information from the Company. External information is disclosed in compliance with stock exchange and securities legislation and the Swedish Financial Supervisory Authority's regulations. Internal dissemination of price-sensitive information occurs only after Byggmax has released the corresponding information to the stock market. Steering documentation in the form of policies, guidelines and manuals are communicated via the Group's intranet and accounting manual.

#### **FOLLOW UP**

The Group's accounting functions are integrated via a joint accounting and reporting system. The Board and Group management are provided with ongoing information in respect of the Group's financial performance, situation and development of the business. The reports also contain analytical follow-ups, trend monitoring and benchmarking between stores. The accounting function has the same procedures and requirements of documentation at every monthly accounts date. The Board continuously evaluates the information provided by the Group management. The work includes ensuring that measures are taken in respect of faults and proposed measures that may have been identified in the external audit.

FREDRIK CAPPELEN  
Chairman of the Board

ANDERS MOBERG  
Board member

JOHANNES LIEN  
Board member

LOTTIE SVEDENSTEDT  
Board member

STEFAN LINDER  
Board member

STIG NOTLÖV  
Board member

# AUDITOR'S STATEMENT ON THE CORPORATE GOVERNANCE REPORT

To the Annual General Meeting of Byggmax Group AB (publ), corporate identity number 556656-3531

## Assignment and allocation of responsibilities

We have examined the Corporate Governance Report for 2011 on pages 74–77. It is the Board of Directors who bears responsibility for the Corporate Governance Report and its preparation in accordance with the Swedish Annual Accounts Act. Our responsibility is to express an opinion on the Corporate Governance Report based on our audit.

## The objective and scope of the audit

The audit has been performed in accordance with RevU 16, Auditor's review of the corporate governance report. This requires that we plan and perform the audit to obtain reasonable, but not absolute, assurance that the Corporate Governance Report is free of material misstatement. An audit includes examining, on a test basis, a selection of the underlying evidence for the Corporate Governance Report. We believe that our audit provides us with a reasonable basis for our opinion set out below.

## Opinion

The Corporate Governance Report has been prepared and is consistent with the annual accounts and consolidated accounts.

Stockholm, March 1, 2012

Öhrlings PricewaterhouseCoopers AB

Anna-Carin Bjelkeby

Authorized Public Accountant

# DEFINITIONS

## DEFINITIONS OF FINANCIAL KEY RATIOS/REPORTING TERMINOLOGY

**Return on operating capital employed:** EBITA divided by average operating capital.

**Return on equity:** Earnings for the year divided by average equity.

**EBITDA:** EBIT before amortization of goodwill and impairment.

**EBITA:** EBIT before amortization of goodwill.

**Average net capital employed:** Each year's monthly net capital employed has been weighted in the same manner to calculate an average.

**Average operating capital employed:** Operating capital employed for the past two years divided by two.

**Net operating capital:** Balance-sheet data from the principal ledger (not amended), measured as the total of inventory, accounts receivable, receivables on bonus from suppliers, other receivables and prepaid expenses/accrued liabilities less the total of accounts payable, tax liabilities, other current liabilities and accrued expenses/deferred income.

**Net debt:** Interest-bearing liabilities less cash and cash equivalents.

**Net debt-equity ratio:** Net debt divided by equity.

**Interest-coverage ratio:** EBITDA in relation to total interest expenses.

**Operating margin (EBIT margin):** EBIT (operating profit) divided by net sales.

**Equity/assets ratio/risk-bearing capital:** Adjusted shareholders' equity + subordinated shareholder loans divided by total assets.

**Operating capital:** Equity plus net debt.

**Shareholders' equity per share:** Shareholders' equity divided by the number of outstanding shares.

**Indebtedness, multiple/debt/equity ratio:** Interest-bearing liabilities excluding shareholder loans minus cash and cash equivalents divided by EBITDA.

**Dividend per share:** Dividend divided by the number of shares.

**Cash flow from business activities per share:** Cash flow from business activities for the year divided by the number of shares.

**Stock turnover:** Inventory costs for the year divided by the average inventory (mean value of incoming and outgoing inventory value).

## DEFINITION AV BRANCH SPECIFIC KEY RATIOS

**Growth in like-for-like sales:** A comparable unit (like-for-like unit) is regarded as comparable from the second year-end after the store opened. For example, this means that a store that opened in 2010 is classified as a comparable unit from 2012. Stores relocated to new premises in an existing location are handled in the same manner.

## DEFINITION OF ENVIRONMENTAL REPORT

**Transporterat gods [ton]** – Mängd gods, i ton, som är transporterat från leverantör till Byggmax anläggningar och distributionslager.

**Transported goods [ton]** - The amount of goods, in tons, that are transported from suppliers to Byggmax facilities and distribution centers.

**Transport work per ton [ton km/ton]** –The amount of transport work per ton of goods transported.

**CO<sub>2</sub> per transported ton of goods [kg]** – Carbon emissions per ton of transported goods.

**Mixed-waste** - Unsorted material that is not packaging. Paper, corrugated board, wood and plastic, mixed scrap, textiles, non-combustible waste.

**General waste, unsorted** - General waste that is not suitable for recycling or energy recovery.

**Sorted waste** –Not general waste or mixed-waste.

# DISTRIBUTION OF ANNUAL REPORT

Byggmax's Annual Report is available only via the Group's website.

# CONTENT INDEX INCLUDING STANDARD GRI DISCLOSURES

Disclosure	Explanation	Page in AR
<b>1. Strategy and analysis</b>		
1.1	Statement from the chief operating decision maker of the organization about the relevance of sustainability to the organization and its strategy.	20
1.2	Description of key impacts, risks, and opportunities.	20
<b>2. Organization</b>		
2.1	Name of the organization	1
2.2	Primary brands, products and/or services.	10
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	12-14, 61
2.4	Location of headquarters.	31
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	31
2.6	Nature of ownership and legal form.	27-28
2.7	Markets served	31
2.8	Scale of the reporting organization	36-37
2.9	Significant changes during the reporting period regarding size, structure, or ownership	31-32
2.10	Awards received during the reporting period	none
<b>3. Report parameters</b>		
<b>Reporting profile</b>		
3.1	Reporting period	31
3.2	Date of most recent report	69
3.3	Reporting cycle .	31
3.4	Contact point for questions regarding the report or its contents.	92
<b>Scope and boundary of report</b>		
3.5	Process for defining report content	90
3.6	Boundary of the report	90
3.7	State any specific limitations on the scope or boundary of the report	90
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	90
3.9	Description of data measurement techniques and the bases of calculations.	21
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement.	by each increase

# STANDARD DISCLOSURES, CONT.

Disclosure	Explanation	Page in AR
3.11	nificant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	45 onwards
GRI content index		
3.12	Table identifying the location of the Standard Disclosures in the report.	80
Assurance		
3.13	Policy and current practice with regard to seeking external assurance for the report.	22
4. Governance, Commitments, and Engagement		
Governance		
4.1	Governance structure of the organization	74
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	71-72
4.3	Number of independent, non-executive Board members	76
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the Board and Group management.	92
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives and the organization's performance.	68, note 34
4.6	Procedures and processes in place for the Board to ensure conflicts of interest are avoided.	74 onwards
4.7	Procedures and processes for determining the qualifications and expertise that ought to be possessed by the members of the Board to govern the organization's strategy in financial, environmental and social matters.	74 onwards
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation in the organization.	15,17,20
4.9	Board procedures and processes for overseeing the organization's identification and management of economic, environmental, and social performance and determining adherence or compliance with which internationally agreed standards, codes of conduct and principles.	74 onwards
4.10	Processes for evaluating the Board's own performance, particularly with respect to economic, environmental, and social performance.	74 onwards
Commitments to External Initiatives		
4.11	Explanation of whether and how the prudence concept is complied with by the organization.	45 onwards
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	20
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations.	21

# STANDARD DISCLOSURES AND PERFORMANCE INDICATORS, CONT.

Disclosure	Explanation	Page in AR
Stakeholder engagement		
4.14	List of stakeholder groups engaged by the organization.	21
4.15	Basis for identification and selection of stakeholders with whom to engage.	21
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	21
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	21
5. PERFORMANCE INDICATORS		
ECONOMIC IMPACT		
ECONOMIC PERFORMANCE		
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and the public sector.	35 onwards
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	26
EC3	Coverage of the organization's defined benefit plan obligations.	54-56
EC4	Significant financial assistance received from government.	15
Market presence		
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	91'
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	12
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	15
Indirect economic impact		
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	90

# PERFORMANCE INDICATORS, CONT.

Disclosure	Explanation	Page in AR
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	91'
<b>ENVIRONMENTAL PERFORMANCE INDICATORS</b>		
<b>Materials</b>		
EN1	Materials used by weight or volume.	90
EN2	Percentage of materials used that are recycled input materials.	90
<b>Energy</b>		
EN3	Direct energy consumption by primary energy source.	26
EN4	Indirect energy consumption by primary energy source.	26
EN5	Energy saved due to conservation and efficiency improvements.	91'
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	91'
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	26
<b>Water</b>		
EN8	Total water withdrawal by source	90
EN9	Water sources significantly affected by withdrawal of water.	90
EN10	Percentage and total volume of water recycled and reused.	90
<b>Biodiversity</b>		
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	26
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	26
EN13	Habitats protected or restored.	91'

# PERFORMANCE INDICATORS, CONT.

Disclosure	Explanation	Page in AR
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	91'
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	91'
Emissions, effluents, and waste		
EN16	Total direct and indirect greenhouse gas emissions by weight.	23
EN17	Other relevant indirect greenhouse gas emissions by weight.	90
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	23-24
EN19	Emissions of ozone-depleting substances by weight.	24
EN20	NO, SO, and other significant air emissions by type and weight.	24
EN21	Total water discharge by quality and destination.	90
EN22	Total weight of waste by type and disposal method.	26
EN23	Total number and volume of significant spills.	90
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	91'
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	91'
Products and Services		
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	23 onwards
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	23 onwards

# PERFORMANCE INDICATORS, CONT.

Disclosure	Explanation	Page in AR
Compliance		
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.	90
Transport		
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	91'
Overall		
EN30	Total environmental protection expenditures and investments by type.	91'
EMPLOYMENT CONDITIONS AND TERMS OF EMPLOYMENT		
LA1	Total workforce by employment type, employment contract, and region	16
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and religion.	16
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.	90
Labor/management relations		
LA4	Percentage of employees covered by collective bargaining agreements	90
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	90
Occupational health and safety		
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	91'
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	16

# PERFORMANCE INDICATORS, CONT.

Disclosure	Explanation	Page in AR
LA8	Training, counseling, prevention and risk-control programs in place to assist workforce members, their families, or community members regarding serious disease.	90
LA9	Health and safety topics covered in formal agreements with trade unions.	91'
Training and education		
LA10	Average hours of training per year per employee by gender, and by employee category.	16
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	91*
LA12	Percentage of employees receiving regular performance and career development reviews.	91'
Diversity and equal opportunity		
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	71-72
LA14	Ratio of basic salary of men to women by employee category	16
HUMAN RIGHTS		
Investment and procurement practices		
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	90
HR2	Percentage of significant suppliers that have undergone human-rights screening, and actions taken.	90
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	91'
Non-discrimination		
HR4	Total number of incidents of discrimination and corrective actions taken	16

# PERFORMANCE INDICATORS, CONT.

Disclosure	Explanation	Page in AR
Freedom of association and collective bargaining		
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	90
Child labor		
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	90
Forced labor		
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	91
Safety routines		
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	91'
Rights of indigenous people		
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	91'
ORGANIZATION'S ROLE IN SOCIETY		
Society		
SO1	Design and scope of programs and practices that assess and manage the impacts of operations on society/communities including entering, operating, and exiting.	20 onwards
Corruption		
SO2	Percentage and total number of business units analyzed for risks related to corruption	91
SO3	Percentage of employees trained in the organization's anti-corruption policies and procedures	91
SO4	Actions taken in response to incidents of corruption	91
Politics		

# PERFORMANCE INDICATORS, CONT.

Disclosure	Explanation	Page in AR
SO5	Public policy positions and participation in lobbying Anti-competitive behavior	91
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	91
Konkurrenshämmande aktiviteter		
SO7	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes.	91
Compliance		
SO8	Monetary value of fines and number of sanctions for noncompliance with laws and regulations.	91
PRODUCT RESPONSIBILITY		
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	12
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services, by type of outcomes.	91'
Product and service labeling		
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	91
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	91'
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	91'
Market communications		

# STANDARD DISCLOSURES, CONT.

<b>Disclosure</b>	<b>Explanation</b>	<b>Page in AR</b>
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, PR and sponsorship	91
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	91
Customer Privacy		
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	91
Compliance		
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services.	91

# BYGGMAX GRI PROFILE

Byggmax's sustainability report presents GRI disclosures concerning its primary commercial operations. These operations comprise the store organization of Byggmax AB, including affiliates, as well as the subsidiary Svea Distribution, where applicable. The administration element of the organization is not included in the sustainability report, since this is not included in the core operations. All Group subsidiaries, except Byggmax Fastighetsutveckling AB, are jointly reported unless otherwise specified. Byggmax Fastighetsutveckling is not reported on at all since the company did not conduct any operations in 2011. Significance is defined on a case-by-case basis, based on what indicator is being reported, since no general definition covers all indicators. The definitions of significance and limitations for each indicator have been made in close cooperation with an external consultant. Byggmax has identified the stakeholders that are expected to deploy the sustainability report comprise suppliers, employees, customers, shareholders and financiers.

Listed below are the indicators for which Byggmax does not report according to GRI guidelines, since they are not deemed relevant, or for which reporting is briefer. The explanation below is general, not comprehensive. A more complete explanation was reviewed by an external party.

## Indicator/ Explanation

### EC8

Byggmax has not made any infrastructure or service investments, which are primarily made for the benefit of the public. While Byggmax has been indirectly impacted in a number of ways, such as making pellets more available, these initiatives are not deemed sufficient enough to warrant a separate item in the report.

### EN1

Since Byggmax is not a production company, this is not relevant.

### EN2

Since Byggmax is not a production company, this is not relevant.

### EN 8

The EN8 indicator is not relevant for Byggmax since water consumption only pertains to household purposes and not production purposes. All of Byggmax's water consumption derives from municipal water.

### EN 9

The EN9 indicator is not relevant for Byggmax since water consumption only pertains to household purposes and not production purposes.

### EN 10

The EN10 indicator is not relevant for Byggmax since water consumption only pertains to household purposes and not production purposes.

### EN 17

According to GRI's definition of indirect emissions of greenhouse gases by weight, this information falls outside the framework for our system limits thus rendering it immeasurable within the organization.

### EN 21

Byggmax had no planned or unplanned water emissions in 2010. Household wastewater, which is the only source of water emissions at Byggmax, does not qualify as water emissions under GRI's definition.

### EN22

Since Byggmax is not a production company, this is not relevant. Regarding packaging and advertisements, refer to the environmental report.

### EN 23

No significant spills under GRI's definition were noted.

### EN 28

Byggmax has not been fined or sanctioned due to any transgressions of environmental legislation or regulations.

### LA 3

No differences in benefits to full-time or part-time employees have been noted at Byggmax.

### LA 4

Collective bargaining agreements are applied for 100 percent of staff.

### LA 5

Periods of notice are specified in the collective bargaining agreement.

### LA 8

Since Byggmax only conducts operations in the Nordic region, where the healthcare system is well-established and there are very few contagious diseases, no special training or consulting was conducted concerning contagious diseases for the company's employees. Where applicable, such situations are managed by Byggmax's personnel department or by the crisis group.

### HR 1

Significant investment decisions for Byggmax comprise the opening of new stores. Since these are conducted in the Nordic region, where

# BYGGMAX GRI PROFILE, CONT.

Byggmax believes that human rights are respected to an extremely high degree, no particular consideration is paid to human rights in these decisions.

## HR 2

A total of 66 percent of the major suppliers were reviewed by way of a supplier survey in 2011.

## HR 5

No operations have been identified in which the right to association and the right to collective bargaining agreements could be significantly threatened. It should be noted that Byggmax purchases most of its material in the Nordic region.

## HR 6

No operations have been identified in which there is a significant risk of child labor. A minor incident was discovered and dealt with during the year. It should be noted that Byggmax purchases most of its material in the Nordic region.

## HR 7

No operations have been identified in which there is a significant risk of forced labor or mandatory work. It should be noted that Byggmax purchases most of its material in the Nordic region.

## SO 2

All stores are routinely analyzed in terms of wastage, transactions that are incompatible with the pattern and other indicators.

## SO 3

Site Manager's introductory training courses include ethical guidelines and corruption management.

## SO 4

Byggmax always reports incidents of corruption to the police. In 2011, no police reports were filed.

## SO 5

Byggmax does not directly participate in political decision-making processes or lobbying, except for building permits.

## SO 6

Byggmax does not give any contributions or gifts to political parties, politicians or similar institutions.

## SO 7

No actions have been taken against Byggmax for anti-competitive activities, transgressions of competition legislation or antitrust behavior.

## SO 8

In 2011, Byggmax did not pay any fines for crimes.

## PR 3

Byggmax's policy stipulates that all products must have a product description. Furthermore, society requires certain products, primarily of a chemical nature, to have a safety data sheet. This comprises 15 percent of all products.

## PR 6

All decisions concerning PR, marketing and sponsorship are made by the Marketing Manager or President. There is no formal policy for sponsorship or other marketing, beyond complying with the prevailing legislation.

## PR 7

No known transgressions in 2011.

## PR 8

No complaints concerning transgressions of customer integrity in 2011.

## PR 9

No fines were paid in 2011 for breaches against the prevailing laws and regulations concerning the supply and deployment of products and services.

\*Byggmax has addressed, but not reported, the indicators below.

These are supplementary indicators according to GRI.

## EC5

## EC9

## EN5

## EN6

## EN13

## EN14

## EN15

## EN24

## EN25

## EN29

## EN30

## LA6

## LA9

## LA11

## LA12

## HR3

## HR8

## HR9

## PR2

## PR4

## PR5

# REVIEWER'S CONCLUSION

Tyréns (the Reviewer) has reviewed Byggmax's sustainability and worked on preparing a basis for the sustainability report. The review was based on GRI version 3.0. The Reviewer can affirm that the work was conducted in a goal-oriented and ambitious manner and that the information that is presented in the final sustainability report is truthful and traceable. Byggmax has appropriately responded to the reviewer's questions and provided supplementary documentation upon request. When it has not been possible to comply with GRI's guidelines and the indicator index in its entirety, Byggmax has provided explanations that have been approved by the Reviewer.

In addition to the final review of the sustainability report, the Reviewer has also been present to support and review Byggmax's efforts to produce documentation for the report, thus enhancing the efficiency of the process and minimizing misunderstandings. It has also given the Reviewer considerable insight into the documentation of the final report. The scope and limitation of the report were also conducted in sufficient accordance with GRI's instructions.

The Reviewer can with a high but not absolute degree of uncertainty state that the sustainability report fulfils the criteria for the A+ application level.

## **INFORMATION ABOUT THE ANNUAL GENERAL MEETING**

Shareholders in the Bygghmax Group AB (publ), corporate registration number 556656-3531, are invited to attend the Annual General Meeting (AGM) on Friday, April 20, 2012, at 11:30 a.m. at Primus conferens center in Stockholm.

### **Right to participate in the AGM**

Shareholders who wish to participate in the AGM must: both be listed in the register of shareholders maintained by Euroclear Sweden AB on Saturday, April 14, 2012, and notify the Company of their intention to attend the AGM, and the attendance of any advisors, no later than at 4:00 p.m. on Monday, April 16, 2012.

### **Notification**

Notice of participation in the AGM should be submitted in one of the following ways:

- By e-mail: [info@byggmax.se](mailto:info@byggmax.se)
- By telephone: +46 8 514 930 60
- By mail: Bygghmax Group AB, Box 6063, SE-171 06 Solna, Sweden (Label the letter "AGM")

On notification, shareholders must provide the following information:

- Name
- Personal ID/corporate registration number
- Address and daytime telephone number
- Shareholding in Bygghmax
- Where applicable, the names of any advisors, maximum two, who will accompany the shareholder to the AGM, or the name of a proxy.

When applicable, notice should be accompanied by full proof of authority such as the certificate of registration or its equivalent.

### **Trustee registered shares**

Shareholders who have registered their shares in the name of a trustee via a bank or securities institution must temporarily re-register the shares in their own names in order to participate at the AGM. Such temporary re-registration must be executed with Euroclear Sweden AB no later than Friday, April 13, 2012, which means that shareholders are advised to notify their trustee well in advance of this date.