

## IN THE FOURTH QUARTER, BYGGMAX INCREASED NET SALES BY +16%

### October 1 - December 31

- Net sales amounted to SEK 974.9 M (839.3), up 16.2 percent. Pro forma net sales totaled SEK 975.4 M for the fourth quarter of 2015 and net sales was unchanged compared with the pro forma figure.
- Net sales for comparable stores decreased 9.1 percent (increased 16.4).
- The gross margin was 29.8 percent (32.4). The Byggmax segment's gross margin declined due to lower volume bonuses from suppliers compared with the strong selling fourth quarter of 2015. Skånska Bygghvaror's gross margin declined sharply as a result of aggressive pricing, partly due to de-stocking, and mix effects.
- EBITDA amounted to SEK 94.1<sup>2</sup> M (58.0). Excluding the revaluation of earnouts, EBITDA totaled SEK 30.9 M. Pro forma EBITDA was SEK 68.6 M for the fourth quarter of 2015.
- The EBITDA margin was 9.7<sup>2</sup> percent (6.9). The pro forma EBITDA margin was 7.0 percent for the fourth quarter of 2015.
- EBIT amounted to SEK 55.2<sup>2</sup> M (35.5). Pro forma EBIT was SEK 43.5 M for the fourth quarter of 2015.
- The profit after tax was SEK 56.8 M (26.3).
- Earnings per share totaled SEK 0.9 (0.4).

### Significant events during October - December

- One (one) new store were opened, one Byggmax store in Norway.
- Mattias Ankarberg assumed his position as President of Byggmax Group AB (publ).
- Erik Börjesson, IT Manager and a member of Group management, left Byggmax on January 7, 2017.
- The Board of Directors proposes a dividend of SEK 2.4 (2.14) per share.

### Earnings overview

|  | FOURTH QUARTER    |              | FULL YEAR                           |         |
|--|-------------------|--------------|-------------------------------------|---------|
|  | Oct-Dec 2016      | Oct-Dec 2015 | Oct-Dec 2015 pro forma <sup>1</sup> | 2015    |
| Net sales, SEK M                                   | 974.9             | 839.3        | 975.4                               | 4,131.1 |
| Gross margin, percent                              | 29.8              | 32.4         | 32.4                                | 30.6    |
| EBITDA, excluding acquisition costs, SEK M         | 94.1 <sup>2</sup> | 67.3         | 68.6                                | 425.5   |
| EBITDA, SEK M                                      | 94.1 <sup>2</sup> | 58.0         | 52.2                                | 415.8   |
| EBITDA margin, percent                             | 9.7 <sup>2</sup>  | 6.9          | 7.0                                 | 10.1    |
| EBIT, SEK M  | 55.2 <sup>2</sup> | 35.5         | 43.5                                | 331.7   |
| EBIT margin, SEK M                                 | 5.7 <sup>2</sup>  | 4.2          | 4.5                                 | 8.0     |
| Profit after tax, SEK M                            | 56.8              | 26.3         |                                     | 259.8   |
| Earnings per share, SEK                            | 0.9               | 0.4          |                                     | 4.3     |
| Return on equity, percent                          | 4.4               | 2.3          |                                     | 23.7    |
| Cash flow from operating activities per share, SEK | -4.1              | -4.6         |                                     | 8.1     |
| Shareholders' equity per share, SEK                | 21.4              | 18.8         |                                     | 18.8    |
| Number of stores at the end of the period          | 140               | 119          |                                     | 119     |
| New stores opened during the period                | 1                 | 1            |                                     | 7       |

<sup>1</sup> October-December 2015 pro forma, see note 4

<sup>2</sup> Earnings were impacted by the revaluation of the earnout linked to the acquisition of Skånska Bygghvaror Group AB and part of the earnout for Bygghvaror AB. The effect on other operating income totaled SEK 63.3 M for the quarter.

## January 1 - December 31

- Net sales amounted to SEK 5,219.3 M (4,131.1), up 26.3 percent. Pro forma net sales totaled SEK 4,898.0 M for 2015, and net sales increased 6.6 percent compared to pro forma.
- Net sales for comparable stores increased 0.8 percent (12.8).
- The gross margin was 30.6 percent (30.6).
- EBITDA amounted to SEK 581.3<sup>2</sup> M (415.8). Excluding the revaluation of earnouts, EBITDA totaled SEK 469.0 M. Pro forma EBITDA was SEK 475.4 M for 2015.
- The EBITDA margin was 11.1<sup>2</sup> percent (10.1). The pro forma EBITDA margin was 9.7 percent for 2015.
- EBIT amounted to SEK 391.8<sup>2</sup> M (331.7) Mkr. Pro forma EBIT was SEK 380.1 M for 2015.
- The profit after tax was SEK 284.6 M (259.8).
- Earnings per share totaled SEK 4.7 (4.3).

## Significant events during January - December

- A total of fifteen (seven) new stores were opened, including six Byggmax stores in Sweden, three Byggmax stores in Norway, one DYL store in Sweden and five Skånska Byggarvaror stores in Sweden.
- A total of eleven stores were converted to the Byggmax 2.0 concept during the year.

- On January 4, 2016, Byggmax completed the acquisition of Skånska Byggarvaror Group AB. Byggmax acquired Skånska Byggarvaror for a total of SEK 936 M, plus an earnout payment of SEK 110 M if EBITDA exceeds SEK 67 M in 2016. The acquisition is being financed by loans. At year end, it was concluded that no earnout will be paid.
- During the first quarter, the Board of Directors set new financial targets for Byggmax. These new financial targets mean that Byggmax's net sales are to grow 15 percent per year over time, inclusive of acquisitions, and that Byggmax is to maintain an EBITDA margin of not less than 9 percent. The dividend should be at least 50 percent of net profit.
- Changes were made to Byggmax Group management in April, following the acquisition of Buildor and Skånska Byggarvaror.
- During the second quarter, Mikael Norman and Ullrika Eliasson were elected as new Board members of Byggmax Group AB (publ) and Stig Notlöv declined re-election.
- Byggmax launched two new store concepts in June: "Byggmax +" at its store in Hisings Backa, Sweden, which aims to better meet the needs of professional tradesmen, and "Design Your Living" at the store on Kungsgatan in Stockholm, Sweden, where customers can make use of the services of interior designers offering guidance in everything from inspiration and choice of materials to construction services.
- During the third quarter, Byggmax's President and CEO Magnus Agervald informed the Board that he would be stepping down from his position.
- During the third quarter, the Board of Byggmax Group AB (publ) appointed Mattias Ankarberg as Byggmax's new President and CEO. Mattias Ankarberg assumed his position on November 14, 2016.

| Earnings overview                                  | JANUARY - DECEMBER |              |                                    |
|--|--------------------|--------------|------------------------------------|
|  | Jan-Dec 2016       | Jan-Dec 2015 | Jan-Dec 2015 proforma <sup>1</sup> |
| Net sales, SEK M                                   | 5,219.3            | 4,131.1      | 4,898.0                            |
| Gross margin, percent                              | 30.6               | 30.6         | 30.9                               |
| EBITDA, excluding acquisition costs, SEK M         | 581.6 <sup>2</sup> | 425.5        | 475.4                              |
| EBITDA, SEK M                                      | 581.3 <sup>2</sup> | 415.8        | 455.6                              |
| EBITDA margin, percent                             | 11.1 <sup>2</sup>  | 10.1         | 9.7                                |
| EBIT, SEK M  | 391.8 <sup>2</sup> | 331.7        | 380.1                              |
| EBIT margin, SEK M                                 | 7.5 <sup>2</sup>   | 8.0          | 7.8                                |
| Profit after tax, SEK M                            | 284.6              | 259.8        |                                    |
| Earnings per share, SEK                            | 4.7                | 4.3          |                                    |
| Return on equity, percent                          | 23.3               | 23.7         |                                    |
| Cash flow from operating activities per share, SEK | 5.5                | 8.1          |                                    |
| Shareholders' equity per share, SEK                | 21.4               | 18.8         |                                    |
| Number of stores at the end of the period          | 140                | 119          |                                    |
| New stores opened during the period                | 15                 | 7            |                                    |

<sup>1</sup> January-December 2015 pro forma, see note 4

<sup>2</sup>Earnings were impacted by the revaluation of the earnout linked to the acquisition of Skånska Byggarvaror Group AB and part of the earnout for Buildor AB. The effect on other operating income totaled SEK 112.3 M. Earnings were also impacted by SEK -44.8 M goodwill impairment linked to the acquisition of Skånska Byggarvaror Group AB.

# PRESIDENT'S COMMENTS ON RESULTS

## Sales rose in the fourth quarter

Sales in the fourth quarter increased 16 percent year-on-year. Sales were flat compared to pro forma, and growth in comparable stores was down 9.1 percent (+16.4 percent in the year-earlier period). Our online sales continue to show good growth.

The quarter was characterized by a weaker market and tough comparable figures for the same period last year. During the fourth quarter last year, the Swedish market grew strongly as a result of new regulations for the ROT tax deduction (for repairs, maintenance, conversion or extension work), new Swedish mortgage repayment requirements were introduced in June 2016, and November saw unusually early and heavy snow fall in the Nordic region. This had a negative impact on consumer demand for building materials and outdoor projects compared with the same quarter last year.

Sales for the Byggmax segment declined 4.8 percent during the quarter. Sales for Skånska Bygghvaror continued to increase due to more stores and more aggressive pricing. November was the weakest sales month in the quarter.

## Gross margin and earnings

The gross margin for the quarter was 2.6 percentage points lower than the pro forma margin in the fourth quarter of 2015.

The gross margin for the Byggmax segment declined during the quarter due to lower volume bonuses from suppliers compared with the strong selling fourth quarter of 2015. In addition, the gross margin was positively affected by the stronger NOK, negatively by the stronger EUR and mix effects. Input goods' prices were in line with the year-earlier period and retail prices have remained largely unchanged, with certain variations in each country. The gross margin for Skånska Bygghvaror declined sharply during the quarter as a result of aggressive pricing, partly due to de-stocking, and mix effects.

Operating costs increased as a result of new stores, and we opened more stores in 2016 than last year.

All companies in the Group have also trimmed their costs and the implemented measures have given effect, but they have not fully offset the weaker sales development during the quarter.

Considering the weak market and strong tough comparables in the fourth quarter, the Byggmax segment continues to develop positively, and both sales and EBITDA margin increased for the full year 2016. Skånska Bygghvaror demonstrated good sales growth but decreased EBITDA-margin, both for the quarter and full year.

Due to weaker results than anticipated, no earnout will be paid for Skånska Bygghvaror. This gave rise to other operating income of SEK 60.0 M for the quarter.

## Market

The Swedish building supplies market grew 4.8 percent during the first 11 months of the year. During the same period, the Norwegian

market increased 0.6 percent and the Finnish market 1.1 percent. The Danish market increased 6.7 percent between January and October.

## Strategic business decisions

A total of 15 new stores were opened in 2016: six Byggmax stores in Sweden, three Byggmax stores in Norway, five Skånska Bygghvaror stores in Sweden and one DYL - Design Your Living store in Stockholm. The goal was to open 10 to 15 stores. One Byggmax store was opened in Norway during the fourth quarter.

All Byggmax stores have now been converted to Byggmax 2.0, an updated store concept with a wider range and stronger sales steering. A total of 11 stores were converted in 2016.

## Sustainability at Byggmax

Sustainability is important for Byggmax and impacts our decisions. As part of our efforts to preserve the environment, in particular from CO<sub>2</sub> emissions, Byggmax opened a new distribution center in Gävle during the second quarter of 2016. This is reducing the need for road freight, since this will be replaced with sea freight, which emits less CO<sub>2</sub>. Our goal is to reduce our CO<sub>2</sub> emissions by 25 percent over the period from 2009 to 2020.

## Outlook

With low prices, cost consciousness, presence in several channels and access to a broad product range, we are on the side of the customer.

The market trend is over time positive in Sweden. The market grew strongly during the first half of 2016, which means market development will probably remain weak in the first half of 2017. In both the Finnish and Norwegian market, uncertainty remains regarding economic developments. We continue to take market shares in our categories, which confirms the strength of the concepts in the Byggmax Group.

We plan to continue grow through both online sales and stores, and aim to open 8 to 12 new stores in 2017.

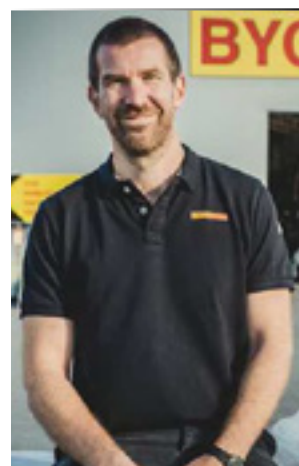
We are implementing measures to improve Skånska Bygghvaror's profitability and continue to have a strong belief in the company's long-term potential.

We will also continue to invest in developing our customer offer, but keep the focus on our core business. We have therefore for example decided to discontinue the test of the new DYL store concept.

I very much look forward to continue to develop Byggmax, and will together with my colleagues during the spring update our plan for an even stronger Byggmax Group.

*Mattias Ankarberg*

**Mattias Ankarberg**  
President, Byggmax Group AB (publ)



In 2016, Byggmax has opened 15 new stores: six Byggmax stores in Sweden, three Byggmax stores in Norway, one DYL store in Sweden and five Skånska Bygghvaror stores. Following the acquisition, Skånska Bygghvaror's existing stores are also included in the diagram for 2016. The image above shows how the store network has expanded since Byggmax was founded in 1993.

## CONSOLIDATED SALES AND EARNINGS

### October 1 - December 31

#### Revenues

The operation's net sales totaled SEK 974.9 M (839.3), up 16.2 percent. Operating revenue was SEK 1,041.8 M (842.0), up 23.7 percent. Total operating income was impacted by the reversal of part of the earnout linked to the acquisition of Skånska Byggarvar Group AB and Buildor AB amounting to SEK 60.0 M and Buildor AB amounting to SEK 3.3 M. The increase in sales was influenced positively by the acquisitions. Compared to pro forma net sales were unchanged, the Group faced tough comparative figures for the same period last year. Net sales for comparable stores decreased 9.1 percent in local currency. Operating income amounted to SEK 807.7 M (848.8) for Byggmax, SEK 145.4 M for Skånska Byggarvar and SEK 88.7 M (-6.8) for Other. The weakest sales month of the quarter was november.

#### The sales increase of 16.2 percent was divided according to the following:

|  |             |
|--|-------------|
| Comparable stores <sup>1</sup> , local currency, percent | -9.1        |
| Non-comparable units and other, percent                  | 23.4        |
| Exchange-rate effects, percent                           | 1.9         |
| <b>Total, percent</b>                                    | <b>16.2</b> |

The Group opened one (one) stores during the quarter: one Byggmax store in Norway. The total number of stores in the Group as of December 31, 2016 thereby amounted to 140 (119).

#### EBIT

EBIT amounted to SEK 55.2 (35.5) M, corresponding to an EBIT margin of 5.7 percent (4.2). The gross margin was 29.8 percent, compared with 32.4 percent in the year-earlier period. The gross margin for the Byggmax segment was adversely impacted by lower volume bonuses from suppliers the corresponding quarter in preceding year, which was strong in terms of sales. While the gross margin was positively affected by the strong NOK, it was adversely impacted by the stronger EUR and mix effects. The gross margin for Skånska Byggarvar declined sharply during the quarter as a result of aggressive pricing, partly due to de-stocking, and mix effects.

Personnel costs and other external expenses increased a total of SEK 46.4 M. The increase in expenses compared with the year-earlier period was mainly attributable to costs linked to the acquired companies amounting to SEK 44.8 M (1.7). Personnel and other external expenses compared with the pro forma fourth quarter of 2015 increased SEK 13.2 M. The increase in expenses compared with the pro forma year-earlier period was mainly attributable to costs associated with new stores opened after the fourth quarter of 2015, amounting to SEK 17.1 M. All companies in the Group have also trimmed their costs and the implemented measures have given effect, but they have not fully offset the weaker sales development during the quarter.

EBIT was impacted by the amortization of customer relationships and brands totaling SEK 9.9 M identified in connection with the acquisition of Skånska Byggarvar. Earnings were impacted by revaluation of part of the earnout of SEK 60.0 M linked to the acquisition of Skånska Byggarvar Group AB as well as the earnout of SEK 3.3 M linked to the acquisition of Buildor AB, which impacted other operating income.

#### Profit before tax

Profit before tax amounted to SEK 52.4 M (29.4). Net financial items amounted to a cost of SEK 2.8 M (cost: 6.1). Net financial items for the quarter were positively impacted by exchange-rate effects of SEK 1.5 M (negative 2.5) and negatively impacted by increased borrowing as a result of acquisitions.

#### Taxes

Tax revenue for the fourth quarter of 2016 totaled SEK 4.4 M (cost 3.1). This result includes the reversal of an earnout of SEK 63.3 M, which was not taxable.

<sup>1</sup>A comparable unit is considered comparable from the beginning of the second year following the opening of the online or physical store. Stores that are relocated to new premises in existing locations are treated in the same manner. Comparable stores includes two Skånska Byggarvar stores.

## CONSOLIDATED SALES AND EARNINGS

### January 1 - December 31

#### Revenues

Operating net sales amounted to SEK 5,219.3 M (4,131.1), up 26.3 percent. Operating income totaled SEK 5,348.0 M (4,141.1), up 29.1 percent. Total operating income was impacted by the reversal of the earnout of SEK 109.1 M linked to the acquisition of Skånska Byggarvar Group AB and SEK 3.3 M of the earnout for Buildor AB. Net sales for comparable stores rose 0.8 percent in local currency. Operating income amounted to SEK 4,331.6 M (4,143.1) for Byggmax, SEK 794.7 M for Skånska Byggarvar and SEK 221.7 M (negative: 2.0) for other operations. The increase in sales was influenced positively by acquisitions.

#### The sales increase of 26.3 percent was divided according to the following:

|  |             |
|--|-------------|
| Comparable stores <sup>1</sup> , local currency, percent | 0.8         |
| Non-comparable units and other, percent                  | 26.2        |
| Exchange-rate effects, percent                           | -0.6        |
| <b>Total, percent</b>                                    | <b>26.3</b> |

The Group opened fifteen (seven) stores during the period: six Byggmax stores in Sweden, three Byggmax stores in Norway, one DYL store in Sweden and five Skånska Byggarvar stores in Sweden. The total number of stores in the Group as of December 31, 2016 thereby amounted to 140 (119).

#### EBIT

EBIT amounted to SEK 391.8 (331.7) M, corresponding to an EBIT margin of 7.5 percent (8.0). The gross margin was 30.6 percent, compared with 30.6 percent in the year-earlier period.

Personnel costs and other external expenses increased a total of SEK 286.3 M. The increase in expenses compared with the year-earlier period was mainly attributable to costs linked to the acquired companies amounting to SEK 245.6 M (1.7). Personnel and other external expenses compared with the pro forma of 2015 increased SEK 92.4 M. The increase in expenses compared with the pro forma year-earlier period was mainly attributable to costs associated with new stores opened after 2015, amounting to SEK 71.2 M. The increase in costs during the period, other than for new stores, was attributable to expenses associated with the investments being made.

EBIT was impacted by the amortization of customer relationships and brands totaling SEK 39.6 M identified in connection with the acquisition of Skånska Byggarvar Group AB. Earnings were impacted by the revaluation of the earnout linked to the acquisition of Skånska Byggarvar Group AB and part of the earnout for Buildor AB. The effect on other operating income was SEK 112.3 M. Earnings were also impacted by impairment of goodwill of negative SEK 44.8 M linked to the acquisition of Skånska Byggarvar.

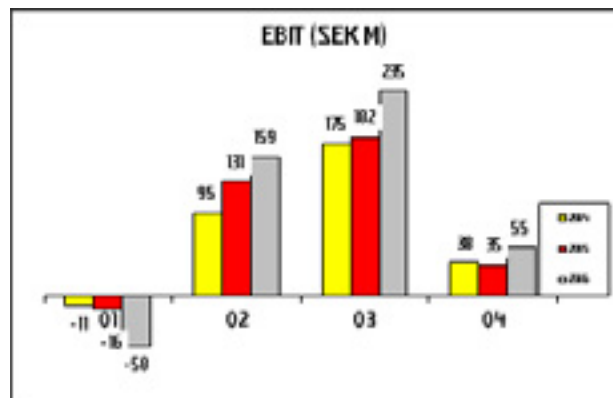
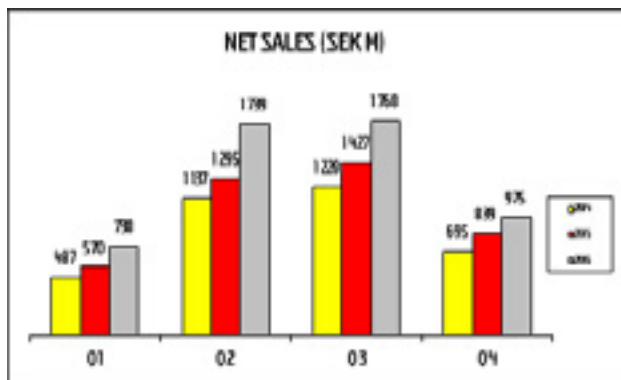
#### Profit before tax

Profit before tax amounted to SEK 350.3 M (334.1). Net financial items amounted to a cost of SEK 41.5 M (revenue: 2.4). Net financial items for the period were negatively impacted by exchange-rate effects of SEK 9.0 M (negative 0.9), a discount rate of negative SEK 11.7 M on earnouts linked to acquisitions and increased borrowing as a result of the acquisitions. Earnings were also impacted by a nonrecurring cost of SEK 3.9 M linked to the acquisition of Skånska Byggarvar Group AB. The third quarter 2015 was positively impacted by the sale of the subsidiary Lännersta 14:1 AB, owning a property in Nacka, which generated a capital gain of SEK 11.8 M.

#### Taxes

Tax expenses for 2016 totaled SEK 65.7 M (expense: 74.3).





# REPORT ON THE BUSINESS SEGMENT

Skånska Byggvaror AB was acquired by Byggmax on January 4, 2016. Due to the acquisition, the internal follow-up will include separate financial information for each brand, which is why segment information from the first quarter of 2016 will be presented for three segments.

These three segments are Byggmax, Skånska Byggvaror and Other. Other includes Builder, intra-Group leasing of owned properties, a distribution company and the Parent Company Byggmax Group AB. No individual part of the Other segment represents such a material part that it forms a reportable segment, which is why we have chosen to aggregate them. The performance metric we use internally to follow up and evaluate operations is EBIT before depreciation/amortization and impairment of tangible and intangible fixed assets (EBITDA). In 2015, operations were only followed up based on one reportable segment, Byggmax, which was included for the comparative period in accordance with the presentation format that will be used in 2016. For more information see note 1.

## Byggmax

The Byggmax segment includes Byggmax AB and the subsidiaries Byggmax Norge and Byggmax AB Finland. Operating income declined 4.8 percent, to SEK 807.7 M (848.8), during the fourth quarter and increased 4.5 percent, to SEK 4,331.6 M (4,143.1) for the full year. EBITDA amounted to SEK 36.1 M (60.5) for the fourth quarter and SEK 417.8 M (389.1) for the full year. EBIT amounted

to SEK -3.8 M (26.5) for the fourth quarter and SEK 267.1 M (259.3) for the full year 2016. The gross margin for the Byggmax segment declined due to lower volume bonuses from suppliers the corresponding quarter in preceding year, which was very strong in terms of sales. In addition, the gross margin was positively affected by the strong NOK, negatively by the stronger EUR and mix effects attributable to online sales. Earnings were also impacted by costs for stores opened after the fourth quarter of 2015, for the full year amounting to SEK 48.7 M. The EBITDA margin for the quarter was 4.5 percent (7.1) and EBITDA for the full year increased to 9.6 percent (9.4).

## Skånska Byggvaror

Operating income rose 10.5 percent to SEK 145.4 M during the fourth quarter and 10.2 percent to SEK 794.7 M for the full year. EBIT amounted to SEK -7.4 M for the fourth quarter and SEK 4.0 M for the full year 2016. The gross margin for the Skånska Byggvaror segment declined sharply during the quarter driven by aggressive pricing and mix effects. EBITDA amounted to a negative SEK 4.4 M for the fourth quarter and positive SEK 54.4 M for the full year. Earnings were also impacted by costs for stores opened after the fourth quarter of 2015, for the full year amounting to SEK 22.4 M. The EBITDA margin was a negative 3.0 percent for the quarter and positive 6.8 percent for the full year. EBIT for the Group was impacted by the amortization of customer relationships and brands totaling SEK 9.9 M for the quarter and SEK 39.6 M for the full year, identified in connection with the acquisition of Skånska Byggvaror Group AB.

## SEGMENT SUMMARY

| SEK M                                 | October-December |              | January-December |                |
|---------------------------------------|------------------|--------------|------------------|----------------|
|                                       | 2016             | 2015         | 2016             | 2015           |
| <b>Income from external customers</b> |                  |              |                  |                |
| Byggmax                               | 807.7            | 848.8        | 4,331.6          | 4,143.1        |
| Skånska Byggvaror                     | 145.4            | 0.0          | 794.7            | 0.0            |
| Other                                 | 88.7             | -6.8         | 221.7            | -2.0           |
| <b>Total income</b>                   | <b>1,041.8</b>   | <b>842.0</b> | <b>5,348.0</b>   | <b>4,141.1</b> |
| <b>EBITDA</b>                         |                  |              |                  |                |
| Byggmax                               | 36.1             | 60.5         | 417.8            | 389.1          |
| Skånska Byggvaror                     | -4.4             | 0.0          | 54.4             | 0.0            |
| Other                                 | 62.5             | -2.5         | 109.2            | 26.7           |
| <b>Total</b>                          | <b>94.1</b>      | <b>58.0</b>  | <b>581.3</b>     | <b>415.8</b>   |
| <b>EBITDA margin, percent</b>         |                  |              |                  |                |
| Byggmax                               | 4,5%             | 7,1%         | 9,6%             | 9,4%           |
| Skånska Byggvaror                     | -3,0             | 0,0%         | 6,8%             | 0,0%           |
| Other                                 | 21,1%            | -1,2%        | 10,2%            | 3,3%           |
| <b>Total EBIT margin, percent</b>     | <b>7,6%</b>      | <b>5,5%</b>  | <b>9,4%</b>      | <b>8,3%</b>    |

# CASH FLOW AND FINANCIAL POSITION

## Cash flow and financial position

Cash flow from operating activities amounted to SEK -249.7 M (negative: 276.6) for the period October to December, up SEK 26.9 M year-on-year, and to SEK 335.5 M (491.9) for the full year. The cash flow was impacted by Buildor AB and the Skånska Byggvaror Group. Inventory totaled SEK 818.5 M (666.1), up SEK 152.4 M. Inventory for Skånska Byggvaror totaled to SEK 76.7 M. Compared with the end of the year-earlier period, ten new Byggmax stores were added and the associated inventory amounted to SEK 43.0 M. Distribution inventory was SEK 34.5 M higher year-on-year.

At December 31, 2016, consolidated shareholders' equity amounted to SEK 1,302.2 M (1,142.0). Consolidated net debt was SEK 1,182.8 M (debt: 319.3), up SEK 863.5 M year-on-year. The higher net debt can be explained by the acquisition of Skånska Byggvaror, which has been financed via a bank loan with Svenska Handelsbanken. The equity/assets ratio amounted to 35.9 percent (48.9). Unutilized credits totaled SEK 245.4 M (251.6).

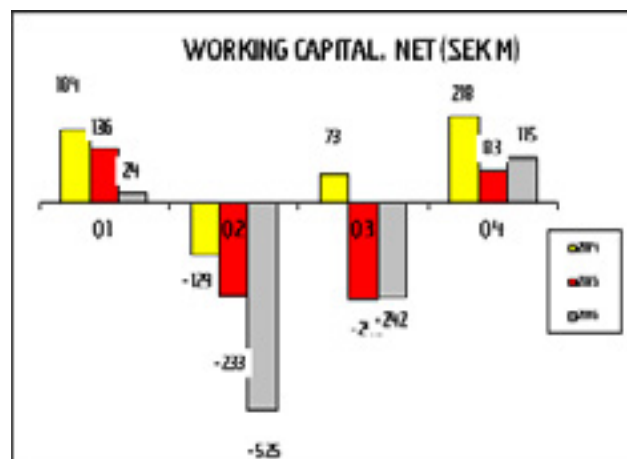
Investments during the fourth quarter amounted to SEK 21.4 M (36.5). Of these investments, SEK 7.2 M (5.8) pertained to investments in stores opened during 2016 and SEK 5.9 M (8.4) to IT investments. Investments relating to the conversion of stores to the Byggmax 2.0 concept totaled SEK 0.0 M (16.9) for the fourth quarter. Investments for the full year amounted to SEK 171.4 M (164.2). Of these investments, SEK 72.8 M (34.3) pertained to investments in stores opened during 2016 and SEK 27.9 M (21.7) to IT investments. Investments relating to the conversion of stores to the Byggmax 2.0 concept totaled SEK 38.0 M (61.2) for 2016.

During 2012 and 2013, in two principal cases, Swedish Customs decided to levy Byggmax for additional VAT charges, customs sanction fees, customs and anti-dumping duties. The current status of the cases is that the 2012 case was remanded to the Administrative Court for reconsideration, where it was decided to reject Byggmax's appeal. The Supreme Administrative Court decided against providing leave to appeal for the cases from 2013, which had been sent there for appeal by Byggmax's subsidiaries. For further historical information on these cases, please refer to the Annual Report for 2015 and previous years.

In parallel with these processes, Byggmax has agreed on future compensation in a corresponding amount with the supplier that sold the products in question and on which general customs and anti-dumping duties were payable. Byggmax paid a total of SEK 23.2 M in customs and anti-dumping duties to Swedish Customs, while outstanding supplier receivables amount to SEK 16.8 M.

## Acquisition of subsidiary

On January 4, 2016, Skånska Byggvaror Group AB (Corp. Reg. No. 556987-6849) was acquired with the aim of strengthening Byggmax's online store offering. Skånska Byggvaror AB is a fast-growing e-commerce player with operations in Sweden, Norway and Denmark. The acquisition includes 100 percent of the shares in



Skånska Byggvaror Group AB and has had the following effects on the consolidated balance sheet and cash and cash equivalents. A possible earnout of SEK 110.0 M was recorded, if EBITDA exceeds SEK 67 M in 2016, with a maximum payout if EBITDA reaches SEK 79 M or more. The earnout for the acquisition is valued at fair value and discounted based on future payment dates. It was noted during the third and fourth quarters that SEK 110 M will not be regulated for Skånska Byggvaror Group AB. As a consequence of this, SEK 109.1 M, which comprises the discounted value of the earnout, payment of which has been assessed as unlikely, has been recognized as other operating income.

Since the acquisition date, Skånska Byggvaror Group AB has contributed SEK 794.7 M in sales and SEK 41.0 M in EBIT. Goodwill resulted from the acquisition, and consists of synergy effects. The effect of deferred tax was also taken into account when making this adjustment. Intangible assets in the form of customer relationships and the brand were identified in connection with the acquisition. Byggmax amortizes these assets, and the annual cost is estimated at SEK 39.6 M for amortizations and SEK 8.7 M for deferred tax. The acquisition analysis is subject to a final adjustment one year after the date of acquisition.

An impairment test was carried out due to a lower earnings forecast for the company compared with that used at the acquisition date. This earnings forecast used estimated future cash flows based on the 2016 business plan and forecasts for the period from 2016 to 2021. The forecasts were based on a number of principal assumptions concerning future growth and EBIT margins. After the forecast period, an estimated growth rate of 2 percent was used for the cash-generating unit, and a WACC of 10.7 percent was used for the impairment test. This resulted in an impairment of SEK 44.8 M, which had a negative impact on earnings on the third quarter.

# CASH FLOW AND FINANCIAL POSITION

## CONT.

| Acquisition analysis<br>Skånska Byggsvaror                                | Fair value, SEK M |
|---|-------------------|
| Customer relationships  | 117.8             |
| Brand   | 191.2             |
| Tangible assets   | 22.8              |
| Inventories   | 58.9              |
| Accounts receivable and other receivables                                 | 28.2              |
| Cash and cash equivalents   | 39.0              |
| Deferred tax  | -1.0              |
| Long-term liabilities   | -172.5            |
| Accounts payable and other liabilities                                    | -127.5            |
| Net assets acquired   | 156.9             |
| Goodwill  | 687.7             |
| Total purchase consideration  | 844.6             |
| Unpaid part of purchase consideration                                     | -101.9            |
| Cash and cash equivalents at acquired company                             | -39.0             |
| Change in the Group's cash and cash equivalents following the acquisition | -703.7            |

### New store openings

A total of fifteen new stores were opened during the period January to December 2016: six Byggmax stores in Sweden, three Byggmax stores in Norway, one DYL store in Sweden and five Skånska Byggsvaror stores in Sweden.

### The Byggmax workforce

The number of employees (converted into full-time equivalents) totaled 981 (719) at the end of the period. This increase in the number of employees can be explained by 198 employees at the acquired companies.

### Parent Company

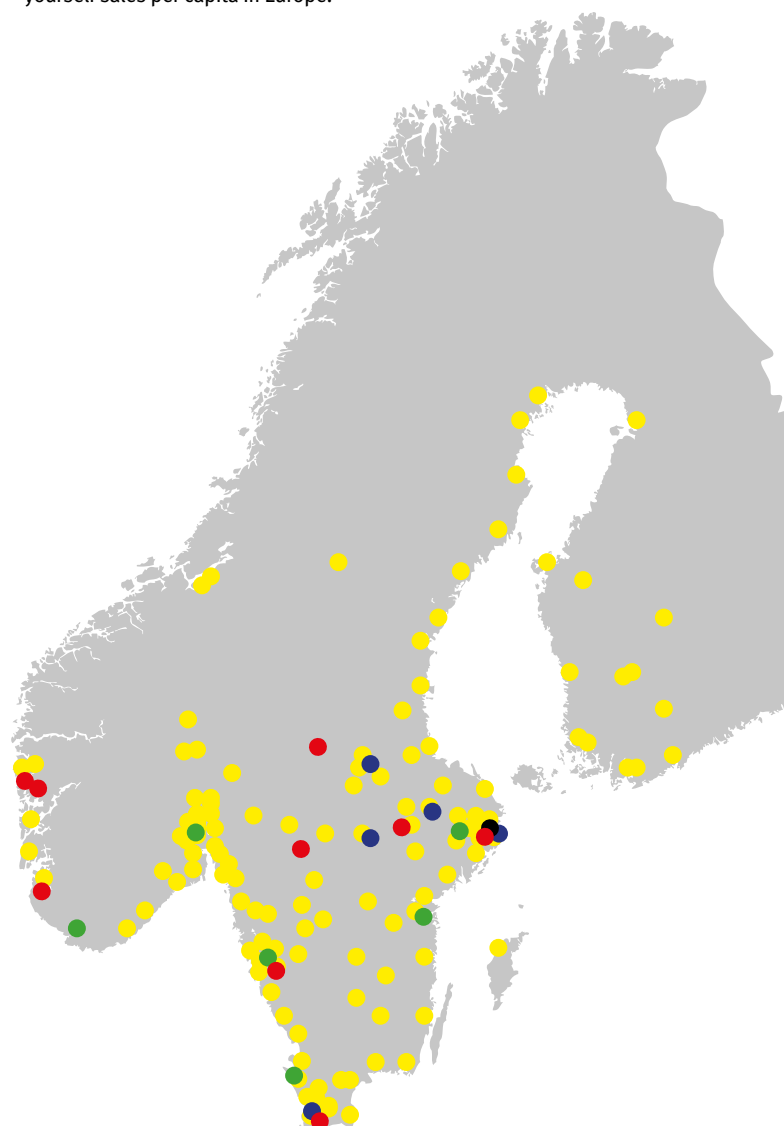
The Parent Company comprises a holding company. The Parent Company's sales amounted to SEK 0.1 M (0.1) for the fourth quarter and SEK 0.3 M (0.3) for the full year. Profit after financial items amounted to SEK 157.8 M (138.3) for the fourth quarter and SEK 139.7 M (130.4) for the full fiscal year. Earnings were impacted by an anticipate dividend of SEK 140.0 M (140.0).

### Events after the close of the reporting period

No significant events have occurred since the end of the reporting period.

### MARKET – POTENTIAL FOR FURTHER GROWTH

The Byggmax Group conducts business in the Swedish, Norwegian, Finnish and Danish do-it-yourself market. The European do-it-yourself market's total turnover is approximately 112.8 billion euros (estimated do-it-yourself market size 2013) according Mintel and is expected to grow by about two percent per year over the next five years compared with an average annual growth 2009-2013 at 2.2 percent. The corresponding figures for the same period in Sweden, Norway, Finland and Denmark show an average annual growth that exceeds many other European countries since 2009, with Sweden having the highest growth number of 7.6 percent. Sweden, Norway, Finland and Denmark together account for nearly 6 percent of the European market, where Norway has the second highest do-it-yourself sales per capita in Europe.



|   |   |     |
|---|---|-----|
| ● | Byggmax stores                            | 119 |
| ● | New Byggmax stores                        | 9   |
| ● | Skånska Byggsvaror/Grønt fokus stores     | 6   |
| ● | New Skånska Byggsvaror/Grønt fokus stores | 5   |
| ● | DYL store                                 | 1   |

<sup>1</sup>As stated in the description on page 6, the total earnout has been revalued by an amount of SEK 109.0 M and a SEK 44.1 M impairment applied to goodwill.

# THE BYGGMAX GROUP

## Byggmax in brief

### Business concept

Byggmax's business concept is to sell high-quality building supplies at the lowest price possible.

### Business model and key factors for success

Byggmax offers affordable high-quality products for the most common maintenance and DIY projects. Since the start in 1993, the organization has been characterized by the so-called "Byggmax concept" which has been decisive for the company's development. The concept is built on a limited product range, resource-efficient administration, strong company culture and a competitive and effective pricing strategy, as well as the stores, distinguished shape and design.

### Goals

Byggmax has determined its long-term goals for the Group as follows:

- Nets sales to grow 15 percent per year over time, inclusive of acquisitions.
- To have an EBITDA margin of at least 9 percent per year.
- To distribute at least 50 percent of net profit.

### Strategies

Byggmax's strategy for achieving its financial goals is to expand the chain of stores in existing markets, to improve operating activities and to maintain continuous focus on business development.

To reach the financial goals, Byggmax has defined the following strategies:

- Expand the retail network for Byggmax and Skånska Byggvaror
- Expand the online assortment
- Strengthen the brands in the Group
- Continue to drive efficiency within the organization
- Improve the purchasing conditions of goods and services
- Develop the offer, e.g. what we have done by offering construction services for a fixed price

### Byggmax organization

Byggmax has a resource-efficient organization with the majority of business activities managed centrally. Aside from the sales force, which is based in Byggmax stores, most business processes, including Byggmax's online sales, are managed functionwide across all stores by the head office in Solna, near Stockholm.

In addition to the office in Solna, Skånska Byggvaror has an office in Helsingborg.

### Risks and uncertainties

A number of factors can impact Byggmax's earnings and operations. Most of these factors can be managed through internal procedures, while certain factors are largely governed by external circumstances. For a more detailed description of the Group's risks and risk management, refer to the Annual Report.

Apart from the risks described in the Annual Report, no material risks arose during the period.

### Seasonal fluctuations

The company's operations are affected by strong seasonal variations controlled by consumer demand for basic building supplies. Due to the weather's impact on demand, Byggmax's sales and cash flow are generally higher in the second and third quarters, when about two thirds of the company's sales are generated, while these usually decline in the fourth and first quarters. Although seasonal variations do not normally affect Byggmax's earnings and cash flow from year to year, earnings and cash flow may be impacted during the year by unusually harsh or mild weather conditions, or by excessive or insufficient precipitation. Byggmax endeavors to balance the seasonal effects by launching new products that are not as susceptible to seasonal variations.

### About Buildor.se

Buildor.se has been a part of the Byggmax family since October 2015. Buildor.se was launched in 2013 with the goal of making it easier and more pleasant to shop for building supplies. Buildor offers a broad range of varied product categories at the market's most competitive prices for building supplies and interior fittings online. It is just as important for us to provide fast and personal customer service as it is to ensure our employees have the requisite expertise regarding the products' function and accessories to be able to help customers in the most effective way. Another equally important aspect is offering lightning-fast deliveries, which is something Buildor is known for.

### About Skånska Byggvaror

Skånska Byggvaror has been a part of the Byggmax family since January 2016. Skånska Byggvaror was founded in 1965 and is an expansive and profitable online Nordic distance retailer of value-added building products for the DIY market.

Skånska Byggvaror offers a carefully selected and affordable product range to DIY customers, mainly through its web platform. The business model is characterized by a high number of products under its own brand, control of the value chain from product development to home delivery and a high level of service regardless of sales channel. Skånska Byggvaror has eleven stores: nine in Sweden and two in Norway.

<sup>1</sup> Previous financial targets were: • To achieve organic growth in excess of 15 percent of net sales per year by expanding the store network and increasing like-for-like sales. • To maintain an EBIT margin in relation to net sales of more than 11 percent.



## Ownership structure

| Ownership                                  | Number of shares  | Holding (%)   |
|--|-------------------|---------------|
| Nordea Investment Funds                    | 6,715,894         | 11.06         |
| Swedbank Robur fonder                      | 5,876,132         | 9.67          |
| SEB Investment Management                  | 5,785,570         | 9.53          |
| Handelsbanken fonder                       | 2,962,808         | 4.88          |
| Carnegie fonder                            | 2,899,150         | 4.77          |
| ODIN Forvaltning AS                        | 2,608,158         | 4.29          |
| Försäkringsaktiebolaget, Avanza Pension    | 1,595,652         | 2.63          |
| Threadneedle Asset Management Ltd.         | 1,541,542         | 2.54          |
| Evli Fund Management Co. Ltd.              | 1,499,575         | 2.47          |
| Skandinaviska Enskilda Banken AB (Denmark) | 881,340           | 1.56          |
| <b>Total of the ten major shareholders</b> | <b>32,365,821</b> | <b>53.29</b>  |
| <b>Total other shareholders</b>            | <b>28,371,224</b> | <b>46.71</b>  |
| <b>Total at December 31, 2016</b>          | <b>60,737,045</b> | <b>100.00</b> |

## Value drivers

Byggmax's ability to create value through its business is impacted in the long and short term by various external and internal factors. A selection of these are listed below.

### Value drivers – short-term factors

- Trends in cost prices – Cost prices impact Byggmax's margins. Historically, the market has passed on adjustments in cost prices to the end consumer.
- Competitors' pricing – Byggmax prices products based on the prices of the competition with the objective of always being the cheapest. Therefore, the pricing of competitors affects margins.
- Short-term trends in the DIY market – Byggmax operates in the DIY market and, accordingly, its trends impact the company.
- Weather – Byggmax sells many items for outdoor use and, accordingly, sales are impacted by the weather. Seasonal variations are clearly visible and the company has significantly higher turnover in spring, summer and early autumn.
- Availability of attractive store locations – The establishment of new stores is a key element of Byggmax's strategy in both the long and short term, thus making attractive store locations of key importance.

### Value drivers – long-term factors

- The ability to maintain the strong corporate culture – The Byggmax culture plays a key role in the company's success and its retention is a key factor for continued success.
- The ability to execute the Group's strategy and business concept – Maintaining stringency levels in the product range and pricing as well as continuing to trim the organization through continuous improvements comprise a few of the key elements for success.
- The ability to renew the concept and strategies when needed – The Byggmax concept has remained much the same since it was founded in 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 its long-term trend is important.

- Trends in the attractiveness of the low-price segment in the DIY market – Byggmax's strategy is to become the largest operator in the low-price segment in the Nordic region. Long-term trends are therefore important.
- The competition's strategies and their execution – Byggmax operates in a competitive market and the actions of the competition affect the Group.
- E-commerce trend in building materials – E-commerce comprises a significant portion of Byggmax's sales and is an area in which the Byggmax Group is investing.
- Trend in demand for sun rooms – Sun rooms represent an important product group for Skånska Byggarvaror, one of the companies in the Byggmax Group.

## Accounting policies

Byggmax Group AB (publ) applies International Financial Reporting Standards (IFRS) as adopted by the EU. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting, the Swedish Annual Accounts Act and RFR 1 Supplementary Accounting Rules for Groups.

The Parent Company's financial statements have been prepared in accordance with the Swedish Annual Accounts Act and RFR 2 Accounting for Legal Entities. The same accounting policies were applied for the Parent Company as for the Group, except in the cases stated under Parent Company accounting policies in Note 2.16 of the Annual Report for 2015.

For a more detailed description of the accounting policies applied for the Group and the Parent Company in this interim report, refer to Notes 1-4 of the Annual Report for the 2015 fiscal year.

The interim data on pages 1-17 comprises an integrated part of this financial report.

All of the figures listed above and below in parentheses refer to the corresponding period or date in the preceding year.

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

Stockholm, January 24, 2017

Mattias Ankarberg  
President, Byggmax Group AB (publ)

## Financial calendar

|                                     |                 |
|-------------------------------------|-----------------|
| Interim report, first quarter 2017  | 24 April 2017   |
| Interim report, second quarter 2017 | 17 July 2017    |
| Interim report, third quarter 2017  | 18 October 2017 |

### Annual General Meeting

The 2016 Annual General Meeting will be held on May 10, 2017 in Stockholm.

The Annual Report will be available on our website: [www.byggmax.com](http://www.byggmax.com) from the week beginning April 17, 2017.

## Consolidated summary of comprehensive income

| Amount in SEK M  | Note | Oct - Dec |        | Jan - Dec |          |
|--|------|-----------|--------|-----------|----------|
|  |      | 2016      | 2015   | 2016      | 2015     |
| Operating income   |      |           |        |           |          |
| Net sales  |      | 974.9     | 839.3  | 5,219.3   | 4,131.1  |
| Other operating income   |      | 66.9      | 2.7    | 128.7     | 10.0     |
| Total operating income   | 1    | 1,041.8   | 842.0  | 5,348.0   | 4,141.1  |
| Operating expenses   |      |           |        |           |          |
| Goods for sale   |      | -684.4    | -567.1 | -3,623.4  | -2,868.3 |
| Other external costs and operating expenses                        |      | -134.1    | -113.9 | -616.6    | -471.2   |
| Personnel costs  |      | -129.1    | -103.0 | -526.7    | -385.8   |
| Depreciation, amortization of tangible and intangible fixed assets |      | -39.0     | -22.5  | -189.5    | -84.1    |
| Total operating expenses   |      | -986.6    | -806.5 | -4,956.2  | -3,809.4 |
| EBIT   |      | 55.2      | 35.5   | 391.8     | 331.7    |
| Profit/loss from financial items                                   |      | -2.8      | -6.1   | -41.5     | 2.4      |
| Profit before tax  |      | 52.4      | 29.4   | 350.3     | 334.1    |
| Income tax   |      | 4.4       | -3.1   | -65.7     | -74.3    |
| Profit/loss for the period   |      | 56.8      | 26.3   | 284.6     | 259.8    |
| Other comprehensive income for the period                          |      |           |        |           |          |
| Items that will not be reclassified to profit or loss              |      | 0.0       | 0.0    | 0.0       | 0.0      |
|  |      | 0.0       | 0.0    | 0.0       | 0.0      |
| Items that may be subsequently reclassified to profit or loss      |      |           |        |           |          |
| Translation differences  |      | -4.2      | -2.3   | 11.8      | -11.1    |
| Other comprehensive income for the period                          |      | -4.2      | -2.3   | 11.8      | -11.1    |
| Total comprehensive income for the period                          |      | 52.5      | 23.9   | 296.4     | 248.7    |
| Earnings per share before dilution, SEK                            |      | 0.9       | 0.4    | 4.7       | 4.3      |
| Earnings per share after dilution, SEK                             |      | 0.9       | 0.4    | 4.6       | 4.2      |
| Average number of shares, thousands                                |      | 60,737    | 60,737 | 60,737    | 60,737   |
| Number of shares at the end of the period, thousands               |      | 60,737    | 60,737 | 60,737    | 60,737   |

## Consolidated summary of statement of financial position

| Amounts in SEK M          | Note | December 31, 2016 | December 31, 2015 |
|---------------------------|------|-------------------|-------------------|
| <b>ASSETS</b>             |      |                   |                   |
| Fixed assets              |      |                   |                   |
| Intangible fixed assets   |      | 2,222.3           | 1,215.7           |
| Tangible fixed assets     |      | 375.7             | 286.6             |
| Financial fixed assets    |      | 21.0              | 25.0              |
| Total fixed assets        |      | 2,619.0           | 1,527.2           |
| Current assets            |      |                   |                   |
| Inventories               |      | 818.5             | 666.1             |
| Derivatives               |      | 0.2               | 0.0               |
| Current receivables       |      | 150.9             | 109.3             |
| Cash and cash equivalents |      | 41.9              | 31.7              |
| Total current assets      |      | 1,011.5           | 807.1             |
| <b>TOTAL ASSETS</b>       |      | <b>3,630.5</b>    | <b>2,334.4</b>    |

| Amounts in SEK M                                  | Note | December 31, 2016 | December 31, 2015 |
|---|------|-------------------|-------------------|
| <b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>       |      |                   |                   |
| Shareholders' equity                              |      | 1,302.2           | 1,142.0           |
| <b>LIABILITIES</b>                                |      |                   |                   |
| Borrowing from credit institutions                |      | 525.1             | 0.1               |
| Deferred tax liabilities                          |      | 201.3             | 105.8             |
| Long-term liabilities                             |      | 47.3              | 42.9              |
| Long-term liabilities                             |      | 773.7             | 148.7             |
| Borrowing from credit institutions                |      | 699.6             | 350.9             |
| Accounts payable                                  |      | 630.7             | 520.3             |
| Current tax liabilities                           |      | 20.8              | 18.4              |
| Derivatives                                       |      | 0.3               | 0.1               |
| Other liabilities                                 |      | 62.3              | 34.4              |
| Accrued expenses and deferred income              |      | 141.0             | 119.6             |
| Current liabilities                               |      | 1,554.7           | 1,043.7           |
| <b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b> |      | <b>3,630.5</b>    | <b>2,334.4</b>    |
| Pledged assets - Shares in subsidiaries           |      | 0.0               | 0.0               |
| Pledged assets - Chattel mortgages                |      | 0.0               | 0.0               |
| Pledged assets - Blocked funds                    |      | 7.9               | 7.7               |
| Contingent liabilities                            |      | None              | None              |

## Consolidated statement of changes in shareholders' equity

| Amounts in SEK M                               | Note | December 31, 2016 | December 31, 2015 |
|--|------|-------------------|-------------------|
| Opening balance at the beginning of the period |      | 1,142.0           | 1,047.6           |
| <b>COMPREHENSIVE INCOME</b>                    |      |                   |                   |
| Translation differences                        |      | 11.7              | -11.0             |
| Profit for the period                          |      | 284.6             | 259.8             |
| Total comprehensive income                     |      | 296.3             | 248.8             |
| <b>TRANSACTIONS WITH SHAREHOLDERS</b>          |      |                   |                   |
| Dividend to shareholders                       |      | -130.0            | -157.9            |
| Issue of warrants                              |      | -6.5              | 3.6               |
| Total transactions with shareholders           |      | -136.5            | -154.0            |
| Shareholders' equity at the end of the period  |      | 1,302.2           | 1,142.0           |

## Consolidated cash flow statement

| Amounts in SEK M  | Oct - Dec |        | Jan - Dec |        |        |
|---|-----------|--------|-----------|--------|--------|
|   | Note      | 2016   | 2015      | 2016   | 2015   |
| Cash flow from operating activities                                   |           |        |           |        |        |
| EBIT  |           | 55.2   | 35.5      | 391.8  | 331.7  |
| Non-cash items  |           |        |           |        |        |
| - Depreciation/amortization of tangible and intangible fixed assets   |           | 39.0   | 23.8      | 189.5  | 85.4   |
| - Other non-cash items  |           | -2.1   | -0.3      | 8.1    | -6.5   |
| Interest received   |           | 3.9    | 2.2       | 13.9   | 8.7    |
| Interest paid   |           | -8.8   | -4.5      | -55.2  | -16.7  |
| Tax paid  |           | -10.9  | -12.5     | -60.8  | -51.5  |
| Cash flow from operating activities before changes in working capital |           | 76.2   | 44.2      | 487.3  | 351.1  |
| Changes in working capital  |           |        |           |        |        |
| Increase/decrease in inventories and work in process                  |           | 48.5   | 16.8      | -94.2  | -59.0  |
| Increase/decrease in other current receivables                        |           | 50.2   | -24.3     | -10.4  | 25.9   |
| Increase/decrease in other current liabilities                        |           | -424.7 | -313.3    | -47.2  | 174.0  |
| Cash flow from operating activities                                   |           | -249.7 | -276.6    | 335.5  | 491.9  |
| Cash flow from investing activities                                   |           |        |           |        |        |
| Investment in intangible fixed assets                                 |           | -5.9   | -9.0      | -22.4  | -22.8  |
| Investment in tangible fixed assets                                   |           | -15.6  | -27.4     | -149.1 | -141.4 |
| Divestment of tangible fixed assets                                   |           | 0.0    | 0.0       | 0.0    | 0.0    |
| Investment in other financial fixed assets                            |           | 0.0    | 0.6       | -0.2   | 0.7    |
| Investment in subsidiaries  |           | 0.0    | -72.1     | -703.7 | -72.1  |
| Proceeds from sale of subsidiaries                                    |           | 0.0    | 0.0       | 0.0    | 31.8   |
| Cash flow from investing activities                                   |           | -21.5  | -107.9    | -875.4 | -203.7 |
| Cash flow from financing activities                                   |           |        |           |        |        |
| Change in overdraft facilities  |           | 316.7  | 148.4     | 210.6  | -128.3 |
| Issue of warrants   | 2         | -6.4   | 0.0       | -6.5   | 3.9    |
| Dividend to shareholders  |           | 0.0    | 0.0       | -130.0 | -157.9 |
| Borrowings  |           | 0.0    | 0.0       | 800.0  | 0.0    |
| Amortization of loans   |           | -50.5  | -1.3      | -324.3 | -4.4   |
| Cash flow from financing activities                                   |           | 259.8  | 147.1     | 549.9  | -286.8 |
| Cash flow for the period  |           | -11.4  | -237.5    | 10.1   | 1.4    |
| Cash and cash equivalents at the beginning of the period <sup>1</sup> |           | 45.5   | 261.4     | 23.9   | 22.5   |
| Cash and cash equivalents at the end of the period <sup>1</sup>       |           | 34.0   | 23.9      | 34.0   | 23.9   |

<sup>1</sup> Note that cash and cash equivalents in the cash flow are adjusted for restricted bank funds SEK 7.9 M.



## Parent Company income statement

| Amounts in SEK M            | Note | Oct - Dec |       | Jan - Dec |       |
|-----------------------------|------|-----------|-------|-----------|-------|
|                             |      | 2016      | 2015  | 2016      | 2015  |
| Operating income            |      | 0.1       | 0.1   | 0.3       | 0.3   |
| Total operating income      |      | 0.1       | 0.1   | 0.3       | 0.3   |
| Operating expenses          |      |           |       |           |       |
| Other external expenses     |      | -1.8      | -11.2 | -7.3      | -15.8 |
| Personnel costs             |      | -0.6      | -0.6  | -1.2      | -0.8  |
| Total operating expenses    |      | -2.4      | -11.8 | -8.6      | -16.6 |
| EBIT                        |      | -2.4      | -11.7 | -8.3      | -16.3 |
| Profit from financial items |      | 160.2     | 150.0 | 148.0     | 146.6 |
| Profit/loss before tax      |      | 157.8     | 138.3 | 139.7     | 130.4 |
| Tax on profit/loss          |      | -4.0      | -1.8  | 0.0       | 0.0   |
| Profit for the period       |      | 153.8     | 136.6 | 139.7     | 130.4 |

No statement of other comprehensive income was prepared since the company recognized no transactions under other comprehensive income. Accordingly, the profit for the period corresponds with the comprehensive income for the period.

## Parent Company balance sheet

| Amounts in SEK M       | Note | December 31, 2016 | December 31, 2015 |
|------------------------|------|-------------------|-------------------|
| ASSETS                 |      |                   |                   |
| Fixed assets           |      |                   |                   |
| Financial fixed assets |      | 1,605.0           | 861.0             |
| Total fixed assets     |      | 1,605.0           | 861.0             |
| Current assets         |      | 164.7             | 154.2             |
| Total current assets   |      | 164.7             | 154.2             |
| TOTAL ASSETS           |      | 1,769.7           | 1,015.3           |

| Amounts in SEK M                           | Note | December 31, 2016 | December 31, 2015 |
|--|------|-------------------|-------------------|
| SHAREHOLDERS' EQUITY AND LIABILITIES       |      |                   |                   |
| Shareholders' equity                       |      | 240.3             | 230.6             |
| Other long liabilities                     |      | 571.7             | 42.9              |
| Current liabilities                        |      | 957.7             | 741.7             |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES |      | 1,769.7           | 1,015.3           |
| Pledged assets                             |      | None              | None              |
| Contingent liabilities                     |      | None              | None              |

# Notes to the interim report

## Note 1 Segments

### October - December, 2016

| INCOME, SEK M   | Byggmax | Skånska Byggvaror | Other | Total   |
|---|---------|-------------------|-------|---------|
| Total income per segment                              | 804.1   | 145.9             | 296.6 | 1,246.6 |
| Income from Group customers per segment               | -3.6    | 0.4               | 208.0 | 204.8   |
| Income from external customers                        | 807.7   | 145.4             | 88.7  | 1,041.8 |
| Profit/loss before amortization and depreciation      | 36.1    | -4.4              | 62.5  | 94.1    |
| Operating margin before amortization and depreciation | 4.5     | -3.1              | 70.5  | 9.0     |
| Amortization and depreciation                         |         |                   |       | -82.3   |
| Financial income                                      |         |                   |       | 4.5     |
| Financial expenses                                    |         |                   |       | -16.2   |
| Profit before tax                                     |         |                   |       | 0.2     |

### January - December, 2016

| INCOME, SEK M   | Byggmax | Skånska Byggvaror | Other   | Total   |
|---|---------|-------------------|---------|---------|
| Total income per segment                              | 4,332.1 | 798.8             | 1,066.5 | 6,197.4 |
| Income from Group customers per segment               | 0.5     | 4.1               | 844.7   | 849.4   |
| Income from external customers                        | 4,331.6 | 794.7             | 221.7   | 5,348.0 |
| Profit/loss before amortization and depreciation      | 417.8   | 54.4              | 109.2   | 581.3   |
| Operating margin before amortization and depreciation | 9.6     | 6.8               | 49.2    | 10.9    |
| Amortization and depreciation                         |         |                   |         | -189.5  |
| Financial income                                      |         |                   |         | 20.4    |
| Financial expenses                                    |         |                   |         | -61.9   |
| Profit before tax                                     |         |                   |         | 350.4   |
| ASSETS PER SEGMENT:                                   | Byggmax | Skånska Byggvaror | Other   | Total   |
| Total assets per segment                              | 2,082.4 | 143.9             | 1,404.3 | 3,630.5 |
| LIABILITIES PER SEGMENT:                              | Byggmax | Skånska Byggvaror | Other   | Total   |
| Total liabilities per segment:                        | 2,082.4 | 143.9             | 1,404.3 | 3,630.5 |

## Note 2 Disclosures about transactions with related parties

No transactions occurred between Byggmax and related parties that could significantly impact the Company's position and results.

The 2013 and 2015 annual general meetings resolved to introduce warrants programs for senior executives and other key staff at Byggmax. The warrants were priced at market value, which was based on a valuation made by an independent party. Each warrant entitles its holder to subscribe for one share in the company at the exercise price shown in the table below. The participants of the warrants program have entered into a pre-emption agreement. The 2013 warrant program expires on November 11, 2017 and can be exercised from May 30, 2017. The 2015 warrant program expires on November 30, 2018 and can be exercised from May 30, 2018. In conjunction with Magnus Agervald leaving his position as President of Byggmax Group AB (publ), warrants totaling SEK 6.4 M were repurchased from Magnus Agervald.

|                        | 2013    | 2015    |
|------------------------|---------|---------|
| Total number           | 262,000 | 504,000 |
| Price                  | 2.24    | 3.98    |
| Exercise price         | 42.8    | 66.4    |
| Term                   | 4.5     | 3.5     |
| Number of participants | 12      | 20      |

### Note 3 Income per quarter

|  | Q1    | Q2      | Q3      | Q4    | Q1    | Q2      | Q3      | Q4    | Q1    | Q2      | Q3                 | Q4                |
|--|-------|---------|---------|-------|-------|---------|---------|-------|-------|---------|--------------------|-------------------|
|  | 2014  | 2014    | 2014    | 2014  | 2015  | 2015    | 2015    | 2015  | 2016  | 2016    | 2016               | 2016              |
| Net sales, SEK M                                   | 487.0 | 1,136.7 | 1,228.1 | 695.4 | 570.0 | 1,294.6 | 1,427.3 | 839.3 | 737.9 | 1,738.7 | 1,767.8            | 974.9             |
| Gross margin, percent                              | 34.1  | 28.9    | 31.1    | 32.5  | 32.2  | 29.3    | 30.0    | 32.4  | 31.2  | 29.9    | 31.4               | 29.8              |
| EBITDA, excluding acquisition costs, SEK M         | 4.1   | 112.4   | 193.1   | 56.8  | 3.0   | 151.7   | 203.4   | 67.3  | -24.0 | 194.0   | 317.5 <sup>1</sup> | 94.1 <sup>1</sup> |
| EBITDA, SEK M                                      | 4.1   | 112.4   | 193.1   | 56.8  | 3.0   | 151.4   | 203.4   | 58.0  | -24.2 | 193.8   | 317.5 <sup>1</sup> | 94.1 <sup>1</sup> |
| EBITDA margin, percent                             | 0.8   | 9.9     | 15.7    | 8.2   | 0.5   | 11.7    | 14.2    | 6.9   | -3.3  | 11.1    | 18.0 <sup>1</sup>  | 9.7 <sup>1</sup>  |
| EBIT, SEK M  | -11.3 | 95.1    | 175.0   | 37.9  | -16.1 | 130.8   | 181.6   | 35.5  | -57.8 | 159.2   | 235.3 <sup>1</sup> | 55.2 <sup>1</sup> |
| EBIT margin, percent                               | -2.3  | 8.4     | 14.3    | 5.4   | -2.8  | 10.1    | 12.7    | 4.2   | -7.8  | 9.2     | 13.3 <sup>1</sup>  | 5.7 <sup>1</sup>  |
| Working capital, SEK M                             | 184.3 | -129.4  | 72.9    | 217.8 | 136.1 | -233.2  | -246.4  | 82.8  | 23.8  | -524.5  | -241.6             | 114.6             |
| Return on equity, percent                          | -1.4  | 7.7     | 13.6    | 3.0   | -1.6  | 9.7     | 14.6    | 2.3   | -5.2  | 10.5    | 14.8               | 4.4               |
| Cash flow from operating activities per share, SEK | 0.8   | 6.6     | -0.9    | -1.4  | 1.5   | 7.9     | 3.2     | -4.6  | -1.4  | 11.4    | -0.4               | -4.1              |
| Shareholders' equity per share, SEK                | 15.8  | 14.6    | 16.8    | 17.2  | 17.0  | 16.0    | 18.4    | 18.8  | 17.9  | 17.7    | 20.7               | 21.4              |
| Profit after tax per share                         | -0.2  | 1.2     | 2.1     | 0.5   | -0.3  | 1.6     | 2.5     | 0.4   | -1.0  | 1.9     | 2.8                | 0.9               |
| Share price at the end of the period               | 49.3  | 56.3    | 46.6    | 52.0  | 60.3  | 56.0    | 76.0    | 87.0  | 74.5  | 64.3    | 64.8               | 63.0              |
| Number of stores                                   | 107   | 110     | 112     | 112   | 113   | 117     | 118     | 119   | 131   | 137     | 139                | 140               |

### Note 4 Acquisitions

The Byggmax Group acquired Buildor AB on November 1, 2015, and Skånska Byggvaror on January 4, 2016. In its year-end report for 2015, Byggmax AB prepared financial pro forma information for Q1-Q4 2015, providing details of the outcome if the merger of Byggmax, Buildor and Skånska Byggvaror had taken place by January 1, 2015. The financial pro forma information included has been taken from the financial information in Byggmax's year-end report for the year ending December 31, 2015, as well as from Buildor and Skånska Byggvaror's annual accounts for the year ending December 31, 2015. The information is reported to illustrate the financial impact of the proposed merger of the companies and their operations. The financial information as of December 31, 2015 has been subject to a review by the company's auditors. The financial pro forma information was prepared based on International Financial Reporting Standards (IFRS) and listing costs to a value of SEK 10.1 M have been excluded. Acquisition costs at Byggmax amounting to SEK 0.3 M in the second quarter and SEK 9.3 M in the fourth quarter have also been excluded. Listing costs at Skånska Byggvaror amounting to SEK 3.0 M in the third quarter and SEK 7.1 M in the fourth quarter have been excluded.

### Pro forma profit/loss Byggmax Group including Skånska Byggvaror and Buildor

| Amount in SEK M  | Full year |          |          |         |          |
|--|-----------|----------|----------|---------|----------|
|  | Q1 2015   | Q2 2015  | Q3 2015  | Q4 2015 | 2015     |
| Operating income   |           |          |          |         |          |
| Net sales  | 666.0     | 1,584.0  | 1,672.7  | 975.4   | 4,898.0  |
| Other operating income   | 0.9       | 4.0      | 2.5      | 2.7     | 10.1     |
| Total operating income   | 666.9     | 1,588.0  | 1,675.2  | 978.0   | 4,908.1  |
| Operating expenses   |           |          |          |         |          |
| Goods for sale   | -450.8    | -1,105.3 | -1,166.6 | -659.4  | -3,382.1 |
| Other external costs and operating expenses                        | -136.1    | -162.0   | -153.0   | -125.9  | -577.0   |
| Personnel costs  | -97.3     | -128.0   | -124.3   | -124.1  | -473.6   |
| Depreciation, amortization of tangible and intangible fixed assets | -22.0     | -23.5    | -24.8    | -25.1   | -95.3    |
| Total operating expenses   | -706.1    | -1,418.7 | -1,468.7 | -934.5  | -4,528.0 |
| EBIT   | -39.1     | 169.0    | 203.5    | 27.1    | 360.4    |
| Acquisition cost   | 0.0       | -0.3     | -3.0     | -16.4   | -19.7    |
| EBIT, excluding acquisition costs                                  | -39.1     | 169.3    | 206.5    | 43.5    | 380.1    |

<sup>1</sup>Earnings were impacted by the revaluation of the earnout linked to the acquisition of Skånska Byggvaror Group AB and part of the earnout for Buildor AB. The effect on other operating income totaled SEK 49.0 M for the third quarter of 2016 and SEK 63.3 M for the fourth quarter of 2016. Earnings for the third quarter of 2016 were also impacted by a goodwill impairment in the amount of negative SEK 44.8 M linked to the acquisition of Skånska Byggvaror Group AB.

## Note 5 Fair value disclosures pertaining to financial instruments

The fair value of financial liabilities and assets is estimated as equal to their carrying amounts. All external loans have an interest period of three months, meaning that the carrying amount closely corresponds to fair value.

## Note 6 Financial instruments

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 of the derivative instruments is based on observable data for the asset or liability, i.e. level 2. No reclassifications between the various levels took place during the period.

## Key ratios

Byggmax has reviewed its terminology for alternative key ratios due to the new guidelines from the European Securities and Markets Authority (ESMA). It has not been deemed necessary to change the key ratios. The Byggmax Group uses the alternative key ratios EBITDA, working capital, return on equity and net debt. The Group believes that these key ratios can be utilized by users of the financial statements as a supplement in assessing the possibility of dividends, making strategic investments, evaluating profitability and assessing the Group's ability to meet its financial commitments. Byggmax reports alternative key ratios to describe the operations' underlying profitability and to improve comparability between reporting periods and industries. The Group's definitions are unchanged compared with prior periods. Calculation of alternative key data is available at [www.byggmax.com](http://www.byggmax.com) under financial statistics.

## Financial key ratios

| Key ratio                                     | Definition  |
|---|---|
| Net sales for comparable stores               | Net sales for comparable stores is an important industry-specific ratio for the organic increase in sales. The ratio is a good tool for investors who want to compare sales increases for different companies in the industry. The Group defines this as sales for stores that are comparable.  |
| EBITDA  | EBITDA is a ratio that the Group considers to be relevant for investors seeking to understand earnings generation before investments in fixed assets. The Group defines earnings before interest, tax, depreciation and amortization (EBITDA) as EBIT from continuing operations excluding depreciation/amortization and impairment of tangible and intangible fixed assets.  |
| EBITDA margin                                 | EBITDA dividerat by net sales   |
| EBIT margin                                   | EBIT divided by net sales   |
| Earnings per share                            | Profit after tax divided by the average number of shares outstanding at the end of the period   |
| Cash flow from operating activities per share | Cash flow from operating activities for the period divided by the number of shares outstanding on the balance-sheet date  |
| Return on equity                              | Return on equity is a ratio that the Group considers to be relevant for investors seeking to compare their investments with alternative investments. The Group defines return on equity as profit after tax divided by average shareholders' equity.  |
| Working capital                               | Working capital is a ratio that the Group considers to be relevant for creditors and investors seeking to compare the amount of capital required by the Group to finance the operating activities. The Group defines working capital as items on the assets side (inventories, current receivables) less items on the liabilities side (accounts payable, current income tax liabilities, other liabilities, accrued expenses and deferred income). |
| Net debt                                      | Net debt is a ratio that the Group considers to be relevant for creditors who want to see the scope of the Group's total liabilities situation. The Group defines net debt as interest-bearing liabilities less cash and cash equivalents.  |
| Equity/assets ratio                           | Equity/assets ratio is a ratio that the Group considers to be important to creditors who want to understand the Group's long-term solvency. The Group defines the equity/assets ratio as shareholders' equity divided by total assets.  |



## Definition of market-specific ratios and figures

| Ratio              | Definition   |
|--------------------|--|
| Gross margin:      | (Net sales less goods for sale) in relation to net sales   |
| Comparable stores: | A comparable unit is considered comparable from the beginning of the second year following the opening of the online or physical store. Stores relocated to new premises in an existing location are treated in the same manner. |

This information is information that Byggmax Group AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 08:00 a.m. on January 24, 2017.

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